



Community  
Heritage  
Financial, Inc.

# Connected. Empowered. Future-Ready.

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2025 ANNUAL REPORT

25

# LETTER TO OUR Shareholders

As we reflect on the past year and look ahead to the opportunities before us, we are reminded of the extraordinary people who form the foundation of our Company. This year marks a particularly meaningful moment as we honor the retirement of three longtime leaders whose dedication has shaped our culture and our success. Crystal Fink, VP – Deposit Services Manager, retires after an incredible 48 years of service; Kevin Delauter, VP – Controller, concludes a distinguished 41-year career; and Michael Hill, EVP – Chief Risk Officer, retires after 31 years of exceptional leadership. Together, they represent 120 years of commitment to our customers, our employees, and our mission. Their impact will be felt for decades to come, and we extend our deepest gratitude for their service.

With Michael Hill’s upcoming retirement, we have taken thoughtful steps to ensure continuity and strength within our executive leadership team. Effective early 2026, Brenda McComas, EVP – Chief Operating Officer, will transition into the role of EVP – Chief Risk Officer. Brenda’s deep operational expertise and steady leadership make her exceptionally well suited for this critical position. At the same time, Cody Hill, SVP – Director of Retail Banking, will assume the role of EVP – Chief Operating Officer. Cody has demonstrated strong strategic insight and a deep understanding of our retail operations, and we are confident he will excel in this expanded leadership capacity.

Operational excellence remains a central focus for the Company, and we continue to invest in systems and processes that enhance efficiency and elevate the customer experience. Throughout 2026, we will be working closely with our core provider to introduce new products designed to streamline internal workflows and improve service delivery. These enhancements are part of a broader, multi-year effort to modernize our technology infrastructure, to innovate and remain agile, and to position the Bank for long-term growth in an evolving financial landscape.

Our ability to execute on these initiatives is strengthened by the exceptional talent we continue to attract across

our markets. In 2025, we welcomed several outstanding professionals who bring fresh perspectives and deep expertise. Among them are Alysson DuPont, SVP – Director of Retail Banking; Vicky Felter, VP – Marketing and Communications Manager; and Holly Miller, Banking Officer – Retail Branch Manager at our Waynesboro Branch. Each of these individuals has already made meaningful contributions, and we look forward to supporting their continued growth within the Company.

Professional development remains a cornerstone of our culture. We continue to invest in both internally- and externally-led training programs that support employees at every level—from customer-facing staff to back office teams. These programs not only strengthen our operational capabilities but also reinforce our commitment to cultivating a workplace where employees can build fulfilling, long-term careers.

Our branch network also saw significant progress this year, particularly at two of our highest volume locations: the Eastern Blvd. Branch in Hagerstown and the Middletown Branch. Due to changes in traffic flow and egress at Eastern Blvd., we made the strategic decision to construct a new branch adjacent to the existing site. The new 4,000-square-foot facility features three drive thru lanes, a drive thru ATM, and expanded office and meeting space—enhancing both convenience and capacity. Meanwhile, the Middletown Branch underwent a major redesign, transforming the interior with additional office space, improved meeting areas, and increased natural light to create a more welcoming environment for customers and employees alike.

We also prepared for the January 1 launch of MVB Home Loans, transitioning the Mlend brand and bringing greater cohesion between the Bank and the mortgage division of the Company. This transition strengthens our brand identity and reinforces our commitment to offering a seamless, unified experience across all lines of business.

“ EXTRAORDINARY PEOPLE  
FORM THE FOUNDATION OF  
OUR COMPANY. ”



The economic landscape continues to evolve, but through all the changes, CHF continues to drive strong financial performance for shareholders. As we enter the next chapter, we do so with gratitude for the leaders who have guided us, confidence in the team that will carry us forward, and optimism for the opportunities ahead. Thank you for your continued trust and support.

Robert E. (BJ) Goetz, Jr.  
President and Chief Executive Officer

James G. Pierne  
Chairman of the Board

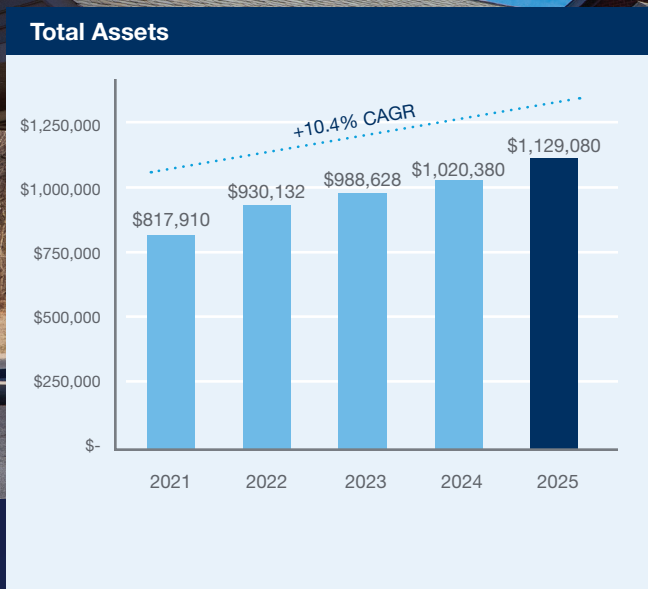
“ OPERATIONAL EXCELLENCE REMAINS A CENTRAL FOCUS FOR THE COMPANY. ”

# FINANCIAL Highlights

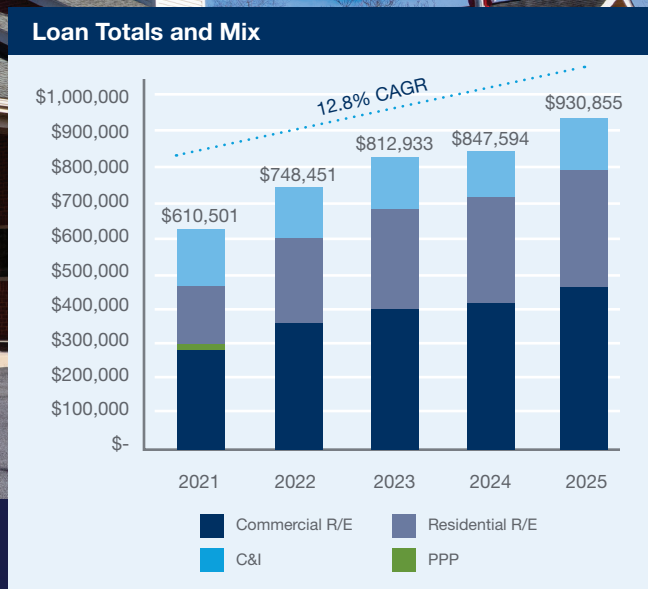
As of and for the years ended December 31 (dollars in thousands, except ratios and common share data)

	2025	2024	2023	2022	2021
<b>Earnings Data (\$):</b>					
Net interest income	36,047	30,688	26,119	27,459	24,174
Provision for credit losses	1,482	607	(747)	813	3,079
Non-interest income	4,015	3,590	3,263	3,929	7,010
Non-interest expense	26,998	24,845	24,448	21,257	19,899
Net income	8,653	6,628	4,295	6,856	6,015
<b>Common Share Data (\$, except shares outstanding):</b>					
Basic earnings per common share	2.96	2.27	1.48	2.85	2.67
Diluted earnings per common share	2.93	2.27	1.48	2.84	2.67
Dividends paid per common share	0.32	0.24	0.24	0.16	0.16
Book value per common share	30.30	27.07	24.46	23.10	25.30
Tangible book value per common share	29.73	26.50	23.90	22.53	24.56
Weighted average common shares outstanding	2,928,301	2,916,191	2,907,304	2,408,516	2,251,320
<b>Selected Statistical Data (%):</b>					
Net interest margin	3.42	2.92	2.76	3.21	3.32
Return on average assets	0.80	0.62	0.44	0.78	0.80
Return on average common equity	10.25	8.81	6.22	11.99	10.86
Efficiency ratio	67.39	72.48	83.21	67.72	63.81
<b>Financial Condition Data (\$):</b>					
Total assets	1,129,080	1,020,380	988,628	930,132	817,910
Loans	930,855	847,594	812,933	748,451	610,501
Allowance for credit losses	9,842	8,279	7,742	7,330	6,500
Securities	140,235	131,857	137,039	140,516	144,019
Deposits	984,804	908,007	879,007	841,826	738,914
Subordinated debt	12,053	12,041	14,933	14,843	14,753
Other borrowings	33,000	15,000	18,000	-	1,887
Shareholders' equity	88,851	79,029	71,231	67,141	56,955
Non-performing assets (exclusive of TDRs prior to 2023)	2,025	1,526	1,823	1,728	2,091
<b>Ratios (%):</b>					
Loans to deposits	94.52	93.35	92.48	88.91	82.62
Allowance for credit losses to loans	1.06	0.98	0.95	0.98	1.06
Allowance for credit losses to loans (excl. PPP Loans)	N/A	N/A	N/A	N/A	1.09
Non-performing assets to loans plus OREO	0.22	0.18	0.22	0.23	0.34
Non-performing assets to total assets	0.18	0.15	0.18	0.19	0.26
Average shareholders' equity to average total assets	7.84	6.99	7.12	6.54	7.41
Tangible common equity to tangible common assets	7.74	7.60	7.05	7.05	6.77
<b>Bank Only:</b>					
Tier 1 capital	11.96	12.12	12.02	12.22	11.33
Total capital	13.14	13.24	13.10	13.33	12.58
Tier 1 leverage	9.48	9.06	9.10	9.53	8.57

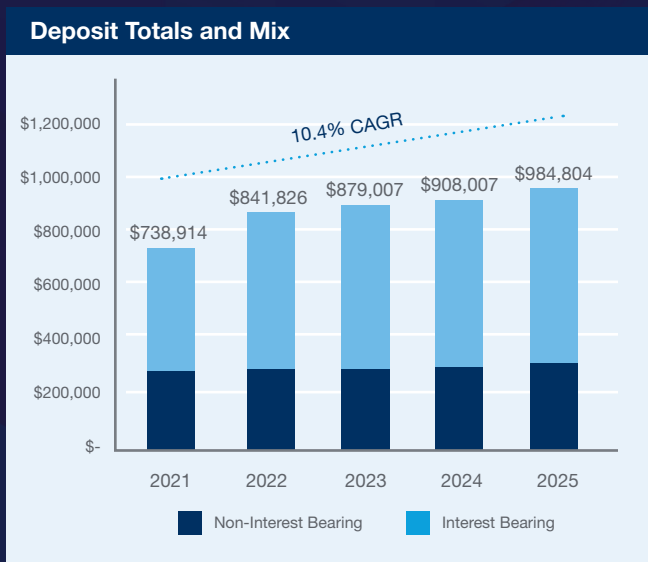
# MANAGEMENT DISCUSSION And Analysis



Assets totaled \$1.1 billion as of December 31, 2025 representing growth of \$108.7 million or 10.7% year-over-year. Asset growth was driven by loan growth totaling \$83.3 million and was funded primarily by deposit growth of \$76.8 million.

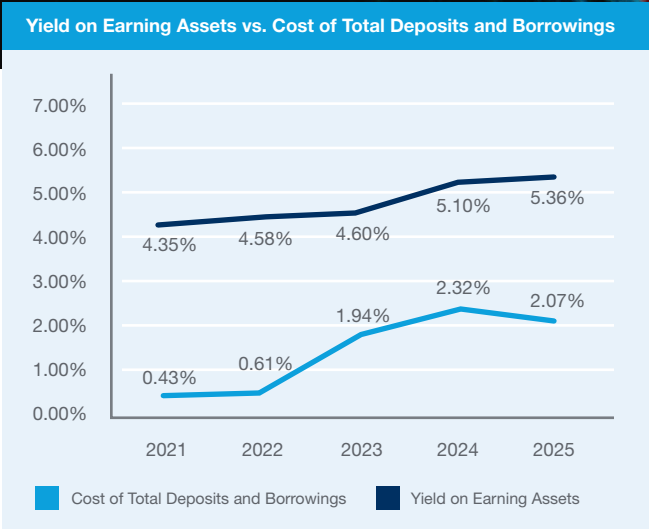


The loan portfolio totaled \$930.9 million at December 31, 2025 and was comprised of commercial real estate (CRE) of \$464.7 million (49.9% of total loans), residential real estate of \$322.1 million (34.6% of total loans), commercial & industrial loans of \$139.2 million (15.0% of total loans), consumer loans of \$1.2 million (less than 1% of total loans) and net deferred costs of \$3.6 million. During 2025, the CRE portfolio grew \$52.0 million, the residential real estate portfolio grew \$25.9 million and the commercial and industrial portfolio grew \$5.1 million.

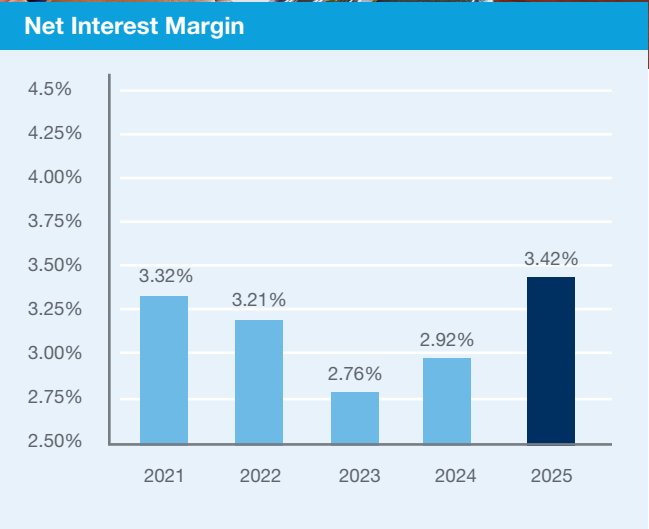


Deposits totaled \$984.8 million as of December 31, 2025, representing an increase of \$76.8 million, or 8.5%, year-over-year. As of December 31, 2025, non-interest bearing deposits totaled \$257.4 million, or 26.1% of total deposits, compared to 27.7% as of the prior year end. The decline in non-interest bearing deposits as a percentage of total deposits reflected deposit migration to interest bearing deposit products given a higher interest rate environment in addition to funds utilization by existing deposit customers.

“  
CHF CONTINUES  
TO DRIVE STRONG  
**FINANCIAL  
PERFORMANCE  
FOR  
SHAREHOLDERS.**  
”



The cost of total deposits and borrowings was 2.07% for 2025, a 25 basis point decrease from 2.32% for 2024. The decrease in the cost of total deposits and borrowings followed action by the Federal Reserve (FRB) to reduce short-term interest rates by 100 basis points in the fourth quarter of 2024 and 75 basis points in the fourth quarter of 2025. The yield on earning assets continues to increase year-over-year as interest earning assets are repricing or being replaced at higher rates.



The net interest margin (NIM) improved 50 basis points in 2025 compared to 2024, as the yield on earning assets continued to rise and the cost of total funding began to fall from its peak in 2024 after the FRB began to lower short-term rates in anticipation of a slowing economy and employment pressure.

WORKING FOR OUR  
**Communities in 2025**

**224**

Supported over 220  
organizations and  
families.

**3,354**

Employees gave over 3,350  
hours to local nonprofit  
organizations.

**\$2.65M**

Funded over \$2.6 million  
in community development  
loans.

**90%**

90% of the Company's team  
members donated their time  
& talents

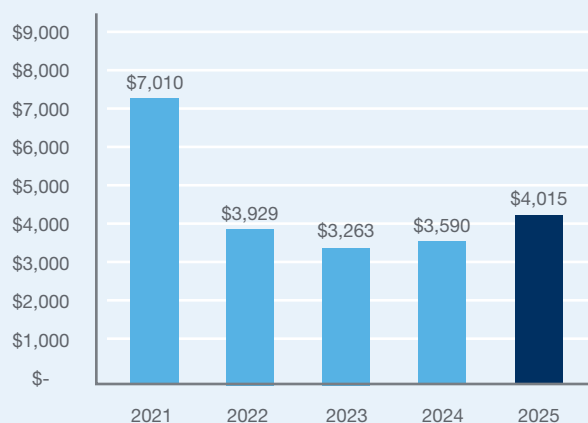


### Net Interest Income



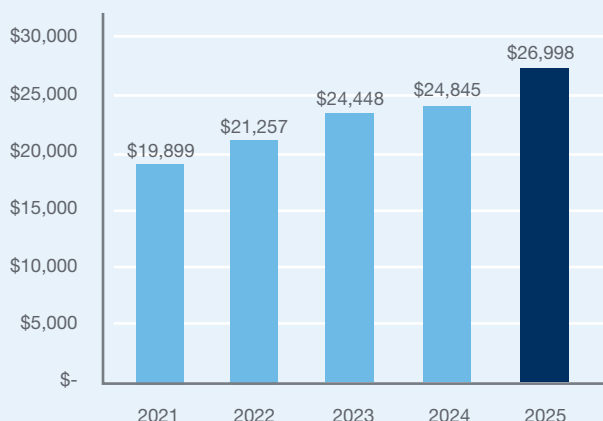
Net interest income increased \$5.4 million compared to 2024 with higher interest income of \$2.8 million and lower interest expense of \$2.6 million.

