

HIGHLANDS BANKSHARES, INC.



*Taking Banking To A Higher Plateau*

2025

ANNUAL REPORT

# Contents

Shareholder Meeting Invitation	1
Letter to Shareholders	2
Highlands Bankshares Board of Directors	3
Financials at a Glance	4
Financial Highlights	6
Independent Auditor's Report	7
Consolidated Balance Sheets as of December 31, 2025 and 2024	9
Consolidated Statements of Income for the Years Ended December 31, 2025 and 2024	10
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2025 and 2024	11
Consolidated Statements of Cash Flows for the Years Ended December 31, 2025 and 2024	12
Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2025 and 2024	13
Notes to Consolidated Financial Statements	14
Our Stock	48
Capon Valley Bank Highlights	49
Capon Valley Bank Branches	50
Grant County Bank Highlights	51
Grant County Bank Branches	52

# You Are Invited

We cordially invite you to attend our  
**40th Annual Shareholders Meeting**  
on May 12, 2026 at the Landes Arts Center,  
18 Mountain View Street, Petersburg, WV.

The evening will begin with a reception at 5:15 pm followed  
by dinner at 6:00 pm. The shareholder meeting to transact  
business and elect four Class A Directors will be held  
immediately following the dinner.

To Confirm your presence, kindly contact Sarah Nottingham  
at 888-280-4111 or 304-257-4111, ext. 1078 or by email at  
[snottingham@grantcountybank.com](mailto:snottingham@grantcountybank.com) by Tuesday, April 28, 2026.  
We truly hope that you will be able to join us for an enjoyable  
and informative evening.



# A Message To Our Shareholders

On behalf of your Board of Directors, management team, and staff, I am pleased to present the annual report for the fiscal year ended December 31, 2025, for Highlands Bankshares, Inc. and our subsidiaries, The Grant County Bank, Capon Valley Bank and HBI Life Insurance, Inc. We encourage you to review both the Annual Report and the Proxy Statement and to vote the enclosed proxy as soon as possible.

2025 was a record setting year for your company. We are extremely proud to report that the company achieved record levels of net income for the year while continuing to build on record levels of loans and deposits. Our success is in large measure a testament to the effort our team members put in every day to provide the best banking products and services to our communities while providing the type of customer experience that has propelled our success for over a century at each of our banks.

Looking at the balance sheet, total assets grew by just over \$52 million during 2025, an increase of 9.1%. We continued to see strong organic deposit growth, with deposits increasing \$50.8 million year over year, an increase of 10.2%. Our loan portfolio continued to expand with growth of \$36.9 million compared to the prior year. Mortgage loan growth was especially strong in 2025 as deposit rates dropped slightly and demand continued to be robust.

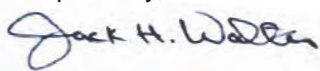
Net income increased 21.7% compared to the prior year, driven primarily by growth in net interest income. Net income benefited from an increase in both volume and rate on loans as well as increasing net interest margins. Deposit costs stabilized in 2025 compared to the rapid increases we experienced in the prior two years, which led to better margins despite higher balances of interest-bearing deposits. Net income per share for 2025 totaled \$4.47 compared to \$3.63 in the prior year.

From a capital standpoint, we continued to grow shareholders' equity, which stood at \$67.6 million at year end, an increase of \$6.4 million over year end 2024. Book value per share at 12/31/25 was \$51.27, an increase of 11.9% over year end 2024. The last reported market price in 2025 was \$43.00 per share, up just over 31% for the year.

Strategically, in addition to working hard to grow in our existing communities, we continue to execute on our vision of extending our geographic reach. Capon Valley Bank expects to open their Stephenson branch in Winchester, VA in early April and Grant County Bank expects to break ground in the spring on a new location near Falling Waters, WV. We look forward to the opening of both locations and expect them to contribute positively to results in the future.

In closing, we wish each of you the best in the upcoming year and once again express our appreciation for your continued trust and investment in Highlands Bankshares. We appreciate your support and look forward to serving you in the coming year.

Respectfully,



Jack H. Walters  
Chairman of the Board and CEO

# HBI Board of Directors And Officers



Jack H. Walters  
Chairman/President/CEO  
Attorney  
Walters & Heishman,  
PLLC



Donald J. Baker, Jr.  
Vice Chairman  
Retired  
Insurance Agent



George L. Ford  
Treasurer, President  
& Chief Executive Officer  
Grant County Bank



Michael A. McDonald  
Secretary, President  
& Chief Executive Officer  
Capon Valley Bank



John D. Athey  
Director  
Attorney



Dr. Cheryl L. Bennett  
Director  
Optometrist  
Business Owner



John Mitchell Orndorff  
Director  
Self-Employed  
Manufacturing Owner



Morris M. Homan, Jr.  
Director  
Retired  
Veterinarian



John Paul Hott II  
Director  
Self-Employed Insurance  
Agent & Business Owner



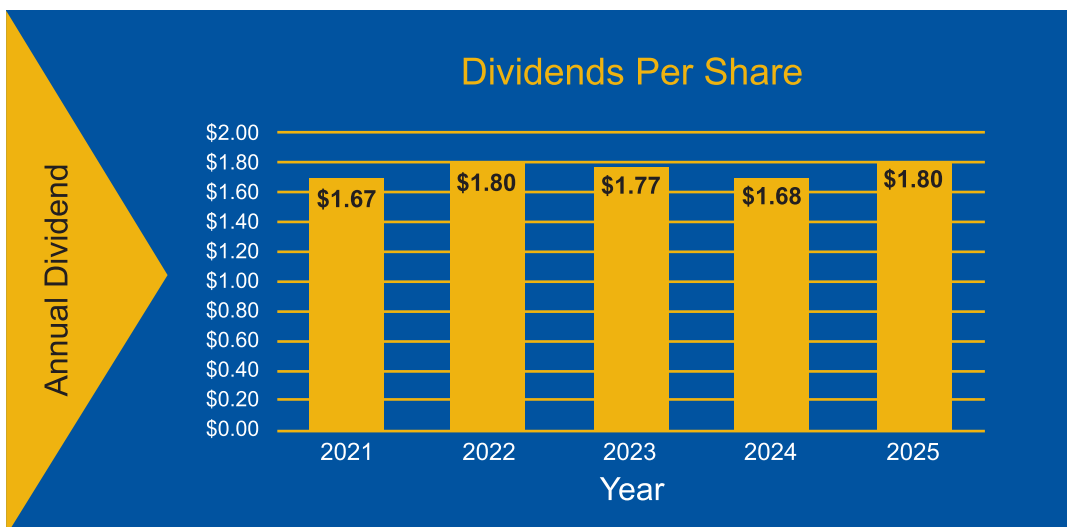
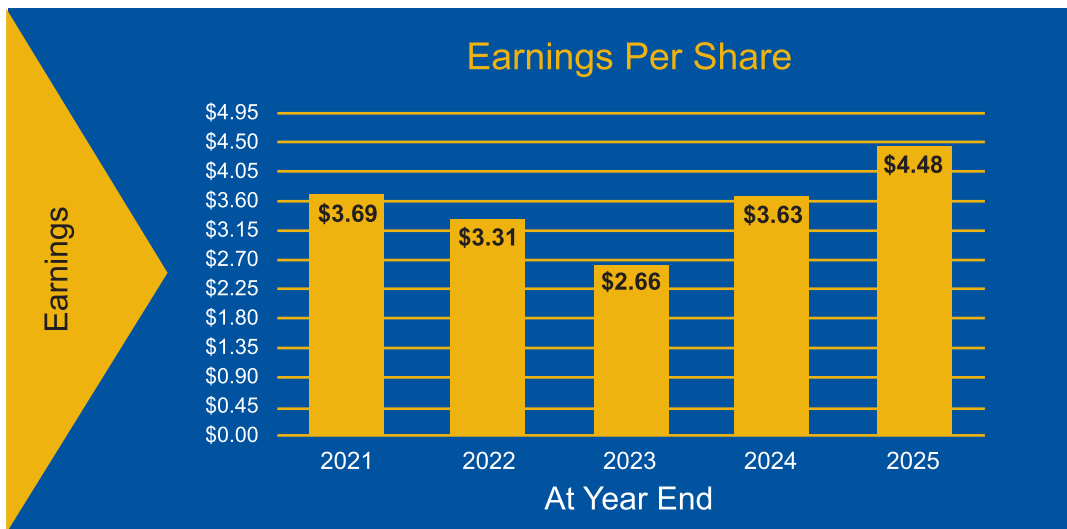
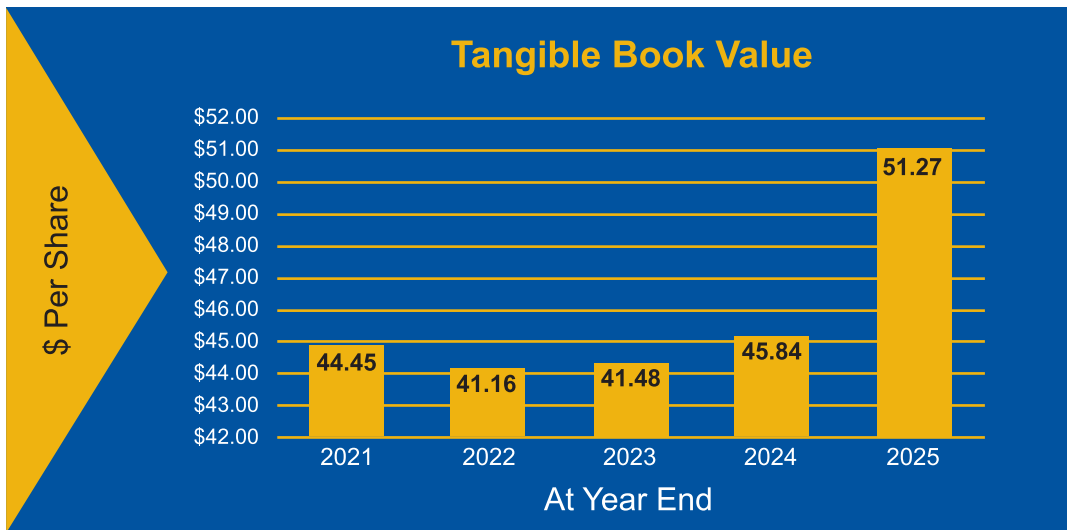
James R. Pyles  
Director  
Self-Employed  
Funeral Director

## Highlands Bankshares, Inc. Employees

Sarah Nottingham  
Financial Officer

Dan Fabbri  
Chief Information Technology Officer

# At A Glance



# Dolly Sods



# Highlands Bankshares, Inc.

## Financial Highlights

(In thousands, except per share data)	2025	2024	2023	2022
<b>OPERATING RESULTS</b>				
Net Interest Income	\$ 24,551	\$ 21,143	\$ 19,078	\$ 19,062
Provision (Release) of Credit Losses	1,172	973	866	(927)
Non-interest Income	3,240	3,638	2,488	2,102
Non-interest Expense	18,980	17,854	16,428	16,472
Net Income	5,905	4,853	3,577	4,427
<b>YEAR END</b>				
Loans	\$ 477,370	\$ 440,525	\$ 403,679	\$ 366,929
Investment Securities	86,804	86,255	90,727	99,728
Total Assets	631,796	579,560	548,163	527,422
Deposits	550,922	500,055	473,014	455,304
Equity	67,642	61,282	55,518	55,023
Non-performing Loans	6,119	5,256	6,394	4,867
Classified Loans	11,348	8,628	10,193	10,750
<b>FINANCIAL RATIOS</b>				
Return on Average Assets	0.97%	0.86%	0.64%	0.84%
Return on Average Equity	9.16%	8.31%	6.30%	8.05%
Loans to Deposits	86.6%	88.1%	85.3%	80.6%
Equity to Assets	10.71%	10.57%	10.12%	10.43%
Non-performing Loans to Loans	1.28%	1.19%	1.58%	1.33%
Classified Loans to Loans	2.38%	1.96%	2.53%	2.93%
Tier 1 Leverage Ratio	10.27%	10.70%	10.73%	11.18%
<b>PER SHARE DATA</b>				
Earnings	\$ 4.48	\$ 3.63	\$ 2.66	\$ 3.31
Annual Dividends	1.80	1.68	1.77	1.80
Book Value	51.27	45.84	41.48	41.16
Year End Market Price	43.00	32.82	38.50	43.04
Dividend Yield	4.19%	5.12%	4.60%	4.18%
Price to Book	83.87%	71.68%	92.81%	104.57%
Price to Tangible Book	85.83%	73.56%	95.49%	107.63%



## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders  
Highlands Bankshares, Inc.  
Petersburg, West Virginia

### **Opinion**

We have audited the accompanying consolidated financial statements of Highlands Bankshares, Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2025; the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the year then ended; and the related notes to the consolidated financial statements (collectively, the financial statements).

