FIRST NATIONAL BANCORP, INC.

A FINANCIAL HOLDING COMPANY FOR

FIRST NATIONAL BANK
of Michigan

NOTICE OF
ANNUAL MEETING OF SHAREHOLDERS OF
FIRST NATIONAL BANCORP, INC.

May 14, 2026

NOTICE IS HEREBY GIVEN that the 2026 Annual Meeting of Shareholders of FIRST NATIONAL BANCORP, INC., a Michigan corporation and registered financial holding company, will be held virtually, via Microsoft Teams, at 10:00 a.m., on May 14, 2026, to consider and vote upon the following proposals:

1. Election of Daniel E. Bitzer – Chairman, Joseph S. Calvaruso, James J. DeKruyter – Lead Director, James S. DeMoss, David G. Echelbarger, Jefra A. Groendyk, David L. Holmes, Benjamin T. Ipema, Bill H. Manns, Rachel S. Michaud, and Joshua T. Weiner as directors of First National Bancorp, Inc. for a one year term expiring at the 2027 annual meeting of shareholders.

2. Ratification of the appointment of the independent auditors, Crowe, LLP for the year ending December 31, 2026.

We will also transact such other business as may properly come before the meeting or any adjournments thereof.

Your Board of Directors recommends that you vote "FOR" all of the named director nominees and "FOR" Proposal 2.

March 31, 2026 is the record date for the Annual Meeting. Accordingly, the only persons entitled to notice of and to vote (by returning a ballot via U.S. Mail before May 14, 2026) (or any adjournment or postponement of the Annual Meeting) are the persons who were record holders of shares of First National Bancorp, Inc. common stock at the close of business on that date.

Your vote is important regardless of the number of shares you own. To make sure your shares will be voted at the Annual Meeting, please sign, date and return the enclosed form of proxy and return it in the enclosed envelope without delay. You also can revoke your proxy at any other time before it is exercised by giving a later-dated proxy via U.S. Mail.

By Order of the Board of Directors,

Matthew J. Morgan, Secretary
April 1, 2026

Important: This notice and the accompanying proxy materials were first mailed to shareholders on or about April 1, 2026. The prompt return of proxies will save the expense of further requests for proxies in order to obtain a quorum. An addressed envelope is enclosed for your convenience.

FIRST NATIONAL BANCORP, INC.

A FINANCIAL HOLDING COMPANY FOR

PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS OF
FIRST NATIONAL BANCORP, INC.

May 14, 2026

FIRST NATIONAL BANCORP, INC., a Michigan corporation and registered financial holding company, is submitting this Proxy Statement to its shareholders (the ***"Shareholders"***) in connection with the solicitation of proxies by the Board of Directors (the ***"Board"***) of First National Bancorp, Inc. (the "***Company***") for use at the 2026 Annual Meeting of Shareholders to be held virtually via Microsoft Teams, at 10:00 a.m., on May 14, 2026 and at any adjournments or postponements thereof (the ***"Annual Meeting"***).

As indicated in the accompanying Notice of the Annual Meeting, the Shareholders will be asked to consider and vote upon the following proposals:

1. Election of Daniel E. Bitzer – Chairman, Joseph S. Calvaruso, James J. DeKruyter – Lead Director, James S. DeMoss, David G. Echelbarger, Jefra A. Groendyk, David L. Holmes, Ben T. Ipema, Bill H. Manns, Rachel S. Michaud, and Joshua T. Weiner as directors of First National Bancorp, Inc. for a one year term expiring at the 2027 annual meeting of shareholders.

2. Ratification of the appointment of the independent auditors, Crowe, LLP for the year ending December 31, 2026.

We will also transact such other business as may properly come before the meeting or any adjournments thereof.

(remainder of page intentionally left blank)

The foregoing introductory information provides only a very brief overview. While this overview may be useful to you as you review the more detailed information in the remainder of this Proxy Statement, you should not rely exclusively upon this overview. Instead, you should carefully review this entire Proxy Statement and the attached Annex A.

GENERAL INFORMATION

Attending in person

Only the Shareholders, their proxy holders and guests of the Company may attend the Annual Meeting.

Who may vote

The Shareholders of the Company, as recorded in our stock register on March 31, 2026 (the ***"Record Date"***), may vote by returning a Proxy via U.S. Mail to be received on or before 10 a.m., May 14, 2026. As of both the Record Date and the date of this Proxy Statement, the Company had 1,845,195 issued and outstanding shares. Each such share is entitled to one vote on each of the matters presented for shareholder action.

How to vote

You may vote by returning a Proxy via U.S. Mail to be received on or before 10 a.m., May 14, 2026.

How proxies work

Your proxy covers all shares registered in your name. By properly executing and returning your proxy, your shares will be voted at the Annual Meeting according to your instructions unless you revoke the proxy prior to the Annual Meeting. You may vote for all, some or none of the director nominees and you may vote for, against or abstain from voting on Proposal 2.

If you return your proxy without voting instructions, your shares will be voted FOR the election of all of the director nominees and FOR Proposal 2. If you return a properly executed proxy, the persons named as proxy holders will have discretion to vote your shares on any additional matters properly presented for a vote at the Annual Meeting.

To ensure your proxy is received prior to the Annual Meeting, please return it no later than May 14, 2026. If your proxy is not received prior to the Annual Meeting, your shares will not be voted at the Annual Meeting.

Revoking a proxy

The grant of a proxy on the enclosed form of proxy does not preclude you from revoking a proxy. You may revoke your proxy before it is voted by:

- submitting a new proxy with a later date; or
- notifying the Company's Secretary in writing before the Annual Meeting

Quorum

In order to carry on the business of the Annual Meeting, we must have a quorum. This means at least a majority of the outstanding shares of Company common stock eligible to vote at the Annual Meeting must be represented at the Annual Meeting by proxy, including abstentions.

Votes needed

Proposal 1: The director nominees who receive a plurality of the votes cast will be elected to fill the 11 seats on the Board. Abstentions will not be included in the vote count.

Proposal 2: Ratification of independent auditors will be approved if a majority of shares voted on the proposal are voted in favor of the proposal. Abstentions will not be included in the vote count.

We do not know of any other matters to be presented at the Annual Meeting. Generally, any other proposal to be voted on at the Annual Meeting would be approved if a majority of shares voted on the proposal are voted in favor of the proposal. Abstentions would not be included in the vote count.

As of the date of this Proxy Statement, the Company's directors and executive officers were the beneficial owners of 21.50% of the issued and outstanding shares of common stock of the Company. *See* "Beneficial Stock Ownership" below.

BUSINESS

First National Bancorp, Inc. is a Michigan corporation that was incorporated on July 7, 2005 to organize and serve as the financial holding company for First National Bank of Michigan, a national banking association with branches located at 348 West Michigan Avenue, Kalamazoo, Michigan 49007, 2700 W. Centre Ave., Portage, Michigan 49024, 5313 West Main Street, Kalamazoo, Michigan 49009, 141 Ionia NW, Grand Rapids, Michigan 49503, 1 West 8th Street, Holland, Michigan 49423, 101 S. Washington Square, Suite 100, Lansing, MI 48933 and a Loan Production Office in Traverse City, Michigan. The Company received approval from the Federal Reserve Board to become a financial holding company and acquired all of the stock of the Bank. The Bank received regulatory approval to open from the Office of the Comptroller of the Currency and for deposit insurance with the Federal Deposit Insurance Corporation. The Bank focuses on the local community, emphasizing personal service to businesses and individuals in its primary service area.

The Bank offers convenient service, local decision-making and competitively priced deposit and loan products in its primary service area. By focusing its operations on the communities it serves, the Bank should be able to respond to changes in the market more quickly than large non-local institutions.

PROPOSAL 1 - ELECTION OF DIRECTORS

The Board currently consists of 11 members who serve one-year terms. The 11 director nominees listed below were nominated by the Board to fill the 11 Board seats for one year terms expiring at the 2027 annual meeting of shareholders. Biographical information on each of the director nominees is given below. All director nominees have indicated their willingness to serve on the Board if elected. If, prior to the Annual Meeting, a director nominee determines that he or she will be unable to serve on the Board for the upcoming year, your proxy authorizes the proxy holders to vote your shares for a replacement nominee if one is selected.

