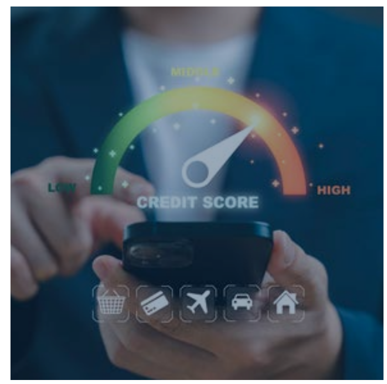
ANNUAL REPORT
2025



SOLVAY BANK CORP.

A Message to Our Shareholders

Paul P. Mello, President & Chief Executive Officer

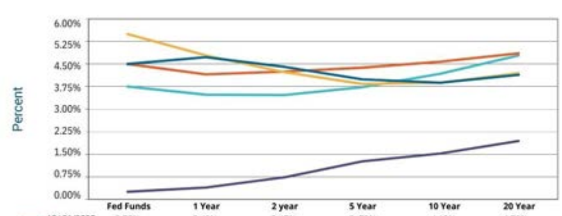
I am pleased to share the 2025 Solvay Bank Corp. Annual Report. Amid a year of high inflation, shifting monetary policy, and international trade and tariff uncertainties, Solvay Bank continued to focus on its Mission. By placing an emphasis on loan growth, cost of funds management, and technological investments, the Bank greatly improved its operating margin and achieved substantial earnings growth. This report outlines how the efforts of our talented team, under the insightful direction of our Board of Directors, delivered value for our shareholders and our customers. Central to this achievement is a focus on our multi-year strategic priorities that form the backbone of our decisions.

OUR OPERATING ENVIRONMENT

The economic environment for regional and community financial institutions remains challenging. The economy experienced steady growth in 2025, despite elevated inflation and short-term interest rates that reflected the Federal Reserve Bank's (the Fed) restrictive monetary policy. Deposits remain costly to retain and acquire, amid elevated short-term interest rates, as financial institutions continue to seek capital to fuel their lending.

Since 2022, the Fed has been determined to reduce inflation, that was stimulated by the post-pandemic recovery, in one of the most aggressive tightening cycles not seen since the early 1980s (see United States Treasury Yield Curve graph). The Fed raised the Federal Funds Rate (FFR) by 525 basis points (5.25%) from March 2022 through July 2023. As a result, the shape of the United States Treasury Yield Curve (Curve) was consistently inverted for over three years, which was significantly longer than typical inversion periods. An inverted Curve is caused when short-term interest rates exceed long-term interest rates, which is not a conducive environment for community and regional financial institutions to operate within. Deposits are generally priced off short-term interest rates, while investments and loans are influenced by longer-term interest rates. Hence, the prolonged inversion of the Curve impacted our earnings since 2023, as compared to historical results. The Fed began to ease monetary policy over the last four months of 2024, reducing FFR by 100 basis points. The Fed paused further easing for much of 2025, with inflation above their target and the impact of tariffs on inflation being unknown. It was not until the last four months of 2025 when the Fed reduced the FFR by a total of 75 basis points to 3.75%, as they became concerned with a broad-based deceleration of job growth.

United States Treasury Yield Curve



	Fed Funds	1 Year	2 year	5 Year	10 Year	20 Year
12/ 31/2025	3.75%	3.48%	3.47%	3. 73%	4.18%	4.79%
12/ 31/2024	4.50%	4.16%	4.25%	4. 38%	4.58%	4.86%
12/ 31/2023	5.50%	4.79%	4.23%	3. 84%	3.88%	4.20%
12/ 31/2022	4.50%	4.73%	4.41%	3. 99%	3.88%	4.14%
12/ 31/2021	0.25%	0.39%	0.73%	1. 26%	1.52%	1.94%

Source: U.S. Treasury Department

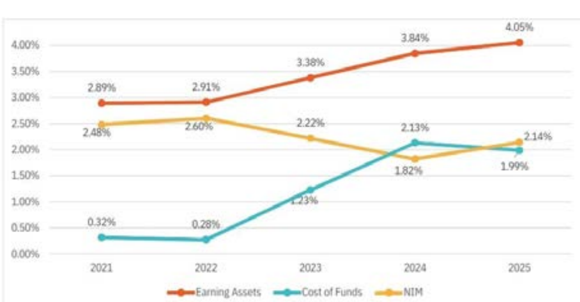
The reductions in the FFR were welcomed news as the shape of the Curve began to show signs of normalizing. The decline in short-term interest rates reduced our cost of funds. These reductions, coupled with growth in our loan portfolio, expanded our net interest margin (NIM) by 17.6%. NIM is measured by the difference between total interest income and total interest expense divided by total average assets. Likewise, net interest income (NII), the difference between interest income and interest expense, grew 17.0%. These improvements, as well as operating cost discipline, significantly increased the Bank's 2025 earnings.

OUR FINANCIAL PERFORMANCE

Net income for the year ended 2025 was $5.8 million, increasing $1.2 million or 26.6% compared to the prior year. The increase was driven by strong growth in NII, improvements in core service charge fee income, and a reduction in the Bank's effective tax rate. These improvements were partially offset by a small increase in our provision for credit losses and a modest increase in operating costs of 3.3%. Operating results compared favorably to the prior year, which included $2.0 million in pretax, nonrecurring income. Without the recognition of these items in 2024, net income would have increased $2.8 million or 92.2% over last year.

We continued to see a significant improvement in NII over the course of the year, growing $3.7 million or 17.0%, to $25.3 million as compared to 2024. We grew our loan portfolio and added earning assets (loans and investments) at higher interest rates than current portfolio rates. Our loan-to-deposit ratio improved year-over-year from 67.9% to 69.8%. Earning asset yields continued to grow, especially over the past three years, as new or maturing earning assets were priced at higher yields. Earning asset yields were 4.05%, up 21 basis points over the prior year (see Components of NII & NIM graph). As a result, interest income grew $1.7 million or 3.8%, as compared to the prior year. Similarly, NII was further supported by judicious deposit retention and tactical pricing strategies to lower funding costs which is noted in the graph as well. Funding costs for deposits and borrowings escalated in the post-pandemic period. Higher FFR and competition for deposits resulted in a significant jump in deposit interest rates, which peaked in 2024. We reduced our funding costs during 2025 by 14 basis points, ending the year at 1.99%. This resulted in an improvement in interest expense which fell $2.0 million or 8.3% over the prior year. Combined, these improvements increased our NIM 32 basis points to 2.14%.

Components of NII & NIM



Total other income was $6.2 million, $1.6 million or 20.7% below last year. The decrease from the prior year was primarily driven by three large, nonrecurring events recorded in 2024. The first was the one-time recognition of the Employee Retention Credit (ERC), which increased earnings $672 thousand, net of tax. The second event was the sale of Visa Class A shares, as part of the Exchange Offer by Visa, which increased 2024 earnings by $1.1 million, net of tax. Lastly, we executed an investment sale strategy totaling $10.7 million, which resulted in a $268 thousand loss, net of tax. This strategy was to better ladder investment cash flows and remove lower yielding securities from our balance sheet. Without the recognition of the three nonrecurring items in the prior year, total other income increased $429 thousand or 7.5% year-over-year, primarily driven by growth in service charges on accounts, interest received on the ERC, Solvay Bank Insurance Agency, Inc. results, and fee income from our Trust and Investment Management Department and our Brokerage business. We also recorded an increase in net gains on the sale of loans of $105 thousand. The Bank sold $9.2 million in residential mortgage loans in 2025, compared to $4.0 million sold in the prior year.

Through year-end 2025, the provisions for credit losses on loans and unfunded commitments were $176 thousand, an increase year-over-year of $101 thousand. This modest increase reflects the strong management and consistent performance of the credit quality of our loan portfolio. Nonperforming loans remained at a low level of $586 thousand or 0.08% of total loans at December 31, 2025. Our allowance for credit losses on loans was $8.0 million, which was in line with the prior year. Our unfunded commitment liability, which reflects reserves on off-balance sheet loan commitments, was $423 thousand, up $173 thousand or 69.2% over 2024 due to growth in our commercial construction portfolio.

Operating costs were $24.5 million, growing $776 thousand or 3.3% from last year. The year-over-year increase was primarily driven by higher payroll and health benefit expenses and increases in costs for commercial lending software, digital payment strategies, and automation and risk management software. Continued investment in technology, coupled with the integration of Artificial Intelligence (AI), improves our service quality, adds products and services, automates repetitive operational tasks, and supports fraud monitoring. These investments all contribute to our long-term objectives to improve the customer experience, create operating efficiencies, and better manage business risk.

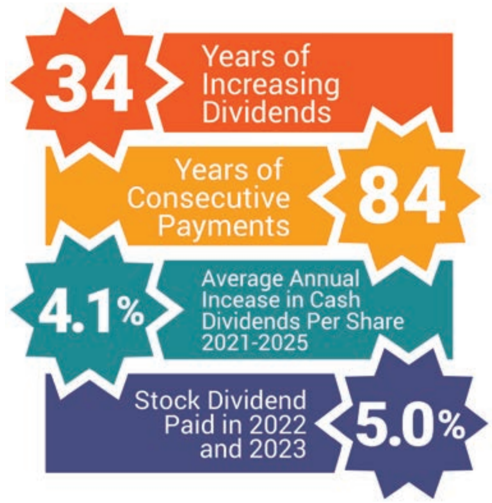
Total assets were $1.18 billion as of December 31, 2025, decreasing from last year by $9.6 million or 0.8%. Assets decreased year-over-year as we utilized idle cash, maturing investments, and proceeds from the sale of longer-term residential mortgage loans to pay down higher priced Federal Home Loan Bank of New York (FHLBNY) advances and fund growth in our loan portfolio. By design, these strategies supported earnings growth, improved liquidity, and reduced longer-term interest rate risk. Deposits grew modestly during the year to $1.06 billion, up $5.8 million or 0.5%. Compared to the prior year, retail and business account balances grew $14.0 million and $7.3 million, respectively, offset by a decrease in municipal deposits of $15.2 million. The Bank continues to maintain a well-diversified deposit portfolio, while striving to retain and grow core customer relationships. Varied product offerings allowed us to continue to effectively compete in a heavily banked market. In addition, by being more selective with our growth, we reduced our funding costs by 14 basis points, as noted earlier.

Federal Funds Sold declined $20.6 million from 2024, ending the year at $22.6 million. Investments were $359.8 million at year end, declining $9.2 million as compared to last year. The unrealized loss on the available for sale (AFS) portfolio was $26.6 million, which was at a four-year low, and down $15.8 million from 2024. Excluding the reduction in the unrealized loss on AFS securities, investments declined $25.0 million, compared to the prior year. As mentioned earlier, we utilized maturing investments to fund higher yielding loans and to reduce outstanding borrowings. Total loans grew $24.7 million and total borrowings declined $29.2 million over 2024.

Total loans were $743.3 million as of December 31, 2025, up 3.4% from last year. Growth in non-owner occupied (NOO) commercial real estate loans, commercial and industrial (C&I) loans, and residential real estate mortgage loans drove the increase in our portfolio year-over-year. Total commercial loans increased $15.6 million or 5.3% from last year. NOO commercial real estate loans increased by $9.7 million, commercial real estate loans decreased by $4.4 million, and C&I loans increased by $10.3 million. Residential real estate mortgage loans increased by $17.6 million or 5.5%, despite selling $9.2 million in loans to the secondary market. Consumer and other loans decreased by $8.5 million or 8.6% from last year, as the market for automobile loans declined and from aggressive pricing by our competition.

OUR COMMITMENT TO SHAREHOLDERS

Solvay Bank Corp. remains committed to creating long-term value for our shareholders, which is fundamental to our Mission and strategic priorities. This commitment is reflected in our consistent track record of dividend payments



over the past eighty-four years, including annual dividend increases in each of the past thirty-four years. In the most recent fiscal year, we increased dividends by 2.3% to $1.76 per share, demonstrating our continued financial strength and disciplined management.

THE VALUED CUSTOMER EXPERIENCE

Throughout 2025, many of our initiatives were anchored in a core commitment to elevating the customer experience, a focus that continues to distinguish us within a highly competitive landscape. By directing investments toward product innovation, market expansion, and more advanced technology, we effectively aligned our services with the evolving financial needs of our customers. These technologies did more than just improve the interface; they overhauled internal operations, providing vital resources to better serve our customers. One of our larger advancements was the migration of all clients to a new online banking platform, which introduced enhanced security, secure messaging, and integrated budgeting tools. Additional features were also introduced in the year to improve experience, including Credit Partner, an innovative tool that provides real-time credit monitoring and personalized financial wellness insights. The Bank also upgraded the lending experience by introducing a seamless, secure exchange of documents for residential mortgage applicants and a digital commercial credit platform that significantly accelerates financial analysis and loan decisioning for our business customers. In addition, our Trust and

Investment Management Department successfully transitioned to a premier wealth management solution. Our business clients benefited from the addition of Same Day ACH services and a new international wire provider, reducing risk and improving transactional efficiency. We introduced a full suite of new debit cards for our consumer and business customers, which added more convenience with contactless features. To ensure long-term stability and security, we integrated AI to automate routine workflows and sharpen our fraud detection capabilities. Other services that we improved during the year include a modernized statement and a new check ordering partnership, which enhanced service quality and reduced costs. Collectively, these milestones represent a multi-year effort to blend high-tech reliability with a personalized, efficient banking experience.

Our new contactless debit card suite.

COMMUNITY ENGAGEMENT

Along with our accomplishments regarding the customer experience, our commitment to support the communities we serve is central to our Mission. Our teams take this responsibility seriously and are proud to give back through meaningful engagement, including service on nonprofit boards, support for local schools, and active involvement with community organizations. Collectively, our employees contributed nearly 1,100 volunteer hours over the past year. Through our involvement, two critical needs continued to emerge: affordable housing and financial education. These priorities remain central to our community investment strategy and guide how we allocate resources and develop partnerships. Our targeted initiatives align with these priorities and we continue to work with organizations that share our focus, enabling us to deliver sustainable impact.

Solvay Bank team members providing financial education for 6th-8th grade students at the Boys & Girls Club of Syracuse.

Our continued partnership with the FHLBNY provides grants for income eligible first-time homebuyers. We closed more than $3.5 million in residential mortgage loans and disbursed over $550 thousand in closing cost assistance under their programs in 2025. In the past year, we also leveraged their Zero-Percent Development Advance (ZDA) Program, which assisted several small businesses with partial subsidies to their loan interest costs. A total of 16 businesses were supported with loans of approximately $2.5 million. Twenty-five non-profit customers, including food pantries, were supported last year with grant funds of $100 thousand through FHLBNY's Small Business Recovery Grant (SBRG) Program. These programs have been impactful. Over the past five years, more than $10.6 million in mortgages were funded, with over $1.3 million in grants disbursed. Under the ZDA Program, 52 businesses were supported for a total of $7.6 million in loans over the past three years. Finally, $200 thousand in grants, supporting 33 non-profit customers, were distributed in the past three years through the SBRG Program.

Solvay Bank employees at the Mary Nelson Backpack Giveaway.

Home HeadQuarters (HHQ), a community development financial institution, remains an important partner, supporting affordable homeownership opportunities. To support their community lending, we purchased $1.7 million in residential mortgage loans from them in 2025. Over the past five years, we have purchased 89 loans for $9.5 million from HHQ. During this period, we also contributed $1.0 million to their Flex Fund program to support home improvement lending to individuals that do not have access to traditional bank financing. We continued to partner with Syracuse University (SU) as a lender in its Live Local Initiative, which encourages SU employee homeownership in eligible areas around the campus. The program has yielded over $6.4 million in mortgages over the past three years. In addition, we delivered a comprehensive suite of financial education programs designed to support individuals at every stage of life. These initiatives included seminars on identifying and preventing elder financial fraud, long-term financial planning for homeownership and estate needs, workforce readiness programs for teens, and early education efforts introducing foundational financial concepts for children. Together, these efforts address key community needs and align closely with our Mission.

Solvay Bank team members volunteering their time to support the Syracuse Chapter of The Reading League.

OUR TALENTED TEAM

At Solvay Bank, we are committed to fostering a workplace of choice focused on attracting and retaining talented individuals who understand and embrace the community banking mission. Our Workplace Values shape our culture, and guide how we serve one another, our customers, and the communities we support. Together, we strive to deliver exceptional experiences and meaningful impact.

In 2025, we welcomed the following employees, whose expertise, fresh perspectives, and dedication further strengthen our organization.

- *John Popkess, Vice President, Commercial Loan Officer & Residential Construction Specialist.* John has extensive knowledge of commercial banking. He rejoins the team supporting our commercial construction programs.
- *Derrick Reed, Assistant Vice President, Branch Manager, Dewitt.* Derrick brings years of retail banking experience, focused on building relationships with clients.
- *Robert Edwards, Jr., Assistant Vice President, Business Development Officer.* Robert brings business development experience and is focused on developing small business opportunities.
- *Kirby Corcoran, Assistant Vice President, Deposit Operations & Payments Manager.* Kirby comes to the team with 11 years' experience in finance and banking operations.
- *James Bligh, Assistant Vice President, Retail Banking Manager.* Jim has worked in retail banking for many years and has extensive experience in team management and business development.
- *Morgan Seckner, Banking Officer, Compliance Officer.* Morgan brings expertise in regulatory compliance, supported by years of industry experience.

The following team members were promoted in 2025, demonstrating their solid expertise, experience and commitment to community banking:

- *Amber Brown, Vice President, Chief Retail Banking Officer.* Amber joined the Bank in 2016 as Assistant Branch Manager of our Cicero Office and has worked diligently to grow the success of the Bank.
- *Colin Haigney, Vice President, Credit Department Manager.* Colin has been with the credit team since 2018 and has become an integral part of the credit process.
- *Joshua Avery, Assistant Vice President, Branch Manager, North Syracuse.* Before owning his own business for 10 years, Josh worked for many years in banking and joined our team as an Assistant Branch Manager in 2024.
- *Eileen Cramer, Banking Officer, Trust Administrator, Compliance & Operations.* Eileen joined the Bank in 2022 and focuses on trust administration within the department.

THE YEAR AHEAD

Solvay Bank is positioning itself to capitalize on significant economic shifts in Onondaga County, particularly the upcoming multi-billion-dollar chip manufacturing investment that is expected to generate thousands of new local jobs. A primary driver of our future growth is the recent opening of our 10th location, the East Syracuse Smart*Office, situated in the James Street Wegmans Plaza. This state-of-the-art branch offers a full range of personal, business, and municipal banking services, while reinforcing our commitment to local residents and businesses. To support this expansion, we are introducing a new specialized product, our Horizon High-Yield Savings account, designed to attract tech-savvy clients through competitive tiered rates and seamless digital integration.

In parallel with the launch of our new Smart*Office, we are expanding our commercial lending presence into the Mohawk Valley, supported by dedicated outreach and a targeted business development effort. We are modernizing the commercial borrowing experience by incorporating online applications to automate and accelerate loan approvals for small businesses. These efforts are underpinned by data-driven insights that streamline lead distribution and sales outreach across all business lines. Furthermore, one of our digital initiatives includes the launch of a redesigned, more streamlined website. We also plan to accept real-time payments over the FedNow and RTP networks, ensuring our customers have access to efficient, instantaneous transaction capabilities.

With the steadfast support of our Board of Directors and a strong team, we are excited about continuing our growth and deepening our commitment to serving customers and the community. We remain committed to our Mission of providing the best experience for our customers to help make their financial dreams come true, while upholding socially responsible and community-minded principles, and delivering value to shareholders. As always, I deeply appreciate your continued support, loyalty, and trust in Solvay Bank Corp. Together, we look forward to a promising year ahead.

Very truly yours,

SOLVAY BANK CORP.

