

Letter to the Shareholders

To Our Shareholders, Customers, and Friends:

The past year presented a complex operating environment for our customers and communities. Main street small business and our agricultural community play a central role in supporting the economic stability of our region. They face unrelenting cost burdens driven by higher input costs, persistent inflation, global tariff fluctuations, and geopolitical tensions. While the Federal Reserve reduced short-term rates by 1.75% over the past two years, long-term rates have been much slower to decline, keeping borrowing costs elevated. Loan demand remained tepid due to these pressures, as customers continually balanced expansion plans with economic uncertainty both here in our markets and abroad.

Throughout this period, your bank has remained steadfast in our commitment to supporting the individuals, small businesses and agricultural producers who rely on us. We have responded with flexible financing solutions and expanded operating lines, while remaining disciplined to our conservative community bank fundamentals.

Although earnings remain challenged in 2025, our balance sheet continues to restructure as longer term loans and investments mature and reprice at current market rates. Our capital and loan quality remains strong, and due to the dedicated commitment of our depositors, we have abundant liquidity to fund future growth.

Select 2025 Highlights:

- Net income of \$2.49 million decreased 26% or \$885 thousand from the prior year's \$3.37 million, largely due to increased funding costs associated with elevated deposit interest rates.
- Total assets increased 3.0% or \$24.2 million at year end 2025.
- Liquidity remains high with 50% of total assets in cash and securities available for sale as of December 31, 2025.
- Credit quality remains strong, with the Bank recognizing 0.00% and 0.06% net charge-offs as of December 31, 2025, and 2024, respectively. The Bank's allowance for credit losses increased to 1.7% of total loans due to the continuing volatile economic environment.
- Total securities increased 2.9% due to \$45 million of additional purchases in 2025, offset with scheduled contractual payments and maturities. No investment securities have been or are planned to be sold, and all securities remain reported as available for sale at fair value.
- Shareholders' equity increased 19.2% or \$14.1 million during 2025, largely due to marked improvements in the fair value of the underlying securities.

As we look ahead, our focus remains on disciplined balance-sheet management, rigorous credit oversight, and dedicated support for the communities and people we serve. We remain confident in the strength of our institution, the resilience of our markets, and the long-term value of our conservative operating philosophy.

Thank you for your continued confidence and support.

Gordon Zimmerman
President/CEO

Eric Thompson
Chairman of the Board