DANIEL E. BITZER – CHAIRMAN. Mr. Bitzer joined First National Bank of Michigan in December 2011 as the Grand Rapids Market President, after more than three decades in the commercial banking business in Michigan. In December 2015, he was named President of the bank and in January 1, 2017 was promoted to CEO. He took over the role of Chairman of the Board in May 2025. As Chief Executive Officer, he oversees responsibilities of all First National Bank of Michigan locations including the overall direction and administration of programs, products, and services provided by the Bank, including the Bank's financial performance, credit quality, business development, operations, regulatory compliance, and risk management. Mr. Bitzer earned a bachelor's degree in mathematics from Ferris State University and a Master of Arts in Economics from Western Michigan University. Deeply involved in his community, he has served in numerous volunteer capacities. Currently, Mr. Bitzer serves on the First National Bank of Michigan, N.A. Board of Directors, Air Zoo Foundation, Commissioning Committee for the USS Gerald R. Ford CVN 78, Vice Chairman of Community Bankers of Michigan Board of Directors, CBM Bankers Retirement Services, the WMU Economic Department Advisory Board, St. Augustine's Finance Committee and the Trust Advisor to the Parish Deposit & Loan Fund Trust Committee for the Diocese of Kalamazoo. He is also an active member of the Economic Club of Grand Rapids and the Elks Lodge.

JOSEPH S. CALVARUSO. Mr. Calvaruso has most recently served for 18 months as the interim president of Albion College. In 2020, he retired from his position as the Executive Director of the Gerald R. Ford Presidential Foundation. During his tenure at the Foundation, Mr. Calvaruso's leadership roles have included the Campaign for the Legacy of Gerald R. Ford to build the DeVos Learning Center and the New Gerald R. Ford Presidential Museum, the ceremonies to unveil the Statue of President Ford in the U.S. Capitol Rotunda and tributes to First Lady Betty Ford when she passed away in 2011, centennial events in tribute to President Ford's 100th Birthday, and the USS Gerald R. Ford (CVN 78) commissioning. He led the effort to bring prominent speakers to the Library and Museum through conferences, educational outreach, and public programming. Prior to joining the Foundation, Mr. Calvaruso was a banker for over 29 years holding several senior management positions. He also served in leadership positions with the Risk Management Association (RMA) including its International Board of Directors. Currently, Mr. Calvaruso is a Life Trustee of Albion College, Board Member of the Michigan Certified Development Corporation, Board Member of the Comstock Township Library Board, Commission Member of the Michigan Historical Commission, and Board Member of the Library of Michigan. He is a graduate of Albion College and Western Michigan University.

JAMES J. DEKRUYTER – LEAD DIRECTOR. Mr. DeKruyter currently serves on the board of the Gull Lake Ministries and has been appointed Chairman for the Zoning Board of Appeals for Ross Township in Kalamazoo County. He has served many volunteer organizations including the Kalamazoo YMCA, Sherman Lake YMCA, Open Hearts Ministries, the National Board of Youth for Christ, the Youth for Christ Foundation in Denver, Kalamazoo Christian School, and the Kalamazoo Christian School Foundation Board. Mr. DeKruyter has also served as director of Michigan National Bank – Kalamazoo.

JAMES S. DEMOSS. Dr. DeMoss is President of Southwestern Michigan Emergency Services, P.C., which has staffed Bronson Methodist Hospital's Emergency Department for over 50 years. His organization also provides staffing to Bronson's additional three emergency department facilities in southwest Michigan. Prior to becoming President of SWMES, P.C., Dr. DeMoss served in several administrative positions within the organization and brings with him a unique knowledge regarding the operations and needs of a midsize professional company providing healthcare in southwest Michigan. An avid outdoor sportsman and enthusiast, Dr. DeMoss supports many wildlife habitat conservation efforts.

DAVID G. ECHELBARGER. CPA/CGMA, the Managing Partner and President of Echelbarger, Himebaugh, Tamm Co., P.C. (EHTC). Dave is responsible for the vision and strategy of EHTC, focusing on nurturing the culture for the firm.

Mr. Echelbarger has a unique role at EHTC as both the Integrator and Visionary for the firm. As the Integrator, he is the leader of the firm's leadership team and manages the overall operations of the firm. As the Visionary for the firm, Mr. Echelbarger inspires team members to live the EHTC core values and motivates team members and clients to achieve their full potential. He promotes EHTC in the West Michigan community by highlighting the attributes that make EHTC unique, which includes a team approach to proactive client services, a focus on people and culture, and a local firm presence with international resources.

Mr. Echelbarger is active in the community and industry. He is Past Chair of the Board of Directors for the Michigan Association of Certified Public Accountants (MICPA). Additionally, Mr. Echelbarger serves the GR Chamber as the Chair of its Tax & Regulatory Committee and as member of the Chamber's Public Policy Committee. He is also a member of the American Institute of Certified Public Accountants (AICPA).

Mr. Echelbarger, along with the EHTC team, have been recognized by Accounting Today, Accounting Technology, Microsoft Corporation and BDO for their contributions to the industry..

JEFRA A. GROENDYK. Ms. Groendyk resides in Holland, MI and currently serves as Executive Vice President and Senior Lender at First National Bank of Michigan (FNBM), with the Commercial Banking team, including all Market Presidents reporting to her. Over the last fourteen years at FNBM she has been actively involved in all areas of management, including succession planning and leadership development in addition to her role as Senior Lender. During a Banking career spanning more than 40 years she has served in many different capacities from sales to credit and executive leadership at major regional banks and FNBM. Jefra joined the Bank to more effectively serve the needs of the community through a community bank versus a larger, regional bank. After beginning her career, she enrolled and finished her bachelor's degree at Grand Valley State University as a non-traditional student, allowing her to continue her education, work and raise her family. After graduating, she continued in banking and advanced in her career utilizing her expertise in commercial real estate. Her experience, although extensive, focuses on sales, underwriting and leadership. Proudly, her most important role at present is that of Gigi to three young grandsons!

DAVID L. HOLMES. Mr. Holmes was an owner and general legal counsel of Phoenix Properties, LLC, a real estate management and development firm in Kalamazoo, Michigan from 1995 to 2010, at which time the business was sold to other partners of the company. Prior to 1995 he was in private practice as a partner in the Kalamazoo office of Howard & Howard Attorneys, P.C. Mr. Holmes remains an active commercial real estate investor. He has been involved as a community volunteer, including having served on the City of Kalamazoo Planning Commission, President of the LIFT Foundation, Chairperson of the Greater Kalamazoo United Way

Pacesetter campaign and Vice Chairman of the Finance Council at St. Catherine of Siena Parish. Mr. Holmes brings to the Board extensive experience with the community's real estate market.

BEN T. IPEMA. Mr. Ipema owns Friendly Pickle, a pickleball club in Kalamazoo. Additionally, he is a Director at Level Data, a "software as a service" (SaaS) company providing custom software and data integration services for K-12 School Districts throughout the United States. Ben was COO at Level Data before retiring, President of The Exhibit House, providing trade show exhibit design, build, and management services, and a VP at Airpower America. Mr. Ipema's diverse experience provides a unique and valuable resource in IT, Marketing, and manufacturing for the Bank. Mr. Ipema has served charitable and civic organizations in Kalamazoo and Grand Rapids, including Kalamazoo Christian Schools, Calvin University, Kalamazoo Deacons Conference, Southern Heights Church, Bronson Health Foundation, and InnerCity Youth for Change.

BILL H. MANNS. Mr. Manns is President and Chief Executive Officer for Bronson Healthcare, the largest employer and leading healthcare system in Southwest Michigan. Since joining Bronson in 2020, he has guided the organization to national recognition as a top employer and a leader in clinical excellence. Bronson Methodist Hospital remains the region's only Level I Trauma Center and has achieved Magnet designation for nursing excellence for four consecutive cycles. In 2024, Bronson was named one of the nation's 15 Top Health Systems by PINC AI. Bronson Methodist Hospital is recognized by Healthgrades as a Top 250 hospital in the nation. Bronson is also recognized as a top employer by Forbes, Newsweek, and the National Association for Business Resources. As the senior executive, he oversees a full range of services from primary care to critical care across more than 70 locations.

Mr. Manns has more than 30 years of experience in healthcare leadership. He graduated from the University of Michigan with a bachelor's degree in Organizational Psychology and a master's degree in Health Services Administration. He received an honorary Doctor of Humane Letters degree from Kalamazoo College in 2022. In addition to his healthcare-specific background, he is certified in LEAN and Six Sigma. His current professional memberships include the National Association of Healthcare Executives and the American College of Healthcare Executives. In 2021, he was named one of the nation's Top 25 Innovators by Modern Healthcare.

