

BANCORP. OF SOUTHERN INDIANA
Seymour, Indiana

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bancorp. of Southern Indiana
Seymour, Indiana

Opinion

We have audited the consolidated financial statements of Bancorp. of Southern Indiana, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Management is responsible for the other information included in the annual report. The other information comprises the President's Message to Shareholders, the Consolidated Financial Highlights, and the Five-Year Summary 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 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.



Crowe LLP

Indianapolis, Indiana
February 13, 2026

BANCORP. OF SOUTHERN INDIANA
CONSOLIDATED BALANCE SHEETS
December 31, 2025 and 2024
(Dollar amounts in thousands except per share data)

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and due from financial institutions	\$ 17,799	\$ 12,181
Federal funds sold and other interest bearing deposits	-	618
Cash and cash equivalents	17,799	12,799
Interest bearing CDs with other financial institutions	5,715	6,694
Mutual funds	767	650
Securities held-to-maturity (fair value 2025 – \$14,042, 2024 – \$15,974)	14,324	16,665
Securities available-for-sale	96,551	85,738
Federal Home Loan Bank and other stock, at cost	6,600	6,555
Loans held-for-sale	380	696
Loans, net of allowance for credit losses of \$8,569 and \$7,623	869,493	800,148
Premises and equipment, net	19,814	18,980
Goodwill	3,382	3,382
Purchased intangible asset	1,401	1,645
Company owned life insurance	17,207	16,690
Accrued interest receivable and other assets	13,806	11,687
	\$1,067,239	\$ 982,329
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest bearing deposits	\$ 141,987	\$ 143,060
Interest bearing deposits	700,118	643,457
Total deposits	842,105	786,517
Other borrowings	9,172	12,970
Federal Home Loan Bank advances	113,000	90,000
Note payable	7,000	9,000
Accrued interest payable and other liabilities	13,068	10,420
Total liabilities	984,345	908,907
Stockholders' equity		
Preferred stock, no par value, 200,000 shares authorized, none issued	-	-
Common stock, no par value, \$0.166 stated value, 2,040,000 shares authorized, 1,348,718 issued and outstanding as of December 31, 2025, and 1,350,934 issued and outstanding as of December 31, 2024	224	225
Additional paid-in capital	2,909	2,913
Retained earnings	85,795	79,947
Accumulated other comprehensive income (loss)	(6,034)	(9,663)
Total stockholders' equity	82,894	73,422
	\$1,067,239	\$ 982,329

See accompanying notes to consolidated financial statements.

BANCORP. OF SOUTHERN INDIANA
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2025 and 2024
(Dollar amounts in thousands except per share data)

	<u>2025</u>	<u>2024</u>
Interest and dividend income		
Loans, including fees	\$ 50,514	\$ 45,959
Securities		
Taxable	2,777	2,954
Non-taxable	899	1,080
Federal funds sold and other	<u>775</u>	<u>1,112</u>
	54,965	51,105
 Interest expense		
Deposits	18,258	18,076
Other borrowings	793	978
Federal Home Loan Bank advances	3,078	3,545
Bank Term Funding Program	<u>40</u>	<u>855</u>
	<u>22,169</u>	<u>23,454</u>
 Net interest income	32,796	27,651
 Credit loss expense	<u>1,565</u>	<u>1,006</u>
 Net interest income after credit loss expense	31,231	26,645
 Other income		
Fiduciary income	7,832	6,756
Service charges	1,051	1,044
Earnings on company owned life insurance	517	482
Loan servicing income, net	201	182
Net gain on sale of securities	6	25
Mortgage banking income	974	1,111
Change in value of mutual funds, net	109	91
Other	<u>2,119</u>	<u>2,133</u>
	12,809	11,824
 Other expenses		
Salaries and employee benefits	20,271	18,070
Occupancy and equipment	3,087	2,775
Data processing	1,136	959
FDIC insurance assessment	758	878
Other	<u>8,721</u>	<u>7,686</u>
	<u>33,973</u>	<u>30,368</u>
 Income before income taxes	10,067	8,101
 Provision for income taxes	<u>1,792</u>	<u>1,359</u>
 Net income	<u>\$ 8,275</u>	<u>\$ 6,742</u>
 Earnings per share – basic and diluted	<u>\$ 6.13</u>	<u>\$ 4.99</u>
 Average shares outstanding	1,350,746	1,351,606

See accompanying notes to consolidated financial statements.

BANCORP. OF SOUTHERN INDIANA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2025 and 2024
(Dollar amounts in thousands)

	<u>2025</u>	<u>2024</u>
Net Income	\$ 8,275	\$ 6,742
Other comprehensive income		
Unrealized holding gains (losses) on available-for-sale securities arising during the period	4,419	(1,391)
Reclassification adjustment for net amortization of unrealized holding gain (losses) included in accumulated other comprehensive income from transfer of securities from available-for-sale to held-to-maturity	207	220
Reclassification adjustment for gains realized in income	<u>(6)</u>	<u>(25)</u>
Net unrealized gains (losses)	4,620	(1,196)
Tax effect	<u>(1,004)</u>	<u>240</u>
Net-of-tax amount	3,616	(956)
Net gain (loss) and prior service cost arising during the year on other postretirement benefits		
Net gain (loss) arising during the period	32	(72)
Reclassification adjustment for amortization	(23)	(29)
Tax effect	<u>4</u>	<u>25</u>
Net-of-tax amount	<u>13</u>	<u>(76)</u>
Total other comprehensive income (loss)	<u>3,629</u>	<u>(1,032)</u>
Comprehensive income	<u>\$ 11,904</u>	<u>\$ 5,710</u>

See accompanying notes to consolidated financial statements.

BANCORP. OF SOUTHERN INDIANA
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2025 and 2024
(Dollar amounts in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Stock- holders' Equity
Balance at December 31, 2023	225	2,917	75,398	(8,631)	69,909
Net income	-	-	6,742	-	6,742
Other comprehensive income (loss)	-	-	-	(1,032)	(1,032)
Stock redemption (1,500 shares)	-	(4)	(58)	-	(62)
Cash dividends (\$1.58 per share)	-	-	(2,135)	-	(2,135)
Balance at December 31, 2024	<u>\$ 225</u>	<u>\$ 2,913</u>	<u>\$ 79,947</u>	<u>\$ (9,663)</u>	<u>\$ 73,422</u>
Net income	-	-	8,275	-	8,275
Other comprehensive income	-	-	-	3,629	3,629
Stock redemption (2,216 shares)	(1)	(4)	(103)	-	(108)
Cash dividends (\$1.72 per share)	-	-	(2,324)	-	(2,324)
Balance at December 31, 2025	<u>\$ 224</u>	<u>\$ 2,909</u>	<u>\$ 85,795</u>	<u>\$ (6,034)</u>	<u>\$ 82,894</u>

See accompanying notes to consolidated financial statements.

BANCORP. OF SOUTHERN INDIANA
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2025 and 2024
(Dollar amounts in thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Net income	\$ 8,275	\$ 6,742
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	1,497	1,393
Net amortization of securities	231	157
Servicing rights amortization	473	467
Provision for credit losses	1,565	1,006
Net change in mutual funds	(117)	(108)
Net realized gain on sales of securities	(6)	(25)
Gain on loans sold	(573)	(620)
Loans originated for resale	(35,522)	(37,270)
Proceeds from sale of loans	36,411	37,863
Earnings on company owned life insurance	(517)	(482)
Net change in:		
Accrued interest receivable and other assets	(3,375)	242
Accrued interest payable and other liabilities	<u>2,648</u>	<u>(489)</u>
Net cash from operating activities	10,990	8,876
Cash flows from investing activities		
Net change in interest bearing CDs with other financial institutions	979	1,718
Available-for-sale securities:		
Sales	10,340	21,393
Maturities, prepayments and calls	14,115	25,683
Purchases	(31,087)	(28,290)
Held-to-maturity securities:		
Maturities, prepayments and calls	2,347	3,024
Loans made to customers, net of repayment	(70,910)	(58,903)
Purchase of Federal Home Loan Bank stock	(45)	-
Purchases of premises and equipment	<u>(2,087)</u>	<u>(776)</u>
Net cash used in investing activities	(76,348)	(36,151)
Cash flows from financing activities		
Net change in deposit accounts	55,588	46,172
Net change in other borrowings	(3,798)	9,786
Proceeds from Federal Home Loan Bank advances	30,000	-
Repayment of Federal Home Loan Bank advances	(7,000)	(30,000)
Repayment of line of credit	(2,000)	-
Stock redemption	(108)	(62)
Dividends paid	<u>(2,324)</u>	<u>(2,135)</u>
Net cash from financing activities	70,358	23,761
Net change in cash and cash equivalents	5,000	(3,514)
Beginning cash and cash equivalents	12,799	16,313
Ending cash and cash equivalents	<u>\$ 17,799</u>	<u>\$ 12,799</u>
Supplemental disclosures of cash flow information		
Interest paid	\$ 22,266	\$ 23,310
Income taxes paid	1,925	1,265

See accompanying notes to consolidated financial statements.

