WIPFLI

Spring Bank

Financial Statements

Years Ended December 31, 2025 and 2024

SPRING BANK

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WIPFLI

Independent Auditor's Report

Board of Directors
Spring Bank
Brookfield, Wisconsin

Opinion

We have audited the financial statements of Spring Bank (the "Bank"), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

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 Bank 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 GAAP, 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 Bank's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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, 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 Bank’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 Bank'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.

Wipfli LLP

Wipfli LLP

Milwaukee, Wisconsin
February 24, 2026

Spring Bank

Balance Sheets

December 31,	2025	2024
Assets:		
Cash and due from banks	$ 744,075	$ 2,260,529
Federal funds sold	89,742	82,785
Cash and cash equivalents	833,817	2,343,314
Interest-bearing deposits	14,987,649	10,112,022
Securities available for sale (amortized cost of $38,717,687 and $42,249,645 at December 31, 2025 and 2024, respectively)	36,293,601	38,245,088
Loans, net of allowance for credit losses of $5,056,374 and $4,692,374 at December 31, 2025 and 2024, respectively	366,635,718	313,167,792
Premises and equipment, net	129,379	176,875
Accrued interest receivable	1,477,126	1,218,717
Cash value of life insurance	8,249,677	7,963,472
Other assets	5,166,074	4,796,484
Total assets	$ 433,773,041	$ 378,023,764
Liabilities:		
Non-interest-bearing deposits	$ 36,960,661	$ 36,626,339
Interest-bearing deposits	283,926,096	249,915,118
Total deposits	320,886,757	286,541,457
Borrowed funds	60,210,000	42,793,000
Accrued interest payable	1,008,295	951,014
Other liabilities	2,914,262	2,481,910
Total liabilities	385,019,314	332,767,381
Stockholders' Equity:		
Common stock - $250 par value Authorized - 6,998 shares; Issued - 6,978 shares at December 31, 2025 and 2024; Outstanding - 6,675 shares and 6,744 shares at December 31, 2025 and 2024, respectively	1,744,500	1,744,500
Additional paid-in capital	17,264,335	17,269,204
Retained earnings	33,957,760	30,999,878
Accumulated other comprehensive loss	(1,659,028)	(2,822,799)
Treasury stock - 303 and 234 shares at December 31, 2025 and 2024, respectively	(2,553,840)	(1,934,400)
Total stockholders' equity	48,753,727	45,256,383
Total liabilities and stockholders' equity	$ 433,773,041	$ 378,023,764

See accompanying notes to financial statements.

Spring Bank

Statements of Income

Years Ended December 31,	2025	2024
Interest income:		
Loans, including fees	$ 23,622,265	$ 19,583,512
Securities:		
Taxable	1,045,816	931,163
Tax-exempt	-	1,496
Interest-bearing deposits	692,057	1,391,010
Other	196,991	155,423
Total interest income	25,557,129	22,062,604
Interest expense:		
Deposits	9,973,315	9,260,435
Borrowed funds	1,785,937	1,618,427
Total interest expense	11,759,252	10,878,862
Net interest income	13,797,877	11,183,742
Provision for credit losses	322,000	445,000
Net interest income after provision for credit losses	13,475,877	10,738,742
Noninterest income	522,213	492,285
Noninterest expense:		
Salaries and employee benefits	4,939,685	4,637,989
Occupancy and equipment	441,686	397,483
Net loss on sale of securities	196,399	-
Professional fees	208,965	195,000
Regulatory assessments	314,680	205,359
Other	1,532,570	1,094,763
Total noninterest expense	7,633,985	6,530,594
Income before income taxes	6,364,105	4,700,433
Provision for income taxes	1,204,998	910,936
Net income	$ 5,159,107	$ 3,789,497

See accompanying notes to financial statements.

Spring Bank

Statements of Comprehensive Income

Years Ended December 31,	2025	2024
Net income	$ 5,159,107	$ 3,789,497
Other comprehensive income before tax effect	1,384,073	278,816
Reclassification adjustment for losses realized in net income	196,399	-
Income tax benefit (expense) related to items of other comprehensive income	(331,899)	(58,551)
Reclassification adjustment for unstranded tax impact	(84,802)	(32,686)
Other comprehensive income, net of tax	1,163,771	187,579
Comprehensive income	$ 6,322,878	$ 3,977,076

See accompanying notes to financial statements.

Spring Bank

Statements of Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balances at January 1, 2024	$ 1,744,500	$ 17,234,292	$ 29,216,891	$ (3,010,378)	$ (758,800)	$ 44,426,505
Net income	-	-	3,789,497	-	-	3,789,497
Other comprehensive income	-	-	-	187,579	-	187,579
Dividends to stockholders	-	-	(2,006,510)	-	-	(2,006,510)
Issuance of restricted stock (29 shares)	-	(234,900)	-	-	234,900	-
Stock-based compensation	-	269,812	-	-	-	269,812
Purchase of treasury stock (175 shares)	-	-	-	-	(1,410,500)	(1,410,500)
Balances at December 31, 2024	1,744,500	17,269,204	30,999,878	(2,822,799)	(1,934,400)	45,256,383
Net income	-	-	5,159,107	-	-	5,159,107
Other comprehensive income	-	-	-	1,163,771	-	1,163,771
Dividends to stockholders	-	-	(2,201,225)	-	-	(2,201,225)
Issuance of restricted stock (31 shares)	-	(268,060)	-	-	268,060	-
Stock-based compensation	-	263,191	-	-	-	263,191
Purchase of treasury stock (100 shares)	-	-	-	-	(887,500)	(887,500)
Balances at December 31, 2025	$ 1,744,500	$ 17,264,335	$ 33,957,760	$ (1,659,028)	$ (2,553,840)	$ 48,753,727

See accompanying notes to financial statements.

Spring Bank

Statements of Cash Flows

Years Ended December 31,	2025	2024
Cash flows from operating activities:		
Net income	$ 5,159,107	$ 3,789,497
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	74,385	72,559
Net accretion on securities	(132,579)	(125,352)
Provision for credit losses	322,000	445,000
Loss on sales of securities	196,399	-
Increase in cash value of life insurance	(286,205)	(266,216)
Stock-based compensation	263,191	269,812
Deferred tax (benefit) expense	(267,049)	(198,023)
Reclassification of unstranded tax effect	(84,802)	(32,686)
Changes in operating assets and liabilities:		
Other assets and accrued interest receivable	(692,849)	1,838,106
Other liabilities and accrued interest payable	531,633	84,822
Net cash flows from operating activities	5,083,231	5,877,519
Cash flows from investing activities:		
Change in interest-bearing deposits	(4,875,627)	17,071,818
Purchases of securities available for sale	(8,023,384)	(6,694,178)
Proceeds from maturities and calls of securities available for sale	9,185,017	8,955,991
Proceeds from sales of securities available for sale	2,306,506	-
Capital expenditures	(26,889)	(18,112)
Net change in loans	(53,831,926)	(33,042,811)
Net cash flows from investing activities	(55,266,303)	(13,727,292)
Cash flows from financing activities:		
Net change in deposits	34,345,300	15,417,214
Proceeds from issuance of borrowed funds	30,167,000	15,043,000
Principal payments on borrowed funds	(12,750,000)	(18,750,000)
Dividends paid	(2,201,225)	(2,006,510)
Purchase of treasury stock	(887,500)	(1,410,500)
Net cash flows from financing activities	48,673,575	8,293,204
Net change in cash and cash equivalents	(1,509,497)	443,431
Cash and cash equivalents at beginning of year	2,343,314	1,899,883
Cash and cash equivalents at end of year	$ 833,817	$ 2,343,314
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	$ 11,701,971	$ 10,926,712
Income taxes	1,525,000	1,267,824
Noncash financing activity:		
Reissuance of treasury stock for restricted stock	268,060	234,900

See accompanying notes to financial statements.