Mr. Manns serves on several Boards throughout the state of Michigan and the surrounding area including Chair of the Michigan Health & Hospital Association, Vice-Chair of MHA Service Corporation, Bronson Health Foundation, Cascade Engineering, Chair of Caymich Insurance Company, First National Bank of Michigan, Gilmore Car Museum, Greenleaf Trust, Hospital Network Ventures, Indianapolis Motor Speedway Museum, Kalamazoo College, Southwest Michigan First, Western Michigan University Homer Stryker M.D. School of Medicine, Board Secretary of Western Michigan University Homer Stryker M.D. School of Medicine, and W.E. Upjohn Institute for Employment Research.

RACHEL S. MICHAUD. Ms. Michaud is a seasoned leader with more than 25 years of experience at Gillespie Group, where she plays a critical role in driving the organization's strategic growth and elevating its leadership practices. Known for her forward-thinking approach and unwavering commitment to integrity, Rachel helps ensure Gillespie Group consistently delivers on its promise of "we do what we say."

Rachel provides executive oversight with a strong focus on strategic partnerships and cultivating meaningful relationships with clients, public partners, and community stakeholders. Her expertise in conflict resolution, team assemblage, and process optimization enables complex initiatives to move forward with clarity, precision, and alignment to company goals. This balanced leadership approach has been instrumental in advancing both business development and operational excellence across Gillespie Group's diverse portfolio.

Deeply committed to the long-term vitality of the communities where Gillespie Group invests, Rachel actively serves on several local and regional boards, including the Board of Directors for First National Bank of Michigan (FNBM), LEAP, and Lansing 5:01.

Rachel was recognized as a Notable Woman in Construction, Design, and Architecture by Crain's Detroit Business in 2022, a reflection of her influence across strategic planning, project execution, and community leadership. Her continued dedication to thoughtful growth and collaboration makes her a cornerstone of Gillespie Group's ongoing success and its lasting impact on the communities it serves.

JOSHUA T. WEINER. Mr. Weiner is the CEO of the Meyer C. Weiner Company, a commercial real estate development firm headquartered in Portage, Michigan. Mr. Weiner is the principal in over 55 income-producing real estate entities; and his primary business interest is in ownership and management for long-term asset appreciation. Mr. Weiner's historical experience has provided him with in-depth knowledge of a variety of industries and this background provides the Bank with a valuable resource. Mr. Weiner's familiarity with the Kalamazoo market and the region is another asset for the Bank. Mr. Weiner has extensive experience in the banking industry from prior developmental and regional board positions with National City Bank and Irwin Union Bank and Trust. Mr. Weiner has served numerous charitable and civic causes and organizations, including the Kalamazoo Regional Chamber of Commerce, Western Michigan University Foundation, the United Way, the Jewish Federation of Southwest Michigan, Big Brothers/Big Sisters, Kalamazoo Civic Theatre, Farmers Alley Theatre and Bronson Health Foundation.

THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE ELECTION OF ALL OF THE DIRECTOR NOMINEES.

Committees of the Board

Audit Committee

The Audit Committee oversees the financial reporting and accounting processes of the Company. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditors and reviews its fees for audit and non-audit services and the scope and results of audits performed by them. The Audit Committee also reviews the Company's internal accounting controls, the proposed form of its financial statements, the results of internal audits and compliance programs, and the results of the examinations received from regulatory authorities. As of the date of this proxy statement, David G. Echelbarger acting as chair, James J. DeKruyter, and Benjamin T. Ipema serve on the Audit Committee. All of the members of the Audit Committee are "independent" directors as determined by the Board. The Audit Committee met three times during 2025.

Compensation Committee

The Compensation Committee determines and oversees the Company's executive compensation philosophy, structure, policies and programs, assesses whether the Company's compensation structure establishes appropriate incentives for management and employees, reviews salaries, bonuses and other compensation of all officers of the Company, administers the Company's stock-based compensation plans, makes recommendations to the board of directors regarding the grants of stock-based compensation awards under these plans, and annually reviews the Company's benefit programs. As of the date of this proxy statement, Joshua T. Weiner acting as chair, James J. DeKruyter, David G. Echelbarger, and Bill H. Manns serve on the Compensation Committee. All of the members of the Compensation Committee are "independent" directors as determined by the Board. The Compensation Committee met one time during 2025.

Board Governance Committee

On November 10, 2016, the Directors established the Governance Committee. The purpose of the Governance Committee is to advise and make recommendations to the Board of Directors with respect to corporate governance principles and practices, and to recommend qualified candidates to the Board for election as directors of the Company, including the slate of directors that the Board proposes for election by shareholders at the annual meetings and candidates to fill vacancies occurring between annual meetings. As of the date of this proxy statement, Joseph S. Calvaruso acting as chair, David L. Holmes, Benjamin T. Ipema, and Rachel Michaud serve on the Governance Committee. All of the members of the Governance Committee are "independent" directors as determined by the Board. The Governance Committee met three times during 2025.

PROPOSAL 2 – RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT AUDITORS FOR THE YEAR ENDING DECEMBER 31, 2026

The Audit Committee has appointed Crowe, LLP as the Company's independent auditors to audit the consolidated financial statements of the Company and its subsidiaries as of and for the year ending December 31, 2026, and to perform such other appropriate audit-related accounting, tax compliance or other tax services as may be approved by the Audit Committee. The Audit Committee and the Board propose and recommend that shareholders ratify the appointment of Crowe, LLP as the independent auditors for the year ending December 31, 2026.

This appointment is being submitted to shareholders for ratification. While ratification is not required, the Company believes it is an important corporate decision in which shareholders should participate. If the shareholders do not ratify the selection of Crowe, LLP to act as the Company's independent auditors for the year ending December 31, 2026, the Audit Committee will consider a change in independent auditors for the next year.

BENEFICIAL* STOCK OWNERSHIP

The following table sets forth information as of March 31, 2026 regarding each person (including any group as that term is defined in Section 13(d)(3) of the Securities Exchange Act of 1934) who was known to be the beneficial (the right to vote or dispose of shares) owner of more than 5% of the Company's common stock as of that date. The table also sets forth the number of shares of common stock beneficially owned by each of our directors (including director nominees) and executive officers as of March 31, 2026.

Name of Beneficial Owner	Common Stock	Restricted Stock	Rights to Acquire[1]	Approximate Percent of Voting Shares[2]
Daniel E. Bitzer	10,350	11,240	28,900	1.17%
Joseph S. Calvaruso	14,000	0	0	0.76%
James J. DeKruyter	136,838	0	0	7.42%
James S. DeMoss	100	0	0	0.01%
David G. Echelbarger	7,280	0	0	0.39%
Jefra A. Groendyk	14,360	6,980	5,000	1.16%
David L. Holmes	20,200	0	0	1.09%
Benjamin T. Ipema	54,590	0	0	2.96%
Richard M. Jackson	1,531	2,296	0	0.21%
Bill Manns	500	0	0	0.03%
Rachel S. Michaud	600	0	0	0.03%
Matthew J. Morgan	8,180	2,870	3,250	0.60%
Joshua T. Weiner	105,000	0	0	5.69%

* "Beneficial" for the purposes of this table means the right to vote or dispose of shares held directly and shares held by the beneficial owner's corporation or partnership ownership share, trust, estate, spouse, ancestors, children, grandchildren, great grand-children, and spouses of children, grandchildren, and great grandchildren.

(1) The numbers in the "Rights to Acquire" column represent the shares that may be acquired by exercise of stock options granted under the Company's 2006, 2009, 2012, 2018 and 2021 Stock Option and Restricted Stock Plans. These numbers are not reflected in the "Approximate Percent of Voting Shares" column.

(2) Voting Shares include Common Stock and Restricted Stock. Based on 1,845,195 shares issued and outstanding as of March 31, 2026.

EXECUTIVE OFFICERS

Current executive officers are as follows:

Name	Position	Current Position Since
Daniel E. Bitzer	CEO and President of the Company and the Bank	January 1, 2017
Jefra A. Groendyk	Executive Vice President of the Company and the Bank	July 12, 2019
Richard M. Jackson	Senior Vice President of the Company and the Bank	May 9, 2024
Matthew J. Morgan	Senior Vice President, CFO and Secretary / Treasurer of the Company and the Bank	January 1, 2015

FINANCIAL INFORMATION

The Profit and Loss Statement of the Company for fiscal year 2025 and the Balance Sheet as of December 31, 2025 are attached as **Annex A**.