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

### **Basis for Opinion**

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

### **Other Matter**

The financial statements of the Company as of and for the year ended December 31, 2024, were audited by other auditors, whose report dated March 12, 2025, expressed an unmodified opinion on those statements.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

PITTSBURGH, PA

2009 Mackenzie Way • Suite 340  
Cranberry Township, PA 16066  
(724) 934-0344

PHILADELPHIA, PA

161 Washington Street • Suite 200  
Conshohocken, PA 19428  
(610) 278-9800

WHEELING, WV

980 National Road  
Wheeling, WV 26003  
(304) 233-5030

STEUBENVILLE, OH

511 N. Fourth Street  
Steubenville, OH 43952  
(304) 233-5030



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

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

In performing an audit in accordance with GAAS, we:

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

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

## **Other Information Included in Annual Report**

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or whether 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.



Cranberry Township, Pennsylvania  
March 12, 2026

**HIGHLANDS BANKSHARES, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands of dollars, Except Per Share Data)

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
<b>ASSETS</b>		
Cash and due from banks	\$ 4,994	\$ 4,486
Interest bearing deposits in banks	14,374	15,461
Federal fund sold	17,399	5,491
Investment securities available for sale, at fair value	84,238	83,235
Restricted investments, at cost	2,566	3,020
Loans	477,370	440,525
Allowance for credit losses	(5,527)	(5,168)
Bank premises and equipment, net of depreciation	15,003	13,651
Interest receivable	2,418	2,270
Investment in life insurance contracts	12,522	11,591
Foreclosed assets, net of valuation allowance	312	163
Goodwill	1,534	1,534
Other intangible assets, net of amortization	6	11
Other assets	4,587	3,290
<b>Total Assets</b>	<b>\$ 631,796</b>	<b>\$ 579,560</b>
<b>LIABILITIES</b>		
<b>Deposits</b>		
Non-interest bearing deposits	\$ 140,186	\$ 131,325
Interest bearing transaction and savings accounts	256,642	232,960
Time deposits over \$250	28,801	18,545
All other time deposits	125,293	117,225
<b>Total Deposits</b>	550,922	500,055
Borrowings	8,843	13,916
Accrued expenses and other liabilities	4,389	4,307
<b>Total Liabilities</b>	564,154	518,278
Common Stock, \$5 par value, 3,000,000 shares Authorized, 1,436,874 shares issued, 1,319,360 shares outstanding, at December 31, 2025, 1,336,873 shares outstanding, at December 31, 2024	7,184	7,184
Surplus	1,662	1,662
Treasury stock (117,514 shares, at cost December 31, 2025, 100,001 shares, at cost December 31, 2024)	(3,973)	(3,372)
Retained earnings	65,424	61,903
Other accumulated comprehensive loss	(2,655)	(6,095)
<b>Total Stockholders' Equity</b>	67,642	61,282
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 631,796</b>	<b>\$ 579,560</b>

These accompanying notes are an integral part of these consolidated financial statements.

**HIGHLANDS BANKSHARES, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In Thousands of Dollars, Except Per Share Data)

	<b>Years Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$ 30,526	\$ 26,976
Interest on federal funds sold	970	608
Interest on deposits in other banks	273	256
Interest and dividends on investment securities	2,297	1,964
Total Interest Income	34,066	29,804
<b>INTEREST EXPENSE</b>		
Interest on deposits	8,858	7,922
Interest on borrowed money	657	739
Total Interest Expense	9,515	8,661
Net Interest Income	24,551	21,143
Provision for Credit Losses	1,172	973
Net Interest Income After Provision for Credit Losses	23,379	20,170
<b>NON-INTEREST INCOME</b>		
Service charges	1,138	1,020
Life insurance investment income	331	766
(Losses) on investment securities transactions	0	90
(Losses) Gains on sale of foreclosed property	(9)	15
Other non-interest income	1,780	1,747
Total Non-interest Income	3,240	3,638
<b>NON-INTEREST EXPENSE</b>		
Salaries and employee benefits	9,263	9,149
Occupancy and equipment expense	2,112	2,008
Data processing expense	2,752	2,492
Directors fees	481	460
Legal and professional fees	713	596
Office supplies, postage and freight expense	252	310
FDIC premiums	321	306
Loan and foreclosed asset expense	345	247
Other non-interest expense	2,741	2,286
Total Non-interest Expense	18,980	17,854
Income Before Provision for Income Taxes	7,639	5,954
Provision for Income Taxes	1,734	1,101
Net Income	\$ 5,905	\$ 4,853
<b>Per Share Data</b>		
Earnings per share	\$4.48	\$3.63
Weighted Average Common Shares Outstanding	1,319,600	1,336,873

These accompanying notes are an integral part of these consolidated financial statements.

**HIGHLANDS BANKSHARES, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In Thousands of Dollars)

	<b>For the Year Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>Net income</b>	\$ 5,905	\$ 4,853
<b>Other comprehensive income:</b>		
Actuarial gain on defined pension benefit plan, net of tax of \$208 and \$300	679	976
Amortization of unrecognized actuarial gains, net of tax of \$0 and \$20	0	64
Unrealized gains on investment securities available for sale, net of tax of \$848 and \$514	2,761	2,186
Less: Reclassification adjustment for gains on sale of investment securities, net of tax of \$0 and (\$21)	0	(69)
<b>Total other comprehensive income</b>	\$ 3,440	\$ 3,157
<b>Total comprehensive income</b>	\$ 9,345	\$ 8,010

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

**HIGHLANDS BANKSHARES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands of Dollars)

	<b>Years Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Cash Flows from Operating Activities		
Net Income	\$ 5,905	\$ 4,853
Adjustments to reconcile net income to net cash provided by operating activities		
(Gains) on investment securities transactions	0	(90)
Losses on sale of foreclosed property	9	(16)
Gain on sale of assets	(9)	0
Depreciation	899	898
Income from life insurance investment	(331)	(765)
Net amortization accretion of investment securities premiums	126	(343)
Provision for credit losses	1,172	973
Loss on appraisal adjustments	100	0
Deferred income tax (benefit)	10	(191)
Amortization of intangibles	5	9
Increase in interest receivable	(148)	(137)
Decrease in other assets	(1,297)	104
(Decrease) increase in other liabilities and accrued expenses	(95)	88
Net Cash Provided by Operating Activities	6,346	5,283
Cash Flows from Investing Activities		
Proceeds from sale of foreclosed assets and fixed assets	109	15
Proceeds from paydowns of investment securities available for sale	3,147	4,364
Proceeds from sale and maturity of investment securities available for sale	17,173	10,914
Purchase of investment securities available for sale	(17,842)	(6,166)
Net decrease in restricted investments	454	361
Net decrease in interest bearing deposits in other banks	1,087	3,821
Net (increase) in federal funds sold	(11,908)	(3,167)
Settlement on insurance contracts	(601)	0
Net decrease (increase) in loans	(38,025)	(37,228)
Purchase of property and equipment	(2,241)	(2,612)
Net Cash Used in Investing Activities	(48,647)	(29,698)
Cash Flows from Financing Activities		
Net increase in time deposits	18,519	13,945
Net increase in other deposit accounts	32,348	13,096
Repayment of borrowings	(5,073)	(1,496)
Dividends paid in cash	(2,384)	(2,246)
Purchase of treasury stock	(601)	0
Net Cash Provided by Financing Activities	42,809	23,299
Increase (decrease) in Cash and Cash Equivalents	508	(1,016)
Cash and Cash Equivalents, Beginning of Period	4,486	5,502
Cash and Cash Equivalents, End of Period	\$ 4,994	\$ 4,486
Supplemental Disclosures		
Cash paid for income taxes	\$ 1,734	\$ 902
Cash paid for interest	\$ 9,624	\$ 8,539
Noncash Investing and Financing Activities for other real estate acquired in settlement of loans	\$ 367	\$ 163

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

**HIGHLANDS BANKSHARES, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**Years Ended December 31, 2025 and 2024**  
**(In Thousands of Dollars)**

	<b>Common Stock</b>	<b>Surplus</b>	<b>Treasury Stock</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Total</b>
<b>Balances at December 31, 2023</b>	\$ 7,184	\$ 1,662	\$ (3,372)	\$ 59,296	\$ (9,252)	\$ 55,518
Net Income				4,853		4,853
Total Other Comprehensive Income					3,157	3,157
Dividends Paid				(2,246)		(2,246)
<b>Balances at December 31, 2024</b>	<b>\$ 7,184</b>	<b>\$ 1,662</b>	<b>\$ (3,372)</b>	<b>\$ 61,903</b>	<b>\$ (6,095)</b>	<b>\$ 61,282</b>
<b>Balances at December 31, 2024</b>	<b>\$ 7,184</b>	<b>\$ 1,662</b>	<b>\$ (3,372)</b>	<b>\$ 61,903</b>	<b>\$ (6,095)</b>	<b>\$ 61,282</b>
Net Income				5,905		5,905
Total Other Comprehensive Income					3,440	3,440
Dividends Paid				(2,384)		(2,384)
Treasury Stock Purchase (17,153 shares)			(601)			(601)
<b>Balances at December 31, 2025</b>	<b>\$ 7,184</b>	<b>\$ 1,662</b>	<b>\$ (3,973)</b>	<b>\$ 65,424</b>	<b>\$ (2,655)</b>	<b>\$ 67,642</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### **NOTE ONE: SUMMARY OF OPERATIONS**

Highlands Bankshares, Inc. the ("Company") is a bank holding company and operates under a charter issued by the State of West Virginia. The Company owns all of the outstanding stock of The Grant County Bank ("Grant") and Capon Valley Bank ("Capon") collectively the ("Banks"), both of which operate under charters issued by the State of West Virginia. The Company also owns all of the outstanding stock of HBI Life Insurance Company, Inc. ("HBI Life"), which operates under a charter issued by the State of Arizona. The banks and holding company are subject to regulation by the West Virginia Division of Financial Institutions, The Federal Reserve Bank and the Federal Deposit Insurance Corporation, while the insurance company is regulated by the Arizona Department of Insurance. The Banks provide services to customers located mainly in Grant, Hardy, Hampshire, Mineral, Pendleton, Randolph and Tucker counties of West Virginia, including the towns of Petersburg, Keyser, Moorefield, Davis and Wardensville through ten locations and in two locations in Virginia in the county of Frederick and the town of Stephens City. The insurance company sells life and accident coverage exclusively through the Banks.

### **NOTE TWO: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of Highlands Bankshares, Inc. and its subsidiaries conform to accounting principles generally accepted in the United States of America and to accepted practices within the banking industry.

**Principles of Consolidation** - The consolidated financial statements include the accounts of the Company, The Grant County Bank, Capon Valley Bank and HBI Life Insurance Company, Inc. All significant inter-company accounts and transactions have been eliminated.

**Use of Estimates in the Preparation of Financial Statements** - In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant changes in the near term are the determination of the allowance for credit losses, which is sensitive to changes in local economic conditions, deferred taxes, pension, goodwill, and the fair values of financial instruments.

**Cash and Cash Equivalents** - For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand and non-interest bearing funds at correspondent institutions.

**Foreclosed Real Estate** - Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less cost to sell, at the date of foreclosure, establishing a new cost basis. Capitalized costs include costs that significantly improve the value of the properties. At or near the time of foreclosure, a real estate appraisal is obtained on the properties. The assets are carried at the lesser of carrying amount or the fair value less cost to sell. Gains and losses resulting from the sale or write-down of foreclosed real estate are recorded in other expenses. Revenue and expenses from operations and changes in the valuation allowance are also included in other operating expenses.

**Loans** - Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at unpaid principal balances net of unearned interest and the allowance for credit losses. Interest income is computed using the effective interest method based on the daily amount of principal outstanding and is credited to income as earned. Loans are considered past due when they are not paid in accordance with contractual terms.

The accrual of interest on loans in all loan segments is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is well secured and in the process of collection. When a loan is placed on nonaccrual status, any accrued interest is reversed from income. Interest payments received on nonaccrual loans are either applied against principal or reported as interest income according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current or has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Company's loan rating process includes both internal and external oversight. The Company's loan officers are responsible for the timely and accurate risk rating of the loans in their portfolios at origination. The Company engages an external consultant to conduct loan reviews on a semi-annual basis. Generally, the external consultant reviews all relationships that equal or exceed \$750,000 at Capon Valley Bank and \$850,000 at Grant County Bank and adversely

classified commercial credits. Detailed reviews, including plans for resolution, are completed on loans classified as Substandard on a quarterly basis.

