

First Bankers Trustshares, Inc.

2025 Annual Report

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Corporate Description

First Bankers Trustshares, Inc. (FBTI) is a bank holding company for First Bankers Trust Company, N.A., FBIL Statutory Trust II and FBIL Statutory Trust III. The Company was incorporated on August 25, 1988 and is headquartered in Quincy, Illinois.

First Bankers Trustshares' mission, through its subsidiaries, is to provide comprehensive financial products and services to its retail, institutional, and corporate customers.

First Bankers Trust Company, N.A. , a community-oriented financial institution which traces its beginnings to 1946, operates 9 banking facilities in Adams, Hancock, McDonough, Sangamon and Schuyler counties in West Central Illinois and two loan production offices - one in St. Clair County Illinois and one in St. Charles County Missouri.

FBIL Statutory Trust II and FBIL Statutory Trust III were capitalized in September 2003 and August 2004, respectively, for the purpose of issuing Company Obligated Mandatorily Redeemable Preferred Securities.

For additional financial information contact:
 Allen W. Shafer, President and CEO
 First Bankers Trustshares, Inc.
 (217) 228-8000

Stockholder Information

Common shares authorized:	6,000,000
Common shares outstanding as of December 31, 2025:	2,995,699
Certificate holders of record:	199*

*As of December 31, 2025

Inquiries regarding transfer requirements, lost certificates, changes of address and account status should be directed to the corporation's transfer agent:

Equiniti Trust Company, LLC
 55 Challenger Road, 2nd Floor
 Ridgefield Park, NJ 07660

Corporate Address

First Bankers Trustshares, Inc.
 1201 Broadway
 P.O. Box 3566
 Quincy, IL 62301

Independent Auditors

RSM US LLP
 201 1st St. SE, Ste. 800
 Cedar Rapids, IA 52401

General Counsel

Norton Rose Fulbright US LLP
 2200 Ross Avenue, Suite 3600
 Dallas, TX 75201-2784

First Bankers Trustshares, Inc. Board of Directors

- Donald K. Gnuse**
Board Member Emeritus, First Bankers Trustshares, Inc.
- Carl W. Adams, Jr.**
*Chairman, Illinois Ayers Oil Company
 Director, TI-Trust, Inc.*
- William D. Daniels**
*Chairman of the Board, First Bankers Trustshares, Inc.
 Chairman of the Board, First Bankers Trust Company, N.A.
 Member, Harborstone Group, LLC*
- Mark E. Freiburg**
*Owner, Freiburg Insurance Agency
 Owner, Freiburg Development
 Owner, Diamond Construction
 Owner, Maxamillion, Inc.
 Owner, Wink Drinks, Inc.
 Director, U.S. Insurance Company of America*
- Charles M. Gnuse**
President/CEO, United State Bank
- Arthur E. Greenbank**
*Former President/CEO, First Bankers Trust Company, N.A.
 and First Bankers Trustshares, Inc.*
- Stephen C. Hassell**
CEO, Atomation
- Kurt J. Hofmeister**
Partner North American Wiring Accessories
- Kemia M. Sarraf, M. D., M.P.H.**
CEO, Lodestar Consulting and Executive Coaching
- Richard W. Schulte**
Founding Partner, Wright & Schulte, LLC
- Allen W. Shafer**
*President/CEO, First Bankers Trust Company, N.A.
 President/CEO, First Bankers Trustshares, Inc.
 Director, ATTY Financial Holdings, Inc.*
- Steven E. Siebers**
Chairman, TI-Trust Inc.
- Erin J. Wharton**
Partner, Gray Hunter Stenn LLP
- Secretary for the Board of Directors**
 Melinda K. Boyer
- Executive Officers**
Allen W. Shafer, *President and CEO*
Kelly A. Kern, *SVP Finance & Accounting*

First Bankers Trustshares, Inc. Stock Prices

(For the three months period ended)

Market Value	12/31/25	9/30/25	6/30/25	3/31/25	12/31/24
High	\$24.99	\$20.10	\$16.74	\$16.99	\$16.99
Low	\$19.10	\$16.40	\$15.81	\$15.30	\$15.75
Period End Close	\$24.28	\$19.87	\$16.45	\$16.00	\$16.99

The following companies make a market in FBTI common stock:

Raymond James 222 S. Riverside Plz Chicago, IL 60606 (800) 800-4693	Janney Montgomery Scott LLC 1717 Arch, 19 th Floor Philadelphia, PA 19103 (844) 273-2189	D.A. Davidson & Co. 75 West Front St. Red Bank, NJ 07701 (866) 248-4051
Stifel Nicolaus & Co., Inc 501 N. Broadway St. Louis, MO 63102 (800) 679-5446	Monroe Financial Partners 500 W Madison St Chicago, IL 60661 (312) 327-2530	

Board of Director Committees

The Audit and the Governance and Compensation Committees are chaired by a board member. They are given the necessary resources to lead their committees, monitor the committee actions, and report to the full Board the committee's activities. The committees are staffed with employees who have been carefully chosen to support the Board member chairperson and provide the expertise and support to allow the committee to accomplish its objective.

THE COMMITTEES

1. Audit Committee

Chair: Charles M. Gnuse

Board Members: Arthur E. Greenbank, William D. Daniels, Kemia M. Sarraf, M.D., M.P.H. and Erin J. Wharton

The Audit Committee is comprised of independent Directors and assists the Board with its oversight of the systems and procedures relating to the Company's financial reporting process, internal accounting and financial controls, and risk management program. The Committee also assists with the administration and monitoring of the internal audit process, the annual independent audit of the Company's annual financial statements, and the Company's compliance with legal and regulatory requirements. The qualification, independence and performance of the Company's independent, registered public accounting firm, are also monitored by the Committee.

2. Governance and Compensation Committee (HR)

Chair: Steven E. Siebers

Board Members: Charles M. Gnuse, Richard W. Schulte, Stephen C. Hassell and Mark E. Freiburg

This is a Holding Company committee with the following responsibilities: address corporate governance matters; establish qualifications and independence requirements for Directors; recommend nominees for election to the Board; approve a management succession policy and review the identified candidates; oversee employee compensation and benefit plans; approve incentive compensation arrangements; and assess the contributions of current Directors. This committee will meet at least four times a year.

Dear Stockholders of First Bankers Trustshares, Inc.,

We are pleased to report on the improved results that were achieved in 2025. We continued to execute our strategy of growing quality loans as 2025 was the fourth consecutive year of loan growth. While we grew loans, we also improved the yield on our loans as reflected in the improvement in our net interest margin.

While a slow process, the duration of our bond portfolio continued to shorten in 2025. The shortening of the bond portfolio and lower market interest rates have decreased the unrealized loss in our bonds and improved our balance sheet.

Below are a few insights for 2025:

- Net Income: \$6.72 million which was a 60.71% improvement over 2024
- Net Loans: Reached a record of \$642.8 million
- Deposits: Reached a record of \$1.03 billion
- Net Interest Margin: Improved to 2.56% compared to 2.21% in 2024

While significant improvements were made in 2025, we will continue to invest in people and technology to drive growth and profitability. We will continue to execute our strategy, and we are optimistic about the future of our company.

We look forward to seeing you at the annual meeting Tuesday, May 12, 2026. The meeting will be held at the corporate headquarters located at 1201 Broadway, Quincy, Illinois and will begin at 9:00 a.m.

Thank you for your ongoing investment in First Bankers Trustshares, Inc.



William D. Daniels
Chairman of the Board



Allen W. Shafer
President and CEO

A handwritten signature in cursive script that reads "William D. Daniels".

William D. Daniels
Chairman of the Board
First Bankers Trustshares, Inc.

A handwritten signature in cursive script that reads "Allen W. Shafer".

Allen W. Shafer
President and CEO
First Bankers Trustshares, Inc.

Selected Financial Data (unaudited)

(Amounts in Thousands of Dollars, Except Per Share Data Statistics)

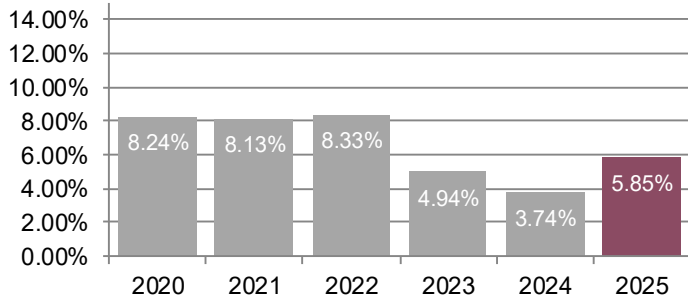
Year Ended December 31,	2025	2024	2023	2022	2021	2020
PERFORMANCE						
Net income	\$ 6,721	\$ 4,182	\$ 5,407	\$ 8,823	\$ 8,170	\$ 7,843
Common stock cash dividends paid	\$ 2,636	\$ 2,517	\$ 2,393	\$ 2,316	\$ 2,223	\$ 2,101
Common stock cash dividend payout ratio	39.23%	60.19%	44.26%	26.25%	27.21%	26.79%
Return on average assets	0.56%	0.37%	0.48%	0.76%	0.68%	0.75%
Return on average adjusted common stockholders' equity ¹	5.85%	3.74%	4.94%	8.33%	8.13%	8.24%
PER COMMON SHARE						
Earnings, basic and diluted	\$ 2.24	\$ 1.40	\$ 1.81	\$ 2.92	\$ 2.64	\$ 2.54
Dividends paid on common stock	\$ 0.88	\$ 0.84	\$ 0.80	\$ 0.76	\$ 0.72	\$ 0.68
Adjusted book value ²	\$ 38.93	\$ 37.59	\$ 37.05	\$ 35.78	\$ 33.46	\$ 31.54
Stock price						
High	\$ 24.99	\$ 19.75	\$ 23.59	\$ 31.45	\$ 32.00	\$ 33.00
Low	\$ 19.10	\$ 13.25	\$ 12.85	\$ 22.75	\$ 27.75	\$ 24.75
Close	\$ 24.28	\$ 16.99	\$ 19.00	\$ 23.59	\$ 31.45	\$ 27.75
Price/Earnings per share (at period end)	10.8	12.1	10.5	8.1	11.9	10.9
Market price/Adjusted book value (at period end)	0.62	0.45	0.51	0.66	0.94	0.88
Weighted average number of shares outstanding	2,995,699	2,995,995	2,993,687	3,027,147	3,089,997	3,093,398
AT DECEMBER 31,						
Assets	\$ 1,231,379	\$ 1,179,236	\$ 1,148,708	\$ 1,118,117	\$ 1,226,137	\$ 1,117,675
Investment securities	428,948	409,496	445,249	483,311	667,157	542,170
Loans held for sale	-	70	189	211	-	-
Loans (prior to allowance)	649,688	629,511	598,647	551,269	478,398	485,153
Deposits	1,034,372	997,641	971,432	913,551	978,624	853,302
Short-term borrowings and Federal Home						
Loan Bank advances	93,482	99,238	94,917	130,478	126,273	137,904
Junior subordinated debentures	10,310	10,310	10,310	10,310	10,310	10,310
Adjusted stockholders' equity ³	\$ 116,630	\$ 112,590	\$ 110,959	\$ 106,844	\$ 103,214	\$ 97,606
Adjusted equity to total assets ³	9.47%	9.55%	9.66%	9.56%	8.42%	8.73%
Common Equity Tier 1 capital ratio (risk based)	14.75%	14.59%	14.73%	15.28%	16.14%	15.78%
Tier 1 capital ratio (risk based)	16.05%	15.92%	16.10%	16.75%	17.76%	17.45%
Total capital ratio (risk based)	16.94%	17.17%	17.35%	18.01%	19.01%	18.71%
Leverage ratio	9.64%	9.73%	10.13%	9.89%	8.62%	9.34%

¹ Return on average common stockholders' equity is calculated by dividing net income by average common stockholders' equity. Common stockholders' equity is defined as equity less accumulated other comprehensive income or loss.

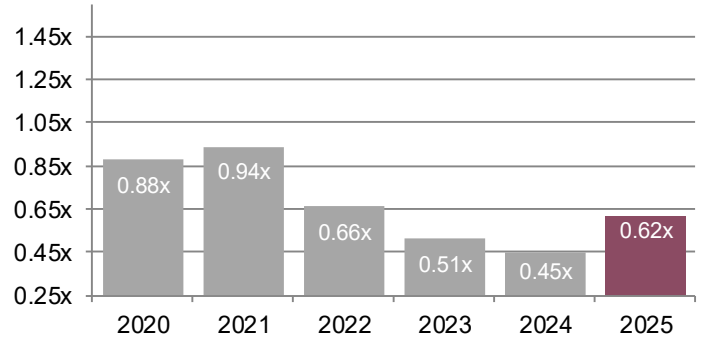
² Adjusted book value per share is calculated by dividing stockholders' equity, excluding accumulated other comprehensive income or loss, by outstanding common shares.

³ Stockholders' equity excludes accumulated other comprehensive income or loss.

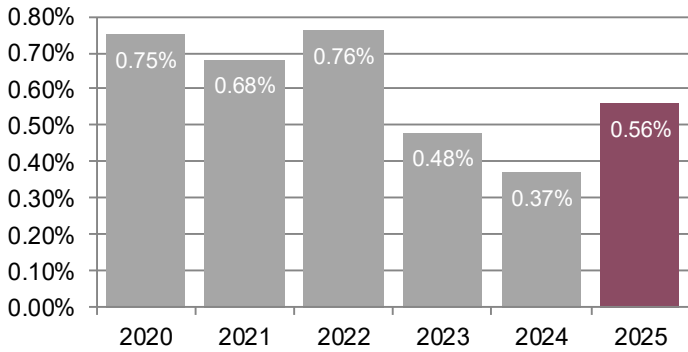
Return on Average Adjusted Common Stockholders' Equity



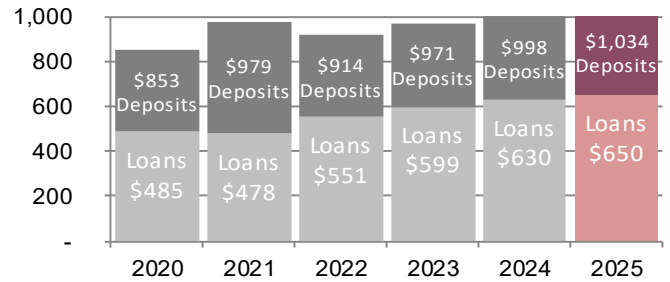
Market Price to Adjusted Book Value



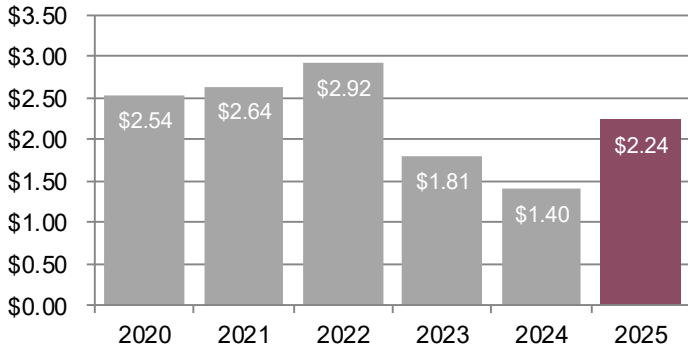
Return on Average Assets



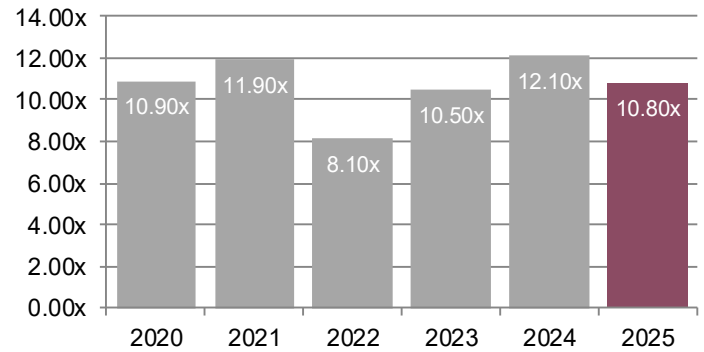
Loan/Deposit Growth (millions of dollars)



Earnings Per Share



Price/Earnings Multiples



See explanation for adjusted book value and adjusted common stockholders' equity on previous page.

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

Introduction

The following discussion of the financial condition and results of operations of First Bankers Trustshares, Inc. provides an analysis of the consolidated financial statements and focuses upon those factors which had a significant influence on the overall 2025 performance.

The discussion should be read in conjunction with the Company's consolidated financial statements and notes thereto appearing elsewhere in this Annual Report.