MISCELLANEOUS

Solicitation of Proxies

The Company will bear the cost of the solicitation of proxies from Shareholders, including the cost of printing and mailing this Proxy Statement and the accompanying materials. In addition to solicitation by mail, proxies may be solicited, or by telephone, facsimile or otherwise in writing or electronic transmission, by directors, officers and regular employees of the Company or the Bank (none of whom will be paid any additional compensation for such services).

(remainder of page intentionally left blank)

ANNEX A

First National Bancorp, Inc. and Subsidiary

Consolidated Financial Report
December 31, 2025

Contents

ANNEX A

Crowe

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
First National Bancorp, Inc. and Subsidiary
Kalamazoo, Michigan

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Crowe LLP

Crowe LLP

Grand Rapids, Michigan
February 27, 2026

ANNEX A

First National Bancorp, Inc. and Subsidiary

Consolidated Balance Sheets

December 31, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	$ 18,468,067	$ 18,628,598
Interest-bearing time deposits in other financial institutions	-	250,000
Investment securities - available for sale, at fair value	124,271,764	171,587,840
Other restricted stock, at cost	7,261,450	6,289,950
Loans - Net of allowance for credit losses of $10,838,250 and $10,356,146 as of December 31, 2025 and 2024, respectively	802,120,902	735,878,858
Premises and equipment – Net	5,374,011	5,852,087
Accrued interest receivable	3,003,656	3,029,822
Deferred tax assets – Net	3,961,000	4,681,000
Bank owned life insurance	13,417,239	13,021,459
Low-income housing investments	2,682,459	2,998,974
Right-of-use assets	2,435,000	3,230,010
Other assets	2,027,615	2,202,273
Total assets	$ 985,023,163	$ 967,650,871
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest bearing	$ 157,599,947	$ 169,282,462
Interest bearing	614,556,916	631,266,504
Total deposits	772,156,863	800,548,966
Borrowings	116,517,635	78,579,796
Accrued interest payable	710,589	993,748
Allowance for credit losses on off-balance sheet credit exposures	1,247,523	1,000,774
Lease liabilities	2,435,000	3,230,010
Other liabilities	3,878,628	3,814,994
Total liabilities	896,946,238	888,168,288
Stockholders' equity		
Common stock – Voting, $10 stated value; 2,500,000 shares authorized; 1,854,536 and 1,934,170 shares issued at December 31, 2025 and 2024, respectively	18,545,360	19,341,700
Additional paid-in capital	3,696,948	2,928,385
Retained earnings	69,400,986	65,415,176
Accumulated other comprehensive loss	(3,566,369)	(8,202,678)
Total stockholders' equity	88,076,925	79,482,583
Total liabilities and stockholders' equity	$ 985,023,163	$ 967,650,871

See notes to the consolidated financial statements.

First National Bancorp, Inc. and Subsidiary

Consolidated Statements of Income

Years Ended December 31, 2025 and 2024

	2025	2024
Interest Income		
Loans - Including fees	$ 46,418,506	$ 43,617,404
Investment securities:		
Taxable	2,109,156	2,479,898
Tax-exempt	382,133	518,354
Dividend income on other restricted stock	582,368	439,576
Other	416,861	895,811
Total interest income	49,909,024	47,951,043
Interest Expense		
Deposits	19,167,274	20,967,693
Borrowings	3,470,015	4,950,625
Total interest expense	22,637,289	25,918,318
Net Interest Income	27,271,735	22,032,725
Credit loss provision (recovery) – loans	627,717	(98,009)
Credit loss provision (recovery) – off-balance sheet credit exposures	246,749	(765,229)
Total Net Credit Loss Provision (Recovery)	874,466	(863,238)
Net Interest Income After Credit Loss Provision (Recovery)	26,397,269	22,895,963
Noninterest Income		
Service charges - Other	986,001	964,914
Increase in cash surrender value of bank owned life insurance	395,780	370,411
Other	128,643	447,996
Total noninterest income	1,510,424	1,783,321
Noninterest Expense		
Salaries and employee benefits	11,866,157	11,147,190
Occupancy and equipment	1,713,643	1,660,156
Data processing	1,281,037	1,184,713
FDIC insurance	674,046	772,599
Professional fees	605,669	829,909
Other	2,559,768	2,141,437
Total noninterest expense	18,700,320	17,736,004
Income Before Income Taxes	9,207,373	6,943,280
Income tax expense	1,840,000	1,454,000
Net Income	$ 7,367,373	$ 5,489,280

See notes to consolidated financial statements.

ANNEX A

First National Bancorp, Inc. and Subsidiary

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2025 and 2024

	2025	2024
Net Income	$ 7,367,373	$ 5,489,280
Other Comprehensive Income		
Unrealized gain on investment securities – available for sale:		
Arising during the year	5,869,308	5,715,409
Tax effect	(1,232,999)	(1,200,001)
Total other comprehensive income	4,636,309	4,515,408
Comprehensive Income	$ 12,003,682	$ 10,004,688

See notes to consolidated financial statements.

First National Bancorp, Inc. and Subsidiary

Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2025 and 2024

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance – January 1, 2024	19,696,750	2,234,343	61,492,496	(12,718,086)	$ 70,705,503
Comprehensive income	-	-	5,489,280	4,515,408	10,004,688
Issuance of restricted stock – 14,280 shares	142,800	(142,800)	-	-	-
Vesting of restricted stock – 14,390 shares	-	712,186	-	-	712,186
Restricted stock forfeiture – 4,709 shares	(47,090)	47,090	-	-	-
Issuance of common stock – 305 shares	3,050	9,392	-	-	12,442
Repurchase of common stock – 49,981 shares	(499,810)	-	(1,566,600)	-	(2,066,410)
Stock option expense	-	50,820	-	-	50,820
Stock options exercised – 4,600 shares, net of 1,945 options tendered at exercise	46,000	17,354	-	-	63,354
Balance - December 31, 2024	19,341,700	2,928,385	65,415,176	(8,202,678)	79,482,583
Comprehensive income	-	-	7,367,373	4,636,309	12,003,682
Issuance of restricted stock – 14,850 shares	148,500	(148,500)	-	-	-
Vesting of restricted stock – 16,424 shares	-	772,214	-	-	772,214
Restricted stock forfeiture – 1,610 shares	(16,100)	16,100	-	-	-
Issuance of common stock – 224 shares	2,240	7,616	-	-	9,856
Repurchase of common stock – 101,398 shares	(1,013,980)	-	(3,381,563)	-	(4,395,543)
Stock option expense	-	33,546	-	-	33,546
Stock options exercised – 8,300 shares, net of 1,889 options tendered at exercise	83,000	87,587	-	-	170,587
Balance - December 31, 2025	$ 18,545,360	$ 3,696,948	$ 69,400,986	$ (3,566,369)	$ 88,076,925

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Net income	$ 7,367,373	$ 5,489,280
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	553,311	601,888
Credit loss provision (recovery)	874,466	(863,238)
Amortization of investment securities - available for sale - Net	407,249	723,092
Deferred income tax expense (benefit)	(512,999)	15,000
Stock-based compensation expense	805,760	763,006
Increase in cash surrender value of bank owned life insurance	(395,780)	(370,411)
Amortization of long-term debt prepayment penalties	437,839	439,039
Net change in:		
Accrued interest receivable and other assets	517,339	957,288
Accrued interest payable and other liabilities	(219,525)	(1,254,373)
Net cash provided by operating activities	9,835,033	6,500,571
Cash Flows from Investing Activities		
Activity in investment securities – available for sale:		
Maturities, prepayments, and calls	53,278,135	47,466,715
Purchases	(500,000)	-
Additions to premises and equipment	(75,235)	(194,563)
Change in loans	(66,869,761)	(33,406,670)
Change in interest-bearing time deposits in other financial institutions	250,000	1,241,000
Purchase of FHLB stock	(900,000)	-
Purchase of FRB stock	(71,500)	(21,150)
Net cash provided by (used in) investing activities	(14,888,361)	15,085,332
Cash Flows from Financing Activities		
Change in deposits	(28,392,103)	22,578,452
Effect of stock options exercised - net	170,587	63,354
Proceeds from new borrowings	37,500,000	60,000,000
Repayment of borrowings	-	(100,000,000)
Repayment of line of credit	-	(1,800,000)
Issuance of common stock	9,856	12,442
Repurchase of common stock	(4,395,543)	(2,066,410)
Net cash provided by (used in) financing activities	4,892,797	(21,212,162)
Net Increase (decrease) in Cash and Cash Equivalents	(160,531)	373,741
Cash and Cash Equivalents - Beginning of year	18,628,598	18,254,857
Cash and Cash Equivalents - End of year	$ 18,468,067	$ 18,628,598
Supplemental Cash Flow Information - Cash paid for		
Interest	$ 22,920,448	$ 27,726,049
Income taxes	2,225,000	750,000

See notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2025 and 2024

Note 1 - Nature of Business

First National Bancorp, Inc. and Subsidiary (the "Corporation") provides a variety of financial services to individuals and businesses through its subsidiary bank, which has two branch locations and a main office in Kalamazoo, Michigan; one branch location in Grand Rapids, Michigan; one branch location in Holland, Michigan; one branch location in Lansing, Michigan; and a loan production office in Traverse City, Michigan. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are commercial loans.