**Investment Securities** - Investment Securities that the Company has both the positive intent and ability to hold to maturity (at time of purchase) are classified as held to maturity investment securities. All other investment securities are classified as available for sale. Investment securities held to maturity are carried at historical cost and adjusted for amortization of premiums and accretion of discounts, using the effective interest method. Investment securities available for sale are carried at fair value with any valuation adjustments reported, net of deferred taxes, as other accumulated comprehensive income. Certain investment securities were pledged to secure public deposits and for other purposes required by law.

Restricted investments consist of investments in the Federal Home Loan Bank of Pittsburgh and West Virginia Bankers' Title Insurance Company. Such investments are required as members of these institutions and these investments cannot be sold without a change in the members' borrowing or service levels. Because there is no readily determinable market value for these investments, restricted investments are carried at cost on the Company's balance sheet.

Interest and dividends on investment securities and amortization of premiums and discounts on investment securities are reported as interest income using the effective interest method. Gains (losses) realized on sales and calls of investment securities are determined using the specific identification method.

**Allowance for Credit Losses – Available for Sale Securities** - For available for sale debt securities in an unrealized loss position, the Company first 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, through earnings, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the un-collectability 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 \$480,000 and \$470,000 as of December 31, 2025, and 2024 respectively, and is excluded from the estimate of credit losses.

**Allowance for Credit Losses - Loans** - The allowance for credit losses on loans is established as losses are estimated to potentially occur through a provision for credit losses charged to earnings. Credit losses are charged against the allowance when management believes the loan balance is determined to be no longer collectible. Subsequent recoveries, if any, are credited to the allowance.

The allowance for credit losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific components that relate to loans that are individually evaluated. For such loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan.

The general component covers non-individually evaluated loans and is based on historical loss experience adjusted for qualitative factors. The following risk factors relevant to each portfolio segment are reviewed and evaluated:

- Changes in lending policies and procedures, including changes in underwriting standards or collection, charge-off and recovery practices.
- Changes in national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including unemployment trends, GDP, and other leading economic indicators.
- Changes in the nature and volume of the portfolio.
- Changes in the experience, ability and depth of lending management and staff.

- Changes in the volume and severity of past due and classified loans, the volume of nonaccrual loans, troubled debt restructurings and other loan modifications.
- Changes in the quality of the Banks' loan review systems.
- The existence and effect of any concentrations of credit, and the changes in the level of such concentrations.
- Changes in the value of underlying collateral.
- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio.

A loan is considered individually evaluated when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payment of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as individually evaluated. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

An allowance for credit loss on individually evaluated loans is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for credit loss. Accordingly, the Banks do not separately identify individual consumer and residential loans for individual evaluation, unless they are classified as Substandard, Doubtful, or loss and in excess of \$200,000, if real estate secured or \$50,000 for other loans.

Authoritative accounting guidance does not specify how an institution should identify loans that are to be evaluated for collectability, nor does it specify how an institution should determine that a loan be individually evaluated. Each subsidiary of the Company uses its standard loan review procedures in making those judgments so that allowance estimates are based on a comprehensive analysis of the loan portfolio. For loans that are individually evaluated and found to have an associated allowance for credit loss, the associated allowance is based upon the estimated fair value, less costs to sell, of any collateral securing the loan as compared to the existing balance of the loan as of the date of analysis, or if available and reliable sources of income, not related to cash flows from the sale or operation of the collateral, are the course of repayment of the debt, then the banks perform a net present value calculation to determine the allowance for credit loss amount.

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 management believes the un-collectability 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 estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Peer group loss rates provide the basis for the estimation of expected credit loss. Adjustments to peer group loss information are made for differences in the Company's portfolio for loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in inflation levels and concentrations of credit.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified portfolio segments and measures the allowance for credit loss using loan purpose codes. The Company utilizes the Scaled CECL Allowance for Losses Estimator (SCALE) approach to calculate the expected loss for each pool. The SCALE is based on proxy expected lifetime loss rates. Losses are determined on each pool by using proxy expected loss rates adjusted for qualitative factors. Loans that no longer meet the criteria to be included in a pool are analyzed individually for reserve requirements.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in a collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified at the reporting date are not unconditionally cancellable by the Company.

**Allowance for credit losses on unfunded credit commitments** - The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. 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. Loss rates applied are based off historical loss rates of the Company, while the likelihood of funding is based off historical Company data. The company has no securities that could potentially be dilutive.

**Per Share Calculations** - Earnings per share are based on the weighted average number of shares outstanding.

**Bank Premises and Equipment** - Land is carried at cost. Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is charged to income over the estimated useful lives of the assets using the straight line method. The costs of maintenance, repairs, renewals, and improvements to buildings, equipment and furniture and fixtures are charged to operations as incurred unless costs add life or value to the asset which would be capitalized and depreciated over the remaining or extended life of the asset. Gains and losses on routine dispositions are reflected in other income or expense.

**Comprehensive Income (Loss)** - Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale investment securities and unrecognized actuarial gains and losses to the defined benefit plan, are reported along with net income as the components of comprehensive income (loss) in a separate statement of comprehensive income (loss).

**Bank Owned Life Insurance Contracts** - The Company has invested in and owns life insurance policies on certain current and former officers. The policies are designed so that the Company recovers the interest expenses associated with carrying the policies and the officer will, at the time of retirement, receive any earnings in excess of the amounts earned by the Company. The Company recognizes as an asset the net amount that could be realized under the insurance contract as of the balance sheet date. This amount represents the cash surrender value of the policies less applicable surrender charges. The portion of the benefits which will be received by the executives at the time of their retirement is considered, when taken collectively, to constitute a retirement plan. Authoritative accounting guidance requires that an employers' obligation under a deferred compensation agreement be accrued over the expected service life of the employee through their normal retirement date. Assumptions are used in estimating the present value of amounts due officers after their normal retirement date. These assumptions include the estimated income to be derived from the investments and an estimate of the Company's cost of funds in these future periods. In addition, the discount rate used in the present value calculation will change in future years based on market conditions.

**Advertising** - Advertising costs are expensed as they are incurred. Advertising expenses for the years ended December 31, 2025, and 2024 were \$773,000 and \$731,000, respectively.

**Goodwill and Other Intangible Assets** - In accordance with authoritative accounting guidance, goodwill resulting from the purchase of a bank is not amortized over an estimated useful life but is tested at least annually for impairment. Core deposit and other intangible assets include premiums paid for acquisitions of core deposits (core deposit intangibles) and other identifiable intangible assets. Intangible assets other than goodwill that are determined to have finite lives, are amortized based upon the estimated economic benefits received.

**Income Taxes** - Amounts provided for income tax expense are based on income reported for financial statement purposes rather than amounts currently payable under federal and state tax laws. Deferred taxes, which arise principally from differences between the period in which certain income and expenses are recognized for financial accounting purposes and the period in which they affect taxable income, are included in the amounts provided for income taxes.

Interest and penalties associated with unrecognized tax benefits would be classified as additional income taxes in the statement of income. At December 31, 2025, and 2024 there were no unrecognized tax benefits.

**Revenue Recognition** – The majority of the Company's revenues are associated with financial instruments, including loans and investment securities. The Company's non-interest income includes service charges on deposit accounts and net interchange fee income. Substantially all the Company's revenue is generated from contracts with customers. Noninterest income streams are discussed below.

- Service charges on deposit accounts – The Company earns fees from its deposit customers for overdraft and account maintenance services. Overdraft fees are recognized when the overdraft occurs. Account maintenance fees, which relate primarily to monthly maintenance, are earned and booked at the end of the cycle, representing the period over which the Company satisfies the performance obligation. The Company also earns fees from its customers for transaction-based services. Such services include safe deposit box, ATM, stop payment and wire transfer fees. In each case, these service charges and fees are recognized in income at the time or within the same period that the Company's performance obligation is satisfied.

- Interchange fee income, net – The Company earns interchange fees from debit and credit cardholder transactions conducted through various payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services. Interchange fee income earned was \$1,346,000 and \$1,265,000 for the years ended December 31, 2025, and 2024, respectively.

**Reclassifications** - Certain reclassifications have been made to prior period balances to conform with the current year’s presentation format.

**Accounting Policies Adopted in 2025** - During the year ended December 31, 2025, the Company adopted ASU 2023-09, “Improvements to Income tax Disclosure”, which expands the disclosure requirements for income taxes. The amendment in this update improves financial reporting by requiring disclosure of greater disaggregation of information in the income tax rate reconciliation. The amendment in this update also improves financial reporting by requiring disclosure of income taxes paid by jurisdiction to improve visibility of income taxes paid information. The adoption did not have a material impact on the Company’s consolidated financial statements. See Note 13 Income Taxes for more information.

**NOTE THREE: INVESTMENT SECURITIES**

The income derived from taxable and non-taxable investment securities for the years ended December 31, 2025, and 2024 is shown below (in thousands of dollars):

	<u>2025</u>	<u>2024</u>
Income Derived From:		
Investment securities, taxable	\$ 1,975	\$ 1,631
Investment securities, non-taxable	322	333
	<u>\$ 2,297</u>	<u>\$ 1,964</u>

The carrying amount and estimated fair value of investment securities available for sale at December 31, 2025, and 2024 are as follows (in thousands of dollars):

**Available for Sale Investment Securities**

	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<b>December 31, 2025</b>				
U.S. Treasuries and Agencies	\$ 25,562	\$ 157	\$ (389)	\$ 25,330
Mortgage Backed Investment Securities	16,450	47	(829)	15,668
Collateralized Mortgage Obligations	7,679	5	(772)	6,912
States and Municipalities	15,701	13	(282)	15,432
Corporate Bonds	21,971	55	(1,130)	20,896
Total Available for Sale Investment Securities	<u>\$ 87,363</u>	<u>\$ 277</u>	<u>\$ (3,402)</u>	<u>\$ 84,238</u>

**Available for Sale Investment Securities**

	<b>Amortized Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>
<b>December 31, 2024</b>				
U.S. Treasuries and Agencies	\$ 21,420	\$ 9	\$ (1,025)	\$ 20,404
Mortgage Backed Investment Securities	12,679	10	(1,336)	11,353
Collateralized Mortgage Obligations	5,957	0	(1,025)	4,932
States and Municipalities	19,599	1	(823)	18,777
Corporate Bonds	30,319	0	(2,550)	27,769
<b>Total Available for Sale Investment Securities</b>	<b>\$ 89,974</b>	<b>\$ 20</b>	<b>\$ (6,759)</b>	<b>\$ 83,235</b>

No Available for Sale Securities in a loss position as of December 31, 2025, and 2024 were due to credit quality. As such, no allowance for credit loss was recorded.

The carrying amount and fair value of investment securities at December 31, 2025, by contractual maturity are shown below (in thousands of dollars). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<b>Amortized Cost</b>	<b>Fair Value</b>
<b>Investment Securities Available for Sale:</b>		
Due in next twelve months	\$ 16,191	\$ 15,978
Due after one year through five	31,758	31,505
Due beyond five years	26,794	24,920
Mortgage backed securities	12,620	11,835
<b>Total Available for Sale</b>	<b>\$ 87,363</b>	<b>\$ 84,238</b>

In 2025 there were no losses or gains on the sale of Available for Sale Investment Securities. In 2024 there were \$90,000 in gains on the sale of available for sale investment securities.

Investment securities having a carrying value of \$62,791,000 at December 31, 2025, and \$56,618,000 at December 31, 2024, were pledged to secure public deposits and for other purposes required by law.