Paul P. Mello

Paul P. Mello
President & Chief Executive Officer

New Hires

James Bligh
Assistant Vice President,
Retail Banking Manager

Kirby Corcoran
Assistant Vice President,
Deposit Operations &
Payments Manager

Robert Edwards
Assistant Vice President,
Business Development Officer

John Popkess
Vice President,
Commercial Loan Officer &
Residential Construction Specialist

Derrick Reed
Assistant Vice President,
Branch Manager, Dewitt

Morgan Seckner
Banking Officer,
Compliance Officer

Promotions

Joshua Avery
Assistant Vice President,
Branch Manager, North Syracuse

Amber Brown
Vice President,
Chief Retail Banking Officer

Eileen Cramer
Banking Officer,
Trust Administrator,
Compliance & Operations

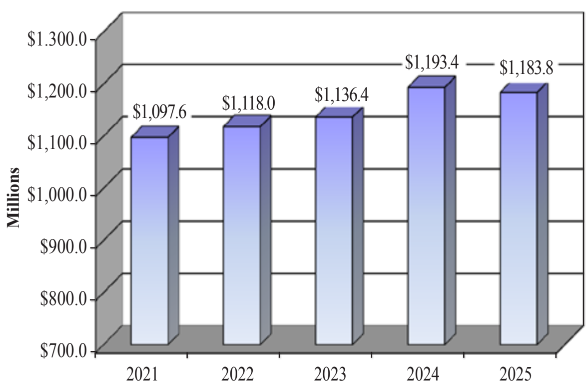
Colin Haigney
Vice President, Credit
Department Manager

Selected Financial Data

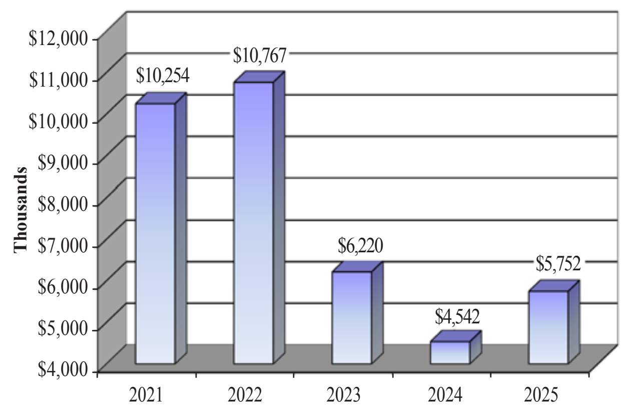
(In thousands, except share and per share data)	**2025**	2024	2023	2022	2021
Balance Sheet Data:					
Total Assets	**$ 1,183,806**	$ 1,193,412	$ 1,136,430	$ 1,117,966	$ 1,097,572
Total Deposits	**1,064,700**	1,058,912	968,040	992,029	987,505
Net Loans	**735,312**	710,494	690,549	664,398	617,596
Total Securities	**359,837**	369,063	345,495	381,615	426,844
Shareholders' Equity	**$ 93,122**	$ 79,872	$ 77,255	$ 69,640	$ 99,846
Operations Data:					
Net Interest Income	**$ 25,283**	$ 21,615	$ 24,622	$ 29,150	$ 27,535
Net Income	**5,752**	4,542	6,220	10,767	10,254
Cash Dividends	**$ 4,462**	$ 4,361	$ 4,259	$ 3,863	$ 3,404
Per Common Share Data:					
Basic Earnings	**$ 2.27**	$ 1.79	$ 2.45	$ 4.25	$ 4.04
Cash Dividends	**1.76**	1.72	1.68	1.52	1.34
Book Value	**$ 36.73**	$ 31.50	$ 30.47	$ 27.46	$ 41.34
Average Shares Outstanding	**2,535,202**	2,535,202	2,535,202	2,535,202	2,535,202

Per share data and average shares outstanding have been retrospectively adjusted to reflect 5% stock dividends executed on February 24, 2023 and February 25, 2022.

Total Assets



Net Income



Common Stock Data

Solvay Bank Corp. common stock is thinly traded in over-the-counter market. The following table sets forth the quarterly high and low price and cash dividends declared for 2025 and 2024.

	2025			2024		
	High	**Low**	**Div**	High	Low	Div
1st Quarter	**$29.80**	**$25.02**	**$0.44**	$31.50	$26.05	$0.43
2nd Quarter	**$29.90**	**$27.11**	**$0.44**	$29.75	$23.00	$0.43
3rd Quarter	**$29.90**	**$26.02**	**$0.44**	$32.70	$22.90	$0.43
4th Quarter	**$31.75**	**$28.00**	**$0.44**	$32.00	$26.05	$0.43

Stifel, 18 Columbia Turnpike, Florham Park, New Jersey 07932 is the market maker for the stock of Solvay Bank Corp. Information concerning the sale or purchase of Company stock may be obtained by calling Andrew Lieb, CRPC, at Stifel, at 800-342-2325 or by writing to them at the above address.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Solvay Bank Corp. (the Company) is a one-bank holding company incorporated in 1987. Its only subsidiary is Solvay Bank (the Bank), which was incorporated in 1917. The Bank is a state-chartered independent commercial bank, delivering comprehensive financial services through its offices in Solvay, the Village of Camillus, downtown Syracuse, Westvale in the Town of Geddes, North Syracuse, Liverpool, Cicero, DeWitt, Baldwinsville and our most recent addition, East Syracuse (opened in January 2026). Solvay Bank Insurance Agency, Inc. (SBIA), a wholly-owned subsidiary of Solvay Bank, operates as a general life, health, and property and casualty insurance agency. The Bank is also the majority owner of Solvay Realty Corp., a real estate investment trust company. The operations of these two companies are consolidated into the operations of the Bank and the Company.

The following management discussion and analysis describes the Company's financial condition and operating results for 2025. This section should be read in conjunction with the accompanying graphs, consolidated financial statements and supporting notes to consolidated financial statements contained within this Annual Report.

Financial Condition

Overview

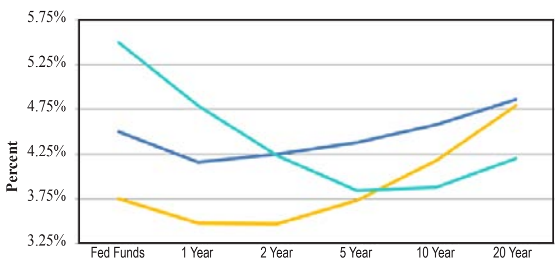
The economic environment for regional and community financial institutions remained challenging in 2025, but your Company remained committed to its Mission and the financial disciplines that have served us well over our 108 years in business. Earnings soared over the prior year led by steady loan growth, falling funding costs and rising net interest income (NII). While the economy experienced steady growth in 2025, inflation remained well above the Federal Reserve's (the Fed) target rate of 2% and employment data softened. The Fed continued to remain committed to its restrictive monetary policy throughout the majority of the year, influencing the direction of short-term interest rates, a benchmark for the pricing of deposits and borrowings. The Company remained focused on its pricing disciplines and liquidity management over the year, strategically utilizing cashflows from its idle funds and securities portfolio to grow higher yielding loans while paying down higher priced borrowings. All these actions contributed to the significant growth recognized in the Company's NII, up 17.0%. Further, strict operating cost disciplines allowed the Company's net income to grow an outstanding 26.6% in 2025.

Net income for the year was \$5.8 million, increasing \$1.2 million compared to 2024. NII grew \$3.7 million, or 17.0% and was the primary driver of the Company's 2025 financial success. The Company stayed true to its community bank model, increasing loans, retaining and growing core depositors and repricing earning assets upward, all while reducing its funding costs on deposits and borrowings. This improvement in core earnings helped offset three large nonrecurring items recognized in other income in 2024 that totaled \$2.0 million. Also contributing to our 2025 financial results were operating cost disciplines, which limited year-over-year expense growth to 3.3%. This modest increase was despite several large technology projects undertaken over the last two years to improve products and services, drive operating efficiencies, and improve risk monitoring tools. The Company's strong asset quality within its loans, investments and off-balance sheet exposures was reflected by a modest increase in the provision for credit losses of \$101 thousand, totaling \$176 thousand for 2025.

As an industry, banks have been challenged over the last few years (2022-2024) with the Fed raising interest rates in one of its most aggressive tightening cycles since the early 1980s. The Fed's monetary policy directives were an attempt to reduce inflation, which erupted during the post-pandemic recovery. The Fed raised the Federal Funds Rate (FFR) by 525 basis points over the period March 2022 through July 2023, marking the fastest and largest increase in over four decades. As part of its monetary policy and strategy, the Fed monitors and sets the FFR. The FFR is a targeted rate established by the Fed to influence short-term interest rates on the United States Treasury Yield Curve (Curve). It is one of their primary tools to influence economic activity, for both growth and curtailment. As a result, the shape of the Curve was consistently inverted for over three years, compared to an average inversion period of six to nine months. However, over the last four months of 2024 the Fed reduced the FFR by 100 basis points, bringing the FFR to 4.50% at year-end. In turn, these actions lent to the decline in short-term interest rates along the Curve which brought some welcomed relief for the Bank's pricing options on its funding costs (deposits and borrowings).

During 2025, there was good economic growth nationally, especially over the second half of the year, driven by consumer spending. The economy continued to show resilience despite the uncertainties created by the tariffs imposed on our global trading partners. With the impact of tariffs as an unknown, the Fed remained patient and restrictive in its monetary policy as they tried to balance their dual mandate to maximize employment (the highest sustainable job level) and stabilize prices (controlling inflation to its target rate). Short-term interest rates along the Curve remained elevated over the first half of the year, while mid-to-longer term interest rates began to gradually fall as longer-term inflation pressures declined. As the year continued and employment statistics began to weaken, the Fed became concerned with a broad-based deceleration of job growth. As a result, the Fed cut the FFR three times over the last four months of 2025 for a total of 75 basis points. The FFR ended the year at 3.75%. These reductions over the last four months of the year, like 2024, prompted a decline in short-term interest rates; however, mid-to-longer-term rates generally remained stable, contributing to net interest margin (NIM) growth over the fourth quarter of 2025. While there were glimpses of a steeper Curve over 2025, we finally began to see the shape of the Curve move to a more normalized level at the end of the year.

Comparison of Treasury Yield Curve



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12/31/24	4.50%	4.16%	4.25%	4.38%	4.58%	4.86%
12/31/23	5.50%	4.79%	4.23%	3.84%	3.88%	4.20%

Source: U.S. Treasury Department

The Company's NII, which is the difference between income received from earning assets and interest paid on deposits and borrowings, increased significantly by $3.7 million or 17.0% to $25.3 million. Year-over-year interest income grew by $1.7 million and interest expense decreased by $2.0 million. Regional and community financial institutions generally price deposit products off the shorter-end of the Curve and loans and investment securities are priced off the mid-to-longer end. As noted earlier, a reduction in short-term interest rates prompted by declines in the FFR in late 2024 and 2025, contributed to funding cost relief. Conversely, mid-to-longer term rates fell at a slower pace allowing the Company to grow or reprice loans and investments at higher interest rates resulting in interest income growth. The Company's quarterly NII has continued to outpace the prior quarter since June of 2024. This outstanding six quarter improvement in NII has significantly contributed to the growth in 2025 earnings and the Company's net interest margin.

Total other income was $6.2 million, $1.6 million or 20.7% below last year. The decrease from the prior year was primarily driven by three large nonrecurring events recorded in 2024. The first was the one-time recognition of the Employee Retention Credit (ERC), which increased earnings $672 thousand, net of tax. The second event was the sale of Visa Class A shares as part of the Exchange Offer by Visa, which increased 2024 earnings by $1.1 million, net of tax. Lastly, we executed an investment sale strategy totaling $10.7 million, which resulted in a $268 thousand loss, net of tax. This strategy was to better ladder investment cash flows and remove lower yielding securities from our balance sheet. Without the recognition of the three nonrecurring items in the prior year, total other income increased $429 thousand or 7.5% year-over-year, driven primarily by growth in service charges on accounts, interest received from the ERC, gains on the sale of loans, and revenue growth from our Insurance, Trust and Investment Management Department and our Brokerage service arms of the business.

Operating costs grew a modest $776 thousand or 3.3% over the prior year to $24.5 million. The increase was mostly due to higher salary and benefit costs, investments in technology to improve efficiencies, and general increases in operating costs, primarily due to inflation.

The provision for credit losses on loans was $3 thousand in 2025 compared to $40 thousand in 2024, reflective of the Company's continued strong asset quality position. The Company's customers continue to pay their loan obligations timely, and some have found further payment relief with the rate reductions on their prime based notes over the past sixteen months. Our allowance for credit losses on loans was $8.0 million at December 31, 2025, compared to $8.1 million in the prior year. In 2025, we recorded $173 thousand in provision expense for off-balance sheet commitments and no provision for investment securities, compared to $35 thousand in provision expense for off-balance sheet commitments and no provision for investment securities in 2024. Our reserve coverage of loans was at 1.07% at December 31, 2025, compared to 1.12% in the prior year. Nonperforming loans remain exceptionally low at $586 thousand and $682 thousand at December 31, 2025 and 2024, respectively, representing 0.08% and 0.10% of total loans at each year-end, respectively.

Total assets of the Company were $1.2 billion, declining slightly by $9.6 million or 0.8% compared to last year. Asset totals decreased by design, as the Company utilized idle cash, maturing investments, and sold longer-term residential mortgage loans to pay down higher priced Federal Home Loan Bank (FHLB) advances while also funding higher priced loan products. These strategies supported the Company's liquidity plan and earnings growth while also reducing longer-term interest rate risk. Deposit growth year-over-year was $5.8 million or 0.5%, as total deposits ended 2025 at $1.06 billion. Competition for deposits remained elevated in the market as some customers continued to compare deposit products and pricing options to improve their overall return. The Company's focus in 2025 was to retain core deposit relationships, attract new business and retail customers and to continue to improve its overall liquidity position. Promotional offerings, employee outreach and several marketing campaigns were aligned with the Company's deposit retention and acquisition plans. Retail and business account balances increased $14.0 million and $7.3 million, respectively, offset by a decrease in municipal account balances of $15.2 million. Municipal deposits continue to be very competitively priced, as this segment has benefited from the long-term inversion in the Curve and having several pricing outlets, including cooperative investment programs designed specifically for the public sector. The Company has actively managed this portfolio, retaining a good majority of its deposit relationships along with their core operating accounts. However, a few of our municipal clients moved a small investable portion to these cooperative investment programs, collectively representing the decline. As interest rates normalize, we expect these funds to return to the Bank. The Company's Reciprocal Deposit Program (RDP), introduced in early 2024, continued to be an effective retention and acquisition instrument for customers seeking fully insured deposit relationships. The RDP allows up to $50 million per tax identification number in FDIC insurance coverage. The RDP footings at year end 2025 and 2024 were $94.2 million and $94.0 million, respectively. Another liquidity strategy to sustain deposit balances was Brokered certificates of deposit (Brokered CDs). The Company's Brokered CDs also remained stable year-over-year at $15.0 million. While these strategies were successful during the year, these alternative funding sources generally carry a higher funding cost, adding to the Company's interest expense in 2025. Deposit growth and the use of idle cash, however, helped support the Company's ability to reduce a portion of its higher priced outstanding borrowings. Total borrowings were $15.5 million compared to $44.7 million in the prior year, a reduction of $29.2 million. Primarily, these were short-term borrowings maturing in one year or less. Federal Funds Sold declined $20.7 million from 2024, ending the year at $22.6 million. Investments were $359.8 million at year end, declining $9.2 million as compared to last year. The unrealized loss on the available-for-sale (AFS) portfolio was $26.6 million, which was a four-year low, down $15.8 million from 2024. This improvement in the market value of our securities portfolio, and thus total assets, has been driven by falling mid-term interest rates along the Curve as well as the Company purchasing higher priced investment securities over the past two years, improving the portfolio yield to 2.30%, up 12 basis points from 2024. The unrealized loss position of the AFS securities portfolio also extends into the Bank's deferred tax assets and shareholders' equity as an accumulated other comprehensive loss. This adjustment temporarily impacts our book equity, net of tax. The unrealized loss may be reduced as securities mature, if interest rates decline, or if securities are purchased at current market rates. Currently, there are no credit concerns within the portfolio, as many of the Company's holdings carry the implicit or explicit guarantee of the federal government. Excluding the reduction in the unrealized loss on AFS securities, investments declined $25.0 million, compared to the prior year. The Company utilized these maturing securities to fund the growth in its loan portfolio.

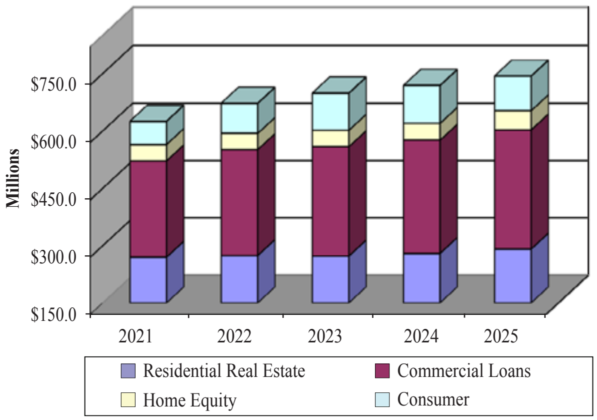
The Company's focus in 2025 was to grow its earning assets into higher yielding loan products. Total loans were $743.3 million at December 31, 2025, up $24.7 million or 3.4% from last year. Total commercial loans increased $15.6 million or 5.3% from last year. Non-owner occupied commercial real estate increased by $9.7 million, commercial real estate decreased by $4.4 million, and commercial and industrial loans increased by $10.3 million. Residential mortgage loans, including home equity loans, increased by $17.6 million or 5.5% as compared to last year, despite selling $9.2 million in loans to the secondary market ($5.2 million more than the prior year). Consumer and other loans decreased $8.5 million or 8.6% from last year. The decline was primarily led by reductions in both direct and indirect automobile lending. This strong growth in loans along with improved repricing opportunities for all our earning assets, combined with reductions in our funding costs related to declining short-term interest and reductions in higher priced borrowings, improved the Company's NII and NIM as reported earlier. The Company's NIM is measured by the difference between total interest income and total interest expense divided by total average assets. NIM grew 32 basis points in 2025 to 2.14%. Earning assets comprised 94.4% and 94.1% of total assets at December 31, 2025 and 2024, respectively. Total shareholders' equity grew to $93.1 million as compared to $79.9 million last year. As noted earlier, the Company's book equity, net of tax, was favorably impacted by the recent changes in the interest rate environment influenced by the Fed's monetary policy. Unrealized losses on the market value of available-for-sale securities are recorded through accumulated other comprehensive loss, net of tax, temporarily reducing book equity by $19.7 million in 2025, an improvement of $12.0 million over the prior year. The Company increased its cash dividend declared on its common stock by 2.3% over the previous year. The total cash dividend declared in 2025 was $1.76 per share. The Company has increased its cash dividends paid for thirty-four consecutive years and has also paid a dividend without interruption for the past eighty-four years. The Company's average dividend increase was 4.1% over the past five years.

Loans

The Company's priority focus in 2025 was to grow its higher yielding loan portfolio segments, primarily commercial loans. The Company's strong balance sheet, ample liquidity and disciplined credit approach were factors that allowed it to lend during the year. The Company's loans grew to $743.3 million at December 31, 2025, up $24.7 million or 3.4% from last year. The commercial loan portfolio increased to $311.7 million, up $15.6 million or 5.3%, as compared to $296.2 million in the prior year. The Company's commercial real estate loan footings grew $5.3 million and commercial and industrial loans grew $10.3 million. This growth was achieved through outbound calling efforts along with designed business development strategies that also extended into the Mohawk Valley region.