Note 1: Summary of Significant Accounting Policies

Organization

Spring Bank (the "Bank") is a full-service community-oriented bank. It offers a broad range of commercial and consumer banking services to local businesses, professionals, community service organizations, and individuals. It operates with one location in Brookfield, Wisconsin, with its market area consisting of southeastern Wisconsin. The Bank is subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates. The allowance for credit losses, the fair value of securities, and the valuation of the deferred tax asset are particularly subject to change in the near-term.

Cash and Cash Equivalents

For purposes of reporting cash flows in the financial statements, cash and cash equivalents include cash on hand and non-interest-bearing accounts in other financial institutions, and federal funds sold, all of which have original maturities of three months or less.

Interest-Bearing Deposits in Other Financial Institutions

Interest-bearing deposits consist of interest-bearing accounts and certificates of deposit, which mature within five years and are carried at cost, which approximates fair value.

Debt Securities

Debt securities are classified as available for sale and are carried at fair value, with unrealized gains and losses reported in other comprehensive income or loss. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method. Premiums that exceed the amount repayable by the issuer at the next call date are amortized to the next call date. Other premiums and discounts are amortized (accreted) over the estimated lives of the securities. Gains and losses on the sales of securities are recorded on the trade date and determined using the specific-identification method.

Note 1: Summary of Significant Accounting Policies (Continued)

Debt Securities (Continued)

The Bank evaluates individual securities available for sale in an unrealized loss position by first determining whether the decline in fair value below the amortized cost basis of the security has resulted from a credit loss or other factors. A credit loss exists when the present value of cash flows expected to be collected from the security is less than the amortized cost basis of the security. In determining whether a credit loss exists, the Bank considers the extent to which the fair value is less than the amortized cost basis, adverse conditions related to the security, the industry, or geographic areas, the payment structure of the debt security, failure of the issuer to make scheduled payments, and any changes to the rating of the security. Impairment related to credit losses is recognized through an allowance for credit losses up to the amount that fair value is less than the amortized cost basis. Changes to the allowance are recognized through earnings as a provision for (or recovery of) credit losses. Impairment related to other factors is recognized in other comprehensive income.

The accrual of interest on a security available for sale is discontinued when the security becomes 90 days delinquent or whenever management believes the issuer will be unable to make payments as they become due. When securities are placed on nonaccrual status, all unpaid accrued interest is reversed against interest income. No accrued interest was written off during 2025 and 2024.

The Bank excludes accrued interest receivable from the amortized cost basis of securities available for sale when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on securities available for sale totaling $100,593 and $95,848 at December 31, 2025 and 2024, respectively, was excluded from the amortized cost basis of securities available for sale.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are reported at their outstanding unpaid principal balances adjusted for charge-offs and an allowance for credit losses. Loan origination fees and direct origination costs are recognized as income or expense when received or incurred, since capitalization of these fees and costs would not have a significant impact on the financial statements.

The past due status of a loan is based on the contractual terms in the loan agreement. The accrual of interest on a loan is discontinued when, in the opinion of management, there is an indication the borrower may be unable to make payments as they become due. Mortgage and commercial loans are placed on nonaccrual when a loan is 90 days past due. Credit card and other consumer loans are typically charged off no later than 180 days past due. When loans are placed on nonaccrual status or charged off, all unpaid accrued interest is reversed against interest income. The interest on these loans is subsequently accounted for on the cash basis or using the cost-recovery method until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses on Loans and Unfunded Commitments

The allowance for credit losses on loans is a valuation allowance that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the Bank's loan portfolio. The allowance for credit losses on loans is established through provisions for credit losses charged against earnings. When available information confirms that specific loans, or portions thereof, are uncollectible, these amounts are charged against the allowance for credit losses on loans, and subsequent recoveries, if any, are credited to the allowance for credit losses on loans.

Management considers the following when assessing risk in the Bank's loan portfolio segments:

- Commercial and industrial loans are primarily for working capital, physical asset expansion, asset acquisition loans and other. These loans are made based primarily on historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not behave as forecasted, and collateral securing loans may fluctuate in value as a result of economic or individual performance factors. Financial information is obtained from the borrowers to evaluate cash flow sufficiency to service debt and is periodically updated during the life of the loan.

- Commercial real estate loans are dependent on the industries tied to these loans. Commercial real estate loans are secured primarily by office and industrial buildings, warehouses, small retail shopping facilities, and various special-purpose properties including hotels and restaurants. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flow sufficiency to service debt and is periodically updated during the life of the loan. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market, such as geographic location and/or property type.

- Commercial construction loans are secured by vacant land and/or property that are in the process of improvement, including (a) land development preparatory to erecting vertical improvements or (b) the on-site construction of industrial, commercial, residential, or farm- buildings. Repayment of these loans can be dependent on the sale of the property to third parties or the successful completion of the improvements by the builder for the end user. In the event a loan is made on property that is not yet improved for the planned development, there is the risk that necessary approvals will not be granted or will be delayed. Construction loans also run the risk that improvements will not be completed on time or in accordance with specifications and projected costs.

- Residential real estate loans are affected by the local residential real estate market, the local economy, and for variable rate mortgages, movement in indices tied to these loans. At the time of origination, the Bank evaluates the borrower's repayment ability through a review of debt to income and credit scores. Appraisals are obtained to support the loan amount. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flow sufficiency to service debt at the time of origination.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses on Loans and Unfunded Commitments (Continued)

- Multifamily loans include loans to finance non-farm properties with five or more units in structures primarily to accommodate households on a temporary or permanent basis. Such credits are typically originated to finance the acquisition of an apartment or condo building/complex. Multifamily loans are made based primarily on the historical and projected cash flow of the subject multifamily property, with assumptions made for vacancy rates. Cash flows and ultimate loan performance rely on the receipt of rental income from the tenants of the property, who are themselves subject to fluctuations in national and local economic and unemployment trends.

- Consumer and other loans may take the form of installment loans, demand loans, or single-payment loans and are extended to individuals for household, family, and other personal expenditures. At the time of origination, the Bank evaluates the borrower's repayment ability through a review of debt to income and credit scores.