Information pertaining to investment securities with gross unrealized losses at December 31, 2025, and 2024, aggregated by investment category and length of time that individual securities have been in a continuous loss position is shown in the table below (in thousands of dollars):

	<b>Total</b>		<b>Less than 12 Months</b>		<b>12 Months or Greater</b>	
	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>	<b>Fair value</b>	<b>Gross Unrealized Losses</b>	<b>Fair value</b>	<b>Gross Unrealized Losses</b>
<b>December 31, 2025</b>						
U.S. Treasuries and Agencies	\$ 16,213	\$ (389)	\$ 501	\$ (4)	\$ 15,712	\$ (385)
Mortgage Backed Securities	9,502	(829)	453	(3)	9,050	(826)
States and Municipalities	13,943	(282)	989	(11)	12,954	(271)
Collateralized Mortgage Obligations	8,270	(772)	3,716	(12)	4,553	(760)
Corporate Bonds	16,596	(1,130)	0	0	16,596	(1,130)
<b>Total</b>	<b>\$ 64,524</b>	<b>\$ (3,402)</b>	<b>\$ 5,659</b>	<b>\$ (30)</b>	<b>\$ 58,865</b>	<b>\$ (3,372)</b>

	<u>Total</u>		<u>Less than 12 Months</u>		<u>12 Months or Greater</u>	
	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair value</u>	<u>Gross Unrealized Losses</u>	<u>Fair value</u>	<u>Gross Unrealized Losses</u>
<b>December 31, 2024</b>						
U.S. Treasuries and Agencies	\$ 19,402	\$ (1,025)	\$ 2,475	\$ (19)	\$16,927	\$ (1,006)
Mortgage Backed Securities	10,524	(1,336)	0	0	10,524	(1,336)
States and Municipalities	18,460	(823)	1,102	(11)	17,358	(812)
Collateralized Mortgage Obligations	4,932	(1,025)	0	0	4,932	(1,025)
Corporate Bonds	27,768	(2,550)	2,297	(29)	25,471	(2,521)
<b>Total</b>	<u>\$ 81,086</u>	<u>\$ (6,759)</u>	<u>\$ 5,874</u>	<u>\$ (59)</u>	<u>\$75,212</u>	<u>\$ (6,700)</u>

Investment securities available for sale in loss positions less than twelve months totaled 14 at December 31, 2025, and December 31, 2024. Investment securities available for sale in loss positions greater than twelve months totaled 146 and 188 at December 31, 2025, and 2024 respectively.

It is management's determination that all securities held at December 31, 2025 and 2024 respectively, which have fair values less than the amortized cost, have gross unrealized losses related to increases in the current interest rates for similar issues of securities, and that no material decline in the fair value for any securities in the portfolio exists because of downgrades of the securities or as a result of a change in the financial condition of any of the issuers.

The company's investment advisors review credit quality and assign grades to every investment security on a quarterly basis. Grades below pass on the advisors' scale are recommended for sale. The company performs their own independent review of any issues that are approaching a non-pass rating to determine creditworthiness. A full report and recommendation will be made to the Board of Directors. The Board will instruct management on how to treat the security. In any event all applicable laws and regulations will be adhered to.

#### ***NOTE FOUR: RESTRICTED INVESTMENTS***

Restricted investments consist of investments in the Federal Home Loan Bank, West Virginia Bankers' Title Insurance Company, West Virginia Impact Fund I, L.L.C., and West Virginia Impact Fund II, L.L.C. Investments are carried at face value and the level of investment is dictated by the level of participation with each institution. Amounts are restricted as to transferability. Investments in the Federal Home Loan Bank act as collateral against the outstanding borrowings from that institution. Restricted Investments totaled \$2,504,000 and \$2,991,000 at December 31, 2025, and 2024 respectively.

#### ***NOTE FIVE: LOANS***

A summary of loans outstanding as of December 31, 2025, and 2024 is shown in the table below (in thousands of dollars):

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Real Estate - Construction	\$ 55,034	\$ 49,658
Real Estate - Commercial	175,235	157,419
Real Estate - Residential	192,871	181,626
Commercial	27,015	24,979
Consumer	27,215	26,843
	<u>\$ 477,370</u>	<u>\$ 440,525</u>

The segments of the Company's loan portfolio are disaggregated to a level that allows management to monitor risk and performance. In reviewing risk, management has determined there to be several different risk categories within the loan portfolio. The allowance for credit losses consists of amounts applicable to: (i) the consumer loan portfolio; (ii) the

residential real commercial loan portfolio; (iii) the residential real estate loan portfolio; and (iv) the commercial loan portfolio. The commercial segment consists of loans made for the purpose of financing the activities of commercial customers. The residential real estate loan segment is made up of fixed rate and adjustable rate single-family amortizing term loans, which are primarily first liens, home equity loans, and lines of credit, which are primarily junior liens. Consumer loans consist of motor vehicle loans, savings account loans, other types of secured consumer loans, and unsecured personal loans. The Real Estate Construction loans include loans secured by unimproved real estate.

Management establishes the allowance for credit losses based upon its evaluation of the pertinent factors underlying the types and quality of loans in the portfolio. Loans are reviewed on a regular basis with a focus on larger loans, along with loans which have experienced past payment or financial deficiencies. Loans which are experiencing payment or financial difficulties, loans in industries for which economic trends are negative, and loans which are of heightened concern to management are included on the Company's "watch list." Watch list loans and loans which are 90 days or more past due, and of a size determined to be significant, are selected for review and the credit rating is reviewed. Loans rated as Substandard or Doubtful are considered to be "individually evaluated," which means that it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. Factors considered by management in evaluating whether a loan is to be individually evaluated include payment status and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Once the determination has been made that a loan does not share similar risk characteristics, the determination of whether a specific allocation of the allowance is necessary is measured by reviewing the loan's observable market price, discounted cash flow value, or the fair value of the collateral less selling costs. The Company's policy for recognizing interest income on impaired loans does not differ from its overall policy for interest recognition.

Management uses an eight-point internal risk rating system to monitor the credit quality of the commercial loan portfolio. The first four categories are considered not criticized and are aggregated as "Pass" rated. The criticized rating categories utilized by management generally follow Bank regulatory definitions. The Special Mention category includes assets that are currently protected but are potentially weak, resulting in an undue and unwarranted credit risk, but not to the point of justifying a Substandard classification. Loans in the Substandard category have well-defined weaknesses that jeopardize the orderly liquidation of the debt and have a distinct possibility that some loss will be sustained if the weaknesses are not corrected. All loans greater than 90 days past due, and of a size determined to be significant, are reviewed and determined if they should be regraded Substandard. Loans in the Doubtful category have all the weaknesses found in Substandard loans, with the added provision that the weaknesses make collection of debt in full highly questionable and improbable. To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Company has a structured loan rating process with both internal and external oversight.

The Company's loan officers and credit department are responsible for the timely and accurate risk rating of the loans in their portfolios at origination and on an ongoing basis. Grant County Bank reviews borrowing relationships in excess of \$1,000,000 and Substandard relationships above \$250,000 yearly. The review covers the following items: Nature of business and ownership structure, financial data and analysis of repayment ability, credit history, deposit history, an analysis of the borrower's outstanding loans with the bank including collateral values, and comments and recommendations of the reviewing officer. On an annual basis, Capon Valley Bank reviews larger borrowers, including the bank's portion of any participation loan, whose aggregate liability exceeds \$300,000. Loan grades are assigned/reassigned to those loans/lines for loan loss reserve calculations on an annual basis at the time of review.

The following tables on the following pages present the classification, or loan type, of the loan portfolio summarized by the year of origination and the aggregate Pass and the criticized categories of Special Mention, Substandard, and Doubtful within the internal risk rating system as of December 31, 2025 and 2024 (in thousands of dollars): The tables do not represent revolving loans amortized on a cost basis as there were no amounts in any of the respective loan segments and therefore not included.

<b>Credit Quality Indicators as of 12/31/2025</b>		<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>Prior Years</b>	<b>Total</b>
<u>Real Estate Construction:</u>								
Risk Rating								
Pass	\$	19,999	\$ 13,516	\$ 5,526	\$ 4,334	\$ 3,081	\$ 6,528	\$52,984
Special Mention		0	0	278	24	0	398	700
Substandard		0	0	242	0	965	143	1,350
Doubtful		0	0	0	0	0	0	0
Total Real Estate Construction Loans		<u>\$ 19,999</u>	<u>\$ 13,516</u>	<u>\$ 6,046</u>	<u>\$ 4,358</u>	<u>\$ 4,046</u>	<u>\$ 7,069</u>	<u>\$55,034</u>
Real Estate Construction Loans:								
Current period gross write offs	\$	<u>0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

<b>Credit Quality Indicators as of 12/31/2024</b>		<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>Prior Years</b>	<b>Total</b>
<u>Real Estate Construction:</u>							
Risk Rating							
Pass	\$	17,760	\$ 8,730	\$ 6,812	\$ 5,016	\$ 8,877	\$ 47,195
Special Mention		31	558	25	642	257	1,513
Substandard		0	0	0	495	454	950
Doubtful		0	0	0	0	0	0
Total Real Estate Construction Loans		<u>\$ 17,792</u>	<u>\$ 9,288</u>	<u>\$ 6,836</u>	<u>\$ 6,154</u>	<u>\$ 9,588</u>	<u>\$ 49,658</u>
Real Estate Construction Loans:							
Current period gross write offs	\$	<u>0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

<b>Credit Quality Indicators as of 12/31/2025</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>Prior Years</b>	<b>Total</b>
<u>Real Estate Commercial:</u>							
Risk Rating							
Pass	\$ 33,552	\$ 20,581	\$ 23,379	\$ 31,318	\$ 16,136	\$ 34,384	\$159,350
Special Mention	0	189	0	2,136	1,114	7,091	10,530
Substandard	210	1,706	564	463	0	2,412	5,355
Doubtful	0	0	0	0	0	0	0
Total Real Estate Construction Loans	<u>\$ 33,762</u>	<u>\$ 22,476</u>	<u>\$ 23,943</u>	<u>\$ 33,917</u>	<u>\$ 17,250</u>	<u>\$ 43,887</u>	<u>\$175,235</u>
Real Estate Construction Loans:							
Current period gross write offs	<u>\$ 0</u>	<u>\$ (90)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (113)</u>	<u>\$ (203)</u>

<b>Credit Quality Indicators as of 12/31/2024</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>Prior Years</b>	<b>Total</b>
<u>Real Estate Commercial:</u>						
Risk Rating						
Pass	\$ 22,161	\$ 25,571	\$ 33,703	\$ 20,152	\$ 41,195	\$142,781
Special Mention	200	0	2,212	1,263	8,150	11,825
Substandard	301	175	0	0	2,335	2,812
Doubtful	0	0	0	0	0	0
Total Real Estate Commercial Loans	<u>\$ 22,663</u>	<u>\$ 25,746</u>	<u>\$ 35,915</u>	<u>\$ 21,415</u>	<u>\$ 51,680</u>	<u>\$157,419</u>
Real Estate Commercial Loans:						
Current period gross write offs	<u>\$ (51)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (51)</u>

**Credit Quality Indicators**  
as of 12/31/2025

	2025	2024	2023	2022	2021	Prior Years	Total
<u>Real Estate Residential:</u>							
Risk Rating							
Pass	\$ 31,230	\$ 24,990	\$ 24,396	\$ 30,754	\$ 14,148	\$ 54,554	\$180,072
Special Mention	179	464	321	1,847	1,568	4,323	8,702
Substandard	119	422	517	34	583	2,422	4,097
Doubtful	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Real Estate							
Construction Loans	<u>\$ 31,528</u>	<u>\$ 25,876</u>	<u>\$ 25,234</u>	<u>\$ 32,635</u>	<u>\$ 16,299</u>	<u>\$ 61,299</u>	<u>\$192,871</u>
<u>Real Estate Construction Loans:</u>							
Current period gross write offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**Credit Quality Indicators**  
as of 12/31/2024

	2024	2023	2022	2021	Prior Years	Total
<u>Real Estate Residential:</u>						
Risk Rating						
Pass	\$ 26,703	\$ 28,096	\$ 33,459	\$ 15,845	\$ 63,101	\$167,204
Special Mention	256	866	1,727	1,803	5,946	10,598
Substandard	382	142	43	1,633	2,251	4,451
Doubtful	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Real Estate						
Residential Loans	<u>\$ 27,340</u>	<u>\$ 29,105</u>	<u>\$ 35,229</u>	<u>\$ 19,281</u>	<u>\$ 71,298</u>	<u>\$182,252</u>
<u>Real Estate Residential Loans:</u>						
Current period gross write offs	<u>\$ 0</u>	<u>\$ (31)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (31)</u>

**Credit Quality Indicators as of 12/31/2025**

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>Prior Years</b>	<b>Total</b>
<u>Commercial:</u>							
Risk Rating							
Pass	\$ 10,640	\$ 3,964	\$ 2,570	\$ 1,869	\$ 942	\$ 1,118	\$ 21,103
Special Mention	54	1,992	2,150	15	5	1,371	5,587
Substandard	26	0	71	87	75	66	325
Doubtful	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Real Estate Construction Loans	<u>\$ 10,720</u>	<u>\$ 5,956</u>	<u>\$ 4,791</u>	<u>\$ 1,971</u>	<u>\$ 1,022</u>	<u>\$ 2,555</u>	<u>\$ 27,015</u>
Real Estate Construction Loans:							
Current period gross write offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (14)</u>	<u>\$ (14)</u>