### Non-Interest Income



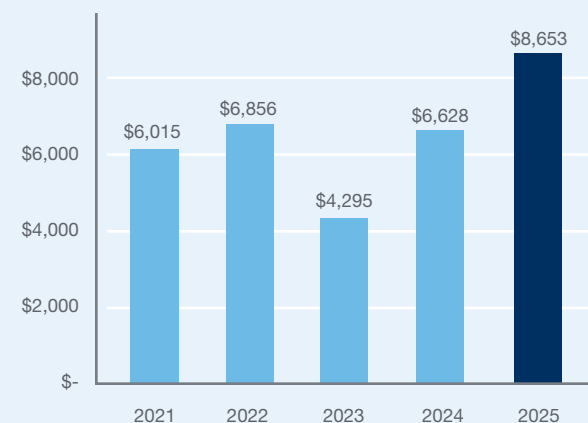
Non-interest income increased \$425 thousand in 2025 compared to 2024. During 2024, the Company repositioned a small percentage of its investment portfolio and incurred a \$442 thousand loss on the sale of investment securities, which contributed to the change in non-interest income on a comparative basis. In addition, increases in card and merchant services fees of \$110 thousand and other non-interest income of \$128 thousand were offset by declines in mortgage banking revenue of \$159 thousand and earnings on bank-owned life insurance of \$82 thousand. The decline in mortgage banking revenue reflected origination activity challenged by relatively high interest rates and buyers' affordability concerns. The increase in other non-interest income included \$75 thousand received for the referrals to a third party of SBA eligible loans and interest rate swap fee income of \$51 thousand.

### Non-Interest Expense



Non-interest expense increased \$2.2 million in 2025 compared to 2024. The increase was largely attributable to an increase in salaries and benefits of \$1.3 million, an increase in other non-interest expense of \$366 thousand, an increase in data and item processing expense of \$215 thousand, and an increase in legal and professional fees of \$121 thousand. The increase in salaries and benefits reflected merit increases, increased incentive compensation accruals and increased health insurance costs. The increase in legal and professional fees was largely driven by costs associated with Bank's anticipated need to meet next level FDIC Improvement Act ("FDICIA") compliance. On November 25, 2025, the FDICIA internal control audit threshold was increased from \$1 billion in assets to \$5 billion in assets, postponing the need for the Bank to meet next level compliance.

### Net Income



Net income for 2025 was \$8.7 million, an increase of \$2.0 million, or 30.6%, compared to 2024. Compared to 2024, net interest income increased \$5.4 million and non-interest income increased \$425 thousand. Increases in non-interest expense of \$2.2 million and the provision for credit losses of \$875 thousand during 2025 compared to 2024 partially offset the positive movement in operating income, resulting in a net increase in income before taxes of \$2.8 million.

## BUSINESS IN OUR COMMUNITY

# FoodPRO

FoodPRO's story began in 1935, when it opened as the Frederick Produce Company – a small, local produce distributor located just down the street from where the company operates today. Over the decades, the business evolved from a modest produce operation into a full service food distributor, eventually adopting the FoodPRO name in the 1990s. Despite its growth, FoodPRO has remained deeply rooted in its heritage of service, reliability, and commitment to the regional foodservice community.

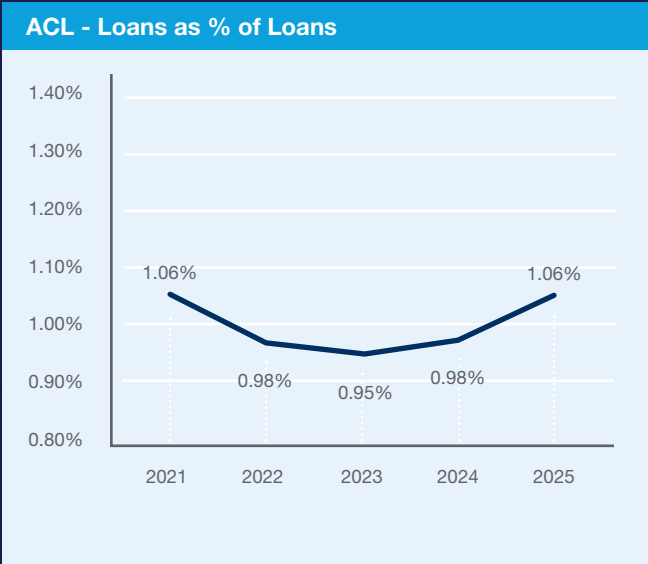
Today, FoodPRO provides a comprehensive range of products and services to support restaurants, schools, government agencies, religious organizations, and independent operators across the region. In addition to food, beverage, and restaurant equipment sales, the company offers value-added support such as menu development and marketing guidance. With delivery service six days a week and a will call pickup center open to both businesses and the public, FoodPRO continues to meet the fast-paced needs of its customers with flexibility and care.

FoodPRO's dedication to community involvement is equally central to its mission. The company is a proud partner of the Frederick Rescue Mission, contributing both food and financial support, while its Mission Committee regularly organizes clothing drives and volunteers at the shelter. FoodPRO also supports organizations such as the Frederick Community Fund and Blessings in a Backpack, helping provide school supplies and meals to local children.

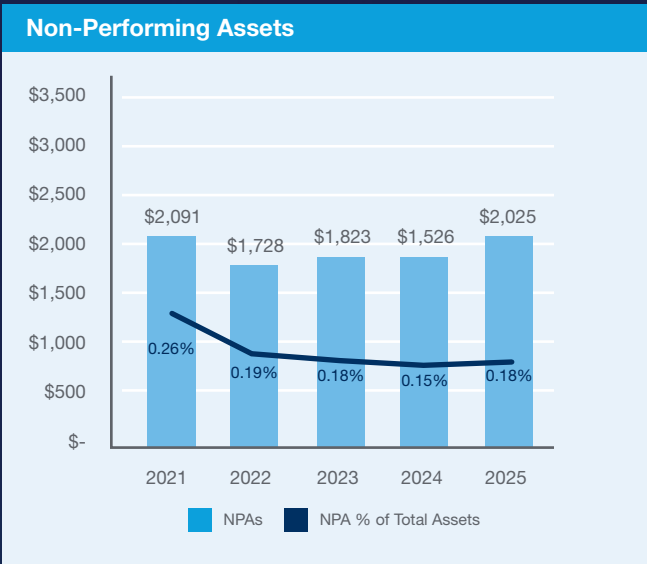
As a major employer in Frederick County, FoodPRO plays a meaningful role in the area's economic vitality. The company employs more than 160 individuals – many of whom have been with the organization for decades. By supporting and partnering with independent restaurants, FoodPRO helps sustain a vibrant local dining scene and ensures smaller businesses can compete effectively with large national chains. Looking ahead, the company is exploring an expansion project on its Walkersville property, a development that would further strengthen its presence and impact in the region. Its planned building expansion would create additional job opportunities and increased tax revenue for the county.

Jarrold Turbin, Finance Manager at FoodPRO, says, "Middletown Valley Bank has been an important partner in FoodPRO's continued growth. Services such as remote deposit have streamlined payment processing in the field, improving efficiency and accelerating access to operating funds. FoodPRO has also benefited from competitive money market investment options that provide strong returns without sacrificing liquidity. Although the relationship with MVB is relatively new, the Bank's accessibility, responsiveness, and proactive guidance have already made a meaningful difference for our business."

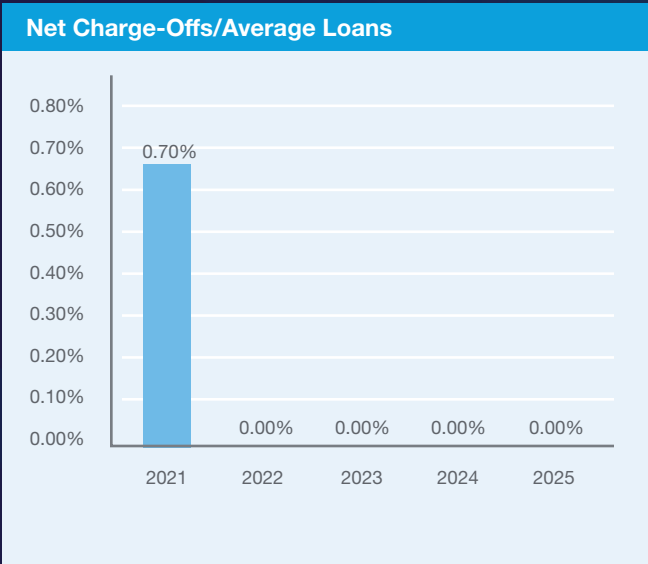




The ratio of the ACL – loans to total loans (the “ACL – loans ratio”) was 1.06% as of December 31, 2025 compared to 0.98% as of December 31, 2024. The provision for credit losses increased from \$607 thousand for the year ended December 31, 2024 to \$1.5 million for the same period in 2025. The increases in the ACL – loans ratio and the provision for credit losses reflected a \$750 thousand specific loan reserve recorded in the third quarter of 2025. The specific reserve represents 100% of the outstanding balance of a single commercial loan to a customer that uncovered internal theft.



Asset quality metrics remained strong at the end of 2025. As of December 31, 2025 and 2024, non-performing assets totaled \$2.0 million, or 0.18% of total assets, and \$1.5 million, or 0.15% of total assets, respectively. The modest decline in metrics reflected the single loan issue mentioned in the discussion of the ACL.



In 2021, due to an isolated COVID related loan charge-off totaling \$4.6 million, net charge-offs to average loans was 0.70%. The Bank entered into a forbearance agreement related to the charge-off in 2021. The forbearance agreement stipulates the sale of collateral, consisting of three residential properties, at future dates.





## NONPROFITS IN OUR COMMUNITY

### San Mar

San Mar has been a cornerstone of support for vulnerable children and families in Washington County for more than 140 years, evolving with intention and purpose to meet the changing needs of the community. Led by CEO Keith Fanjoy, the organization has transformed from its origins as an orphanage in 1883 into a modern, trauma-informed network of programs designed to strengthen families long before crises occur. Over the decades, San Mar has adapted its services from residential care for girls to Treatment Foster Care for boys and girls of all ages and proactive mental health and community-based support, always guided by a commitment to hope, healing, and long-term well-being.

Today, San Mar fulfills its mission through three core service areas that work together to build stronger families and communities. Its Family Services division provides Treatment Foster Care for children and youth who have experienced trauma, connecting them with safe, nurturing homes. The Jack E. Barr Center for Well-Being, San Mar's outpatient mental health clinic, offers accessible care for children, adults, and families navigating a wide range of mental health needs. Meanwhile, the Bester Community of Hope initiative focuses on strengthening families in Hagerstown's South End by building protective factors, expanding access to resources, and fostering a community where children can thrive.

In 2024, San Mar launched one of its largest projects to date: a 15-unit transitional housing initiative for young women aging out of foster or group care. By renovating its historic Boonsboro property, the organization's original

orphanage and later a group home, San Mar is creating a safe, supportive environment where young adults can build independence with dignity. At the same time, Bester Community of Hope has expanded significantly as part of Governor Wes Moore's ENOUGH initiative, with San Mar serving as a trusted "Community Quarterback" responsible for coordinating and distributing resources to eight partner organizations working to reduce poverty and strengthen families in the South End.

The organization's work generates meaningful social and economic impact across the region. By providing trauma-informed care, San Mar helps break cycles that can limit educational and economic opportunity. Its mental health services reduce reliance on costly emergency interventions, while family stabilization efforts help parents maintain employment by addressing crises before they escalate. This support system not only changes individual lives—it strengthens the broader social and economic fabric of Washington County.

Elisa Mabina, Director of Development at San Mar, states, "Middletown Valley Bank has played a vital role in advancing San Mar's mission. Through years of volunteer engagement, sponsorship of The Great Bicycle Tour (TGBT), and a recent \$50,000 room sponsorship for the new transitional housing initiative, MVB has demonstrated a deep commitment to the organization's future. The Bank's leadership has also contributed expertise through service on San Mar's Board of Managers, and its recent role as San Mar's banking partner underscores a shared dedication to strengthening the communities both organizations serve."

## HONORING YEARS OF SERVICE

# Retiree Spotlight

For a combined 120 years, Crystal Fink, Kevin Delauter, and Michael Hill have embodied the spirit and community commitment that define Middletown Valley Bank. Their careers span eras of extraordinary transformation in banking, and each of them has left a distinct and lasting imprint on the organization. As they enter retirement, we honor not only their years of service but the character, dedication, and humanity they brought to MVB every day.

Crystal Fink, who will retire a few months shy of reaching 48 years with MVB, has spent her entire life rooted in Middletown—often walking to work at the Main Office before the Operations Center opened in Hagerstown. She began her career as a bookkeeper and remained a steady, reliable presence in that role throughout much of her time with the Bank. Crystal witnessed MVB evolve from a single-office institution of about 20 employees—operating without computers and relying on adding machines, ledger cards, and physical checks—to the modern, technology-driven organization it is today. Through all the changes, the people have remained her favorite part of coming to work. In retirement, Crystal looks forward to relaxing with her husband, Paul—another longtime employee of MVB, and beloved dog, Scarlett, as well as spending time with her grandsons, whether at home, at the beach, or exploring local wineries.

Michael Hill's 31-plus years at MVB reflect a career shaped by leadership and a deep appreciation for community banking. Raised on a farm and entering the industry after graduating from Mount St. Mary's in 1988, Michael brought experience in management, audit, and commercial lending when he joined MVB in 1994. Over the years, he served as Bank CFO, Bank COO, and ultimately Chief Risk Officer for both the Bank and the holding company. He has seen the banking industry shift dramatically from manual processes to virtual and electronic systems, yet he notes that one thing has never changed: the pride and responsibility MVB employees bring to their work. What he will miss most is the camaraderie of a team that supports one another professionally and personally. Retirement for Michael means more time with his wife, Debbie, their five adult children, and their five young grandchildren—along with travel and a growing list of home improvement projects.

Kevin Delauter, who retires after 41-plus years of service, also began his career in bookkeeping before moving through a wide range of roles, including Department Manager, Internal Auditor, Branch Manager, Accounting

Manager, and ultimately Vice President and Controller. Like Crystal, he remembers the days when customer checks were alphabetized and filed by hand, statements were prepared manually, and the general ledger was posted without the help of automation. He has watched MVB grow from a \$23 million institution with 20 employees to a modern, technology-enabled community bank. Kevin's fondest memories come from the relationships built over four decades—connections he describes as treasured and lasting. He will especially miss the rhythm of monthly accounting work and the friendly pressure of colleagues stopping by for "the final number."

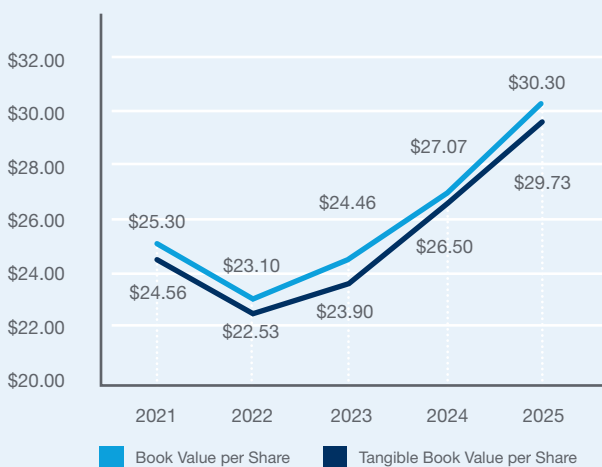
Outside the Bank, Kevin's life is deeply rooted in agriculture and family. Raised on a beef cattle farm, he still enjoys gardening—both vegetables and flowers—and shares that passion with his daughter. He and his wife Lisa, whom he met at MVB during her own 37-year career with the Bank, have two children and five grandchildren. Retirement will bring more time for family, church services, helping older relatives, and continuing the small eBay business he and Lisa operate together. His focus, he says, is on staying active, healthy, and connected to the people and pursuits he loves.

Together, Crystal, Michael, and Kevin represent the best of Middletown Valley Bank: loyalty, adaptability, and a genuine commitment to serving their community. Their careers span a period of remarkable change—from manual bookkeeping to digital banking, from a single office to a growing regional presence—and their contributions have helped guide MVB through every chapter. As they step into retirement, we celebrate not only their accomplishments but the warmth, steadiness, and integrity they brought to the Bank each day. Their legacy will continue to shape MVB for years to come.