The Bank uses a current expected credit loss ("CECL") model to estimate the allowance for credit losses on loans. The CECL model considers historical loss rates and other qualitative adjustments, as well as a forward-looking component that considers reasonable and supportable forecasts over the expected life of each loan. To develop the allowance for credit losses on loans under the CECL model, the Bank segments the loan portfolio into loan pools based on loan type and similar credit risk elements; performs an individual evaluation of certain collateral dependent and other credit-deteriorated loans; calculates the historical loss rates for the segmented loan pools; applies the loss rates over the calculated life of the collectively evaluated loan pools; adjusts for forecasted macro-level economic conditions and other anticipated changes in credit quality; and determines qualitative adjustments based on factors and conditions unique to the Bank's loan portfolio.

Under the CECL model, loans that do not share similar risk characteristics with loans in their respective pools are individually evaluated for expected credit losses and are excluded from the collectively evaluated loan credit loss estimates. Management individually evaluates nonaccrual credit relationships, collateral dependent loans, and other loans with evidence of credit deterioration. For loans individually evaluated, a specific reserve is estimated based on either the fair value of collateral or the discounted value of expected future cash flows.

A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the fair value of the collateral as of the date of the balance sheet, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses on Loans and Unfunded Commitments (Continued)

The following describes the types of collateral that secure collateral dependent loans:

- Commercial and industrial loans considered collateral dependent are primarily secured by accounts receivable, inventory and equipment.
- Construction loans are primarily secured by residential and commercial properties, which are under construction and/or redevelopment, and by raw land.
- Commercial real estate loans are primarily secured by office and industrial buildings, warehouses, retail shopping facilities and various special purpose properties, including hotels and restaurants.
- Residential first mortgages are primarily secured by first liens on residential real estate.
- Residential junior mortgages are primarily secured by first and junior liens on residential real estate.
- Multifamily real estate loans are primarily secured by apartment complexes and other buildings with five or more units.

Management evaluates all collectively evaluated loan pools using the weighted average remaining life ("remaining life") methodology. The remaining life methodology applies calculated quarterly net loss rates to collectively evaluated loan pools on a periodic basis based on the estimated remaining life of each pool. The estimated losses under the remaining life methodology are then adjusted for qualitative factors deemed appropriate by management.

The estimated remaining life of each pool is determined using quarterly, pool-based attrition measurements using the Bank's loan-level historical data. The Bank's historical call report data is utilized for historical loss rate calculations, and the lookback period for each collectively evaluated loan pool is determined by management based upon the estimated remaining life of the pool. Forecasted historical loss rates are calculated using the Bank's historical data based on the lookback period determined by management.

The quantitative analysis described above is supplemented with other qualitative factors based on the risks present for each collectively evaluated loan pool. These qualitative factors include: levels of and trends in delinquencies and nonaccrual loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. Management also adjusts historical losses based on short-term forecasts of economic conditions. Management has elected to incorporate its loss forecasts into its overall qualitative factor adjustments.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses on Loans and Unfunded Commitments (Continued)

The Bank excludes accrued interest receivable from the amortized cost basis of loans when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on loans totaling $1,370,747 and $1,101,495 at December 31, 2025 and 2024, respectively, was excluded from the amortized cost basis of loans.

In addition to the allowance for credit losses on loans, the Bank maintains a reserve for unfunded loan commitments at a level that management believes is adequate to absorb estimated probable credit losses over the contractual terms of the Bank's noncancellable loan commitments. The reserve for unfunded commitments, which is included in other liabilities on the accompanying balance sheet is established through provisions for credit losses charged against earnings.

Unfunded loan commitments are segmented into the same pools used for estimating the allowance for credit losses on loans. Estimated credit losses on unfunded loan commitments are based on the same methodology, inputs, and assumptions used to estimate credit losses on collectively evaluated loans, adjusted for estimated funding probabilities. The estimated funding probabilities represent management's estimate of the amount of the current unfunded loan commitment that will be funded over the remaining contractual life of the commitment and is based on historical data.

The Bank may modify loans to borrowers experiencing financial difficulty and grant certain concessions that include principal forgiveness, a term extension, an other-than-insignificant payment delay, an interest rate reduction, or a combination of these concessions. An assessment of whether the borrower is experiencing financial difficulty is made at the time of the loan modification.

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

Federal Home Loan Bank Stock

The Bank is required to hold Federal Home Loan Bank (FHLB) stock as a member of the FHLB, and transfer of the stock is substantially restricted. The FHLB stock is pledged as collateral for outstanding FHLB advances. Other investments are evaluated for impairment on an annual basis. FHLB stock is carried at cost and included in other assets on the balance sheet.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

Note 1: Summary of Significant Accounting Policies (Continued)

Foreclosed Assets

Assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets. There were no foreclosed assets at December 31, 2025 or 2024. There were no one-to-four family residential loans in process of foreclosure at December 31, 2025 or 2024.

Income Taxes

Deferred tax assets and liabilities have been determined using the liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the current enacted tax rates that will be in effect when these differences are expected to reverse. Provision (credit) for deferred taxes is the result of changes in the deferred tax assets and liabilities.

The Bank may also recognize a liability for unrecognized tax benefits from uncertain tax positions. Unrecognized tax benefits represent the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured in the financial statements. Interest and penalties related to unrecognized tax benefits are classified as income taxes.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) is shown on the statements of comprehensive income. Accumulated other comprehensive income (loss) consists of unrealized gain (loss) on securities available for sale, net of tax, and is shown on the statements of stockholders' equity.

Treasury Stock

Treasury stock is accounted for by the cost method. Subsequent reissuances are accounted for at average cost.

Revenue from Contracts with Customers

The core revenue recognition principle requires the Bank to recognize revenue to depict the transfer of services or products to customers in an amount that reflects the consideration to which the Bank expects to be entitled to receive in exchange for those services or products recognized as performance obligations are satisfied. The guidance includes a five-step model to apply to revenue recognition, consisting of the following; (1) identify the contract with a customer; (2) identify the performance obligation(s) within the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligation(s) within the contract; and (5) recognize revenue when (or as) the performance obligation(s) are/is satisfied.

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue from Contracts with Customers (Continued)

The Bank generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Since performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying revenue recognition principles (ASC 606) that significantly affects the determination of the amount and timing of revenue from contracts with customers.

The following significant revenue-generating transactions are within the scope of ASC 606, which are presented in the financial statements as components of noninterest income:

Service fees – The Bank earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, such as ATM use fees, wires, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Bank fulfills the customer's request. Account maintenance fees, which relate primarily to monthly service charges and maintenance fees, are earned over the course of a month, representing the period over which the Bank satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs as this corresponds with the Bank's performance obligation.

Interchange fees – Customers use a bank-issued debit card to purchase goods and services, and the Bank earns interchange fees on those transactions, typically a percentage of the sale amount of the transaction. The Bank is considered an agent with respect to these transactions. Interchange fee payments received are recognized as income daily, concurrently with the transaction processing services provided to the cardholder through the payment networks. There are no contingent debit card interchange fees recorded by the Bank that could be subject to a claw-back in future periods.