**Credit Quality Indicators as of 12/31/2024**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>Prior Years</b>	<b>Total</b>
<u>Commercial:</u>						
Risk Rating						
Pass	\$ 8,354	\$ 7,911	\$ 3,475	\$ 1,406	\$ 1,779	\$ 22,927
Special Mention	42	19	94	50	1,500	1,706
Substandard	51	31	106	66	91	346
Doubtful	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Commercial	<u>\$ 8,448</u>	<u>\$ 7,961</u>	<u>\$ 3,676</u>	<u>\$ 1,523</u>	<u>\$ 3,371</u>	<u>\$ 24,979</u>
Commercial Loans:						
Current period gross write offs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (17)</u>	<u>\$ (122)</u>	<u>\$ 0</u>	<u>\$ (139)</u>

<b>Credit Quality Indicators as of 12/31/2025</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>Prior Years</b>	<b>Total</b>
<u>Consumer Other:</u>							
Risk Rating							
Pass	\$ 12,877	\$ 6,599	\$ 3,238	\$ 966	\$ 511	\$ 439	\$ 24,630
Special Mention	1,148	929	198	60	28	2	2,365
Substandard	30	85	99	3	1	2	220
Doubtful	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Real Estate Construction Loans	<u>\$ 14,055</u>	<u>\$ 7,613</u>	<u>\$ 3,535</u>	<u>\$ 1,029</u>	<u>\$ 540</u>	<u>\$ 443</u>	<u>\$ 27,215</u>
Real Estate Construction Loans:							
Current period gross write offs	<u>\$ (120)</u>	<u>\$ (146)</u>	<u>\$ (94)</u>	<u>\$ (28)</u>	<u>\$ 0</u>	<u>\$ (3)</u>	<u>\$ (391)</u>

<b>Credit Quality Indicators as of 12/31/2024</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>Prior Years</b>	<b>Total</b>
<u>Consumer Other:</u>						
Risk Rating						
Pass	\$ 6,926	\$ 3,716	\$ 2,103	\$ 45	\$ 1,359	\$ 14,448
Special Mention	1,562	449	120	90	7	2,228
Substandard	32	15	0	2	84	133
Doubtful	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Consumer Other	<u>\$ 8,520</u>	<u>\$ 4,179</u>	<u>\$ 2,223</u>	<u>\$ 437</u>	<u>\$ 1,450</u>	<u>\$ 16,809</u>
Consumer Other Loans:						
Current period gross write offs	<u>\$ (105)</u>	<u>\$ (131)</u>	<u>\$ (122)</u>	<u>\$ (34)</u>	<u>\$ (16)</u>	<u>\$ (408)</u>

**Past due loans** - Loans will be placed in nonaccrual status when the loan reaches 90 days past due or when, in management's opinion, the borrower may be unable to meet payments as they become due. Residential loans may remain in accrual status until 180 days past due if they are well secured and in the process of collection. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received. Payments received for collateral impaired loans are first applied to principal, and any remaining funds are then applied to interest. Loans are removed from nonaccrual status when they are deemed a loss and charged to the allowance, transferred to foreclosed assets, or returned to accrual status based upon performance consistent with the original terms of the loan or a subsequent restructuring thereof.

The following table presents the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of December 31, 2025, and December 31, 2024, in thousands of dollars:

<b>December 31, 2025</b>	<b>Nonaccrual with No Allowance for Credit Losses</b>	<b>Nonaccrual with Allowance For Credit Losses</b>	<b>Loans Past Due 30-89 Days</b>	<b>Loans Past Due Over 89 Days Still Accruing</b>
Real Estate - Construction	\$ 965	\$ 410	\$ 491	\$ 18
Real Estate - Commercial	1,159	402	1,801	34
Real Estate - Residential	329	2,504	4,173	50
Commercial	0	49	494	0
Other Consumer	0	160	847	42
<b>Total</b>	<b>\$ 2,453</b>	<b>\$ 3,525</b>	<b>\$ 7,806</b>	<b>\$ 144</b>

<b>December 31, 2024</b>	<b>Nonaccrual with No Allowance for Credit Losses</b>	<b>Nonaccrual</b>	<b>Loans Past Due 30- 89 Days</b>	<b>Loans Past Due Over 89 Days Still Accruing</b>
Real Estate - Construction	\$ 433	\$ 928	\$ 427	\$ 0
Real Estate - Commercial	728	728	743	378
Real Estate - Residential	3,199	3,199	5,264	322
Commercial	74	74	284	16
Other Consumer	8	8	767	140
<b>Total</b>	<b>\$ 4,442</b>	<b>\$ 4,937</b>	<b>\$ 7,485</b>	<b>\$ 856</b>

Generally, the accrual of income is discontinued when the full collection of principal or interest is in doubt or when the payment of principal or interest has become contractually 90 days past due unless the obligation is both well secured and in the process of collection. The Company recognized \$1,303,000 and \$1,110,000 of interest income on nonaccrual loans during the years ended December 31, 2025, and 2024.

**Allowance for credit loss** - The following table outlines the changes in the allowance for credit losses by loan type, the allowances for loans individually and collectively evaluated for credit loss, and the amount of loans individually and collectively evaluated for credit loss as of December 31, 2025 and December 31, 2024 (in thousands of dollars):

	<u>Real Estate Construction</u>	<u>Real Estate Commercial</u>	<u>Real Estate Residential</u>	<u>Commercial</u>	<u>Other Consumer</u>	<u>Total</u>
<b>December 31, 2025</b>						
<b>Allowance for Credit Losses:</b>						
Beginning Balance						
December 31, 2024	\$ 881	\$ 1,730	\$ 1,577	\$ 334	\$ 646	\$ 5,168
Provision for credit loss	(102)	353	210	(19)	224	666
Charge offs	0	(203)	0	(14)	(391)	(608)
Recoveries	0	106	15	21	159	301
<b>Total</b>	<u>\$ 779</u>	<u>\$ 1,986</u>	<u>\$ 1,802</u>	<u>\$ 322</u>	<u>\$ 638</u>	<u>\$ 5,527</u>

	<u>Real Estate Construction</u>	<u>Real Estate Commercial</u>	<u>Real Estate Residential</u>	<u>Commercial</u>	<u>Other Consumer</u>	<u>Total</u>
<b>December 31, 2024</b>						
<b>Allowance for Credit Losses:</b>						
Beginning Balance						
December 31, 2023	\$ 736	\$ 1,589	\$ 1,323	\$ 550	\$ 381	\$ 4,579
Provision for credit loss	145	133	285	(108)	518	973
Charge offs	0	(51)	(31)	(139)	(408)	(629)
Recoveries	0	59	0	31	155	245
<b>Total</b>	<u>\$ 881</u>	<u>\$ 1,730</u>	<u>\$ 1,577</u>	<u>\$ 334</u>	<u>\$ 646</u>	<u>\$ 5,168</u>

The ACL is based on estimates, and actual losses will vary from current estimates. Management believes that the granularity of the homogeneous pools and the related historical loss ratios and other qualitative factors, as well as the consistency in the application of assumptions, result in an ACL that is representative of the risk found in the components of the portfolio at any given date.

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2025, and December 31, 2024 (in thousands of dollars):

<b>December 31, 2025</b>	<b>Real Estate Secured Loans</b>	<b>Non-Real Estate Secured Loans</b>	<b>Total Loans</b>	<b>Allowance for Credit Losses</b>
Real Estate - Construction	\$ 965	\$ 0	\$ 965	\$ 0
Real Estate - Commercial	4,227	0	4,227	0
Real Estate - Residential	1,194	0	1,194	1
Commercial	0	203	203	0
Other Consumer	0	0	0	0
<b>Total</b>	<b>\$ 6,386</b>	<b>\$ 203</b>	<b>\$ 6,589</b>	<b>\$ 1</b>

<b>December 31, 2024</b>	<b>Real Estate Secured Loans</b>	<b>Non-Real Estate Secured Loans</b>	<b>Total Loans</b>	<b>Allowance for Credit Losses</b>
Real Estate - Construction	\$ 495	\$ 0	\$ 495	\$ 109
Real Estate - Commercial	301	0	301	0
Real Estate - Residential	1,788	0	1,788	0
Commercial	0	0	0	0
Other Consumer	0	0	0	0
<b>Total</b>	<b>\$ 2,584</b>	<b>\$ 0</b>	<b>\$ 2,584</b>	<b>\$ 109</b>

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than insignificant payment delay, or interest rate reductions. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. No loans were modified to borrowers in financial distress during the years ended December 31, 2025 and 2024, respectively.

**Foreclosed properties** - As of December 31, 2025, there were no properties in process of being foreclosed.

**NOTE SIX: BANK PREMISES AND EQUIPMENT**

Bank premises and equipment as of December 31, 2025, and 2024 are summarized as follows (in thousands of dollars):

	<u>2025</u>	<u>2024</u>
<b>Bank Premises and Equipment:</b>		
Land	\$ 4,108	\$ 4,108
Buildings and improvements	17,267	15,273
Furniture and equipment	<u>9,168</u>	<u>9,034</u>
Total Cost	30,543	28,415
Less accumulated depreciation	<u>(15,540)</u>	<u>(14,764)</u>
Net Book Value	<u>\$ 15,003</u>	<u>\$ 13,651</u>

Provisions for depreciation charged to operations during 2025 and 2024 were as follows (in thousands of dollars):

<b>Year</b>	<b>Provision for Depreciation</b>
2025	\$ 898
2024	898

***NOTE SEVEN: EARNINGS PER SHARE***

Earnings per share represent income available to common stockholders divided by the weighted average number of common shares outstanding during the period. During 2025 the company repurchased 17,513 shares as part of an approved stock repurchase plan, bringing the total shares outstanding as of December 31, 2025, to 1,319,360. There were 1,336,873 shares of common stock outstanding as of December 31, 2024.

***NOTE EIGHT: RESTRICTIONS ON DIVIDENDS OF SUBSIDIARY BANKS***

The principal source of funds of the Company is dividends paid by the Banks. The various regulatory authorities impose restrictions on dividends paid by a state bank. A state bank cannot pay dividends (without the consent of state banking authorities) in excess of the total net profits (net income less dividends paid) of the current year combined with the retained earnings of the prior two-year reporting periods. As of December 31, 2025, the Banks could pay dividends to the Company of approximately \$7,318,000 without permission of their regulatory authorities.

***NOTE NINE: DEPOSITS***

At December 31, 2025, the scheduled maturities of time deposits were as follows (in thousands of dollars):

<b>Year</b>	<b>Maturing Amount</b>
2026	\$ 120,986
2027	18,747
2028	5,726
2029	5,448
2030	3,187
Total	<u>\$ 154,094</u>

Included in the previous table are Certificate of Deposit Account Registry Service (CDARS) deposits totaling \$12,585,000 and \$10,555,000 at December 31, 2025, and December 31, 2024.

Interest expense on time deposits of \$250,000 and over totaled \$1,585,000 and \$984,000 at December 31, 2025, and 2024, respectively.

The aggregate amount of demand deposit overdrafts reclassified as loan balances were \$212,000 and \$359,000 at December 31, 2025 and 2024, respectively.

## **NOTE TEN: CONCENTRATIONS**

The Banks extend commercial, residential real estate and consumer loans to customers located primarily in the eastern portion of the State of West Virginia and the North Central region of Virginia. Although the Banks have a diversified loan portfolio, a substantial portion of the debtors' ability to honor their contracts is dependent upon the tourism, manufacturing, agribusiness, trucking and logging sectors. Collateral required by the Banks is determined on an individual basis depending on the purpose of the loan and the financial condition of the borrower. The ultimate collectability of the loan portfolios is susceptible to changes in local economic conditions. Of the \$477,370,000 and \$440,525,000 loans held by the Company at December 31, 2025, and 2024, respectively, \$381,198,000 and \$387,211,000 are secured by real estate.

The Company's subsidiaries had cash deposited in and federal funds sold to other commercial banks totaling \$31,773,000 and \$20,952,000 at December 31, 2025, and 2024, respectively. Deposits with other correspondent banks are generally unsecured and have limited insurance under current banking insurance regulations, which management considers to be normal business risk.