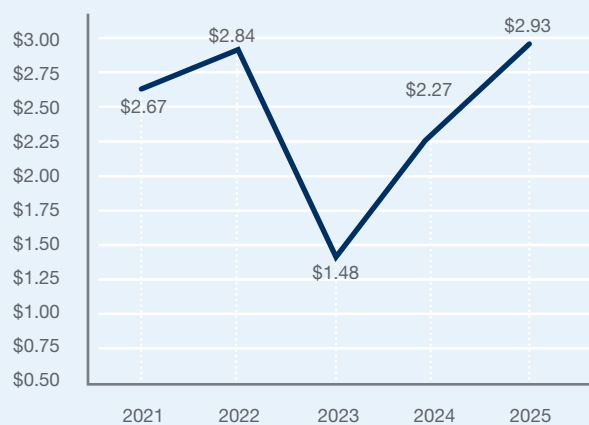


### Book Value



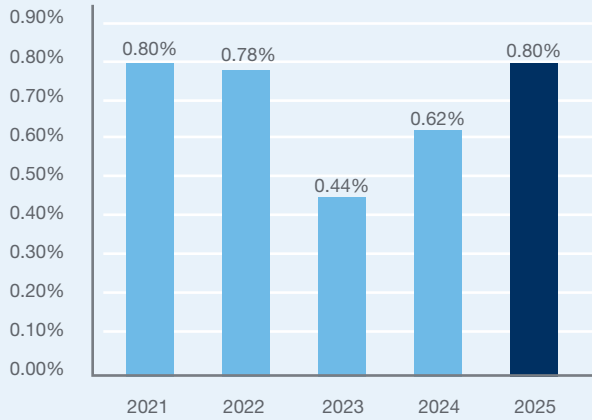
Book value per share increased \$3.23 or 11.9% per share and tangible book value increased \$3.23 or 12.2% per share in 2025. Tangible book value per share excludes goodwill of \$1.7 million related to the Mlend acquisition in 2019. The increase in common share value results from earnings, net of dividends, and a decrease in the accumulated other comprehensive loss of \$1.8 million.

### Diluted Earnings per Share



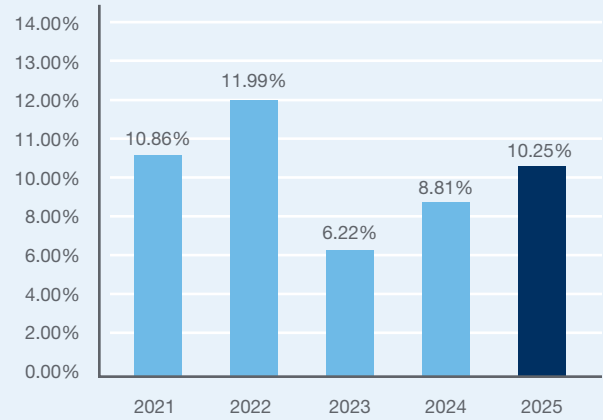
Net income per diluted share increased \$0.66, or 29.1%. The increase reflected improved earnings.

### Return on Average Assets



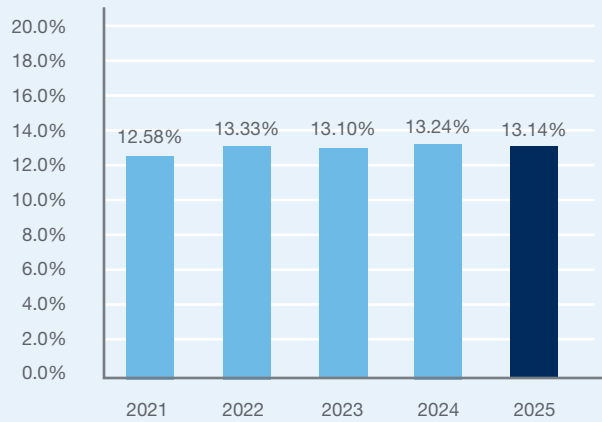
Return on average assets (ROA) improved in 2025 compared to 2024 as net income improved from \$6.6 million to \$8.7 million. Improvement in net income was largely driven by expansion of the net interest margin from 2.92% in 2024 to 3.42% in 2025.

### Return on Average Equity



Like ROA, return on average equity (ROE) improved in 2025 compared to 2024 with improvement in net income.

### Total Risk-Based Capital (Bank Only)



During 2022, the Company added \$12.2 million in capital through an underwritten common stock offering of 649,526 shares, \$11.0 million of which was allocated to the Bank to support continued asset growth. As of September 2021, the Bank reverted back to Basel III from the Community Bank Leverage Ratio (CBLR), which was implemented for the year 2020. Under Basel III, the minimum requirement for total risk-based capital to be considered well capitalized is 8.0%. The Company was well capitalized for all periods reflected above.





## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders  
Community Heritage Financial, Inc.

### **Opinion**

We have audited the consolidated financial statements of Community Heritage Financial, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

### **Basis for Opinion**

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of

internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

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

Management is responsible for the other information included in the annual report. The other information comprises the shareholder letter and selected financial data 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.

*Yount, Hyde & Barbour, P.C.*

Roanoke, Virginia  
March 26, 2026

**COMMUNITY HERITAGE FINANCIAL, INC. and SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**As of December 31, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>Assets</b>		
Cash and due from banks	\$ 30,707,438	\$ 16,510,418
Securities available-for-sale, at fair value	53,681,375	40,481,911
Securities held-to-maturity (fair value of \$80,332,726 and \$81,256,535 at December 31, 2025 and 2024, respectively)	86,553,557	91,374,820
Less allowance for credit losses	78,511	102,896
Securities held-to-maturity, net	86,475,046	91,271,924
Restricted equity securities	2,281,700	1,404,700
Loans	930,855,154	847,593,970
Less allowance for credit losses	9,842,370	8,279,404
Loans, net	921,012,784	839,314,566
Loans held for sale	3,935,463	5,106,956
Premises and equipment, net	6,423,885	5,633,510
Right-of-use assets	5,014,155	1,911,836
Accrued interest receivable	3,397,155	3,152,505
Deferred tax assets	4,452,078	4,558,255
Bank-owned life insurance	7,837,986	7,411,319
Goodwill	1,656,507	1,656,507
Other assets	2,204,457	1,965,325
<b>Total Assets</b>	<b>\$ 1,129,080,029</b>	<b>\$ 1,020,379,732</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Non-interest-bearing demand	\$ 257,415,232	\$ 251,431,084
Interest-bearing	727,389,108	656,575,635
Total Deposits	984,804,340	908,006,719
Subordinated debt, net of unamortized issuance cost	12,052,944	12,040,695
Other borrowings	33,000,000	15,000,000
Lease liabilities	5,088,540	1,984,920
Accrued interest payable	473,682	485,160
Other liabilities	4,809,964	3,833,329
<b>Total Liabilities</b>	<b>1,040,229,470</b>	<b>941,350,823</b>
<b>Shareholders' Equity</b>		
Preferred stock, par value \$.01; shares authorized 1,000,000; no shares issued and outstanding	-	-
Common stock, par value \$.01; shares authorized 10,000,000; shares issued and outstanding at December 31, 2025 and 2024, 2,932,680 and 2,919,797, respectively	29,327	29,198
Additional paid in capital	41,649,351	41,331,966
Retained earnings	52,313,860	44,597,524
Accumulated other comprehensive loss	(5,141,979)	(6,929,779)
<b>Total Shareholders' Equity</b>	<b>88,850,559</b>	<b>79,028,909</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 1,129,080,029</b>	<b>\$ 1,020,379,732</b>

See Notes to the Consolidated Financial Statements

**COMMUNITY HERITAGE FINANCIAL, INC. and SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
For the Years Ended December 31, 2025 and 2024

	<b>2025</b>	<b>2024</b>
<b>Interest Income</b>		
Loans, including fees	\$ 51,516,906	\$ 46,776,805
Securities	3,687,942	3,129,403
Federal funds sold and other bank deposits	1,274,675	3,806,739
Total interest income	56,479,523	53,712,947
<b>Interest Expense</b>		
Deposits	19,069,620	19,542,461
Subordinated debt	828,999	924,082
Other borrowings	533,484	2,557,988
Total interest expense	20,432,103	23,024,531
Net interest income	36,047,420	30,688,416
Provision for credit losses	1,481,875	606,718
Net interest income after provision for credit losses	34,565,545	30,081,698
<b>Non-interest income</b>		
Mortgage banking	1,347,193	1,505,158
Card and merchant services	1,262,013	1,151,964
Service charges on deposits	974,184	989,366
Earnings on bank-owned life insurance	268,503	350,752
Gain on sale of premises and equipment, net	12,560	-
Losses on sale of securities available-for-sale	-	(442,493)
Other non-interest income	150,442	35,320
Total non-interest income	4,014,895	3,590,067
<b>Non-interest expense</b>		
Salaries and employee benefits	15,470,153	14,194,102
Occupancy and equipment	2,644,890	2,580,933
Data and item processing	3,741,078	3,525,294
Legal and professional fees	1,298,125	1,176,792
FDIC premiums	869,410	807,442
Advertising	353,357	306,194
Other	2,620,596	2,254,691
Total non-interest expense	26,997,609	24,845,448
Income before income tax expense	11,582,831	8,826,317
Income tax expense	2,929,545	2,198,505
<b>Net Income</b>	<b>\$ 8,653,286</b>	<b>\$ 6,627,812</b>
Basic earnings per common share	\$2.96	\$2.27
Diluted earnings per common share	\$2.93	\$2.27

See Notes to the Consolidated Financial Statements

**COMMUNITY HERITAGE FINANCIAL, INC. and SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
Net Income	\$ 8,653,286	\$ 6,627,812
Other comprehensive income:		
Unrealized holding gains on securities available-for-sale, net of tax of \$394,103 and \$443,499, respectively	1,037,957	1,168,049
Reclassification adjustment for losses on securities available-for-sale included in net income, net of tax of \$121,774	-	(320,719)
Amortization of unrealized holding losses from the transfer of available-for-sale securities to held-to-maturity, net of tax of \$284,709 and \$299,007, respectively	749,843	787,499
Other comprehensive income, net of tax	<u>1,787,800</u>	<u>1,634,829</u>
Comprehensive income	<u>\$ 10,441,086</u>	<u>\$ 8,262,641</u>

See Notes to the Consolidated Financial Statements

**COMMUNITY HERITAGE FINANCIAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
For the Years Ended December 31, 2025 and 2024

	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance, December 31, 2023</b>	\$ 29,117	\$ 41,096,972	\$ 38,669,620	\$ (8,564,608)	\$ 71,231,101
Net Income	-	-	6,627,812	-	6,627,812
Other comprehensive income	-	-	-	1,634,829	1,634,829
Stock-based compensation expense	-	295,125	-	-	295,125
Restricted stock vested and common shares issued (11,488 shares less 3,361 shares surrendered)	81	(60,131)	-	-	(60,050)
Cash dividends (\$0.24 per share)	-	-	(699,908)	-	(699,908)
<b>Balance, December 31, 2024</b>	\$ 29,198	\$ 41,331,966	\$ 44,597,524	\$ (6,929,779)	\$ 79,028,909
Net Income	-	-	8,653,286	-	8,653,286
Other comprehensive income	-	-	-	1,787,800	1,787,800
Stock-based compensation expense	-	450,839	-	-	450,839
Restricted stock vested and common shares issued (17,994 shares less 5,111 shares surrendered)	129	(133,454)	-	-	(133,325)
Cash dividends (\$0.32 per share)	-	-	(936,950)	-	(936,950)
<b>Balance, December 31, 2025</b>	<u>\$ 29,327</u>	<u>\$ 41,649,351</u>	<u>\$ 52,313,860</u>	<u>\$ (5,141,979)</u>	<u>\$ 88,850,559</u>

See Notes to the Consolidated Financial Statements

**COMMUNITY HERITAGE FINANCIAL, INC. and SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 8,653,286	\$ 6,627,812
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	853,413	866,461
Amortization of premiums and discounts on investment securities, net	405,947	540,070
Amortization of debt issuance cost	12,249	69,207
Amortization of right-of-use assets	424,940	481,612
Provision for credit losses	1,481,875	606,718
Gain on sales of mortgage loans held for sale	(793,170)	(877,855)
Originations of mortgage loans held for sale	(83,519,168)	(84,859,954)
Proceeds from sales of mortgage loans held for sale	85,483,831	82,281,971
Earnings on bank-owned life insurance	(268,503)	(350,752)
Gain on sale of premises and equipment	(12,560)	-
Losses on sale of securities available-for-sale	-	442,493
Stock-based compensation expense	450,839	295,125
Deferred tax (benefit) expense	(572,635)	(412,608)
Increase in accrued interest receivable	(244,650)	(179,553)
Increase in other assets	(185,556)	(313,381)
(Decrease) increase in accrued interest payable	(11,478)	26,620
Increase in other liabilities	542,306	782,035
Net cash provided by operating activities	12,700,966	6,026,021
<b>Cash Flows from Investing Activities</b>		
Purchases of securities	(22,461,866)	(9,450,325)
Proceeds from maturities, repayments and calls of securities	16,144,330	8,282,672
Proceeds from the sale of securities	-	7,622,632
Purchases of restricted equity securities, net	(877,000)	(41,100)
Net increase in loans	(83,247,364)	(34,694,507)
Purchases of premises and equipment	(1,663,228)	(306,909)
Proceeds from the sale of premises and equipment	32,000	16,800
Purchases of bank-owned life insurance	(158,164)	(158,163)
Proceeds received on bank-owned life insurance	-	270,513
Net cash used in investing activities	(92,231,292)	(28,458,387)
<b>Cash Flows from Financing Activities</b>		
Net increase (decrease) in non-interest-bearing demand deposits	5,984,148	(8,773,775)
Net increase in interest-bearing deposits	70,813,473	37,773,695
Net increase (decrease) in other borrowings	18,000,000	(3,000,000)
Redemption of subordinated debt	-	(15,000,000)
Proceeds from issuance of subordinated debt, net of issuance costs	-	12,038,761
Cash dividends paid	(936,950)	(699,908)
Net settlement of restricted stock units	(133,325)	(60,050)
Net cash provided by financing activities	93,727,346	22,278,723
Net increase (decrease) in cash and cash equivalents	14,197,020	(153,643)
Cash and cash equivalents, beginning balance	16,510,418	16,664,061
Cash and cash equivalents, ending balance	\$ 30,707,438	\$ 16,510,418
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for:		
Interest	\$ 20,431,332	\$ 22,928,704
Income taxes	\$ 3,782,480	\$ 1,926,295
<b>Supplemental Disclosure of Noncash Investing and Financing Activities</b>		
Unrealized gains on securities available-for-sale	\$ 1,432,060	\$ 1,169,055
Amortization of unrealized holding losses on securities transferred to held-to-maturity	\$ 1,034,552	\$ 1,086,506
Lease liabilities arising from right-of-use assets	\$ 3,580,835	\$ -

See Notes to the Consolidated Financial Statements

## **Note 1. Nature of Operations and Summary of Significant Accounting Policies**

### **Nature of Operations:**

Community Heritage Financial, Inc. (“CMHF” or the “Company” individually, on a consolidated basis and collectively), is the parent company and sole shareholder of Middletown Valley Bank (the “Bank”). CMHF was established in November 2018 under the laws of the State of Maryland to serve as the holding company for the Bank. Establishment of the holding company occurred after an affirmative vote by shareholders and receipt of regulatory approval. Upon formation of the holding company, the Company’s reorganization was completed through a one-for-one share exchange in which the Bank’s shareholders received one share of CMHF’s common stock with a par value of \$0.01 in exchange for each share of their \$1 par value common stock of the Bank. CMHF is regulated under the Bank Holding Company Act of 1956, as amended, and is subject to regulation, supervision, and examination by the Federal Reserve Board.

Middletown Valley Bank began serving customers in 1908 and is headquartered in Middletown, Maryland. The Bank is a Maryland chartered bank subject to regulation, supervision, and examination by the Maryland Office of Commissioner of Financial Regulation and the Federal Deposit Insurance Corporation (“FDIC”). The Bank’s deposits are insured by the FDIC up to \$250,000 per depositor.

The Bank is an independent and community-oriented financial institution offering a full range of retail and commercial banking services to individuals and businesses in its market area. Its primary deposit products are demand, savings, and time deposits, and its primary lending products are real estate mortgages, commercial business loans and installment loans. Services are primarily provided to customers located in Frederick County and Washington County, Maryland, as well as the surrounding communities through the Bank’s network of eight branch locations as follows:

- Middletown, Maryland
- Jefferson, Maryland
- Myersville, Maryland
- Boonsboro, Maryland
- Frederick, Maryland
- Hagerstown, Maryland (2), and
- Waynesboro, Pennsylvania

Middletown Valley Bank is the parent company and sole shareholder of Millennium Financial Group, Inc. (“Mlend”). Mlend is a full-service residential mortgage company, headquartered in Middletown, Maryland with an additional lending office located in Oakland, Maryland. Mlend is licensed in Maryland, Pennsylvania, Virginia, West Virginia and the District of Columbia and offers a full range of residential mortgage products to homebuyers for home purchases, refinancing and construction. Programs include but are not limited to conventional, USDA, VA, FHA, and Maryland Mortgage Program loans.

### **Basis of Presentation:**

The accounting and reporting policies of the Company conform to generally accepted accounting principles in the United States of America (“GAAP”) and to general practices of the banking and mortgage industries.

The consolidated financial statements include the accounts of the Company and all wholly owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. In preparing consolidated financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to meaningful change in the near term include the determination of the allowance for credit losses.

Reclassifications of certain previously reported amounts, if needed, have been made to conform to current period presentation. No such reclassifications were significant.

A summary of the more significant accounting policies followed in the preparation of the consolidated financial statements is disclosed in this Note 1.