The Company was incorporated on August 25, 1988, and acquired First Midwest Bank/M.C.N.A. (the Bank) on June 30, 1989. The Bank acquisition was accounted for using purchase accounting. Prior to the acquisition of the Bank, the Company did not engage in any significant business activities.

In December 2024, First Bankers Trust Company, N.A. invested \$1 million in ATTY Financial Holdings, Inc. (ATTY Financial). ATTY Financial provides a financial platform for and is focused on marketing banking services to small and mid-sized law firms which are provided by First Bankers Trust Company, N.A.

The business of the Company is that of a community-oriented financial institution offering a variety of financial services to meet the needs of the communities it serves.

The Company attracts deposits from the general public and uses such deposits, together with borrowings and other funds, to originate one-to-four family residential mortgage loans, consumer loans, business loans and agricultural loans in its primary market area. The Company also invests in investment securities consisting primarily of U.S. government or agency obligations, mortgage-backed securities, and other liquid assets.

The Company's goal is to achieve consistently high levels of earning assets and loan/deposit ratios while maintaining effective expense control and high customer service levels. The term "high level" means the ability to profitably increase earning assets. As deposits have become fully deregulated, sustained earnings enhancement has focused on "earning asset" generation. The Company will focus on lending money profitably, controlling credit quality, increasing net interest margin, controlling operating expenses and on generating fee income from banking operations.

Financial Management

Consolidated Balance Sheet Summary (Amounts in Thousands of Dollars)

	2025	Change	2024	Change	2023	2022	2021	2020	5 Year Change
Assets									
Cash and due from banks:									
Non-interest bearing	\$ 11,587	0.02%	\$ 11,585	(10.45%)	\$ 12,937	\$ 16,885	\$ 7,048	\$ 9,602	20.67%
Interest bearing	82,731	18.91	69,576	104.85	33,964	10,472	38,918	43,078	92.05
Securities	428,948	4.75	409,496	(8.03)	445,249	483,311	667,157	542,170	(20.88)
Federal funds sold	575	(49.47)	1,138	46.84	775	697	1,763	7,382	(92.21)
Loans held for sale	-	(100.00)	70	(62.96)	189	211	-	-	0.00
Net loans	642,789	3.50	621,055	5.49	588,741	540,462	466,949	472,996	35.90
Other assets	64,749	(2.36)	66,316	(0.80)	66,853	66,079	44,302	42,447	52.54
TOTAL	\$ 1,231,379	4.42%	\$ 1,179,236	2.66%	\$ 1,148,708	\$ 1,118,117	\$ 1,226,137	\$ 1,117,675	10.17%
Liabilities & Stockholders'									
Equity									
Deposits	\$ 1,034,372	3.68%	\$ 997,641	2.70%	\$ 971,432	\$ 913,551	\$ 978,624	\$ 853,302	21.22%
Short-term borrowings	68,482	(1.09)	69,238	6.66	64,917	85,478	119,950	132,581	(48.35)
Federal Home Loan Bank advances	25,000	(16.67)	30,000	0.00	30,000	45,000	6,323	5,323	369.66
Junior subordinated debentures	10,310	-	10,310	-	10,310	10,310	10,310	10,310	0.00
Other liabilities	11,615	152.88	4,593	(53.82)	9,946	7,186	5,099	7,084	63.96
Stockholders' equity	81,600	20.97	67,454	8.62	62,103	56,592	105,831	109,075	(25.19)
TOTAL	\$ 1,231,379	4.42%	\$ 1,179,236	2.66%	\$ 1,148,708	\$ 1,118,117	\$ 1,226,137	\$ 1,117,675	10.17%

At December 31, 2025, the Company had assets of \$1,231,379,000 compared to \$1,179,236,000 at December 31, 2024. The increase in assets is primarily made up of an increase in loans of \$21,734,000 (3.50%) and an increase in cash due from banks of \$13,157,000 (16.21%) an increase in securities of \$19,452,000 (4.75%) and offset by a decrease in other assets of \$1,567,000 (2.36%). These assets were funded by an increase in deposits of \$36,731,000 (3.68%), net of a decrease in short-term borrowings of \$756,000 (1.09%) and a decrease in FHLB Advances of \$5,000,000 (16.67%).

Approximately \$21,953,000 of fixed rate long-term residential real estate loans were sold in the secondary market during 2025, while \$14,342,000 were sold in 2024. No agricultural real estate loans were sold during 2025 while \$1,298,000 were sold in the secondary

market during 2024. Management continues to place emphasis on the quality versus the quantity of the credits placed in the portfolio.

In the fourth quarter of 2023, the Company entered into an agreement to sell the majority of its residential mortgage servicing rights. The sale was finalized in 2024 resulting in a gain of \$1,270,000.

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

Results of Operations Summary

The Company's earnings are primarily dependent on net interest income, the difference between interest income and interest expense. Interest income is a function of the balances of loans, securities and other interest earning assets outstanding during the period and the yield earned on such assets. Interest expense is a function of the balances of deposits and borrowings outstanding during the same period and the rates paid on such deposits and borrowings. The Company's earnings are also affected by credit loss expense (recovery), service charges, other non-interest income, and expense and income taxes. Non-interest expense consists primarily of employee compensation and benefits, occupancy and equipment expenses, data processing expense and other operating expenses.

Prevailing economic conditions as well as federal regulations concerning monetary and fiscal policies as they pertain to financial institutions significantly affect the Company. Deposit balances are influenced by a number of factors including interest rates paid on competing personal investments and the level of personal income and savings within the institution's market. In addition, growth of deposit balances is influenced by the perceptions of customers regarding the stability of the financial services industry. Lending activities are influenced by the demand for housing, competition from

other lending institutions, as well as interest rate levels. The primary sources of funds for lending activities include deposits, loan and securities payments, borrowings and funds provided from operations.

For the year ended December 31, 2025, the Company reported consolidated net income of \$6,721,000, a \$2,539,000 (60.71%) increase from 2024. Net interest income increased \$5,643,000 (22.87%), other income increased \$361,000 (4.27%), other expenses increased \$4,017,000 (15.49%), and income tax expense increased \$881,000 (98.77%). The credit loss expense decreased \$1,433,000 (67.69%).

Analysis of Net Income

The Company's assets are primarily comprised of interest earning assets including commercial, agricultural, consumer and real estate loans, as well as federal funds sold, interest bearing deposits in banks and securities. Average earning assets equaled \$1,183,625,000 for the year ended December 31, 2025. A combination of interest bearing and non-interest bearing deposits, securities sold under agreement to repurchase, other borrowings and capital funds are employed to finance these assets.

Consolidated Income Summary *(Amounts in Thousands of Dollars)*

	2025	Change	2024	Change	2023	2022	2021	2020
Interest income	\$ 53,536	11.73%	\$ 47,917	18.61%	\$ 40,398	\$ 31,127	\$ 26,875	\$ 30,534
Interest expense	(23,221)	(0.10)	(23,245)	35.59	(17,143)	(3,478)	(2,751)	(4,616)
Net interest income	30,315	22.87	24,672	6.09	23,255	27,649	24,124	25,918
Credit loss (expense) recovery	(684)	(67.69)	(2,117)	271.40	(570)	500	580	(2,400)
Net interest income after credit loss (expense) recovery	29,631	31.37	22,555	(0.57)	22,685	28,149	24,704	23,518
Other income	8,813	4.27	8,452	8.19	7,812	7,040	8,329	7,519
Other expenses	(29,950)	15.49	(25,933)	8.00	(24,011)	(24,124)	(22,760)	(21,009)
Income before taxes	8,494	67.40	5,074	(21.77)	6,486	11,065	10,273	10,028
Income tax expense	(1,773)	98.77	(892)	(17.33)	(1,079)	(2,242)	(2,103)	(2,185)
NET INCOME	\$ 6,721	60.71%	\$ 4,182	(22.66)%	\$ 5,407	\$ 8,823	\$ 8,170	\$ 7,843

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

Years Ended December 31,	2025	2024	2023
<i>(Amounts in Thousands of Dollars)</i>			
Interest income	\$ 52,711	\$ 47,128	\$ 39,755
Loan fees	825	789	643
Interest expense	(23,221)	(23,245)	(17,143)
NET INTEREST INCOME	\$ 30,315	\$ 24,672	\$ 23,255
Average earning assets	\$ 1,183,625	\$ 1,118,673	\$ 1,114,375
Net interest margin	2.56%	2.21%	2.09%

The yield on average earning assets for the year ended December 31, 2025 was 4.52%, while the average cost of funds for the same period was 2.34% on average interest bearing liabilities of \$990,557,000. The yield on average earning assets for the year ended December 31, 2024 was 4.28%, while the average cost of funds for the same period was 2.51% on average interest bearing liabilities of \$927,412,000.

The increase in net interest income of \$5,643,000 can be attributed to the 0.24% increase in the yield on average earning assets and the 0.17% decrease in the cost of funds. Average earning assets increased by \$64,952,000, while the average interest-bearing liabilities increased by \$63,145,000.

Allowance for Credit Losses

The allowance for credit losses as a percentage of gross loans outstanding is 1.06% as of December 31, 2025, compared to 1.34% as of December 31, 2024. Net loan charge-offs totaled \$2,241,000 for the year ended December 31, 2025 compared to \$3,567,000 in 2024.

Non-Accrual and Past Due Loans, Leases and Other Real Estate Owned

(Amounts in Thousands of Dollars)

As of December 31,	2025	2024	2023	2022	2021	2020
Non-accrual loans and leases	\$ 6,161	\$ 10,228	\$ 10,604	\$ 7,634	\$ 8,634	\$ 12,063
Other real estate owned (OREO)	2,279	-	80	-	400	-
Total non-accrual loans and OREO	\$ 8,440	\$ 10,228	\$ 10,684	\$ 7,634	\$ 9,034	\$ 12,063
Loans and leases past due 90 days or more and still accruing interest	25	7	-	42	3	447
TOTAL	\$ 8,465	\$ 10,235	\$ 10,684	\$ 7,676	\$ 9,037	\$ 12,510

The amounts recorded in the credit loss (expense) recovery are determined from management's quarterly evaluation of the quality of the loan portfolio. In this review, such factors as the volume and character of the loan portfolio, general economic conditions, past credit loss experience and forecasted credit losses are considered. Management believes that the allowance for credit losses is adequate to provide for possible losses in the portfolio as of December 31, 2025.

Other Income

Other income may be divided into two broad categories – recurring and non-recurring. Service charges on deposit accounts is a major source of recurring other income. Investment securities gains and other income vary annually. Other income for the year ended December 31, 2025 was \$8,813,000, an increase of \$361,000 (4.27%) from 2024.

Other Expense

Other expense for the year ended December 31, 2025 totaled \$29,950,000 an increase of \$4,017,000 (15.49%) from 2024. Salaries and employee benefits expense aggregated 58.02% and 61.22% of total other expense for the years ended December 31, 2025 and 2024, respectively.

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

Income Taxes

The Company files its federal income tax return on a consolidated basis with the Bank. See Note 12 for detail of income taxes.

Liquidity

The concept of liquidity comprises the ability of an enterprise to maintain sufficient cash flow to meet its needs and obligations on a timely basis. Bank liquidity must thus be considered in terms of the nature and mix of the institution's sources and uses of funds.

Bank liquidity is provided from both assets and liabilities. The asset side provides liquidity through regular maturities of investment securities and loans. Investment securities with maturities of one year or less, deposits with banks and federal funds sold are a primary source of asset liquidity. On December 31, 2025, these categories totaled \$103,428,000 or 8.40% of assets, compared to \$101,573,000 or 8.61% the previous year.

As of December 31, 2025 and 2024, securities held to maturity had \$196,000 and \$16,000, respectively, of gross unrealized gains and \$2,728,000 and \$6,926,000, respectively, of unrealized losses, on securities which management intends to hold until maturity. Such amounts are not expected to have a material effect on future earnings beyond the usual amortization of premium and accretion of discount.

Closely related to the management of liquidity is the management of rate sensitivity (management of variable rate assets and liabilities), which focuses on maintaining stable net interest margin, an important factor in earnings growth and stability. Emphasis is placed on maintaining an evenly balanced rate sensitivity position to avoid wide swings in margins and minimize risk due to changes in interest rates. As market interest rates move up or down, the change in the fair value of available-for-sale securities is recognized on a tax adjusted basis as an unrealized gain or loss, through equity as Other Comprehensive Income. In 2025, market interest rates were lower, on average, versus 2024. Gains or losses are not realized until and unless a security is sold. No loss is realized if the security is held to maturity. Security sales may be used for liquidity purposes, though Management believes the Company has sufficient liquidity to fund operations and continued growth without significant, if any, security sales.

The Company's Asset/Liability Committee is charged with the responsibility of prudently managing the volumes and mixes of assets and liabilities of the subsidiary bank.

Management believes that it has structured its pricing mechanisms such that the net interest margin should remain at acceptable levels in 2026, regardless of the changes in interest rates that may occur.

The following table shows the repricing period for interest-earning assets and interest-bearing liabilities and the related repricing gap:

Repricing Period as of December 31, 2025

	Through One Year	After One Year through Five Years	After Five Years
<i>(Amounts in Thousands of Dollars)</i>			
Interest-earning assets	\$ 365,663	\$ 371,900	\$ 435,970
Interest-bearing liabilities	949,440	24,501	10,310
Repricing gap (repricing assets minus repricing liabilities)	\$(583,777)	\$347,399	\$425,660

Repricing Period as of December 31, 2024

	Through One Year	After One Year through Five Years	After Five Years
<i>(Amounts in Thousands of Dollars)</i>			
Interest-earning assets	\$ 329,232	\$ 335,481	\$ 377,756
Interest-bearing liabilities	925,247	29,603	10,310
Repricing gap (repricing assets minus repricing liabilities)	\$ (596,015)	\$ 305,878	\$ 367,446

Insured Deposits

Safeguarding customer deposits is one of the Company's most important responsibilities and priorities. The Company has a broad base of customers, with deposits held from retail consumers, businesses and public funds. Public Fund deposits above FDIC insurance levels are collateralized by securities. As of December 31, 2025, 59% of deposits were insured and 80% were either insured or collateralized by securities, compared to 59% insured and 79% either insured or collateralized by securities as of December 31, 2024.

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

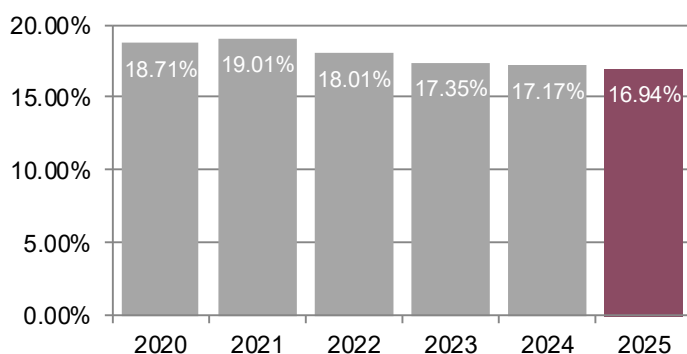
Capital

The ability to generate and maintain capital at adequate levels is critical to the Company's long-term success. A common measure of capitalization for financial institutions is primary capital as a percent of total assets.

Regulations also require the Company and Bank to maintain certain minimum capital levels in relation to consolidated Company assets. Regulations require a minimum ratio of capital to risk-weighted assets of 8%.

The Company's capital, as defined by regulation, was 16.94% of risk-weighted assets as of December 31, 2025. In addition, a leverage ratio of at least 4.00% is to be maintained. As of December 31, 2025, the Company's leverage ratio was 9.64%.

Total Risk Based Capital Ratio



Asset Liability Management

Since changes in interest rates may have a significant impact on operations, the Company has implemented, and currently maintains, an asset liability management committee at the Bank to monitor and react to the changes in interest rates and other economic conditions. Research concerning interest rate risk is supplied by the Company from information received from a third-party source. The committee acts upon this information by adjusting pricing, fee income parameters and/or marketing emphasis.