## **NOTE ELEVEN: TRANSACTIONS WITH RELATED PARTIES**

During the year, officers and directors (and companies controlled by them) of the Company and the Banks were customers of and had transactions with the Banks in the normal course of business. These transactions were made on substantially the same terms as those prevailing for other customers and did not involve any abnormal risk. The table below summarizes changes to balances of loans and to unused commitments to related parties during the years ended December 31, 2025, and 2024 (in thousands of dollars):

	<u><b>2025</b></u>	<u><b>2024</b></u>
Loans to related parties, beginning of year	\$ 1,567	\$ 1,748
New loans	99	255
Additions for new related parties	16	29
Repayments	(199)	(465)
Loans to related parties, end of year	<u>\$ 1,483</u>	<u>\$ 1,567</u>

At December 31, 2025, and 2024, deposits of related parties including directors, executive officers, and their related interests of the Company and subsidiaries approximated \$9,867,000 and \$8,540,000 respectively.

## **NOTE TWELVE: BORROWINGS**

The Company has borrowed money from the Federal Home Loan Bank of Pittsburgh (FHLB). This debt consists of both borrowings with terms of maturities of six months or greater and also certain debts with maturities of thirty days or less.

The borrowing maturities may have either single payment maturities or amortize. The various borrowings mature from 2026 to 2028. The interest rates on the various borrowings at December 31, 2025 range from 4.4% to 5.4%. The weighted average interest rate on the borrowings at December 31, 2025 was 4.98%.

The maturities of debt as of December 31, 2025 are as follows (in thousands of dollars):

<u>Year</u>	<u>Maturities</u>
2026	\$ 7,361
2028	0
2028	1,482
Total	<u>\$ 8,843</u>

In addition to utilization of the FHLB for borrowings of long-term debt, the Banks also can utilize the FHLB for overnight borrowings. There were no overnight borrowings outstanding as of December 31, 2025 or December 31, 2024. The Banks have total borrowing capacity from the FHLB of \$220,341,000 of which \$8,843,000 was outstanding at December 31, 2025. The Banks have pledged mortgage loans as collateral on the FHLB borrowings in the approximate amount of \$16,976,000 at December 31, 2025.

The subsidiary Banks also have short term borrowing capacity from each of their respective correspondent banks. As of December 31, 2025, the Company has total borrowing capacity from its correspondent banks of \$18,500,000. The interest rates on these lines are variable and are subject to change daily based on current market conditions. There were no borrowings outstanding on these lines as of December 31, 2025, or 2024.

## **NOTE THIRTEEN: INCOME TAX EXPENSE**

The Company files federal and State of West Virginia income tax returns. With few exceptions, the Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before 2022.

Included in the balance sheet at December 31, 2025, are tax positions related to loan charge offs for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

The components of income tax expense for the years ended December 31, 2025, and 2024 are summarized on the table below (in thousands of dollars):

	<u>2025</u>	<u>2024</u>
<b>Current Expense</b>		
Federal	\$ 1,553	\$ 1,158
State	171	134
Total Current Expense	<u>1,724</u>	<u>1,292</u>
<b>Deferred Expense (Benefit)</b>		
Federal	9	(162)
State	1	(29)
Total Deferred Expense (Benefit)	<u>10</u>	<u>(191)</u>
<b>Income Tax Expense</b>	<u>\$ 1,734</u>	<u>\$ 1,101</u>

The net deferred tax assets arising from temporary differences as of December 31, 2025, and 2024 are shown on the table below and reported in Other Assets on the Balance Sheet (in thousands of dollars):

	<u>2025</u>	<u>2024</u>
<b>Deferred Tax Assets</b>		
Provision for credit losses	\$ 1,238	\$ 1,109
Insurance commissions	8	9
Deferred compensation	319	402
Pension obligation	80	289
Unrealized loss on securities	735	1,584
Deferred loan fees	379	334
Other	48	34
Total Deferred Tax Assets	<u>2,807</u>	<u>3,761</u>
<b>Deferred Tax Liabilities</b>		
Depreciation	(514)	(482)
Pension expense	(374)	(292)
Total Deferred Tax Liabilities	<u>(888)</u>	<u>(774)</u>
<b>Net Deferred Tax Asset</b>	<u>\$ 1,919</u>	<u>\$ 2,987</u>

The Company has not recorded a valuation allowance for the deferred tax assets as management believes it is more likely than not that they will be ultimately realized.

The following table summarizes the differences between income tax expense and the amount computed by applying the federal statutory rate for the two years ended December 31, 2025, and 2024 (in thousands of dollars):

	<u>2025</u>		<u>2024</u>	
	<u>Total</u>	<u>Percent of Pretax Income</u>	<u>Total</u>	<u>Percent of Pretax Income</u>
Amounts at statutory rate	\$ 1,604	21.0%	\$ 1,250	21.0%
Tax exempt income	(46)	(0.6%)	(52)	(0.9%)
State income taxes, net	146	1.9%	76	1.3%
Income from life insurance contracts	(35)	(0.5%)	(147)	(2.5%)
Low-income housing credit	60	0.8%	(33)	(0.6%)
Other	5	0.1%	7	0.1%
Totals	<u>\$ 1,734</u>	<u>22.7%</u>	<u>\$ 1,101</u>	<u>18.5%</u>

#### **NOTE FOURTEEN: EMPLOYEE BENEFITS**

In addition to an Employee Stock Ownership Plan (ESOP), which provides stock ownership to all eligible employees of the Company, Grant and Capon have separate retirement and profit sharing plans which cover substantially all full-time employees at each Bank. A summary of the employee benefits provided by each Bank is provided below. The Company's ESOP plan provides stock ownership to all employees of the Company. The Plan provides total vesting upon the attainment of seven years of service. Contributions to the plan are made at the discretion of the board of directors and are allocated based on the compensation of each employee relative to total compensation paid by the Company. All shares held by the Plan are considered outstanding in the computation of earnings per share. Shares of Company stock, when distributed, may have restrictions on transferability. Certain former executives of both Grant and Capon have post-retirement benefits indirectly related to the Banks' investment in life insurance policies. Expenses related to all retirement benefit plans charged to operations totaled \$605,000 in 2025 and \$813,000 in 2024.

Capon has a 401(k) retirement plan that is funded by employee contributions, employer matches, and discretionary contributions made by the employer. Capon matches the employees' contribution 100% up to 5% of the employees' compensation. Investment of employee balances is at the direction of each employee. Employer contributions are vested over a six-year period. Expenses under the plan for the years ended December 31, 2025, and 2024 were \$251,000 and \$236,000, respectively which includes the employer match and discretionary contributions.

Grant maintains a 401(k) profit sharing plan covering substantially all employees. All eligible employees may contribute to the plan and receive discretionary employer contributions. Employees hired after January 1, 2016 also receive employer matches in addition to their own contributions and discretionary contributions made by the employer. Employee balances are invested at the direction of each employee, with employer discretionary contributions vested over a six year period. Profit sharing expenses for the years ended December 31, 2025, and 2024 were \$106,000 and \$90,000, respectively. Those employees eligible for matching contributions receive a match of 100% up to 5% of the employees' compensation. Employer matching expenses under the plan for the years ended December 31, 2025, and 2024 were \$56,000 and \$43,000 respectively.

Grant also has a defined benefit pension plan ("Plan") covering employees hired prior to January 1, 2016. Benefits under the Plan are based on compensation and years of service with full vesting after six years of service. Grant made contributions of \$348,000 during 2025 and was not required to make contributions during 2024. At December 31, 2025, Grant recognized assets of approximately \$1,250,000 relating to prepaid pension assets. A portion of this asset, representing unrecognized actuarial losses, is reflected as a decrease in other comprehensive income of approximately \$261,000 (net of \$80,000 tax). Grant instituted a soft freeze of the defined benefit pension plan on October 31, 2016, freezing the plan to new entrants effective January 1<sup>st</sup> of 2016.

The following table provides a reconciliation of the changes in the Plan's obligations and fair value of assets as of December 31, 2025, and 2024 using a measurement date of December 31, 2025, and 2024 respectively (in thousands of dollars):

	<u>2025</u>	<u>2024</u>
<b>Change in Projected Benefit Obligation:</b>		
Benefit obligation, beginning	\$ 11,855	\$ 12,816
Service cost	190	244
Interest cost	639	603
Actuarial loss (gain)	(29)	(901)
Settlements	(129)	(315)
Benefits paid	(636)	(592)
Benefit obligation, ending	<u>\$ 11,890</u>	<u>\$ 11,855</u>
Accumulated Benefit Obligation	<u>\$ 11,064</u>	<u>\$ 11,031</u>
<b>Change in Plan Assets:</b>		
Fair value of assets, beginning	\$ 11,868	\$ 11,562
Actual return on assets, net of administrative expenses	1,689	1,213
Employer contributions	348	0
Settlements	(129)	(315)
Benefits paid	(636)	(592)
Fair value of assets, ending	<u>\$ 13,140</u>	<u>\$ 11,868</u>
<b>Funded Status:</b>		
Fair value of plan assets	\$ 13,140	\$ 11,868
Projected benefit obligation	11,890	11,855
Funded status	<u>\$ 1,250</u>	<u>\$ 13</u>
<b>Amounts Recognized in the Statement of Financial Position:</b>		
Accumulated other comprehensive loss	\$ 341	\$ 1,288
(Prepaid) pension expense	(1,591)	(1,301)
Net (asset) liability recognized	<u>\$ (1,250)</u>	<u>\$ (13)</u>
<b>Amounts Recognized in Accumulated Other Comprehensive Income:</b>		
Unrecognized actuarial loss	<u>\$ 341</u>	<u>\$ 1,288</u>

The following table provides the components of the net periodic pension expense for the Plan for the years ended December 31, 2025 and 2024 (in thousands of dollars):

	<u>2025</u>	<u>2024</u>
<b>Net Periodic Pension Expense:</b>		
Service cost	\$ 190	\$ 244
Interest cost	639	603
Expected return on plan assets	(831)	(838)
Recognized net actuarial loss	0	83
Net Periodic Pension (Benefit) Expense	<u>\$ (2)</u>	<u>\$ 92</u>

The expected pension credit for 2026 is \$53,000. The amount of unrecognized actuarial loss expected to be recognized in net periodic benefit cost in 2026 is \$0.

The table below summarizes the benefits expected to be paid to participants in the Plan (in thousands of dollars):

<b>Year</b>	<b>Expected Benefit Payments</b>
2026	\$ 684
2027	717
2028	757
2029	785
2030	806
Years 2031 – 2035	4,242

The weighted average assumptions used in the measurement of the benefit obligation and net periodic pension expense are as follows:

	<b>2025</b>	<b>2024</b>
Discount rate	5.61%	5.54%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	3.00%	3.00%

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

The following table provides the defined benefit pension plan's asset allocation as of December 31, 2025, and 2024:

	<b>2025</b>	<b>2024</b>
Equity Securities	65%	65%
Debt Securities	33%	33%
Other	2%	2%

The trust fund is sufficiently diversified to maintain a reasonable level of risk without imprudently sacrificing return. The targeted asset allocation and allowable range of allocation is set forth in the table below:

<b>Plan Assets</b>	<b>Target Allocation 2025</b>	<b>Allowable Allocation Range</b>
Equity securities	65%	55-75%
Debt securities	35%	25-45%
Other	0%	0-3%

### Fair Value

The fair value of the Company's defined benefit pension plan assets at December 31, 2025, and 2024, by asset category is as follows (in thousands of dollars):

#### Fair Value Measurements Using

<u>Asset Category</u>	<u>Balance as of December 31, 2025</u>	<u>In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash & Cash Equivalents	\$ 46	\$ 46	\$ 0	\$ 0
Equity Securities:				
U.S. Companies	8,049	7,210	839	0
International Companies	842	842	0	0
Debt Securities	4,203	0	4,203	0
Totals	<u>\$ 13,140</u>	<u>\$ 8,098</u>	<u>\$ 5,042</u>	<u>\$ 0</u>

#### Fair Value Measurements Using

<u>Asset Category</u>	<u>Balance as of December 31, 2024</u>	<u>In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash & Cash Equivalents	\$ 197	\$ 197	\$ 0	\$ 0
Equity Securities:				
U.S. Companies	6,230	5,421	809	0
International Companies	1,827	1,827	0	0
Debt Securities	3,614	0	3,614	0
Totals	<u>\$ 11,868</u>	<u>\$ 7,445</u>	<u>\$ 4,423</u>	<u>\$ 0</u>

### **NOTE FIFTEEN: COMMITMENTS AND GUARANTEES**

The Banks make commitments to extend credit in the normal course of business and issue standby letters of credit to meet the financing needs of their customers. The Banks use the same credit policies in making commitments and issuing letters of credit as used for the loans reflected in the balance sheet. 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 Banks evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Banks upon the extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but may include accounts receivable, inventory, real estate, cash, plant and equipment.