## **Adoption of New Accounting Standards:**

ASU 2023-09: On January 1, 2025, the Company adopted ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” The amendments in this ASU require an entity to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold, which is greater than five percent of the amount computed by multiplying pretax income by the entity’s applicable statutory rate, on an annual basis. Additionally, the amendments in this ASU require an entity to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions that are equal to or greater than five percent of total income taxes paid (net of refunds received). Lastly, the amendments in this ASU require an entity to disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign. Adoption of the ASU did not materially impact the Company’s consolidated financial statements. Refer to Note 12 Income Taxes for updated disclosures related to the adoption of ASU 2023-09.

## **Business Segments:**

In addition to retail and commercial banking services offered to individuals and businesses, common to most community-oriented financial institutions, the Company operates a mortgage banking business segment. The mortgage banking segment engages primarily in the origination of residential mortgages for sale into the secondary market, unlike other deposit and loan activities conducted by the Company which are done for investment purposes. As of and for the years ended December 31, 2025 and 2024, the mortgage banking segment did not meet the prescribed quantitative thresholds for separate disclosure.

## **Presentation of Cash Flows:**

For reporting cash flow, the Company considers cash and cash equivalents as those amounts that are highly liquid instruments with an original maturity of three months or less. They are included in “Cash and due from banks” in the Consolidated Balance Sheets.

## **Securities:**

Investments in debt securities are classified as either held-to-maturity (“HTM”), available-for-sale (“AFS”), or trading. Currently, the Company holds AFS and HTM securities. FHLB stock is classified as restricted and carried at cost. AFS securities are carried at fair value, with unrealized gains and losses that have not been recorded through an allowance for credit losses excluded from earnings and reported in “Accumulated other comprehensive loss” in the Consolidated Balance Sheets. HTM securities are carried at amortized cost, net of an allowance for credit losses (“ACL”). Purchase premiums and discounts are recognized in interest income using the interest method over the term or first call date, if applicable, of the securities.

### Allowance for Credit Losses for Held-to-Maturity Securities

The Company estimates expected credit losses on HTM securities on an individual basis based on a Probability of Default/Loss Given Default (“PD/LGD”) methodology primarily using security-level credit ratings. The primary indicators of credit quality for the Company’s HTM portfolio are security type and credit ratings, which are influenced by several factors including obligor cash flow, geography, and seniority, among other factors. The Company’s HTM securities with credit risk are municipal bonds and corporate debt securities. All other HTM securities are covered by the explicit or implied guarantee of the United States government or one of its agencies.

Changes in the ACL for HTM securities are recorded in “Provision for credit losses” in the Consolidated Statements of Income. As of December 31, 2025 and 2024, the ACL for HTM securities was \$78,511 and \$102,896, respectively.

Accrued interest receivable on HTM securities totaled \$380,319 and \$387,457 as of December 31, 2025 and 2024, respectively, and was excluded from the estimate of credit losses.

### Allowance for Credit Losses – Available-for-Sale Securities

Management evaluates AFS securities in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value and the entire loss is recorded

in earnings. If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized cost, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specific to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected are compared to the amortized cost basis of the security and any deficiency is recorded as an allowance for credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through the ACL for AFS securities is recognized in other comprehensive income.

Changes in the ACL for AFS securities are recorded in "Provision for credit losses" in the Consolidated Statements of Income. Losses are charged against the ACL for AFS securities when management believes an AFS security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. As of December 31, 2025 and 2024, there was no ACL related to the AFS securities portfolio.

Accrued interest receivable on AFS securities totaled \$324,135 and \$288,408 as of December 31, 2025 and 2024, respectively, and was excluded from the estimate of credit losses.

For restricted equity securities, impairment is based on the ultimate recovery of par value. The impairment of a restricted equity security results in a write-down included in the Consolidated Statements of Income. No impairment was recorded in 2025 or 2024.

Gains or losses on the disposition of AFS securities or restricted equity securities are based on the net proceeds and the adjusted carrying amount of the securities, using the specific identification method.

#### **Loans:**

Loans are reported at their recorded investment, which is the principal amount outstanding, as adjusted for net deferred fees or cost of loan originations. The balance of the ACL for loans is netted against the recorded investment in loans on the balance sheet. Interest income is accrued on the unpaid principal balance. Loan origination fees and certain direct origination costs are deferred and recognized as an adjustment of the yield on the related loans using the interest method. Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. Accrual of interest for all classes of loans is discontinued either when reasonable doubt exists as to the full, timely collection of interest or principal in accordance with the loan's contractual terms, or when a loan becomes contractually past due by ninety days or more with respect to principal or interest. All interest accrued but not collected for loans placed on nonaccrual or charged off is reversed against interest income. Income on such loans is then recognized only to the extent that cash is received and where the future collection of loan principal is probable. Accruals are resumed on loans only when they are brought fully current with respect to interest and principal and when, in the judgment of management, the loan is estimated to be fully collectible as to both principal and interest. Loans are considered past due when the borrower is not current with their payments in accordance with the contractual terms of their loan agreement.

Management segments the loan portfolio based on risk characteristics into the following loan classes: commercial real estate, residential real estate, commercial, and consumer loans. Characteristics associated with each loan class are detailed below:

- Loans secured by commercial real estate, including residential construction and land development, carry risks associated with the success of the business and the ability to generate a positive cash flow sufficient to service debts. Real estate security diminishes risks only to the extent that a market exists for the subject collateral.
- Residential real estate loans, including home equity loans and excluding construction of primary or secondary residences, carry risks associated with the continued creditworthiness of the borrower and changes in the value of the collateral.
- Commercial loans not secured by real estate carry risks associated with the successful operation of a business, and the repayments of these loans depend on the profitability and cash flows of the business. Additional risk relates to the value of collateral, if any, where depreciation occurs, and the valuation is less precise.
- Consumer loans carry risks associated with the continued creditworthiness of the borrower and the value of the collateral, such as automobiles, which may depreciate more rapidly than other assets. In addition, these loans may be unsecured. Consumer loans are more likely than real estate loans to be immediately affected in an adverse manner by job loss, divorce, illness, or personal bankruptcy.

**Loans Held for Sale:**

The Company engages in the sale of residential mortgages, with originations initiated through the Bank and Mlend. Loans originated and intended for sale in the secondary market ("Loans held for sale") are carried at the lower of cost or market on an individual basis. Gains and losses on loans sold (sales proceeds minus carrying value) are recorded in "Mortgage banking" income in the Consolidated Statements of Income. Direct loan origination costs and fees are deferred at origination of the loan and are recognized as mortgage banking income upon the sale of the loan. The servicing of loans held for sale is not retained once the sale is complete.

**Loan Modifications:**

Management strives to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral.

Loan Modifications exclude modifications with insignificant payment delays. The following factors are used when determining if a modification has an insignificant payment delay: (i) the amount of the restructured payments subject to the delay is insignificant relative to the unpaid principal or collateral value of the debt and will result in an insignificant shortfall in the contractual amount due, and (ii) the delay in timing of the restructured payment period is insignificant relative to the frequency of payments due under the debt, the debt's original contractual maturity or the debt's original expected duration.

The ACL for loans incorporates an estimate of lifetime expected credit losses and is recorded upon asset origination or acquisition. The starting point for the calculation of the ACL for loans is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulties. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the ACL for loans, a change to the ACL for loans is not recorded upon loan modification. When principal forgiveness is provided, the amount is deemed uncollectible and the amortized cost basis of the asset is reduced, resulting in a corresponding adjustment to the ACL for loans.

During 2020 and prior to the adoption of ASU 2016-13 and ASU 2022-02, the Bank approved payment deferrals for customers experiencing hardships related to COVID-19. These deferrals were for no more than six months in duration and for loans that were not more than 30 days past due as of December 31, 2019. However, payment deferrals for three loans included in the COVID-19 deferral program were deferred until maturity. These loans were not considered troubled debt restructurings based on the relief provisions of the Coronavirus Aid, Relief and Economic Security ("CARES") Act and later interagency regulatory guidance, nor are these loans included as loan modifications as of December 31, 2025 or 2024. One of the loans paid in full in 2025. As of December 31, 2025 and 2024, the principal balance of the loans totaled \$1,574,492 and \$1,751,852, respectively.

**Allowance for Credit Losses for Loans:**

The ACL for loans represents an amount which, in management's judgment, is adequate to absorb the lifetime expected losses that may be sustained on outstanding loans at the balance sheet date based on the evaluation of the size and current risk characteristics of the loan portfolio, past events, current economic conditions, reasonable and supportable forecasts of future economic conditions, and payment experience. The ACL for loans is measured and recorded upon the initial recognition of a financial asset. The ACL for loans is reduced by charge-offs, net of recoveries of previous losses, and is increased or decreased by a provision for (recovery of) credit losses, which is recorded in the Consolidated Statements of Income. The ACL for loans is determined based on two distinct categories of loans: (i) loans evaluated collectively, and (ii) loans evaluated individually for credit losses.

*Loans Evaluated Collectively:* The Company utilizes a discounted cash flow model to estimate its current expected credit losses. To calculate its quantitative reserves, the Company segments its loan portfolio based on loans which share similar risk characteristics. Within the quantitative portion of the calculation, the Company utilizes at least one or a combination of loss drivers, which may include unemployment rates, home price indices, and/or gross domestic product ("GDP"), to adjust its loss rates over a reasonable and supportable forecast period of two quarters. A straight-line reversion technique is used for the following four quarters, at which time the Company reverts to historical averages. To further adjust the ACL for loans for expected losses not already included within the quantitative component of the calculation, the Company may consider qualitative factors, including but not limited to: variability in the economic forecast, changes in volume and severity of

adversely classified loans, changes in concentrations of credit, changes in the nature and volume of the loan segments, factors related to credit administration, and other idiosyncratic risks not embedded in the data used in the model.

*Loans Evaluated Individually:* Loans that do not share risk characteristics with loans evaluated collectively are evaluated on an individual basis. The Company designates all loans on nonaccrual status and loans risk rated Substandard or worse to be evaluated individually. The ACL for loans that are evaluated individually may be determined based on their expected cash flows. In the case of loans for which repayment is expected substantially through the sale of collateral, the Company has adopted the practical expedient to measure the ACL for loans based on the fair value of collateral. The ACL for loans is calculated based on the shortfall between the fair value of the loan's collateral, adjusted for liquidation costs/discounts, and the loan's amortized cost. If the loan's amortized cost exceeds the fair value of the collateral, an ACL for loans is required.

#### Reserves for Off-balance Sheet Credit Exposures

Financial Instruments include off-balance sheet credit instruments, such as commitments to extend loans and commercial letters of credit issued to meet customer financing needs. The Company's exposure to credit losses in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

Changes in the reserve for off-balance sheet credit exposures ("Reserve for OBS"), excluding commitments to extend credit that are unconditionally cancelable, are recorded in "Provision for credit losses", in the Consolidated Statements of Income. The Reserve for OBS is estimated by loan segment at each balance sheet date under the current expected credit losses model using the same methodology as the loan portfolio, taking into consideration the likelihood that funding will occur as well as any third-party guarantees. The Reserve for OBS is included in "Other liabilities" in the Consolidated Balance Sheets and totaled \$445,582 as of December 31, 2025 and \$488,468 as of December 31, 2024.

#### Accrued Interest Receivable

The Company elected to exclude the accrued interest from the amortized cost basis in its determination of the ACL for loans and to write off accrued interest receivable directly through the reversal of interest income. Accrued interest receivable for loans totaled \$2,692,701 as of December 31, 2025 and \$2,476,640 as of December 31, 2024, and is included in "Accrued interest receivable" in the Consolidated Balance Sheets.

#### **Transfers of Financial Assets:**

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (i) the assets have been isolated from the Bank – put presumptively beyond reach of the transferor and its creditors, even in bankruptcy or other receivership, (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (iii) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

#### **Other Real Estate Owned:**

A property acquired by foreclosure, or a deed in lieu of foreclosure, is initially recorded at fair value less cost to sell. Subsequently, the property is carried at the lower of the initially recorded amount plus capitalized costs or estimated fair value less cost to sell. Costs of carrying the property are charged to expense. As of December 31, 2025, and 2024, the Bank had no other real estate owned. As of December 31, 2025, and 2024, the Bank had no consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process.

#### **Premises and Equipment:**

Land is carried at cost. Premises and equipment, including construction of major capital additions, are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis. The estimated useful lives for computing depreciation on premises and equipment range from 3 to 50 years in each of these categories. Maintenance and repairs are charged to operating expenses as incurred.

#### **Bank-Owned Life Insurance:**

The Bank owns life insurance policies on certain key executives and other officers. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value.

Any increase in the cash surrender value is recorded in “Earnings on bank-owned life insurance” in the Consolidated Statements of Income. In the event of the death of an individual covered by these policies, the death benefit received in excess of the cash surrender value would also be recorded as earnings on bank-owned life insurance. No death benefit was recorded in 2025. A death benefit of \$138,122 was recorded in 2024.

#### **Stock-Based Compensation:**

Compensation cost is recognized for equity awards issued to employees, based on the fair value of these awards at the date of grant using an observable market price. The Company classifies stock awards as equity. Compensation cost is recognized over the required service period on a straight-line basis. The Company’s accounting policy is to recognize forfeitures as they occur.

#### **Earnings Per Common Share:**

Basic earnings per common share (“EPS”) represent income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted EPS is calculated by assuming dilution of common shares and adjusting net income for compensation cost attributable to the stock-based compensation plan. Basic average shares outstanding for the years ending December 31, 2025 and 2024 were 2,928,301 and 2,916,191, respectively. Diluted average shares outstanding were 2,948,966 and 2,924,791 for the years ended December 31, 2025 and 2024, respectively. Basic earnings per common share were \$2.96 and \$2.27 for the years ended December 31, 2025 and 2024, respectively. Diluted earnings per common share were \$2.93 and \$2.27 for the years ended December 31, 2025 and December 31, 2024, respectively.

#### **Income Taxes:**

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences, operating loss carryforwards, and tax credit carryforwards. Deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceed the amount measured based on the described above is reflected as a liability for unrecognized tax benefits, if any, in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits are recorded in “Income tax expense” in the Consolidated Statements of Income. As of December 31, 2025, and 2024, there was no liability recorded for unrecognized tax benefits.

#### **Advertising Costs:**

The Company accounts for its advertising costs as a charge to operations as the costs are incurred. Advertising costs were \$353,357 and \$306,194 for the years ended December 31, 2025 and 2024, respectively.

#### **Comprehensive Income:**

While accounting principles require that recognized revenue, expenses, gains, and losses be included in net income, certain changes in assets and liabilities, such as unrealized gains and losses on the AFS security portfolio, are reported as a separate component of Shareholders’ Equity in the Consolidated Balance Sheets. Such items, along with net income, are components of other comprehensive income. All the Company’s other comprehensive income relates to unrealized gains and losses on the AFS securities portfolio for the years ended December 31, 2025 and December 31, 2024.

### **Restrictions on Retained Earnings:**

Certain banking regulations may limit the Bank's ability to pay dividends to the Company from retained earnings.

### **Goodwill and Other Intangible Assets:**

Goodwill arises from business combinations and is determined by the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized but evaluated 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 conducts an annual goodwill impairment assessment, which is conducted in the fourth quarter. As of December 31, 2025, and 2024, there were no impairment charges to goodwill based on the annual assessment. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. There were no intangible assets as of December 31, 2025 and 2024, nor any intangible amortization expense in 2025 and 2024.

### **Recent Accounting Pronouncements:**

In November 2024, the Financial Accounting Standards Board (FASB) issued ASU 2024-03, "Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses." ASU 2024-03 requires public companies to disclose, in notes to the financial statements, specific information about certain costs and expenses at each interim and annual reporting period. This includes disclosing amounts related to employee compensation, depreciation, and intangible asset amortization. In addition, public companies will need to provide qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. The FASB subsequently issued ASU 2025-01, "Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date", which amends the effective date of ASU 2024-03 to clarify that all public business entities are required to adopt the guidance in ASU 2024-03 in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption of ASU 2024-03 is permitted. Implementation of ASU 2024-03 may be applied prospectively or retrospectively. The Company does not expect the adoption of ASU 2024-03 to have a material impact on its consolidated financial statements.

In November 2025, the Financial Accounting Standards Board (FASB) issued ASU 2025-09, "Derivatives and Hedging (Topic 815): Hedge Accounting Improvements." The amendments in this ASU enables entities to apply hedge accounting to a greater number of highly effective economic hedges in the following five areas: 1) similar risk assessment for cash flow hedges, 2) hedging forecasted interest payments on choose-your-rate debt instruments, 3) cash flow hedges of nonfinancial forecasted transactions, 4) net written options as hedging instruments, and 5) foreign-currency-denominated debt instrument as hedging instrument and hedged item (dual hedge). This ASU is effective for annual reporting periods beginning after December 15, 2026, and interim periods within those annual reporting periods. Early adoption is permitted on any date on or after November 25, 2025. The Company does not expect the adoption of ASU 2025-09 to have a material impact on its consolidated financial statements.

### **Note 2. Investment Securities**

The Company recognized no gross gains or gross losses on sales of securities in 2025. In December 2024, the Company sold AFS securities with a book value of \$8,065,125, recognizing gross losses totaling \$442,493.