Net gain (loss) on sales of foreclosed assets – The Bank records a gain or loss from the sale of foreclosed assets when control of the property transfers to the buyer, which generally occurs at the time of an executed deed and when transfer of control is completed. When the Bank finances the sale to the buyer, the Bank assesses whether the buyer is committed to performing their obligations under the contract and whether the Bank expects to collect substantially all of the transaction price. Once these criteria are met, the asset is derecognized and the gain or loss on the sale is recognized. In determining the gain or loss on the sale, the Bank adjusts the transaction price and related gain (loss) on sale if the financing does not include market terms.

Advertising

Advertising costs are expensed as incurred.

Off-Balance-Sheet Instruments

In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments, including commitments to extend credit, unfunded commitments under lines of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable.

Note 1: Summary of Significant Accounting Policies (Continued)

Stock Compensation Plans

The Bank accounts for employee stock compensation plans using the fair value-based method of accounting. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is also the vesting period. The Bank has made an accounting policy election to account for forfeitures when they occur.

Reclassifications

Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 classifications.

Subsequent Events

Subsequent events have been evaluated through February 24, 2026, which is the date the financial statements were available to be issued.

Note 2: Cash and Due From Banks

In the normal course of business, the Bank maintains cash and due from bank balances with correspondent banks. Balances in these accounts may exceed the Federal Deposit Insurance Corporation's insured limit of $250,000. Management believes these financial institutions have strong credit ratings and that the credit risk related to these deposits is minimal.

Note 3: Interest-Bearing Deposits

Interest-bearing deposits at December 31 by maturity are shown below:

	2025	2024
Interest-bearing correspondent accounts	$ 12,537,649	$ 3,251,022
Certificates of deposits held at other institutions:		
Due in one year or less	1,960,000	6,371,000
Due after one year through five years	490,000	490,000
Totals	$ 14,987,649	$ 10,112,022

Note 4: Debt Securities

The amortized cost and estimated fair value of securities with gross unrealized gains and losses at December 31 follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2025				
Securities available for sale:				
Residential mortgage-backed securities	$ 31,614,996	$ 72,868	$ 1,753,102	$ 29,934,762
U.S. agency debt securities	6,103,506	-	735,487	5,368,019
U.S. treasury securities	999,185	-	8,365	990,820
Total securities available for sale	$ 38,717,687	$ 72,868	$ 2,496,954	$ 36,293,601
2024				
Securities available for sale:				
Residential mortgage-backed securities	$ 31,532,060	$ -	$ 2,833,163	$ 28,698,897
U.S. agency debt securities	6,717,117	-	1,034,590	5,682,527
U.S treasury securities	4,000,468	-	136,804	3,863,664
Total securities available for sale	$ 42,249,645	$ -	$ 4,004,557	$ 38,245,088

Fair values of securities are generally estimated based on financial models or prices paid for similar securities. It is possible interest rates or other key inputs to the valuation estimate could change considerably, resulting in a material change in the estimated fair value of securities.

Note 4: Debt Securities (Continued)

The following table shows the fair value and gross unrealized losses of securities with unrealized losses at December 31, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2025						
Residential mortgage-backed securities	$ 4,377,741	$ 18,077	$ 15,711,545	$ 1,735,025	$ 20,089,286	$ 1,753,102
U.S. agency debt securities	5,123,532	730,649	244,487	4,838	5,368,019	735,487
U.S. treasury securities	-	-	990,820	8,365	990,820	8,365
Totals	$ 9,501,273	$ 748,726	$ 16,946,852	$ 1,748,228	$ 26,448,125	$ 2,496,954
2024						
Residential mortgage-backed securities	$ 6,533,671	$ 152,659	$ 22,165,226	$ 2,680,504	$ 28,698,897	$ 2,833,163
U.S. agency debt securities	-	-	5,682,527	1,034,590	5,682,527	1,034,590
U.S. Treasury Securities	-	-	3,863,664	136,804	3,863,664	136,804
Totals	$ 6,533,671	$ 152,659	$ 31,711,417	$ 3,851,898	$ 38,245,088	$ 4,004,557

The following table presents the number and aggregate depreciation from the Company's amortized cost basis of debt securities available for sale in a continuous unrealized loss position by security type at December 31, 2025:

	Number of Securities	Aggregate Depreciation
Residential mortgage-backed securities	35	8.03 %
U.S. agency debt securities	8	12.05 %
U.S. treasury securities	1	0.84 %
Totals	44	8.63 %

Note 4: Debt Securities (Continued)

These unrealized losses relate principally to the changes in interest rates and are not due to changes in the financial condition of the issuer, the quality of any underlying assets, or applicable credit enhancements. In reaching the conclusion that an allowance for credit losses is unnecessary, management observed that the securities were issued by a government body or agency, the securities continue to be highly rated (AA or better) where applicable, the issuer continues to make contractual payments, and the quality of any underlying assets or credit enhancements has not changed. Since management has the ability to hold debt securities for the foreseeable future, the Bank expects to recover the amortized cost basis of these securities before they are sold or mature. The Bank has determined that no allowance for credit losses is required on available for sale securities as of December 31, 2025 or 2024.

The following is a summary of amortized cost and estimated fair value of debt securities by contractual maturity as of December 31, 2025. Contractual maturities will differ from expected maturities for mortgage-related securities because borrowers may have the right to call or prepay obligations without penalties.

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 999,185	$ 990,820
Due after one year through five years	249,325	244,487
Due after five years through ten years	3,100,954	2,815,959
Due after ten years	2,753,227	2,307,573
Subtotals	7,102,691	6,358,839
Mortgage-related securities	31,614,996	29,934,762
Totals	$ 38,717,687	$ 36,293,601

Proceeds from sales of debt securities available for sale during 2025 totaled $2,306,506. The gross losses totaled $196,399. No debt securities available for sale were sold for a gain in 2025. There were no sales of debt securities available for sale during 2024.

At December 31, 2025, the amortized cost and estimated fair value of debt securities pledged to secure short-term borrowings and borrowed funds was $15,161,328 and $12,962,524, respectively. At December 31, 2024, the amortized cost and estimated fair value of debt securities pledged to secure short-term borrowings and borrowed funds was $18,528,122 and $15,364,116, respectively.

Note 5: Loans

The following table presents total loans at December 31, 2025 and 2024 by portfolio segment and class of loan:

	2025	2024
Commercial:		
Commercial and industrial	$ 71,496,889	$ 61,470,137
Commercial real estate - owner occupied	102,157,618	80,395,296
Commercial real estate - non owner occupied	86,563,820	70,388,202
Commercial construction	53,586,539	47,390,847
Residential real estate:		
Residential first mortgages	48,020,671	36,284,782
Residential junior mortgages	1,788,317	5,014,985
Multifamily	8,065,256	16,898,087
Consumer:		
Consumer loans	12,982	17,830
Subtotal	371,692,092	317,860,166
Allowance for credit losses	(5,056,374)	(4,692,374)
Loans, net	$ 366,635,718	$ 313,167,792

Deposit accounts in an overdraft position and reclassified as loans totaled approximately $129,000 at December 31, 2025 and $45,000 at December 31, 2024.