BANCORP. OF SOUTHERN INDIANA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollar amounts in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation: The consolidated financial statements include the accounts of Bancorp. of Southern Indiana (“Company”) and its wholly owned subsidiary Jackson County Bank (“the Bank”), and the Bank’s wholly owned subsidiaries, JCB Holdings, Inc. (“Holdings”) and JCB Properties Management, Inc. (“Properties”). All significant intercompany transactions and balances have been eliminated in consolidation. The Bank is a full-service commercial bank operating primarily in Jackson County and six adjacent counties located in South Central Indiana. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial, and installment loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. There are no significant concentrations of loans to any one industry or customer. However, the customers’ ability to repay their loans is dependent on the real estate and general economic conditions in the area.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through February 13, 2026, which is the date the financial statements were available to be issued.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management must make estimates and assumptions based on available information. These estimates and assumptions affect amounts reported in the financial statements and the disclosure provided, and actual results could differ.

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, repurchase agreements, federal funds purchased, and interest-bearing CDs with other financial institutions.

Interest Bearing CDs with Other Financial Institutions: Interest-bearing certificates of deposit (CDs) are investments with other financial institutions that are carried at amortized cost. CDs are held with reputable financial institutions, and balances are within FDIC insurance limits. Management considers these CDs as held-to-maturity and has the intent and ability to hold the investments until that date.

Scheduled maturities of interest-bearing CDs for the next three years are as follows:

2026	\$ 3,675
2027	735
2028	<u>1,305</u>
	<u>\$ 5,715</u>

Mutual Funds: Mutual funds are related to deferred compensation plans and are carried at fair value with changes in fair value included in other income. Quoted market prices are used to determine the fair value of the mutual funds. Income recognized on the mutual funds totaled a net of \$109 for the year ended December 31, 2025, and \$91 for the year ended December 31, 2024.

Debt Securities: Securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they might be sold before maturity. Debt securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

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BANCORP. OF SOUTHERN INDIANA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollar amounts in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income includes amortization of purchase premium or discount. Premiums and discounts on debt securities are generally amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income.

Allowance for Credit Losses – Held-to-Maturity Securities: Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. Accrued interest receivable on held-to-maturity debt securities is excluded from the estimate of credit losses. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable supportable forecasts. Management classifies the held-to-maturity portfolio into the following major security types: US treasuries, federal agencies, and agency residential mortgage backed. All of these securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. Based on this evaluation, management determined that the expected credit loss on these securities was zero as of December 31, 2025 and 2024, and accordingly no allowance for credit loss was recorded.

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, 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 uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Equity Securities: Equity securities are carried at fair value, with changes in fair value reported in net income.

Federal Home Loan Bank (FHLB) and Other Stock: The Bank is a member of the FHLB of Indianapolis. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income. The Bank owns stock in Bankers' Bank which is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

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BANCORP. OF SOUTHERN INDIANA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollar amounts in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Held-For-Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Mortgage loans held-for-sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the cost allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost, net of the allowance for credit losses. Amortized cost is the principal balance outstanding, net of deferred loan fees and costs. Accrued interest receivable is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on mortgage and commercial loans is discontinued and placed on nonaccrual status at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection. Mortgage loans are charged off at 180 days past due, and commercial loans are charged off to the extent principal or interest is deemed uncollectible. Consumer and credit card loans continue to accrue interest until they are charged off no later than 120 days past due unless the loan is in the process of collection. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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

A third party developed model is relied upon by management as the primary tool in estimating the allowance for credit losses. The model applies the Weighted-Average Remaining Maturity ("WARM") method of estimating credit losses and relies on data and assumptions supplied by management. The lifetime loss rate is calculated by multiplying the average loss rate by the weighted average remaining life.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The following portfolio segments have been identified: commercial loans and retail loans. Commercial loans have been classified according to the following risk characteristics: commercial and industrial loans and commercial real estate. Commercial and industrial loans are primarily underwritten based on the cash flows of the business operations and secured by assets being financed such as accounts receivable inventory, and equipment. Commercial real estate loans are primarily underwritten based on cash flow of

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BANCORP. OF SOUTHERN INDIANA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollar amounts in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the borrower and their business and further secured by real estate and collateral values may fluctuate based on the impact of economic conditions. All types of commercial loans may also come with personal

guarantees of the borrowers and business owners. Retail loans have been classified according to the following risk characteristics: Residential mortgage, home equity, and consumer loans. Retail loans are generally dependent on personal income of the customer, and repayment is dependent on borrower's personal cash flow and employment status which can be affected by general economic conditions. Additionally, collateral values may fluctuate based on the impact of economic conditions on residential real estate values and other consumer type assets such as automobiles.

The estimated credit losses for all loan segments are adjusted for change in qualitative factors not inherently considered in the quantitative analyses. The quantitative categories and the measurements used to quantify the risks within each of these categories are subjectively selected by management. The data for each measurement may be obtained from internal or external sources. The resulting qualitative adjustments are applied to the relevant collectively evaluated loan portfolios. These adjustments are based upon quarterly trend assessments in portfolio concentrations, policy exceptions, national and local economies, lending management, loan review system and results, collateral considerations, and risk ratings. The qualitative allowance allocation, as determined by the processes noted above, is increased or decreased for each loan segment based on the assessment of these various qualitative factors. Additional qualitative considerations are made for any identified risk which did not exist within the portfolio historically and therefore may not be adequately addressed through evaluation of such risk factor based on historical portfolio trends as previously discussed. Additionally, a forward looking adjustment is made based on reasonable and supportable economic forecasts as part of the qualitative factors. The Company calculates an additional expected credit loss based on establishing a correlation between past loss experience and an economic statistic. This additional credit loss is added to the allowance calculation, conceptually for the first 2 years of the weighted-average remaining life of the portfolio after which time the credit loss for each pool is determined based on the WARM historical loss rate as adjusted for qualitative factors.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the 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, the 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 loan modification will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Company estimates expected credit losses for off-balance sheet credit exposures 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 reserve 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. The allowance for credit losses on off-balance sheet credit exposures as of December 31, 2025 and 2024 was \$141 and \$225.

(Continued)

BANCORP. OF SOUTHERN INDIANA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollar amounts in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Servicing Assets: Servicing rights are recognized separately when they are acquired through sales of loans. When mortgage loans are sold, servicing rights are initially recorded at fair value with the income statement effect recorded in mortgage banking income. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on an independent

valuation. The independent valuations incorporate assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, ancillary income, prepayment speeds and default rates and losses. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income, which is reported on the income statement as loan servicing income, net, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income. Servicing fees totaled \$675 for the year ended December 31, 2025, and \$649 for the year ended December 31, 2024. Late fees and ancillary fees related to loan servicing are not material.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Premises and equipment are depreciated primarily on the straight-line method over the estimated useful lives of the assets. These assets are reviewed for impairment when events indicate the carrying amount may not be recoverable.

Leases: Leases are classified as operating or finance leases at the lease commencement date. The Company leases certain locations. The Company records leases on the balance sheet in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based upon incremental borrowing rates the Company could obtain for similar loans as of the date of commencement or renewal. The Company does not record short term leases with an initial lease term of one year or less on the consolidated balance sheets.

At lease inception, the Company determines the lease term by considering the noncancelable lease term and all optional renewal periods that the Company is reasonably certain to renew. The lease term is also used to calculate straight-line lease expense. Leasehold improvements, except for those relating to leases between entities under common control, are amortized over the shorter of the useful life and the estimated lease term. Leasehold improvements relating to leases between entities under common control are amortized over the useful life of the improvements to the common control group. The Company's leases do not contain residual value guarantees or material variable lease payments that will impact the Company's ability to pay dividends or cause the Company to incur additional expenses.

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BANCORP. OF SOUTHERN INDIANA
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease expense, and any impairment of the right-of-use asset. Lease expense is included in occupancy and equipment expense on the Company's consolidated statements of income. The Company's variable lease expense includes rent escalators that are based on market conditions and

include items such as common area maintenance, utilities, parking, property taxes, insurance and other costs associated with the lease. The amortization of the right-of-use asset arising from finance leases is expensed through occupancy and equipment expense and the interest on the related lease liability is expensed through interest expense on borrowings on the Company's consolidated statements of income.

Goodwill and Other Intangible Assets: Goodwill arises from business combinations and is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interest in the acquiree, over the fair value of the net assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but test for impairment at least annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed. The Company has selected June 30 as the date to perform the annual impairment test. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. The brokerage intangible is being amortized over 5 years. Goodwill and the brokerage and non-compete intangibles will be deducted for tax purposes over 13 years. Goodwill is the only intangible asset with an indefinite life on the balance sheet.

Other Real Estate: Assets acquired through or instead of loan foreclosure are recorded at fair value less costs to sell when acquired, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. These assets are subsequently accounted for at the lower of cost or fair value less cost to sell. If fair value declines, a valuation allowance is recorded through expense. Costs after acquisition are expensed.

Company Owned Life Insurance: The Company has purchased life insurance policies on certain key executives. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Other Borrowings: Other Borrowings include repurchase agreement liabilities representing amounts advanced by various customers. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance. Other Borrowings also include a line of credit, which is secured by shares of Bank common stock.

Retirement Plans: Employee 401(k) plan expense is the amount of matching contributions. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of service.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized

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BANCORP. OF SOUTHERN INDIANA
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense. The Company did not have any amounts accrued for interest and penalties at December 31, 2025 and 2024.

Earnings Per Share: Earnings per share is based on net income divided by the weighted-average number of common shares outstanding during the year. Earnings and dividends per share are restated for all stock splits and dividends through the date of issue of the financial statements.