Residential real estate loans increased by $11.5 million or 4.1% to $291.1 million as compared to 2024, inclusive of

Composition of Loans



Note: Commercial loans includes Commercial & Industrial and Commercial Real Estate

selling over $9 million in loans to the secondary market. The Company saw steady mortgage demand during the year despite a competitive housing market for homebuyers. The Company was able to increase its loan footings through marketing campaigns along with a continued focus on supporting home ownership for first-time home buyers. Technology improvements to the Company's digital loan platforms were also expanded, streamlining the exchange of data, improving the efficiency in the origination, underwriting and closing processes. The Company also continued to monitor its long-term interest rate risk by evaluating sale opportunities of its thirty-year real estate mortgage originations. As part of its review process the Company considers its overall loan demand, pipeline activity, the interest rate environment, and liquidity position. As a result, the Company sold $9.2 million in loans in 2025 compared to $4.0 million in the prior year to support its compositional growth strategies while strengthening its liquidity and reducing its longer-term interest rate risk position. In partnership with Home HeadQuarters, Inc. (HHQ), a local community development financial institution that focuses on affordable housing, the Company purchased $1.7 million in residential loans during 2025. This purchase provided HHQ with additional liquidity, supporting their focus to assist low-to-moderate income borrowers, which expands community lending opportunities. Home equity loans increased $6.2 million or 14.1% to $50.0 million as compared to the prior year. This increase was related to the strength of consumers as they continued accessing home equity lines and loans for home improvement projects and general needs.

Consumer and other loans were $90.4 million compared to $98.9 million in the prior year, decreasing by $8.5 million or 8.6%. Consumer loans include direct installment loans, indirect loans (from the Company's relationships with automobile dealers), and credit cards. The Company's indirect loan production was impacted by a highly competitive pricing environment.

The total loan portfolio yielded 5.02% in 2025 compared to 4.72% in 2024. The increase in 2025 was directly due to new loan growth and the repricing of loan products to higher interest rates. Rates along the mid to longer-term part of the Curve, where loans are priced off of, have steadily increased over the past few years since their historic low in 2021. This increase was also partially assisted by the Company's compositional growth in commercial real estate and commercial and industrial loans, residential real estate loans, and from the sustained higher interest rate environment.

Securities

The principal objectives of the Company's security portfolio are to provide liquidity for future funding needs, a safe and lower-risk investment alternative for idle funds, and a stable source of core earnings. Accordingly, the Company primarily purchases U.S. Government and Government-sponsored agency bonds, corporate bonds, and municipal bonds in New York State or local obligations from the Company's surrounding communities. These bonds are conservative in nature; the majority of the Company's security holdings have the highest credit ratings available.

Total securities were $359.8 million at December 31, 2025 compared to $369.1 million in the prior year, decreasing $9.2 million or 2.5%. The AFS portion of the securities portfolio continued to be significantly impacted by unrealized losses on the market value of certain investment holdings, primarily investment purchases made in 2021 and 2022. The Fed's restrictive monetary policy over the last few years has directly contributed to the current unrealized loss position of the Company's AFS portfolio. The value of these investments has been negatively impacted by the rapid rise in interest rates over the last few years. The Company was able to improve the year-over-year adjustment through purchasing $33.9 million and $71.8 million of higher yielding security products during 2025 and 2024, respectively. As a result, mark-to-market loss adjustments were $26.6 million and $42.4 million at December 31, 2025 and 2024, respectively. The overall reduction to the portfolio is expected to be temporary as the market value of our AFS securities portfolio fluctuates, driven by interest rate cycles. The unrealized loss may continue to decline as securities mature, if interest rates decline further, or if securities are purchased at current market rates. Currently, there are no credit concerns within the portfolio, as many of the Company's holdings carry the implicit or explicit guarantee of the federal government. The investment securities portfolio decreased $25.0 million over the prior year without the recognition of the AFS adjustment. This decrease relates to the decision to delay investment purchases over the year due to slowing deposit growth, therefore utilizing available cash flows to fund our loan portfolio and to support the reduction of our outstanding borrowings. The portfolio's average balance, excluding the market value adjustment, was $400.2 million at December 31, 2025 compared to $412.8 million at the end of 2024. Investment income was $9.2 million, a $184 thousand or 2.0% increase compared to the prior year. The securities portfolio yielded 2.30% in 2025 compared to 2.18% in 2024. The increase in income and yield was driven by the repricing of incoming cash flows to higher interest rate securities, measured purchases in higher yielding investment products and slower prepayments, which lowered the acceleration of the amortization of bond premiums.

The portfolio provides consistent cash flows and is a source of liquidity to fund future loan production and general cash needs. At December 31, 2025, the fair value of the securities portfolio was $359.9 million, compared to an amortized cost basis (adjusted for the amortization or accretion of premiums or discounts) of $386.4 million. As previously noted, the fair value of our AFS investment portfolio was significantly impacted by the rapid rise in interest rates along the Curve beginning in 2022. Approximately 98.8% of the portfolio was classified as available-for-sale and 1.2% classified as held-to-maturity in 2025, compared to 98.3% and 1.7%, respectively, in 2024.

In 2025, the Company's securities portfolio objectives were to manage its credit selections, investment concentration, and interest rate risk, while sustaining ample liquidity and seeking opportunities to improve its portfolio return in the current interest rate environment. The Company continued to adhere to its investment policy guidelines in 2025. The Company maintained a diversified portfolio, considering cash flow characteristics of individual bonds, geographic concentrations, rate volatility, as well as overall investment returns. In the year, the Company purchased high quality and higher yielding securities primarily to replenish payments and maturities within the portfolio while balancing its overall cashflow. Purchases were measured during the year to ensure liquidity remained strong to support loan growth and reduce outstanding borrowings. The Company generally purchases securities that mature within 15 years or less. However, this excludes mortgage-backed securities and SBA pools whose maturities are determined by the securities' structure as well as expected prepayment speeds, normally dictated by the existing interest rate cycles. At December 31, 2025, securities scheduled to mature within one year were $29.8 million or 8.3% of the portfolio, compared to $18.8 million or 5.1% in the prior year. At December 31, 2025, U.S. Government agency and government-sponsored entity holdings had an amortized cost of $298.2 million, compared to $317.3 million in 2024, a decrease of $19.1 million. Included in the government agency holdings were investment securities of $131.1 million and $152.1 million in 2025 and 2024, respectively, that held the explicit guarantee of the U.S. Government. The Company modestly expanded its corporate bond portfolio by $752 thousand to $50.3 million at December 31, 2025. The Company also supports local municipalities' requests for financing and includes these investments in its state and political subdivision portfolio. The municipal bond portfolio was $37.7 million at December 31, 2025, compared to $44.6 million in 2024. This reduction relates to general maturities within the portfolio. The Company is an active supporter of its municipal customers' funding needs.

In general, the investment portfolio's liquidity position will allow the Company to meet its short-term and future funding needs. Approximately 35.2% of the portfolio is due to mature within five years, compared to 31.4% in 2024. This improvement was by design, as the Company continues to shorten its securities portfolio to reduce interest rate risk and improve the timing of incoming cashflows. The actual maturities of securities may differ from their stated maturities because certain agency bonds and mortgage-backed securities may have call or prepayment options. The Company's amortizing securities provide consistent monthly cash flows; however, these investments generally carry a stated maturity greater than five years. The Company did not sell any securities in 2025. However, two securities were called, resulting in $9 thousand in net losses on called securities. In 2024, the Company sold $10.7 million in available-for-sale investment securities for a loss of $372 thousand. This strategy was to better ladder investment cash flows and remove lower-yielding securities off our balance sheet by reinvesting these funds into higher-earning assets, which will improve future earnings.

Asset Quality and Allowance for Credit Losses

The credit quality of the Company's assets is a measure of the amount of credit risk inherent in these assets. Credit risk is the risk that some loans, investments or off-balance sheet commitments may be at risk of default. Credit risk is predominantly inherent in lending activities, which are the Company's primary source of earnings. The Company measures asset quality, and thus credit risk, through several distinct methods for loans as well as for certain other earning assets (investments securities), inclusive to its unfunded off-balance sheet credit exposure.

The Company was required to adopt Accounting Standard Update (ASU) 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments as of January 1, 2023. This ASU replaced the incurred loan loss methodology with the current expected credit loss methodology, commonly referred as the CECL methodology. The measurement of expected credit losses under the CECL methodology extends to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities that may require considerations for recording credit loss expense. It also applies to off-balance sheet credit exposures (loan commitments, standby letters of credit, financial guarantees, and other similar instruments). The Company measures, at least quarterly, its Allowance for Credit Losses (ACL) for loans, securities and unfunded commitments. Any adjustments to these assets' corresponding reserves are made as necessary.

The Company's objective is to maintain an ACL over its loan portfolio that is sufficient to cover losses expected on individual underperforming loans, as well as for the remainder of the portfolio segments based on: historical losses, reasonable and supportable expected losses, and losses reflecting inherent considerations for future performance, based on several economic factors. The Company will also consider an ACL for its securities portfolio as deemed necessary, evaluating credit and interest rate risk factors. Lastly, the Company will maintain an off-balance sheet reserve that captures exposure to credit losses on unfunded commitments. The Company uses several factors as it considers the appropriate amount of coverage for its allowance for credit losses for all three areas. For the loan and off-balance sheet analyses, this includes incorporation of third-party modeling software, which considers historical data and statistical analysis on past performance, including periods of economic stress. Discounted cash flows, default risk, and changes in prepayment and curtailment rates are modeled to forecast a reasonably expected ACL for its loan portfolio. Quantitative and qualitative factors continue to make up the Company's ACL analysis for its loan portfolio. The Company also conducts an analysis at least quarterly of its securities portfolio for both its available-for-sale securities (AFS) and held-to-maturity securities (HTM). For AFS, an analysis is conducted to determine if a decline in fair value is below the amortized cost basis due to credit losses or other factors deemed other than temporary in nature. The Company also measures expected credit losses within its held-to-maturity securities on a collective basis, when similar characteristics exist. If similar characteristics are not shared, the securities are evaluated on an individual basis. When developing an estimate ACL for the HTM portfolio, the Company shall consider several factors which may include internal and external information, past and current conditions of the credit, along with financial and supportable forecasts of solvency. At December 31, 2025, the allowance for credit losses for the Company's loan portfolio was $8.0 million compared to $8.1 million at December 31, 2024. For its securities portfolio, no allowance was deemed necessary at December 31, 2025 or 2024 based on the Company's analysis and due to the credit nature of the security holdings. The allowance for unfunded commitments was $423 thousand and $250 thousand at December 31, 2025 and 2024, respectively. The increase was directly related to the growth in the available lines within the Company's construction real estate (residential and commercial) portions of its loan portfolio. The available lines were $21.1 million and $13.7 million for the years ending 2025 and 2024, respectively.

The remainder of the analysis focuses on other reporting metrics and measurements the Company considers as part of its overall evaluation of its loan portfolio. Nonperforming assets consist of nonaccrual loans, loans ninety days past due and accruing, as well as other real estate owned (ORE). Loans are generally placed on nonaccrual at ninety days past due or when the collection of the contractual principal or interest amount is determined to be doubtful. Each nonaccrual loan is in one of the various stages of collection including, but not limited to, restructuring of terms and conditions, settlement, lawsuit, or foreclosure. ORE consists of property obtained in satisfaction of debts previously contracted. There were no ORE assets at December 31, 2025 or 2024. Nonperforming assets were $586 thousand or 0.04% of total assets and were 0.08% of total loans at December 31, 2025, compared to $682 thousand or 0.06% of total assets and 0.10% of total loans at the end of 2024.

Individually analyzed, classified, and special mention loans totaled $10.3 million as of December 31, 2025, an increase of $1.0 million or 11.0% from last year. The increase was primarily related to movements in special mention loans. Under CECL, the Company is required to individually analyze loans that do not have similar characteristics for potential credit losses separately for ACL loan reserves. This evaluation may consider a discounted cash flows analysis or the underlining fair value of collateral. If necessary, a reserve is included within the ACL for loans. For the years ended December 31, 2025, and 2024, the Company's review of individually analyzed loans was $586 thousand and $682 thousand, respectively, and the ACL recorded on these loans for each year was minimal. The Company considers several factors as it monitors the credit quality of its loan portfolio. Furthermore, the Company continues to see sustained and active loan repayment on all its loan segments.

The Company maintains an allowance for credit losses for its loan portfolio through a charge to current earnings based upon specific, forecasted, subjective, and general evaluations of its loan portfolios. The ACL was $8.0 million at the end of 2025, which reflects increases from recoveries of previously charged-off loans totaling $84 thousand and from provision for credit losses on loans for $3 thousand. Loans charged-off totaled $188 thousand during the year, which reduced the ACL. At the end of 2024, the ACL was $8.1 million which reflects increases from recoveries of previously charged-off loans totaling $60 thousand and from provision for credit losses on loans for $40 thousand, offset by $40 thousand in reductions for loans charged-off.

At December 31, 2025, the allowance covered approximately 1,360% of nonaccrual loans compared to 1,185% in the prior year. The adequacy of the allowance is evaluated monthly by management and is reported to the Company's Board of Directors. The evaluation consists of a comprehensive analysis of specific loans, which have credit weaknesses, and a general analysis of the remaining portfolio. As part of its analysis of the adequacy of the allowance, management also relies on a third-party loan review company, which annually reviews certain commercial relationships within the portfolio for credit risk and independently reports to the Board of Directors' Audit and Risk Management Committee.

Management believes that the allowance for credit losses as of December 31, 2025 and 2024 was adequate to cover probable losses inherent in the loan portfolio based upon the quality of the portfolio and current economic conditions. As with any financial institution, a poor economy, high unemployment, elevated inflation, or high interest rates may lead to additional losses in the loan portfolio. If economic conditions in our local marketplace deteriorate significantly, an alteration of various estimates and appraisals of current value would be necessary, which would influence the calculation of the allowance. Under such circumstances, it is probable that additional assets would become nonperforming; accordingly, additional provisions for credit losses within the loan portfolio would be required. The likelihood of such events and their duration cannot be predicted at this time.

Liquidity Management and Capital Resources

Liquidity Management

The purpose of liquidity management is to properly manage cash flows to meet the financial needs of the Company, while at the same time maximizing income. Liquidity is available through cash on-hand, interest-bearing deposits with banks, Fed Funds Sold, maturing securities and amortizing bond payments, incoming deposits, brokered deposit relationships, cash inflows from loans (maturities and/or principal payments), sales of assets, and borrowings under lines of credit. Financial outflows include meeting demand for loan requests, deposit runoff, repayment of borrowed funds, investment purchases, and normal operating expenses.

The Company's funding base is very diverse with thousands of loyal customers spread between retail, business, and municipal accounts. Its liquidity position continued to improve over 2025 through many planned objectives. The Company cautiously remained committed to retaining and expanding its core deposit relationships' profitably over the year. Several outbound marketing strategies were executed, including promotional deposit offerings and new product designs. These efforts were complemented by the growth within its Reciprocal Deposit Program, which offers greater FDIC insurance coverage for large depositors while also offering a competitive money market rate. The Company also actively improved its borrowing capacity levels at both the Federal Reserve Bank of New York (FRBNY) and the Federal Home Loan Bank of NY (FHLBNY). Further measures were considered within its earning asset portfolios (loans and investments), as the Company shortened earning asset durations. Alternative funding sources remained stable and available, as necessary. Deposits grew modestly over the year; however, time deposits grew as the Company improved its contractual relationships, stabilizing timing of certain deposit maturities. Further information on deposit growth, including supplemental alternative funding sources, is noted in the Deposits section of the MD&A.

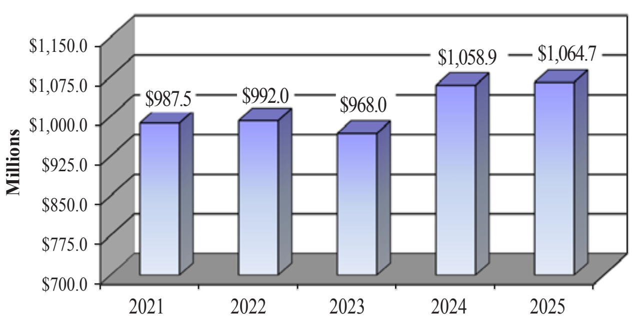
The Company also continued to measure its loan and investment cash flows during the year. Funds were primarily directed to grow loan balances, as they provide the greatest return on earning assets while also generating a steady stream of future cash flows. Investment purchases were measured in 2025 as the Company evaluated its incoming and outgoing cashflows throughout the year. In addition, the average life of investment purchases were shortened, improving the portfolios incoming cash flows. The securities portfolio declined $9.2 million while loans increased $24.7 million over 2024. The portfolio decline without the recognition of the unrealized loss on the available-for-sale portfolio was $25.0 million, directly supporting the Company's loan growth. Competition for deposits remained extremely competitive and the Company managed to profitably grow its deposits while reducing its overall funding costs (deposits and borrowings). As part of this strategy, the Company also felt it was prudent to reduce higher priced, alternative funding sources. Therefore, outstanding borrowings were reduced from $44.7 million at December 31, 2024 to $15.5 million at year end 2025. The average borrowed funds in 2025 and 2024 were $26.8 million and $57.3 million, respectively. Further, as part of the Company's general management of its liquidity and interest rate risk, $9.2 million in residential mortgages were sold in 2025, compared to $4.0 million in residential mortgages and $10.7 million of investment securities sold in 2024. No investment securities were sold in 2025. The Company held $22.6 million in Federal Funds Sold (FFS) at December 31, 2025, decreasing $20.7 million from the prior year. This reduction in FFS supported the reduction of the outstanding borrowings. The Company's net FFS position for 2025 (FFS less borrowings) was $7.0 million, improving from a $1.5 million net borrowing position last year. The Company continues to actively monitor its liquidity needs, balancing cash in/outflows while maximizing its earnings potential.

The Company's primary access to credit is from relationships with the FRBNY discount window and with the FHLBNY. The Company can pledge certain unencumbered mortgage-related assets, consumer installment notes and investment securities to support its available borrowing line at the FRBNY. In 2025, the Company pledged additional collateral, expanding its borrowing capacity at the FRBNY to $33.4 million from $17.4 million at December 31, 2025 and 2024, respectively. The FRBNY's borrowing facility generally is for short-term borrowing needs and to cover daily overdrafts. Mid and long-term borrowing needs are generally facilitated through the FHLBNY. As a member of the FHLBNY, the Company can pledge certain unencumbered mortgage-related assets to secure borrowings. In 2025, the Company grew its borrowing capacity at the FHLBNY by $6.0 million to $222.6 million at December 31, 2025 by pledging additional mortgage-related assets. Both borrowing vehicles strengthen the overall liquidity position of the Company. In general, the Company's liquidity risk is considered low-to-moderate in assessing its ability to maintain sufficient cash flow, as well as to meet liquidity requirements under supervisory agency regulations.

Deposits

Deposits are the Company's primary source of funding for its loan and security portfolios. The Company strives to maintain a well-diversified portfolio, growing and acquiring new deposit relationships in each of the following segments: retail, business, and municipal. The Company's focus in 2025 was to retain core deposit customers while attracting new relationships in a highly competitive market. The interest rate cycle over the past few years has made it considerably more challenging to grow deposit footings as compared to historical trends.

Total Deposits



Deposits increased $5.8 million or 0.5% compared to the prior year to $1.06 billion at December 31, 2025. Average deposits improved by $14.1 million or 1.4%, driven by time deposit campaigns and growth in the Reciprocal Deposit Program (RDP) as larger deposit customers continued to seek additional FDIC insurance coverage. Total average non-interest-bearing deposits declined $11.0 million in 2025, while total average interest-bearing deposits grew $25.2 million over the prior year, as depositors looked to improve their overall return. The increase in average deposits also allowed the Company to reduce its short-term borrowings over the year at the FRBNY and FHLBNY. As certain borrowings matured, the Company did not renew or re-advance the balances. As a result, outstanding borrowings declined to $15.5 million as compared to $44.7 million in 2024, contributing to the Company's reduction in its funding cost.