As of December 31, 2025, and 2024, the Banks had outstanding the following commitments (in thousands of dollars):

	<u>2025</u>	<u>2024</u>
Commitments to extend credit	\$ 82,772	\$ 64,589
Standby letters of credit	4,573	4,332

**NOTE SIXTEEN: CHANGES IN OTHER ACCUMULATED COMPREHENSIVE LOSS**

The components of changes in other accumulated comprehensive loss, net of deferred tax, for the years ended December 31, 2025, and 2024 are as follows (in thousands of dollars):

	<u>Unrealized Gains (Losses) on Securities</u>	<u>Defined Benefit Plan Obligation</u>	<u>Total</u>
<b>Changes in Other Comprehensive Loss, Net of Deferred Tax</b>			
Balance, December 31, 2023	\$ (7,273)	\$ (1,979)	\$ (9,252)
2024 Change	2,181	976	3,157
Balance, December 31, 2024	\$ (5,092)	\$ (1,003)	\$ (6,095)
2025 Change	2,761	679	3,440
Balance, December 31, 2025	<u>\$ (2,331)</u>	<u>\$ (324)</u>	<u>\$ (2,655)</u>

**NOTE SEVENTEEN: FAIR VALUE MEASUREMENTS**

ASC 820, Fair Value Measurements and Disclosures, define fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level One: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level Two: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level Three: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for instruments measured at fair value on the Company's balance sheet, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Securities

Where quoted prices are available in an active market, securities are classified within level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds, mortgage products and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within level 3 of the valuation hierarchy. Currently, all of the Company's securities are considered to be Level 2 securities.

Individually Evaluated Loans

Loans are individually evaluated when, in the judgment of management based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreements will not be collected. The measurement of loss associated with individually evaluated loans can be based on either the observable market price of the loan or the fair value of the collateral. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The vast majority of the Company's collateral is real estate. The value of real estate collateral is determined utilizing an income or market valuation approach based on an appraisal, of one year or less, conducted by an independent, licensed appraiser using observable market data (Level 2). However, if the collateral is a house or building in the process of construction or if an appraisal of the property is more than one year old and not solely

based on observable market comparables or management determines the fair value of the collateral is further impaired below the appraised value, then a Level 3 valuation is considered to measure the fair value. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). Individually evaluated loans allocated to the allowance for credit losses are measured at fair value on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for credit losses on the Consolidated Statements of Income. At December 31, 2025, the Company had individually evaluated loans with an unpaid principal balance of \$6,589,000 of which \$235,000 required an allowance of \$1,000. At December 31, 2024, the Company had individually evaluated loans with an unpaid principal balance of \$2,584,000 of which \$495,000 required an allowance of \$109,000. (see Note Five).

Other Real Estate Owned

Certain assets such as other real estate owned (OREO) are measured at fair value. Real estate acquired through foreclosure is recorded at an estimated fair value less cost to sell. At or near the time of foreclosure, a real estate appraisal is obtained on the properties. In the event that a sales agreement is in place at the time of valuation, the fair value of the collateral is determined to be the agreed-upon sale price, net of anticipated selling costs (Level 1). In the absence of a sales agreement, the real estate is then valued at the appraised value, net of anticipated selling costs. Appraised values are typically determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser (Level 2). If the acquired property is a house or building in the process of construction or if an appraisal of the real estate property is over twelve months old, the fair value is considered Level 3. The estimate of costs to sell the property is based on historical transactions of similar holdings.

The Company, at December 31, 2025, and December 31, 2024, had no liabilities subject to fair value reporting requirements.

The table below summarizes assets at December 31, 2025, and 2024 measured at fair value on a recurring basis (in thousands of dollars):

<u>December 31, 2025</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value Measurements</u>
U.S. Treasuries and Agencies	\$ 0	\$ 25,330	\$ 0	\$ 25,330
Mortgage Backed Securities	0	15,668	0	15,668
Collateralized Mortgage Obligations	0	6,912	0	6,912
States and Municipalities	0	15,432	0	15,432
Corporate Bonds	0	20,896	0	20,896
Total Available for Sale Securities	<u>\$ 0</u>	<u>\$ 84,238</u>	<u>\$ 0</u>	<u>\$ 84,238</u>

<u>December 31, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value Measurements</u>
U.S. Treasuries and Agencies	\$ 0	\$ 20,404	\$ 0	\$ 20,404
Mortgage Backed Securities	0	11,353	0	11,353
Collateralized Mortgage Obligations	0	4,932	0	4,932
States and Municipalities	0	18,777	0	18,777
Corporate Bonds	0	27,769	0	27,769
Total Available for Sale Securities	<u>\$ 0</u>	<u>\$ 83,235</u>	<u>\$ 0</u>	<u>\$ 83,235</u>

The table below summarizes assets at December 31, 2025, and 2024, measured at fair value on a nonrecurring basis (in thousands of dollars):

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value Measurements</b>	<b>Twelve Months Ended December 31, 2025 Total Gains/(Losses)</b>
Other real estate owned Individually evaluated loans, net	\$ 0	\$ 0	\$ 312	\$ 312	\$ (2)
	0	0	234	234	0

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value Measurements</b>	<b>Twelve Months Ended December 31, 2024 Total Gains/(Losses)</b>
Other real estate owned Individually evaluated loans, net	\$ 0	\$ 163	\$ 0	\$ 163	\$ 15
	0	0	386	386	0

The table below displays quantitative information about Level 3 Fair Value measurements for certain financial assets measured at fair value on a nonrecurring basis for December 31, 2025:

<b>Quantitative information about Level 3 Fair Value Measurements for December 31, 2025</b>			
	<b>Valuation Technique(s)</b>	<b>Unobservable Input</b>	<b>Range (Weighted Average)</b>
Assets:			
Individually evaluated loans	Appraised Value	Selling Cost	4% - 6.5% (5.4%)
Other real estate owned	Appraised Value	Selling Cost	10% (10%)

The information above discusses financial instruments carried on the Company's balance sheet at fair value. Other financial instruments on the Company's balance sheet, while not carried at fair value, do have fair values which may differ from the carrying value. GAAP requires disclosure relating to these fair values. The following information shows the carrying values and estimated fair values of financial instruments and discusses the methods and assumptions used in determining these fair values.

The fair value of the Company's assets and liabilities is influenced heavily by market conditions. Fair value applies to both assets and liabilities, either on or off the balance sheet. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The carrying amount and estimated fair values of financial instruments not recorded at fair value of recurring basis as of December 31, 2025 and 2024 are shown in the table below (in thousands of dollars):

**Fair Value Measurements at December 31, 2025 using**

	<b>Carrying Value</b>	<b>Quoted Prices in Active Markets for Identical Assets  Level 1</b>	<b>Significant Other Observable Inputs  Level 2</b>	<b>Significant Unobservable Inputs  Level 3</b>	<b>Fair Value  Balance</b>
<b>Financial Assets:</b>					
Cash and due from banks	\$ 4,994	\$ 4,994			\$ 4,994
Interest bearing deposits	14,374	14,374			14,374
Federal funds sold	17,399	17,399			17,399
Securities available for sale	84,238		\$ 84,238		84,238
Restricted investments	2,566		2,566		2,566
Loans, net	471,843			\$ 474,510	474,510
Interest receivable	2,418		2,418		2,418
Life insurance contracts	12,522		12,522		12,522
<b>Financial Liabilities:</b>					
Demand and savings deposits	\$ 396,828	396,828			\$ 396,828
Time deposits	154,094			135,784	135,784
Long term debt instruments	8,843			8,843	8,843
Interest payable	630		630		630

**Fair Value Measurements at December 31, 2024 using**

	<b>Carrying Value</b>	<b>Quoted Prices in Active Markets for Identical Assets  Level 1</b>	<b>Significant Other Observable Inputs  Level 2</b>	<b>Significant Unobservable Inputs  Level 3</b>	<b>Fair Value  Balance</b>
<b>Financial Assets:</b>					
Cash and due from banks	\$ 4,486	\$ 4,486			\$ 4,486
Interest bearing deposits	15,461	15,461			15,461
Federal funds sold	5,491	5,491			5,491
Securities available for sale	83,235		\$ 83,235		85,235
Restricted investments	3,020		3,020		3,020
Loans, net	435,357			\$ 434,619	434,619
Interest receivable	2,270		2,270		2,270
Life insurance contracts	11,591		11,591		11,591
<b>Financial Liabilities:</b>					
Demand and savings deposits	\$ 364,285		\$ 364,285		\$ 364,285
Time deposits	135,770		131,427		131,427
Long term debt instruments	13,916		13,916		13,916
Interest payable	657		657		657

## NOTE EIGHTEEN: REGULATORY MATTERS

Banks 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 gain or loss on available-for-sale securities is not included in computing regulatory capital. Management believes as of December 31, 2025, the Bank meets all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: (1) well capitalized, (2) adequately capitalized, (3) undercapitalized, (4) significantly undercapitalized, and (5) 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 year end 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.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020, and was elected by the Bank as of December 31, 2020. In April 2020, the federal banking agencies issued an interim final rule that makes a temporary change to the CBLR framework, pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act.

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 interim rules for community bank leverage ratio minimum requirement is 8% as of December 31, 2020, 8.5% for calendar year 2021, and 9% for calendar year 2022 and beyond. 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 7% as of December 31, 2020, 7.5% for calendar year 2021, and 8% for calendar year 2022 and beyond.

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, both Banks were a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

The Bank's actual and required capital amounts (in thousands) and ratios as of December 31, 2025, are below. There are no significant changes to the regulatory capital ratios as of December 31, 2025, and 2024.

	<u>2025 Actual</u>		<u>Regulatory Requirements</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Well Capitalized</u>	
			<u>Amount</u>	<u>Percentage</u>
<b>Tier 1 Leverage Ratio</b>				
Highlands Bankshares	\$ 65,515	10.27%		
Capon Valley Bank	22,863	9.59%	\$ 21,451	9%
The Grant County Bank	42,652	10.94%	35,093	9%

	<b>2024 Actual</b>		<b>Regulatory Requirements</b>	
	<b>Amount</b>	<b>Percentage</b>	<b>Well Capitalized</b>	
			<b>Amount</b>	<b>Percentage</b>
<b>Tier 1 Leverage Ratio</b>				
Highlands Bankshares	\$ 62,322	10.70%		
Capon Valley Bank	21,566	9.92%	\$ 19,568	9%
The Grant County Bank	40,756	11.49%	31,930	9%

**NOTE NINETEEN: INTANGIBLE ASSETS**

The Company's balance sheet contains several components of intangible assets. The total balance of intangible assets was comprised of Goodwill in the amount of \$1,534,000 and intangible assets related to long term advertising with a local public library and local school systems located within the Company's primary business area in the amount of \$6,000 as of December 31, 2025. Other intangible assets amortized during 2025 and 2024 were \$5,000 and \$9,000 respectively for each of the reporting periods.

A summary of the changes in balances of intangible assets for the twelve-month periods ended December 31, 2025, and 2024 is shown below (in thousands of dollars):

	<u>2025</u>	<u>2024</u>
Balance beginning of period	\$ 11	\$ 20
Additional intangible assets	0	0
Amortization of intangible assets	(5)	(9)
Balance end of period	<u>\$ 6</u>	<u>\$ 11</u>

The expected amortization of the intangible balances at December 31, 2025 is summarized in the table below (in thousands of dollars):

<u>Year</u>	<u>Expected Expense of Intangible Assets</u>
2026	\$ 4
2027	2
2028	0
Total	<u>\$ 6</u>

**NOTE TWENTY: SUBSEQUENT EVENTS**

The Company evaluates subsequent events that have occurred after the balance sheet, but before the financial statements are available to be issued. There are two types of subsequent events: (1) recognized, or those that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements, and (2) non-recognized, or those that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date.

Subsequent events have been considered through March 12, 2026, the date these financial statements were available to be issued. Except as noted below, based on management's evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the consolidated financial statements.