Fair Values of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available-for-sale and changes in the funded status of other post-retirement benefits, which are also recognized as a separate component of equity.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are now such matters that will have a material effect on the financial statements.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to stockholders.

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

Operating Segments: While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on a Company-wide basis. Operating segments are aggregated into one, as operating results for all segments are similar. Accordingly, all the financial service operations are considered by management to be aggregated in one reportable operating segment.

The Company’s reportable segment is determined by the Chief Financial Officer, who is designated the chief operating decision maker, based upon information provided about the Company’s products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review the performance of various components of the business which are then aggregated into one as the operating results for all segments are similar. The chief operating decision maker will evaluate the financial performance of the Company’s business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company’s segment and in the determination of allocating

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BANCORP. OF SOUTHERN INDIANA
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

resources. The chief operating decision maker uses consolidated net income to benchmark the Company against its competitors. The benchmarking analysis couples with monitoring of budget to actual results are used in assessment performance and in establishing compensation. Loans, investments, and deposits

provide the revenues in the banking operation. Interest expense, provision for credit losses, and payroll provide the significant expenses in the banking operation. All operations are domestic.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current year presentation. Reclassifications had no effect on prior year net income or stockholders' equity.

Adoption of New Accounting Standards:

ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures: The adoption of this update enhanced the transparency of income tax disclosures, including disaggregation of income taxes paid and classification of pre-tax income by jurisdiction. The Company has adopted this standard for periods beginning after December 15, 2024, with implementation in our financial statements for the year ending December 31, 2025. Adoption did not materially impact the Company's consolidated financial statements.

NOTE 2 – SECURITIES

The following table summarizes the amortized cost and fair value of securities available-for-sale and securities held-to-maturity at December 31, 2025, and 2024 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) and gross unrecognized gains and losses:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>2025</u>				
Available-for-sale				
US Treasuries	\$ 1,758	\$ -	\$ -	\$ 1,758
Federal agencies	-	-	-	-
Agency residential mortgage-backed	55,373	148	(3,465)	52,056
State and municipal	41,625	73	(4,030)	37,668
Other debt securities	5,500	-	(431)	5,069
	<u>\$ 104,256</u>	<u>\$ 221</u>	<u>\$ (7,926)</u>	<u>\$ 96,551</u>
	<u>Amortized Cost</u>	<u>Gross Unrecognized Gains</u>	<u>Gross Unrecognized Losses</u>	<u>Fair Value</u>
Held-to-maturity				
US Treasuries	\$ 299	\$ -	\$ (1)	\$ 298
Federal agencies	12,020	-	(120)	11,900
Agency residential mortgage-backed	2,005	-	(161)	1,844
	<u>\$ 14,324</u>	<u>\$ -</u>	<u>\$ (282)</u>	<u>\$ 14,042</u>

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BANCORP. OF SOUTHERN INDIANA
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NOTE 2 – SECURITIES (Continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>2024</u>				
Available-for-sale				
US Treasuries	\$ -	\$ -	\$ -	\$ -
Federal agencies	1,500	-	-	1,500
Agency residential mortgage-backed	41,742	-	(5,193)	36,549
State and municipal	49,114	37	(6,187)	42,964
Other debt securities	5,500	-	(775)	4,725
	<u>\$ 97,856</u>	<u>\$ 37</u>	<u>\$ (12,155)</u>	<u>\$ 85,738</u>
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held-to-maturity				
US Treasuries	\$ 1,297	\$ -	\$ (11)	\$ 1,286
Federal agencies	13,084	-	(440)	12,644
Agency residential mortgage-backed	2,284	-	(240)	2,044
	<u>\$ 16,665</u>	<u>\$ -</u>	<u>\$ (691)</u>	<u>\$ 15,974</u>

Securities with a carrying value of \$44,821 and \$7,517 were pledged to secure repurchase agreements and other borrowings at year-end 2025 and 2024.

At year-end 2025 and 2024, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

During 2025, proceeds from the sales of securities available-for-sale totaled \$10,340, with gross gains of \$50 and gross losses of \$44. During 2024, proceeds from the sales of securities available-for-sale totaled \$21,393, with gross gains of \$146 and gross losses of \$121.

The Company reassessed classification of certain investments and effective June 1, 2022 the Company transferred \$20,831 of US Treasuries, federal agencies and agency residential mortgage-backed securities from available-for-sale to held-to-maturity securities. The transfer occurred at fair value. The \$318 unrealized holding loss at the date of transfer is being amortized over the remaining term of the securities as an adjustment to yield. The corresponding discount on these securities will offset this adjustment to yield as it is amortized. No gain or loss was recorded at the time of transfer. Subsequent to transfer, the allowance for credit losses on these securities was evaluated under the accounting policy for HTM debt securities.

The amortized cost and fair value of debt securities at year-end 2025, by contractual maturity, is shown below. Securities not due at a single maturity date, primarily mortgage-backed securities, are shown separately.

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BANCORP. OF SOUTHERN INDIANA
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NOTE 2 – SECURITIES (Continued)

	<u>December 31, 2025</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>
Available-for-sale		
Due in one year or less	\$ 3,883	\$ 3,884
Due after one year through five years	1,260	1,181
Due after five years through ten years	26,659	24,122
Due after ten years	17,081	15,308
Agency residential mortgage-backed	<u>55,373</u>	<u>52,056</u>
	<u>\$ 104,256</u>	<u>\$ 96,551</u>
Held-to-maturity		
Due after one year through five years	\$ 8,514	\$ 8,408
Due after five years through ten years	3,805	3,790
Agency residential mortgage-backed	<u>2,005</u>	<u>1,844</u>
	<u>\$ 14,324</u>	<u>\$ 14,042</u>

The following tables summarize debt securities available-for-sale in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2025 and 2024, aggregated by major security type and length of time in continuous unrealized loss position:

	- Less than 12 months -		---12 months or more---		----- Total -----	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
2025						
Available-for-sale						
US Treasuries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal agency	-	-	-	-	-	-
Agency residential- mortgage-backed	8,696	(22)	25,656	(3,443)	34,352	(3,465)
State and municipal	278	(2)	30,726	(4,028)	31,004	(4,030)
Other debt securities	<u>-</u>	<u>-</u>	<u>4,069</u>	<u>(431)</u>	<u>4,069</u>	<u>(431)</u>
Total available-for-sale	<u>\$ 8,974</u>	<u>\$ (24)</u>	<u>\$ 60,451</u>	<u>\$ (7,902)</u>	<u>\$ 69,425</u>	<u>\$ (7,926)</u>

	- Less than 12 months -		---12 months or more---		----- Total -----	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
2024						
Available-for-sale						
US Treasuries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal agency	-	-	-	-	-	-
Agency residential- mortgage-backed	99	(4)	36,450	(5,189)	36,549	(5,193)
State and municipal	2,848	(5)	36,082	(6,182)	38,930	(6,187)
Other debt securities	<u>-</u>	<u>-</u>	<u>4,725</u>	<u>(775)</u>	<u>4,725</u>	<u>(775)</u>
Total available-for-sale	<u>\$ 2,947</u>	<u>\$ (9)</u>	<u>\$ 77,257</u>	<u>\$ (12,146)</u>	<u>\$ 80,204</u>	<u>\$ (12,155)</u>

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BANCORP. OF SOUTHERN INDIANA
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NOTE 2 – SECURITIES (Continued)

Unrealized losses related to the Company’s state and municipal and other debt securities are monitored by the Company using various tools to monitor the financial condition of these municipalities and corporations, including a combination of the review of published financial data, rating agency reports and other quarterly monitoring data, where appropriate. This monitoring takes place on a quarterly basis, however more frequently if necessary. Based on these monitoring activities as of December 31, 2025 and 2024, the Company believes there is no credit loss and does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery.

Unrealized losses have not been recognized into income related to the Company’s mortgage backed securities issued by U.S. government-sponsored entities and agencies because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery.

NOTE 3 – LOANS

Loans are comprised of the following:

	<u>2025</u>	<u>2024</u>
Commercial:		
Real estate	\$ 279,677	\$ 280,221
Commercial and industrial	<u>237,096</u>	<u>234,719</u>
Subtotal	<u>516,773</u>	<u>514,940</u>
Retail:		
Residential mortgage	289,497	229,805
Home equity	63,996	55,054
Direct and indirect consumer	7,727	7,916
Other consumer	<u>69</u>	<u>56</u>
Subtotal	<u>361,289</u>	<u>292,831</u>
Total gross loans	878,062	807,771
Less: Allowance for credit losses	<u>(8,569)</u>	<u>(7,623)</u>
Loans, net	<u>\$ 869,493</u>	<u>\$ 800,148</u>

(Continued)

BANCORP. OF SOUTHERN INDIANA
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NOTE 3 – LOANS (Continued)

Certain directors, executive officers and principal stockholders of the Company, including their immediate families and companies in which they are principal owners, were loan customers of the Bank. At December 31, 2025, and 2024, loans to these individuals totaled approximately \$16,526 and \$17,603.

The recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process was \$1,118 and \$330 at December 31, 2025, and 2024.