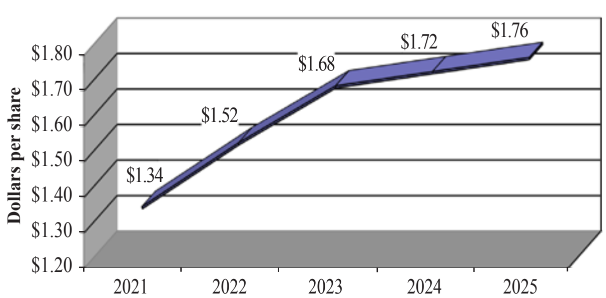
Non-interest bearing, or lower cost transactional accounts remained steady at year end 2025 compared to 2024. However, as noted above, average non-interest-bearing deposits fell and a compositional shift to higher yielding deposit interest-bearing accounts (money markets and time deposits/certificates of deposit) continued in 2025. Customers continued to demand higher deposit rates and shop for promotional offers. The Company avidly worked to promote existing and new product offerings to grow its deposit footings. These product initiatives included alternative funding sources, comprised of reciprocal and brokered deposits. These products are generally more expensive than core deposits, but support earning asset growth while enhancing the Company's overall liquidity. The RDP launched in early 2024 helped the Company retain and grow deposits over the past two years, as it extends FDIC insurance coverage up to $50 million on deposits per tax identification number. The RDP held $94.2 million and $94.0 million in deposits at December 31, 2025 and 2024, respectively. The Company also retained $15.0 million in brokered deposits at both years ending 2025 and 2024. These alternative funding sources helped support the Company's 2025 deposit initiatives. In addition, promotional time deposit offers gave clients the opportunity to improve their deposit returns. Time deposits grew $14.6 million or 4.7% over last year. All these planned activities contributed to the Company sustaining its deposit footings in the year while also stabilizing its interest expense on deposits. Further relief was seen as borrowings were paid down by design, further reducing the Company's interest expense to $21.6 million compared to $23.5 million in the prior year.

For the year ending December 31, 2025, the average interest-bearing transactions and savings accounts and Certificates of Deposit (CDs) were $474.9 million and $324.2 million, respectively, compared to $459.6 million and $314.4 million, respectively, in the prior year. The average CDs balance represented 30.6% of the total average deposits at December 31, 2025 compared to 30.1% in the prior year. The average CDs balance increased by $9.8 million, or 3.1% in 2025. Clients across all account types (retail, business, and municipal) continued to move their excess deposits into higher priced CDs to improve their yield. The Company's weighted average cost of funds however fell due to favorable pricing in the interest rate environment along with the Company's reduced reliance on higher priced advances. Our funding cost was reduced by 14 bpts over the year to 1.99% as compared to 2.13% in 2024. The Company will continue to strategically manage its liquidity, composition of deposit growth, funding costs, and net interest margin to optimize its earnings.

Shareholders' Equity

Shareholders' equity (Equity) at December 31, 2025 was $93.1 million compared to $79.9 million in 2024, for an increase of $13.3 million or 16.6%. Equity increased $12.0 million from an improvement to the accumulated other comprehensive loss (AOCL) and from net income of $5.8 million. This growth was offset by dividends declared to the Company's shareholders of $4.5 million. AOCL was significantly impacted by rising interest rates over the last several years, which resulted in a rapid increase in the unrealized losses on available-for-sale securities. While still in a loss position at year end 2025, the AOCL improved significantly over the year, as lower-yielding security cash outflows were replaced with higher-yielding security purchases over the last two years. AOCL is recorded through equity, net of tax, as it is considered temporary. The Company also performs annual credit reviews on its investment securities, as well as quarterly analyses on its allowance for credit losses on investments (per the CECL accounting standard as discussed in the Asset Quality and Allowance for Credit Losses section) and noted no significant credit deterioration in the securities portfolio for 2025 or 2024, further supporting the assumption these unrealized losses are temporary. The Company paid out 77.6% of its earnings in the form of a cash dividend in 2025 compared to 96.0% in 2024. The record cash dividends declared per share were $1.76, an increase of 2.3% as compared to the prior year.

Cash Dividends Per Share



Per share data has been retrospectively adjusted to reflect 5% stock dividends executed on February 24, 2023 and February 25, 2022.

The Bank is subject to certain capital requirements as defined by its regulators. The requirements are more fully explained in Footnote 12 in the Notes to Consolidated Financial Statements. At December 31, 2025 and 2024, the Bank exceeded all minimum regulatory capital requirements and maintained its strong capital position as a well-capitalized institution based upon the capital guidelines.

Borrowings

The Company has several borrowing facilities with corresponding banks available as part of its liquidity management and contingency funding plan. Borrowings at the FHLB are secured by residential and commercial mortgage loans, and there was $222.6 million and $216.6 million available to borrow at December 31, 2025 and 2024, respectively. In 2023, the FHLB launched the 0% Development Advance (ZDA) Program that provides members with subsidized funding (advances) in the form of interest rate credits. FHLB members could request to reserve interest rate credits up to $250,000 for qualified loans that meet the eligibility criteria of the program. The Company was successfully granted funds in all three rounds of the program from 2023 – 2025. This resulted in extending $7.5 million in loans over that period, with which the Company shared rate reductions to qualified business relationships. The Company can also borrow from the Federal Reserve Bank's discount window, collateralized by eligible loans and investment securities. There was $33.4 million and $17.4 million available at December 31, 2025 and 2024, respectively, through the discount window. The Company, as part of its liquidity management process, extended its borrowing capacity at the discount window to support temporary or short-term funding needs. Further, in early 2023, another borrowing facility was created by the Fed, known as the Bank Term Funding Program (BTFP). In response to the events surrounding large bank failures in March of 2023, the Fed promptly deployed the BTFP to provide financial institutions with easily accessible liquidity at reasonable funding rates. Banks could pledge certain investment securities as collateral and could borrow up to one hundred percent of their value for a term of one-year at a rate specific to the program. At December 31, 2025, there were no investment securities pledged to the BTFP, as the final advance matured in 2025 and the program was not renewed by the Fed. At December 31, 2024, the Company had $22.5 million in investment securities pledged to the BTFP. The Company also had an unused, unsecured line of credit available with another correspondent bank totaling $8.0 million at both December 31, 2025 and 2024.

At December 31, 2025 and 2024, the Company had $15.5 million and $44.7 million, respectively, in total borrowings consisting of short- and mid-term debt. The Company was able to reduce a significant portion of its borrowings over the year with its improved liquidity position, incoming cash flows and deposit growth. At December 31, 2025, term advances with the FHLB were $8.0 million and $7.5 million were borrowed through the FHLB ZDA program. At December 31, 2024, BTFP advances at the Fed were $13.2 million (which matured in January 2025), term advances with the FHLB were $26.0 million, and the remaining $5.5 million were borrowed through the FHLB ZDA program. See Footnote 6 in the Notes to Consolidated Financial Statements for more information.

Interest Rate Risk Management

Interest rate risk (IRR) is the risk that changes in market interest rates will have an adverse effect on the Company's earnings and its underlying economic value. The goal of interest rate risk management is to minimize the Company's exposure to these adverse effects through defining, measuring, monitoring, and reporting interest rate risk to senior management and to the Board of Directors. The Company measures and monitors net interest income at risk over a one-year and two-year period using a net interest income simulation model. The model projects the Company's net interest income over a two-year period from the calculation date under different interest rate scenarios and assumptions. To enhance the monitoring of the Company's interest rate risk, both a dynamic (growth) and static (no growth) review of the balance sheet is conducted over a two-year period. In general, the Company measures the impact on net interest income of an instantaneous 200, 300, and 400 basis point increase and decrease in market rates and compares this information to Board approved interest rate risk policy guidelines. At December 31, 2025, under the dynamic model assumption, an instantaneous 400 basis point increase in market rates was estimated to have an approximate 1.0% negative impact on net interest income over one year and an 8.9% positive impact over a two-year period. An instantaneous 400 basis point decrease in market rates was estimated to have an approximate 8.7% positive impact on net interest income over one-year and a 3.5% positive impact over a two-year period. Under the static balance sheet assumption, an instantaneous 400 basis point increase in market rates was estimated to have an approximate 1.1% negative impact on net interest income over one year and a 5.6% positive impact over a two-year period. An instantaneous 400 basis point decrease in market rates was estimated to have an approximate 8.8% positive impact on net interest income over one year and a 6.0% positive impact over a two-year period. The results were within the Company's policy guidelines and improved from the prior year. The Company's efforts in 2025 to shorten earning asset durations, increase its exposure to more variable rate products, and reduce the extension of certain municipal certificates of deposit all helped reduce the interest rate risk volatility on the Company's balance sheet.

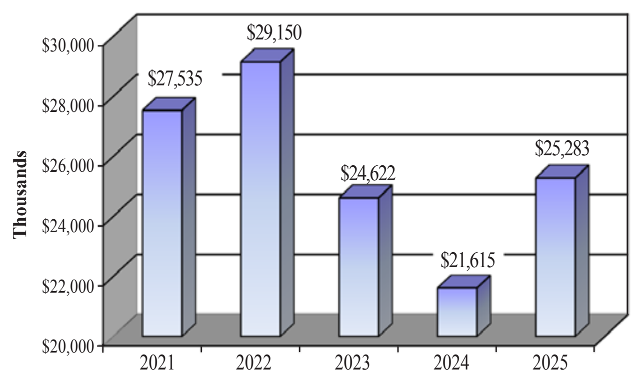
The Company's IRR profile is measured at a point in time and is reflective of its liquidity position, incoming and outgoing cash flows including its FFS and/or overnight borrowing position, along with its earning asset allocations and duration. Deposit composition and fixed term certificates of deposit holdings and the duration of borrowed funds are also factored into its IRR risk profile. Interest rate risk has been further tempered over the year by the Company's earning asset growth in loans, stable incoming cash flows, and liquidity position. The Company's interest rate risk profile is considered moderate, generally consistent with prior year results. An external review of the Company's interest rate risk management process was also performed by an independent party during the year, and their conclusions concurred with those of the Company.

Results of Operations

Net Interest Income

The principal source of income for the Company is net interest income (NII), which is the difference between income received from interest earning assets (primarily loans, securities, and federal funds sold including other interest-bearing deposits) and interest paid on interest-bearing liabilities (deposits and borrowings). NII was $25.3 million for 2025, increasing $3.7 million or 17.0% as compared to the prior year.

Net Interest Income



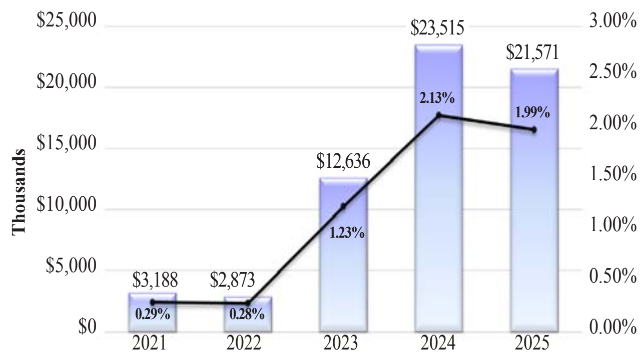
While the operating environment for the Company continued to be challenging in 2025, the second half of the year showed continuous improvement in the Company's revenue. This was pre-amped by steady loan growth and effective liquidity management strategies, which allowed reductions in funding cost. In addition, short-term interest rates along the Curve began to fall, prompted by the Fed's actions to balance its dual monetary policy objectives, promoting maximum employment and stable prices (inflation). During 2025, the shape of the Curve began to normalize for the first time in several years. The next section provides a historical review of the economic environment and its impact on the Curve, which influences the financial industry's operating margin, NII.

As noted in the Overview, the Federal Reserve Bank (the Fed) began raising interest rates in March 2022 in one of its most aggressive tightening cycles since the early 1980s, raising the Federal Funds Rate (FFR) by 525 basis points from March

2022 through July 2023. This was the Fed's attempt to reduce inflation, which erupted during the post-pandemic recovery. As a result of the rapid increase in FFR, short-term interest rates correspondingly followed. These rates grew significantly faster than the mid-to-longer term interest rates along the Curve. This caused the Curve to become inverted for nearly three years, which is not financially conducive for most community and regional financial institutions. Hence, the Company's NII was suppressed as compared to historical trends and it wasn't until the third quarter of 2024 where the Company began to see improvements in its quarterly NII growth. This was motivated by the origination or repricing of earning assets along with reductions in short-term interest rates, along the Curve over the last four months of 2024. These reductions over the period were due to softened employment data, prompting the Fed to reduce the FFR by 100 basis points to 4.50% at year-end 2024. Leading into 2025, the economy continued to show resilience despite the uncertainties created by the global tariffs imposed on our trading partners. With the impact of tariffs still unknown for most of the 2025 year, the Fed remained patient and restrictive in its monetary policy as they tried to balance their dual mandate. Short-term interest rates along the Curve remained elevated over the first half of the year, while mid-to-longer term interest rates began to gradually fall as longer-term inflation pressures declined. As the year continued and employment statistics began to weaken, the Fed became concerned with a broad-based deceleration of job growth. As a result, the Fed cut interest rates three times over the last four months of 2025, totaling a 75 basis-point reduction to end the year at 3.75%. These reductions again prompted a decline in short-term interest rates; however, mid-to-longer-term rates generally remained stable (higher), contributing to net interest margin (NIM) growth over the fourth quarter of 2025. While there were glimpses of a steeper Curve over 2025, the Curve finally moved to a more normalized position closer to the end of the year. Quarterly NII growth continued over 2025, marking six consecutive quarters of higher quarterly NII.

The Company's plan for 2025 was two-fold: leverage its balance sheet by 1) allocating idle funds into higher yielding earning assets, primarily loans and 2) paying down higher borrowing costs, both in an effort to improve NII. The Company executed its plan throughout the year, and year-over-year interest income grew by $1.7 million or 3.8% while interest expense decreased by $2.0 million or 8.3%. The Company was able to significantly grow its average loan balances by $21.1 million over last year, which increased interest income on loans by $3.2 million or 9.5%. Loan growth was steady across the commercial and residential segments (consumer trailed), while the Company continued to focus on growing its commercial loan composition to improve loan yield. The weighted average yield on the loan portfolio grew 30 basis points to 5.02% over the prior year, stemming from its average commercial loan growth of $8.0 million and average residential loan growth of $16.6 million, partially offset by a decline in consumer loan growth of $3.5 million. The weighted average yield also grew on our securities portfolio by 11 basis points to 2.30%, as the Company reinvested a portion of its portfolio cash flows into higher yielding investments while also supporting the growth of loans. Interest income on securities grew to $9.2 million, a $184 thousand or 2.0% increase from the prior year. The average Federal Funds Sold balance was $18.5 million, a decrease of $27.7 million as compared to 2024. This allowed the Company to fund higher-yielding loans and pay down its higher costing advances and/or alternative deposits (Brokered CDs), resulting in an outstanding increase in NII of 17.0% year-over-year.

Interest Expense & Cost of Funds



After two years of escalating funding costs, driven by the prolonged inversion of the Curve and the intense competition in the market for deposits, the Company's interest expense decreased for 2025. This was the result of actively managing funding costs, moving deposit offerings downward and strategically utilizing idle liquidity to pay down/off higher cost nontraditional funding sources. All the while, the Company remained committed to retaining and expanding core deposit relationships, with deposit balances growing to a record high. In addition, as noted in the Deposits section, the Company has also seen a significant shift in its deposit composition from lower priced deposit offerings to higher priced CDs and into higher priced interest-bearing accounts. However, unlike the prior year, the Company was able to combat the compositional shifts with lower, yet still competitive, deposit rates. All these factors resulted in reduction of the Company's funding cost to 1.99% as compared to 2.13% last year. Costs of interest-bearing liabilities (deposits and borrowings) were 2.61%, down 22 basis points from the prior year. The Company's NIM also improved as funding costs were margined more favorably over the year. This was supported by the shift in the Curve and with the growth in higher priced earning assets. As a result, NIM was 2.14% in 2025 as compared to 1.82% in 2024. The Company continues to actively manage funding costs and earning asset growth as it directs excess liquidity into higher margined earning assets.

Net Income

The Company reported net income of $5.8 million in 2025, compared to $4.5 million in 2024, increasing $1.2 million or 26.6% from the prior year. Net interest income (NII) grew by $3.7 million or 17.0%, driven by the Bank's ability to increase the loan portfolio, reprice earning assets upward, and reduce the Bank's funding cost. This improvement in core earnings in 2025 was partially offset by a modest 3.3% increase in operating expenses, as well as three large nonrecurring items (two positive and one negative) recognized in other income in 2024 that totaled $2.0 million. Strong asset quality metrics and low nonperforming loan balances helped keep provisioning costs low, adding $3 thousand in provision for credit losses on loans. Provision for off-balance sheet reserves was $173 thousand in 2025, the result of strong construction line of credit growth in the year. This led to a collective increase of $101 thousand in provisions for credit losses compared to the prior year. Total other income was $6.2 million, decreasing $1.6 million or 20.7% as compared to 2024, led by the 2024 events surrounding the Company filing for the Employee Retention Credit in January 2024 and the recording of a gain on the sale of Visa Inc. (Visa) stock, further noted in the Other Income section. There was also a decline in bank card income and overdraft fees (within service charge income). Bolstering other income in 2025 was revenue growth in the Company's Insurance Agency, its Trust and Brokerage services, and from Bank Owned Life Insurance (BOLI) assets, as well as increased service charge fee income on loan and deposit accounts. The gains/losses on sale of securities and loans also improved year-over-year by $468 thousand as the Company continued to actively manage its liquidity, improve its interest rate risk and optimize its ability to reposition a portion of these assets supporting future revenue growth. This strategy was led by a large, nonrecurring sale of investment securities in 2024 of $10.7 million. The sale allowed the Company to better ladder its cash flows while also replacing lower yielding investments with higher performing securities. Total other expenses grew $776 thousand or 3.3% over the prior year to $24.5 million. This increase was driven by increased salaries and other payroll costs, technology and equipment expenses, professional fees, debit card point redemptions, and business development costs, partially offset by lower pension costs, credit card processing costs, and general bank operating cost savings. Basic earnings per share were $2.27 compared to $1.79 in the prior year. The return on average assets and return on average shareholders' equity in 2025 were 0.49% and 6.57%, respectively, compared to 0.38% and 5.81% in 2024.

Other Income

Other income mainly consists of fees from deposit and loan accounts and services related to maintaining such accounts, Trust Services (Trust and Investment Management fees), Insurance Agency revenue (Solvay Bank Insurance Agency (SBIA)), brokerage and investment services revenue, net gains/losses on the sale and call of earning assets (loans and investment securities), along with revenue from increases in the cash surrender value of life insurance policies, also known as Bank Owned Life Insurance (BOLI) investments. Total other income was $6.2 million in 2025, decreasing $1.6 million or 20.7% as compared to the prior year. The net decrease from the prior year was driven by the positive impact from the Employee Retention Credit (ERC) and the sale of Visa Class A shares as part of the Visa Exchange Offer, partially offset by the significant loss on the investment sale recorded in 2024. As reported in the prior year, the Company filed for the ERC in January 2024. The ERC was a refundable payroll tax credit for eligible businesses impacted by mandated governmental shutdowns or partial shutdowns related to the COVID-19 pandemic, and who continued to pay their employees during that period. As a result of the filing, the Company recorded an $851 thousand receivable for the ERC in other income in 2024. The receivable was fully collected in 2025, as well as an additional $144 thousand in interest was recorded in other income in 2025. In addition, as part of the Company's relationship with Visa, it was offered the opportunity to convert Class C Visa shares to A shares in 2024, allowing the Company to record a $1.5 million gain on the sale of these equity securities. These two items were then partially offset, as the Company decided to sell lower yielding securities in 2024 totaling $10.7 million at a loss of $372 thousand, reinvesting the funds into higher yielding investments products. The strategy was to better align the Company's incoming cash flows while also improving he overall investment return of the securities portfolio. Without the recognition of the three nonrecurring transactions in the prior year, total other income grew $429 thousand or 7.5%. This growth was led by an increase in SBIA revenue, Trust & brokerage services, service charges on accounts, interest on the ERC and gains from loan sales. A portion of these core improvements were offset by lower bank card revenue, overdraft and chargeback fees.