Activity in the allowance for credit losses on loans by portfolio segment follows:

	Commercial	Residential Real Estate	Consumer	Total
Balance at January 1, 2024	$ 3,924,161	$ 460,881	$ 10,548	$ 4,395,590
Provision for credit losses on loans	314,354	(30,272)	(3,082)	281,000
Loans charged off	-	-	-	-
Recoveries of loans previously charged off	15,784	-	-	15,784
Balance at December 31, 2024	4,254,299	430,609	7,466	4,692,374
Provision for credit losses on loans	397,024	(35,331)	2,307	364,000
Loans charged off	-	-	-	-
Recoveries of loans previously charged off	-	-	-	-
Balance at December 31, 2025	$ 4,651,323	$ 395,278	$ 9,773	$ 5,056,374

Note 5: Loans (Continued)

At December 31, 2025 and 2024, the Bank maintained a reserve for unfunded loan commitments totaling $122,000 and $164,000, respectively, which is included in other liabilities on the accompanying balance sheets. The provision for credit losses on unfunded loan commitments totaled ($42,000) and $164,000 for the years ended December 31, 2025 and 2024, respectively.

Accrued interest written off by reversing interest income was insignificant during the years ended December 31, 2025 and 2024.

Information regarding collateral dependent loans as of December 31, follows:

	Recorded Investment	Related Allowance
2025		
Commercial and industrial	$ 5,146,225	$ 821,152
Commercial real estate - owner occupied	6,118,444	187,230
Commercial real estate - non owner occupied	627,265	-
Commercial construction	250,250	-
Residential first mortgages	654,717	-
Residential junior mortgages	249,996	-
Totals	$ 13,046,897	$ 1,008,382
2024		
Commercial and industrial	$ 5,837,266	$ 1,137,516
Commercial real estate - owner occupied	5,623,900	127,165
Commercial real estate - non owner occupied	769,908	-
Commercial construction	250,250	-
Residential first mortgages	716,087	-
Residential junior mortgages	249,996	-
Totals	$ 13,447,407	$ 1,264,681

The Bank regularly evaluates various attributes of loans to determine the appropriateness of the allowance for credit losses on loans. The credit quality indicators monitored differ depending on the class of loan.

Commercial loans are generally evaluated using the following internally prepared ratings:

- "Pass" ratings are assigned to loans with adequate collateral and debt service ability such that collectibility of the contractual loan payments is highly probable.

Note 5: Loans (Continued)

- "Watch/special mention" ratings are assigned to loans where management has some concern that the collateral or debt service ability may not be adequate, though the collectibility of the contractual loan payments is still probable.

- "Substandard" ratings are assigned to loans that do not have adequate collateral and/or debt service ability such that collectibility of the contractual loan payments is no longer probable.

- "Doubtful" ratings are assigned to loans that do not have adequate collateral and/or debt service ability, and collectibility of the contractual loan payments is unlikely.

Internally prepared ratings for commercial loans are updated at least annually.

Residential real estate and consumer loans are generally evaluated based on whether or not the loan is performing according to the contractual terms of the loan as of the balance sheet date.

Information regarding the credit quality indicators most closely monitored for commercial loans by class as of December 31, 2025 and 2024 follows:

	Pass	Watch/Special Mention	Substandard	Doubtful	Total
2025					
Commercial and industrial	$ 63,526,468	$ 3,159,945	$ 4,810,476	$ -	$ 71,496,889
Commercial real estate - owner occupied	95,728,887	1,441,253	4,987,478	-	102,157,618
Commercial real estate - non owner occupied	85,844,444	92,111	627,265	-	86,563,820
Commercial construction	53,336,289	-	250,250	-	53,586,539
Totals	$ 298,436,088	$ 4,693,309	$ 10,675,469	$ -	$ 313,804,866
2024					
Commercial and industrial	$ 52,784,938	$ 3,151,421	$ 5,533,778	$ -	$ 61,470,137
Commercial real estate - owner occupied	74,310,440	578,661	5,506,195	-	80,395,296
Commercial real estate - non owner occupied	69,618,294	-	769,908	-	70,388,202
Commercial construction	47,140,597	-	250,250	-	47,390,847
Totals	$ 243,854,269	$ 3,730,082	$ 12,060,131	$ -	$ 259,644,482

Note 5: Loans (Continued)

Information regarding the credit quality indicators most closely monitored for residential real estate and consumer loans by class as of December 31, 2025 and 2024 follows:

	Performing	Non-performing	Total
2025			
Residential first mortgages	$ 47,762,415	$ 258,256	$ 48,020,671
Residential junior mortgages	1,538,321	249,996	1,788,317
Multifamily	8,065,256	-	8,065,256
Consumer loans	12,982	-	12,982
Totals	$ 57,378,974	$ 508,252	$ 57,887,226
2024			
Residential first mortgages	$ 36,026,526	$ 258,256	$ 36,284,782
Residential junior mortgages	4,764,985	250,000	5,014,985
Multifamily	16,898,087	-	16,898,087
Consumer loans	17,830	-	17,830
Total	$ 57,707,428	$ 508,256	$ 58,215,684

Note 5: Loans (Continued)

Loan aging information as of December 31, 2025 and 2024 follows:

	Current Loans	Loans Past Due 30-89 Days	Loans Past Due 90+ Days	Total Loans
2025				
Commercial and industrial	$ 66,369,144	$ 1,159,747	$ 3,967,998	$ 71,496,889
Commercial real estate - owner occupied	95,728,886	451,797	5,976,935	102,157,618
Commercial real estate - non owner occupied	85,412,303	1,151,517	-	86,563,820
Commercial construction	53,336,289	-	250,250	53,586,539
Residential first mortgages	47,762,415	-	258,256	48,020,671
Residential junior mortgages	1,538,321	-	249,996	1,788,317
Multifamily	8,065,256	-	-	8,065,256
Consumer loans	12,982	-	-	12,982
Totals	$ 358,225,596	$ 2,763,061	$ 10,703,435	$ 371,692,092
2024				
Commercial and industrial	$ 57,210,361	$ 143,518	$ 4,116,258	$ 61,470,137
Commercial real estate - owner occupied	74,295,601	1,276,957	4,822,738	80,395,296
Commercial real estate - non owner occupied	70,060,220	327,982	-	70,388,202
Commercial construction	47,140,597	-	250,250	47,390,847
Residential first mortgages	35,886,251	140,275	258,256	36,284,782
Residential junior mortgages	4,764,985	-	250,000	5,014,985
Multifamily	16,898,087	-	-	16,898,087
Consumer loans	17,830	-	-	17,830
Totals	$ 306,273,932	$ 1,888,732	$ 9,697,502	$ 317,860,166

Note 5: Loans (Continued)

Information regarding nonaccrual loans during the years ended December 31, 2025 and 2024 follows:

	Nonaccrual Loans With No Allowance for Credit Losses	Nonaccrual Loans With an Allowance for Credit Losses	Total Nonaccrual Loans	Total Nonaccrual Loans at Beginning of Year	Interest Income Recognized on Nonaccrual Loans
2025					
Commercial and industrial	$ 1,657,619	$ 2,624,982	$ 4,282,601	$ 4,461,748	$ 147,252
Commercial real estate - owner occupied	4,881,691	1,236,753	6,118,444	5,074,351	121,678
Commercial construction	250,250	-	250,250	250,250	-
Residential first mortgages	258,256	-	258,256	258,256	-
Residential junior mortgages	249,996	-	249,996	250,000	-
Totals	$ 7,297,812	$ 3,861,735	$ 11,159,547	$ 10,294,605	$ 268,930
2024					
Commercial and industrial	$ 1,685,188	$ 2,776,560	$ 4,461,748	$ 396,288	$ 183,421
Commercial real estate - owner occupied	3,962,771	1,111,580	5,074,351	1,111,326	187,501
Commercial construction	250,250	-	250,250	-	10,385
Residential first mortgages	258,256	-	258,256	-	13,566
Residential junior mortgages	250,000	-	250,000	-	11,865
Totals	$ 6,406,465	$ 3,888,140	$ 10,294,605	$ 1,507,614	$ 406,738

No loans were 90+ days past due and accruing interest at December 31, 2025 and 2024.

Note 5: Loans (Continued)

There were no loans modified to borrowers experiencing financial difficulty during 2025. The following presents the amortized cost basis as of December 31, 2024 of loans modified to borrowers experiencing financial difficulty during the year disaggregated by loan class and by type of concession granted. Accrued interest was not significant for December 31, 2024 and is excluded from the amortized cost basis of loans in the following disclosures.

	Interest Rate Reduction		Other-Than-Insignificant Payment Delay	
	Amortized Cost Basis	Percent of Loan Class	Amortized Cost Basis	Percent of Loan Class
2024				
Commercial and industrial	$ 145,325	0.3 %	$ 129,994	0.2 %
Commercial real estate - owner occupied	1,252,236	1.7	818,384	1.0
Commercial real estate - non owner occupied	184,355	0.3	-	-
Residential first mortgages	261,188	0.7	-	-
Totals	$ 1,843,104		$ 948,378	

The following describes the financial effect of the modifications made to borrowers experiencing financial difficulty:

	Other than Insignificant Payment Delay
2024	
Commercial and industrial	Modified loan payments to interest only for six-months
Commercial real estate - owner occupied	Modified loan payments to interest only for six-months

	Interest Rate Reduction
2024	
Commercial and industrial	Reduced contractual interest rate to below market
Commercial real estate - owner occupied	Reduced contractual interest rate to below market
Commercial real estate - non owner occupied	Reduced contractual interest rate to below market
Residential first mortgages	Reduced contractual interest rate to below market

Note 5: Loans (Continued)

The Bank closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following presents the performance of loans that have been modified to borrowers experiencing financial difficulty during the years ended December 31, 2024:

	Current	Past Due 30-89 Days	Past Due 90+ Days	Totals
2024				
Commercial and industrial	$ 275,319	$ -	$ -	$ 275,319
Commercial real estate - owner occupied	2,070,620	-	-	2,070,620
Commercial real estate - non owner occupied	184,355	-	-	184,355
Residential first mortgages	261,188	-	-	261,188
Totals	$ 2,791,482	$ -	$ -	$ 2,791,482

There were no loans to borrowers experiencing financial difficulty that had a payment default during the year and were modified in the 12 months before default.

As of December 31, 2025, the Bank had no commitments to lend any additional funds on loans modified to borrowers experiencing financial difficulty.

Directors, executive officers, and principal stockholders of the Bank, including their families and firms in which they are principal owners, are considered related parties. Substantially all loans to these related parties were made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others and did not involve more than the normal risk of collectibility or present other unfavorable features.

A summary of loans to directors, executive officers, and to principal stockholders and their affiliates as of December 31, 2025 and 2024 is as follows:

	2025	2024
Beginning balance	$ 2,068,555	$ 2,499,378
Adjustments for changes in directors, executive officers, and/or principal stockholders	(2,068,555)	-
New advances	5,000	80,790
Repayments	-	(511,613)
Ending balance	$ 5,000	$ 2,068,555

Note 6: Premises and Equipment

An analysis of premises and equipment at December 31 follows:

	2025	2024
Leasehold improvements	$ 554,758	$ 554,758
Furniture and equipment	691,736	677,245
Totals	1,246,494	1,232,003
Less: Accumulated depreciation	(1,117,115)	(1,055,128)
Premises and equipment, net	$ 129,379	$ 176,875

Depreciation expense for premises and equipment charged to operating expense totaled $74,385 during 2025 and $72,559 during 2024.

Note 7: Deposits

The composition of deposits at December 31 is as follows:

	2025	2024
Non-interest-bearing demand	$ 36,960,661	$ 36,626,339
Interest-bearing demand	8,817,454	4,925,078
Savings	346,559	334,392
Money market	91,189,969	89,955,753
Time	183,572,114	154,699,895
Total deposits	$ 320,886,757	$ 286,541,457

Time deposits that meet or exceed the FDIC insurance limit of $250,000 totaled $63,961,957 at December 31, 2025, and $52,947,080 at December 31, 2024.

The scheduled maturities of time deposits at December 31, 2025, are summarized as follows:

2026	$ 118,701,208
2027	20,685,291
2028	18,253,827
2029	12,914,669
2030	9,365,616
Thereafter	3,651,503
Total	$ 183,572,114

Note 7: Deposits (Continued)

Deposits from directors, executive officers, principal stockholders, and their affiliates totaled approximately $7,070,000 at December 31, 2025, and approximately $5,941,000 at December 31, 2024.

Note 8: Federal Funds Purchased

As of December 31, 2025 and 2024, the Bank has a federal funds line of credit available with its main correspondent institution up to $8,000,000 at an average rate of 3.75% at December 31, 2025. The Bank also has a federal funds line of credit available with an additional institution up to $8,000,000 at an average rate of 4.65% at December 31, 2025. The Bank had no outstanding federal funds purchased at December 31, 2025 and 2024. Federal funds purchased generally mature within one to four days from the transaction date.

Note 9: Borrowed Funds

The Bank has a master contract agreement with the FHLB that provides for borrowing up to the maximum of 76% of the book value of the Bank's qualifying one-to-four family residential real estate loans, 72% of the book value of the Bank's qualifying owner-occupied commercial real estate loans and 73% of the Bank's qualifying multi-family real estate loans.

The FHLB provides both fixed and floating rate advances. Floating rates are tied to short-term market rates of interest, such as federal funds or treasury bill rates. Advances with call provisions permit the FHLB to request payment beginning on the call date and quarterly thereafter. FHLB advances are subject to a prepayment penalty if they are repaid prior to maturity.