Derivatives

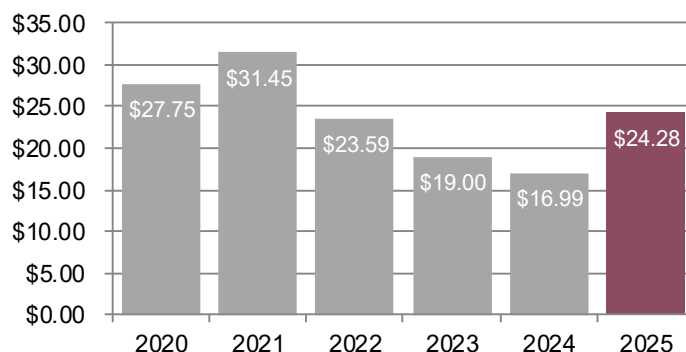
The Company uses derivatives to manage exposure to market risk, including interest rate risk. Derivatives are recorded at fair value. Volume is measured via notional amounts, which are not exchanged, but used as the basis on which interest and other payments are determined. The Company uses its debt portfolio and interest rate derivatives to manage interest rate risk exposure. As interest rates increase, changes in the fair value of AFS securities may negatively affect Accumulated Other Comprehensive Income (AOCI). In 2023 the Company entered into interest rate swap hedges to reduce AOCI sensitivity to the AFS debt securities portfolio.

Common Stock Information and Dividends

The Company's common stock is held by 199 certificate holders as of December 31, 2025, and is traded in a limited over-the-counter market.

On December 31, 2025 the market price of the Company's common stock was \$24.28. Market price is based on stock transactions in the market. Dividends on common stock of approximately \$2,666,000 were declared by the Board of Directors of the Company for the year ended December 31, 2025, versus \$2,547,000 for the year ended December 31, 2024.

Closing Share Price Data



Financial Report

Upon written request of any stockholder of record on December 31, 2025, the Company will provide, without charge, a copy of its 2025 Annual Report.

Notice of Annual Meeting of Stockholders

The annual meeting of stockholders will be Tuesday, May 12, 2026 at 9:00 a.m. at the corporate headquarters, 1201 Broadway, Quincy Illinois.

Independent Auditor's Report

Audit Committee
First Bankers Trustshares, Inc

Opinion

We have audited the consolidated financial statements of First Bankers Trustshares, 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 stockholders' 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 selected financial data and management's discussion and analysis of financial condition and results of operations included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

RSM US LLP

Cedar Rapids, Iowa
March 6, 2026

Consolidated Balance Sheets

(Amounts in Thousands of Dollars, Except Share and Per Share Data)

December 31,	2025	2024
ASSETS		
Cash and due from banks		
Non-interest bearing	\$ 11,587	\$ 11,585
Interest bearing	82,731	69,576
Total cash and due from banks	94,318	81,161
Securities held to maturity (net of allowance for credit losses: 2025 \$3 and 2024 \$3)	123,068	116,698
Securities available for sale	305,880	292,798
Federal funds sold	575	1,138
Loans held for sale	-	70
Loans	649,688	629,511
Less allowance for credit losses	(6,899)	(8,456)
Net loans	642,789	621,055
Premises, furniture and equipment, net	10,785	11,154
Accrued interest receivable	6,943	6,093
Life insurance contracts	19,777	19,183
Goodwill and intangibles, net	3,076	3,080
Other assets	24,168	26,806
Total Assets	\$ 1,231,379	\$ 1,179,236
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Non-interest bearing demands	\$ 153,913	\$ 142,029
Interest bearing demand	552,309	528,567
Savings	78,243	79,450
Time	249,907	247,595
Total deposits	1,034,372	997,641
Securities sold under agreements to repurchase	68,482	69,238
FHLB Advances	25,000	30,000
Junior subordinated debentures	10,310	10,310
Accrued interest payable	1,791	2,157
Other liabilities	9,824	2,436
Total Liabilities	1,149,779	1,111,782
Commitments and Contingencies (Note 9)		
Stockholders' Equity		
Common stock, \$1 par value; shares authorized 6,000,000; shares issued 3,605,725 and outstanding: 2025 2,995,699 and 2024 2,995,355 shares	3,606	3,606
Additional paid in capital	1,707	1,729
Retained earnings	121,721	117,666
Accumulated other comprehensive loss	(35,030)	(45,136)
Treasury stock, at cost: 2025 610,026 and 2024 610,370 shares	(10,404)	(10,411)
Total Stockholders' Equity	81,600	67,454
Total Liabilities And Stockholders' Equity	\$ 1,231,379	\$ 1,179,236

See Notes to Consolidated Financial Statements.

Consolidated Financial Statements

Consolidated Statements of Income

(Amounts in Thousands of Dollars, Except Share and Per Share Data)

Year Ended December 31,	2025	2024
INTEREST INCOME		
Loans, including fee income:		
Taxable	\$ 38,872	\$ 35,528
Non-taxable	278	307
Securities:		
Taxable	9,026	8,304
Non-taxable	1,533	1,732
Other	3,827	2,046
Total interest income	53,536	47,917
INTEREST EXPENSE		
Deposits:		
Interest bearing demand and savings	8,594	8,572
Time	10,162	10,137
Total interest on deposits	18,756	18,709
Junior subordinated debentures	762	867
Other	3,703	3,669
Total interest expense	23,221	23,245
Net interest income	30,315	24,672
Credit loss expense	684	2,117
Net interest income after credit loss expense	29,631	22,555
OTHER INCOME		
Service charges on deposit accounts	1,268	1,285
Gain on sale of loans and Other Real Estate	189	163
Gain on sale of mortgage servicing rights (MSR)	-	1,270
Investment securities loss	-	(600)
Other	7,356	6,334
Total other income	8,813	8,452
OTHER EXPENSES		
Salaries and employee benefits	17,377	15,876
Occupancy expense	1,453	1,254
Equipment expense	439	369
Computer processing	2,599	2,619
Professional services	1,744	798
Other	6,338	5,017
Total other expenses	29,950	25,933
Income before income taxes	8,494	5,074
Income taxes	1,773	892
Net income	\$ 6,721	\$ 4,182
Earnings per share of common stock, basic and diluted		
	\$ 2.24	\$ 1.40
Average common shares outstanding		
	2,996,028	2,995,995

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income
(Amounts In Thousands of Dollars)

Year Ended December 31,	2025	2024
Net income	\$ 6,721	\$ 4,182
Other comprehensive income:		
Unrealized gains on securities available for sale:		
Unrealized holding gains arising during the year before tax	14,234	979
Amortization of unrealized holding losses on debt securities transferred from available for sale to held to maturity	1,690	1,630
Less: Reclassification adjustment for (losses) included in net income before tax	-	(600)
Change in unrealized gains on securities available for sale	15,924	3,209
Unrealized (losses) gains on fair value hedges:		
Unrealized holding (losses) gains on fair value hedges arising during the year before tax	(825)	2,016
Termination of fair value hedges, before tax	(968)	-
Reclassification adjustment for losses included in net income before tax	52	-
Change in unrealized (losses) gains on fair value hedges	(1,741)	2,016
Tax expense	4,077	1,505
Other comprehensive income, net of tax	10,106	3,720
Comprehensive income	\$ 16,827	\$ 7,902

See Notes to Consolidated Financial Statements.

Consolidated Financial Statements

Consolidated Statements of Changes in Stockholders' Equity

(Amounts in Thousands of Dollars, Except Share and Per Share Data)

Years Ended December 31, 2025 and 2024

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, December 31, 2023	\$ 3,606	\$ 1,742	\$ 116,031	\$ (48,856)	\$ (10,420)	\$ 62,103
Net income	-	-	4,182	-	-	4,182
Other comprehensive income, net of tax	-	-	-	3,720	-	3,720
Restricted stock award	-	4	-	-	33	37
Restricted stock forfeitures	-	(17)	-	-	(24)	(41)
Common stock dividends declared (amount per share \$0.85)	-	-	(2,547)	-	-	(2,547)
Balance, December 31, 2024	\$ 3,606	\$ 1,729	\$ 117,666	\$ (45,136)	\$ (10,411)	\$ 67,454
Net income	-	-	6,721	-	-	6,721
Other comprehensive income, net of tax	-	-	-	10,106	-	10,106
Restricted stock award	-	(2)	-	-	45	43
Restricted stock forfeitures	-	(20)	-	-	(38)	(58)
Common stock dividends declared (amount per share \$0.89)	-	-	(2,666)	-	-	(2,666)
Balance, December 31, 2025	\$ 3,606	\$ 1,707	\$ 121,721	\$ (35,030)	\$ (10,404)	\$ 81,600

Consolidated Statements of Cash Flows

(Amounts in Thousands of Dollars)

Year Ended December 31,	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 6,721	\$ 4,182
Adjustments to reconcile net income to net cash provided by operating activities:		
Credit loss expense	684	2,117
Depreciation	758	693
Amortization of intangibles	4	4
Restricted stock award, net of forfeitures	(15)	(4)
Amortization/accretion of premiums/discounts on securities, net	928	1,081
Investment securities losses, net	-	600
Gain on sale of other real estate	(17)	(4)
Write-down of other real estate	148	-
Loans originated for sale	(21,883)	(15,521)
Proceeds from loans sold	22,142	15,803
Gain on sale of loans	(189)	(163)
Gain on sale of mortgage servicing rights	-	(1,270)
Deferred income tax	105	481
(Increase) decrease in accrued interest receivable and other assets	(6,971)	507
Increase in cash surrender value of life insurance contracts	(594)	(565)
Increase (decrease) in accrued interest payable and other liabilities	6,205	(3,405)
Net cash provided by operating activities	8,026	4,536
CASH FLOWS FROM INVESTING ACTIVITIES		
Activity in securities portfolio:		
Purchases of securities available for sale	(43,545)	(13,241)
Purchases of securities held to maturity	(4,676)	-
Proceeds from sales of securities available for sale	-	11,898
Proceeds from calls, maturities and paydowns of securities available for sale	43,765	37,945
Proceeds from calls, maturities and paydowns of securities held to maturity	-	79
Proceeds on sale of other real estate	40	84
Proceeds from life insurance death benefits	-	397
Redemption of FHLB Stock	1,000	-
Increase in loans, net	(19,966)	(34,431)
Decrease (increase) in federal funds sold, net	563	(363)
Purchases of premises, furniture and equipment	(389)	(657)
Net cash (used in) provided by investing activities	(23,208)	1,711
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposits, net	36,731	26,209
Cash dividends paid to common shareholders	(2,636)	(2,517)
(Decrease) increase in securities sold under agreement to repurchase, net	(756)	4,321
Proceeds from FHLB advances	500	729,000
Payments on FHLB Advances	(5,500)	(729,000)
Net cash provided by financing activities	28,339	28,013
Net increase in cash and due from banks	13,157	34,260

(Continued)

Consolidated Financial Statements

Consolidated Statements of Cash Flows (Continued)

(Amounts in Thousands of Dollars)

Year Ended December 31,	2025	2024
CASH AND DUE FROM BANKS		
Beginning cash	\$ 81,161	\$ 46,901
Ending cash	94,318	81,161
Supplemental disclosure of cash flow information, cash payments for:		
Interest	\$ 23,586	\$ 22,900
Income taxes	1,605	1,032
Supplemental schedule of non-cash investing and financing activities:		
Unrealized holding gains on securities available for sale	14,234	979
Amortization of unrealized holding losses on debt securities transferred from available for sale to held to maturity	1,690	1,630
Transfer of loans to other real estate owned	2,452	-
Change in unrealized holding (losses) gains on fair value hedges	(1,741)	2,016

See Notes to Consolidated Financial Statements.

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

First Bankers Trustshares, Inc. (Company) is a bank holding company which owns 100% of the outstanding common stock of First Bankers Trust Company, N.A. (Bank), FBIL Statutory Trust II (Trust II) and FBIL Statutory Trust III (Trust III). The Bank is engaged in banking and bank related services and serves a market area consisting primarily of Adams, McDonough, Schuyler, Hancock and Sangamon counties in west central Illinois and two loan production offices - one in St. Clair County, Illinois and one in St. Charles County, Missouri.

Impact of Recently Adopted Accounting Standards Update

On January 1, 2025 the Company adopted ASU 2023-09, *Income taxes (Topic 740): Improvements to Income Disclosures*, which provides for improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The Company has adopted this pronouncement effective December 31, 2025, prospectively.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The allowance for credit losses is inherently subjective as it requires material estimates that are susceptible to significant change. The fair value disclosure of financial instruments is an estimate that can be computed within a range.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of First Bankers Trustshares, Inc. and its wholly-owned subsidiaries, except Trusts II and III, which do not meet the criteria for consolidation. All significant intercompany accounts and transactions have been eliminated in consolidation.

Presentation of Cash Flows

For purposes of reporting cash flows, cash and due from banks includes cash on hand and amounts due from banks, including cash items in process of clearing. Cash flows from restricted stock awards, federal funds sold, loans to customers, deposits and securities sold under agreements to repurchase are reported net. Cash flows from the Company's fair value hedges are reflected in the same line item as the item being hedged.

Securities

Securities held to maturity are those for which the Company has the ability and intent to hold to maturity. Securities meeting such criteria at the date of purchase and as of the balance sheet date are carried at amortized cost, adjusted for amortization of premiums and accretion of discounts, computed by the interest method over their contracted lives.

Securities available for sale are accounted for at fair value and the unrealized holding gains or losses, net of their deferred income tax effect, are presented as increases or decreases in accumulated other comprehensive income (loss), as a separate component of stockholders' equity. Realized gains and losses on sales of securities are based upon the adjusted book value of the specific securities sold and are included in earnings.

Transfers of debt securities into the held-to-maturity classification from the available-for-sale classification are made at fair value on the date of transfer. The unrealized holding gain or loss on the date of transfer is retained in the separate component of stockholders' equity and in the carrying value of the held-to-maturity securities. Such amounts are amortized over the remaining contractual lives of the securities by the interest method. There were no transfers of AFS securities to the HTM classification in 2025 or 2024.

There were no trading securities as of December 31, 2025 and 2024.

Allowance For Credit Losses – HTM Securities

Management measures expected credit losses on held-to-maturity investment securities on a collective basis by major security type. The Company evaluates held-to-maturity investment securities by credit rating and an external study, that includes historical information including probability of default and loss going back several years through economic cycles. Accrued interest receivable on held-to-maturity investment securities is excluded from the estimate of credit losses.

The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management classifies the held-to-maturity portfolio into the following major security types: U.S. treasuries, U.S. government agency bonds, and state and political subdivisions.

Allowance For Credit Losses – AFS Securities

A debt security available for sale is impaired if the fair value of the security declines below its amortized cost basis. To determine the appropriate accounting, the Company must first determine if it intends to sell the security or if it is more likely than not that it will be required to sell the security before the fair value increases to at least the amortized cost basis. If either of these selling events is expected, the Company will write down the amortized cost basis of the security to its fair value. This is achieved by writing off any previously recorded allowance, if applicable, and recognizing any incremental impairment through earnings. If the Company does not intend to sell the security, before the fair value recovers to the amortized cost basis, the Company must determine whether any of the decline in fair value has resulted from a credit loss, or if it is entirely the result of noncredit factors.

The Company considers the following factors in assessing whether the decline is due to a credit loss:

- Extent to which the fair value is less than the amortized cost basis
- Adverse conditions specifically related to the security, an industry, or a geographic area (for example, changes in the financial condition of the issuer, or in the case of an asset-backed debt security, in the financial condition of the underlying loan obligors).
- Payment structure of the debt security and the likelihood of the issuer being able to make payments that increase in the future
- Failure of the issuer of the security to make scheduled interest or principal payments
- Any changes to the rating of the security by a rating agency

Impairment related to a credit loss must be measured using the discounted cash flow method. Credit loss recognition is limited to the fair value of the security. Impairment is recognized by establishing an allowance for credit losses through credit loss expense. Impairment related to noncredit factors is recognized in accumulated other comprehensive loss, net of applicable taxes. The Company did not recognize any impairment in 2025 or 2024.

Accrued interest receivable for debt securities available for sale totaled \$1,079,000 and \$1,082,000 at December 31, 2025 and 2024, and is excluded from the estimate of credit losses as the accrued interest is written off by reversing from interest income at the time the impairment of the related debt security is recognized in the Consolidated Statements of Income. Accrued interest receivable is reported in a separate line item on the Consolidated Balance Sheets.

Federal Funds Sold

Federal funds sold consist of excess bank reserves lent in the federal funds market. The Company's consolidated balance sheets include federal funds sold of \$575,000 and \$1,138,000 at December 31, 2025 and 2024, respectively.

Notes to Consolidated Financial Statements

Loans and Allowance for Credit Losses

Loans held for sale: Residential real estate and agricultural loans, which are originated and intended for resale in the secondary market in the foreseeable future, are classified as held for sale. These loans are carried at the lower of cost or estimated market value in the aggregate. As assets specifically acquired for resale, the origination of, disposition of, and gain/loss on these loans are classified as operating activities in the consolidated statements of cash flows.