Service charges were $3.3 million, declining $143 thousand or 4.2% as compared to the prior year. Service charges include bank card revenue, consisting of debit/credit card activity and merchant fee income, which decreased $151 thousand as compared to 2024, as merchant commissions and debit card sales volume fell. Overdraft and chargeback fees decreased $58 thousand from 2024. Fees on loan and deposit accounts improved $66 thousand, led by letter of credit fees and enhancements to the Bank's check printing program. In 2025, the Bank transitioned its check printing services to a new vendor. The transition created operational efficiencies for customers ordering checks and improved revenue for the Bank. Trust services income was $1.4 million, an increase of $108 thousand from 2024. Income was impacted by favorable stock market performance and compositional asset growth. Brokerage and investment services increased $50 thousand from 2024. The increase was primarily related to a one-time bonus incentive received, via a change in the Bank's broker dealer relationship. The decision was made after careful consideration as the new acquiring firm better aligns with the Bank's wealth management services. SBIA revenue increased $58 thousand year-over-year. The growth relates to SBIA's strong performance as it grew its overall customer base, policies in force and sales premiums. In addition, SBIA's annual contingency bonuses improved from its insurance carriers. Losses on calls of available-for-sale investment securities were $9 thousand in 2025, improving by $363 thousand as compared to prior year. This improvement is noted above within the investment securities strategy executed in 2024.

In 2025, earning asset sales included 40 residential loans totaling $9.2 million for gains of $174 thousand and added $42 thousand in servicing rights assets. Seventeen loans totaling $4.0 million were sold at a gain of $69 thousand in 2024 and added $22 thousand in servicing rights assets. The sales were part of the Company's interest rate and liquidity management strategy, as well as contractual sale requirements with its underwriting partner, the Federal National Mortgage Association (FNMA). Lastly, the Company's BOLI income was $428 thousand, increasing $6 thousand from 2024.

Other Expenses

Total other expenses were $24.5 million in 2025 and $23.7 million in 2024, increasing a modest $776 thousand or 3.3%. Salary and benefit costs increased $366 thousand or 2.6%. Salaries increased 4.1%, related to general increases in merit and certain positions requiring market adjustments to retain or acquire talent. These increases to salary were partially offset by a greater vacancy rate in the year as compared to 2024, hence defraying salary costs. Employee benefits decreased 2.3%, primarily due to lower pension and benefit administration costs, offsetting the growth in general payroll-related expenditures (payroll and unemployment taxes, health benefits, and 401k expense). Technology and infrastructure expenses were $3.0 million, growing $262 thousand or 9.6% as compared to the prior year. This increase aligns with the Company's commitment to improve the overall customer experience, improve operating efficiencies and manage risk. The Company continued to enhance or expand several of its products and services, including improvements within its online banking platforms, the exchange of data as part of the retail and commercial loan application process, along with general fraud monitoring and prevention tools. To further improve the customer experience, the Company transitioned to a third-party provider for its paper statement delivery system, revamping the process while also modernizing its look and feel. The Company also saw a full year of operating costs under its new wire transfer platform, Wire Xchange, that was onboarded in 2024. This software provides a more streamlined experience for online business customers to process wires. In addition, further resources were dedicated to the Company's general technology life cycle management, as upgrades to servers and other equipment purchases were made. All these expenses contributed to the Company's continued investment in improving its technology offerings to meet customer needs in a safe and secure manner. Occupancy expenses were $1.7 million, increasing $60 thousand or 3.7% from the prior year as the Company started to incur costs related to the new East Syracuse*Smart Office, as well as general increases in branch maintenance and overall security. Professional fees were $1.7 million, growing $19 thousand or 1.2% compared to 2024. Professional fees grew in 2025 related to expanded services within the BSA/AML platform, which assists with risk management and fraud monitoring practices, as well as outsourcing services for our virtual Chief Information Security Officer (vCISO). The vCISO is an independent third-party vendor selected by the Bank to assist management with its responsibility to oversee information security and general risk for business continuity and resiliency. These increases were partially offset by declines in consulting fees and audit and examination costs, as a result of changes in regulatory guidance surrounding audits of internal controls over financial reporting (ICOFR). In November 2025, the FDIC issued a final rule increasing the ICOFR audit threshold from $1.0 billion in assets to $5.0 billion in assets. This final rule was effective for any insured financial institution for whom the rule would no longer apply as of January 1, 2026, and therefore could be carried retroactively based on its year-ended 2025 asset balance. As a result, the Company was no longer required to have an integrated audit of both ICOFR and the consolidated financial statements performed for 2025. FDIC insurance costs increased in 2025 by $33 thousand or 5.5%, caused by variations in the Company's asset size throughout the year. Business development costs increased $88 thousand or 16.6% as compared to last year due to a credit card marketing campaign in the first quarter and with promotional and general awareness campaigns for the new East Syracuse branch (opened in late January 2026).

Lending operation costs were $1.4 million, decreasing $25 thousand or 1.8% from the prior year. Decreases in credit card point redemptions and processing costs were partially offset by increased debit card point redemptions and processing costs. In 2024, the Company switched vendors for its credit card platform. The new vendor provides enhanced services and reporting features, as well as offered one-time expense credits to offset some of the transitional cost burdens. Bank operations expense decreased $27 thousand or 2.1% over the prior year to $1.3 million from general savings in operating costs and delivery charges related to the switch to an outsourced paper statement printing vendor, as previously mentioned.

On October 3, 2024, Solvay Bank Corp. renewed its directors' and officers' liability insurance policy until October 3, 2027. The annual premium, including commissions, for the extension of the renewal was approximately $154 thousand. The primary policy is issued by Great American Insurance Company and covers all directors and officers of Solvay Bank Corp. and its subsidiaries.

Recently Issued Accounting Pronouncements

There were no Accounting Pronouncements issued in 2025 that would impact the Company. For 2025, the Company was required to adopt ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which was included in Footnote 8 of the Notes to Consolidated Financial Statements.

Statement of Management Responsibility

The management of Solvay Bank Corp. is responsible for the preparation, content, and integrity of this Annual Report. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applied on a consistent basis.

The accounting systems which record, summarize and report financial data are supported by a system of internal controls, augmented by written policies, internal audits, and an organizational structure which provides an effective division of responsibilities. The system is also designed to provide reasonable assurance that transactions are executed in accordance with management's authorization and assets are safeguarded from significant loss or unauthorized use.

The Audit and Risk Management Committee of the Board of Directors review the activities of the Internal Audit Firm, which is independent of management. In addition, it has the responsibility of recommending to the Board of Directors the independent auditors for the Company. Bonadio & Co., LLP has been appointed by the Board of Directors to conduct an independent audit and to express an opinion as to the fairness of the presentation of the consolidated financial statements of Solvay Bank Corp. and its subsidiary, in conformity with U.S. generally accepted accounting principles.

Bonadio & Co., LLP
Accounting, Consulting & More

INDEPENDENT AUDITOR'S REPORT

March 16, 2026

To the Board of Directors and Shareholders of
Solvay Bank Corp. and Subsidiary:

Opinion

We have audited the accompanying consolidated financial statements of Solvay Bank Corp. and subsidiary, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flow for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Solvay Bank Corp. and subsidiary as of December 31, 2025 and 2024, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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(Continued)

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Solvay Bank Corp. and subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Solvay Bank Corp. and subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in the Company's Annual Report

Management is responsible for the other information included in the Company's Annual Report. The other information comprises the President's Message, Management's Discussion and Analysis, and Selected Financial Data that includes additional per-share information, but it does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Bonadio & Co., LLP

Consolidated Balance Sheets

(In thousands, except share and per share data)	December 31, 2025	2024
Assets		
Cash and due from banks	**$ 10,751**	$ 13,366
Federal funds sold and other interest bearing deposits	**22,550**	43,213
TOTAL CASH AND CASH EQUIVALENTS	**33,301**	56,579
Securities available-for-sale, at fair value	**355,513**	362,681
Securities held-to-maturity (fair value of **$4,408** in 2025 and $6,439 in 2024)	**4,324**	6,382
TOTAL SECURITIES	**359,837**	369,063
Loans	**743,295**	718,578
Less allowance for credit losses on loans	**7,983**	8,084
NET LOANS	**735,312**	710,494
Bank premises and equipment, net of accumulated depreciation and amortization	**13,578**	11,326
Cash surrender value of life insurance policies	**18,775**	17,972
Other assets	**23,003**	27,978
TOTAL ASSETS	**$1,183,806**	$ 1,193,412
Liabilities and Shareholders' Equity		
Deposits:		
Non-interest bearing	**$ 282,137**	$ 278,989
Savings, NOW, and Money Market	**459,357**	471,323
Time (time deposits of $250,000 or more totaled **$174,447** in 2025 and $167,487 in 2024)	**323,206**	308,600
TOTAL DEPOSITS	**1,064,700**	1,058,912
Borrowings	**15,520**	44,736
Other liabilities	**10,464**	9,892
TOTAL LIABILITIES	**1,090,684**	1,113,540
Shareholders' equity:		
Preferred stock - par value $.01 per share:		
Authorized **200,000** shares, none issued		
Common stock - par value $7 per share:		
Authorized - **5,000,000** shares in 2025 and 2024		
Issued - **3,046,810** shares in 2025 and 2024		
Outstanding - **2,535,202** shares in 2025 and 2024	**21,328**	21,328
Additional paid in capital	**22,270**	22,270
Retained earnings	**84,201**	82,911
Treasury stock, at cost (**511,608** shares in 2025 and 2024)	**(14,991)**	(14,991)
Accumulated other comprehensive loss	**(19,686)**	(31,646)
TOTAL SHAREHOLDERS' EQUITY	**93,122**	79,872
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**$ 1,183,806**	$ 1,193,412

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

(In thousands, except per share data)	For the years ended December 31, 2025	2024
Interest Income		
Loans	**$ 36,834**	$ 33,629
Securities		
Taxable	**8,475**	8,207
Tax exempt	**710**	794
Federal funds sold and other interest bearing deposits	**835**	2,500
TOTAL INTEREST INCOME	**46,854**	45,130
Interest Expense		
Time deposits of $250,000 or more	**6,566**	7,641
Other deposits	**14,051**	13,194
Borrowings	**954**	2,680
TOTAL INTEREST EXPENSE	**21,571**	23,515
NET INTEREST INCOME	**25,283**	21,615
Provision for credit losses - loans	**3**	40
Provision for credit losses - off-balance sheet credit exposures	**173**	35
TOTAL PROVISIONS FOR CREDIT LOSSES	**176**	75
NET INTEREST INCOME AFTER PROVISIONS FOR CREDIT LOSSES	**25,107**	21,540
Other Income		
Service charges	**3,267**	3,410
Trust services	**1,368**	1,260
Brokerage and investment services	**114**	64
Insurance agency revenue	**391**	333
Net gain on sale of equity securities	**-**	1,543
Net loss on sale and call of available-for-sale securities	**(9)**	(372)
Net gain on sale of loans	**174**	69
Net increase in cash surrender value of life insurance policies	**428**	422
Employer Retention Credit	**144**	851
Other	**305**	211
TOTAL OTHER INCOME	**6,182**	7,791
Other Expenses		
Salaries and employee benefits	**14,270**	13,904
Occupancy	**1,676**	1,616
Technology and equipment	**2,997**	2,735
Business development	**618**	530
Professional fees	**1,664**	1,645
FDIC insurance	**628**	595
Lending operations	**1,367**	1,392
Banking operations	**1,278**	1,305
TOTAL OTHER EXPENSES	**24,498**	23,722
INCOME BEFORE INCOME TAXES	**6,791**	5,609
Income taxes	**1,039**	1,067
NET INCOME	**$ 5,752**	$ 4,542
BASIC EARNINGS PER SHARE	**$ 2.27**	$ 1.79

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

(In thousands)	For the years ended December 31, 2025	2024
NET INCOME	**$ 5,752**	$ 4,542

Other Comprehensive Income, Before Tax:

	2025	2024
UNREALIZED GAINS ON SECURITIES AVAILABLE-FOR-SALE:		
Unrealized holding gains arising during the period	**15,772**	1,923
Reclassification adjustment for losses included in net income	**9**	372
NET UNREALIZED GAINS	**15,781**	2,295
UNREALIZED GAINS ON SECURITIES HELD-TO-MATURITY:		
Amortization of net unrealized losses on securities transferred from available-for-sale	**1**	2
NET UNREALIZED GAINS	**1**	2
DEFINED BENEFIT PENSION PLAN:		
Net gains arising during the period	**400**	897
Amortization of net losses recognized in net pension expense	**-**	105
DEFINED BENEFIT PENSION PLAN, NET	**400**	1,002
OTHER COMPREHENSIVE INCOME, BEFORE TAX	**16,182**	3,299
Tax effect	**(4,222)**	(863)
OTHER COMPREHENSIVE INCOME, NET OF TAX	**11,960**	2,436
TOTAL COMPREHENSIVE INCOME	**$ 17,712**	$ 6,978

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

For the years ended December 31, 2025 and 2024

(In thousands, except share and per share data)	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE AT JANUARY 1, 2024	$ 21,328	$ 22,270	$ 82,730	$ (14,991)	$ (34,082)	$ 77,255
Net Income	-	-	4,542	-	-	4,542
Other Comprehensive Income	-	-	-	-	2,436	2,436
Cash dividends - $1.72 per share	-	-	(4,361)	-	-	(4,361)
BALANCE AT DECEMBER 31, 2024	$ 21,328	$ 22,270	$ 82,911	$ (14,991)	$ (31,646)	$ 79,872
Net Income	**-**	**-**	**5,752**	**-**	**-**	**5,752**
Other Comprehensive Income	**-**	**-**	**-**	**-**	**11,960**	**11,960**
Cash dividends - **$1.76** per share	**-**	**-**	**(4,462)**	**-**	**-**	**(4,462)**
BALANCE AT DECEMBER 31, 2025	**$ 21,328**	**$ 22,270**	**$ 84,201**	**$ (14,991)**	**$ (19,686)**	**$ 93,122**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow

(In thousands)	For the years ended December 31, 2025	2024
Cash Flow From Operating Activities		
Net Income	**$ 5,752**	$ 4,542
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**176**	75
Depreciation and amortization	**892**	835
Net amortization of premiums on securities	**235**	87
Deferred income taxes (benefits)	**16**	(32)
Net gain on sale of equity securities	**-**	(1,543)
Net loss on sale and call of available-for-sale securities	**9**	372
Net gain on sale of loans	**(174)**	(69)
Carrying amount of loans sold	**(9,195)**	(4,011)
Proceeds from sale of loans	**9,369**	4,080
Net increase in cash surrender value of life insurance policies	**(428)**	(422)
Decrease in accrued interest payable	**(583)**	(941)
Changes in other	**876**	(1,530)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**6,945**	1,443
Cash Flow From Investing Activities		
Proceeds from maturities and calls of securities held-to-maturity	**3,848**	6,469
Proceeds from maturities and calls of securities available-for-sale	**54,791**	32,920
Proceeds from sale of securities available-for-sale	**-**	10,741
Purchases of securities held-to-maturity	**(2,117)**	(3,848)
Purchases of securities available-for-sale	**(31,748)**	(68,014)
Purchases of bank-owned life insurance	**(375)**	-
Loans originated, net of principal collected	**(24,821)**	(20,021)
Purchases of bank premises and equipment	**(1,936)**	(993)
NET CASH USED IN INVESTING ACTIVITIES	**(2,358)**	(42,746)
Cash Flow From Financing Activities		
Net (decrease) increase in deposits, excluding time deposits	**(8,819)**	55,582
Net increase in time deposits	**14,607**	35,291
Proceeds from FHLB term advances	**10,054**	29,816
Repayments of FHLB term advances	**(26,070)**	-
Repayments of FRB term advances	**(13,200)**	(65,800)
Cash dividends paid	**(4,437)**	(4,335)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	**(27,865)**	50,554
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(23,278)**	9,251
CASH AND CASH EQUIVALENTS: AT BEGINNING OF YEAR	**56,579**	47,328
AT END OF YEAR	**$ 33,301**	$ 56,579
Supplemental Disclosures		
Cash paid for:		
Income taxes	**$ 1,035**	$ 1,124
Interest	**$ 22,155**	$ 24,456

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

1. Summary of Significant Accounting Policies

Organization: Solvay Bank Corp. is a one-bank holding company. Its only subsidiary is Solvay Bank (the Bank), a state chartered independent commercial bank, delivering a wide range of financial services to businesses and consumers primarily in Central New York.

Basis of Presentation: The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). A description of the significant accounting policies is presented below. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Significant estimates include the allowance for credit losses and valuation of deferred tax assets, investment securities and employee benefit plan obligations. Actual results could differ from those estimates.

The consolidated financial statements include the accounts of Solvay Bank Corp. and its wholly-owned subsidiary, Solvay Bank, collectively (the Company). Solvay Bank Insurance Agency, Inc., a wholly-owned subsidiary of Solvay Bank, operates as a general life, health, and property and casualty insurance agency. The Bank is also the majority owner of Solvay Realty Corp., a real estate investment trust company. The operations of these two companies are consolidated into the operations of the Bank and the Company. All significant intercompany transactions have been eliminated in consolidation.

Cash and Cash Equivalents: For the purpose of reporting cash flows, cash and cash equivalents are highly liquid investments with maturities at the time of purchase of less than 90 days.

Securities: The Company classifies its securities as either available-for-sale or held-to-maturity. Held-to-maturity securities are those debt securities that the Company has the ability and intent to hold until maturity. All other securities not included as held-to-maturity are classified as available-for-sale.

Held-to-maturity securities are recorded at amortized cost. Available-for-sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a component of accumulated other comprehensive (loss) income in shareholders' equity until realized.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are generally amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Purchases and sales are recorded on a trade date basis with settlement occurring shortly thereafter. Dividends and interest income are recognized when earned. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

A held-to-maturity debt security is placed on nonaccrual status at the time any principal or interest payments become delinquent. A security is considered to be delinquent once it is 90 days contractually past due under the terms of the agreement. Interest accrued but not received for a security placed on non-accrual is reversed against interest income.

Mortgage-backed securities are primarily residential in nature and are issued by U.S. Government sponsored agencies and enterprises.

Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Allowance for Credit Losses – Held-to-Maturity Securities: Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. Accrued interest receivable on held-to-maturity debt securities totaled **$69** thousand and $98 thousand at December 31, 2025 and 2024, respectively, and is excluded from the estimate of credit losses.

The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

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

Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit losses. Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on available-for-sale debt securities totaled **$1.3** million and $1.6 million at December 31, 2025 and 2024, respectively, and is excluded from the estimate of credit losses.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts, deferred loan fees and costs. Accrued interest receivable totaled **$2.6** million and $2.4 million at December 31, 2025 and 2024, respectively, and was reported in other assets on the consolidated balance sheets and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees and certain direct loan origination costs are deferred and amortized generally over the average life of the related loans as an adjustment of yield using the interest method.

Accrual of interest on loans is generally discontinued when loan payments are 90 days or more past due for commercial loans, consumer loans and real estate loans or when, by judgement of management, collectability becomes uncertain. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is reversed against current period interest income. Subsequent recognition of income occurs only to the extent that payment is received. Payments are either applied to the outstanding principal balance or recorded as interest income, depending on the assessment of the ultimate collectability of the loans. Loans are returned to accrual status when both principal and interest are current and the loan is determined to be performing in accordance with the applicable loan terms. Past-due status is based on the contractual terms of the loan, but generally applies when a payment is outstanding greater than 29 days. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

Generally, the Company has the ability and intent to hold its loans to maturity. The Company may, from time to time, elect to sell loans originated to be held in the portfolio. The Company may also originate certain residential fixed rate mortgages with the intent to sell. At the date of origination, the loans designated and meeting secondary market guidelines are identified as held-for-sale and carried at the lower of net cost or fair value on an aggregate basis. Mortgage servicing rights are recognized as an asset when loans are sold with servicing retained by allocating proceeds from sold mortgage loans between the loan and servicing right based on estimated relative fair values. The proceeds allocated to the servicing right is capitalized as a separate asset and amortized in proportion to, and over the period of, estimated net servicing income.

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

Management determines the adequacy of the allowance for credit losses on loans based upon reviews of individual credits, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. Loans deemed uncollectible are charged to the allowance. Provision for loan losses and recoveries on loans previously charged off are added to the allowance.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in current and expected future economic conditions, such as changes in unemployment rates, consumer price indices, or other relevant factors. The Company has elected to forecast the first four quarters of the credit loss estimate and revert to a long-run average of each considered economic factor, which include unemployment rate for all segments and gross domestic product for certain consumer loans.