Note 2 - Significant Accounting Policies

Basis of Presentation and Consolidation

The consolidated financial statements include the accounts of First National Bancorp, Inc. and its wholly owned subsidiary, First National Bank of Michigan (the "Bank"). All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheets and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition from Contracts with Customers

Revenue from Contracts with Customers (ASC 606) establishes guidance for revenue recognition unless transactions are within the scope of other guidance. All the Corporation's revenue from contracts with customers within the scope of ASC 606 is recognized in noninterest income. A description of the Corporation's revenue streams accounted for under ASC 606 follows:

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

Cash Flows

For the purpose of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, cash balances due from banks and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, and interest-bearing time deposits in other financial institutions.

Interest-Bearing Time Deposits in Other Financial Institutions

Interest-bearing time deposits in other financial institutions are recorded at cost and are federally insured.

Investment Securities

Securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and reported at amortized cost. Securities not classified as held to maturity or trading are classified as available for sale and are reported at fair value, with unrealized gains and losses reported in other comprehensive income, net of tax. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Interest income includes amortization and accretion of purchase premium or discount. Premiums and discounts on investment securities are amortized or accreted on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable investment securities are amortized to their earliest call date.

Investment securities are placed on nonaccrual status at the time any principal or interest payments become greater than 89 days delinquent. Interest accrued but not received for an investment security placed on nonaccrual is reversed against interest income.

Allowance for Credit Losses – Investment Securities - Available for Sale

For investment securities - available for sale in an unrealized loss position, the Corporation first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through earnings. For investment securities - available for sale that do not meet the aforementioned criteria, the Corporation evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as credit loss provision (or recovery). Losses are charged against the allowance for credit losses when management believes the uncollectibility of an investment security - available for sale is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on investment securities - available for sale totaled $655,692 and $834,857 at December 31, 2025 and 2024, respectively, and was reported in accrued interest receivable in the consolidated balance sheets and is excluded from the estimate of credit losses.

Loans

The Bank grants real estate – residential, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by commercial loans throughout western Michigan. The ability of the Bank's borrowers to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost net of the allowance for credit losses. Amortized cost is the principal balance outstanding, net of deferred loan fees and costs. Accrued interest receivable totaled $2,347,964 and $2,194,965 at December 31, 2025 and 2024, respectively, and was reported in accrued interest receivable in the consolidated balance sheets and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on real estate – residential and commercial loans is discontinued and placed on nonaccrual status at the time the loan is greater than 89 days delinquent unless the loan is well-secured and in the process of collection. Real estate – residential loans and commercial loans are charged off to the extent principal or interest is deemed uncollectible. Consumer loans continue to accrue interest until they are charged off no later than 90 days past due unless the loan is in the process of collection. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

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

Allowance for Credit Losses – Loans

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

Management estimates the allowance for credit losses 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 the estimation of expected credit losses. 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, or other relevant factors.

The allowance for credit losses is measured on a collective pool basis when similar risk characteristics exist. Loans with similar risk characteristics are grouped into homogenous segments, or pools, for analysis. Commercial loans are divided among three sub-segments based primarily on collateral type, risk characteristics, and primary and secondary sources of repayment. These sub-segments are then further stratified based on the commercial loan grade that is assigned using our standard loan grading paradigm. Non-commercial loans are divided into one of two segments or pools based on if the loan is secured by residential real estate or not.

The Corporation uses the weighted average remaining maturity ("WARM") method for each loan portfolio segment or pool. The Corporation has identified the following portfolio segments:

Commercial Loans:

Commercial and Industrial: Risks to this loan category include industry concentration and the practical limitations associated with monitoring the condition of the collateral which often consists of inventory, accounts receivable, and other non-real estate assets. Equipment and inventory obsolescence can also pose a risk. Declines in general economic conditions and other events can cause cash flows to fall to levels insufficient to make payment obligations on the loan.

Real Estate – Commercial and Multifamily: Risks to this loan category include industry concentration and the inability to monitor the condition of the collateral. Declines in general economic conditions, increases in unemployment rates as well as market demand and supply of similar property and the resulting impact on business failure, occupancy rates, market rents, cash flow, and income-based real estate values, and other events can cause cash flows to fall to levels insufficient to make payment obligations on the loan. Also, declines in real estate values and lack of suitable alternative use for the properties are risks for loans in this category.

Real Estate – Construction: Risks common to commercial construction loans are cost overruns, changes in market demand for property, inadequate long-term financing arrangements, and declines in real estate values. Changes in market demand for property could lead to longer marketing times resulting in higher carrying costs, declining values, and higher interest rates.

Non-Commercial Loans:

Real Estate – Residential: Residential mortgage loans are susceptible to weakening general economic conditions, increases in unemployment rates, and declining real estate values.

Consumer: Risks common to these loans include regulatory risks, unemployment, and changes in local economic conditions as well as the inability to monitor collateral consisting of personal property.

Loans that do not share similar 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, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for estimated selling costs as appropriate.

The WARM methodology is utilized for all loan portfolio segments. This non-discounted cash flow approach projects an estimated future amortized cost basis based on current loan balance, repayment terms, and estimated prepayments. Our historical loss rate is then applied to the monthly estimated future loan balances at the instrument level. The baseline lifetime loss is adjusted for changes in macroeconomic conditions over the reasonable and supportable forecast and reversion periods via a series of macroeconomic forecast inputs, such as loss rates for the Bank's national peer group, gross domestic product, unemployment rates, and interest rates to quantify the impact of current and forecasted economic conditions on expected loan performance.

An open pool approach is utilized for all loan portfolio segments. A baseline loss rate is produced at each reporting date for each loan portfolio segment using bank-specific loan charge-off and recovery data over a defined historical look-back period. The look-back period represents the number of data periods that will be used to calculate a baseline loss rate for each loan portfolio segment. Management determined that the look-back period commencing on July 1, 2009 through December 31, 2019 was reasonable and appropriate.

Reasonable and supportable economic forecasts have to be incorporated in determining expected credit losses. The forecast period represents the time frame from the current period end through the point in time that we can reasonably forecast and support entity and environmental factors that are expected to impact the performance of our loan portfolio. Ideally, the economic forecast period would encompass the contractual terms of all loans; however, the ability to produce a forecast that is considered reasonable and supportable becomes more difficult or may not be possible in later periods.

Subsequent to the end of the forecast period, we revert to historical loan data based on an ongoing evaluation of each economic forecast in relation to then current economic conditions as well as any developing loan loss activity and resulting historical data. As of December 31, 2025 and 2024, management used a four-year reasonable and supportable economic forecast period for all loan portfolio segments.

We are not required to develop and use our own economic forecast model, and elected to utilize economic forecasts from third-party providers that analyze and develop forecasts of the economy for the entire United States at least quarterly. Our methodology does provide for a potential qualitative factor that can be used in the event of local or regional conditions that depart from the conditions and forecasts for the entire country.