Loans held for investment: Loans that management has the intent and ability to hold for the foreseeable future, or until pay-off or maturity occurs, are classified as held for investment. These loans are stated at the amount of unpaid principal adjusted for charge-offs, the allowance for credit losses on loans, and any deferred fees and/or costs on originated loans. Interest is credited to earnings as earned based on the principal amount outstanding. Deferred direct loan origination fees and/or costs are amortized as an adjustment of the related loan's yield using the effective interest method. As assets held for and used in the production of services, the origination and collection of these loans is classified as an investing activity in the consolidated statements of cash flows.

The allowance for credit losses is a significant estimate in the Company's Consolidated Financial Statements, affecting both earnings and capital. The allowance for credit losses is a valuation account that is deducted from the portfolio loans' amortized cost bases to present the net amount expected to be collected on the portfolio loans. Portfolio loans are charged off against the allowance for credit losses when management believes the uncollectibility of a loan balance is confirmed. Recoveries will be recognized up to the aggregate amount of previously charged-off balances. The allowance or credit losses is established through provision for credit loss expense charged to income.

A loan's amortized cost basis is comprised of the unpaid principal balance of the loan, accrued interest receivable, purchase premiums or discounts, and net deferred origination fees or costs. The Company has estimated its allowance on the amortized cost basis, exclusive of government guaranteed loans and accrued interest receivable. The Company writes-off uncollectible accrued interest receivable in a timely manner and has elected to not measure an allowance for accrued interest receivable. The Company presents the aggregate amount of accrued interest receivable for all financial instruments in a separate line item on the Consolidated Balance Sheets and the balance of accrued interest receivable is disclosed in Note 14 Fair Value Measurements.

The Company's methodology influences, and is influenced by, the Company's overall credit risk management processes. The allowance for credit losses is managed in accordance with GAAP to provide an adequate allowance for expected credit losses that is reflective of management's best estimate of what is expected to be collected. The allowance for credit losses is measured on a collective pool basis when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis. The collateral-dependent practical expedient has been elected.

The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the amortized cost basis. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term, as well as for changes in environmental conditions such as changes in unemployment rates, property values and other relevant factors.

Ongoing impacts of the CECL methodology will be dependent upon changes in economic conditions and forecasts, originated and acquired loan portfolio composition, credit performance trends, portfolio duration and other factors.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified the following portfolio segments (listed below) and measures the allowance for credit losses for each segment using the Weighted Average Remaining Maturity (WARM) method.

The Company's portfolio segments are as follows:

- Commercial operating
- Commercial real estate
- Agricultural operating
- Agricultural real estate
- Construction and land development
- Real estate secured by 1-4 and multi-family
- Consumer

The Company developed expected loss estimates based on loan segmentation with a seven year look back at items such as payment rates, scoring and delinquency patterns. Loss drivers vary by segment ranging from construction delays and cost overruns for commercial construction loans, to commodity price fluctuations for agriculture farmland, to general economic conditions for consumer auto loans.

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

Allowance for credit losses and fair value are disclosed by portfolio segment, while credit quality information, individually evaluated financing receivables, nonaccrual status and modifications of those experiencing financial difficulty are presented by class of financing receivable. A portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses. A class of financing receivable is defined as a further disaggregation of a portfolio segment based on risk characteristics and the entity's method for monitoring and assessing credit risk. The disclosures are presented at the level of disaggregation that management uses when assessing and monitoring the portfolio's risk and performance.

Given the risk characteristics and the Company's method for monitoring and assessing credit risk, further disaggregation of the loan portfolio is not warranted, and therefore, the Company's classes equal their segments.

Generally, for all classes of loans, loans are considered past due when contractual payments are delinquent for 31 days or greater.

For all classes of loans, loans will generally be placed on nonaccrual status when the loan has become 90 days past due (unless the loan is well secured and in the process of collection); or if any of the following conditions exist:

- It becomes evident that the borrower will not make payments, or will not or cannot meet the terms for renewal of a matured loan,
- When full repayment of principal and interest is not expected,
- When the loan is graded "substandard" and the future accrual of interest is not protected by sound collateral values,
- When the loan is graded "doubtful",
- When the borrower files bankruptcy and an approved plan of reorganization or liquidation is not anticipated in the near future, or
- When foreclosure action is initiated.

When a loan is placed on nonaccrual status, payments received will be applied to the principal balance. However, interest may be taken on a cash basis in the event the loan is fully secured and the risk of loss is minimal. Previously recorded but uncollected interest on a loan placed in nonaccrual status is accounted for as follows: if the previously accrued but uncollected interest and the principal amount of the loan is protected by sound collateral value based upon a current, independent qualified appraisal, such interest may remain on the Company's books. If such interest is not protected, it is considered a loss with the amount thereof recorded in the current year being reversed against current earnings, and the amount recorded in the prior year being charged against the allowance for credit losses.

For all classes of loans, nonaccrual loans may be restored to accrual status provided the following criteria are met:

- The loan is current, and all principal and interest amounts contractually due have been made,
- The loan is well secured and in the process of collection, and
- Prospects for future principal and interest payments are not in doubt.

A discussion of the risk characteristics and the allowance for credit losses by each portfolio segment follows:

For commercial operating loans, the Company focuses on small and mid-sized businesses with primary operations in transportation, warehousing and manufacturing, as well as serving building contractors, business services companies, health care providers, financial organizations and retailers. The Company provides a wide range of commercial loans, including lines of credit for working capital and operational purposes, and term loans for the acquisition of real estate, facilities, equipment and other purposes. Approval is generally based on the following factors:

- Sufficient cash flow to support debt repayment;
- Ability and stability of current management of the borrower;
- Positive earnings and financial trends;
- Earnings projections based on reasonable assumptions;
- Financial strength of the industry and business; and
- Value and marketability of collateral.

Collateral for commercial loans generally includes accounts receivable, inventory, equipment and real estate. The lending policy specifies approved collateral types and corresponding maximum advance percentages. The value of collateral pledged on loans typically exceeds the loan amount by a margin sufficient to absorb potential erosion of its value in the event of foreclosure and cover the loan amount plus costs incurred to convert it to cash.

Commercial real estate loans, construction and land development loans and real estate secured by multi-family loans are subject to underwriting standards and processes similar to commercial operating loans and to real estate loans including the factors regarding approval of the loan noted previously.

Collateral for these loans generally includes the underlying real estate and improvements, and may include additional assets of the borrower. The lending policy specifies maximum loan-to-value limits based on the category of commercial real estate (commercial real estate loans on improved property, raw land, land development and commercial construction).

Agricultural operating and real estate loans are subject to underwriting standards and processes similar to commercial loans including the approval factors noted previously. The Company provides a wide range of agriculture loans, including lines of credit for working capital and operational purposes, and term loans for the acquisition of real estate, facilities, equipment and other purposes.

Collateral for agricultural loans generally includes accounts receivable, inventory (typically grain or livestock), equipment and real estate. The lending policy specifies approved collateral types and corresponding maximum advance percentages. The value of collateral pledged on loans typically exceeds the loan amount by a margin sufficient to absorb potential erosion of its value in the event of foreclosure and cover the loan amount plus costs incurred to convert it to cash.

In some instances for all loans, it may be appropriate to originate or purchase loans that are exceptions to the guidelines and limits established within the lending policy described above and below. In general, exceptions to the lending policy do not significantly deviate from the guidelines and limits established within the lending policy and, if there are exceptions, they are clearly noted as such and specifically identified in loan approval documents.

The Company generally retains short-term residential mortgage loans that are originated for its own portfolio but sells most long-term loans to other parties while retaining servicing rights on the majority of those loans. The market value of real estate securing residential real estate loans can fluctuate as a

result of market conditions in the geographic area in which the real estate is located. Adverse developments affecting real estate values in one or more of the Company's markets could increase the credit risk associated with its loan portfolio. Additionally, the repayment of the loans generally is dependent, in large part, on the borrower's continuing financial stability, and is therefore more likely to be affected by adverse personal circumstances.

Consumer loans typically have shorter terms, lower balances, higher yields and higher risks of default than real estate-related loans. Consumer loan collections are dependent on the borrower's continuing financial stability, and are therefore more likely to be affected by adverse personal circumstances. Collateral for these loans generally includes automobiles, boats, recreational vehicles and real estate. However, depending on the overall financial condition of the borrower, some loans are made on an unsecured basis. The collateral securing these loans may depreciate over time, may be difficult to recover and may fluctuate in value based on condition. In addition, a decline in the United States economy could result in reduced employment, impacting the ability of customers to repay their obligations.

For loans categorized as "commercial," which would include the following segments: commercial operating, commercial real estate, agricultural real estate, agricultural operating, construction and land development and real estate secured by multi-family, the allowance for credit losses on loans consist of specific and general components. The specific component relates to loans that are classified as individually evaluated, as defined below. For those loans that are classified as individually evaluated, an allowance is established when the collateral value (or discounted cash flows or observable market price) of the individually evaluated loan is lower than the carrying value of that loan.

The lending policy reflects term limits that are commensurate with the type of loan and collateral. In addition, the Company often takes personal guarantees to help assure repayment. Loans may be made on an unsecured basis if warranted by the overall financial condition of the borrower.

The Company utilizes the following internal risk rating scale:

Type 1 (Substantially Risk Free)

This rating should be assigned to loans with virtually no credit risk, such as loans fully secured by certificates of deposit and other deposit accounts. It may be assigned to other business loans or individuals with little or no risk.

Type 2 (Low Risk)

This rating should be assigned to loans that have little credit risk. Borrowers in this category have strong earnings and capital and a secondary source of repayment that is sufficient to fully repay the loan. The business or individual is considered to be highly resistant to adverse changes in economic or industry conditions.

Type 3 (Normal Risk)

Borrowers in this category have satisfactory earnings and net worth. In most cases, there is collateral or guarantor support which provides a satisfactory secondary source of repayment. The business is considered to be capable of operating profitably throughout the normal business cycle. An individual's earnings stream is both strong and reliable.

Type 4 (Above Average Risk)

Borrowers in this category are not as strong financially as the typical business in the same industry. There may be discernible weakness in management, earnings, capital or the Bank's secondary sources of repayment. The business is considered to be susceptible to adverse changes in economic or industry conditions. The bank appears to have a satisfactory source of repayment for the loan, but there is concern about the individual's earnings stream, leverage or tolerance for risk.

Type 5 (Special Mention Loan)

Borrowers in this category have readily apparent weaknesses in their financial condition. There may be weak earnings, thin capital or an adverse trend that is expected to continue. The borrower currently has the capacity to repay, but

Notes to Consolidated Financial Statements

is of marginal strength and is considered to have little ability to overcome economic events that would adversely affect the business or individual. Loans with material documentation or structural deficiencies may also be rated Special Mention at the discretion of bank or loan review personnel.

Type 6 (Substandard)

These loans have one or more pronounced weaknesses which jeopardize their timely liquidation. Neither the business' or individual's earnings nor its realistic net worth adequately protect the Bank from possible loss. There is a distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Type 7 (Doubtful)

Loans with well-defined weaknesses that make collection or liquidation of the debt in full improbable based on current information.

Type 8 (Loss)

Loans with pervasive weaknesses so great that principal is considered uncollectible under current circumstances. This classification does not mean that the loan has absolutely no recovery value, but simply that it is no longer practical to defer writing it off. Recovery is dependent on favorable future events.

For loans categorized as commercial or credit relationships with aggregate exposure greater than \$500,000, a loan review will be required within 12 months of the most recent credit review. The reviews shall be completed in enough detail to, at a minimum, validate the risk rating. Additionally, the reviews shall determine whether any documentation exceptions exist, appropriate written analysis is included in the loan file and whether credit policies have been properly adhered to.

An ongoing independent review is conducted of a sampling of residential real estate as well to assess underwriting quality and adherence to policy.

Many of the residential real estate loans underwritten by the Company conform to the underwriting requirements of Mortgage Partnership Finance (MPF), Fannie Mae or other secondary market aggregators to allow the bank to resell loans in the secondary market.

The Company provides many types of consumer and other loans including motor vehicle, home improvement, home equity, signature loans and small personal credit lines. The lending policy addresses specific credit guidelines by consumer loan type.

For consumer loans, this large group of smaller balance homogenous loans are collectively evaluated for impairment. The Company applies a quantitative factor based on historical charge-off experience in total for each of these segments as well as a forecast of expected future losses. Accordingly, the Company generally does not separately identify individual consumer loans for impairment disclosures, unless such loans are the subject of a modification agreement due to financial difficulties of the borrower or it has been identified for another specific reason.

As of December 31, 2025 and 2024, the Bank had loan concentrations in agribusiness of 21.86% and 19.48%, respectively, of outstanding loans. The Bank had no additional industry loan concentrations which, in management's judgment, were considered to be significant. The Bank had no foreign loans outstanding as of December 31, 2025 and 2024.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, only when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right to pledge or exchange the assets it received, and no condition both constrains the transferee from taking advantage of its right to pledge or exchange and provides more than a modest benefit to the transferor and (3) the Company 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.

Credit Related Financial Instruments

In the ordinary course of business, the Bank has entered into commitments to extend credit, including commitments under lines of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

Allowance For Credit Losses – Off-Balance Sheet Exposures

In the normal course of business, the Company has outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying consolidated financial statements. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Company used a similar methodology as the allowance for credit losses on loans.

The allowance for unfunded commitments was not material as of December 31, 2025 and 2024.

Premises, Furniture and Equipment

Premises, furniture and equipment are stated at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of the assets. There were no material changes to premises and equipment during the year ended December 31, 2025.

Other Real Estate Owned

Other real estate owned (OREO), which is included with other assets, represents properties acquired through foreclosure, in-substance foreclosure or other proceedings. Property is recorded at fair value less cost to sell when acquired. Property is evaluated regularly to ensure that the recorded amount is supported by the current fair value. Subsequent write-downs to fair value are charged to earnings.

Life Insurance Contracts

Bank-owned life insurance is carried at cash surrender value, net of surrender and other charges, with increases/decreases reflected as income/expense in the consolidated statements of income.

Goodwill

Goodwill represents the excess of cost over fair value of net assets acquired in connection with business combinations. Goodwill is evaluated for impairment annually or whenever events or changes in circumstances indicate that it is more likely than not that an impairment loss has occurred. The Company has completed its annual goodwill impairment test and has determined that goodwill was not impaired at December 31, 2025 and 2024. See Note 5.

Repurchase Agreements

Securities sold under agreements to repurchase, which are classified as secured borrowings, generally mature either daily or within one year from the transaction date. Securities sold under agreements to repurchase are reflected at the amount of cash received in connection with the transaction. The underlying securities are held by the Company's safekeeping agent. The Company may be required to provide additional collateral based on the fair value of the underlying securities.

Derivative Financial Instruments

The Company utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position.

The Company enters into derivative financial instruments, including interest rate swaps with third parties. The Company terminated \$50,000,000 notional value of interest rate swaps during the year ended December 31, 2025. The related losses on the terminated interest rate swaps are amortized over the remaining life of the underlying hedged securities.

Derivative instruments are reported in other assets or other liabilities at estimated fair value. The accounting for changes in fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria to apply hedge accounting.

For derivative instruments that are designated and qualify as a fair value hedge, the change in fair value of the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Change in fair value of components excluded from the assessment of effectiveness are recognized in current earnings.

Earnings Per Share of Common Stock

Basic earnings per share of common stock is computed by dividing net income by the weighted average number of shares outstanding during each reporting period. Diluted earnings per share of common stock assume the conversion, exercise or issuance of all potential common stock equivalents unless the effect is to reduce the loss or increase the income per common share from continuing operations. The Company had no common stock equivalents as of and for the years ended December 31, 2025 and 2024. During the years ended December 31, 2025 and 2024, the Company purchased no shares.

Service Charge Income

Service charges on deposit accounts consist of account analysis fees (i.e., net fees earned on analyzed business and public checking accounts), monthly service fees, check orders, and other deposit account related fees. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the revenue recognized, over the period in which the service is provided. Check orders, and other deposit account related fees are largely transactional-based, and therefore, the Company's performance obligation is satisfied and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

Other Income

Other noninterest income consists of other recurring revenue streams such as commissions from sales of mutual funds and other investments, investment advisor fees from the Company's wealth management products, safe deposit box rental fees and other miscellaneous revenue streams. Commissions from sales of mutual funds and other investments and investment advisor fees are recognized monthly as the sales occur.

Other Expense

Advertising costs were \$387,000 and \$349,000 for the years ended December 31, 2025 and 2024, respectively.

Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the 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 of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in the tax laws and rates on the date of enactment.

When the tax returns are filed, it is highly certain that some positions taken would be sustained upon examinations by the taxing authorities, while others could be subject to uncertainty about the merits of the position taken.