The allowance for credit losses is measured on a collective pool basis with receivables that have similar risk characteristics. The following portfolio segments have been identified by management: Commercial, Commercial Real Estate, Residential, Consumer and Other. Each segment measures the allowance for credit losses using the discounted cash flow method. When the discounted cash flow method is used to determine the allowance for credit losses, management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for credit losses. Such agencies may require the Company to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

Modifications for Debtors Experiencing Financial Difficulty: The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Company uses a probability of default/loss given default model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. In some cases, the Company will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

A substantial portion of the Company's loans are collateralized by real estate in Central New York State, which is the Company's primary lending market. Accordingly, the ultimate collectibility of a substantial portion of the Company's loan portfolio is particularly susceptible to changes in the economic conditions in Central New York.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Company maintains a separate reserve for credit losses on off-balance sheet credit exposures, including unfunded loan commitments, which is included in other liabilities on the consolidated balance sheet. The reserve for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit losses in the consolidated statements of income. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life, utilizing the same models and approaches for the Company's other loan portfolio segments described above, as these unfunded commitments share similar risk characteristics as its loan portfolio segments. The Company has identified the unfunded portion of certain lines of credit as unconditionally cancellable credit exposures, meaning the Company can cancel the unfunded commitment at any time. No credit loss estimate is reported for off-balance sheet credit exposures that are unconditionally cancellable by the Company or for undrawn amounts under such arrangements that may be drawn prior to the cancellation of the arrangement.

Loans Held-for-Sale: Loans held-for-sale are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses are recognized through a valuation allowance by charges to income. There were no loans held-for-sale as of December 31, 2025 or 2024.

Other Real Estate: Real estate acquired in settlement of loans is recorded at fair value as determined by current appraisal less estimated costs to sell. Write-downs from the unpaid loan balance to fair value which are required at the time of foreclosure are charged to the allowance for credit losses. Adjustments to the carrying values of such properties that result from subsequent changes in value are charged to other expenses in the period in which the change occurred. Operating costs associated with the properties are charged to expenses as incurred. There was no other real estate owned at December 31, 2025 or 2024.

Bank Premises and Equipment: Bank premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets (5 to 40 years for building and 3 to 10 years for equipment). Leasehold improvements are amortized on the straight-line method over the shorter of the estimated lives of the improvements or the lease term.

Advertising: The Company expenses costs associated with advertising as they are incurred.

Leases: Lease right-of-use ("ROU") assets and lease liabilities for operating leases are recognized at commencement date based on the present value of lease payments over the lease term, discounted using the Company's incremental borrowing rate. Operating lease ROU assets are recorded in Bank premises and equipment while operating lease liabilities are recorded in other liabilities. The Company has not entered into any finance leases.

Options to renew or terminate the lease are recognized as part of ROU assets and liabilities when it is reasonably certain the options will be exercised. The Company has lease agreements that contain both lease and non-lease components, such as maintenance costs, which are accounted for separately. Operating lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. Variable payments for real estate taxes, insurance, maintenance and utilities, which are generally based on our pro rata share of the total property, are not included in the measurement of the ROU assets or lease liabilities and are expensed as incurred. In addition, the Company does not recognize ROU assets or lease liabilities for short-term leases with a term of 12 months or less, which are also expensed as incurred.

Bank Owned Life Insurance: The Company invests in bank owned life insurance (BOLI) as a source of funding for employee benefit expenses. BOLI involves the purchasing of life insurance by the Company on a chosen group of employees. The Company is the owner and co-beneficiary of the life insurance policies, and as such, the investment is carried at the cash surrender value of the underlying policies and the liability for the split-dollar arrangement is recorded in other liabilities.

Income Taxes: Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled and tax carryforwards are expected to be utilized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Benefit Plans: The Company has a noncontributory defined benefit cash balance pension plan (the Plan). Effective January 1, 2013, the Company amended the Plan limiting eligibility so that no employee hired on or after January 1, 2013 shall become a participant of the Plan. In order to measure the expense associated with the Plan, various assumptions are made including the discount rate used to value the benefit obligation, expected rate of return on Plan assets and anticipated mortality rates. The assumptions are based on historical experience as well as current facts and circumstances. A third-party actuarial firm is used to assist management in measuring the expense and liability associated with the Plan. The Company uses a December 31st measurement date for the Plan. As of the measurement date, plan assets are determined based on fair value, generally representing observable market prices. The Company's funding policy is to annually contribute amounts determined by the Plan's actuary which meet minimum regulatory funding requirements. The Company's pension cost is computed using the projected unit credit actuarial cost method.

The Company recognizes in its balance sheet an asset for the Plan's overfunded status or a liability for the Plan's underfunded status. Changes in the overfunded or underfunded status are recognized in the year in which the changes occur as a component of other comprehensive (loss) income, net of taxes.

The Company also offers a defined contribution 401(k) Employee Savings Plan for substantially all employees in which the Company matches a portion of the employee contributions.

Per Share Data: Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the year. The weighted average number of common shares outstanding was **2,535,202** in 2025 and 2024.

Comprehensive Income: Comprehensive income represents net income, the net change in unrealized gains or losses on available-for-sale securities, net of taxes, for the year and the actuarial gain or loss and amortization of unrecognized amounts in the Company's defined benefit pension plan, net of taxes, and is presented in the consolidated statements of comprehensive income.

Trust Assets: Assets held by the Company in fiduciary or agency capacities for its customers are not included in the accompanying consolidated balance sheets, since these assets are not assets of the Company. Trust Department income is recognized when its obligation to the customer is satisfied.

Adoption of New Accounting Pronouncement: The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2023-09 ("ASU 2023-09"), Income Taxes (Topic 740): Improvements to Income Tax Disclosures, to enhance the transparency and decision usefulness of income tax disclosures. ASU 2023-09 amends accounting standards with improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The Bank adopted ASU 2023-09 as of December 31, 2025 and it is reflected in the accompanying financial statements.

Reclassifications: Certain amounts in the 2024 consolidated financial statements have been reclassified to conform to the current year presentation.

Subsequent Events: The Company has evaluated subsequent events for potential recognition and/or disclosure through March 16, 2026, the date the consolidated financial statements were available to be issued.

2. Securities

Securities by major security type are as follows:

(In thousands)	December 31, 2025 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Treasury Bonds	**$ 14,968**	**$ -**	**$ (756)**	**$ 14,212**
U.S. Government sponsored agencies	**115,636**	**47**	**(7,288)**	**108,395**
State and political subdivisions	**33,903**	**14**	**(2,271)**	**31,646**
Subordinated Debt	**250**	**8**	**-**	**258**
Corporate Bonds	**50,287**	**90**	**(4,113)**	**46,264**
Mortgage-backed securities	**167,058**	**353**	**(12,673)**	**154,738**
TOTAL AVAILABLE-FOR-SALE	**$ 382,102**	**$ 512**	**$ (27,101)**	**$ 355,513**
Held-to-maturity:				
U.S. Government sponsored agencies	**$ 489**	**$ -**	**$ (19)**	**$ 470**
State and political subdivisions	**3,835**	**103**	**-**	**3,938**
TOTAL HELD-TO-MATURITY	**$ 4,324**	**$ 103**	**$ (19)**	**$ 4,408**

(In thousands)	December 31, 2024 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Treasury Bonds	$ 17,935	$ -	$ (1,517)	$ 16,418
U.S. Government sponsored agencies	133,599	22	(12,316)	121,305
State and political subdivisions	38,875	2	(3,747)	35,130
Corporate Bonds	49,535	-	(6,558)	42,977
Mortgage-backed securities	165,107	40	(18,296)	146,851
TOTAL AVAILABLE-FOR-SALE	$ 405,051	$ 64	$ (42,434)	$ 362,681
Held-to-maturity:				
U.S. Government sponsored agencies	$ 614	$ -	$ (39)	$ 575
State and political subdivisions	5,768	96	-	5,864
TOTAL HELD-TO-MATURITY	$ 6,382	$ 96	$ (39)	$ 6,439

Maturities of debt securities classified as available-for-sale and held-to-maturity are as follows:

	December 31, 2025	
(In thousands)	Amortized Cost	Fair Value
Available-for-sale:		
Due in one year or less	**$ 28,541**	**$ 28,176**
Due after one year through five years	**102,502**	**96,031**
Due after five years through ten years	**37,519**	**34,340**
TOTAL	**168,562**	**158,547**
Mortgage-backed securities and SBA pools	**213,540**	**196,966**
TOTAL AVAILABLE-FOR-SALE	**$ 382,102**	**$ 355,513**
Held-to-maturity:		
Due in one year or less	**$ 1,656**	**$ 1,662**
Due after one year through five years	**859**	**871**
Due after five years through ten years	**640**	**691**
Due after ten years	**680**	**714**
TOTAL	**3,835**	**3,938**
SBA pools	**489**	**470**
TOTAL HELD-TO-MATURITY	**$ 4,324**	**$ 4,408**

Mortgage-backed securities and SBA pools are shown separately since they are not due at a single maturity date. SBA pools are classified in U.S. Government sponsored agencies. Gross realized losses on sales or calls of available-for-sale securities during 2025 and 2024 were **$9** thousand and $372 thousand, respectively.

The tables present debt securities available-for-sale in an unrealized loss position for which an allowance for credit losses has not been recorded:

	Less than 12 months		12 months or more		Total	
(In thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
At December 31, 2025:						
U.S. Treasury Bonds	**$ -**	**$ -**	**$ 14,212**	**$ 756**	**$ 14,212**	**$ 756**
U.S. Government sponsored agencies	**1,567**	**22**	**102,816**	**7,266**	**104,383**	**7,288**
State and political subdivisions	**-**	**-**	**29,340**	**2,271**	**29,340**	**2,271**
Corporate Bonds	**-**	**-**	**43,202**	**4,113**	**43,202**	**4,113**
Mortgage-backed securities	**7,004**	**20**	**102,540**	**12,653**	**109,544**	**12,673**
	$ 8,571	**$ 42**	**$ 292,110**	**$ 27,059**	**$ 300,681**	**$ 27,101**

	Less than 12 months		12 months or more		Total	
(In thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
At December 31, 2024:						
U.S. Treasury Bonds	$ -	$ -	$ 16,418	$ 1,517	$ 16,418	$ 1,517
U.S. Government sponsored agencies	5,472	26	112,513	12,290	117,985	12,316
State and political subdivisions	2,046	21	32,108	3,726	34,154	3,747
Corporate Bonds	974	13	41,028	6,545	42,002	6,558
Mortgage-backed securities	43,667	801	95,540	17,495	139,207	18,296
	$ 52,159	$ 861	$ 297,607	$ 41,573	$ 349,766	$ 42,434

Unrealized losses on corporate bonds have not been recognized into income because the issuers' bonds are of high credit quality, management does not intend to sell, and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

There were no debt securities held-to-maturity in nonaccrual or past due over 90 days still on accrual by major security type as of December 31, 2025 or 2024.

As the Company's held-to-maturity debt securities are comprised of general obligation bonds issued by U.S. Government Sponsored Agencies and New York State Municipalities, management has determined there was a zero-nonpayment credit risk at December 31, 2025 and 2024 and therefore, no allowance for credit losses was recorded during the years-ended 2025 or 2024.

At December 31, 2025, there were **8** and **397** available-for-sale securities in an unrealized loss position less than 12 months and greater than 12 months, respectively. At December 31, 2024, there were 45 and 409 securities in an unrealized loss position less than 12 months and greater than 12 months, respectively.

Unrealized losses on investment securities result from the amortized cost basis of the security being higher than its current fair value. Unrealized losses generally occur because of changes in interest rates since the time of purchase, or because the credit quality of the issuer has deteriorated. The unrealized loss for these investments for 2025 and 2024 was directly related to changes in market interest rates. The unrealized loss positions are unrelated to credit based on the direct relationship of the declines in fair value to movements in interest rates. U.S. Government or government-sponsored enterprises, including securities issued by the Treasury, GNMA, FNMA, FHLB, FFCB, FHLMC and the SBA are considered to have no credit risk as there are either explicit or implicit guarantees as to the payment of the contractual principal and interest. State and political subdivisions (municipal bonds) are general obligation bonds to municipalities located in New York State. Corporate bonds are issued by companies registered with the Securities & Exchange Commission. For both municipal and corporate bonds, the Company performs annual credit reviews and obtains broker information. These securities are subject to pre-purchase prudent safe and sound and investment grade assessments, in addition to minimum investment grade ratings by the credit rating agencies (i.e., S&P and Moody's). These securities are heavily monitored by the Company and any unrealized losses reflected in this category are attributable to the changes in the interest rate environment.

The fair value of investment securities pledged to secure municipal deposits amounted to **$182.4** million at December 31, 2025 and $195.8 million at December 31, 2024. The Bank also had $22.5 million in securities pledged, at par value, to the FRB to secure borrowings through the Bank Term Funding Program (BTFP) at December 31, 2024 and **$6.6** million and $6.3 million in securities pledged, at fair value, to the FRB for the Borrower-in-Custody Program at December 31, 2025 and 2024, respectively. There were no securities pledged through the BTFP at December 31, 2025. See Note 6 for further discussion on Borrowings.

Included in other assets are restricted equity securities, which include non-marketable Federal Home Loan Bank of New York (FHLB) stock and non-marketable Federal Reserve Bank (FRB) stock, both of which are required to be held for regulatory purposes and for borrowing availability. The required level of FHLB stock is based on the amount of FHLB borrowings and is pledged to secure those borrowings. Holdings of FHLB stock and FRB stock totaled **$1.5** million and **$686** thousand, respectively, at December 31, 2025, and $2.2 million and $686 thousand, respectively, at December 31, 2024. These securities are carried at par, which is also cost, and are periodically reviewed for impairment based on ultimate recovery of par value.

The Company recorded a $1.5 million gain on the sale of equity securities during 2024. There were no sales of equity securities during 2025.

3. Loans

The loan portfolio is summarized as follows:

	December 31,	
(In thousands)	**2025**	2024
Residential real estate	**$ 341,148**	$ 323,508
Commercial real estate	**220,312**	215,021
Commercial	**91,397**	81,131
Consumer	**86,807**	95,592
All other loans	**3,631**	3,326
TOTAL LOANS	**$ 743,295**	$ 718,578

Net unamortized loan origination costs totaled **$2.8** million at December 31, 2025 and $2.9 million at December 31, 2024, and are included with their related loan class.

The following tables present the activity in the allowance for credit losses by portfolio segment:

(In thousands)	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	All Other Loans	Total
At December 31, 2025:						
Allowance for credit losses						
Beginning balance	**$ 3,120**	**$ 1,167**	**$ 2,511**	**$ 1,239**	**$ 47**	**$8,084**
Provisions for credit losses	**(35)**	**100**	**196**	**(277)**	**19**	**3**
Loans charged-off	**-**	**(11)**	**-**	**(130)**	**(47)**	**(188)**
Recoveries of loans previously charged-off	**22**	**6**	**6**	**33**	**17**	**84**
Balance end of year	**$ 3,107**	**$ 1,262**	**$ 2,713**	**$ 865**	**$ 36**	**$7,983**

(In thousands)	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	All Other Loans	Total
At December 31, 2024:						
Allowance for credit losses						
Beginning balance	$ 2,913	$ 1,083	$ 2,389	$ 1,592	$ 47	$8,024
Provisions for credit losses	199	90	119	(355)	(13)	40
Loans charged-off	-	(9)	-	(22)	(9)	(40)
Recoveries of loans previously charged-off	8	3	3	24	22	60
Balance end of year	$ 3,120	$ 1,167	$ 2,511	$ 1,239	$ 47	$8,084

In monitoring the credit quality of the portfolio, management applies a credit quality indicator to substantially all commercial and commercial real estate loans. These quality indicators range from pass through doubtful. The ratings are used as inputs to the calculation for the allowance for credit loss. Loans which are rated pass are generally allocated a lesser percentage in the allowance for credit losses than loans rated special mention through doubtful. Unrated loans are allocated a percentage of the allowance for credit losses on a pooled basis.

Loans rated Pass: A loan rated Pass will range from borrowers who exhibit superior financial strength characterized by a substantially risk-free profile with unquestioned credit strength and superior repayment sources to borrowers with an above average risk profile due to potential financial weakness or uncertainties. Although the borrowers in the lower end of the range are considered a Pass credit, these borrowers may warrant a higher level of monitoring by the Company.

Loans rated Special Mention: A loan rated Special Mention will exhibit potential weaknesses but default will not be considered imminent. If left uncorrected, the potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Company's credit position at some future date. Special Mention borrowers are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.

Loans rated Substandard: A loan rated Substandard exhibits definite weaknesses and a potential for loss. A loan rated Substandard is inadequately protected by the current sound worth and paying capacity of the borrower or the collateral. Loans so classified must have a well defined weakness that jeopardizes the collection of the debt. Loans so classified are characterized by the distinct possibility that the Company will sustain some loss if corrective action is not taken and if the deficiencies are not corrected.

Loans rated Doubtful: A loan classified as Doubtful has all weaknesses inherent in one classified Substandard with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of current existing facts, conditions and values, highly questionable and improbable. There were no loans rated Doubtful at December 31, 2025 or 2024.

Consumer loans, consisting of residential mortgages, consumer, and other loans, are not subject to the same risk ratings specified on above. Consumer credit is categorized by performing and non-performing loan types. Non-performing loans consist of nonaccrual loans and loans ninety days past due and accruing.