The following tables present the amortized cost and the estimated fair value of debt securities (with gross unrealized gains and losses), and the related ACL as of December 31, 2025 and 2024:

<b>As of December 31, 2025</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>	<b>Allowance for Credit Losses</b>
<b>Securities Available-for-Sale:</b>					
U.S. Government Agency	\$ 5,360,212	\$ 17,044	\$ (265,551)	\$ 5,111,705	\$ -
Mortgage-Backed	30,816,295	150,027	(512,536)	30,453,786	-
Municipal	6,001,646	8,693	(141,008)	5,869,331	-
Corporate	12,614,824	129,305	(497,576)	12,246,553	-
<b>Total AFS</b>	<b>54,792,977</b>	<b>305,069</b>	<b>(1,416,671)</b>	<b>53,681,375</b>	<b>-</b>
<b>Securities Held-to-Maturity:</b>					
U.S. Government Agency	1,973,940	-	(58,170)	1,915,770	-
Mortgage-Backed	49,280,501	5,532	(4,231,602)	45,054,431	-
Municipal	28,839,611	3,114	(1,835,868)	27,006,857	(1,492)
Corporate	6,459,505	4,284	(108,121)	6,355,668	(77,019)
<b>Total HTM</b>	<b>86,553,557</b>	<b>12,930</b>	<b>(6,233,761)</b>	<b>80,332,726</b>	<b>(78,511)</b>
<b>Total Securities:</b>					
U.S. Government Agency	7,334,152	17,044	(323,721)	7,027,475	-
Mortgage-Backed	80,096,796	155,559	(4,744,138)	75,508,217	-
Municipal	34,841,257	11,807	(1,976,876)	32,876,188	(1,492)
Corporate	19,074,329	133,589	(605,697)	18,602,221	(77,019)
<b>Total</b>	<b>\$ 141,346,534</b>	<b>\$ 317,999</b>	<b>\$ (7,650,432)</b>	<b>\$ 134,014,101</b>	<b>\$ (78,511)</b>

<b>As of December 31, 2024</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>	<b>Allowance for Credit Losses</b>
<b>Securities Available-for-Sale:</b>					
U.S. Government Agency	\$ 3,979,720	\$ 60	\$ (364,840)	\$ 3,614,940	\$ -
Mortgage-Backed	19,683,866	2,680	(1,038,712)	18,647,834	-
Municipal	6,442,423	4	(371,553)	6,070,874	-
Corporate	12,919,561	35,709	(807,007)	12,148,263	-
<b>Total AFS</b>	<b>43,025,570</b>	<b>38,453</b>	<b>(2,582,112)</b>	<b>40,481,911</b>	<b>-</b>
<b>Securities Held-to-Maturity:</b>					
U.S. Government Agency	1,952,869	-	(123,789)	1,829,080	-
Mortgage-Backed	53,917,355	2,310	(6,785,520)	47,134,145	-
Municipal	28,623,004	-	(2,885,932)	25,737,072	(1,745)
Corporate	6,881,592	-	(325,354)	6,556,238	(101,151)
<b>Total HTM</b>	<b>91,374,820</b>	<b>2,310</b>	<b>(10,120,595)</b>	<b>81,256,535</b>	<b>(102,896)</b>
<b>Total Securities:</b>					
U.S. Government Agency	5,932,589	60	(488,629)	5,444,020	-
Mortgage-Backed	73,601,221	4,990	(7,824,232)	65,781,979	-
Municipal	35,065,427	4	(3,257,485)	31,807,946	(1,745)
Corporate	19,801,153	35,709	(1,132,361)	18,704,501	(101,151)
<b>Total</b>	<b>\$ 134,400,390</b>	<b>\$ 40,763</b>	<b>\$ (12,702,707)</b>	<b>\$ 121,738,446</b>	<b>\$ (102,896)</b>

Securities with an estimated fair value of \$70,068,433 and \$69,224,235 as of December 31, 2025 and 2024 respectively, were pledged to secure public funds and for other purposes as required or permitted by law.

The amortized cost and estimated fair value of debt securities as of December 31, 2025, by contractual maturity, are shown below. Expected maturity may differ from contractual maturity as underlying borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

<b>As of December 31, 2025</b>	<b>Securities Available-for-Sale</b>		<b>Securities Held-to-Maturity</b>		<b>Total Securities</b>	
	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>
Due one year or less	\$ -	\$ -	\$ 998,717	\$ 990,640	\$ 998,717	\$ 990,640
Due after one year through five years	6,444,151	6,471,046	8,050,493	7,947,797	14,494,644	14,418,843
Due after five years through ten years	19,932,700	18,940,261	18,492,130	17,675,611	38,424,830	36,615,872
Due after ten years	28,416,126	28,270,068	59,012,217	53,718,678	87,428,343	81,988,746
	<b>\$ 54,792,977</b>	<b>\$ 53,681,375</b>	<b>\$ 86,553,557</b>	<b>\$ 80,332,726</b>	<b>\$ 141,346,534</b>	<b>\$ 134,014,101</b>

The following tables present debt securities with gross unrealized losses and estimated fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2025 and 2024:

	No. of Securities	Less than Twelve Months		Twelve Months or Greater		Total	
		Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
<b>As of December 31, 2025</b>							
Securities Available-for-Sale:							
U.S. Government Agency	1	\$ -	\$ -	\$ 2,100,355	\$ (265,551)	\$ 2,100,355	\$ (265,551)
Mortgage-Backed	18	6,217,846	(16,683)	7,967,112	(495,853)	14,184,958	(512,536)
Municipal	4	-	-	3,292,810	(141,008)	3,292,810	(141,008)
Corporate	12	489,225	(10,776)	6,513,201	(486,800)	7,002,426	(497,576)
<b>Total AFS</b>	<b>35</b>	<b>6,707,071</b>	<b>(27,459)</b>	<b>19,873,478</b>	<b>(1,389,212)</b>	<b>26,580,549</b>	<b>(1,416,671)</b>
Securities Held-to-Maturity:							
U.S. Government Agency	2	-	-	1,915,770	(58,170)	1,915,770	(58,170)
Mortgage-Backed	51	-	-	44,857,251	(4,231,602)	44,857,251	(4,231,602)
Municipal	40	-	-	26,009,986	(1,835,868)	26,009,986	(1,835,868)
Corporate	7	-	-	5,878,605	(108,121)	5,878,605	(108,121)
<b>Total HTM</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>78,661,612</b>	<b>(6,233,761)</b>	<b>78,661,612</b>	<b>(6,233,761)</b>
Total Securities:							
U.S. Government Agency	3	-	-	4,016,125	(323,721)	4,016,125	(323,721)
Mortgage-Backed	69	6,217,846	(16,683)	52,824,363	(4,727,455)	59,042,209	(4,744,138)
Municipal	44	-	-	29,302,796	(1,976,876)	29,302,796	(1,976,876)
Corporate	19	489,225	(10,776)	12,391,806	(594,921)	12,881,031	(605,697)
<b>Total</b>	<b>135</b>	<b>\$ 6,707,071</b>	<b>\$ (27,459)</b>	<b>\$ 98,535,090</b>	<b>\$ (7,622,973)</b>	<b>\$ 105,242,161</b>	<b>\$ (7,650,432)</b>
<b>As of December 31, 2024</b>							
Securities Available-for-Sale:							
U.S. Government Agency	2	\$ 992,370	\$ (1,133)	\$ 2,122,509	\$ (363,707)	\$ 3,114,879	\$ (364,840)
Mortgage-Backed	19	6,996,766	(103,280)	8,771,506	(935,432)	15,768,272	(1,038,712)
Municipal	10	1,789,216	(82,195)	3,741,435	(289,358)	5,530,651	(371,553)
Corporate	17	-	-	10,196,153	(807,007)	10,196,153	(807,007)
<b>Total AFS</b>	<b>48</b>	<b>9,778,352</b>	<b>(186,608)</b>	<b>24,831,603</b>	<b>(2,395,504)</b>	<b>34,609,955</b>	<b>(2,582,112)</b>
Securities Held-to-Maturity:							
U.S. Government Agency	2	-	-	1,829,080	(123,789)	1,829,080	(123,789)
Mortgage-Backed	54	-	-	46,953,212	(6,785,520)	46,953,212	(6,785,520)
Municipal	41	-	-	25,737,072	(2,885,932)	25,737,072	(2,885,932)
Corporate	9	-	-	6,556,238	(325,354)	6,556,238	(325,354)
<b>Total HTM</b>	<b>106</b>	<b>-</b>	<b>-</b>	<b>81,075,602</b>	<b>(10,120,595)</b>	<b>81,075,602</b>	<b>(10,120,595)</b>
Total Securities:							
U.S. Government Agency	4	992,370	(1,133)	3,951,589	(487,496)	4,943,959	(488,629)
Mortgage-Backed	73	6,996,766	(103,280)	55,724,718	(7,720,952)	62,721,484	(7,824,232)
Municipal	51	1,789,216	(82,195)	29,478,507	(3,175,290)	31,267,723	(3,257,485)
Corporate	26	-	-	16,752,391	(1,132,361)	16,752,391	(1,132,361)
<b>Total</b>	<b>154</b>	<b>\$ 9,778,352</b>	<b>\$ (186,608)</b>	<b>\$ 105,907,205</b>	<b>\$ (12,516,099)</b>	<b>\$ 115,685,557</b>	<b>\$ (12,702,707)</b>

Management evaluates securities for impairment at least quarterly, and more frequently when economic or market concerns warrant such evaluation. As of December 31, 2025 the Bank had 127 securities with fair values totaling \$98,535,090 that had been in an unrealized loss position for twelve consecutive months or longer. The unrealized losses on securities were reflective of interest rate fluctuations and were not a reflection of credit deterioration. Because the Bank does not intend to sell these investments and it is more likely than not that the Bank will not be required to sell these investments before recovery of the amortized cost basis, which may be at maturity, the Bank does not consider these investments to be impaired due to credit deterioration as of December 31, 2025 and no ACL has been recorded.

### Credit Quality Indicators and Allowance for Credit Losses – Held-to-Maturity Securities

The Company monitors the credit quality of HTM securities using credit ratings provided by Moody's and S&P. The Company monitors the credit ratings quarterly. The amortized cost of HTM securities as of December 31, 2025 and 2024, aggregated by credit quality indicators, is as follows:

As of December 31, 2025	U.S.				Total
	Government Agency	Mortgage-Backed	Municipal	Corporate	
Aaa / AAA	\$ -	\$ -	\$ 5,818,650	\$ -	\$ 5,818,650
Aa / AA	1,973,940	-	23,020,961	1,973,968	26,968,869
A	-	-	-	2,158,080	2,158,080
Baa / BBB	-	-	-	1,940,195	1,940,195
Not rated	-	-	-	387,262	387,262
U.S. Agencies/Sponsored Agencies	-	49,280,501	-	-	49,280,501
<b>Total</b>	<b>\$ 1,973,940</b>	<b>\$ 49,280,501</b>	<b>\$ 28,839,611</b>	<b>\$ 6,459,505</b>	<b>\$ 86,553,557</b>

As of December 31, 2024	U.S.				Total
	Government Agency	Mortgage-Backed	Municipal	Corporate	
Aaa / AAA	\$ -	\$ -	\$ 5,381,047	\$ -	\$ 5,381,047
Aa / AA	1,952,869	-	23,241,957	1,958,422	27,153,248
A	-	-	-	2,117,654	2,117,654
Baa / BBB	-	-	-	1,917,939	1,917,939
Not rated	-	-	-	887,577	887,577
U.S. Agencies/Sponsored Agencies	-	53,917,355	-	-	53,917,355
<b>Total</b>	<b>\$ 1,952,869</b>	<b>\$ 53,917,355</b>	<b>\$ 28,623,004</b>	<b>\$ 6,881,592</b>	<b>\$ 91,374,820</b>

The following table summarizes the change in the allowance for credit losses for HTM securities for the years ended December 31, 2025 and 2024:

As of and for the year ended December 31, 2025	U.S.				Total
	Government Agency	Mortgage-Backed	Municipal	Corporate	
Beginning balance	\$ -	\$ -	\$ 1,745	\$ 101,151	\$ 102,896
Provision for credit losses	-	-	(253)	(24,132)	(24,385)
Charge-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
<b>Ending balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,492</b>	<b>\$ 77,019</b>	<b>\$ 78,511</b>

As of and for the year ended December 31, 2024	U.S.				Total
	Government Agency	Mortgage-Backed	Municipal	Corporate	
Beginning balance	\$ -	\$ -	\$ 2,371	\$ 101,578	\$ 103,949
Provision for credit losses	-	-	(626)	(427)	(1,053)
Charge-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
<b>Ending balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,745</b>	<b>\$ 101,151</b>	<b>\$ 102,896</b>

As of December 31, 2025, there were no HTM securities past due 30-days or more as to principal or interest payments nor were any HTM securities classified as nonaccrual.

On April 1, 2022, the Company transferred 112 securities designated AFS with a combined book value of \$116,470,263, market value of \$106,275,366, and unrealized loss of \$10,194,897 to HTM. The unrealized loss is amortized monthly over the life of the securities with an increase to the amortized cost of the securities and a decrease to "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. The amortization of the unrealized loss on the transferred securities totaled \$1,034,552, or \$749,843 net of tax and \$1,086,506, or \$787,499 net of tax, for the years ended December 31, 2025 and 2024, respectively.

### Note 3. Loans, Allowance for Credit Losses and Credit Quality

#### Loans

Loans outstanding, the ACL for loans and the Reserve for OBS as of December 31, 2025 and 2024, are as follows:

	2025		2024	
	Amount	Percent	Amount	Percent
Commercial real estate:				
Construction and land development	\$ 87,098,819	9.4%	\$ 59,761,206	7.1%
Multifamily	23,416,919	2.5%	25,185,498	3.0%
Other	354,179,502	38.2%	327,746,999	38.8%
Residential real estate	322,126,792	34.8%	296,196,340	35.1%
Commercial	139,246,435	15.0%	134,164,953	15.9%
Consumer	1,181,301	0.1%	1,036,859	0.1%
Total gross loans	\$ 927,249,768	100.0%	\$ 844,091,855	100.0%
Net deferred loan costs	3,605,386		3,502,115	
Allowance for credit losses	(9,842,370)		(8,279,404)	
Total net loans	\$ 921,012,784		\$ 839,314,566	
Reserve for off-balance sheet credit exposure <sup>1</sup>	\$ 445,582		\$ 488,468	

<sup>1</sup> Included in other liabilities on the Consolidated Balance Sheets.

As of December 31, 2025 and 2024, overdraft deposits reclassified as loans totaled \$36,810 and \$62,755, respectively.

#### Allowance for Credit Losses

The following tables summarize the activity in the ACL for loans by loan class and the Reserve for OBS for the years ended December 31, 2025 and 2024:

As of and for the year ended	ACL for Loans					Reserve for OBS
	Commercial Real Estate	Residential Real Estate	Commercial	Consumer	Total	
<b>December 31, 2025:</b>						
Beginning balance	\$ 3,066,573	\$ 3,714,028	\$ 1,445,590	\$ 53,213	\$ 8,279,404	\$ 488,468
Provision for credit losses	(5,671)	1,136,238	421,435	(2,856)	1,549,146	(42,886)
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	12,000	1,820	13,820	-
<b>Ending Balance</b>	<b>\$ 3,060,902</b>	<b>\$ 4,850,266</b>	<b>\$ 1,879,025</b>	<b>\$ 52,177</b>	<b>\$ 9,842,370</b>	<b>\$ 445,582</b>
<b>December 31, 2024:</b>						
Beginning balance	\$ 3,014,164	\$ 3,151,172	\$ 1,519,178	\$ 57,783	\$ 7,742,297	\$ 451,213
Provision for credit losses	52,409	561,276	(56,869)	13,700	570,516	37,255
Charge-offs	-	-	(28,824)	(18,270)	(47,094)	-
Recoveries	-	1,580	12,105	-	13,685	-
<b>Ending Balance</b>	<b>\$ 3,066,573</b>	<b>\$ 3,714,028</b>	<b>\$ 1,445,590</b>	<b>\$ 53,213</b>	<b>\$ 8,279,404</b>	<b>\$ 488,468</b>

The following tables summarize the ACL for loans by individually evaluated and collectively evaluated loans and by loan class as of December 31, 2025 and 2024:

As of December 31, 2025	Commercial Real Estate	Residential Real Estate	Commercial	Consumer	Total
	Individually evaluated	\$ -	\$ -	\$ 792,137	\$ -
Collectively evaluated	3,060,902	4,850,266	1,086,888	52,177	9,050,233
Total	\$ 3,060,902	\$ 4,850,266	\$ 1,879,025	\$ 52,177	\$ 9,842,370
As of December 31, 2024	Commercial Real Estate	Residential Real Estate	Commercial	Consumer	Total
Individually evaluated	\$ -	\$ -	\$ 49,715	\$ -	\$ 49,715
Collectively evaluated	3,066,573	3,714,028	1,395,875	53,213	8,229,689
Total	\$ 3,066,573	\$ 3,714,028	\$ 1,445,590	\$ 53,213	\$ 8,279,404

The following tables summarize the loan portfolio by individually evaluated and collectively evaluated loans and by loan class as of December 31, 2025 and 2024:

<b>As of December 31, 2025</b>	Commercial Real Estate	Residential Real Estate	Commercial	Consumer	Total
Individually evaluated	\$ -	\$ 1,085,810	\$ 792,137	\$ -	\$ 1,877,947
Collectively evaluated	464,695,240	321,040,982	138,454,298	1,181,301	925,371,821
Total	\$ 464,695,240	\$ 322,126,792	\$ 139,246,435	\$ 1,181,301	\$ 927,249,768

<b>As of December 31, 2024</b>	Commercial Real Estate	Residential Real Estate	Commercial	Consumer	Total
Individually evaluated	\$ -	\$ 1,163,197	\$ 49,715	\$ -	\$ 1,212,912
Collectively evaluated	412,693,703	295,033,143	134,115,238	1,036,859	842,878,943
Total	\$ 412,693,703	\$ 296,196,340	\$ 134,164,953	\$ 1,036,859	\$ 844,091,855

Individually evaluated loans include collateral dependent loans. A loan is considered collateral dependent when, based on management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. In such cases, expected credit losses are based on the fair value of the collateral. The fair value of the collateral supporting a collateral dependent loan is evaluated based on a current appraisal. The underlying collateral may vary based on loan type.