The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the consolidated financial statements.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

On July 4, 2025, the U.S. government enacted tax legislation commonly referred to as the One Big Beautiful Bill Act. The Company evaluated the impact of the legislation in accordance with ASC 740 and determined that it did not have a material effect on the Company's consolidated financial statements for the year ended December 31, 2025.

Comprehensive Income

Comprehensive income is defined as the change in equity during a period from transactions and other events from non-owner sources. Comprehensive income is the total of net income and other comprehensive income, which for the Company, is comprised of unrealized gains and losses on securities available for sale and unrealized losses on fair value hedges.

Recent Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03 *Income Statement – Reporting Comprehensive-Expense Disaggregation Disclosures (Subtopic 220-40)*, to improve expense disclosures by providing further disaggregation. This ASU, as amended by ASU 2025-01, *Income Statement – Reporting Comprehensive-Expense Disaggregation Disclosures (Subtopic 220-40)*, is effective for the Company beginning after December 15, 2026. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

In July 2025, the FASB issued ASU 2025-05 *Measurement of Credit Losses for Accounts Receivable and Contract Assets (Topic 326 Financial Instruments-Credit Losses)*, to provide a practical expedient for all entities when applying the guidance in Topic 326 to current accounts receivable and current contract assets arising from transactions accounted for under Topic 606, Revenue from Contracts with Customers. This ASU is effective for the Company beginning after December 15, 2025. The Company is currently evaluating the impact of this new guidance but does not expect this to have a material impact on its consolidated financial statements.

Reclassifications

Certain amounts in the prior year's Consolidated Financial Statements have been reclassified, with no effect on net income or stockholders' equity, to conform with the current period presentation.

Subsequent Events

The Company has evaluated all subsequent events through March 6, 2026, the date the financial statements were available to be issued.

In February 2026, subsequent to December 31, 2025, the Company terminated the remainder of the interest rate swap agreements designated as fair value hedges with a notional amount of \$50,000,000. The termination will result in an approximate \$1,200,000 loss to be amortized into earnings over the remaining life of the related hedged assets. The transaction had no impact on the Company's consolidated financial statements as of December 31, 2025.

Notes to Consolidated Financial Statements

2. Securities

The amortized cost, fair values and allowance for credit losses of securities as of December 31, 2025 and 2024 are as follows. (Amounts in Thousands of Dollars):

2025	Amortized Cost	Gross	Gross	Allowance For	Fair Value
		Unrealized Gains	Unrealized (Losses)	Credit Losses	
SECURITIES HELD TO MATURITY					
U.S. government agency bonds	\$ 85,439	\$ -	\$ (1,466)	\$ -	\$ 83,973
State and political subdivisions	37,632	196	(1,262)	(3)	36,563
	<u>\$ 123,071</u>	<u>\$ 196</u>	<u>\$ (2,728)</u>	<u>\$ (3)</u>	<u>\$ 120,536</u>
SECURITIES AVAILABLE FOR SALE					
U.S. treasuries	\$ 9,286	\$ 25	\$ -	\$ -	\$ 9,311
U.S. government agency bonds	88,282	20	(7,547)	-	80,755
U.S. government agency mortgage backed securities	131,741	63	(11,148)	-	120,656
State and political subdivisions	30,044	66	(3,267)	-	26,843
Collateralized mortgage obligations	75,133	100	(6,918)	-	68,315
	<u>\$ 334,486</u>	<u>\$ 274</u>	<u>\$ (28,880)</u>	<u>\$ -</u>	<u>\$ 305,880</u>
2024					
2024	Amortized Cost	Gross	Gross	Allowance For	Fair Value
		Unrealized Gains	Unrealized (Losses)	Credit Losses	
SECURITIES HELD TO MATURITY					
U.S. government agency bonds	\$ 84,177	\$ -	\$ (5,517)	\$ -	\$ 78,660
State and political subdivisions	32,524	16	(1,409)	(3)	31,128
	<u>\$ 116,701</u>	<u>\$ 16</u>	<u>\$ (6,926)</u>	<u>\$ (3)</u>	<u>\$ 109,788</u>
SECURITIES AVAILABLE FOR SALE					
U.S. treasuries	\$ 1,999	\$ -	\$ -	\$ -	\$ 1,999
U.S. government agency bonds	98,698	-	(11,801)	-	86,897
U.S. government agency mortgage backed securities	145,300	3	(18,394)	-	126,909
State and political subdivisions	30,581	83	(4,131)	-	26,533
Collateralized mortgage obligations	59,060	-	(8,600)	-	50,460
	<u>\$ 335,638</u>	<u>\$ 86</u>	<u>\$ (42,926)</u>	<u>\$ -</u>	<u>\$ 292,798</u>

During the year ended December 31, 2022, the Bank transferred securities classified as available for sale to the held to maturity classification. The impact of this transfer was to move the unrealized losses of those securities from fair value to amortized cost. The amortized cost of securities at date of transfer was \$136,116,000 with unrealized losses of \$23,801,000 of which \$1,690,000 and \$1,630,000 has been amortized for the years ended December 31, 2025 and 2024, respectively.

Notes to Consolidated Financial Statements

Fair value and unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position and, for which an allowance for credit loss has not been recorded for securities available for sale, as of December 31, 2025 and 2024 are summarized as follows. (Amounts in Thousands of Dollars):

2025	Less than 12 Months		12 Months or More		Total	
	Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
SECURITIES HELD TO MATURITY:						
U.S. government agency bonds	\$ -	\$ -	\$ 83,973	\$ (1,466)	\$ 83,973	\$ (1,466)
State and political subdivisions	-	-	31,469	(1,262)	31,469	(1,262)
	\$ -	\$ -	\$ 115,442	\$ (2,728)	\$ 115,442	\$ (2,728)
SECURITIES AVAILABLE FOR SALE						
U.S. treasuries	\$ 1,259	\$ -	\$ -	\$ -	\$ 1,259	\$ -
U.S. government agency bonds	4,789	(64)	72,435	(7,483)	77,224	(7,547)
U.S. government agency mortgage backed securities	3,208	(26)	109,049	(11,122)	112,257	(11,148)
State and political subdivisions	-	-	23,868	(3,267)	23,868	(3,267)
Collateralized mortgage obligations	3,640	(35)	46,731	(6,883)	50,371	(6,918)
	\$ 12,896	\$ (125)	\$ 252,083	\$ (28,755)	\$ 264,979	\$ (28,880)

2024	Less than 12 Months		12 Months or More		Total	
	Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
SECURITIES HELD TO MATURITY:						
U.S. government agency bonds	\$ -	\$ -	\$ 78,660	\$ (5,517)	\$ 78,660	\$ (5,517)
State and political subdivisions	-	-	30,878	(1,409)	30,878	(1,409)
	\$ -	\$ -	\$ 109,538	\$ (6,926)	\$ 109,538	\$ (6,926)
SECURITIES AVAILABLE FOR SALE						
U.S. government agency bonds	\$ 2,705	\$ -	\$ 84,191	\$ (11,801)	\$ 86,896	\$ (11,801)
U.S. government agency mortgage backed securities	1,686	(49)	121,157	(18,345)	122,843	(18,394)
State and political subdivisions	1,882	(51)	21,302	(4,080)	23,184	(4,131)
Collateralized mortgage obligations	1,991	-	48,468	(8,600)	50,459	(8,600)
	\$ 8,264	\$ (100)	\$ 275,118	\$ (42,826)	\$ 283,382	\$ (42,926)

As of December 31, 2025, the investment portfolio included 302 securities. Of this number, 244 debt securities have current unrealized losses and 237 of them have current unrealized losses which have existed for longer than one year. All of the debt securities with unrealized losses are considered to be acceptable credit risks. Based upon an evaluation of the available evidence, including recent changes in market rates, credit rating information and information obtained from regulatory filings, management believes a credit loss does not exist for available for sale debt securities. Furthermore, the Company does not intend to sell such securities and it is more likely than not that the Company will recover the amortized cost prior to being required to sell the debt securities. The company evaluates held to maturity securities for current expected credit losses. Held to maturity securities are evaluated on a quarterly basis based on prior loss experience, credit classifications and indications of expected losses. Based on this evaluation, the Company determined the held to maturity securities had an allowance for credit loss of \$3,000.

The following table presents the activity in the allowance for credit losses for the debt securities held to maturities for the year ended December 31:

	2025	2024
Allowance for credit losses:		
Balance, beginning	\$ 3	\$ 3
Provision	-	-
Balance, ending	\$ 3	\$ 3

Notes to Consolidated Financial Statements

The amortized cost and fair value of securities as of December 31, 2025 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the mortgages underlying the collateralized mortgage obligations may be called or prepaid without penalties. Therefore, these securities are not included in the maturity categories in the following summary. (Amounts in Thousands of Dollars):

	Amortized Cost	Fair Value
SECURITIES HELD TO MATURITY		
Due in one year or less	\$ -	\$ -
Due after one year through five years	10,912	10,777
Due after five years through ten years	84,119	82,364
Due after ten years	28,040	27,395
	<u>\$ 123,071</u>	<u>\$ 120,536</u>
SECURITIES AVAILABLE FOR SALE		
Due in one year or less	\$ 8,527	\$ 8,535
Due after one year through five years	54,890	51,121
Due after five years through ten years	66,583	60,151
Due after ten years	129,353	117,758
	<u>\$ 259,353</u>	<u>\$ 237,565</u>
Collateralized mortgage obligations	75,133	68,315
	<u>\$ 334,486</u>	<u>\$ 305,880</u>

Information on sales, including calls and maturities, of securities available for sale during the years ended December 31, 2025 and 2024 follows. (Amounts in Thousands of Dollars):

	2025	2024
Gross losses	\$ -	\$ (600)

As of December 31, 2025 and 2024, securities with a carrying value of approximately \$320,295,000 and \$285,496,000, respectively, were pledged to collateralize deposits and securities sold under agreements to repurchase and for other purposes as required or permitted by law.

3. Loans

The composition of net loans outstanding as of December 31, 2025 and 2024 are as follows. (Amounts in Thousands of Dollars):

	2025	2024
Commercial operating	\$ 74,912	\$ 81,016
Commercial real estate	245,007	238,675
Agricultural operating	32,648	29,926
Agricultural real estate	109,341	92,725
Construction and land development	13,454	26,684
Real estate secured by 1-4 and multi-family	132,666	115,118
Consumer	41,660	45,367
	<u>\$ 649,688</u>	<u>\$ 629,511</u>
Less allowance for credit losses	(6,899)	(8,456)
Net Loans	<u>\$ 642,789</u>	<u>\$ 621,055</u>

Notes to Consolidated Financial Statements

The aging of the loan portfolio, by classes of loans, as of December 31, 2025 and 2024 is summarized as follows. (Amounts in Thousands of Dollars):

2025	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total
CLASSES OF LOANS					
Commercial operating	\$ 74,830	\$ 45	\$ -	\$ 37	\$ 74,912
Commercial real estate	244,626	106	86	189	245,007
Agricultural operating	32,648	-	-	-	32,648
Agricultural real estate	109,126	-	30	185	109,341
Construction and land development	13,454	-	-	-	13,454
Real estate secured by 1-4 and multi-family	131,935	240	134	357	132,666
Consumer	41,288	328	19	25	41,660
	\$ 647,907	\$ 719	\$ 269	\$ 793	\$ 649,688

2024	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total
CLASSES OF LOANS					
Commercial operating	\$ 80,976	\$ -	\$ -	\$ 40	\$ 81,016
Commercial real estate	238,455	36	-	184	238,675
Agricultural operating	29,921	5	-	-	29,926
Agricultural real estate	92,468	-	75	182	92,725
Construction and land development	26,659	-	-	25	26,684
Real estate secured by 1-4 and multi-family	113,794	972	290	62	115,118
Consumer	45,241	87	39	-	45,367
	\$ 627,514	\$ 1,100	\$ 404	\$ 493	\$ 629,511

Notes to Consolidated Financial Statements

The amortized cost basis of nonperforming loans, by classes of loans as of December 31, 2025 and 2024 are summarized as follows. (Amounts in Thousands of Dollars):

2025	Accruing Past Due 90 Days or More	Nonaccrual Loans with no allowance for credit losses	Nonaccrual Loans with allowance for credit losses	Total Nonperforming Loans
CLASSES OF LOANS				
Commercial operating	\$ -	\$ 840	\$ -	\$ 840
Commercial real estate	-	4,244	170	4,414
Agricultural operating	-	-	-	-
Agricultural real estate	-	217	-	217
Construction and land development	-	-	-	-
Real estate secured by 1-4 and multi-family	-	476	214	690
Consumer	25	-	-	25
	\$ 25	\$ 5,777	\$ 384	\$ 6,186

2024

	Accruing Past Due 90 Days or More	Nonaccrual Loans with no allowance for credit losses	Nonaccrual Loans with allowance for credit losses	Total Nonperforming Loans
CLASSES OF LOANS				
Commercial operating	\$ -	\$ 123	\$ 4,397	\$ 4,520
Commercial real estate	-	4,926	-	4,926
Agricultural operating	-	-	-	-
Agricultural real estate	-	249	-	249
Construction and land development	-	25	-	25
Real estate secured by 1-4 and multi-family	-	254	254	508
Consumer	7	-	-	7
	\$ 7	\$ 5,577	\$ 4,651	\$ 10,235

The amount of interest income on nonaccrual loans recognized during the years ended December 31, 2025 and 2024, was \$375,000 and \$617,000, respectively.

Notes to Consolidated Financial Statements

Changes in the allowance for credit losses, by portfolio segment, during the years ended December 31, 2025 and 2024 are summarized as follows. Allocation of a portion of the allowance to one category does not preclude its availability to absorb losses in other categories (Amounts in Thousands of Dollars):

2025	Commercial Operating	Commercial Real Estate	Agricultural Operating	Agricultural Real Estate	Construction and Land Development	Real Estate Secured by 1-4 and Multi-Family	Consumer	Total
Balance, beginning	\$ 2,351	\$ 2,636	\$ 80	\$ 237	\$ 1,408	\$ 1,098	\$ 646	\$ 8,456
Credit loss expense (recovery)	(1,227)	2,049	4	41	(1,186)	33	970	684
Recoveries of loans charged off	5	-	-	-	-	13	40	58
	1,129	4,685	84	278	222	1,144	1,656	9,198
Loans charged off	(58)	(1,840)	-	-	-	(30)	(371)	(2,299)
Balance, ending	\$ 1,071	\$ 2,845	\$ 84	\$ 278	\$ 222	\$ 1,114	\$ 1,285	\$ 6,899

2024	Commercial Operating	Commercial Real Estate	Agricultural Operating	Agricultural Real Estate	Construction and Land Development	Real Estate Secured by 1-4 and Multi-Family	Consumer	Total
Balance, beginning	\$ 1,948	\$ 4,375	\$ 208	\$ 530	\$ 959	\$ 1,065	\$ 821	\$ 9,906
Credit loss expense (recovery)	3,799	(1,739)	(134)	(293)	445	30	9	2,117
Recoveries of loans charged off	2	-	6	-	4	3	45	60
	5,749	2,636	80	237	1,408	1,098	875	12,083
Loans charged off	(3,398)	-	-	-	-	-	(229)	(3,627)
Balance, ending	\$ 2,351	\$ 2,636	\$ 80	\$ 237	\$ 1,408	\$ 1,098	\$ 646	\$ 8,456

The Commercial Real Estate charge-offs of \$1,840,000 for the year ended December 31, 2025 in the table above were primarily due to one borrower. The Commercial Operating charge-offs of \$3,398,000 for the year ended December 31, 2024 in the table above were primarily due to one borrower.