The following table presents loans to customers, based on year of origination, within each credit quality indicator at December 31, 2025:

(In thousands)

	2025	2024	2023	2022	2021	Prior	Total
Commercial loans:							
Pass	**$ 32,093**	$ 18,177	$ 11,173	$ 11,117	$ 3,666	$ 13,052	$ 89,278
Special Mention	**298**	98	8	-	-	271	675
Substandard	**-**	-	-	30	239	1,175	1,444
	$ 32,391	$ 18,275	$ 11,181	$ 11,147	$ 3,905	$ 14,498	$ 91,397
Current period gross write-offs	**$ -**	$ -	$ -	$ (11)	$ -	$ -	$ (11)
Current period recoveries	**-**	-	-	-	-	6	6
Current period net write-offs	**$ -**	$ -	$ -	$ (11)	$ -	$ 6	$ (5)
Commercial Real Estate loans:							
Pass	**$ 15,790**	$ 22,958	$ 25,332	$ 45,769	$ 35,018	$ 68,393	$ 213,260
Special Mention	**-**	-	4,274	-	-	1,294	5,568
Substandard	**-**	-	-	-	305	1,120	1,425
Non-Performing	**-**	-	-	-	-	59	59
	$ 15,790	$ 22,958	$ 29,606	$ 45,769	$ 35,323	$ 70,866	$ 220,312
Current period gross write-offs	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -
Current period recoveries	**-**	-	-	-	-	22	22
Current period net write-offs	**$ -**	$ -	$ -	$ -	$ -	$ 22	$ 22
Residential mortgage loans:							
Performing	**$ 47,237**	$ 39,946	$ 32,100	$ 29,098	$ 52,030	$ 140,240	$ 340,651
Non-Performing	**-**	-	-	-	203	294	497
	$ 47,237	$ 39,946	$ 32,100	$ 29,098	$ 52,233	$ 140,534	$ 341,148
Current period gross write-offs	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -
Current period recoveries	**-**	-	-	-	3	3	6
Current period net write-offs	**$ -**	$ -	$ -	$ -	$ 3	$ 3	$ 6
Consumer loans:							
Performing	**$ 29,455**	$ 23,703	$ 18,718	$ 11,609	1,719	$ 1,603	$ 86,807
Non-Performing	**-**	-	-	-	-	-	-
	$ 29,455	$ 23,703	$ 18,718	$ 11,609	$ 1,719	$ 1,603	$ 86,807
Current period gross write-offs	**$ (13)**	$ (30)	$ (72)	$ (4)	$ -	$ (11)	$ (130)
Current period recoveries	**-**	-	-	2	-	31	33
Current period net write-offs	**$ (13)**	$ (30)	$ (72)	$ (2)	$ -	$ 20	$ (97)
Other loans:							
Performing	**$ 234**	$ 87	$ 77	$ 84	$ 163	$ 2,985	$ 3,630
Non-Performing	**-**	-	-	-	-	1	1
	$ 234	$ 87	$ 77	$ 84	$ 163	$ 2,986	$ 3,631
Current period gross write-offs	**$ -**	$ (3)	$ (9)	$ -	$ (3)	$ (32)	$ (47)
Current period recoveries	**-**	-	1	-	-	16	17
Current period net write-offs	**$ -**	$ (3)	$ (8)	$ -	$ (3)	$ (16)	$ (30)

The following table presents loans to customers, based on year of origination, within each credit quality indicator at December 31, 2024:

(In thousands)

	2024	2023	2022	2021	Prior	Total
Commercial loans:						
Pass	$ 25,238	$ 14,986	$ 15,124	$ 7,067	$ 18,191	$ 80,606
Special Mention	101	-	14	-	-	115
Substandard	-	-	63	151	196	410
	$ 25,339	$ 14,986	$ 15,201	$ 7,218	$ 18,387	$ 81,131
Current period gross write-offs	$ -	$ -	$ -	$ -	$ (9)	$ (9)
Current period recoveries	-	-	-	-	3	3
Current period net write-offs	$ -	$ -	$ -	$ -	$ (6)	$ (6)
Commercial Real Estate loans:						
Pass	$ 17,088	$ 29,709	$ 44,706	$ 38,331	$ 77,119	$ 206,953
Special Mention	579	-	2,964	-	2,910	6,453
Substandard	-	-	-	349	1,266	1,615
	$ 17,667	$ 29,709	$ 47,670	$ 38,680	$ 81,295	$ 215,021
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -
Current period recoveries	-	-	-	-	8	8
Current period net write-off	$ -	$ -	$ -	$ -	$ 8	$ 8
Residential mortgage loans:						
Performing	$ 39,227	$ 33,312	$ 32,930	$ 57,512	$ 159,845	$ 322,826
Non-Performing	-	241	-	203	238	682
	$ 39,227	$ 33,553	$ 32,930	$ 57,715	$ 160,083	$ 323,508
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -
Current period recoveries	-	-	-	-	3	3
Current period net write-offs	$ -	$ -	$ -	$ -	$ 3	$ 3
Consumer loans:						
Performing	$ 35,773	$ 31,026	$ 20,734	$ 4,348	$ 3,707	$ 95,588
Non-Performing	-	-	4	-	-	4
	$ 35,773	$ 31,026	$ 20,738	$ 4,348	$ 3,707	$ 95,592
Current period gross write-offs	$ -	$ (8)	$ (12)	$ -	$ (2)	$ (22)
Current period recoveries	-	2	-	-	22	24
Current period net write-offs	$ -	$ (6)	$ (12)	$ -	$ 20	$ 2
Other loans:						
Performing	$ 74	$ 76	$ 68	$ 180	$ 2,927	$ 3,325
Non-Performing	-	-	-	1	-	1
	$ 74	$ 76	$ 68	$ 181	$ 2,927	$ 3,326
Current period gross write-offs	$ -	$ -	$ -	$ -	$ (9)	$ (9)
Current period recoveries	-	1	1	-	20	22
Current period net write-offs	$ -	$ 1	$ 1	$ -	$ 11	$ 13

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the past due status:

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	>90 Days Past Due	Total Past Due	Current	Total Loans	Loans >90 & Accruing[1]	Loans on Non-Accrual Status
At December 31, 2025:								
Residential RE	**$ 1,244**	**$ 351**	**$ -**	**$ 1,595**	**$339,553**	**$341,148**	**$ -**	**$ 497**
Commercial RE	**192**	**-**	**-**	**192**	**220,120**	**220,312**	**-**	**59**
Commercial	**257**	**-**	**-**	**257**	**91,140**	**91,397**	**-**	**30**
Consumer	**283**	**2**	**-**	**285**	**86,522**	**86,807**	**-**	**-**
Other	**7**	**4**	**1**	**12**	**3,619**	**3,631**	**1**	**-**
Total	**$ 1,983**	**$ 357**	**$ 1**	**$ 2,341**	**$740,954**	**$743,295**	**$ 1**	**$ 586**

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	>90 Days Past Due	Total Past Due	Current	Total Loans	Loans >90 & Accruing[1]	Loans on Non-Accrual Status
At December 31, 2024:								
Residential RE	$ 1,703	$ 131	$ -	$ 1,834	$321,674	$323,508	$ -	$ 682
Commercial RE	199	-	-	199	214,822	215,021	-	-
Commercial	52	35	-	87	81,044	81,131	-	-
Consumer	163	-	4	167	95,425	95,592	4	-
Other	35	-	1	36	3,290	3,326	1	-
Total	$ 2,152	$ 166	$ 5	$ 2,323	$716,255	$718,578	$ 5	$ 682

Interest foregone due to non-accruing loans approximated **$13** thousand in 2025 and $12 thousand in 2024.

(1) Certain loans 90 days or more past due are still accruing because they are well secured and in process of collection.

The following tables provide loans on nonaccrual status as of December 31, 2025 and 2024. Nonaccrual loans may have an allowance for credit losses or a negative allowance for credit losses from expected recoveries of amounts previously written off. Nonaccrual loans may not have an allowance for credit losses if the loss expectations are zero given collateral fair value in excess of carrying value as per the collateral-dependent practical expedient discussed below.

	Amortized cost		
(In thousands)	Nonaccrual loans	Nonaccrual loans without related allowance for credit losses	Recognized interest income
At December 31, 2025:			
Residential RE	**$ 497**	**$ 295**	**$ 19**
Commercial RE	**59**	**59**	**3**
Commercial	**30**	**30**	**4**
Total	**$ 586**	**$ 384**	**$ 26**

	Amortized cost		
(In thousands)	Nonaccrual loans	Nonaccrual loans without related allowance for credit losses	Recognized interest income
At December 31, 2024:			
Residential RE	$ 682	$ 479	$ 35
Total	$ 682	$ 479	$ 35

A loan is considered collateral-dependent when the borrower is experiencing financial difficulty and repayment of the loan is expected to be provided substantially through the operation or sale of the collateral. Loans considered collateral-dependent were as follows:

(In thousands)	Amortized cost	Collateral type
December 31, 2025:		
Real estate:		
Residential 1-4 family	**$ 497**	Residential real estate property
Commercial:		
Commercial real estate	**$ 59**	Commercial real estate property
Commercial	**$ 30**	All accounts receivable, inventory, equipment, furniture & fixtures

(In thousands)	Amortized cost	Collateral type
December 31, 2024:		
Real estate:		
Residential 1-4 family	$ 682	Residential real estate property

Directors and executive officers of the Company and their affiliated companies were customers of, and had other transactions with, the Company in the ordinary course of business during 2025 and 2024. All deposits, loans, and commitments included in such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other unrelated persons and did not involve more than normal risk of collectibility or present other unfavorable features. The balances of such loans included in total loans were **$554** thousand at December 31, 2025 and $726 thousand at December 31, 2024. During 2025, there were no new loans made to such related parties, and repayments amounted to **$172** thousand.

Loans serviced for others were approximately **$45.9** million and $41.9 million at December 31, 2025 and 2024, respectively. Related servicing assets, net of amortization, were **$94** thousand at December 31, 2025 and $51 thousand at December 31, 2024.

There were **$203** thousand of residential real estate loans in the process of foreclosure at both December 31, 2025 and 2024.

4. Bank Premises & Equipment

A summary of bank premises and equipment is as follows:

(In thousands)	December 31, 2025	2024
Land	**$ 3,162**	$ 3,162
Building and leasehold improvements	**11,319**	11,282
Equipment	**17,781**	17,281
Right-of-use assets	**2,557**	1,350
Construction in progress	**1,595**	195
	36,414	33,270
Less accumulated depreciation and amortization	**(22,836)**	(21,944)
TOTAL BANK PREMISES AND EQUIPMENT, NET	**$ 13,578**	$ 11,326

Total depreciation and amortization expense was **$892** thousand and $835 thousand for the years ended December 31, 2025 and 2024, respectively.

The Company enters into leases in the normal course of business primarily for banking offices. The Company's leases have remaining terms ranging from less than one year to 10 years, some of which include renewal or termination options to extend the lease for up to 30 years. All options to renew are included in the current lease term when the Company believes it is reasonably certain that the renewal options will be exercised. The Company's leases do not include residual value guarantees or covenants.

Leases are classified as operating leases at the lease commencement date. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Operating lease costs were **$391** thousand and $375 thousand for 2025 and 2024, respectively. Variable lease payments were **$36** thousand and $35 thousand for 2025 and 2024, respectively.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. For any new leases, the Company will use its incremental borrowing rate on the lease commencement date. The Company's incremental borrowing rate is based on the FHLB advance rate, adjusted for the lease term and other factors. The Company entered into one new lease agreement during the year ended December 31, 2025 for its East Syracuse Branch.

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

(In thousands)	Balance Sheet Classification	December 31, 2025	2024
Right-of-use assets:			
Operating leases	Bank premises and equipment, net	**$ 2,557**	$ 1,350
Lease liabilities:			
Operating leases	Other liabilities	**$ 2,577**	$ 1,370
Supplemental Lease Information			
Operating cash flows paid for operating leases		**$ 409**	$ 373
Right-of-use assets obtained in exchange for operating lease obligations		**$ 1,517**	$ -
Operating lease weighted average remaining lease term		**6.0 Years**	5.1 Years
Operating lease weighted average discount rate		**3.65%**	3.30%

The undiscounted cash flows of the operating lease liabilities are as follows:

(In thousands)	December 31, 2025
2026	**$ 482**
2027	**482**
2028	**440**
2029	**401**
2030	**283**
Thereafter	**843**
Total undiscounted cash flows	**2,931**
Less: net present value adjustments	**(354)**
LEASE LIABILITIES	**$ 2,577**

5. Deposits

Contractual maturities of time deposits were as follows:

(In thousands)	December 31, 2025
Under 1 year	**$ 294,049**
1-3 years	**24,553**
3-5 years	**4,604**
TOTAL CONTRACTUAL MATURITIES OF TIME DEPOSITS	**$ 323,206**

Deposits from directors and executive officers of the Company at December 31, 2025 and 2024 were **$5.3** million and $4.6 million, respectively.

6. Borrowings/Lines of Credit

The Company had **$15.5** million in borrowings as of December 31, 2025 and $44.7 million in borrowings as of December 31, 2024. Borrowings consist of advances from the Federal Home Loan Bank of New York (FHLB) and the Federal Reserve Bank of New York (FRB).

The following table sets forth the contractual maturities of borrowings with the FHLB and FRB as of December 31:

(In thousands)	Advance Date	Maturity Date	Rate	2025	2024
	10/12/23	10/13/26	5.16%	**$ 620**	$ 620
	12/12/23	12/14/26	4.73%	**1,030**	1,030
	12/27/23	12/29/25	4.53%	**-**	70
	1/16/24	1/15/25	4.76%	**-**	13,200
	3/26/24	3/26/27	4.66%	**650**	650
	4/03/24	4/05/27	4.76%	**270**	270
	6/26/24	6/28/27	4.76%	**843**	843
	7/25/24	1/27/25	5.34%	**-**	10,000
	7/25/24	4/25/25	5.18%	**-**	10,000
	7/25/24	7/25/25	5.09%	**-**	6,000
	10/04/24	10/04/27	4.06%	**2,053**	2,053
	6/12/25	6/12/28	4.03%	**1,306**	-
	7/28/25	1/28/26	4.45%	**3,000**	-
	8/29/25	8/29/28	3.75%	**748**	-
	9/25/25	2/25/26	4.05%	**5,000**	-
TOTAL				**$ 15,520**	$ 44,736

Borrowings at the FHLB are secured by mortgage loans with a carrying amount of **$319.5** million and $334.1 million at December 31, 2025 and 2024, respectively, and the Company's investment in FHLB stock. As of December 31, 2025 and 2024, **$222.6** million and $216.6 million, respectively, was available for borrowings. Of this amount, **$15.5** million and $31.5 million were outstanding at December 31, 2025 and 2024, respectively. In 2023, the FHLB launched a new 0% Development Advance (ZDA) Program that provided members with subsidized funding in the form of interest rate credits to assist in originating loans or purchasing loans/investments that meet its eligibility criteria. FHLB members could request to reserve interest rate credits up to $250,000, which the Company was successfully granted during the year. Borrowings through this program were also secured by the same mortgage loans. The ZDA Program was renewed in 2025 and 2024. Borrowings outstanding through the ZDA program were **$7.5** million and $5.5 million at

December 31, 2025 and 2024, respectively. Borrowings outstanding through the FHLB's traditional advance program were **$8.0** million and $26.0 million at December 31, 2025 and 2024, respectively.

Borrowings through the discount window program at the Federal Reserve Bank of New York are secured by mortgage loans and investment securities with a carrying amount of **$42.5** million and $22.8 million at December 31, 2025 and 2024, respectively, and **$33.4** million and $17.4 million were available for borrowing at December 31, 2025 and 2024, respectively. There were no outstanding borrowings on these lines at December 31, 2025 or 2024. In 2023, a new borrowing facility was created by the Fed, known as the Bank Term Funding Program (BTFP). In response to the events surrounding large bank failures in March of 2023, the Fed deployed the BTFP to provide financial institutions with easily accessible liquidity. Banks could pledge certain investment securities (U.S. Treasuries, agency debt and mortgage-backed securities, and other qualifying assets) as collateral and could borrow up to one hundred percent of their par value for a term of one-year at a rate specific to the program. Borrowings through the BTFP were secured by investment securities with a carrying amount of $22.5 million at December 31, 2024. Of this amount, $13.2 million was outstanding at December 31, 2024. The final BTFP advance matured January 15, 2025. The Company also had an unused unsecured line of credit with another correspondent bank totaling **$8.0** million at both December 31, 2025 and 2024, with approximate terms of the current federal funds rate plus 0.25%.

The following table sets forth the contractual maturities of all FHLB borrowings at December 31, 2025:

(In thousands)	Contractual Maturity	Weighted Average Rate
2026	**$ 9,650**	**3.48%**
2027	**3,816**	**0.00%[1]**
2028	**2,054**	**0.00%[1]**
TOTAL	**$ 15,520**	**2.16%**

[1] FHLB Advances through the ZDA Program are effectively at a 0.00% rate due to interest expense credits received.

7. Income Tax

Income tax expense (benefit) attributable to income before income taxes consists of:

(In thousands)	Current	Deferred	Total
Year ended December 31, 2025:			
Federal	**$ 844**	**$ 100**	**$ 944**
State	**179**	**(84)**	**95**
TOTAL INCOME TAX EXPENSE	**$ 1,023**	**$ 16**	**$ 1,039**
Year ended December 31, 2024:			
Federal	$ 968	$ 180	$ 1,148
State	131	(212)	(81)
TOTAL INCOME TAX EXPENSE (BENEFIT)	$ 1,099	$ (32)	$ 1,067

Income tax expense attributable to income before income taxes for the years ended December 31, 2025 and 2024 differed from amounts computed by applying the U.S. Federal income tax rate of 21 percent to income before income taxes as a result of the following:

	December 31,			
(In thousands, except percentages)	**2025**		2024	
US Federal Statutory Tax Rate	**$ 1,426**	**21.0%**	$ 1,178	21.0%
State and Local Income Taxes	**74**	**1.1%**	(64)	(1.2%)
Nontaxable or Nondeductible items:				
Tax-exempt interest income	**(207)**	**(3.0%)**	(220)	(3.9%)
Increase in value of BOLI	**(90)**	**(1.3%)**	(89)	(1.6%)
Other permanent differences	**(164)**	**(2.5%)**	262	4.7%
EFFECTIVE TAX RATE	**$ 1,039**	**15.3%**	$ 1,067	19.0%

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

	December 31,	
(In thousands)	**2025**	2024
Deferred tax assets:		
Unrealized net losses on securities	**$ 6,948**	$ 11,075
Financial statement allowance for credit losses	**2,197**	2,178
State net operating loss	**334**	245
Deferred compensation	**223**	199
Nonaccrual interest	**6**	6
Other	**30**	43
TOTAL GROSS DEFERRED TAX ASSETS	**9,738**	13,746
Deferred tax liabilities:		
Pension	**991**	895
Bank premises and equipment	**625**	659
Other	**741**	562
TOTAL GROSS DEFERRED TAX LIABILITIES	**2,357**	2,116
NET DEFERRED TAX ASSETS, INCLUDED IN OTHER ASSETS	**$ 7,381**	$ 11,630

Income taxes paid were as follows for the years ended:

(In thousands)	**2025**	2024
Federal	**$ 1,013**	$ 1,029
State	**22**	95
TOTAL	**$ 1,035**	$ 1,124

State taxes were made up entirely of taxes paid to New York State in both 2025 and 2024.

In 2024, the Company filed for the Employee Retention Credit (ERC). The ERC is a refundable payroll tax credit for certain eligible businesses impacted by mandated governmental shutdowns or partial shutdowns related to the COVID-19 pandemic, who continued to pay their employees during that period. As a result of the filing, during 2024 the Company recorded an $851 thousand receivable for the ERC, which was recognized in other income in 2024, and a $179 thousand taxes payable liability and corresponding tax expense for the anticipated taxes, for a net impact of $672 thousand. The Company received the ERC refund in 2025, as well as an additional **$144** thousand in interest received, partially offset by interest paid of **$39** thousand.

The realization of deferred tax assets is dependent upon the generation of future taxable income. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. In assessing the need for a valuation allowance, management considers the scheduled reversal of the deferred tax liabilities, the level of historical taxable income and projected future taxable income over the periods in which the temporary differences comprising the deferred tax assets will be deductible. Based on its assessment, management determined that no valuation allowance was necessary for 2025 or 2024.

The Company is currently open to audit by the Internal Revenue Service and New York State for the years ending December 31, 2023 through 2025. The Company recognizes interest and penalties, if any, assessed by the taxing agencies in other expenses. Interest and penalties were not significant in 2025 or 2024, other than the ERC interest noted above.