The following table presents the activity in the allowance for credit losses by portfolio class for the year ending December 31, 2025, and 2024:

	Commercial Real Estate	Commercial and Industrial	Residential Mortgage	Home Equity	Direct and Indirect Consumer	Other Consumer	Unallocated	Total
<u>December 31, 2025</u>								
Allowance for credit losses:								
Beginning balance	\$ 2,659	\$ 2,184	\$ 1,793	\$ 724	\$ 237	\$ 26	\$ -	\$ 7,623
Credit loss expense	210	675	439	224	21	79	-	1,648
Loans charged-off	-	(651)	-	-	(55)	(3)	-	(709)
Recoveries collected	-	3	-	-	-	4	-	7
Total ending allowance balance	<u>\$ 2,869</u>	<u>\$ 2,211</u>	<u>\$ 2,232</u>	<u>\$ 948</u>	<u>\$ 203</u>	<u>\$ 106</u>	<u>\$ -</u>	<u>\$ 8,569</u>
	Commercial Real Estate	Commercial and Industrial	Residential Mortgage	Home Equity	Direct and Indirect Consumer	Other Consumer	Unallocated	Total
<u>December 31, 2024</u>								
Allowance for credit losses:								
Beginning balance	\$ 3,969	\$ 1,581	\$ 949	\$ 307	\$ 40	\$ 14	\$ 32	\$ 6,892
Credit loss expense	(1,310)	851	844	437	201	11	(32)	1,002
Loans charged-off	-	(248)	-	(20)	(4)	(6)	-	(278)
Recoveries collected	-	-	-	-	-	7	-	7
Total ending allowance balance	<u>\$ 2,659</u>	<u>\$ 2,184</u>	<u>\$ 1,793</u>	<u>\$ 724</u>	<u>\$ 237</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ 7,623</u>

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BANCORP. OF SOUTHERN INDIANA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 – LOANS (Continued)

The following table presents the aging of the recorded investment in past due and nonaccrual loans as of December 31, 2025, and 2024 by class of loans:

	30 – 59 Days Past Due	60 - 89 Days Past Due	Greater than 89 Days Past Due	Nonaccrual	Total Past Due	Loans Not Past Due	Total
<u>December 31, 2025</u>							
Commercial:							
Real estate	\$ -	\$ -	\$ -	\$ 1,645	\$ 1,645	\$ 278,032	\$ 279,677
Commercial and industrial	140	100	-	1,542	1,782	235,314	237,096
Retail:							
Residential real estate	3,130	424	-	1,717	5,271	284,226	289,497
Home equity	263	-	-	393	656	63,340	63,996
Direct and indirect consumer	15	32	-	71	118	7,609	7,727
Other consumer	1	-	-	1	2	67	69
Total	<u>\$ 3,549</u>	<u>\$ 556</u>	<u>\$ -</u>	<u>\$ 5,369</u>	<u>\$ 9,474</u>	<u>\$ 868,588</u>	<u>\$ 878,062</u>
<u>December 31, 2024</u>							
Commercial:							
Real estate	\$ 376	\$ -	\$ -	\$ -	\$ 376	\$ 279,845	\$ 280,221
Commercial and industrial	3,016	420	-	738	4,174	230,545	234,719
Retail:							
Residential real estate	5,260	226	-	1,346	6,832	222,973	229,805
Home equity	186	-	-	763	949	54,105	55,054
Direct and indirect consumer	6	6	-	108	120	7,796	7,916
Other consumer	-	-	-	-	-	56	56
Total	<u>\$ 8,844</u>	<u>\$ 652</u>	<u>\$ -</u>	<u>\$ 2,955</u>	<u>\$ 12,451</u>	<u>\$ 795,320</u>	<u>\$ 807,771</u>

As of December 31, 2025, and 2024 there were no loans past due over 89 days still on accrual. As of December 31, 2025 and 2024, all nonaccrual loans were past due more than 30 days. As of December 31, 2025 and 2024, all nonaccrual loans had an allocation in the allowance for credit loss, unless individually evaluated and determined to not require an allocation. As of December 31, 2025 and 2024, nonaccrual loans with no allowance for credit loss totaled \$553 and \$550, respectively, for commercial and industrial loans. The Company recognized \$113 of interest income on nonaccrual loans during the year ended December 31, 2025. The Company recognized \$93 of interest income on nonaccrual loans during the year ended December 31, 2024.

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BANCORP. OF SOUTHERN INDIANA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 – LOANS (Continued)

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

December 31, 2025

	<u>Real Estate</u>	<u>Equipment</u>	<u>Total</u>
Commercial:			
Real estate	\$ 6,007	\$ -	\$ 6,007
Commercial and industrial	1,658	2,030	3,688
Retail:			
Residential real estate	-	-	-
Home equity	-	-	-
Direct and indirect consumer	-	-	-
Total	<u>\$ 7,665</u>	<u>\$ 2,030</u>	<u>\$ 9,695</u>

December 31, 2024

	<u>Real Estate</u>	<u>Equipment</u>	<u>Total</u>
Commercial:			
Real estate	\$ 887	\$ -	\$ 887
Commercial and industrial	-	206	206
Retail:			
Residential real estate	349	-	349
Home equity	-	-	-
Direct and indirect consumer	-	-	-
Total	<u>\$ 1,236</u>	<u>\$ 206</u>	<u>\$ 1,442</u>

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 reduction. 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 a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

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BANCORP. OF SOUTHERN INDIANA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 – LOANS (Continued)

For the loans included in the “combination” columns below, multiple types of modifications have been made on the same loan within the current reporting period. The following table presents the amortized cost basis loans modified with concessions granted as of December 31, 2025, and 2024:

	<u>Principal Forgiveness</u>	<u>Payment Delay</u>	<u>Term Extension</u>	<u>Interest Rate Reduction</u>	<u>Combination Term Extension and Principal Forgiveness</u>	<u>Combination Term Extension and Rate Reduction</u>	<u>Total Class of Financing Receivable</u>
December 31, 2025							
Commercial:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	- %
Real estate	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-	-
Retail:							
Residential mortgage	-	-	18	-	-	215	0.08
Home equity	-	-	110	-	-	-	0.17
Direct and indirect consumer	-	-	-	-	-	-	-
Other consumer	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ 128	\$ -	\$ -	\$ 215	\$ 0.10%
December 31, 2024							
Commercial:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	- %
Real estate	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-	-
Retail:							
Residential mortgage	-	-	-	-	-	-	-
Home equity	-	-	321	-	-	-	0.14
Direct and indirect consumer	-	-	-	-	-	-	-
Other consumer	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ 321	\$ -	\$ -	\$ -	\$ 0.04%

The Company has not committed to lending additional amounts to the borrowers included in the previous tables.

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BANCORP. OF SOUTHERN INDIANA
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NOTE 3 – LOANS (Continued)

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification effort. The following table presents the performance of such loans that have been modified in the last 12 months:

	30 – 59 Days <u>Past Due</u>	60 - 89 Days <u>Past Due</u>	Greater than 89 Days <u>Past Due</u>	Total <u>Past Due</u>
<u>December 31, 2025</u>				
Commercial:				
Real estate	\$ 215	\$ -	\$ 18	\$ 233
Commercial and industrial	-	-	-	-
Retail:				
Residential real estate	-	-	-	-
Home equity	40	-	-	40
Direct and indirect consumer	-	-	-	-
Other consumer	-	-	-	-
	<u>255</u>	<u>-</u>	<u>18</u>	<u>273</u>
Total	<u>\$ 255</u>	<u>\$ -</u>	<u>\$ 18</u>	<u>\$ 273</u>
	30 – 59 Days <u>Past Due</u>	60 - 89 Days <u>Past Due</u>	Greater than 89 Days <u>Past Due</u>	Total <u>Past Due</u>
<u>December 31, 2024</u>				
Commercial:				
Real estate	\$ -	\$ -	\$ -	\$ -
Commercial and industrial	-	-	-	-
Retail:				
Residential real estate	-	-	-	-
Home equity	-	-	-	-
Direct and indirect consumer	-	-	-	-
Other consumer	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

There were no defaults within twelve months following modification to a borrower experiencing financial difficulty. A loan is considered to be in payment default once it is 60 days contractually past due under the modified terms.

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NOTE 3 – LOANS (Continued)

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the year ended December 31, 2025, and 2024:

	<u>Principal Forgiveness</u>	<u>Weighted- Average Interest Rate Reduction (%)</u>	<u>Weighted- Average Term Extension (months)</u>
<u>December 31, 2025</u>			
Commercial:			
Real estate	\$ -	-	-
Commercial and industrial	-	-	-
Retail:			
Residential real estate	-	-	-
Home equity	-	-	-
Direct and indirect consumer	-	-	-
Other consumer	-	-	-
	<u> -</u>	<u> -</u>	<u> -</u>
Total	<u>\$ -</u>	<u> -</u>	<u> -</u>
	<u>Principal Forgiveness</u>	<u>Weighted- Average Interest Rate Reduction (%)</u>	<u>Weighted- Average Term Extension (months)</u>
<u>December 31, 2024</u>			
Commercial:			
Real estate	\$ -	-	-
Commercial and industrial	-	-	-
Retail:			
Residential real estate	-	-	-
Home equity	-	-	-
Direct and indirect consumer	-	-	-
Other consumer	-	-	-
	<u> -</u>	<u> -</u>	<u> -</u>
Total	<u>\$ -</u>	<u> -</u>	<u> -</u>

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

Credit Quality Indicators:

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes loans with an outstanding balance greater than \$100 and non-homogeneous loans, such as commercial and commercial real estate loans. This analysis is performed annually at a minimum and more frequently should there be an indication the credit has weakened or adequately improved to warrant a rating change. The Company uses the following definitions for risk ratings:

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NOTE 3 – LOANS (Continued)

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution may sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Loans listed as not rated are either equal to or less than \$100 or are included in groups of homogeneous loans.