The following tables present individually evaluated collateral dependent loans by loan class and collateral type as of December 31, 2025 and 2024:

<b>As of December 31, 2025</b>	Real Estate Secured	Non-Real Estate Secured	Total Collateral Dependent Loans	ACL Recorded on Collateral Dependent Loans
Commercial real estate:				
Construction and land development	\$ -	\$ -	\$ -	\$ -
Multifamily	-	-	-	-
Other	-	-	-	-
Residential real estate	1,085,810	-	1,085,810	-
Commercial	-	792,137	792,137	792,137
Consumer	-	-	-	-
Total	\$ 1,085,810	\$ 792,137	\$ 1,877,947	\$ 792,137

<b>As of December 31, 2024</b>	Real Estate Secured	Non-Real Estate Secured	Total Collateral Dependent Loans	ACL Recorded on Collateral Dependent Loans
Commercial real estate:				
Construction and land development	\$ -	\$ -	\$ -	\$ -
Multifamily	-	-	-	-
Other	-	-	-	-
Residential real estate	1,163,197	-	1,163,197	-
Commercial	-	49,715	49,715	49,715
Consumer	-	-	-	-
Total	\$ 1,163,197	\$ 49,715	\$ 1,212,912	\$ 49,715

### Credit Quality

Management evaluates the credit quality of all loans based on an internal grading system that estimates the capability of the borrower to repay the contractual terms of their loan agreement as scheduled or at all. The Bank's internal risk grading is based on experiences with similarly graded loans. The migration of loans through the various internal risk categories is a significant component of the ACL methodology under the CECL and incurred loss models. Assigning risk ratings involves judgement. Risk ratings may change based on latest information obtained and the ongoing monitoring procedures performed by loan officers, credit staff or third-party loan review consultants engaged by the Bank. The Bank uses the following definitions for risk ratings:

- Pass – these loans do not currently pose undue credit risk and can range from highest quality to average quality.
- Special Mention – these loans have a heightened credit risk, but not to the point of justifying a classification of Substandard. Loans in this category are currently acceptable but are nevertheless potentially weak.

- Substandard or Worse – these loans are inadequately protected by the paying capacity and current financial strength of the borrower. There exist a well-defined weakness or weaknesses that jeopardize the repayment of the debt.

The following tables present designated internal risk categories and gross charge-offs by loan class and by origination year, as of December 31, 2025 and 2024:

December 31, 2025									
	Term Loans - by Origination Year					Revolving Loans	Revolving Loans Converted to Term Loans	Total	
	2025	2024	2023	2022	2021				Prior
<b>Commercial real estate:</b>									
<b>Construction and land development:</b>									
Pass	\$ 35,876,847	\$ 14,979,373	\$ 6,196,207	\$ 3,648,723	\$ 4,569,941	\$ 3,846,241	\$ 12,139,376	\$ -	\$ 81,256,708
Special Mention	-	1,264,284	4,370,227	207,600	-	-	-	-	5,842,111
Substandard or Worse	-	-	-	-	-	-	-	-	-
Total	<u>35,876,847</u>	<u>16,243,657</u>	<u>10,566,434</u>	<u>3,856,323</u>	<u>4,569,941</u>	<u>3,846,241</u>	<u>12,139,376</u>	<u>-</u>	<u>87,098,819</u>
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
<b>Multifamily:</b>									
Pass	2,861,849	461,810	790,597	11,816,343	1,253,711	6,232,609	-	-	23,416,919
Special Mention	-	-	-	-	-	-	-	-	-
Substandard or Worse	-	-	-	-	-	-	-	-	-
Total	<u>2,861,849</u>	<u>461,810</u>	<u>790,597</u>	<u>11,816,343</u>	<u>1,253,711</u>	<u>6,232,609</u>	<u>-</u>	<u>-</u>	<u>23,416,919</u>
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
<b>Other:</b>									
Pass	52,831,477	26,207,708	32,946,052	56,865,957	52,066,578	121,604,373	3,991,691	-	346,513,836
Special Mention	-	6,011,586	-	-	-	1,204,080	450,000	-	7,665,666
Substandard or Worse	-	-	-	-	-	-	-	-	-
Total	<u>52,831,477</u>	<u>32,219,294</u>	<u>32,946,052</u>	<u>56,865,957</u>	<u>52,066,578</u>	<u>122,808,453</u>	<u>4,441,691</u>	<u>-</u>	<u>354,179,502</u>
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
<b>Residential real estate:</b>									
Pass	40,895,990	28,780,169	43,352,644	81,634,013	43,687,440	38,992,643	43,074,195	410,832	320,827,926
Special Mention	-	-	-	-	-	-	-	-	-
Substandard or Worse	-	-	-	-	-	1,182,393	116,473	-	1,298,866
Total	<u>40,895,990</u>	<u>28,780,169</u>	<u>43,352,644</u>	<u>81,634,013</u>	<u>43,687,440</u>	<u>40,175,036</u>	<u>43,190,668</u>	<u>410,832</u>	<u>322,126,792</u>
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
<b>Commercial:</b>									
Pass	21,981,201	21,270,435	7,766,278	8,544,793	7,966,734	21,426,194	43,937,373	-	132,893,008
Special Mention	-	-	-	1,487,985	220,167	-	3,852,256	-	5,560,408
Substandard or Worse	-	-	-	-	22,456	882	769,681	-	793,019
Total	<u>21,981,201</u>	<u>21,270,435</u>	<u>7,766,278</u>	<u>10,032,778</u>	<u>8,209,357</u>	<u>21,427,076</u>	<u>48,559,310</u>	<u>-</u>	<u>139,246,435</u>
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
<b>Consumer:</b>									
Pass	438,377	87,469	241,229	8,109	3,761	6,844	395,512	-	1,181,301
Special Mention	-	-	-	-	-	-	-	-	-
Substandard or Worse	-	-	-	-	-	-	-	-	-
Total	<u>438,377</u>	<u>87,469</u>	<u>241,229</u>	<u>8,109</u>	<u>3,761</u>	<u>6,844</u>	<u>395,512</u>	<u>-</u>	<u>1,181,301</u>
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
<b>Total:</b>									
Pass	\$ 154,885,741	\$ 91,786,964	\$ 91,293,007	\$ 162,517,938	\$ 109,548,165	\$ 192,108,904	\$ 103,538,147	\$ 410,832	\$ 906,089,698
Special Mention	-	7,275,870	4,370,227	1,695,585	220,167	1,204,080	4,302,256	-	19,068,185
Substandard or Worse	-	-	-	-	22,456	1,183,275	886,154	-	2,091,885
Total	<u>\$ 154,885,741</u>	<u>\$ 99,062,834</u>	<u>\$ 95,663,234</u>	<u>\$ 164,213,523</u>	<u>\$ 109,790,788</u>	<u>\$ 194,496,259</u>	<u>\$ 108,726,557</u>	<u>\$ 410,832</u>	<u>\$ 927,249,768</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

December 31, 2024

	Term Loans - by Origination Year						Revolving Loans	Revolving Loans Converted to Term Loans	Total
	2024	2023	2022	2021	2020	Prior			
<b>Commercial real estate:</b>									
Construction and land development:									
Pass	\$ 18,955,627	\$ 9,520,081	\$ 7,664,815	\$ 6,732,634	\$ 1,175,611	\$ 4,473,971	\$ 5,524,726	\$ -	\$ 54,047,465
Special Mention	1,312,957	4,184,263	216,521	-	-	-	-	-	5,713,741
Substandard or Worse	-	-	-	-	-	-	-	-	-
Total	<u>20,268,584</u>	<u>13,704,344</u>	<u>7,881,336</u>	<u>6,732,634</u>	<u>1,175,611</u>	<u>4,473,971</u>	<u>5,524,726</u>	<u>-</u>	<u>59,761,206</u>
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Multifamily:									
Pass	472,069	3,170,598	14,088,530	466,293	3,657,003	3,331,005	-	-	25,185,498
Special Mention	-	-	-	-	-	-	-	-	-
Substandard or Worse	-	-	-	-	-	-	-	-	-
Total	<u>472,069</u>	<u>3,170,598</u>	<u>14,088,530</u>	<u>466,293</u>	<u>3,657,003</u>	<u>3,331,005</u>	<u>-</u>	<u>-</u>	<u>25,185,498</u>
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
Other:									
Pass	31,254,904	29,997,221	64,204,274	54,967,355	37,528,969	97,654,210	3,985,303	-	319,592,236
Special Mention	6,243,025	-	-	-	1,261,738	-	650,000	-	8,154,763
Substandard or Worse	-	-	-	-	-	-	-	-	-
Total	<u>37,497,929</u>	<u>29,997,221</u>	<u>64,204,274</u>	<u>54,967,355</u>	<u>38,790,707</u>	<u>97,654,210</u>	<u>4,635,303</u>	<u>-</u>	<u>327,746,999</u>
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
<b>Residential real estate:</b>									
Pass	23,368,879	49,559,762	92,578,030	48,218,218	16,288,109	30,550,089	32,723,639	833,173	294,119,899
Special Mention	-	-	115,212	-	-	1,835,996	125,233	-	2,076,441
Substandard or Worse	-	-	-	-	-	-	-	-	-
Total	<u>23,368,879</u>	<u>49,559,762</u>	<u>92,693,242</u>	<u>48,218,218</u>	<u>16,288,109</u>	<u>32,386,085</u>	<u>32,848,872</u>	<u>833,173</u>	<u>296,196,340</u>
Current period gross charge-offs	-	-	-	-	-	-	-	-	-
<b>Commercial:</b>									
Pass	27,261,950	14,275,962	13,239,653	10,451,929	11,964,834	15,005,425	36,219,951	-	128,419,704
Special Mention	-	-	1,673,141	258,193	-	-	3,762,318	-	5,693,652
Substandard or Worse	-	-	-	26,902	1,882	-	22,813	-	51,597
Total	<u>27,261,950</u>	<u>14,275,962</u>	<u>14,912,794</u>	<u>10,737,024</u>	<u>11,966,716</u>	<u>15,005,425</u>	<u>40,005,082</u>	<u>-</u>	<u>134,164,953</u>
Current period gross charge-offs	-	-	-	-	(2,120)	(26,704)	-	-	(28,824)
<b>Consumer:</b>									
Pass	342,931	295,689	23,674	19,906	274	8,542	345,843	-	1,036,859
Special Mention	-	-	-	-	-	-	-	-	-
Substandard or Worse	-	-	-	-	-	-	-	-	-
Total	<u>342,931</u>	<u>295,689</u>	<u>23,674</u>	<u>19,906</u>	<u>274</u>	<u>8,542</u>	<u>345,843</u>	<u>-</u>	<u>1,036,859</u>
Current period gross charge-offs	-	-	(10,000)	-	-	(8,270)	-	-	(18,270)
<b>Total:</b>									
Pass	\$ 101,656,360	\$ 106,819,313	\$ 191,798,976	\$ 120,856,335	\$ 70,614,800	\$ 151,023,242	\$ 78,799,462	\$ 833,173	\$ 822,401,661
Special Mention	7,555,982	4,184,263	2,004,874	258,193	1,261,738	1,835,996	4,537,551	-	21,638,597
Substandard or Worse	-	-	-	26,902	1,882	-	22,813	-	51,597
Total	<u>\$ 109,212,342</u>	<u>\$ 111,003,576</u>	<u>\$ 193,803,850</u>	<u>\$ 121,141,430</u>	<u>\$ 71,878,420</u>	<u>\$ 152,859,238</u>	<u>\$ 83,359,826</u>	<u>\$ 833,173</u>	<u>\$ 844,091,855</u>
Current period gross charge-offs	\$ -	\$ -	\$ (10,000)	\$ -	\$ (2,120)	\$ (34,974)	\$ -	\$ -	\$ (47,094)

The following tables reflect past due and nonaccrual loans as of December 31, 2025 and 2024:

As of December 31, 2025	Accruing and:			Nonaccrual Loans	Current Loans	Total Loans
	30-59 Days Past Due	60-89 Days Past Due	90 or More Days Past Due			
<b>Commercial real estate:</b>						
Construction and land development	\$ 51,220	\$ -	\$ -	\$ -	\$ 87,047,599	\$ 87,098,819
Multifamily	-	-	-	-	23,416,919	23,416,919
Other	-	-	-	-	354,179,502	354,179,502
Residential real estate	66,757	159,218	-	1,232,109	320,668,708	322,126,792
Commercial	-	-	-	793,019	138,453,416	139,246,435
Consumer	-	-	-	-	1,181,301	1,181,301
Total gross loans	<u>\$ 117,977</u>	<u>\$ 159,218</u>	<u>\$ -</u>	<u>\$ 2,025,128</u>	<u>\$ 924,947,445</u>	<u>\$ 927,249,768</u>

<b>As of December 31, 2024</b>	Accruing and:			Nonaccrual Loans	Current Loans	Total Loans
	30-59 Days Past Due	60-89 Days Past Due	90 or More Days Past Due			
Commercial real estate:						
Construction and						
land development	\$ -	\$ -	\$ -	\$ -	\$ 59,761,206	\$ 59,761,206
Multifamily	-	-	-	-	25,185,498	25,185,498
Other	-	-	-	-	327,746,999	327,746,999
Residential real estate	-	-	-	1,474,161	294,722,179	296,196,340
Commercial	-	-	-	51,597	134,113,356	134,164,953
Consumer	-	-	-	-	1,036,859	1,036,859
Total gross loans	\$ -	\$ -	\$ -	\$ 1,525,758	\$ 842,566,097	\$ 844,091,855

The following tables summarize nonaccrual loans by loan class as of December 31, 2025 and 2024:

<b>As of December 31, 2025</b>	Nonaccrual Loans		
	With No Allowance	With an Allowance	Total
Commercial real estate:			
Construction and land development	\$ -	\$ -	\$ -
Multifamily	-	-	-
Other	-	-	-
Residential real estate	1,232,109	-	1,232,109
Commercial	882	792,137	793,019
Consumer	-	-	-
Total gross loans	\$ 1,232,991	\$ 792,137	\$ 2,025,128

<b>As of December 31, 2024</b>	Nonaccrual Loans		
	With No Allowance	With an Allowance	Total
Commercial real estate:			
Construction and land development	\$ -	\$ -	\$ -
Multifamily	-	-	-
Other	-	-	-
Residential real estate	1,474,161	-	1,474,161
Commercial	1,882	49,715	51,597
Consumer	-	-	-
Total gross loans	\$ 1,476,043	\$ 49,715	\$ 1,525,758

There were no loan modifications to borrowers experiencing financial difficulty during the year ended December 31, 2025. The following is a summary of loan modifications to borrowers experiencing financial difficulty during the year ended December 31, 2024:

	Amortized Cost	% of Total Class Receivable	Modification Type	Financial Effect
Residential real estate	\$ 120,558	0.04%	Term extension and interest rate reduction	Added 15 years to the life of the single loan and reduced the interest rate from 6.00% to 4.13%.
Total	\$ 120,558			

As of December 31, 2025, the modified loan had an amortized cost of \$118,951 and was current and in compliance with the modified payment terms.

#### Note 4. Premises and Equipment

The components of premises and equipment as of December 31, 2025 and 2024 are as follows:

	2025	2024
Premises and land	\$ 8,344,530	\$ 7,714,386
Leasehold improvements	1,867,712	1,708,455
Furniture and fixtures	1,155,936	945,497
Equipment	3,721,500	3,113,656
Total cost	\$ 15,089,678	\$ 13,481,994
Accumulated depreciation	(8,665,793)	(7,848,484)
Total premises and equipment, net	\$ <u>6,423,885</u>	\$ <u>5,633,510</u>

Depreciation expense amounted to \$853,413 and \$866,461 during the years ended December 31, 2025 and 2024, respectively.

#### Note 5: Leases

The right-of-use assets and lease liabilities detailed below include five locations occupied by the Bank and one location occupied by Mlend as of December 31, 2025 and December 31, 2024. During the fourth quarter of 2024, a lease associated with a Mlend location was terminated without penalty. During the fourth quarter of 2025, a branch facility in Hagerstown, Maryland was relocated to a newly constructed facility located immediately adjacent to the former location. The new lease has an estimated lease term of twenty years. The lease associated with the former branch location was extended six months beyond its original expiration date of September 30, 2025 to accommodate the relocation and is considered a short-term lease. Short-term leases, represented by those with initial terms of 12 months or less, are not included in the balances detailed below. Lease payments for short-term leases are recognized as lease expense on a straight-line basis over the lease term, or for variable lease payments, in the period in which the obligation was incurred.