During each reporting period, we also consider the need to adjust the historical loss rates as determined by our open pool approach to reflect the extent to which we expect current conditions and reasonable and supportable economic forecasts to differ from the conditions that existed for the period over which the open pool-based historical loss information was determined. These qualitative adjustments may increase or decrease our estimate of expected future credit losses and consist of the following factors:

- Changes in lending policies and procedures
- Changes in the nature and volume of the loan portfolio and in the terms of loans
- Changes in the experience, ability and depth of lending management and other relevant staff
- Changes in the volume and severity of past due loans, nonaccrual loans and adversely classified loans
- Changes in the quality of the loan review program
- Changes in the value of underlying collateral dependent loans
- Existence and effect of any concentrations of credit and any changes in such
- Effect of other factors such as competition and legal and regulatory requirements

The estimation of future credit losses should reflect consideration of all significant factors that affect the collectability of the loan portfolio at each evaluation date. While our methodology considers both the historical loss rates as well as the qualitative factors noted above, there may be instances or situations where additional qualitative factors need to be considered.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments as appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a loan modification will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Corporation.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Corporation estimates expected credit losses over the contractual period in which the Corporation is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Corporation. Any allowance for off-balance sheet credit exposures is reported in the consolidated balance sheets and is increased or decreased via credit loss provision – off-balance sheet credit exposures in the consolidated statements of income. The calculation includes consideration of the likelihood that funding will occur and forecasted credit losses on commitments expected to be funded over their estimated lives. The allowance is calculated using the same aggregate reserve rates calculated for the funded portion of loans at the loan portfolio segment level applied to the amount of commitments expected to be funded.

Foreclosed Assets

Foreclosed assets are initially recorded at fair value less estimated costs to sell when acquired, establishing a new cost basis. Physical possession of real estate - residential property collateralizing a loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through earnings. Operating costs after acquisition are expensed. There were no foreclosed assets outstanding at December 31, 2025 and 2024.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income, although certain changes in assets and liabilities, such as unrealized gains and losses on investment securities - available for sale are reported as a separate component of stockholders' equity in the consolidated balance sheets. Such items, along with net income, are considered components of comprehensive income. The accumulated other comprehensive loss on the consolidated balance sheets consists solely of the net unrealized gain or loss on investment securities available for sale net of the tax effect.

Loan Commitments and Related Financial Instruments

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

Premises and Equipment

Land owned by the Bank is carried at cost. Buildings, leasehold improvements and equipment are carried at cost, less accumulated depreciation, computed on the straight-line method over the shorter of lease term or estimated lives of the assets.

Leases

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

At lease inception, the Bank determines the lease term by considering the minimum lease term and all optional renewal periods that the Bank is reasonably certain to renew. The lease term is also used to calculate straight-line rent expense. The depreciable life of leasehold improvements is limited by the estimated lease term, including renewals if they are reasonably certain to be renewed. The Bank's leases do not contain residual value guarantees or material variable lease payments that will impact the Corporation's ability to pay dividends or cause the Corporation to incur additional expenses.

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset. Rent expense and variable lease expense are included in noninterest expense – occupancy and equipment expense in the Corporation's consolidated statements of income. The Corporation's variable lease expense include rent escalators that are based on market conditions and include items such as common area maintenance, utilities, parking, property taxes, insurance, and other costs associated with the lease.

Federal Home Loan Bank (FHLB) Stock:

The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as other restricted stock, at cost in the consolidated balance sheets, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as interest income – dividend income on other restricted stock in the consolidated statements of income.

Federal Reserve Bank (FRB) Stock:

The Bank is a member of its regional Federal Reserve Bank. FRB stock is carried at cost, classified as other restricted stock, at cost in the consolidated balance sheets, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as interest income – dividend income on other restricted stock in the consolidated statements of income.

Bank Owned Life Insurance

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

Low-Income Housing Investments

The Corporation has elected to account for its investment in affordable housing tax credit limited partnerships using the proportional amortization method. Under the proportional amortization method, the Corporation amortizes the initial cost of the investment to income tax expense in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the consolidated statements of income as a component of income tax expense.

Stock-Based Compensation

Compensation cost is recognized for stock options and restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Corporation's common stock at the date of grant is used for restricted stock awards.

Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The Corporation's accounting policy is to recognize forfeitures as they occur.

Income Taxes

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the various temporary differences between the book and tax bases of the various consolidated balance sheets assets and liabilities and gives current recognition to changes in tax rates and laws. A valuation allowance is recorded against the net deferred tax asset based on the Corporation's estimates of taxable income and the period over which its deferred tax assets will be recoverable. If it is determined by the Corporation that it is more likely than not that future taxable income will not be sufficient to realize such tax benefits, a valuation allowance is recorded against the net deferred tax asset. There was no valuation allowance recorded on the Corporation's net deferred tax asset at both December 31, 2025 and 2024.

The Corporation recognizes interest and/or penalties related to income tax matters in noninterest expense – other in the consolidated statements of income.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Corporation, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of the right) to pledge or exchange the transferred assets, and (3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Fair Value of Financial Instruments

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

Restrictions on Cash

The Corporation is required to maintain average balances on hand or with the Federal Reserve Bank and other financial institutions. At December 31, 2025 and 2024, these reserve balances amounted to $500,000 and $250,000, respectively.

Loss Contingencies

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

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including February 27, 2026, which is the date the consolidated financial statements were available to be issued.

Reclassifications

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

Note 3 – Investment Securities

The amortized cost and fair value of investment securities – available for sale, with gross unrealized gains and losses recognized in accumulated other comprehensive loss, are as follows at December 31:

	2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investment securities – available for sale:				
U.S. government and federal agency	$ 30,210,394	$ -	$ (575,949)	$ 29,634,445
U.S. Treasury	13,022,821	-	(323,234)	12,699,587
Certificate of deposit investments	1,735,000	-	(33,193)	1,701,807
Corporate	13,388,302	19,030	(435,109)	12,972,223
Mortgage-backed securities - residential	14,721,825	-	(1,347,063)	13,374,762
Collateralized mortgage obligations	13,730,158		(1,084,066)	12,646,092
State and municipal	41,977,633	37,404	(772,189)	41,242,848
Total	$ 128,786,133	$ 56,434	$ (4,570,803)	$ 124,271,764

	2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investment securities – available for sale:				
U.S. government and federal agency	$ 47,357,391	$ -	$ (2,017,173)	$ 45,340,218
U.S. Treasury	18,099,213	-	(893,431)	17,205,782
Certificate of deposit investments	1,735,000	-	(78,299)	1,656,701
Corporate	21,406,222	-	(1,086,886)	20,319,336
Mortgage-backed securities - residential	17,326,293	-	(2,156,904)	15,169,389
Collateralized mortgage obligations	15,487,318	-	(1,761,239)	13,726,079
State and municipal	60,560,080	40,687	(2,430,432)	58,170,335
Total	$ 181,971,517	$ 40,687	$ (10,424,364)	$ 171,587,840

There were no investment securities available for sale with an allowance for credit losses at both December 31, 2025 and 2024.

Note 3 – Investment Securities (continued)

At December 31, 2025 and 2024, investment securities - available for sale with a carrying value of approximately $51,955,000 and $79,460,000, respectively, were pledged to secure borrowings.

The amortized cost and fair value of investment securities available for sale are shown by contractual maturity at December 31, 2025. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 48,873,062	$ 48,242,379
Due in one through five years	45,037,724	44,019,402
Due after five years through ten years	6,423,364	5,989,129
Total	100,334,150	98,250,910
Mortgage-backed securities - residential	14,721,825	13,374,762
Collateralized mortgage obligations	13,730,158	12,646,092
Total	$ 128,786,133	$ 124,271,764

There were no proceeds from sales of investment securities – available for sale for the years ended December 31 2025 and 2024.

At December 31, 2025 and 2024, there were no holdings of investment securities - available for sale of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of total stockholders' equity.

Note 3 – Investment Securities (continued)

Information pertaining to investment securities – available for sale with gross unrealized losses at December 31, 2025 and 2024, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

	2025			
	Less than 12 Months		12 Months or Greater	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Investment securities – available for sale:				
U.S. government and federal agency	$ -	$ -	$ (575,949)	$ 29,634,445
U.S. Treasury	-	-	(323,234)	12,699,587
Certificate of deposit investments	-	-	(33,193)	1,701,807
Corporate	-	-	(435,109)	12,453,193
Mortgage-backed securities - residential	-	-	(1,347,063)	13,374,762
Collateralized mortgage obligations	-	-	(1,084,066)	12,646,092
State and municipal	-	-	(772,189)	40,065,146
Total	$ -	$ -	$ (4,570,803)	$ 122,575,032

	2024			
	Less than 12 Months		12 Months or Greater	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Investment securities – available for sale:				
U.S. government and federal agency	$ -	$ -	$ (2,017,173)	$ 45,340,218
U.S. Treasury	-	-	(893,431)	17,205,782
Certificate of deposit investments	-	-	(78,299)	1,656,701
Corporate	-	-	(1,086,886)	20,319,336
Mortgage-backed securities - residential	-	-	(2,156,904)	15,169,389
Collateralized mortgage obligations	-	-	(1,761,239)	13,726,079
State and municipal	-	-	(2,430,432)	57,458,081
Total	$ -	$ -	$ (10,424,364)	$ 170,875,586

At December 31, 2025 and 2024, there were 156 and 227 investment securities – available for sale, respectively, in an unrealized loss position. Unrealized losses on these securities have not been recognized into income because the issuers' bonds are of high-credit quality, the Corporation has the intent and ability to hold the securities for the foreseeable future, and the decline in fair value is primarily due to increased market interest rates compared to market interest rates at the time of purchase. The fair value is expected to recover as the securities approach the maturity date.