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NOTE 3 - LOANS (Continued)

		<u>Term Loans Amortized Cost Basis by Origination Year</u>						
		<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>Prior</u>	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	<u>Total</u>
<u>December 31, 2025</u>								
Commercial:								
Real Estate								
Risk Rating								
Pass		\$ 45,660	\$ 17,373	\$ 32,109	\$ 160,478	\$ 5,026	\$ 74	\$ 260,721
Special Mention		-	-	9,629	7,263	-	-	16,892
Substandard		-	-	-	2,065	-	-	2,065
Subtotal		<u>\$ 45,660</u>	<u>\$ 17,373</u>	<u>\$ 41,738</u>	<u>\$ 169,806</u>	<u>\$ 5,026</u>	<u>\$ 74</u>	<u>\$ 279,677</u>
Current period gross write offs		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial:								
Commercial and industrial								
Risk Rating								
Pass		\$ 22,488	\$ 29,407	\$ 39,223	\$ 124,080	\$ 15,646	\$ 2,584	\$ 233,428
Special Mention		-	-	-	-	-	-	-
Substandard		-	25	-	3,643	-	-	3,668
Subtotal		<u>\$ 22,488</u>	<u>\$ 29,431</u>	<u>\$ 39,223</u>	<u>\$ 127,724</u>	<u>\$ 15,646</u>	<u>\$ 2,584</u>	<u>\$ 237,096</u>
Current period gross write offs		\$ 92	\$ 559	\$ -	\$ -	\$ -	\$ -	\$ 651
Retail:								
Residential mortgage								
Payment Performance								
Performing		\$ 75,978	\$ 52,405	\$ 77,985	\$ 81,412	\$ -	\$ -	\$ 287,780
Nonperforming		-	179	300	1,238	-	-	1,717
Subtotal		<u>\$ 75,978</u>	<u>\$ 52,584</u>	<u>\$ 78,285</u>	<u>\$ 82,650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,497</u>
Current period gross write offs		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(Continued)

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	<u>Term Loans Amortized Cost Basis by Origination Year</u>				Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>Prior</u>			
<u>December 31, 2025</u>							
Retail:							
Home equity							
Payment Performance							
Performing	\$ -	\$ -	\$ -	\$ 232	\$ 63,371	\$ -	\$ 63,603
Nonperforming	-	-	-	24	369	-	393
Subtotal	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256</u>	<u>\$ 63,740</u>	<u>\$ -</u>	<u>\$ 63,996</u>
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retail:							
Direct and indirect consumer							
Payment Performance							
Performing	\$ 3,413	\$ 2,198	\$ 1,222	\$ 823	\$ -	\$ -	\$ 7,656
Nonperforming	-	46	25	-	-	-	71
Subtotal	<u>\$ 3,413</u>	<u>\$ 2,244</u>	<u>\$ 1,247</u>	<u>\$ 823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,727</u>
Current period gross write offs	\$ -	\$ 11	\$ 36	\$ 8	\$ -	\$ -	\$ 55
Retail:							
Other consumer							
Payment Performance							
Performing	\$ -	\$ -	\$ -	\$ -	\$ 69	\$ -	\$ 69
Nonperforming	-	-	-	-	-	-	-
Subtotal	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69</u>	<u>\$ -</u>	<u>\$ 69</u>
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ 3
Total	<u>\$ 147,539</u>	<u>\$ 101,632</u>	<u>\$ 160,493</u>	<u>\$ 381,259</u>	<u>\$ 84,481</u>	<u>\$ 2,658</u>	<u>\$ 878,062</u>
Current period gross write offs	\$ 92	\$ 570	\$ 36	\$ 8	\$ 3	\$ -	\$ 709

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NOTE 3 - LOANS (Continued)

	<u>Term Loans Amortized Cost Basis by Origination Year</u>						
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Prior</u>	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	<u>Total</u>
<u>December 31, 2024</u>							
Commercial:							
Real Estate							
Risk Rating							
Pass	\$ 22,759	\$ 57,348	\$ 87,491	\$ 107,972	\$ 4,643	\$ -	\$ 280,213
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	8	-	-	8
	<u>22,759</u>	<u>57,348</u>	<u>87,491</u>	<u>107,981</u>	<u>4,643</u>	<u>-</u>	<u>280,221</u>
Subtotal	<u>\$ 22,759</u>	<u>\$ 57,348</u>	<u>\$ 87,491</u>	<u>\$ 107,981</u>	<u>\$ 4,643</u>	<u>\$ -</u>	<u>\$ 280,221</u>
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial:							
Commercial and industrial							
Risk Rating							
Pass	\$ 29,513	\$ 35,728	\$ 55,122	\$ 93,911	\$ 18,556	\$ 1,054	\$ 233,884
Special Mention	-	-	-	-	-	-	-
Substandard	206	-	551	78	-	-	835
	<u>29,513</u>	<u>35,728</u>	<u>55,673</u>	<u>93,989</u>	<u>18,556</u>	<u>1,054</u>	<u>234,719</u>
Subtotal	<u>\$ 29,719</u>	<u>\$ 35,728</u>	<u>\$ 55,673</u>	<u>\$ 93,989</u>	<u>\$ 18,556</u>	<u>\$ 1,054</u>	<u>\$ 234,719</u>
Current period gross write offs	\$ -	\$ 50	\$ -	\$ 198	\$ -	\$ -	\$ 248
Retail:							
Residential mortgage							
Payment Performance							
Performing	\$ 43,103	\$ 89,800	\$ 31,366	\$ 64,190	\$ -	\$ -	\$ 228,459
Nonperforming	-	202	56	1,088	-	-	1,346
	<u>43,103</u>	<u>90,002</u>	<u>31,422</u>	<u>65,278</u>	<u>-</u>	<u>-</u>	<u>229,805</u>
Subtotal	<u>\$ 43,103</u>	<u>\$ 90,002</u>	<u>\$ 31,422</u>	<u>\$ 65,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,805</u>
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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	<u>Term Loans Amortized Cost Basis by Origination Year</u>				Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Prior</u>			
<u>December 31, 2024</u>							
Retail:							
Home equity							
Payment Performance							
Performing	\$ -	\$ -	\$ -	\$ 667	\$ 53,624	\$ -	\$ 54,291
Nonperforming	-	-	-	34	729	-	763
Subtotal	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 701</u>	<u>\$ 54,353</u>	<u>\$ -</u>	<u>\$ 55,054</u>
Current period gross write offs	\$ -	\$ -	\$ -	\$ 20	\$ -	\$ -	\$ 20
Retail:							
Direct and indirect consumer							
Payment Performance							
Performing	\$ 3,986	\$ 1,945	\$ 1,335	\$ 542	\$ -	\$ -	\$ 7,808
Nonperforming	30	42	21	15	-	-	108
Subtotal	<u>\$ 4,016</u>	<u>\$ 1,987</u>	<u>\$ 1,356</u>	<u>\$ 557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,916</u>
Current period gross write offs	\$ 1	\$ -	\$ 2	\$ 1	\$ -	\$ -	\$ 4
Retail:							
Other consumer							
Payment Performance							
Performing	\$ -	\$ -	\$ -	\$ -	\$ 56	\$ -	\$ 56
Nonperforming	-	-	-	-	-	-	-
Subtotal	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ 56</u>
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ -	\$ 6
Total	<u>\$ 99,597</u>	<u>\$ 185,065</u>	<u>\$ 175,942</u>	<u>\$ 268,505</u>	<u>\$ 77,608</u>	<u>\$ 1,054</u>	<u>\$ 807,771</u>
Current period gross write offs	\$ 1	\$ 50	\$ 2	\$ 219	\$ 6	\$ -	\$ 278

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NOTE 4 – LOAN SERVICING ACTIVITIES

Activity for capitalized loan servicing rights, which are included in other assets on the balance sheet, was as follows:

	<u>2025</u>	<u>2024</u>
Servicing rights:		
Beginning of year	\$ 1,621	\$ 1,597
Additions	401	491
Amortized to expense	<u>(473)</u>	<u>(467)</u>
End of year	<u>\$ 1,549</u>	<u>\$ 1,621</u>

There was no valuation allowance activity for 2025 or 2024. At year-end 2025 and 2024, the fair value of mortgage servicing rights was \$3,393 and \$3,637. Significant assumptions used to estimate fair value included immediate and long-term weighted average prepayment speed of approximately 9.99% (immediate) and 9.99% (long-term) for 2025 and 7.51% (immediate) and 7.51% (long-term) for 2024, and a weighted average discount rate of 10.00% and 10.50% for 2025 and 2024.

Mortgage loans serviced for others are not reported as assets. The principal balances of these loans at year-end 2025 and 2024 were approximately \$241,050 and \$249,800.