**NOTE TWENTY-ONE: PARENT COMPANY FINANCIAL STATEMENTS**

The investment of the Company in its wholly-owned subsidiaries is presented on the equity method of accounting. Information relative to the Company's balance sheets at December 31, 2025, and 2024, and the related statements of income, retained earnings, and cash flows is presented below:

**HBI Parent Company  
Balance Sheets  
(in thousands of dollars)**

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<b>ASSETS</b>		
Cash	\$ 1,044	\$ 1,373
Investment in subsidiaries	66,290	59,863
Receivable from subsidiaries	214	(1)
Deferred tax adjustment	(84)	(84)
Other assets	178	131
Total Assets	<u>\$ 67,642</u>	<u>\$ 61,282</u>
<b>LIABILITIES</b>		
Accounts Payable	<u>\$ 0</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$5 per share, 3,000,000 shares authorized, 1,436,874 issued, 1,336,873 outstanding	\$ 7,184	\$ 7,184
Surplus	1,662	1,662
Treasury stock, at cost, 100,001 shares	(3,973)	(3,372)
Retained earnings	65,424	61,903
Other accumulated comprehensive income (loss)	<u>(2,655)</u>	<u>(6,095)</u>
Total Stockholders' Equity	<u>67,642</u>	<u>61,282</u>
Total Liabilities and Stockholders' Equity	<u>\$ 67,642</u>	<u>\$ 61,282</u>

**HBI Parent Company**  
**Statements of Income and Retained Earnings**  
(in thousands of dollars)

	<b>Years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Income		
Dividends from subsidiaries	\$ 3,116	\$ 2,763
Management fees from subsidiaries	464	391
Total Income	3,580	3,154
Expenses		
Salary and benefits expense	315	295
Professional fees	158	116
Directors fees	109	102
Other expenses	121	145
Total Expenses	703	658
Net income before income tax benefit and undistributed subsidiaries net income	2,877	2,496
Income tax expense (benefit)	(41)	(65)
Income before undistributed subsidiaries net income	2,918	2,561
Undistributed subsidiaries net income	2,988	2,292
Net Income	\$ 5,905	\$ 4,853
Retained earnings, beginning of period	\$ 61,903	\$ 59,296
Dividends paid in cash	(2,384)	(2,246)
Net income	5,905	4,853
Retained earnings, end of period	\$ 65,424	\$ 61,903

**HBI Parent Company**  
**Statements of Cash Flows**  
(in thousands of dollars)

	<b>Years Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 5,905	\$ 4,853
Adjustments to net income		
Undistributed subsidiary income	(2,988)	(2,292)
(Increase) decrease in receivables from subsidiaries	(214)	(75)
(Increase) decrease in other assets	(47)	78
Net Cash Provided by Operating Activities	2,656	2,564
<b>Cash Flows from Financing Activities</b>		
Dividends paid in cash	(2,384)	(2,246)
Purchase of treasury stock	(601)	0
Net Cash Used in Financing Activities	(2,985)	(2,246)
Net Increase (Decrease) in Cash	(329)	318
Cash, beginning of year	1,373	1,055
Cash, end of year	\$ 1,044	\$ 1,373

# Our Stock

The common stock of Highlands Bankshares is not traded on any national or regional stock exchange, although brokers may occasionally initiate or be a participant in a trade. The Company's stock is listed on OTC Markets. The Company may not know terms of an exchange between individual parties. The following table outlines the dividends paid and market prices of the Company's stock, based on prices disclosed to management. Prices have been provided using a nationally recognized online stock quote system. Such prices may not include retail mark-ups, mark-downs or commissions. Dividends are subject to the restrictions described in Note Nine to the Financial Statements found in the Company's Annual Report of the period ended December 31, 2025.

Estimated Market Price Range			
2025	Dividends per Share	Low	High
First Quarter	\$0.45	\$32.75	\$35.01
Second Quarter	\$0.45	\$33.27	\$35.50
Third Quarter	\$0.45	\$34.72	\$39.20
Fourth Quarter	\$0.45	\$38.00	\$45.00

Stock transfers and inquiries should be addressed to our transfer agent at:

Computershare  
462 South 4th Street, Suite 1600  
Louisville, KY 40202  
800-368-5948  
[www.computershare.com](http://www.computershare.com)

A copy of this annual report can be obtained by accessing the investor relations page through the subsidiary banks' websites at: [www.grantcountybank.com](http://www.grantcountybank.com) or [www.caponvalleybank.com](http://www.caponvalleybank.com) or by contacting the Company at the following:

Highlands Bankshares, Inc.  
Attn: Sarah Nottingham, Financial Officer  
P.O. Box 929  
Petersburg, WV 26847  
304-257-4111

# Capon Valley Bank

## Financial Data (in thousands of dollars)

### Assets at 12/31/25

Cash and due from banks	\$ 12,571
Earning assets	216,567
Allowance for loan losses	(1,987)
Other assets	8,899
<b>Total Assets</b>	<b>\$236,049</b>

### Liabilities and Equity at 12/31/25

Deposits	\$211,242
Borrowings	—
Other liabilities	12,670
Shareholders' Equity	22,137
<b>Total Liabilities and Equity</b>	<b>\$236,049</b>

<b>Net Income</b> for 2025	<b>\$ 2,370</b>
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## Capon Valley Bank Directors

Jack H. Walters - Chairman	Robert C. Boyd	Leslie A. Barr, Director Emeritus
Alan L. Brill - Vice Chairman	Michael A. McDonald - President & CEO	John Paul Hott, II
L. Fred Brooks - Director	James R. Pyles	John Mitchell Orndorff
Carl G. Corbin, II	Dr. Morris M. Homan, Jr.	

## Capon Valley Bank Employees - 2025 *(Names in BOLD indicate 20 years or more of service)*

Skylar Arbaugh	Carrie Ferrebee	Kelly Mansfield	Aspen Roderick	Melba Thorne
Drake Baker	Craig Foster	Amanda McDonald	Tanya Rosenberry	Candace Webster
<b>Pamela Barney</b>	Jeri Haines	<b>Michael McDonald</b>	Alicia Ruffner	Amanda Wilkins
Krystal Barrett	<b>Abby Hefner</b>	<b>Angela Miller</b>	Lisa See	Katrina Wilkins
Katie Bellingham	Gabriela Herrera	<b>Wendy Miller</b>	Robin Seldon	Larry Wilkins
Amy Bender	Cathy Jewell	Jody Minter	Michael Shepherd	<b>Connie Wilson</b>
Brandon Benjamin	Shelia Kelican	<b>Krystal Moreland</b>	<b>Stephen Sirbaugh</b>	
Brian Brill	Kristopher Kerr	Star Moton	Ashley Smith	
<b>Carla Brill</b>	Donna Kuykendall	<b>Yvonne Orndorff</b>	Glenda Smith	
<b>L. Fred Brooks</b>	Malik Landes	Cordale Ours	<b>Karen Smith</b>	
Elizabeth Burkhart	Amanda Larrick	Vickie Poulin	Amanda Thomas	
April Dove	Rachel Lupton	<b>Marty Rinard</b>	Melissa Thompson	

# Capon Valley Bank Branches



Wardensville, West Virginia  
Main Office



Baker, West Virginia



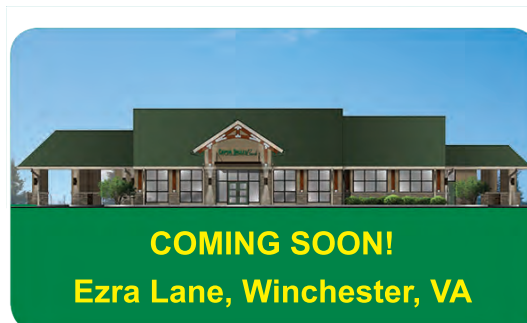
Moorefield, West Virginia



Gore, Virginia



Stephens City, Virginia



Winchester North, Virginia

# Grant County Bank

## Financial Data (in thousands of dollars)

### Assets at 12/31/25

Cash and due from banks _____	\$ 6,709
Earning assets _____	371,249
Allowance for loan losses _____	(3,539)
Other assets _____	19,978
<b>Total Assets</b> _____	<b>\$394,396</b>

### Liabilities and Equity at 12/31/25

Deposits _____	\$342,820
Borrowings _____	8,843
Other liabilities _____	730
Shareholders' Equity _____	42,002
<b>Total Liabilities and Equity</b> _____	<b>\$394,396</b>
<b>Net Income for 2025</b> _____	<b>\$ 3,672</b>

### Grant County Bank Directors

Donald J. Baker, Jr. - Chairman	Laura E. Kessel	Dr. Cheryl Bennett
John Athey - Vice Chairman	Dr. Morris M. Homan, Jr.	C. Kirk Wilson
George L. Ford - President & CEO	John Paul Hott, II	Gerald R. Sites, Director Emeritus
Amy F. Barb		

### Grant County Bank Employees - 2025 (Names in **BOLD** indicate 20 years or more of service)

Jared Amtower	G James Cornett	Lisa Hinkle	Amy Paugh	Deidra Thorne
Dwight Baker	Sherry Cosner	Bethany Huffman	SaraJo Raines	Haley Tilton
John Baker	Haley Cussins	Desiree Hunt	Jose Ramirez	Jennifer Turner
Lydia Baker	Shannon Cutter	Carisa Iser	Jeffrey Reedy	<b>Michele Turner</b>
Bethany Barwinczak	Hailey Dill	Sheree Jordan	Hunter Reynolds	<b>Gale Vance</b>
Shawna Beavers	Tiffany Dodd	Kaitlyn Keplinger	<b>Robin Reynolds</b>	Hailey Vance
<b>Debra Bennett</b>	Kassidy Easter Nelson	<b>Wilma Keplinger</b>	<b>Stephanie Roy</b>	Veronica VanMeter
Sherri Bennett	Tammy Elza	Lukas Kenser	Jessica Simmons	Kallie Varner
<b>Cathy Berg</b>	Joselyn Evans	Tracy Kesner	Stacey Simmons	Diane Wilcox
Justin Bolyard	Joshua Evans	Jessica Kile	Heather Sines	Clarissa Wolfe
<b>Sherry Bonner</b>	Marlene Evans	Adam Kline	Christopher Sites	Joyce Wolfe
Jessica Braithwaite	<b>George Ford</b>	Emily Knippenberg	Rebecca Sites	<b>Brenda Wolford</b>
Austin Bray	Sallie George	Amber Kuh	Suaneysha Soto-Cordero	Tammy Wolford
Brenna Brennan	Codi Hardy	<b>Judy Lough</b>	Jessica Stotler	<b>Marcie Yokum</b>
Mickala Brill	Suenette Hardy	Cassie Marple	Sarah Strosnider	Theresa Young
Allison Burgess	Cassandra Heavener	Scotty Miley	Pamela Sulser	
Meagan Carter	Donna Hedrick	<b>Shelley Mongold</b>	Julie Supak	
Wayne Clark	Jessica Hedrick	Danette Mullenax	Lindsey Teets	
Louise Conrad	Christina Hefner	McKenzie Oates	Melanie Thorn	

# Grant County Bank Branches



Petersburg, West Virginia  
Main Office



Keyser, West Virginia



Davis, West Virginia



Harman, West Virginia



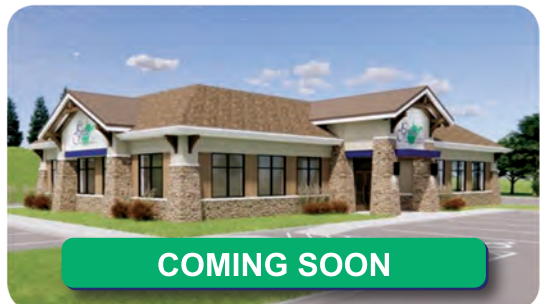
Moorefield, West Virginia



Canaan, West Virginia



Riverton, West Virginia



Falling Waters, West Virginia

# Canaan Valley



HIGHLANDS BANKSHARES, INC.



*Taking Banking To A Higher Plateau*

2025

**Main Office**

3 North Main Street  
Petersburg, WV 26847  
304-257-4111

**Canaan Valley Office**

5502 Appalachian Hwy  
Davis, WV 26260  
304-866-4848

**Davis Office**

901 William Avenue  
Davis, WV 26260  
304-259-5201

**Harman Office**

Main Street  
Harman, WV 26270  
304-227-4104

**Moorefield Office**

500 S. Main Street  
Moorefield, WV 26836  
304-538-6566

**Keyser Office**

1336 New Creek Hwy  
Keyser, WV 26726  
304-788-8040

**Riverton Office**

16198 Mountaineer Drive  
Riverton, WV 26814  
304-567-2224

**Main Office**

2 West Main Street  
Wardensville, WV 26851  
304-874-3531

**Moorefield Office**

717 North Main Street  
Moorefield, WV 26836  
304-530-7714

**Baker Office**

17558 SR 55  
Baker, WV 26801  
304-897-7177

**Western Frederick Office**

6701 Northwestern Pike  
Gore, VA 22637  
540-858-3010

**Stephens City Office**

5511 South Main Street  
Stephens City, VA 22655  
540-868-1140

**Winchester North**

241 Ezra Lane  
Winchester, Virginia 22602  
540-686-1960

**Highlands Bankshares, Inc.**

3 North Main Street  
P.O. Box 929  
Petersburg, WV 26847  
304-257-4111