8. Comprehensive Income

The amounts of income tax expense allocated to each component of other comprehensive income are as follows:

	December 31,	
(In thousands)	**2025**	2024
Unrealized gains on securities available-for-sale	**$ 4,114**	$ 503
Reclassification adjustments for losses included in net income	**3**	97
Net unrealized gains	**4,117**	600
Amortization of net unrealized losses on securities transferred from available-for-sale	**-**	1
Net unrealized gains on securities held-to-maturity	**-**	1
Defined benefit pension plan:		
Net gains arising during the period	**105**	235
Amortization of net losses recognized in net pension expense	**-**	27
Defined benefit pension plan, net	**105**	262
	$ 4,222	$ 863

Reclassifications out of accumulated other comprehensive loss are as follows:

	Amount reclassified from accumulated other comprehensive loss		Affected line item in the statement where net income is presented
	December 31,		
(In thousands)	**2025**	2024	
Unrealized losses on securities available-for-sale (before tax)	**$ (9)**	$ (372)	Net loss on sale and call of available-for-sale securities
Tax benefit	**3**	97	Income taxes
Net of tax	**(6)**	(275)	
Amortization of net losses in net pension expense (before tax)	-	(105)	Salaries and employee benefits
Tax benefit	-	27	Income taxes
Net of tax	-	(78)	
Total reclassifications for the year, net of tax	**$ (6)**	$ (353)	

The balances and changes in the components of accumulated other comprehensive income (loss), net of tax are as follows:

(In thousands)	Unrealized Gains (Losses) on Securities Available-for-Sale	Unrealized Gains (Losses) on Securities Held-to-Maturity	Defined Benefit Pension Plan	Accumulated Other Comprehensive Income (Loss)
Accumulated other comprehensive loss as of January 1, 2024	$ (33,011)	$ (10)	$ (1,061)	$ (34,082)
Other comprehensive income before reclassification	1,420	1	662	2,083
Amounts reclassified from accumulated other comprehensive loss	275	-	78	353
Accumulated other comprehensive loss as of December 31, 2024	(31,316)	(9)	(321)	(31,646)
Other comprehensive income before reclassification	**11,658**	**1**	**295**	**11,954**
Amounts reclassified from accumulated other comprehensive loss	**6**	**-**	**-**	**6**
Accumulated other comprehensive loss as of December 31, 2025	**$ (19,652)**	**$ (8)**	**$ (26)**	**$ (19,686)**

9. Benefit Plans

Obligations and Funded Status:

The following table sets forth the Plan's change in benefit obligation, change in plan assets, and funded status and amounts recognized in the Company's consolidated balance sheets using the most recent actuarial data measured as follows:

(In thousands)	December 31, **2025**	December 31, 2024
Change in Benefit Obligation		
Benefit obligation at beginning of year	**$ (6,805)**	$ (7,201)
Service cost	**(166)**	(179)
Interest cost	**(417)**	(418)
Actuarial (loss) gain	**(166)**	480
Benefits paid	**323**	513
Benefit obligation at end of year	**(7,231)**	(6,805)
Change in Plan Assets		
Fair value of assets at beginning of year	**10,230**	9,801
Actual return on plan assets	**1,116**	942
Benefits paid	**(323)**	(513)
Fair value of assets at end of year	**11,023**	10,230
FUNDED STATUS AT END OF YEAR, INCLUDED IN OTHER ASSETS	**$ 3,792**	$ 3,425
Amounts recognized in accumulated other comprehensive loss		
Unrecognized net actuarial loss	**$ (67)**	$ (467)
TOTAL	**$ (67)**	$ (467)

The accumulated benefit obligation was **$7.2** million at December 31, 2025 and $6.8 million at December 31, 2024.

Components of Net Periodic (Benefit) Cost and Other Amounts Recognized in Other Comprehensive Loss:

(In thousands)	December 31, **2025**	December 31, 2024
Net Periodic Benefit Cost		
Service cost	**$ 166**	$ 180
Interest cost	**417**	418
Expected return on plan assets	**(550)**	(527)
Net amortization and deferral	**-**	105
Net periodic pension cost	**33**	176
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Loss		
Net gain	**(400)**	(1,002)
Total recognized in other comprehensive loss	**(400)**	(1,002)
TOTAL RECOGNIZED IN NET PERIODIC BENEFIT AND OTHER COMPREHENSIVE LOSS	**$ (367)**	$ (826)

The projected benefit obligation was determined using an assumed weighted average discount rate of **6.18%** in 2025 and 6.35% in 2024. The projected net periodic pension cost was determined using an assumed weighted average discount rate of **6.35%** in 2025 and 6.00% in 2024. The Company utilized an expected overall weighted average long-term rate of return on plan assets of **5.50%** in 2025 and 2024. Historical and future expected returns of multiple asset classes were analyzed to develop a risk-free real rate of return and risk premiums for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk-free real rate of return, and the associated risk premium. A weighted average rate was developed based on those overall rates and the target asset allocation of the plan. The weighted average assumed rate of compensation increase was **3.00%** in 2025 and 2024.

The 2025 mortality tables used were the sex-distinct Amount-Weighted White Collar Pri-2012 mortality tables for employees and healthy annuitants adjusted for mortality improvements with the scale MP-2021 mortality improvement scale on a generational basis. This assumption was based on a review of published mortality tables and the demographics and industry of the plan.

The 2025 mortality table used to convert annuities to equivalent lump sum amounts and to annuitize cash balance accounts was updated to the applicable mortality table for the determination of present values under IRC Section 417(e)(3). This table is currently a 50/50 blend of male and female rates from the 2025 sex distinct optional combined mortality tables, as prescribed under IRC Section 430.

The Company has an investment strategy to create balance between income and growth for the defined benefit plan with modest asset risk. The target investment allocations are fixed income securities 45% - 51%, equity securities 44% - 53%, and cash and cash equivalents 2%-5%. Variances to policy are acceptable if approved by the Plan Trustees. The Company's common stock is included in the equity securities class with a maximum limit of 10% of the portfolio. The Plan assets include **12,928** and 10,834 shares of the Company's common stock at December 31, 2025 and 2024, respectively.

The asset allocations of the Company's pension benefits as of December 31 were as follows:

(In thousands)	**2025**	Fair Value Measurements at Reporting Date Using: Level 1	Level 2	Level 3
Cash and cash equivalents	**$ 283**	**$ 283**	**$ -**	**$ -**
Certificates of deposit	**933**	**-**	**933**	**-**
Equity securities:				
Large cap	**3,681**	**3,681**	**-**	**-**
Mid cap	**1,534**	**1,534**	**-**	**-**
Small cap	**374**	**374**	**-**	**-**
Fixed income securities:				
Corporate bonds	**2,035**	**-**	**2,035**	**-**
Mutual funds	**2,183**	**2,183**	**-**	**-**
TOTAL	**$ 11,023**	**$ 8,055**	**$ 2,968**	**$ -**

(In thousands)	2024	Fair Value Measurements at Reporting Date Using: Level 1	Level 2	Level 3
Cash and cash equivalents	$ 191	$ 191	$ -	$ -
Certificates of deposit	784	-	784	-
Equity securities:				
Large cap	3,621	3,621	-	-
Mid cap	1,138	1,138	-	-
Small cap	282	282	-	-
Fixed income securities:				
Corporate bonds	2,096	-	2,096	-
Mutual funds	2,118	2,118	-	-
TOTAL	$ 10,230	$ 7,350	$ 2,880	$ -

The fair value of level 1 pension plan assets are based on unadjusted, quoted market prices from exchanges in active markets. The fair value of level 2 pension plan assets are based on an independent bond pricing service for identical assets or significantly similar securities. The pricing service uses a variety of techniques to arrive at fair value including market maker bids, quotes and pricing models. Inputs to the pricing models include recent trades, benchmark interest rates, spreads and actual and projected cash flows. There were no level 3 assets at December 31, 2025 and 2024 or any time during 2025 or 2024.

The Company does not expect to contribute to its pension plan in 2026. Potential future contributions may be considered.

The benefits expected to be paid from the pension plan in each year 2026-2030 are **$447**, $**444**, **$450**, **$612** and **$527** thousand, respectively. The aggregate benefits expected to be paid in the five years from 2031-2035 are **$3.5** million. The expected benefits are based on the same assumptions used to measure the Company's benefit obligation at December 31st and include estimated future employee service.

Defined Contribution Plan
The Company also has a defined contribution 401(k) Employee Savings Plan for all eligible employees. Matching contributions to the plan, which are subject to plan limitations, amounted to **$607** thousand in 2025 and $555 thousand in 2024.

10. Commitments and Contingencies

Loan Commitments and Letters of Credit

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of its customers. These financial instruments include commitments to extend credit, unused lines of credit and letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. Management does not anticipate any significant losses as a result of these transactions.

The Company's exposure to credit loss in the event of nonperformance by the other parties to the financial instrument for commitments to extend credit, unused lines of credit and letters of credit is represented by the contractual nominal amounts of those commitments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The Company controls credit risk through credit approvals, limits and monitoring procedures. For the years ended December 31, 2025 and 2024, the Company recorded provision for credit losses of **$173** thousand and $35 thousand, respectively, for unfunded commitments. At December 31, 2025 and 2024, the liability for credit losses on off-balance sheet credit exposures included in other liabilities was **$423** thousand and $250 thousand, respectively.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company, upon the extension of credit is based on management's credit evaluation of the customer. Collateral held varies but may include cash, securities, receivables, inventory, and equipment.

Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing these investments is essentially the same as that involved in extending loans to customers.

The Company's commitments (unfunded loans or unused lines of credit) and letters of credit outstanding are as follows:

	December 31,	
(In thousands)	**2025**	2024
Commitments to extend credit – variable	**$ 165,408**	$ 171,900
Commitments to extend credit – fixed	**38,808**	34,458
Performance and standby letters of credit	**6,605**	6,060
TOTAL LOAN COMMITMENTS AND LETTERS OF CREDIT	**$ 210,821**	$ 212,418

Contingencies

In the normal course of business, there are various outstanding legal proceedings. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the consolidated financial position of the Company.

At both December 31, 2025 and 2024, the Company held **3,606** shares of VISA Class B Common Stock. The Company is restricted from selling these shares until certain VISA legal matters are resolved. The Company is not a party to these legal matters. Upon resolution of these legal matters, the Company's shares will be convertible to marketable Class A common shares. The Company has valued these shares at zero, which is equal to the cost basis of their equity interest in VISA. The Company cannot predict when the restriction on these shares will be released or what the value of these shares might be at that time.

In 2024, the Company recorded a $1.5 million gain on the sale of VISA stock by executing on the Exchange Offer as a member bank of VISA. On April 8, 2024, VISA issued an Exchange Offer to its clients. Under the terms of the Offer, Class B-1 holders could exchange 50% of their holdings into Class C common stock. Those exchanged shares became convertible into freely tradable Class A shares, of which one-third was saleable after the tender with the remaining two-thirds saleable at the end of two successive 45-day periods. The remaining 50% of B-1 shares were exchanged into B-2 common stock. At the time of conversion from Class B-1 to Class C shares, the shares were recorded at the associated fair value of the converted Class A shares. The Company recorded the gain on equity securities and adjusted the fair value of the equity securities monthly. The Company converted the Class C shares to Class A as outlined in the Makewhole Agreement. Once all shares were converted to Class A, the Company executed the sale, resulting in the gain noted above. The remaining Class B-2 shares (3,606) will be available to offset litigation costs.

11. Fair Value of Financial Instruments

The Company uses fair value measurements to record fair value adjustments and to determine fair value disclosures of financial assets and financial liabilities measured at fair value on a recurring basis and for nonfinancial items that are recognized or disclosed at fair value on a non-recurring basis. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value measurements are not adjusted for transaction costs. In addition, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The only assets or liabilities that the Company measured at fair value on a recurring basis at December 31, 2025 and 2024 were securities available-for-sale. The Company held no securities or liabilities for trading on such dates.

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at December 31:

		Fair Value Measurements at Reporting Date Using:		
(In thousands)	**2025**	Level 1	Level 2	Level 3
U.S. Treasury Bonds	**$ 14,212**	**$ -**	**$ 14,212**	**$ -**
U.S. Government sponsored agencies	**108,395**	**-**	**108,395**	**-**
State and political subdivisions	**31,646**	**-**	**31,646**	**-**
Subordinated Debt	**258**	**-**	**258**	**-**
Corporate bonds	**46,264**	**-**	**46,264**	**-**
Mortgage-backed securities	**154,738**	**-**	**154,738**	**-**
Securities available-for-sale	**$ 355,513**	**$ -**	**$ 355,513**	**$ -**

		Fair Value Measurements at Reporting Date Using:		
(In thousands)	2024	Level 1	Level 2	Level 3
U.S. Treasury Bonds	$ 16,418	$ -	$ 16,418	$ -
U.S. Government sponsored agencies	121,305	-	121,305	-
State and political subdivisions	35,130	-	35,130	-
Corporate bonds	42,977	-	42,977	-
Mortgage-backed securities	146,851	-	146,851	-
Securities available-for-sale	$ 362,681	$ -	$ 362,681	$ -

The fair value of level 2 securities available-for-sale are based on an independent bond pricing service for identical assets or significantly similar securities. The pricing service uses a variety of techniques to arrive at fair value including market maker bids, quotes and pricing models. Inputs to the pricing models include recent trades, benchmark interest rates, spreads and actual and projected cash flows. Based on the inputs used by our independent pricing services, we identify the appropriate level within the fair value hierarchy to report these fair values. There were no level 3 securities at December 31, 2025 and 2024 or any time during 2025 or 2024.

Certain assets are also measured at fair value on a non-recurring basis. These other financial assets include specifically-evaluated loans if the loan's fair value is based on the fair value of the underlying collateral and Other Real Estate ("ORE"). At December 31, 2025 and 2024, the Company had no significant amount of loans and no other real estate measured at fair value on a non-recurring basis.

The table below presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2025 and 2024. The fair value estimates, methods and assumptions set forth below for the Company's financial instruments, including those financial instruments carried at cost, are made solely to comply with disclosures required by generally accepted accounting principles in the United States and should be read in conjunction with the financial statements and notes included in this annual report. The carrying amounts shown in the table are included in the consolidated balance sheets under the indicated captions, except for FHLB and FRB stock, accrued interest receivable, and accrued interest payable, which are included in other assets or other liabilities.

	December 31,				
	2025			2024	
(In thousands)	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:					
Cash and cash equivalents	**1**	**$ 33,301**	**$ 33,301**	$ 56,579	$ 56,579
Securities available-for-sale	**2**	**$ 355,513**	**$ 355,513**	$ 362,681	$ 362,681
Securities held-to-maturity	**2**	**$ 4,324**	**$ 4,408**	$ 6,382	$ 6,439
FHLB and FRB stock	**1**	**$ 2,216**	**$ 2,216**	$ 2,885	$ 2,885
Accrued interest receivable	**1**	**$ 4,012**	**$ 4,012**	$ 4,105	$ 4,105
Net loans	**3**	**$ 735,312**	**$ 687,913**	$ 710,494	$ 636,303
Financial Liabilities:					
Non-interest bearing deposits	**1**	**$ 282,137**	**$ 282,137**	$ 278,989	$ 278,989
Savings, NOW, Money Market	**1**	**$ 459,357**	**$ 459,357**	$ 471,323	$ 471,323
Time deposits	**2**	**$ 323,206**	**$ 323,172**	$ 308,600	$ 308,665
Borrowings	**2**	**$ 15,520**	**$ 15,614**	$ 44,736	$ 44,751
Accrued interest payable	**1**	**$ 2,075**	**$ 2,075**	$ 2,658	$ 2,658

The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non-recurring basis are discussed below. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, FHLB and FRB stock, and accrued interest receivable and accrued interest payable approximate fair value, due to their short-term nature/duration.

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

Securities

The Company determines the fair value of its securities using an independent bond pricing service for identical assets or significantly similar securities (level 2). The pricing service uses a variety of techniques to arrive at fair value including market maker bids, quotes and pricing models. Inputs to the pricing models include recent trades, benchmark interest rates, spreads, and actual and projected cash flows.

Loans

The fair values of loans held in portfolio are estimated using discounted cash flow analyses. The discount rate considers a market participant's cost of funds, liquidity premiums, capital charges, servicing charges, and expectations of future rate movements (for variable rate loans), resulting in a level 3 classification. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal, and adjusted for potential defaulted loans.

Deposits

The fair value of demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date resulting in a level 1 classification. The fair value of fixed maturity certificates of deposit is estimated by discounting the future cash flows using market interest rates for deposits of similar remaining maturities resulting in a level 2 classification.

Borrowings

The fair value of borrowings are estimated based on quoted interest rates for similar liabilities resulting in a level 2 classification.

Commitments to Extend Credit and Letters of Credit

The fair values of commitments to extend credit and letters of credit are estimated based on the fees currently charged to originate similar agreements. For fixed rate loan commitments, fair value estimates also consider the difference between current market interest rates and the committed rates. Such fees were not significant at December 31, 2025 and 2024.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. 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.

12. Regulatory Matters

The Bank is subject to legal limitations on the amount of dividends it can pay to Solvay Bank Corp. Dividends are limited to net profits for the current period and retained net profits for the two preceding years, as defined by New York State Banking Law. Approximately **$3.6** million and $9.5 million was available for the declaration of dividends at December 31, 2025 and 2024, respectively. In 2025 and 2024, Solvay Bank paid dividends of approximately **$4.7** million and $4.6 million, respectively, to Solvay Bank Corp. which allowed for the payment of regular dividends to Solvay Bank Corp. shareholders. Payments to shareholders were **$4.5** million and $4.4 million in 2025 and 2024, respectively. Payments to Solvay Bank Corp. to fund operating costs were **$229** thousand in both 2025 and 2024.

Effective March 26, 2020, the Board of Governors of the Federal Reserve System reduced reserve requirement ratios to zero percent. This action eliminated reserve requirements for all depository institutions.

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gains (losses) on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2025, the Company and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2025 and 2024, the most recent regulatory notifications categorized the 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 the institution's category.

The federal banking agencies provide for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations. The final rule became effective on January 1, 2020 and was elected by the Bank as of December 31, 2020.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Under the interim final rules, the community bank leverage ratio minimum requirement is 9%. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the bank maintains a leverage ratio of 8%.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2025 and 2024, both the Company and Bank were qualifying community banking organizations as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

The Company and Bank's approximate capital amounts and ratios at December 31 are as follows:

(In thousands)	Actual		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)	
As of December 31, 2025:	Amount	Ratio	Amount	Ratio
Tier 1 Core Capital (to Average Assets)				
Consolidated	**$ 113,104**	**9.28%**	**n/a**	**n/a**
Solvay Bank	**$ 112,458**	**9.23%**	**$ 109,691**	**9.00%**

(In thousands)	Actual		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)	
As of December 31, 2024:	Amount	Ratio	Amount	Ratio
Tier 1 Core Capital (to Average Assets)				
Consolidated	$ 111,518	9.11%	n/a	n/a
Solvay Bank	$ 111,211	9.08%	$ 110,189	9.00%

13. Revenue from Contracts with Customers

All of the Company's revenue from contracts with customers is recognized within other income as the Company satisfies its obligation to the customer. The following table presents these revenues for the years ended:

	December 31,	
(In thousands)	**2025**	2024
Service Charges on Deposit Accounts:		
Deposit related fees	**$ 745**	$ 717
Overdraft & chargeback fees	**383**	441
ATM/point of sale fees	**80**	74
Wire transfer fees	**73**	74
TOTAL SERVICE CHARGES ON DEPOSIT ACCOUNTS	**$ 1,281**	$ 1,306
Bank Card Income:		
Debit and credit card interchange fees	**$ 1,680**	$ 1,742
Merchant net commissions	**153**	242
TOTAL BANK CARD INCOME	**$ 1,833**	$ 1,984
Investment Services Income:		
Trust services	**$ 1,368**	$ 1,260
Brokerage and investment services	**114**	64
TOTAL INVESTMENT SERVICES INCOME	**$ 1,482**	$ 1,324
Insurance Agency Income:		
Insurance agency services	**$ 391**	$ 333
TOTAL INSURANCE AGENCY INCOME	**$ 391**	$ 333

Service Charges on Deposit Accounts: The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which included services such as ATM use fees, stop payment charges, statement rendering, wire transfer and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are recognized at the time the maintenance occurs. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance. Revenue included in service charges on the consolidated statements of income that was not related to contracts with customers was **$153** thousand and $120 thousand for the years ended December 31, 2025 and 2024, respectively.

Bank Card Income: The Company earns interchange fees from debit cardholder transactions conducted through the Fiserv EFT payment network and includes it in service charges income. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The Company also earns fees for merchant transaction processing services provided to its business customers by a third-party service provider. The fees represent a percentage of the monthly transaction activity net of related costs and are received from the service provider on a monthly basis.

Investment Services Income: The Company earns fees from trust and investment management department services provided to its customers by a third-party service provider. The Company receives and recognizes commissions from the third-party service provider monthly, based upon customer activity for the month. The Company (i) acts as an agent in arranging the relationship between the customer and the third-party service provider and (ii) does not control the services rendered to the customers. Investment fees are presented net of related costs.

Insurance Agency Income: The Company earns fees from insurance services provided to its customers by third-party service providers. The Company receives and recognizes commissions from the third-party service providers monthly, based upon customer activity for the month. The Company (i) acts as an agent in arranging the relationship between the customer and the third-party service provider and (ii) does not control the services rendered to the customers.

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India Mclaurin
Antonia Platt

SOLVAY BANK

MAKE MORE POSSIBLE.[SM]

MISSION STATEMENT

To provide the best experience for our customers

to help make their financial dreams come true,

while upholding socially responsible

and community-minded principles,

and delivering value to our shareholders.

SOLVAY BANK

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