Borrowed funds consist of the following at December 31, 2025 and 2024:

	2025		2024	
	Rates	Amount	Rates	Amount
Federal Home Loan Bank (FHLB):				
Fixed rate, fixed term advances	0.00%-4.75%	$ 35,210,000	0.00%-4.75%	$ 27,793,000
Fixed rate, putable advances	2.46%-3.95%	15,000,000	3.26%-3.95%	15,000,000
Federal Reserve Bank fixed rate, fixed term advances	3.75%	10,000,000	N/A	-
Totals		$ 60,210,000		$ 42,793,000

Note 9: Borrowed Funds (Continued)

The following is a summary of scheduled maturities of borrowed funds as of December 31, 2025:

	Weighted Average Rate	Amount
2026	3.92 %	$ 25,000,000
2027	2.37	393,000
2028	3.18	12,774,000
2029	2.90	5,950,000
2030	3.27	7,393,000
Thereafter	3.19	8,700,000
Total		$ 60,210,000

FHLB advances are secured by approximately $98,028,000 and $99,339,000 of qualifying real estate loans at December 31, 2025 and 2024, respectively, and by approximately $11,850,000 of qualifying securities at December 31, 2025. In addition to the real estate and securities, advances are secured by $2,134,000 and $1,834,000 of FHLB stock owned by the Bank at December 31, 2025 and 2024, respectively. At December 31, 2025 and 2024, the Bank's available and unused portion of this borrowing agreement totaled approximately $19,230,000 and $12,992,000, respectively, based on collateral pledged.

Federal Reserve Bank advances are secured by approximately $27,640,000 of qualifying loans at December 31, 2025. At December 31, 2025, the Bank's available and unused portion of this borrowing agreement totaled approximately $17,640,000, based on collateral pledged.

Note 10: Income Taxes

The components of the provision for income taxes are as follows for the years ended December 31:

	2025	2024
Current tax expense:		
Federal	$ 1,432,023	$ 1,108,934
State	25	25
Total current	1,432,048	1,108,959
Deferred tax expense (benefit):		
Federal	(227,050)	(198,023)
State	(488,564)	(494,826)
State valuation allowance	488,564	494,826
Total deferred	(227,050)	(198,023)
Total provision for income taxes	$ 1,204,998	$ 910,936

On July 5, 2023, a new Wisconsin tax law created an exemption of income on certain commercial and agricultural loans issued by financial institutions. With this new tax law, the Bank no longer believes it will receive a benefit for the state portion of net deferred tax assets recognized. As a result, the Company has recognized a valuation allowance against the state deferred tax assets at December 31, 2025 and 2024.

In recording the valuation allowance $(488,564) and $(494,826) was recognized against results from operations in 2025 and 2024, respectively, while $98,621 and $17,399, the portion of the change in deferred tax asset relating to changes that flowed through accumulated other comprehensive income, was recorded in other comprehensive income (loss) in 2025 and 2024, respectively.

Note 10: Income Taxes (Continued)

A summary of the sources of differences between income taxes at the federal statutory rate and the provision for income taxes for the years ended December 31 is as follows:

	2025		2024	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Tax expense at statutory rate	$ 1,336,462	21.0 %	$ 987,091	21.0 %
Increase (decrease) in taxes resulting from:				
Tax-exempt interest	(5,009)	(0.1)	(8,135)	(0.2)
Life insurance	(60,103)	(0.9)	(55,905)	(1.2)
State provision, net of federal benefit	(488,545)	(7.7)	(494,806)	(10.5)
Valuation allowance	488,564	7.7	494,826	10.5
Release of stranded tax effect	(84,802)	(1.3)	(32,685)	(0.7)
Other	18,431	0.4	20,550	0.5
Total provision for income taxes	$ 1,204,998	18.9 %	$ 910,936	19.4 %

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Bank's assets and liabilities. The major components of the net deferred tax assets (liabilities) as of December 31 are presented below:

	2025	2024
Deferred tax assets:		
Allowance for loan losses	$ 1,384,334	$ 1,296,015
Nonaccrual interest	261,683	83,770
State net operating loss	852,444	433,851
Compensation related	479,962	467,991
Other	50,485	41,569
Unrealized loss on securities available for sale	660,321	1,090,841
Total deferred tax assets	3,689,229	3,414,037
Deferred tax liabilities:		
Fixed assets	26,164	39,022
Prepaid expenses	22,473	19,517
Total deferred tax liabilities	48,637	58,539
State tax - Deferred tax valuation allowance	1,508,310	1,118,367
Net deferred tax asset	$ 2,132,282	$ 2,237,131

Note 11: Equity and Regulatory Matters (CBLR)

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements.

In September 2019, the federal banking agencies jointly finalized a rule that introduced an optional simplified measure of capital adequacy known as the community bank leverage ratio (CBLR) framework. In order to qualify for the CBLR framework, a qualifying community banking organization must have a Tier 1 leverage ratio of greater than 9%, less than $10 billion in total consolidated assets, and limited amounts of off-balance-sheet exposures and trading assets and liabilities. An eligible community banking organization can opt out of the CBLR framework and revert back to a risk-weighting framework without restriction.

As of December 31, 2025 and 2024, the Bank was a qualifying community banking organization as defined by the federal banking agencies and elected to use the CBLR framework. An institution opting into the CBLR framework and meeting all requirements under the framework will be considered to have met the well-capitalized ratio requirements under the Prompt Corrective Action regulations and will not be required to report or calculate risk-based capital.

As of December 31, 2025, the most recent notification from the regulatory agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum regulatory capital ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios as of December 31, 2025 and 2024 are presented in the following table:

	Actual		**To Be Well Capitalized Under Prompt Corrective Action Provisions**	
(Dollars in Thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**
2025				
Community Bank Leverage Ratio	$ 50,413	11.73 %	≥ $ 38,715	≥ 9.00 %
2024				
Community Bank Leverage Ratio	$ 48,079	12.56 %	≥ $ 34,442	≥ 9.00 %

Note 12: Commitments, Contingencies, and Credit Risk

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

The Bank's exposure to credit loss is represented by the contractual, or notional, amount of these commitments. The Bank follows the same credit policies in making commitments as it does for on-balance-sheet instruments. Since some of the commitments are expected to expire without being drawn upon and some of the commitments may not be drawn upon to the total extent of the commitment, the notional amount of these commitments does not necessarily represent future cash requirements.

The following commitments were outstanding at December 31:

	Notional Amount	
	2025	2024
Fixed rate commitments to extend credit	$ 4,032,790	$ 4,885,663
Variable rate commitments to extend credit	62,533,851	63,644,283
Credit card commitments	666,773	365,996
Standby and commercial letters of credit	2,947,987	8,472,805

Commitments to extend credit are agreements to lend to a customer at fixed or variable rates as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the customer.

Credit card commitments are commitments on credit cards issued by the Bank and serviced by other companies. These commitments are unsecured.

Standby and commercial letters of credit are conditional lending commitments issued by the Bank to guarantee the performance of a customer to a third party. Generally all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank generally holds collateral supporting these commitments. In addition to the letters of credit, this collateral supports other extensions of credit to these customers as well. Letters of credit are not reflected in the financial statements, since recording the fair value of these guarantees would not have a significant impact on the financial statements.

Legal Contingencies

Various legal claims arise from time to time in the normal course of business. In the opinion of management, any liability resulting from such proceedings would not have a material impact on the financial statements.