Other restricted stock totaling $7,261,450 and $6,289,950 at December 31, 2025 and 2024, respectively, consist of restricted Federal Home Loan Bank stock of $6,525,000 and $5,625,000 and Federal Reserve Bank stock of $736,450 and $664,950 at each year-end date.

Note 4 - Loans

A summary of the balances of loans is as follows at December 31:

	2025	2024
Commercial:		
Real estate – Construction	$ 49,541,244	$ 58,140,325
Real estate – Commercial and Multifamily	589,753,424	532,869,849
Commercial and Industrial	112,264,540	112,368,846
Total Commercial	751,559,208	703,379,020
Real estate - Residential	62,857,976	44,143,685
Consumer	362,737	437,685
Subtotal	814,779,921	747,960,390
Less – Net deferred loan fees	1,820,769	1,725,386
Less – Allowance for credit losses	10,838,250	10,356,146
Loans – net	$ 802,120,902	$ 735,878,858

In the ordinary course of business, the Corporation has granted loans to directors and their affiliates amounting to approximately $25,821,000 and $26,921,000 as of December 31, 2025 and 2024, respectively. There were outstanding balances of $0 and $1,000 in loans to officers of the Corporation as of December 31, 2025 and 2024, respectively.

The following tables present the activity in the allowance for credit losses by loan portfolio segments and sub-segments for the years ended December 31, 2025 and 2024:

December 31, 2025	Real Estate – Construction	Real Estate – Commercial and Multifamily	Commercial and Industrial	Real Estate - Residential	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 1,939,976	$ 6,464,031	$ 1,117,155	$ 815,000	$ 19,984	$ 10,356,146
Charge-offs	-	-	(135,053)	-	(10,560)	(145,613)
Recoveries	-	-	-	-	-	-
Credit loss provision (recovery)	(103,714)	857,842	(158,988)	(48,372)	80,949	627,717
Ending allowance balance	$ 1,836,262	$ 7,321,873	$ 823,114	$ 766,628	$ 90,373	$ 10,838,250

December 31, 2024:	Real Estate – Construction	Real Estate – Commercial and Multifamily	Commercial and Industrial	Real Estate - Residential	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 3,117,506	$ 5,842,304	$ 701,317	$ 790,795	$ 1,783	$ 10,453,705
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	450	-	-	450
Credit loss provision (recovery)	(1,177,530)	621,727	415,388	24,205	18,201	(98,009)
Ending allowance balance	$ 1,939,976	$ 6,464,031	$ 1,117,155	$ 815,000	$ 19,984	$ 10,356,146

Note 4 - Loans (continued)

Credit Risk Grading

The Corporation categorized each loan into credit risk categories based on current financial information, overall debt service coverage, comparison against industry averages, collateral coverage, historical payment experience, and current economic trends. The Corporation uses the following definitions for credit risk ratings:

Pass

Credits not covered by the definitions below are pass credits, which are not considered to be adversely rated.

Special Mention

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

Substandard

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

Doubtful

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

For real estate – residential and consumer loan portfolio segments, the Corporation also evaluates credit quality based on the aging status of the loan and by payment activity, which is presented below.

Note 4 - Loans (continued)

The following tables are a summary of loans stratified by credit risk grading:

	December 31, 2025				
	Pass	Special Mention (5)	Substandard (6)	Doubtful (7)	Total
Commercial:					
Real estate – construction	$ 49,541,244	$ -	$ -	$ -	$ 49,541,244
Real estate – commercial and multifamily	564,754,041	9,968,732	15,030,651	-	589,753,424
Commercial and industrial	94,217,889	5,903,857	12,142,794	-	112,264,540
Total commercial	708,513,174	15,872,589	27,173,445	-	751,559,208
Real estate - Residential	62,598,530	-	259,446	-	62,857,976
Consumer	277,538	-	85,199	-	362,737
Total	$ 771,389,242	$ 15,872,589	$ 27,518,090	$ -	$ 814,779,921

	December 31, 2024				
	Pass	Special Mention (5)	Substandard (6)	Doubtful (7)	Total
Commercial:					
Real estate – construction	$ 58,140,325	$ -	$ -	$ -	$ 58,140,325
Real estate – commercial and multifamily	517,481,760	5,721,041	9,667,048	-	532,869,849
Commercial and industrial	94,311,450	13,751,904	4,305,492	-	112,368,846
Total commercial	669,933,535	19,472,945	13,972,540	-	703,379,020
Real estate - Residential	43,835,213	-	308,472	-	44,143,685
Consumer	418,162	-	19,523	-	437,685
Total	$ 714,186,910	$ 19,472,945	$ 14,300,535	$ -	$ 747,960,390

Analysis of Past Due and Nonaccrual Loans

The following tables present the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2025 and 2024:

December 31, 2025	Nonaccrual with No Allowance for Credit Loss	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Commercial:			
Real estate – commercial and multifamily	$ 1,790,906	$ 6,553,605	$ -
Total commercial	1,790,906	6,553,605	-
Real estate - Residential	49,735	49,735	-
Consumer	85,199	85,199	-
Total	$ 1,925,840	$ 6,688,539	$ -

Note 4 - Loans (continued)

December 31, 2024	Nonaccrual with No Allowance for Credit Loss	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Commercial:			
Real estate – commercial and multifamily	$ 171,066	$ 171,066	$ -
Commercial and industrial	-	468,363	-
Total commercial	171,066	639,429	-
Real estate - Residential	93,594	93,594	-
Consumer	-	19,523	-
Total	$ 264,660	$ 752,546	$ -

Interest income recognized on nonaccrual loans was not material for the years ending December 31, 2025 and 2024, respectively.

The following tables preset the aging of the amortized cost basis in past-due loans as of December 31, 2025 and 2024 by class of loans:

December 31, 2025:	30 – 59 Days Past Due	60 – 89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
Commercial:						
Real estate – construction	$ -	$ -	$ -	$ -	$ 49,541,244	$ 49,541,244
Real estate – commercial and multifamily	4,762,699	-	-	4,762,699	584,990,725	589,753,424
Commercial and industrial	-	-	-	-	112,264,540	112,264,540
Total commercial	4,762,699	-	-	4,762,699	746,796,509	751,559,208
Real estate - Residential	49,735	-	-	49,735	62,808,241	62,857,976
Consumer	-	-	-	-	362,737	362,737
Total	$ 4,812,434	$ -	$ -	$ 4,812,434	$ 809,967,487	$ 814,779,921

December 31, 2024:	30 – 59 Days Past Due	60 – 89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
Commercial:						
Real estate – construction	$ -	$ -	$ -	$ -	$ 58,140,325	$ 58,140,325
Real estate – commercial and multifamily	-	171,066	-	171,066	532,698,783	532,869,849
Commercial and industrial	-	468,363	-	468,363	111,900,483	112,368,846
Total commercial	-	639,429	-	639,429	702,739,591	703,379,020
Real estate - Residential	50,240	-	43,354	93,594	44,050,091	44,143,685
Consumer	-	-	-	-	437,685	437,685
Total	$ 50,240	$ 639,429	$ 43,354	$ 733,023	$ 747,227,367	$ 747,960,390

Note 4 - Loans (continued)

Loan Modifications

Occasionally, the Corporation modifies loans to borrowers in financial distress by providing term extension, an other-than-insignificant payment delay, or interest rate reduction. In some cases, the Corporation provides multiple types of concessions on one loan. Typically, one type of concession, such as an other-than-insignificant payment delay, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as a term extension, may be granted. For the years ended December 31, 2025 and 2024, the Corporation had no loans which were modified and there were no outstanding loans containing modifications at December 31, 2025 and 2024.

Collateral Dependent Loans

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

December 31, 2025	Real Estate
Commercial:	
Real estate – commercial and multifamily	$ 4,762,699
Total commercial	4,762,699
Total	$ 4,762,699

There were no individually evaluated loans that were collateral dependent at December 31, 2024.