Lease liabilities represent the Company's obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Company's incremental borrowing rate in effect at the commencement date of the lease. Right-of-use assets represent the Company's right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and if applicable, prepaid rent, initial direct costs, and any incentives received from the lessor.

The Company's long-term lease agreements are classified as operating leases. Certain of these leases offer the option to extend the lease term and the Company has included such extensions in its calculation of the lease liabilities to the extent the options are reasonably certain of being exercised. The lease agreements do not provide for residual value guarantees and have no restrictions or covenants that would impact dividends or require incurring additional financial obligations.

The following table presents information about the Company's leases as of and for the years ended December 31, 2025 and 2024:

	2025	2024
Lease liabilities	\$ 5,088,540	\$ 1,984,920
Right-of-use assets	\$ 5,014,155	\$ 1,911,836
Weighted average remaining lease term	11.8 years	5.9 years
Weighted average discount rate	4.45 %	3.55 %
Operating lease cost	\$ 546,487	\$ 557,840
Short-term lease cost	49,285	2,748
Total Lease cost	\$ <u>595,772</u>	\$ <u>560,588</u>
Cash paid for amounts included in the measurement of lease liabilities	\$ <u>627,777</u>	\$ <u>571,561</u>

A maturity analysis of the Company's operating lease liabilities and reconciliation of the undiscounted cash flows to the total of operating lease liabilities as of December 31, 2025, is as follows:

<u>Lease payments due in:</u>	
2026	\$ 677,905
2027	677,238
2028	683,206
2029	547,194
2030	427,421
Thereafter	<u>3,645,710</u>
Total undiscounted cash flow	6,658,674
Discount	<u>(1,570,134)</u>
Lease liability	<u>\$ 5,088,540</u>

#### Note 6. Goodwill and Other Intangibles

Goodwill was recorded with CMHF's acquisition of Mlend in 2019. Goodwill associated with the transaction totaled \$1,656,507 as of December 31, 2025 and 2024. The Company had no other intangible assets as of December 31, 2025 and 2024.

#### Note 7. Deposits

The components of deposits as of December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Non-interest bearing deposits	\$ 257,415,232	\$ 251,431,084
Interest-bearing deposits		
NOW accounts	199,685,709	194,027,868
Money market accounts	272,585,155	240,974,612
Savings accounts	71,859,873	69,979,571
Time deposit accounts	<u>183,258,371</u>	<u>151,593,584</u>
Total interest-bearing deposits	<u>727,389,108</u>	<u>656,575,635</u>
Total deposits	<u>\$ 984,804,340</u>	<u>\$ 908,006,719</u>

The following is a schedule of the future maturities of time deposits during each year presented as of December 31, 2025:

<u>Maturing in:</u>	
2026	\$ 124,386,199
2027	49,530,327
2028	8,438,071
2029	548,164
2030	<u>355,610</u>
	<u>\$ 183,258,371</u>

Time deposits in denominations of \$250,000 or more amounted to \$64,608,056 and \$53,563,228 as of December 31, 2025 and 2024, respectively. Brokered deposits included in time deposit accounts, none of which were in denominations of \$250,000 or more, totaled \$15,000,000 as of December 31, 2025 and \$10,000,000 as of December 31, 2024. Included in NOW accounts as of December 31, 2025 and 2024 were insured cash sweep deposits in the amount of \$182,280,194 and \$179,718,815, respectively. Included in money market accounts as of December 31, 2025 and 2024 were insured cash sweep deposits in the amount of \$9,960,254 and \$654,557, respectively.

## Note 8. Borrowings

Borrowings as of December 31, 2025 and 2024, and the related maximum amounts outstanding at the end of any month in each of the two years presented were as follows:

			Maximum Outstanding	
	2025	2024	2025	2024
Federal Home Loan Bank advances	\$ 33,000,000	\$ 15,000,000	\$ 33,000,000	\$ 15,000,000
Federal Reserve - Bank Term Funding Program	-	-	-	50,000,000
Other borrowings:				
Unsecured lines of credit	-	-	4,000,000	-
	<u>\$ 33,000,000</u>	<u>\$ 15,000,000</u>		

As of December 31, 2025, the Federal Home Loan Bank (“FHLB”) advances consisted of (i) a 4-year term loan totaling \$5,000,000 advanced on May 18, 2023 with an interest rate of 4.05% and (ii) overnight advances totaling \$28,000,000 at a rate of 3.88%. In August 2025, the Bank prepaid a FHLB term loan of \$10,000,000 maturing in April 2027 with an interest rate of 3.95%, incurring a prepayment penalty of \$19,771. As of December 31, 2025, the Company had additional borrowing capacity of \$181,836,041 with the FHLB, without the pledge of additional collateral. Collateral pledged to the FHLB consists of commercial real estate loans, commercial loans and residential mortgage loans.

In addition, the Company had access to \$56,141,395 in short-term (generally up to 90 days) borrowing capacity from the Federal Reserve Discount Window based on current collateral pledged consisting of investment securities, with no amount outstanding as of December 31, 2025. Also, as of December 31, 2025, the Company had \$15,500,000 of additional availability under unsecured lines of credit with interest rates equal to the prevailing federal funds rate plus a spread and a \$1,000,000 letter of credit with other financial institutions for contingency funding use.

## Note 9. Subordinated Debt

The Company issued 10-year private placement subordinated fixed-to-floating rate debt for \$15 million with a 5.75% fixed rate during the initial 5-year period in October 2019 (the “2019 Notes”) to multiple investors in the form of Subordinated Note Purchase Agreements. The Company issued 10-year private placement subordinated fixed-to-floating rate debt for \$12.1 million in October 2024 (the “2024 Notes”) and used the net proceeds, in addition to available cash, to redeem the 2019 Notes in full. The 2024 Notes bear a fixed rate of 6.75% for 5 years and will bear a floating rate equal to three-month SOFR plus 300 basis points during the remaining 5 years thereafter. The notes are structured to qualify as Tier 2 capital and are carried at the principal amount, less unamortized issuance costs. The initial debt issuance costs totaled \$61,239. As of December 31, 2025 and 2024, the unamortized issuance costs totaled \$47,056 and \$59,305, respectively.

## Note 10. Derivatives

During the normal course of business, the Company may enter into an interest rate swap agreement with a borrower (“loan swap”) to meet the borrower’s financial needs. Concurrently with the settlement of a loan swap, the Company enters an offsetting swap position with a qualified counterparty. These back-to-back swap agreements are derivative instruments, and each is recorded at fair value. As of December 31, 2025, the Company had two outstanding back-to-back swap arrangements, and no collateral was required to be pledged with the counterparty. The Company also enters interest rate lock commitments (“IRLCs”) related to its mortgage loan pipeline. IRLCs on mortgage loans that are intended to be sold in the secondary market are considered derivatives. Gains and losses on IRLCs related to the mortgage loan pipeline are recognized in “Mortgage banking” income in the Company’s Consolidated Statements of Income. The net fair value gains (losses) on interest rate lock contracts for the years ended December 31, 2025 and 2024 were \$18,770 and (\$5,425), respectively. The Company is exposed to price risk from the time a mortgage loan closes until the time the loan is sold. The period between issuance of a loan commitment and closing and sale of the loan generally ranges from 14 days to 60 days with a limited number of IRLCs of up to 90 days. Derivative assets and liabilities were included in “Other assets” and “Other liabilities” on the Company’s Consolidated Balance Sheets, respectively. The Company does not offset derivative assets and liabilities for financial statement presentation.

The following table presents a summary of notional amounts and fair values of derivative financial instruments as of December 31, 2025 and 2024:

	2025		2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
<b>Assets:</b>				
Interest rate swap agreements	\$ 7,239,415	\$ 70,171	\$ -	\$ -
Interest rate lock commitments	3,808,014	47,868	2,139,327	28,372
<b>Liabilities:</b>				
Interest rate swap agreements	\$ 7,239,415	\$ 70,171	\$ -	\$ -
Interest rate lock commitments	-	-	323,000	727

## Note 11. Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if initiated, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amount and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

As of December 31, 2025 and 2024, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain the minimum ratios as set forth in the following tables.

Management believes, as of December 31, 2025 and 2024, the Bank met all applicable capital adequacy requirements. The actual and required capital amounts and ratios as of December 31, 2025 and 2024 are presented below:

<b>As of December 31, 2025</b>	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assets)	\$ 115,103,969	13.14%	\$ 70,068,274	8.00%	\$ 87,585,343	10.00%
Tier 1 capital (to risk weighted assets)	\$ 104,737,505	11.96%	\$ 52,551,206	6.00%	\$ 70,068,274	8.00%
Common equity tier 1 capital (to risk weighted assets)	\$ 104,737,505	11.96%	\$ 39,413,404	4.50%	\$ 56,930,473	6.50%
Tier 1 leverage (to average assets)	\$ 104,737,505	9.48%	\$ 44,196,382	4.00%	\$ 55,245,477	5.00%

<b>As of December 31, 2024</b>	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assets)	\$ 105,123,770	13.24%	\$ 63,550,632	8.00%	\$ 79,438,291	10.00%
Tier 1 capital (to risk weighted assets)	\$ 96,253,001	12.12%	\$ 47,662,974	6.00%	\$ 63,550,632	8.00%
Common equity tier 1 capital (to risk weighted assets)	\$ 96,253,001	12.12%	\$ 35,747,231	4.50%	\$ 51,634,889	6.50%
Tier 1 leverage (to average assets)	\$ 96,253,001	9.06%	\$ 42,493,191	4.00%	\$ 53,116,489	5.00%

As FHA-approved lenders, the Bank and Mlend each must maintain a minimum adjusted net worth of \$1,000,000 plus 1% of the total volume in excess of \$25,000,000 of FHA single family mortgages originated, underwritten, serviced, and/or purchased by each during the prior fiscal year, up to a maximum required adjusted net worth of \$2,500,000. Each must also maintain liquid assets of at least 20% of its required adjusted net worth. Adjusted net worth is defined as shareholders' equity, less certain unacceptable assets. As of December 31, 2025 and 2024, the Bank and Mlend each met these requirements.

## Note 12. Income Taxes

The Company files consolidated income tax returns in the U.S. federal jurisdiction. The Company, the Bank and Mlend each file income tax returns in the state of Maryland. The Bank files consolidated income tax returns in the states of Virginia and West Virginia, and shares tax reports in the state of Pennsylvania. The Pennsylvania shares tax is reported in "Other non-interest expense" in the Consolidated Statements of Income. With few exceptions, the Company is no longer subject to U.S. federal and state income tax examination by tax authorities for years prior to 2022.

The following table reflects the provision for income taxes charged to operations for the years ending December 31, 2025 and 2024:

	2025	2024
Current tax expense	\$ 3,502,180	\$ 2,611,113
Deferred tax expense	(572,635)	(412,608)
Total income tax expense	<u>\$ 2,929,545</u>	<u>\$ 2,198,505</u>

The following table provides a reconciliation of tax expense computed at the statutory federal tax rate and the recorded tax expense in dollars and percentages for the years ended December 31, 2025 and 2024:

	2025		2024	
	Amount	Percent	Amount	Percent
Federal tax at statutory rate	\$ 2,432,395	21.0%	\$ 1,853,527	21.0%
Increase (decrease) resulting from the following:				
State income taxes, net of federal tax benefit <sup>1</sup>	708,268	6.1%	528,507	6.0%
Nontaxable or nondeductible items:				
Tax-exempt interest income, net of non-deductible interest expense	(142,790)	-1.2%	(179,515)	-2.0%
Other, net	(68,328)	-0.6%	(4,014)	0.0%
Total income tax expense	<u>\$ 2,929,545</u>	<u>25.3%</u>	<u>\$ 2,198,505</u>	<u>25.0%</u>

<sup>1</sup> The state of Maryland represented the majority (greater than 50%) of the tax effect in this category.

During the years ended December 31, 2025 and 2024, the Company made payments to tax authorities for income taxes as indicated in the table below:

	2025	2024
Federal	\$ 2,399,480	\$ 1,799,595
State and local:		
Maryland	1,279,000	126,700
Other	104,000	-
Total taxes paid	<u>\$ 3,782,480</u>	<u>\$ 1,926,295</u>

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

	2025	2024
Deferred tax assets:		
Allowance for credit losses for loans	\$ 2,708,620	\$ 2,278,492
Unrealized loss on securities	1,952,362	2,631,174
Lease liabilities	1,400,366	546,250
Deferred compensation liability	370,444	289,082
Non-accrual interest	175,598	148,737
Allowance for off-balance sheet credit exposures	122,624	134,427
Supplemental benefits expense	116,175	121,295
Allowance for credit losses for HTM securities	21,606	28,317
Other	129,983	98,281
Total deferred tax assets	<u>6,997,778</u>	<u>6,276,055</u>
Deferred tax liabilities		
Right-of-use assets	(1,383,054)	(526,138)
Deferred loan costs, net	(992,202)	(963,782)
Depreciation	<u>(170,444)</u>	<u>(227,880)</u>
Total deferred tax liabilities	<u>(2,545,700)</u>	<u>(1,717,800)</u>
Net deferred tax assets	<u>\$ 4,452,078</u>	<u>\$ 4,558,255</u>

### Note 13. Earnings Per Common Share (EPS)

Basic EPS excludes dilution and is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. The basic and diluted earnings per share calculations for the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
Numerator:		
Net income	\$ 8,653,286	\$ 6,627,812
Basic EPS weighted average shares outstanding	2,928,301	2,916,191
Effect of dilutive securities:		
Incrementable shares attributable to restricted stock units	20,665	8,600
Diluted EPS weighted-average shares	2,948,966	2,924,791
Basic earnings per common share	\$ 2.96	\$ 2.27
Diluted earnings per common share	\$ 2.93	\$ 2.27

### Note 14. Common Stock

On October 16, 2020, shareholders voted and approved an increase in the total authorized capital stock of the Company from 5,000,000 shares to 11,000,000 shares, designated as 10,000,000 shares of common stock and 1,000,000 shares of preferred stock. As of December 31, 2025 and 2024, there were 2,932,680 and 2,919,797 shares of common stock outstanding, respectively. As of December 31, 2025, there were 7,067,320 shares of common stock and 1,000,000 shares of preferred stock available to be issued.

On February 11, 2021, the Company's Human Capital Management Committee approved the details of the Community Heritage Financial, Inc. Equity Incentive Plan (the "Plan"), which was approved by shareholders on October 16, 2020. The Plan allows the Company to grant stock options, stock appreciation rights, restricted or unrestricted stock, restricted stock units, phantom stock, performance awards, other stock-based awards, or any combination of the foregoing to certain officers and employees of the Company and its subsidiaries. The aggregate number of shares of common stock issuable pursuant to all awards under the plan is limited to 500,000 shares. Since inception through December 31, 2025, the Company has awarded only restricted stock units under the plan totaling 103,332 shares, with 31,834 shares of common stock having been issued upon vesting, net of 13,495 shares surrendered for the payment of taxes.

### Stock-Based Compensation

Restricted stock units (“RSUs”) are an award of units that correspond in number and value to a specified number of shares of Company stock which the recipient receives according to a vesting plan and distribution schedule after achieving required performance milestones or upon remaining with the employer for a particular length of time. Each restricted stock unit that vests entitles the recipient to receive one share of common stock on a specified issuance date.

RSUs are generally subject to a 4-year vesting schedule, with 25% of the units vesting on each anniversary of the grant date. The recipient does not have any stockholder rights, including voting, dividend, or liquidation rights, with respect to the shares underlying awarded RSUs until vesting has occurred and the recipient becomes the record holder of those shares. Unvested RSUs vest on the established vesting schedule provided the recipient remains employed by the Company on future vesting dates. Unvested RSUs fully vest upon the recipient’s retirement from the Company as approved by the Board of Directors.

A summary of the activity for the Company’s restricted stock units (“RSUs”) for the years ended December 31, 2025 and 2024, is presented in the following table:

	2025		2024	
	Restricted Stock Units	Weighted Average Grant Date Fair Value	Restricted Stock Units	Weighted Average Grant Date Fair Value
Unvested, beginning of year	50,051	\$ 18.53	28,540	\$ 19.77
Granted	25,946	24.53	30,500	17.88
Vested	(17,994)	19.64	(8,989)	20.25
Forfeited	-	-	-	-
Unvested, end of year	<u>58,003</u>	\$ 21.03	<u>50,051</u>	\$ 18.53

The following table summarizes RSUs converted to common shares during the years ended December 31, 2025 and 2024:

	2025	2024
Units vested	17,994	8,989
Units vested in 2023 and released in 2024	-	2,499
Units released for share issuance	17,994	11,488
Shares withheld for taxes	(5,111)	(3,361)
Shares issued	<u>12,883</u>	<u>8,127</u>

The Company amortizes the grant value of the RSUs, determined based on the fair market value of the Company’s common stock on the date of grant, monthly as compensation expense over the vesting period. Compensation expense related to RSUs totaled \$450,839 and \$295,125 for the years ended December 31, 2025 and 2024, respectively. Unrecognized compensation expense totaled \$915,266 and \$732,540 as of December 31, 2025 and 2024, respectively.