Note 12: Commitments, Contingencies, and Credit Risk (Continued)

Concentration of Credit Risk

The majority of the Bank's loans, commitments, and standby letters of credit have been granted to customers in the Bank's market area. The concentrations of credit by type are set forth in Note 5. Standby letters of credit were granted primarily to commercial borrowers.

Note 13: Stock Compensation Plan

The Bank sponsors a nonqualified stock option plan for employees and directors. Options are granted at the discretion of the compensation committee of the Bank's Board of Directors. Terms of the options are governed by each option agreement prepared at the time the options are granted. Two plans exist for employee options and one plan exists for directors. The Bank has a policy of issuing shares of previously unissued shares or shares held in treasury to satisfy awards under the stock compensation plans.

There was no stock option activity for the years ended December 31, 2025 and 2024. Additionally, as of December 31, 2025 and 2024, there are no outstanding stock options.

The Bank, at the Board of Directors' discretion, may also grant shares of restricted stock to directors and members of management under the Spring Bank Year 2012 Stock Incentive Plan. At grant date, the estimated fair value of shares awarded is equal to the estimated fair value of the stock. The market value of the shares awarded is being recognized in compensation expense ratably over a three-year vesting period for directors and a three-and-a-half-year vesting period for officers. The market value of shares awarded in 2025 and 2024 totaled $251,503 and $257,926, respectively. During 2025 and 2024, no shares were forfeited. Compensation expense related to the agreement was $265,746 and $269,812 for the years ended December 31, 2025 and 2024, respectively. As of December 31, 2025, the unrecognized compensation cost related to outstanding nonvested restricted stock was $254,286.

Following is a summary of activity in restricted stock shares for the years ended December 31:

	2025		2024	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of year	80	$ 8,833	85	$ 8,406
Granted during the year	31	8,113	29	8,894
Vested during the year	(32)	8,535	(34)	8,428
Nonvested at end of year	79	$ 8,671	80	$ 8,530
Available for grant at end of year*	223		254	

**Available for grant at year-end is the maximum combination of both restricted stock and stock options available for grant.*

Note 14: Postretirement Benefit Plan

The Bank sponsors a defined contribution 401(k) plan covering substantially all employees. Employees are allowed to make voluntary contributions to the plan. The Bank makes a discretionary matching contribution and a discretionary profit sharing contribution as determined annually by management.

Retirement plan contribution expense charged to operations was $159,177 for 2025 and $159,462 for 2024.

Note 15: Deferred Compensation

The Bank has entered into various deferred compensation agreements with key employees. The liability outstanding under the agreements was $1,282,559 at December 31, 2025, and $1,231,554 at December 31, 2024. The amount charged to operations was $138,785 and $163,132 during 2025 and 2024, respectively.

Note 16: Fair Value Measurements

Some assets and liabilities, such as securities available for sale, are measured at fair value on a recurring basis under GAAP. Other assets and liabilities, such as collateral dependent loans, may be measured at fair value on a nonrecurring basis.

Following is a description of the valuation methodology and significant inputs used for each asset and liability measured at fair value on a recurring or nonrecurring basis, as well as the classification of the asset or liability within the fair value hierarchy.

Securities available for sale - Securities available for sale may be classified as Level 1, Level 2, or Level 3 measurements within the fair value hierarchy. Level 1 securities include debt securities traded on a national exchange. U.S. treasury securities are also considered Level 1 fair value measurements given the high level of daily trading volume in an actively traded market. The fair value measurement of a Level 1 security is based on the quoted price of the security. Level 2 securities include residential mortgage-backed securities, municipal securities, U.S. agency debt securities, and other asset-backed securities. The fair value measurement of a Level 2 security is obtained from an independent pricing service and is based on recent sales of similar securities and other observable market data. Fair values are calculated using discounted cash flow models that incorporate various assumptions, including expected cash flows and market credit spreads. When comparable sales are available, these are used to validate the models used. Other available industry data, such as information regarding defaults and deferrals, are incorporated into the expected cash flows.

Loans - Loans are not measured at fair value on a recurring basis. However, individually evaluated loans (see Note 1) may be measured at fair value on a nonrecurring basis. The fair value measurement of a loan that is collateral dependent is based on the fair value of the underlying collateral. Independent appraisals that utilize one or more valuation methodologies are obtained; typically, they will incorporate a comparable sales approach and an income approach. Management routinely evaluates the fair value measurements of independent appraisers and adjusts those valuations based on differences noted between actual selling prices of collateral and the most recent appraised value. Such adjustments are usually significant, which results in a Level 3 classification. All other individually evaluated loan measurements are based on other loss estimation methodologies and, thus, are not fair value measurements.

Note 16: Fair Value Measurements (Continued)

Appraisals for collateral-dependent impaired loans are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Bank. Once received, a member of the Loan Credit Analysis Department reviews the assumptions and approaches utilized in the appraisal as well as the overall fair value measurement and compares it to other data sources such as recent market data or industry-wide statistics. On an annual basis, the Bank compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustment should be made to appraised values to arrive at fair value. The most recent analysis performed indicated that a discount of 5% to 20% should be applied to appraisals, depending on the type and value of the property.

Information regarding the fair value of assets and liabilities measured at fair value on a recurring basis as of December 31 follows:

	Recurring Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Assets Measured at Fair Value
2025				
Asset - Securities available for sale	$ 990,820	$ 35,302,781	$ -	$ 36,293,601
2024				
Asset - Securities available for sale	$ 3,863,664	$ 34,381,424	$ -	$ 38,245,088

Note 16: Fair Value Measurements (Continued)

Information regarding the fair value of assets and liabilities measured at fair value on a nonrecurring basis as of December 31 follows:

	Nonrecurring Fair Value Measurements Using			
	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Assets Measured at Fair Value
2025				
Collateral dependent loans	$ -	$ -	$ 12,038,515	$ 12,038,515
2024				
Collateral dependent loans	$ -	$ -	$ 12,182,726	$ 12,182,726

Loans with a carrying amount of $13,046,897 were considered collateral dependent and as a result, the Bank established a specific valuation allowance against these collateral dependent loans totaling $1,008,382 during the year ended December 31, 2025.

Loans with a carrying amount of $13,447,407 were considered collateral dependent and as a result, the Bank established a specific valuation allowance against these collateral dependent loans totaling $1,264,681 during the year ended December 31, 2024.

The following presents quantitative information about nonrecurring Level 3 fair value measurements at December 31:

	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range/ Weighted Average
2025				
Collateral dependent loans	$ 12,038,515	Market and/or income approach	Management discount on appraised values	5% - 20%
2024				
Collateral dependent loans	12,182,726	Market and/or income approach	Management discount on appraised values	5% - 20%

Note 17: Subsequent Event

In January 2026, 30 shares of restricted stock were issued. These shares were issued to directors, officers, and employees at a fair value of $8,875 per share. Sixteen shares were issued to directors and have a vesting date of January 1, 2029. Fourteen shares were issued to officers and employees with a vesting date of July 1, 2029. If the directors, officers, or employees terminate their relationship with the Bank prior to the vesting date, the issued shares will generally be forfeited according to the terms of issuance. The fair value of restricted stock will be expensed over the vesting period.