Notes to Consolidated Financial Statements

The amortized cost basis of collateral dependent loans by portfolio segment, as of December 31, 2025 and 2024 is summarized as follows. (Amounts in Thousands of Dollars):

	As of December 31, 2025				Allowance For Credit Losses
	Primary Type of Collateral				
	Real Estate	Equipment	Other	Total	
Commercial					
Agricultural real estate	\$ 217	\$ -	\$ -	\$ 217	\$ -
Commercial operating	759	81	-	840	-
Commercial real estate	4,414	-	-	4,414	64
Total commercial	\$ 5,390	\$ 81	\$ -	\$ 5,471	\$ 64
Consumer					
Real estate secured by 1-4 and multi-family	\$ 690	\$ -	\$ -	\$ 690	\$ 68
Consumer	-	-	-	-	-
Total consumer	\$ 690	\$ -	\$ -	\$ 690	\$ 68
Total loans	\$ 6,080	\$ 81	\$ -	\$ 6,161	\$ 132

	As of December 31, 2024				Allowance For Credit Losses
	Primary Type of Collateral				
	Real Estate	Equipment	Other	Total	
Commercial					
Agricultural real estate	\$ 249	\$ -	\$ -	\$ 249	\$ -
Commercial operating	4,427	83	10	4,520	949
Commercial real estate	4,926	-	-	4,926	-
Total commercial	\$ 9,602	\$ 83	\$ 10	\$ 9,695	\$ 949
Consumer					
Real estate secured by 1-4 and multi-family	\$ 630	\$ -	\$ -	\$ 630	\$ 189
Consumer	-	-	-	-	-
Total consumer	\$ 630	\$ -	\$ -	\$ 630	\$ 189
Total loans	\$ 10,232	\$ 83	\$ 10	\$ 10,325	\$ 1,138

Management estimates the allowance balance using relevant available information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for estimation of expected credit losses. The cumulative loss rate used as the basis for the estimate of credit losses is comprised of the Company's historical loss experience beginning in 2019. As of December 31, 2025, the Company expects the markets in which it operates to experience continued economic uncertainty around the levels of delinquencies over the next 12 months. Management adjusted the historical loss experience for these expectations with an immediate reversion to historical loss rate beyond this forecast period.

Notes to Consolidated Financial Statements

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows. (Amounts in Thousands of Dollars):

Term Loans Amortized Cost Basis by Origination Year

As of December 31, 2025	2025	2024	2023	2022	2021	Revolving Loans	Prior	Total
Commercial Operating								
Risk rating:								
Pass	\$ 11,195	\$ 18,113	\$ 1,155	\$ 5,161	\$ 1,824	\$ 15,637	\$ 14,647	\$ 67,732
Special mention	421	544	329	67	110	4,218	-	5,689
Substandard	-	86	159	2	2	483	759	1,491
	<u>\$ 11,616</u>	<u>\$ 18,743</u>	<u>\$ 1,643</u>	<u>\$ 5,230</u>	<u>\$ 1,936</u>	<u>\$ 20,338</u>	<u>\$ 15,406</u>	<u>\$ 74,912</u>
Commercial Real Estate								
Risk rating:								
Pass	\$ 46,010	\$ 20,046	\$ 58,914	\$ 41,938	\$ 19,558	\$ 685	\$ 52,403	\$ 239,554
Special mention	-	-	-	269	-	-	175	444
Substandard	86	-	59	111	4,601	-	152	5,009
	<u>\$ 46,096</u>	<u>\$ 20,046</u>	<u>\$ 58,973</u>	<u>\$ 42,318</u>	<u>\$ 24,159</u>	<u>\$ 685</u>	<u>\$ 52,730</u>	<u>\$ 245,007</u>
Agricultural Operating								
Risk rating:								
Pass	\$ 5,295	\$ 2,642	\$ 787	\$ 1,199	\$ 912	\$ 15,658	\$ 1,000	\$ 27,493
Special mention	-	-	138	1,022	-	677	19	1,856
Substandard	-	674	1,825	-	-	800	-	3,299
	<u>\$ 5,295</u>	<u>\$ 3,316</u>	<u>\$ 2,750</u>	<u>\$ 2,221</u>	<u>\$ 912</u>	<u>\$ 17,135</u>	<u>\$ 1,019</u>	<u>\$ 32,648</u>
Agricultural Real Estate								
Risk rating:								
Pass	\$ 33,608	\$ 11,916	\$ 8,376	\$ 13,036	\$ 10,285	\$ 1,858	\$ 23,417	\$ 102,496
Special Mention	-	343	268	-	166	-	485	1,262
Substandard	-	-	3,623	156	1,743	-	61	5,583
	<u>\$ 33,608</u>	<u>\$ 12,259</u>	<u>\$ 12,267</u>	<u>\$ 13,192</u>	<u>\$ 12,194</u>	<u>\$ 1,858</u>	<u>\$ 23,963</u>	<u>\$ 109,341</u>
Construction and Land Development								
Risk rating:								
Pass	\$ 7,193	\$ 5,614	\$ 10	\$ -	\$ 20	\$ 617	\$ -	\$ 13,454
Substandard	-	-	-	-	-	-	-	-
	<u>\$ 7,193</u>	<u>\$ 5,614</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 617</u>	<u>\$ -</u>	<u>\$ 13,454</u>
Real estate secured by 1-4 and multi-family								
Risk rating:								
Pass	\$ 9,287	\$ 16,205	\$ 21,933	\$ 27,589	\$ 12,533	\$ 13,065	\$ 30,754	\$ 131,366
Special Mention	-	359	-	-	-	-	117	476
Substandard	-	-	100	-	-	-	724	824
	<u>\$ 9,287</u>	<u>\$ 16,564</u>	<u>\$ 22,033</u>	<u>\$ 27,589</u>	<u>\$ 12,533</u>	<u>\$ 13,065</u>	<u>\$ 31,595</u>	<u>\$ 132,666</u>
Totals By Risk Rating								
Risk rating:								
Pass	\$ 112,588	\$ 74,536	\$ 91,175	\$ 88,923	\$ 45,132	\$ 47,520	\$ 122,221	\$ 582,095
Special Mention	421	1,246	735	1,358	276	4,895	796	9,727
Substandard	86	760	5,766	269	6,346	1,283	1,696	16,206
	<u>\$ 113,095</u>	<u>\$ 76,542</u>	<u>\$ 97,676</u>	<u>\$ 90,550</u>	<u>\$ 51,754</u>	<u>\$ 53,698</u>	<u>\$ 124,713</u>	<u>\$ 608,028</u>
Total By Performing/Non-Performing								
Consumer								
Delinquency status:								
Performing	\$ 15,964	\$ 11,773	\$ 7,915	\$ 4,252	\$ 1,205	\$ -	\$ 551	\$ 41,660
Non-performing	-	-	-	-	-	-	-	-
	<u>\$ 15,964</u>	<u>\$ 11,773</u>	<u>\$ 7,915</u>	<u>\$ 4,252</u>	<u>\$ 1,205</u>	<u>\$ -</u>	<u>\$ 551</u>	<u>\$ 41,660</u>

Notes to Consolidated Financial Statements

Term Loans Amortized Cost Basis by Origination Year

As of December 31, 2024	2024	2023	2022	2021	2020	Revolving Loans	Prior	Total
Commercial Operating								
Risk rating:								
Pass	\$ 20,912	\$ 5,782	\$ 7,183	\$ 2,837	\$ 3,979	\$ 16,247	\$ 16,147	\$ 73,087
Special mention	508	104	-	-	37	1,697	81	2,427
Substandard	71	105	62	21	8	-	5,235	5,502
	<u>\$ 21,491</u>	<u>\$ 5,991</u>	<u>\$ 7,245</u>	<u>\$ 2,858</u>	<u>\$ 4,024</u>	<u>\$ 17,944</u>	<u>\$ 21,463</u>	<u>\$ 81,016</u>
Commercial Real Estate								
Risk rating:								
Pass	\$ 17,678	\$ 65,196	\$ 48,264	\$ 29,712	\$ 13,870	\$ 509	\$ 55,270	\$ 230,499
Special mention	-	-	1,803	639	-	-	507	2,949
Substandard	-	68	116	4,467	-	-	576	5,227
	<u>\$ 17,678</u>	<u>\$ 65,264</u>	<u>\$ 50,183</u>	<u>\$ 34,818</u>	<u>\$ 13,870</u>	<u>\$ 509</u>	<u>\$ 56,353</u>	<u>\$ 238,675</u>
Agricultural Operating								
Risk rating:								
Pass	\$ 4,469	\$ 1,440	\$ 2,703	\$ 1,382	\$ 954	\$ 14,077	\$ 261	\$ 25,286
Special mention	674	3,192	-	-	-	774	-	4,640
	<u>\$ 5,143</u>	<u>\$ 4,632</u>	<u>\$ 2,703</u>	<u>\$ 1,382</u>	<u>\$ 954</u>	<u>\$ 14,851</u>	<u>\$ 261</u>	<u>\$ 29,926</u>
Agricultural Real Estate								
Risk rating:								
Pass	\$ 23,512	\$ 10,247	\$ 13,871	\$ 11,365	\$ 5,525	\$ 1,245	\$ 20,702	\$ 86,467
Special Mention	-	3,887	131	1,743	-	75	-	5,836
Substandard	-	-	182	173	67	-	-	422
	<u>\$ 23,512</u>	<u>\$ 14,134</u>	<u>\$ 14,184</u>	<u>\$ 13,281</u>	<u>\$ 5,592</u>	<u>\$ 1,320</u>	<u>\$ 20,702</u>	<u>\$ 92,725</u>
Construction and Land Development								
Risk rating:								
Pass	\$ 13,191	\$ 12,250	\$ 1,028	\$ 177	\$ 13	\$ -	\$ -	\$ 26,659
Substandard	-	-	-	-	-	-	25	25
	<u>\$ 13,191</u>	<u>\$ 12,250</u>	<u>\$ 1,028</u>	<u>\$ 177</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 26,684</u>
Real estate secured by 1-4 and multi-family								
Risk rating:								
Pass	\$ 7,838	\$ 11,240	\$ 28,533	\$ 13,817	\$ 11,638	\$ 14,753	\$ 25,887	\$ 113,706
Special Mention	36	84	-	-	359	-	323	802
Substandard	-	102	77	48	-	-	383	610
	<u>\$ 7,874</u>	<u>\$ 11,426</u>	<u>\$ 28,610</u>	<u>\$ 13,865</u>	<u>\$ 11,997</u>	<u>\$ 14,753</u>	<u>\$ 26,593</u>	<u>\$ 115,118</u>
Totals By Risk Rating								
Risk rating:								
Pass	\$ 87,600	\$ 106,155	\$ 101,582	\$ 59,290	\$ 35,979	\$ 46,831	\$ 118,267	\$ 555,704
Special Mention	1,218	7,267	1,934	2,382	396	2,546	911	16,654
Substandard	71	275	437	4,709	75	-	6,219	11,786
	<u>\$ 88,889</u>	<u>\$ 113,697</u>	<u>\$ 103,953</u>	<u>\$ 66,381</u>	<u>\$ 36,450</u>	<u>\$ 49,377</u>	<u>\$ 125,397</u>	<u>\$ 584,144</u>
Total By Performing/Non-Performing								
Consumer								
Delinquency status:*								
Performing	\$ 18,134	\$ 13,665	\$ 8,829	\$ 3,267	\$ 726	\$ -	\$ 746	\$ 45,367
Non-performing	-	-	-	-	-	-	-	-
	<u>\$ 18,134</u>	<u>\$ 13,665</u>	<u>\$ 8,829</u>	<u>\$ 3,267</u>	<u>\$ 726</u>	<u>\$ -</u>	<u>\$ 746</u>	<u>\$ 45,367</u>

* Performing loans are those which are accruing and less than 90 days past due. Nonperforming loans are those on nonaccrual and accruing loans that are greater than or equal to 90 days past due.

For commercial operating, commercial real estate, agricultural operating, agricultural real estate, real estate secured by 1-4 family and multifamily, and construction and land development loans, the Company's credit quality indicator is internally assigned risk ratings. Each of these loans is assigned a risk rating upon origination. The risk rating is reviewed every 12 months, at a minimum, and on an as needed basis depending on the specific circumstances of the loan. See Note 1 for further discussion on the Company's risk ratings.

Notes to Consolidated Financial Statements

For consumer loans, the Company's credit quality indicator is performance determined by delinquency status. Delinquency status is updated daily by the Company's loan system.

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. In the fourth quarter of 2023, the Company entered into an agreement to sell the majority of its residential mortgage servicing rights which were related to loans with an unpaid balance of \$192,306,000 as of December 31, 2023. This mortgage servicing rights sale was finalized during 2024 resulting in a gain of \$1,270,000. Mortgage servicing rights are not significant as of December 31, 2025 or 2024.

In the ordinary course of business, the Bank has granted loans to directors, principal officers, and affiliated companies in which they are principal stockholders amounting to \$5,369,000 and \$10,172,000 as of December 31, 2025 and 2024, respectively.

4. Premises, Furniture and Equipment

The cost, accumulated depreciation and net book value of premises, furniture and equipment as of December 31, 2025 and 2024 is summarized as follows. (Amounts in Thousands of Dollars):

	2025	2024
Land	\$ 4,101	\$ 4,101
Building and improvements	15,021	14,969
Furniture and equipment	12,533	12,309
	31,655	31,379
Less accumulated depreciation	(20,870)	(20,225)
	\$ 10,785	\$ 11,154

5. Goodwill and Intangibles

Goodwill and intangible assets are summarized as follows. (Amounts in Thousands of Dollars):

As of December 31,	2025	2024
Goodwill	\$ 3,050	\$ 3,050
Other intangible assets:		
Core deposit intangible	1,380	1,380
Other intangible assets	1,855	1,855
Total Intangible assets	3,235	3,235
Less accumulated amortization on certain intangible assets	(3,209)	(3,205)
Total Intangible assets, net	26	30
Total goodwill and intangible assets, net	\$ 3,076	\$ 3,080

The estimated future amortization of intangible assets are summarized as follows (Amounts in Thousands of Dollars):

For the years ending December 31

2026	\$	4
2027		4
2028		4
2029		4
2030		4
Thereafter		6
	\$	26

Notes to Consolidated Financial Statements

6. Deposits

The aggregate amount of time deposits, each with a minimum denomination of \$250,000, was approximately \$62,034,000 and \$59,613,000 as of December 31, 2025 and 2024, respectively.

There were no brokered deposits at December 31, 2025 and 2024, respectively.

A major customer is defined as one with deposits comprising greater than 5% of the Company's total deposits. As of December 31, 2025, there were two customers that held approximately \$152,942,000 in deposits and, as of December 31, 2024, there were two customers that held approximately \$121,684,000 in deposits.

In the ordinary course of business, the Bank accepts deposits from directors, principal officers, and affiliated companies in which they are principal stockholders amounting to \$33,770,000 and \$26,412,000 as of December 31, 2025 and 2024, respectively.

At December 31, 2025, the scheduled maturities of time deposits are as follows. (Amounts in Thousands of Dollars):

2026	\$	240,406
2027		9,168
2028		293
2029		40
	\$	<u>249,907</u>

7. Federal Home Loan Bank Advances and Letters of Credit

The Bank advances funds from and repays them to the Federal Home Loan Bank (FHLB) as considered necessary for liquidity purposes. Outstanding advances were \$25,000,000 and \$30,000,000 as of December 31, 2025 and 2024, respectively, and had various interest rates ranging from 4.43%-4.50%.

Long-term FHLB advances are due as follows (Amounts in Thousands of Dollars):

2026	10,000
2027	15,000
	<u>\$ 25,000</u>

At December 31, 2025 and 2024, the Company had an available line of credit of approximately \$192,000,000 and \$171,000,000, respectively, with FHLB in excess of the amount that has been borrowed. The interest rates applied on any borrowing are determined on that date. The FHLB borrowings are collateralized by 1-4 family mortgages, commercial, commercial real estate and agricultural real estate loans of approximately \$218,000,000 and \$202,000,000 as of December 31, 2025 and 2024, respectively. The Company also had a letter of credit agreement with FHLB for approximately \$781,000 and \$845,000 as of December 31, 2025 and 2024, respectively. There were no borrowings against the letter of credit as of December 31, 2025 and 2024.

8. Junior Subordinated Debentures and Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Solely Subordinated Debentures

Junior subordinated debentures are due to FBIL Statutory Trusts II and III, which are both 100% owned, non-consolidated subsidiaries of the Company. The debentures were issued in 2003 and 2004, respectively, in conjunction with each Trust's issuance of 5,000 shares of Company Obligated Mandatorily Redeemable (COMR) Preferred Securities. The debentures all bear the same interest rate and terms as the preferred securities, detailed following.

The debentures are included on the consolidated balance sheets as liabilities; however, in accordance with Federal Reserve Board regulations in effect at December 31, 2025 and 2024, the Company is allowed, for regulatory purposes, to include the entire \$10,000,000 of the capital securities issued by the Trusts in Tier I capital.

During 2003 the Company issued 5,000 shares of (COMR) Preferred Securities of FBIL Statutory Trust II Holding Solely Subordinated Debentures. Distributions are paid quarterly. Cumulative cash distributions are calculated at a variable annual rate that is 295 basis points above the three-month term SOFR rate (6.92% as of December 31, 2025). The Company may, at one or more times, defer interest payments on the capital securities for up to 20 consecutive quarterly periods, but not beyond September 17, 2033. At the end of the deferral period, all accumulated and unpaid distributions will be paid. The capital securities will be redeemed on September 17, 2033 at par plus any accrued and unpaid distributions to the date of the redemption; however, the Company has the option to redeem at any time at par. The redemption may be in whole or in part, but in all cases in a principal amount with integral multiples of \$1,000.