### **Note 15. Commitments and Contingencies**

The Company is subject to legal proceedings which are incidental to the ordinary course of business. In the opinion of the management of the Company, there are no material pending legal proceedings to which the Company is a party to, or which involve any of its property.

### **Note 16. Financial Instruments with Off-Balance-Sheet Risk**

The Company, primarily through the Bank, is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk more than the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the Bank has in certain classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit and financial guarantees written is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

The contract amounts of these financial instruments as of December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Commitments to extend credit	\$ 275,233,000	\$ 233,050,000
Standby letters of credit and financial guarantees written	\$ 4,171,372	\$ 5,477,972

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

Standby letters of credit and financial guarantees written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is like that involved in extending loans to customers. The Company holds collateral supporting those commitments when deemed necessary by management.

As of December 31, 2025 and 2024, the Company, primarily through Mlend, had interest rate lock commitments to originate mortgage loans totaling \$3,808,014 and \$2,462,327, respectively. The Company enters corresponding commitments with third-party investors to sell each of these loans that close on a best-efforts basis.

#### **Note 17. Concentrations of Credit Risk**

The Company extends credit for real estate construction, land development, commercial and residential loans, to customers throughout its market area. Although the Company has a diversified loan portfolio, a substantial portion of its customers' ability to honor their contracts is dependent upon the real estate economic sector. As of December 31, 2025 and 2024, the commercial and residential real estate loan classes totaled \$786,822,032, or 85% of total gross loans, and \$708,890,043 or 84% of total gross loans, respectively.

The Company has concentrations of deposits with other financial institutions. As of December 31, 2025 and 2024, there were \$15,596,812 and \$1,084,528, respectively of cash balances on deposit greater than FDIC insurance levels.

#### **Note 18. Related Party Transactions**

The Company has, and may be expected to have in the future, banking transactions in the ordinary course of business with its executive officers, directors, principal stockholders, their immediate families, and affiliated companies (collectively referred to as "Related Parties"). These transactions are executed on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers.

The following schedule presents the activity of loans with the Company's Related Parties for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 12,052,939	\$ 12,756,364
Advances	5,395,938	6,832,508
Principal payments	<u>(6,231,250)</u>	<u>(7,535,933)</u>
Ending balance	<u>\$ 11,217,627</u>	<u>\$ 12,052,939</u>

The aggregate balance of deposits of executive officers, directors, and their related interests was \$46,344,392 and \$45,071,826 as of December 31, 2025 and 2024, respectively.

During both 2025 and 2024, Mlend leased its Oakland, Maryland location from an entity owned by a member of executive management. The related lease liability included in total lease liabilities disclosed in Note 5. "Leases" was \$41,766 and \$53,463 as of December 31, 2025 and 2024, respectively.

### **Note 19. Profit Sharing Plans**

The Company has a deferred compensation profit sharing plan and trust (the “401k Plan”) for all employees of the Bank and Mlend who are 18 years of age or older and who have completed 90 days of employment. The 401k Plan permits eligible participants to contribute the maximum percentage allowable by law. At its discretion, the Company may make matching and/or profit-sharing plan contributions. The Company made discretionary contributions of \$280,066 and \$281,464 to the plan during the years ended December 31, 2025 and 2024, respectively.

### **Note 20. Other Benefit Plans**

The Company adopted a defined benefit SERP for certain Executive Officers and former Executive Officers. The defined benefit SERP on the Executive Officers includes a vesting schedule. The supplemental benefit expense was \$31,396 and \$15,747 for the years ended December 31, 2025 and 2024, respectively. The related liability balance as of December 31, 2025 and 2024 was \$422,146 and \$440,751, respectively. Benefits paid totaled \$50,000 during 2025 and 2024. The plans are unfunded; however, life insurance has been acquired on the life of the employees in amounts sufficient to help meet the costs of the obligations.

In 2018, the Company established a non-qualified deferred compensation plan which allows certain key employees to defer a portion of their compensation and provides for supplemental retirement benefits. Plan participation began in 2019. The plan is unfunded, and employee deferrals accumulate gains and losses based on certain deemed investment options. The Company may also, at its discretion, make matching contributions to participant accounts. All such contributions are vested over a three-year period from the end of the year in which the contributions are made. The net deferred compensation liability recorded in other liabilities on the Consolidated Balance Sheets was \$1,346,090 and \$1,050,443 as of December 31, 2025 and 2024, respectively. The Company purchased bank-owned life insurance to economically offset changes in the non-qualified deferred compensation liability.

### **Note 21. Fair Value Measurements**

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the “Fair Value Measurements and Disclosures” topic of FASB ASC-820, the fair value of an instrument is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market and in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company’s various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, fair value estimates may not be realized in an immediate settlement of the instrument. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with this guidance, the Company groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy based on these two types of inputs are as follows:

Level 1 – Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 – Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 – Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

The following describes the valuation techniques used by the Bank to measure certain assets and liabilities recorded at fair value on a recurring basis in the financial statements:

**Securities portfolio:** AFS Securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). HTM securities are carried at amortized cost. If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that consider observable market data (Level 2).

**Interest rate swap agreements:** Interest rate swap agreements are valued using the discounted cash flow method and are classified as Level 2.

**Interest rate lock commitments:** The Company recognizes interest rate lock commitments at fair value based on the price of the underlying loans obtained from an investor for loans that will be delivered on a best-efforts basis while taking into consideration the probability (pull-through) that the rate lock commitments will close (Level 3). The pull-through rate is considered a Level 3 input which as of December 31, 2025, ranged from 50% to 90%, with a weighted average of 89.5% based on the relative fair values of these assets.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used are as follows as of December 31, 2025 and 2024:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>As of December 31, 2025</b>				
Assets:				
Securities available-for-sale:				
U.S. Government Agency	\$ -	\$ 5,111,705	\$ -	\$ 5,111,705
Mortgage-Backed	-	30,453,786	-	30,453,786
Municipal	-	5,869,331	-	5,869,331
Corporate	-	12,246,553	-	12,246,553
Interest rate swap agreements	-	70,171	-	70,171
Interest rate lock commitments	-	-	47,868	47,868
Total assets measured on a recurring basis	\$ -	\$ 53,751,546	\$ 47,868	\$ 53,799,414
Liabilities:				
Other Liabilities:				
Interest rate swap agreements	\$ -	\$ 70,171	\$ -	\$ 70,171
Interest rate lock commitments	-	-	-	-
Total liabilities measured in a recurring basis	\$ -	\$ 70,171	\$ -	\$ 70,171

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>As of December 31, 2024</b>				
Assets:				
Securities available-for-sale:				
U.S. Government Agency	\$ -	\$ 3,614,940	\$ -	\$ 3,614,940
Mortgage-Backed	-	18,647,834	-	18,647,834
Municipal	-	6,070,874	-	6,070,874
Corporate	-	12,148,263	-	12,148,263
Interest rate lock commitments	-	-	28,372	28,372
Total assets measured on a recurring basis	\$ -	\$ 40,481,911	\$ 28,372	\$ 40,510,283
Liabilities:				
Other Liabilities:				
Interest rate lock commitments	\$ -	\$ -	\$ 727	\$ 727
Total liabilities measured in a recurring basis	\$ -	\$ -	\$ 727	\$ 727

Certain assets are measured at fair value on a nonrecurring basis in accordance with GAAP. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets. The following describes the valuation techniques used by the Company to measure certain assets recorded at fair value on a non-recurring basis in the financial statements:

Loans Held for Sale: Loans held for sale are carried at the lower of cost or estimated fair value. These loans currently consist of one-to-four family residential loans originated for sale in the secondary market. Fair value is based on the price secondary markets are currently offering for similar loans using observable market data which is not materially different than cost due to the short duration between origination and sale (Level 2). As such, the Company records any fair value adjustments on a non-recurring basis. No nonrecurring fair value adjustments were recorded on loans held for sale as of December 31, 2025 and 2024.

Individually Evaluated Collateral Dependent Loans: Collateral dependent loans are individually evaluated if, based on management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The measurement of loss associated with individually evaluated collateral dependent loans can be based on either the observable market price of the loan or the fair value of the collateral. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. Most of the Company's loan collateral is real estate. The value of real estate collateral is determined by utilizing a market valuation approach based on an appraisal, of one year or less, conducted by an independent, licensed appraiser using observable market data (Level 2). However, if the collateral is a house or building in the process of construction or if an appraisal of the property is more than one year old and not solely based on observable market comparable structures or management determines the fair value of the collateral is further impaired below the appraised value, then a Level 3 valuation is considered to measure the fair value. The value of business equipment is based upon an outside appraisal, of one year or less, if deemed significant, or the net book value on the applicable business's financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivable collateral are based on financial statement balances or aging reports (Level 3).

These loans are measured at fair value on a non-recurring basis. Any fair value adjustments are recorded in the period incurred and included in "Provision for credit losses" on the Company's Consolidated Statements of Income. As of December 31, 2025 and 2024, loans totaling \$792,137 and \$49,715, respectively, were fully reserved and had a fair value of \$0.

Other Real Estate Owned: OREO is measured at fair value in the same manner as described for impaired loans. Any initial fair value adjustment is charged against the ACL. Subsequent fair value adjustments are recorded in the period incurred and included in non-interest expense on the Consolidated Statements of Income. The Company had no other real estate owned as of December 31, 2025 and 2024, and no fair value adjustments were recorded in either year.

The Bank had no other non-recurring assets measured with fair values as of December 31, 2025 and 2024.

FASB ASC 825, Financials Instruments, requires disclosure about fair value of financial instruments, including those financial assets and financial liabilities that are not required to be measured and reported at fair value on a recurring or nonrecurring basis. ASC 825 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The carrying amounts and estimated fair values of the Company's financial instruments are presented in the following table as of December 31, 2025 and 2024:

	Level in Fair Value Hierarchy	2025		2024	
		Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial assets:</b>					
Cash and due from banks	Level 1	\$ 30,707,438	\$ 30,707,438	\$ 16,510,418	\$ 16,510,418
FHLB stock	Level 1	2,281,700	2,281,700	1,404,700	1,404,700
Securities available-for-sale	Level 2	53,681,375	53,681,375	40,481,911	40,481,911
Securities held-to-maturity, net	Level 2	86,475,046	80,254,215	91,271,924	81,153,639
Loans held for sale	Level 2	3,935,463	3,935,463	5,106,956	5,106,956
Loans, net	Level 3	921,012,784	896,804,790	839,314,566	800,264,552
Accrued interest receivable	Level 2	3,397,155	3,397,155	3,152,505	3,152,505
Bank-owned life insurance	Level 2	7,837,986	7,837,986	7,411,319	7,411,319
Interest rate lock commitments	Level 3	47,868	47,868	28,372	28,372
<b>Financial liabilities:</b>					
Time deposits	Level 3	\$ 183,258,371	\$ 182,872,370	\$ 151,593,584	\$ 150,688,000
Other deposits	Level 2	801,545,969	802,007,955	756,413,135	756,413,135
Accrued interest payable	Level 2	473,682	473,682	485,160	485,160
Subordinated debt, net	Level 3	12,052,944	11,616,000	12,040,695	11,507,100
Other borrowings	Level 3	33,000,000	33,026,000	15,000,000	14,882,000
Interest rate lock commitments	Level 3	-	-	727	727

## Note 22. Other Non-interest Expenses

The following table describes the significant components of other non-interest expenses included in the Consolidated Statements of Income for the years ended December 31, 2025 and 2024:

	2025	2024
ATM and check card expenses	\$ 777,073	\$ 647,065
Public relations and charitable contributions	567,432	470,667
Dues and subscriptions	180,263	172,121
Director fees	178,000	170,150
Training	250,401	164,547
Travel and entertainment	149,687	136,354
Postage and courier	121,421	107,509
Other miscellaneous operating expenses	396,319	386,278
Total other non-interest expenses	\$ <u>2,620,596</u>	\$ <u>2,254,691</u>

## Note 23. Revenue from Contracts with Customers

Substantially all the Company's revenue from contracts with customers that is within the scope of ASC 606, "Revenue from Contracts with Customers" is reported within non-interest income. Certain other in-scope items such as losses on OREO, if any, are recorded in non-interest expense. The recognition of interest income and certain sources of non-interest income (e.g. gains on security transactions, bank-owned life insurance income, gains on loans held for sale, etc.) are governed by other areas of U.S. GAAP and are out-of-scope of ASC 606. Significant revenue streams that are within the scope of ASC 606 and included in non-interest income are discussed in the following paragraphs.

Service Charges on Deposit Accounts: A sizable portion of non-interest income is derived from short-term contracts associated with services provided for deposit account holders. These revenue streams are principally comprised of overdrawn account charges, account maintenance charges, ATM fees, and monthly account fees. The Bank's performance obligations on revenue generated from deposit accounts are generally satisfied immediately when the transaction occurs, or by month-end. Typically, the duration of a contract does not extend beyond the services performed. Due to the short duration of most customer contracts which generate these sources of noninterest income, no significant judgments must be made in the determination of the amount and timing of revenue recognized.

**VISA Check Card Income:** The Bank earns interchange fees from debit cardholder transactions conducted through the VISA payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

**Gains and Losses on the Sale of Other Real Estate Owned:** The Company records a gain or loss from the sale of other real estate owned (“OREO”) when control of the property transfers to the buyer, generally at the time a deed is executed. The Company will finance the sale of OREO and recognize a gain or loss only if the buyer is committed to perform their obligations under the contract and collectability is probable. During the years ended December 31, 2025 and 2024, the Company had no gains or losses associated with the sale of OREO.

The following table describes the in-scope and out-of-scope noninterest income elements related to ASC Topic 606 for the years ended December 31, 2025 and 2024:

	2025	2024
In-scope of ASC topic 606:		
Service charges on deposit accounts:		
Monthly service and other activity charges	\$ 880,552	\$ 899,107
ATM fees	93,632	90,259
VISA check card income	1,119,534	1,041,784
Other operating income	305,481	145,500
Total non-interest income within the scope of ASC-606	2,399,199	2,176,650
Out-of-scope of ASC 606 <sup>1</sup>	1,615,696	1,413,417
	\$ 4,014,895	\$ 3,590,067

<sup>1</sup> Includes bank-owned life insurance, gain on sale of loans, other mortgage banking income, and gain/loss on sale of securities.

**Contract Balances:** The Company’s in-scope non-interest revenue streams are largely based on transactional activity. Consideration is often received immediately or shortly after the Company satisfies its performance obligation and revenue is recognized. The Company does not typically enter long-term revenue contracts with customers and therefore does not experience significant contract balances. As of December 31, 2025 and 2024, the Company did not have any significant contract balances.

#### **Note 24. Subsequent Events**

The Company evaluates subsequent events that have occurred after the balance sheet date, but before the financial statements are issued. There are two types of subsequent events: (i) recognized, or those that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements, and (ii) non-recognized, or those that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after that date. Subsequent events have been considered through March 26, 2026, the date financial statements were available to be issued, and are as follows:

On March 3, 2026, the Bank received \$653,987, representing a partial recovery of a loan charged off in 2021.

On March 20, 2026, the Bank recorded a charge off of \$747,847, representing 100% of the outstanding principal balance of a commercial loan. The business filed Chapter 11 bankruptcy in January 2026, and the first meeting of creditors was held in February 2026. As of December 31, 2025, the loan was on nonaccrual status and a specific reserve of 100% of the principal balance had been established.

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## EXECUTIVE Management

**Robert E. Goetz, Jr.**

*President & Chief Executive Officer*

**J. Michael Hill\***

*Executive Vice President & Chief Risk Officer*

**Brenda McComas**

*Executive Vice President & Chief Operating Officer*

**John A. Scaldara, Jr.**

*Executive Vice President & Chief Financial Officer*

**Ryan Lampton**

*Executive Vice President & President of Commercial Banking*

**Dawn Lowe**

*Executive Vice President & Chief Talent and Culture Officer*

**Cody Hill**

*Senior Vice President & Director of Retail Banking*

**Dustin Watson**

*Executive Vice President & Chief Credit Officer*

**Michelle Lease\***

*Corporate Secretary*

\*Planned retirements in 2026

## BOARD OF Directors

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Assistant Professor of Business & Management, Hagerstown Community College

**Todd M. Snook**

*Vice Chairman of the Board*  
Owner & President, Valley Storage Company

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Retired Attorney

**Frankie Corsi, III**

President, Beachley Furniture

**Beth Dellaposta**

Chief Financial Officer, Doing Better Business

**Robert E. Goetz, Jr.**

President & Chief Executive Officer

**Jessica Green**

General Manager, Corey's Construction

**A. Dennis Remsburg**

Retired Businessman

**John T. Routzahn, III**

Aviation Underwriter, Avemco Insurance Company

**Kelly M. Schulz**

Chief Executive Officer, Maryland Tech Council

## BOARD OF Directors

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**J. Michael Hill**

*Executive Vice President & Chief Risk Officer*

**Jerry Merrick**

*Executive Vice President & President of Mortgage Lending*

**John A. Scaldara, Jr.**

*Treasurer & Chief Financial Officer*



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Trading symbol: CMHF