NOTE 5 – PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 5,934	\$ 5,934
Buildings and improvements	18,052	16,391
Furniture, fixtures, equipment and vehicles	<u>9,432</u>	<u>9,025</u>
Total cost	33,418	31,350
Accumulated depreciation	<u>(13,604)</u>	<u>(12,370)</u>
	<u>\$ 19,814</u>	<u>\$ 18,980</u>

Depreciation expenses were \$1,235 and \$1,149 for 2025 and 2024, respectively.

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NOTE 6 – DEPOSITS

Interest bearing deposits consisted of the following at year-end:

	<u>2025</u>	<u>2024</u>
Interest bearing demand deposits and savings	\$ 494,401	\$ 457,912
Time deposits meet or exceed \$250,000	74,725	48,478
Other time deposits	<u>130,992</u>	<u>137,067</u>
	<u>\$ 700,118</u>	<u>\$ 643,457</u>

Scheduled maturities of time deposits for the next five years were as follows:

2026	\$ 195,674
2027	8,787
2028	876
2029	288
2030	92
Thereafter	<u>-</u>
	<u>\$ 205,717</u>

The Bank had deposits from related parties at year-end 2025 and 2024 of \$4,096 and \$5,718.

NOTE 7 – OTHER BORROWINGS

Year-end borrowings were comprised of the following:

	<u>2025</u>	<u>2024</u>
Repurchase agreements	\$ 4,844	\$ 2,908
Fed funds purchased	4,328	10,062
Note payable	<u>7,000</u>	<u>9,000</u>
	<u>\$ 16,172</u>	<u>\$ 21,970</u>

Securities sold under agreements to repurchase (repurchase agreements) are financing arrangements that generally mature within thirty days from the transaction date. The weighted average interest rate on repurchase agreements were 2.91% and 2.69% at December 31, 2025 and 2024, respectively.

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NOTE 7 – OTHER BORROWINGS (Continued)

All securities sold under agreements to repurchase (repurchase agreements) have an overnight contractual maturity. Year-end fair value of pledged securities is shown below by security type and may decline in value. The Company manages risk by pledging securities valued above the gross outstanding balance of repurchase agreements.

	<u>2025</u>	<u>2024</u>
Federal agency securities	\$ 1,957	\$ 1,875
Government treasury securities	-	-
Mortgage-backed securities	<u>6,687</u>	<u>5,642</u>
Total carrying amount	<u>\$ 8,644</u>	<u>\$ 7,517</u>
Year-end gross outstanding repurchase agreement balance	<u>\$ 4,844</u>	<u>\$ 2,908</u>
Percentage of carrying value above gross outstanding balance	<u>178.4%</u>	<u>258.5%</u>

The Company has a \$20,000 line of credit from a financial institution that expires September 14, 2027. Interest is variable and accrues at the national prime interest rate less fifty basis points, which resulted in a rate of 6.25% and 7.00% at December 31, 2025, and 2024. This line of credit is secured by 45,000 shares of Bank common stock, which represents 37.50% of total shares outstanding as of December 31, 2025. The balance on this line of credit was \$7,000 at December 31, 2025, and \$9,000 at December 31, 2024, respectively.

NOTE 8 – FEDERAL HOME LOAN BANK ADVANCES

At year-end, advances from the Federal Home Loan Bank were as follows:

	<u>2025</u>	<u>2024</u>
Maturities from 2026 through 2032, at fixed rates from 1.10% to 4.30%, variable rates of 3.79%, with a weighted average rate of 3.13% at year-end 2025.	\$ 113,000	\$ -
Maturities from 2025 through 2032, at fixed rates from 1.10% to 4.30%, with a weighted average rate of 2.92% at year-end 2024.	<u>-</u>	<u>90,000</u>
	<u>\$ 113,000</u>	<u>\$ 90,000</u>

Maturities and scheduled principal reductions are as follows:

2026	45,000
2027	15,000
2028	30,000
2029	5,000
Thereafter	<u>18,000</u>
	<u>\$ 113,000</u>

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NOTE 8 – FEDERAL HOME LOAN BANK ADVANCES (Continued)

Prepayments are subject to penalty except for those payments made on various contractual prepayment dates. The advances are secured by first residential mortgage loans totaling \$456,626 and \$454,848 at year-end 2025 and 2024. Based on this collateral, the Company is eligible to borrow an additional \$188,161 at year-end 2025.

NOTE 9 – OTHER BENEFIT PLANS

401(k) Plan: The 401(k) benefit plan allowed Company matching up to a maximum of 4% of the employee's compensation. The matching component is 100% of the first 4% of the compensation contributed. Expense for 2025 and 2024 was \$513 and \$462.

Other Post Retirement Benefits: The Bank has another post retirement plan which covers directors. The plan provides for continuation of directors' fees to former directors or their spouses upon retirement or death and upon fulfillment of certain service requirements. The Bank accrues the estimated cost of retiree benefit payments during the years the director provides services. The postretirement benefit plan is unfunded. The Bank has elected to amortize unrecognized net gain or loss from experience that differs from that assumed over the average remaining service period of active plan participants. For active participants, monthly benefits are projected to increase nominally every two years. Monthly benefits for retirees are frozen at the time of retirement. The Bank uses a December 31 measurement date for the plan.

	<u>2025</u>	<u>2024</u>
Benefit obligation	\$ 1,957	\$ 1,929
Accrued benefit cost	1,957	1,929
Discount rate on benefit obligation	5.16%	5.05%
Benefits expense	\$ 149	\$ 140
Benefits paid	103	78

Amounts recognized in accumulated other comprehensive income (loss) at December 31 consist of:

	<u>2025</u>	<u>2024</u>
Net gain (loss)	\$ 249	\$ 281
Prior service cost	<u>49</u>	<u>-</u>
	<u>\$ 298</u>	<u>\$ 281</u>

The estimated net (gain) for the post retirement plan that will be amortized from accumulated other comprehensive income into net periodic benefit costs during the year ending December 31, 2025 is \$(23).

Estimated Future Payments: The following amounts reflect expected future service benefit payments:

2026	\$ 126
2027	148
2028	145
2029	141
2030	162
2031 - 2035	730

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NOTE 10 – INCENTIVE COMPENSATION PLAN

The Bank has four incentive compensations plans and a related deferred compensation plan for certain executives and officers.

The amount of the incentive compensation awarded under the plan is contingent upon the achievement of pre-established performance criteria. There was \$1,165 and \$565 compensation expense charged to operations under the JCB Executive Incentive Plan in 2025 and 2024, respectively. Compensation expense charged to operations under the JCB Production Incentive Plan was \$235 and \$213 in 2025 and 2024, respectively. Compensation expense charged to operations under the JCB Middle Management Incentive Plan was \$175 and \$178 in 2025 and 2024, respectively. Compensation expense charged to operations under the JCB Branch Incentive Plan was \$45 and \$77 in 2025 and 2024, respectively.

Amounts deferred under the deferred compensation plan are invested at the participants' discretion and amounts payable under the plan are based on the fair value of the investments (carried as mutual funds). The change in the fair value of the investments is recognized as income or loss on the mutual funds, and an offsetting expense or benefit is recognized as part of employee benefits expense. At December 31, 2025 and 2024, the liability under the deferred compensation plan was \$767 and \$650.

NOTE 11 – INCOME TAXES

Pretax income from continuing operations is as follows:

	<u>2025</u>
Domestic	\$ 10,067
Foreign	<u>-</u>
Total	<u>\$ 10,067</u>

Income tax expense (benefit) from continuing operations was as follows:

	<u>2025</u>	<u>2024</u>
Current income tax expense (benefit)		
Federal	\$ 2,071	\$ 1,242
State	-	-
Deferred income tax expense (benefit)		
Federal	(279)	117
State	<u>-</u>	<u>-</u>
	<u>\$ 1,792</u>	<u>\$ 1,359</u>

*The company does not have income from foreign sources and therefore does not have any foreign income tax.

n/a - The company has elected to adopt and present ASU 2023-09 prospectively.

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NOTE 11 – INCOME TAXES (Continued)

	<u>Amount</u>	<u>2025</u> <u>Percent</u>
Federal statutory income tax	\$ 2,114	21.00%
Effect of:		
State and local income taxes, net of federal benefits	-	-
Tax exempt interest income taxes	(219)	(2.18)
Cash surrender value of life insurance	(109)	(1.08)
Changes in valuation allowances	-	-
Expense due to federal tax reform	-	-
Other, net	6	<u>(0.06)</u>
Total	<u>\$ 1,792</u>	<u>17.80%</u>

Effective tax rates differ from the federal statutory rate of 21% applied to income before income taxes due to the following:

	<u>2024</u>	<u>2023</u>
Statutory rate applied to income before income taxes	\$ 1,701	\$ 1,678
Add (deduct) tax effect of:		
Tax exempt interest income	(260)	(319)
Cash surrender value of life insurance	(101)	(90)
Captive insurance income	-	(119)
Other, net	<u>19</u>	<u>13</u>
Total	<u>\$ 1,359</u>	<u>\$ 1,163</u>

Income taxes paid were as follows:

	<u>2025</u>
Federal	\$ 1,925
State and local	<u>-</u>
Total	<u>\$ 1,925</u>

Year-end deferred tax assets and liabilities were due to the following:

	<u>2025</u>	<u>2024</u>
Deferred tax assets:		
Allowance for credit losses	\$ 2,131	\$ 1,896
Reserve for unfunded commitments	35	56
Other postretirement benefits	752	711
Accrued expenses	422	267
Nonaccrual loan interest	48	42
State net operating loss and credit carryforward	185	210
Net unrealized loss on securities available-for-sale & held-to-maturity	1,730	2,734
Lease liabilities	432	410
Other	<u>100</u>	<u>89</u>
	<u>5,835</u>	<u>6,415</u>

(Continued)

BANCORP. OF SOUTHERN INDIANA
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NOTE 11 – INCOME TAXES (Continued)

	<u>2025</u>	<u>2024</u>
Deferred tax liabilities:		
Net unrealized gain on postretirement benefits	(67)	(63)
Mortgage servicing rights	(385)	(403)
Depreciation and amortization	(703)	(788)
Deferred loan costs	(362)	(323)
Right of use assets	(418)	(400)
Prepaid expenses	(16)	(25)
Other	<u>(466)</u>	<u>(406)</u>
	(2,417)	(2,408)
Valuation allowance	<u>(399)</u>	<u>(259)</u>
Net deferred tax asset (liability)	<u>\$ 3,019</u>	<u>\$ 3,748</u>

The Company has state tax net operating loss carryforwards of \$7.1 million, which expire beginning in 2025. The Company maintains a valuation allowance to reduce these carryforward items and other state deferred tax assets to the amount expected to be realized.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of the state of Indiana. The Company is no longer subject to examination by taxing authorities for years before 2022. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

NOTE 12 – LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amounts of financial instruments with off-balance sheet risk at year end were as follows:

	<u>2025</u>	<u>2024</u>
Commitments to make loans	\$ 71,208	\$ 40,885
Lines of credit	110,271	101,477
Letters of credit	3,107	2,402

(Continued)

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NOTE 13 – LEASES

Lessor Arrangements

The Company did not have any types of real estate or equipment arrangements for customers through operating, direct financing and sales-type leases as of December 31, 2025.

Lessee Arrangements

The Company enters into leases in the normal course of business primarily for financial centers, back-office operations locations, and business development offices. The Company's leases have remaining terms ranging from 0.3 to 10.7 years, some of which include renewal or termination options to extend the lease for up to 15 years. The Company's leases do not include residual value guarantees or covenants.

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

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

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

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

	<u>Balance Sheet Classification</u>	<u>2025</u>	<u>2024</u>
Right-of-use assets:			
Operating leases	Accrued interest receivable and other assets	\$ <u>1,682</u>	\$ <u>1,608</u>
	Total right-of-use-assets	\$ <u>1,682</u>	\$ <u>1,608</u>
Lease liabilities:			
Operating leases	Accrued interest payable and other liabilities	\$ <u>1,738</u>	\$ <u>1,650</u>
	Total lease liabilities	\$ <u>1,738</u>	\$ <u>1,650</u>

Lease Expense

The total operating lease cost for the years ending December 31, 2025, and 2024 was \$328 and \$328, respectively.

(Continued)

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NOTE 13 – LEASES (Continued)

Lease Obligations

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

2026	\$	306
2027		255
2028		235
2029		220
2030		211
Thereafter		904
Total undiscounted lease payments		2,131
Less: imputed interest		393
Net lease liabilities	\$	1,738

Supplemental Lease Information

	<u>2025</u>	<u>2024</u>
Operating lease weighted average remaining lease term (years)	8.72	9.56
Operating lease weighted average discount rate	3.44%	3.21%

NOTE 14 – REGULATORY MATTERS

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and 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 met all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well-capitalized; adequately capitalized; undercapitalized; significantly undercapitalized; and critically undercapitalized; although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and plans for capital restoration are required. As of 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.

Financial institutions under the generally applicable capital rule are required to maintain a capital conservation buffer of greater than 2.5 percent in order to avoid restrictions on capital distributions and other payments. Federal banking regulations require institutions to meet their capital conservation buffer requirement with common equity tier 1 capital.

(Continued)

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NOTE 14 – REGULATORY MATTERS (Continued)

Actual and required capital amounts and ratios for the Bank are presented below at year end. The below ratios do not consider the capital conservation buffer requirements.

	<u>Actual</u>		<u>For Capital Adequacy Purposes</u>		<u>To Be Well-Capitalized Under Prompt Corrective Action Regulations</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
<u>2025</u>						
Total capital to risk weighted assets	\$ 99,150	12.0%	\$ 66,312	8.0%	\$ 82,889	10.0%
Tier 1 capital to risk weighted assets	\$ 90,440	10.9%	\$ 49,734	6.0%	\$ 66,312	8.0%
Tier 1 capital to average assets	\$ 90,440	8.5%	\$ 42,668	4.0%	\$ 53,335	5.0%
Common equity tier 1 capital	\$ 90,385	10.9%	\$ 37,300	4.5%	\$ 57,878	6.5%
<u>2024</u>						
Total capital to risk weighted assets	\$ 94,631	11.7%	\$ 64,452	8.0%	\$ 80,564	10.0%
Tier 1 capital to risk weighted assets	\$ 86,783	10.8%	\$ 48,339	6.0%	\$ 64,451	8.0%
Tier 1 capital to average assets	\$ 86,783	8.5%	\$ 40,477	4.0%	\$ 50,846	5.0%
Common equity tier 1 capital	\$ 86,728	10.8%	\$ 36,254	4.5%	\$ 52,367	6.5%

NOTE 15 – DISCLOSURE ABOUT FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing and asset or liability.

The Company used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Investment Securities: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2).

(Continued)

BANCORP. OF SOUTHERN INDIANA
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NOTE 15 – DISCLOSURE ABOUT FAIR VALUE (Continued)

Collateral dependent Loans: The fair value of collateral dependent loans with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower’s financial statements, or aging reports, adjusted or discounted based on management’s historical knowledge, changes in market conditions from the time of the valuation, and management’s expertise and knowledge of the client and client’s business, resulting in a Level 3 fair value classification. Collateral dependent loans are evaluated on a quarterly basis and adjusted in accordance with the allowance policy.

Real Estate Owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals which are updated no less frequently than annually. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Real estate owned properties are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	<u>Fair Value Measurements at December 31, 2025 Using</u>			
	<u>Carrying</u>	<u>Quoted Prices in</u>	<u>Significant</u>	<u>Significant</u>
	<u>Value</u>	<u>Active Markets</u>	<u>Other</u>	<u>Unobservable</u>
		<u>for Identical</u>	<u>Observable</u>	<u>Inputs</u>
		<u>Assets</u>	<u>Inputs</u>	<u>(Level 3)</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	
Assets:				
Investment securities				
available-for-sale:				
US Treasuries	\$ 1,758	\$ 1,758	\$ -	\$ -
Federal agencies	-	-	-	-
Agency residential				
mortgage-backed	52,056	-	52,056	-
State and municipal	37,668	-	37,668	-
Other debt securities	5,069	-	5,069	-
Equity securities	310	310	-	-
Mutual funds	767	767	-	-

(Continued)

BANCORP. OF SOUTHERN INDIANA
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NOTE 15 – DISCLOSURE ABOUT FAIR VALUE (Continued)

	<u>Fair Value Measurements at December 31, 2024 Using</u>			
	<u>Carrying</u>	<u>Quoted Prices in</u>	<u>Significant</u>	<u>Significant</u>
	<u>Value</u>	<u>Active Markets</u>	<u>Other</u>	<u>Unobservable</u>
		<u>for Identical</u>	<u>Observable</u>	<u>Inputs</u>
		<u>Assets</u>	<u>Inputs</u>	<u>(Level 3)</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	
Assets:				
Investment securities				
available-for-sale:				
US Treasuries	\$ -	\$ -	\$ -	\$ -
Federal agencies	1,500	-	1,500	-
Agency residential				
mortgage-backed	36,549	-	36,549	-
State and municipal	42,964	-	42,964	-
Other debt securities	4,275	-	4,275	-
Equity securities	296	296	-	-
Mutual funds	650	650	-	-

Assets and liabilities measured at fair value on a non-recurring basis are summarized below:

	<u>Fair Value Measurements at December 31, 2025 Using</u>			
	<u>Carrying</u>	<u>Quoted Prices in</u>	<u>Significant</u>	<u>Significant</u>
	<u>Value</u>	<u>Active Markets</u>	<u>Other</u>	<u>Unobservable</u>
		<u>for Identical</u>	<u>Observable</u>	<u>Inputs</u>
		<u>Assets</u>	<u>Inputs</u>	<u>(Level 3)</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	
Assets:				
Collateral dependent loans				
Commercial and industrial	7	-	-	7
Commercial real estate	2,361	-	-	2,361

	<u>Fair Value Measurements at December 31, 2024 Using</u>			
	<u>Carrying</u>	<u>Quoted Prices in</u>	<u>Significant</u>	<u>Significant</u>
	<u>Value</u>	<u>Active Markets</u>	<u>Other</u>	<u>Unobservable</u>
		<u>for Identical</u>	<u>Observable</u>	<u>Inputs</u>
		<u>Assets</u>	<u>Inputs</u>	<u>(Level 3)</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	
Assets:				
Collateral dependent loans				
Commercial and industrial	58	-	-	58
Residential real estate	205	-	-	205

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NOTE 15 – DISCLOSURE ABOUT FAIR VALUE (Continued)

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2025:

	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Input(s)</u>	<u>Range (Weighted Average)</u>
Collateral dependent loans –				
Commercial and industrial	\$ 7	Sales comparison	Adjustment for differences approach between comparable sales	-15.00% to -100% (-57.50%)
Commercial real estate	\$ 2,361	Sales comparison	Adjustment for differences approach between the comparable sales	-45.00% to 45.00% (6.85%)

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2024:

	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Input(s)</u>	<u>Range (Weighted Average)</u>
Collateral dependent loans –				
Commercial and industrial	\$ 58	Sales comparison	Adjustment for differences approach between comparable sales	-15.00% to 100% (-57.50%)
Commercial and industrial	\$ -	Sales comparison	Adjustment for differences approach between the comparable sales	-6.65% to 5.59% (0.85%)
Residential real estate	\$ 205	Sales comparison	Adjustment for differences approach between the comparable sales	-30.03% to -2.61% (-13.33%)

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BANCORP. OF SOUTHERN INDIANA
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NOTE 15 – DISCLOSURE ABOUT FAIR VALUE (Continued)

The carrying amount and estimated fair values of financial instruments, not previously presented, were as follows at year end:

	<u>2025</u>		<u>2024</u>	
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>	<u>Fair</u>
	<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
Financial assets				
Cash and cash equivalents	\$ 17,799	\$ 17,799	\$ 12,799	\$ 12,799
Interest bearing CDs with other financial institutions	5,715	5,715	6,694	6,694
Securities held-to-maturity	14,324	14,042	16,665	15,974
FHLB and other stock	6,600	N/A	6,555	N/A
Loans held-for-sale	380	380	696	696
Loans, net	869,493	845,709	800,148	767,030
Accrued interest receivable	13,806	13,806	11,687	11,687
Financial liabilities				
Deposits	\$ (842,105)	\$ (843,436)	\$ (786,517)	\$ (786,373)
Other borrowings	(9,172)	(9,172)	(12,970)	(12,970)
Note Payable	(7,000)	(6,953)	(9,000)	(8,916)
FHLB advances	(113,000)	(110,209)	(90,000)	(84,748)
Accrued interest payable	(1,602)	(1,602)	(1,699)	(1,699)

For 2025 and 2024 the fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

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NOTE 16 – PARENT COMPANY ONLY CONDENSED FINANCIAL STATEMENTS

CONDENSED BALANCE SHEETS
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash	\$ 521	\$ 486
Equity securities	310	296
Investment in subsidiaries	89,133	82,092
Other assets	<u>1,015</u>	<u>15</u>
	<u>\$ 90,979</u>	<u>\$ 82,889</u>
Liabilities		
Note payable	\$ 7,000	\$ 9,000
Other liabilities	<u>1,085</u>	<u>467</u>
	8,085	9,467
 Stockholders' equity	 <u>82,894</u>	 <u>73,422</u>
Total Liabilities and stockholders' equity	<u>\$ 90,979</u>	<u>\$ 82,889</u>

CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Dividends from subsidiary	\$ 5,350	\$ 2,755
Other income	21	62
Other operating expenses	638	846
Income tax (benefit)	(130)	(165)
Equity in subsidiary undistributed income	<u>3,412</u>	<u>4,606</u>
Net income	\$ 8,275	\$ 6,742
Other comprehensive income (loss), net of tax	<u>3,629</u>	<u>(1,032)</u>
Comprehensive income	<u>\$ 11,904</u>	<u>\$ 5,710</u>

(Continued)

BANCORP. OF SOUTHERN INDIANA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 16 – PARENT COMPANY ONLY CONDENSED FINANCIAL STATEMENTS (Continued)

CONDENSED STATEMENTS OF CASH FLOWS
Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Net income	\$ 8,275	\$ 6,742
Adjustments to reconcile net income to net cash from operating activities		
Equity in subsidiary undistributed income	(3,412)	(4,606)
Net change in other assets and liabilities	<u>(396)</u>	<u>(70)</u>
Net cash from operating activities	(4,467)	(2,066)
Cash flows from financing activities		
Dividends paid	(2,324)	(2,135)
Stock redemption	(108)	(62)
Paydown line of credit	<u>(2,000)</u>	<u>-</u>
Net cash from financing activities	<u>(4,432)</u>	<u>(2,197)</u>
Net change in cash	35	(131)
Beginning cash	<u>486</u>	<u>617</u>
Ending cash	<u>\$ 521</u>	<u>\$ 486</u>

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NOTE 17 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following are changes in accumulated other comprehensive income (loss) by component, net of tax, for the year ending December 31, 2025:

	Unrealized Gains and Losses On <u>Securities</u>	Other Postretirement <u>Benefits</u>	<u>Total</u>
Beginning balance	\$ (9,882)	\$ 219	\$ (9,663)
Other comprehensive income/ before reclassification	3,621	32	3,653
Amounts reclassified from accumulated other comprehensive income	<u>(5)</u>	<u>(19)</u>	<u>(24)</u>
Net current period other comprehensive income	<u>3,616</u>	<u>13</u>	<u>3,629</u>
Ending balance	<u>\$ (6,266)</u>	<u>\$ 232</u>	<u>\$ (6,034)</u>

The following is significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the year ending December 31, 2025:

<u>Details about Accumulated Other Comprehensive Income Components</u>	<u>Amount Reclassified From Accumulated Other Comprehensive Income</u>	<u>Affected Line Item in the Statement Where Net Income is Presented</u>
Unrealized gains and losses on available-for-sale securities	\$ <u>6</u> 6 <u>(1)</u>	Net gain (losses) on sale of securities Total before tax Tax (expense) or benefit
	\$ <u>5</u>	Net of tax
Other postretirement benefits		
Prior service costs	\$ -	
Transition obligation	-	
Actuarial gains (losses)	<u>23</u> 23 <u>(4)</u>	Salaries and employee benefits Total before tax Tax (expense) or benefit
	\$ <u>19</u>	Net of tax
Total reclassifications for the period	\$ <u>24</u>	Net of tax

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NOTE 17 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Continued)

The following are changes in accumulated other comprehensive income (loss) by component, net of tax, for the year ending December 31, 2024:

	Unrealized Gains and Losses On <u>Securities</u>	Other Postretirement <u>Benefits</u>	<u>Total</u>
Beginning balance	\$ (8,926)	\$ 295	\$ (8,631)
Other comprehensive income/ (loss) before reclassification	(936)	(53)	(989)
Amounts reclassified from accumulated other comprehensive income	<u>(20)</u>	<u>(23)</u>	<u>(43)</u>
Net current period other comprehensive income/(loss)	<u>(956)</u>	<u>(76)</u>	<u>(1,032)</u>
Ending balance	<u>\$ (9,882)</u>	<u>\$ 219</u>	<u>\$ (9,663)</u>

The following is significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the year ending December 31, 2024:

<u>Details about Accumulated Other Comprehensive Income Components</u>	<u>Amount Reclassified From Accumulated Other Comprehensive Income</u>	<u>Affected Line Item in the Statement Where Net Income is Presented</u>
Unrealized gains and losses on available-for-sale securities	\$ <u>25</u> 25 <u>(5)</u>	Net gain (losses) on sale of securities Total before tax Tax (expense) or benefit
	\$ <u>20</u>	Net of tax
Other postretirement benefits		
Prior service costs	\$ -	
Transition obligation	-	
Actuarial gains (losses)	<u>29</u> 29 <u>(6)</u>	Salaries and employee benefits Total before tax Tax (expense) or benefit
	<u>\$ 23</u>	Net of tax
Total reclassifications for the period	<u>\$ 43</u>	Net of tax

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NOTE 18 – GOODWILL AND INTANGIBLE ASSETS

Goodwill

The change in goodwill during the year is as follows.

	<u>2025</u>	<u>2024</u>
Beginning of year	\$ 3,382	\$ 3,382
Acquired goodwill	<u>-</u>	<u>-</u>
End of year	<u>\$ 3,382</u>	<u>\$ 3,382</u>

Acquired Intangible Assets

	<u>2025</u>	<u>2024</u>
Brokerage intangible	\$ 2,431	\$ 2,431
Non-compete intangible	557	557
Accumulated amortization	<u>(1,587)</u>	<u>(1,343)</u>
Purchased intangibles, net	<u>\$ 1,401</u>	<u>\$ 1,645</u>

Aggregate amortization expense was \$244 and \$244 for 2025 and 2024, respectively.

The estimated amortization expense for each of the next five years is as follows:

2026	244
2027	244
2028	187
2029	187
2030	187
Thereafter	352

NOTE 19 – REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within other income. The following table presents the Company's sources of non-interest income for the twelve months ended December 31, 2025, and 2024. Items outside of scope ASC 606 are noted as such.

	<u>2025</u>	<u>2024</u>
Other income		
Service charges on deposits	\$ 525	\$ 550
Overdraft charges	526	494
Electronic banking	1,554	1,545
Trust fees	1,875	1,748
Brokerage fees	5,957	5,008
Loan servicing fees, net and mortgage banking income ^(a)	1,175	1,293
Other ^(a)	<u>1,197</u>	<u>1,186</u>
Total non-interest income	<u>\$ 12,809</u>	<u>\$ 11,824</u>

^(a) Not within the scope of ASC 606

BANCORP. OF SOUTHERN INDIANA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024
(Dollar amounts in thousands)

NOTE 19 – REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

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

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