During 2004, FBIL Statutory Trust III issued 5,000 shares of Company Obligated Mandatorily Redeemable (COMR) Preferred Securities. Distributions are paid quarterly. Cumulative cash distributions are calculated at a variable annual rate that is 265 basis points above the three-month term SOFR rate (6.63% as of December 31, 2025). The Trust may, at one or more times, defer interest payments on the capital securities for up to 20 consecutive quarterly periods, but not beyond September 15, 2034. At the end of the deferral period, all accumulated and unpaid distributions will be paid. The capital securities will be redeemed on September 15, 2034 at par plus any accrued and unpaid distributions to the date of the redemption;

however, the Trust has the option to redeem at any time at par. The redemption may be in whole or in part, but in all cases in a principal amount with integral multiples of \$1,000.

Holders of the capital securities have no voting rights, are unsecured and rank junior in priority of payment to all of the Trust's indebtedness and senior to the Trust's capital stock.

9. Commitments and Contingencies

Financial Instruments with Off-Balance Sheet Risk

The Bank, in the normal course of business, is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers. These financial instruments include unused lines of credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and market risk in excess of the amount recognized in the consolidated balance sheets.

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

A summary of the Bank's commitments as of December 31, 2025 and 2024 is as follows. (Amounts in Thousands of Dollars):

	2025	2024
Commitments to extend credit:		
Unused lines of credit	\$ 96,385	\$ 94,933
Standby letters of credit	1,290	716

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

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements and, generally, have terms of one year, or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank holds collateral, as detailed above, supporting those commitments if deemed necessary. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Bank would be required to fund the commitment. The maximum potential amount of future payments the Bank could be required to make is represented by the contractual amount shown in the previous summary. If the commitment is funded, the Bank would be entitled to seek recovery from the customer. As of December 31, 2025 and 2024, no amounts have been recorded as liabilities for the Bank's potential obligations under these guarantees.

The Company has executed contracts for the sale of mortgage loans in the secondary market of \$818,000 and \$458,000 as of December 31, 2025 and 2024, respectively. These amounts are included in loan commitments, as detailed in this Note, as of December 31, 2025 and 2024.

Notes to Consolidated Financial Statements

A portion of residential mortgage loans sold to investors in the secondary market are sold with recourse. Specifically, certain loan sales agreements provide that if the borrower becomes 60 days or more delinquent during the first six months following the first payment due, and subsequently becomes 90 days or more delinquent during the first 12 months of the loan, the Bank must repurchase the loan from the subject investor. The Bank did not repurchase any loans from secondary market investors under the terms of these loan sales agreements during the years ended December 31, 2025 and 2024. In the opinion of management, the risk of recourse to the Bank is not significant and, accordingly, no liability has been established.

Concentration of Credit Risk

Aside from cash on hand and in-vault, the Company's cash is maintained at various correspondent banks. The total amount of cash on deposit and federal funds sold exceeded federal insurance limits at four institutions by a total of approximately \$7,941,000 and \$8,261,000 as of December 31, 2025 and 2024, respectively. In the opinion of management, no material risk of loss exists due to the financial condition of the institutions.

Contingencies

In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on these consolidated financial statements.

10. Benefits

The Company has a 401(k) plan, which is a tax qualified savings plan, to encourage its employees to save for retirement purposes or other contingencies. All employees, working over 1,000 hours per year, of the Company and its subsidiaries are eligible to participate in the Plan after completion of one year of service and attaining the age of 21. The employee may elect to contribute a percentage of their compensation before taxes in a traditional 401(k) and/or a percentage of their compensation after taxes using the subsidiaries' Roth 401(k) option. Based upon profits, as determined by the subsidiaries, a contribution may be made by the subsidiaries. Employees are 100% vested in the subsidiaries' contribution to the plan after five years of service. Employee contributions and vested subsidiaries contributions may be withdrawn only on termination of employment, retirement, death or hardship withdrawal.

Under the various Employee Incentive Compensation Plans, the Bank is authorized at its discretion, pursuant to the provisions of the plan, to establish on an annual basis, a bonus fund, which will be distributed to certain employees, based on their performance. The Employee Incentive Compensation Plan does not become effective unless the Bank exceeds established income levels and goals. Additionally, the Company has a Deferred Incentive Compensation plan for highly compensated employees.

The financial statements include expense related to the 401(k) Plan of \$664,000 and \$656,000 for the years ended December 31, 2025 and 2024, respectively. The financial statements include expense related to the incentive compensation plans of \$1,138,000 and \$402,000 for the years ended December 31, 2025 and 2024, respectively.

The Company maintains a self-funded healthcare plan to provide medical benefits to eligible employees and their dependents. Under the terms of this plan, the Company assumes responsibility for paying claims incurred by participants, subject to specific stop-loss insurance coverage. The plan is administered by a third-party administrator (TPA) responsible for processing claims and ensuring compliance with applicable laws and regulations.

To mitigate the financial risk associated with high-cost claims, the Company has obtained stop-loss insurance. The stop-loss policy limits the Company's liability to generally \$65,000 per participant per year and an aggregating specific deductible for the Company of \$50,000 per year. Claims exceeding these thresholds are reimbursed by the stop-loss insurance carrier. Although the Company has mitigated risk through stop-loss insurance, it remains contingently liable for claims up to the specified stop-loss thresholds.

The Company had recorded a liability of \$442,000 and \$196,000 at December 31, 2025 and 2024, respectively, to reflect estimated claims incurred but not reported ("IBNR") and other obligations under the healthcare plan. This estimate is based on historical claim activity, actuarial assumptions, and current trends in healthcare costs. Actual claims paid could differ from these estimates.

The Company funds the healthcare plan through operating cash flows. Cash reserves of \$1,118,000 and \$1,220,000 at December 31, 2025 and 2024, respectively, were designated to meet expected claims and administrative expenses. Administrative fees of \$47,000 and \$46,000 were incurred for the years ended December 31, 2025 and 2024, respectively.

11. Dividends and Regulatory Capital

The Company's stockholders are entitled to receive such dividends as are declared by the Board of Directors. The ability of the Company to pay dividends in the future is dependent upon its receipt of dividends from its subsidiaries. The subsidiaries' ability to pay dividends is regulated by financial regulatory statutes. The timing and amount of dividends will depend on earnings, capital requirements and financial condition of the Company and its subsidiaries as well as general economic conditions and other relevant factors affecting the Company and the subsidiary. Under the provisions of the National Bank Act, the Bank may not, without prior approval of the Comptroller of the Currency, declare dividends in excess of the total of the current and past two year's earnings less any dividends already paid from those earnings.

The Company and its subsidiaries are 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 action by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and 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

Company and Bank's capital amounts and classification are also subject to qualitative judgments by the regulators and components, risk weightings and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Company and Bank to maintain minimum amounts and ratios (set forth in the following table) of total, Tier I, and common equity Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). The Bank would be subject to limitations on certain activities including payment of dividends and discretionary bonuses to executive officers if its capital level is below the buffered ratio. Management believes, as of December 31, 2025, that the Company and Bank meet all capital adequacy requirements to which they are subject.

The most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as adequately or well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, common equity Tier I, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's categories.

The Company and Bank's actual capital amounts and ratios are also presented in the table. (Amounts in Thousands of Dollars):

As of December 31, 2025	Actual		Minimum Regulatory Requirement		Minimum Regulatory Requirement With Capital Conservation Buffer		To Be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to Risk-Weighted Assets)								
Company	\$ 130,481	16.94%	\$ 61,616	> 8.00%	\$ 80,871	> 10.500%	N/A	N/A
Bank	\$ 125,615	16.30%	\$ 61,638	> 8.00%	\$ 80,899	> 10.500%	\$ 77,047	> 10.00%
Tier I Capital (to Risk-Weighted Assets)								
Company	\$ 123,579	16.05%	\$ 46,212	> 6.00%	\$ 65,467	> 8.500%	N/A	N/A
Bank	\$ 118,713	15.41%	\$ 46,228	> 6.00%	\$ 65,490	> 8.500%	\$ 61,638	> 8.00%
Common Equity Tier I Capital (to Risk-Weighted Assets)								
Company	\$ 113,579	14.75%	\$ 34,659	> 4.50%	\$ 53,914	> 7.000%	N/A	N/A
Bank	\$ 118,713	15.41%	\$ 34,671	> 4.50%	\$ 53,933	> 7.000%	\$ 50,081	> 6.50%
Tier I Capital (to Average Assets)								
Company	\$ 123,579	9.64%	\$ 51,289	> 4.00%	\$ 51,289	> 4.000%	N/A	N/A
Bank	\$ 118,713	9.46%	\$ 50,199	> 4.00%	\$ 50,199	> 4.000%	\$ 62,749	> 5.00%
As of December 31, 2024	Actual		Minimum Regulatory Requirement		Minimum Regulatory Requirement With Capital Conservation Buffer		To Be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to Risk-Weighted Assets)								
Company	\$ 128,931	17.17%	\$ 60,068	> 8.00%	\$ 78,840	> 10.500%	N/A	N/A
Bank	\$ 122,778	16.36%	\$ 60,044	> 8.00%	\$ 78,808	> 10.500%	\$ 75,055	> 10.00%
Tier I Capital (to Risk-Weighted Assets)								
Company	\$ 119,539	15.92%	\$ 45,051	> 6.00%	\$ 63,822	> 8.500%	N/A	N/A
Bank	\$ 114,320	15.23%	\$ 45,033	> 6.00%	\$ 63,797	> 8.500%	\$ 60,044	> 8.00%
Common Equity Tier I Capital (to Risk-Weighted Assets)								
Company	\$ 109,539	14.59%	\$ 33,788	> 4.50%	\$ 52,560	> 7.000%	N/A	N/A
Bank	\$ 114,320	15.23%	\$ 33,775	> 4.50%	\$ 52,538	> 7.000%	\$ 48,786	> 6.50%
Tier I Capital (to Average Assets)								
Company	\$ 119,539	9.73%	\$ 49,156	> 4.00%	\$ 49,156	> 4.000%	N/A	N/A
Bank	\$ 114,320	9.56%	\$ 47,813	> 4.00%	\$ 47,813	> 4.000%	\$ 59,766	> 5.00%

Notes to Consolidated Financial Statements

12. Income Tax Matters

As the Company prospectively adopted ASU 2023-09, *Income Taxes (Topic 740): Improvements To Income Tax Disclosures*, the components of income tax expense by tax jurisdiction for the year ended December 31, 2025 is as follows (Amounts in Thousands of Dollars):

	2025
Current	
Federal	\$ 1,452
State	216
Total Current	<u>1,668</u>
Deferred	
Federal	48
State	57
Total deferred	<u>105</u>
	<u><u>\$ 1,773</u></u>

The components of income tax expense are as follows for the year ended December 31, 2024. (Amounts in Thousands of Dollars):

	2024
Current	\$ 412
Deferred	480
	<u><u>\$ 892</u></u>

A reconciliation between income tax expense in the statements of income and the amount computed by applying the statutory federal income tax rate to income before income taxes is as follows. (Amounts in Thousands of Dollars):

Year Ended December 31,	% of Pretax	
	2025	Income
Federal income tax at statutory rate	\$ 1,784	21.0%
Changes from statutory rate resulting from:		
State tax, net of federal benefit*	215	2.5
Nontaxable or nondeductible items:		
Tax exempt interest income	(359)	(4.2)
Interest disallowance	253	3.0
Increase in cash surrender value	(125)	(1.5)
Other, net	5	0.1
Income tax expense	<u><u>\$ 1,773</u></u>	<u><u>20.9%</u></u>

* State taxes in Illinois comprised the majority (greater than 50%) of the tax effect in this category.

Notes to Consolidated Financial Statements

Year Ended December 31,	2024	% of Pretax Income
Federal income tax at statutory rate	\$ 1,066	21.0%
Changes from statutory rate resulting from:		
State tax, net of federal benefit	67	1.3
Tax exempt interest income, net	(98)	(1.9)
Increase in cash surrender value	(157)	(3.1)
Other, net	14	0.3
Income tax expense	\$ 892	17.6%

Net deferred tax assets (liabilities) consist of the following components as of December 31, 2025 and 2024. (Amounts in Thousands of Dollars):

Year Ended December 31,	2025	2024
Deferred tax assets:		
Allowance for credit losses	\$ 1,768	\$ 2,221
Accrued expenses	902	508
Unrealized losses on securities available for sale, net	13,389	17,935
Unrealized losses on derivatives, net	525	56
Other	5	4
	\$ 16,589	\$ 20,724
Deferred tax liabilities:		
Premises, furniture and equipment	\$ (289)	\$ (352)
Stock dividends	(2)	(8)
Prepaid expenses	(289)	(180)
Intangibles	(647)	(638)
Fair value hedges	(14)	(16)
	\$ (1,241)	\$ (1,194)
Net Deferred Tax Assets	\$15,348	\$ 19,530

Net deferred tax assets as of December 31, 2025 and 2024 are included in other assets on the accompanying consolidated balance sheets.

The net change in deferred income taxes is reflected in the financial statements as follows. (Amounts in Thousands of Dollars):

Year Ended December 31,	2025	2024
Provision for income taxes	\$ 105	\$ 481
Statement of changes in stockholders' equity, other comprehensive income, unrealized gains (losses) on securities available for sale and unrealized gains (losses) on fair value hedges, net	4,077	1,505
	\$ 4,182	\$ 1,986

Income tax payments during the year ended December 31, 2025, by taxing jurisdiction, were as follows (Amounts in Thousands of Dollars):

	2025
Federal	\$ 1,513
State	
Illinois	76
All other states	16
	\$ 1,605

Notes to Consolidated Financial Statements

13. Derivatives

The Company uses a variety of derivative instruments to mitigate exposure to both market and credit risks inherent in its business activities. The Company manages these risks as part of its overall asset and liability management process and through its policies and procedures. Derivatives represent contracts between parties that usually require little or no initial net investment and result in one party delivering cash or another type of asset to the other party based on a notional amount and underlying as specified in the contract.

Derivatives are often measured in terms of notional amount, but this amount is generally not exchanged, and it is not recorded on the Company's consolidated balance sheet. The notional amount is the basis to which the underlying is applied to determine required payments under the derivative contract. The underlying is referenced as interest rate, security price, credit spread, or other index.

Derivatives Designated as Hedging Instruments

The Company uses derivative instruments to hedge its exposure to economic risks, including interest rate, liquidity and credit risk. Certain hedging relationships are formally designated and qualify for hedge accounting under GAAP. On the date the Company enters into a derivative contract designated as a hedging instrument, the derivative is designated as either a fair value hedge, cash flow hedge, or a net investment hedge. When a derivative is designated as a fair value, cash flow, or net investment hedge, the Company performs an assessment, at inception and, at a minimum, quarterly thereafter, to determine the effectiveness of the derivative in the offsetting changes in the value or cash flows of the hedged item(s). As of December 31, 2025 and 2024 the Company only uses fair value hedges.

Fair value hedges: These derivatives are interest rate swaps the Company uses to hedge the change in fair value related to interest rate changes of its underlying mortgage-backed investment securities and mortgage loan pools. The interest rate swaps are carried on the Company's Consolidated Balance Sheet at their fair value in other assets (when the fair value is positive) or in other liabilities (when the fair value is negative). The changes in fair value of the interest rate swaps are recorded in interest income. The unrealized gains or losses due to changes in the fair value of the interest rate swaps due to changes in benchmark interest rates are recorded as an adjustment to the hedged instruments and offset in the same interest income line items.

The following table presents the total notional amounts and gross fair values of the Company's derivatives as of December 31, (Amounts in Thousands of Dollars):

(dollars in thousands)	Consolidated Balance Sheet Location	2025		2024	
		Fair Value	Notional Amount	Fair Value	Notional Amount
Designated as hedging instruments					
Fair value hedges:					
Interest rate swaps	Other Liabilities	\$ (977)	\$ 50,000	\$ (151)	\$ 100,000

The following table presents the fair values hedge accounting of the Company's derivatives in the Consolidated Statements of Income for the year ended December 31, 2025 and 2024 (Amounts in Thousands of Dollars):

(dollars in thousands)	Consolidated Income Statement Location	2025	2024
		Interest Income	Interest Income
Fair value hedges:			
Interest rate swaps	Interest Income - Securities	\$ 232	\$ 1,164

During the year ended December 31, 2025, the Company terminated \$50,000,000 notional value of fair value hedges resulting in a loss of \$962,000 recorded to Accumulated Other Comprehensive Income. There were \$52,000 of losses reclassified into earnings as of December 31, 2025 and no gains or losses reclassified into earnings as of December 31, 2024.

Notes to Consolidated Financial Statements

The following table shows the notional amount, carrying amount and associated cumulative basis adjustments related to the application of hedge accounting that is included in the carrying amount of hedged assets and liabilities in fair value hedging relationships at December 31:

(dollars in thousands)		2025		
	Notional Amounts	Carrying Amount of Hedged Assets/Liabilities	Cumulative Fair Value Hedging Adjustment in the Carrying Amount of Hedged Assets/Liabilities	
Mortgage-backed securities				
Residential Agency	\$ 25,000	\$ (462)	\$ 19	
Municipals	25,000	(515)	34	
Total	\$ 50,000	\$ (977)	\$ 53	

(dollars in thousands)		2024		
	Notional Amounts	Carrying Amount of Hedged Assets/Liabilities	Cumulative Fair Value Hedging Adjustment in the Carrying Amount of Hedged Assets/Liabilities	
Government Agency	\$ 25,000	\$ (104)	\$ 20	
Mortgage-backed securities				
Residential Agency	50,000	(86)	12	
Municipals	25,000	39	14	
Total	\$ 100,000	\$ (151)	\$ 46	

14. Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value using a hierarchy system, and requires disclosure of fair value measurements. The hierarchy is intended to maximize the use of observable inputs and minimize the use of unobservable inputs and includes three levels based upon the valuation techniques used. The three levels are as follows:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

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

Derivatives:

All of the Company's derivatives are traded in over-the-counter markets where quoted market prices are not readily available. For these derivatives, estimated fair value is measured using internally developed models that use primarily market observable inputs, such as yield curves and option volatilities, and accordingly, classified as Level 2. Examples of Level 2 derivatives are basic interest rate swaps and forward contracts.

Individually evaluated loans: The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered individually evaluated and an allowance for credit losses is established. Once a loan is identified as individually evaluated, it may be measured based upon the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral, if the loan is collateral dependent. Collateral may be real estate and/or business assets including equipment, inventory and/or accounts receivable. Fair value is determined based upon appraisals by qualified licensed appraisers hired by the Company, and are, generally, considered level 2 measurements. In some cases, adjustments are made to the appraised values due to various factors including age of the appraisal, age of comparable included in the appraisal, and known changes in the market and in the collateral. When

Notes to Consolidated Financial Statements

significant adjustments are based on unobservable inputs, the resulting fair value measurement has been categorized as a level 3 measurement. The fair value presented in the nonrecurring table represents collateral dependent individually evaluated loans that require a specific allowance prior to selling costs.

Other real estate owned: Other real estate owned is carried at the estimated fair value of the property, less selling costs at the time of acquisition. The fair value of the property is determined based upon appraisals or internal evaluations. Subsequent write-downs are based on the lower of carrying value or fair value, less selling costs.

There have been no changes in valuation techniques used for any assets or liabilities measured at fair value during the years ended December 31, 2025 and 2024.

ASSETS AND LIABILITIES RECORDED AT FAIR VALUE ON A RECURRING BASIS

The following table summarizes assets and liabilities measured at fair value on a recurring basis as of December 31, 2025 and 2024, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value. (Amounts in Thousands of Dollars):

Fair Value Measurements as of December 31, 2025 Using:	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investment securities available for sale:				
U.S. treasuries	\$ 9,311	\$ 9,311	\$ -	\$ -
U.S. government agency bonds	80,755	-	80,755	-
U.S. government agency mortgage backed securities	120,656	-	120,656	-
State and political subdivisions	26,843	-	26,843	-
Collateralized mortgage obligations	68,315	-	68,315	-
	<u>\$305,880</u>	<u>\$ 9,311</u>	<u>\$296,569</u>	<u>\$ -</u>
Liabilities:				
Derivatives				
	<u>\$ (977)</u>	<u>\$ -</u>	<u>\$ (977)</u>	<u>\$ -</u>

Fair Value Measurements as of December 31, 2024 Using:	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investment securities available for sale:				
U.S. treasuries	\$ 1,999	\$ 1,999	\$ -	\$ -
U.S. government agency bonds	86,897	-	86,897	-
U.S. government agency mortgage backed securities	126,909	-	126,909	-
State and political subdivisions	26,533	-	26,533	-
Collateralized mortgage obligations	50,460	-	50,460	-
	<u>\$ 292,798</u>	<u>\$ 1,999</u>	<u>\$ 290,799</u>	<u>\$ -</u>
Liabilities:				
Derivatives				
	<u>\$ (151)</u>	<u>\$ -</u>	<u>\$ (151)</u>	<u>\$ -</u>

There were no transfers of assets or liabilities between levels 1, 2 and 3 of the fair value hierarchy during the years ended December 31, 2025 and 2024.

ASSETS AND LIABILITIES RECORDED AT FAIR VALUE ON A NONRECURRING BASIS

The Company may be required, from time to time, to measure certain assets and liabilities at fair value on a nonrecurring basis such as when there is evidence of impairment. Assets measured at fair value on a nonrecurring basis are included in the table below. (Amounts in Thousands of Dollars):

Fair Value Measurements as of December 31, 2025 Using:	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Individually evaluated loans	\$ 270	\$ -	\$ -	\$ 270
Other real estate owned	\$ 2,279	\$ -	\$ -	\$ 2,279

Fair Value Measurements as of December 31, 2024 Using:	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Individually evaluated loans	\$ 3,760	\$ -	\$ -	\$ 3,760
Other real estate owned	\$ -	\$ -	\$ -	\$ -

The Financial Instruments Topic of the FASB Accounting Standards Codification requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Certain financial instruments and all non-financial instruments are excluded from these disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Cash and due from banks and federal funds sold: The carrying amounts reported in the balance sheets for cash and due from banks and federal funds sold equal their fair values.

Securities: Fair values for securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans and loans held for sale: For variable rate loans, fair values are equal to carrying values. The fair values for all other types of loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality. The fair value of loans held for sale is based on quoted market prices of similar loans sold in the secondary market.

Individually evaluated loans, net: Individually Evaluated loans' fair value is equal to book value minus the related allowance plus estimated selling costs.

Accrued interest receivable and payable: The fair value of accrued interest receivable and payable is equal to its carrying value.

Deposits: The fair values for demand and savings deposits equal their carrying amounts, which represent the amount payable on demand. Fair values for time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on time deposits to a schedule of aggregated expected monthly maturities on time deposits.

Securities sold under agreements to repurchase: The fair value of securities sold under agreements to repurchase is considered to be equal to the carrying value due to the borrowings' short-term nature.

FHLB Advances: The fair value of FHLB Advances approximates the carrying value.

Junior subordinated debentures: It is not practicable to estimate the fair value of junior subordinated debentures as instruments with similar terms are not available in the market place.

Commitments to extend credit: The fair value of these commitments is not material.

Derivatives: Derivatives are carried at fair market value.

Notes to Consolidated Financial Statements

The carrying values and estimated fair values of the Company's financial instruments as of December 31, 2025 and 2024 are as follows. (Amounts in Thousands of Dollars):

	Fair Value Hierarchy Level	Carrying Value		Fair Value	
		2025	2024	2025	2024
Financial assets:					
Cash and due from banks	1	\$ 94,318	\$ 81,161	\$ 94,318	\$ 81,161
Securities held to maturity	2	123,068	116,698	120,536	109,788
Securities available for sale	1	9,311	1,999	9,311	1,999
Securities available for sale	2	296,569	290,799	296,569	290,799
Federal funds sold	1	575	1,138	575	1,138
Loans, net	2	642,537	617,611	635,425	564,841
Individually evaluated loans, net	3	252	3,514	270	3,760
Accrued interest receivable	1	6,943	6,093	6,943	6,093
Financial liabilities:					
Non-interest bearing demand deposits	1	\$ 153,913	\$ 142,029	\$ 153,913	\$ 142,029
Interest bearing demand deposits	1	552,309	528,567	552,309	528,567
Savings deposits	1	78,243	79,450	78,243	79,450
Time deposits	2	249,907	247,595	249,907	247,595
Securities sold under agreements to repurchase	1	68,482	69,238	68,482	69,238
FHLB Advances	1	25,000	30,000	25,000	30,000
Derivatives	2	977	151	977	151
Accrued interest payable	1	1,791	2,157	1,791	2,157

Note 15 - Segment Information

The Company's activities are considered to be one operating segment. This determination was based upon factors such as the Company's organizational structure, the reporting package provided to the Company's chief operating decision maker (CODM), methodology for the allocation of resources, and the level at which budgets are reviewed and approved by the CODM. The Company is engaged in the business of providing comprehensive financial products and services to its retail, institutional, and corporate customers with operations primarily in West Central Illinois and two loan production offices in the Metro St. Louis area. Substantially all income is derived from a diverse base of commercial, agriculture, mortgage and consumer lending activities, investment securities, and fee income.

The accounting policies of the reportable segment are the same as those described in Note 1 – Nature of Business and Summary of Significant Accounting Policies.

The Company's Chief Executive Officer is the CODM. The CODM assesses the performance for the reportable segment and decides how to allocate resources based on net income that is reported in the consolidated statements of income. The CODM uses net income to evaluate income generated from segment assets (return on assets) to make decisions about allocation capital, such as to the business, for acquisitions, or to pay dividends. Additionally, net income is used by the CODM to monitor budget versus actual results on a monthly basis. See the Consolidated Statements of Income for a presentation of the Company's revenues and expenses for its one reportable segment. See the Consolidated Balance Sheet for a presentation of the Company's assets for its one reportable segment. Other segment expenses included in Other expenses on the Consolidated Statements of Income primarily consists of debit card expense, ATM fees, correspondent fees, regulatory fees, and employee entertainment expenses.

Note 16 – Accumulated Other Comprehensive Income (AOCI)

The following table presents the net change in AOCI as well as the changes, and the related tax effects, of each component of AOCI.

	Available for Sale Securities	Held to Maturity Securities	Fair Value Hedges	Total
Balance, December 31, 2023	\$ (31,759)	\$ (15,530)	\$ (1,567)	\$ (48,856)
Other comprehensive income:				
Other comprehensive income (loss), before reclassifications and taxes	979	1,630	2,016	4,625
Amounts reclassified from AOCI, before tax	600	-	-	600
Pre-tax net other comprehensive income (loss)	1,579	1,630	2,016	5,225
Income tax effect	(451)	(464)	(590)	(1,505)
Other comprehensive income (loss) for the year, net of tax	1,128	1,166	1,426	3,720
Balance December 31, 2024	\$ (30,631)	\$ (14,364)	\$ (141)	\$ (45,136)
Other comprehensive income:				
Other comprehensive income, before reclassifications and taxes	14,234	1,690	(825)	15,099
Termination of fair value hedges, before tax	-	-	(968)	(968)
Amounts reclassified from AOCI, before tax	-	-	52	52
Pre-tax net other comprehensive income	14,234	1,690	(1,741)	14,183
Income tax effect	(4,057)	(482)	462	(4,077)
Other comprehensive income for the year, net of tax	10,177	1,208	(1,279)	10,106
Balance December 31, 2025	\$ (20,454)	\$ (13,156)	\$ (1,420)	\$ (35,030)

Reclassifications from AOCI to net income, excluding taxes, for the year ended December 31, 2025 and 2024 were recorded in "Other Income" on the Consolidated Statements of Income.

Board of Directors

First Bankers Trustshares, Inc.

William D. Daniels

Chairman of the Board

Member, Harborstone Group, LLC

Allen W. Shafer

President/CEO

Director, ATTY Financial Holdings, Inc.

Carl W. Adams, Jr.

Chairman, Illinois Ayers Oil Company

Director, TI-Trust, Inc.

Charles M. Gnuse

President/CEO, United State Bank

Arthur E. Greenbank

Former President/CEO

First Bankers Trustshares, Inc.

Mark E. Freiburg

Owner, Freiburg Insurance Agency; Freiburg Development; Diamond Construction; Maxamillion, Inc.; Wink Drinks Inc.; Director, U.S. Insurance Company of America

Stephen C. Hassell

CEO, Atomation

Kurt J. Hofmeister

Partner, North American Wiring Accessories

Kemia M. Sarraf, M.D., M.P.H.

CEO, Lodestar Consulting and Executive Coaching

Richard W. Schulte

Founding Partner, Wright & Schulte, LLC

Steven E. Siebers

Chairman, TI-Trust, Inc.

Erin J. Wharton

Partner, Gray Hunter Stenn LLP

First Bankers Trust Company, N. A.

William D. Daniels

Chairman of the Board

Member, Harborstone Group, LLC

Allen W. Shafer

President/CEO

Director, ATTY Financial Holdings, Inc.

Carl W. Adams, Jr.

Chairman, Illinois Ayers Oil Company

Director, TI-Trust, Inc.

Charles M. Gnuse

President/CEO, United State Bank

Arthur E. Greenbank

Former President/CEO, First Bankers Trust Company,

N. A.

Mark E. Freiburg Owner, Freiburg Insurance

Agency; Freiburg Development; Diamond

Construction; Maxamillion, Inc.; Wink Drinks, Inc.;

Director, U.S. Insurance Company of America

Stephen C. Hassell

CEO, Atomation

Kurt J. Hofmeister

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Kemia M. Sarraf, M.D., M.P.H.

CEO, Lodestar Consulting and Executive Coaching

Richard W. Schulte

Founding Partner, Wright & Schulte, LLC

Steven E. Siebers

Chairman, TI-Trust, Inc.

Erin J. Wharton, CPA

Partner, Gray Hunter Stenn LLP

Officers

First Bankers Trust Company, N.A.

Allen W. Shafer, President/Chief Executive Officer

David J. Rakers, Executive Vice President

Mike J. Goedeke, Interim Chief Credit Officer

Nicole R. Allen-Cain, Senior Vice President (ISO)

Melinda K. Boyer, Senior Vice President

Kelly A. Kern, Senior Vice President

James D. Whitaker, Regional President

Nathan J. Frese, Market President

Joel Oswald, Market President

Dominic M. Siepp, Market President

Clay Shackelford, Market President

Steven Gnuse, Senior Vice President

Douglas R. Reed, Senior Vice President

Ashley J. Altmix, Vice President

John T. Armstrong, Vice President

Kyle W. Beckman, Vice President

John N. Carter, Vice President

Megan M. Cheek, Vice President

Christopher Crozier, Vice President

Jennifer M. Gilker, Vice President

Tony R. Gross, Vice President

Jana Hattey, Vice President

Devan D. Hitt, Vice President

Lisa K. Hoffman, Vice President

Jordan E. Moore, Vice President

James R. Obert, Vice President

Lance Robertson, Vice President

Sherry R. Schaffnit, Vice President

Brenda S. Seals, Vice President

Michelle M. Shortridge, Vice President

Bernie J. Venvertloh, Vice President (Treasurer)

Brooke C. Venvertloh, Vice President (Controller)

Randal S. Westerman, Vice President

Lyndsey Dow, Assistant Vice President

James M. Farmer, Assistant Vice President

Kelly Freeman, Assistant Vice President

David J. Garner, Assistant Vice President

Andrew Jansen, Assistant Vice President

Karen J. Koehn, Assistant Vice President

Ryne R. Lubben, Assistant Vice President

Laura J. Maas, Assistant Vice President

Andrew Marner, Assistant Vice President

Stephanie M. Miller, Assistant Vice President

Lisa M. Palmer, Assistant Vice President

Kala L. Peacock, Assistant Vice President

John K. Predmore, Assistant Vice President

Michele M. Walgren, Assistant Vice President

Joan M. Whitlow, Assistant Vice President

April D. Willey, Assistant Vice President

Matt Wyatt, Assistant Vice President

Ronald W. Fairley, IT Officer

Terry J. Hanks, IT Officer

Joseph A. Graslaub, Credit Officer

Hannah L. Muegge, Credit Officer

Kelsi Hills, Digital Banking Officer

Dalton R. Leebold, Digital Banking Officer

Alex L. Brown, Loan Officer

Shawn P. Ryan, Loan Officer

Melisa G. Heimann, Operations Officer

Brian Johnson, Operations Officer

Kim M. Neal, Operations Officer

Jay Behrends, Retail Officer

April C. Griffin, Retail Officer

Mackenzie Haines, Retail Officer

Olivia Harris, Retail Officer

Leigh Holstein, Retail Officer

Taylor Howe, Retail Officer

Krystal Jackson, Retail Officer

Michelle Matticks, Retail Officer

Catherine Maxwell, Retail Officer

Shannon M. Orris, Retail Officer

Rachel E. Sisay, Retail Officer

Kristel E. Williams, Retail Officer