Note 5 – Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment is as follows at December 31:

	2025	2024
Land	$ 250,000	$ 250,000
Buildings and building improvements	3,310,791	3,310,791
Leasehold improvements	4,687,144	4,725,046
Furniture, fixtures, and equipment	2,347,893	2,278,362
Construction in progress	49,077	114,956
Total cost	10,644,905	10,679,155
Accumulated depreciation	(5,270,894)	(4,827,068)
Premises and equipment, net	$ 5,374,011	$ 5,852,087

Note 6 – Leases

The Bank leased two branch properties with operating leases with a company in which a director is a part owner. Each of these leases included a purchase option exercisable by the Bank with 60-day notice. These purchase options were exercised by the Bank on November 13, 2025, with month-to-month lease payments continuing until the purchase process completes during early 2026. The first lease calls for monthly payments of $10,259 while the second lease calls for minimum monthly payments of $9,939. These leases are excluded from the Corporation's right-of-use asset and lease liabilities as of December 31, 2025 as the exercise of the purchase options resulted in the lease terms being contractually modified to a month-to-month terms (i.e. short-term leases).

The Bank leases two other branch properties with operating leases which have remaining terms ranging from 8 to 10 years, both of which have renewal options to extend the lease for up to three additional five-year terms.

The components of total lease cost were as follows for the periods ending December 31:

	2025	2024
Operating lease cost	$ 321,216	$ 561,203
Short-term lease cost	242,386	-
Total lease cost	$ 563,602	$ 561,203

Note 6 - Leases (continued)

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

Years Ending	Total Lease Agreements
2026	$ 328,412
2027	328,412
2028	338,790
2029	342,250
2030	344,648
Thereafter	1,204,235
Total undiscounted lease payments	2,886,747
Less: imputed interest	(451,747)
Net lease liabilities	$ 2,435,000

Supplemental lease information:

	December 31, 2025	December 31, 2024
Operating lease weighted average remaining lease term (years)	8.60	8.37
Operating lease weighted average discount rate	2.06%	2.39%
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	$ 321,206	$ 561,203

Note 7 - Deposits

The following is a summary of the distribution of deposits at December 31, 2025 and 2024:

	2025	2024
Noninterest-bearing deposits	$ 157,599,947	$ 169,282,462
Interest-bearing deposits and NOW accounts	177,275,535	157,157,295
Savings and money market accounts	201,735,876	210,712,352
Time deposits:		
Under $250,000	172,169,900	189,417,951
$250,000 and over	63,375,605	73,978,906
Total	$ 772,156,863	$ 800,548,966

At December 31, 2025, the scheduled maturities of time deposits are as follows:

Years Ending	Amount
2026	$ 150,894,584
2027	30,758,059
2028	51,018,512
2029	2,874,350
Total	$ 235,545,505

Note 8 - Borrowings

The Bank has a formula-based credit facility with the Federal Reserve Bank to meet its short-term borrowing needs. There were amounts outstanding of $37,500,000 and $0 at December 31, 2025 and 2024, respectively. The unused portion of the facility was approximately $28,000,000 and $140,000,000 at December 31, 2025 and 2024, respectively. The collateral on the borrowing arrangement consists of commercial and consumer loans with a book balance of approximately $77,570,000 and $68,414,000 at December 31, 2025 and 2024, respectively.

As of December 31, 2025 and 2024, the Bank had four advances from the Federal Home Loan Bank (FHLB) totaling $80,000,000 with fixed interest rates ranging from 0.92 percent to 3.95 percent with a weighted average rate of 2.80 percent. The outstanding advances as of December 31, 2025 mature in 2026 ($30,000,000) and 2029 ($50,000,000). Interest is payable monthly. The advances were collateralized by approximately $321,000,000 and $270,000,000 of real estate – residential and real estate – commercial and multifamily loans as of December 31, 2025 and 2024, respectively, under a specific mortgage collateral agreement. The advances are also secured by investment securities – available for sale, as described in Note 4. Total advances outstanding cannot exceed $250,000,000 based on the Bank's board of directors' resolution. The advances are subject to prepayment penalties and the provisions and conditions of the credit policy of the Federal Home Loan Bank. In a prior year, the Bank refinanced four advances totaling $30,000,000 and replaced them with two advances totaling $30,000,000 at lower interest rates and longer maturities. The refinance of these four advances incurred prepayment penalties totaling $3,527,256 which are being amortized over the remaining term of the replacement advances and the remaining unrecognized balance at December 31, 2025 of $982,365 is included in borrowings in the consolidated balance sheets and included in the maturity schedule below. The weighted average rate of the advances, including the effect of amortizing the prepayment penalties, is 3.35% at December 31, 2025. Amortization of the prepayment penalties is included in interest expense – borrowings in the consolidated statements of income.

Additionally, the Bank has an overdraft line of credit agreement with the FHLB. The total available credit under this agreement is $25,000,000. There was no amount outstanding at both December 31, 2025 or 2024.

The Bank has an unsecured fed funds line of credit with correspondent banks to meet its short-term borrowing needs. Total available borrowings were $20,000,000 at both December 31, 2025 and 2024. There were no amounts outstanding at both December 31, 2025 or 2024.

The Corporation has a revolving line of credit agreement with another financial institution allowing for available credit up to $12,000,000 at both December 31, 2025 and 2024. Interest is payable on the outstanding balance quarterly based on an interest rate of 0.25 percent below the Wall Street Journal Prime Rate (with a floor of 5.00 percent). As of December 31, 2025 and 2024, there were no amounts outstanding. A replacement revolving line of credit agreement was placed with a different financial institution in 2026 allowing for available credit up to $15,000,000 with interest payable on the outstanding balance quarterly based on an interest rate of 0.25 percent below the Wall Street Journal Prime Rate (with a floor of 4.50 percent), with the entire principal balance due on the maturity date of February 15, 2028. The line of credit is secured by all the outstanding stock of the Bank.

Note 8 – Borrowings (continued)

The balance of the above borrowings contractually matures as follows:

Years Ending	Amount
2026	67,500,000
2027	-
2028	-
2029	50,000,000
Unamortized prepayment penalties	(982,365)
Total	$ 116,517,635

Note 9 - Income Taxes

Allocation of income tax expense between current and deferred portions is as follows:

	2025	2024
Current expense	$ 2,353,000	$ 1,438,000
Deferred (benefit) expense	(513,000)	16,000
Total income tax expense	$ 1,840,000	$ 1,454,000

The reasons for the difference between the income tax expense at the federal statutory income tax rate and the recorded income tax expense are summarized as follows:

	2025	2024
Income before income taxes	$ 9,207,373	$ 6,943,280
Income tax expense at federal statutory rate (21 percent in 2025 and 2024)	1,934,000	1,458,000
Low-income housing tax benefits, net of investment amortization	(55,000)	(58,000)
Increases (decreases) from nontaxable income - Net of nondeductible expenses	(39,000)	54,000
Total income tax expense	$ 1,840,000	$ 1,454,000

The details of the net deferred tax asset are as follows:

	2025	2024
Total deferred tax assets	$ 4,927,000	$ 5,934,000
Total deferred tax liabilities	(966,000)	(1,253,000)
Total	$ 3,961,000	$ 4,681,000

Deferred tax assets consist of allowance for credit losses, unvested stock compensation, deferred compensation, unrealized losses on investment securities – available for sale, and deferred fees on loan originations. Deferred tax liabilities consist of depreciation, prepaid expenses, and unrealized gains on investment securities – available for sale.

Note 9 – Income Taxes (continued)

The Corporation does not expect the total amount of unrecognized net tax benefits to significantly increase or decrease in the next twelve months.

The Corporation and its subsidiary are subject to U.S. federal income tax. The Corporation is no longer subject to examination by taxing authorities for years before 2022. There was no interest or penalties related to income taxes recorded in the consolidated statements of income for the years ended December 31, 2025 and 2024.

Note 10 – Off-Balance-Sheet Activities

Credit-Related Financial Instruments

The Corporation is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Corporation's exposure to credit loss is represented by the contractual amount of these commitments. The Corporation follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

Contract Amounts

As of December 31, 2025 and 2024, the following financial instruments whose contract amounts represent credit risk were outstanding:

	2025	2024
Commitments to grant loans	$ 54,646,000	$ 17,138,000
Unfunded commitments under lines of credit	209,800,000	187,278,000
Commercial and standby letters of credit	679,000	462,000

Commitments to grant loans are agreements to lend to a customer, 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.

Unfunded commitments under lines of credit includes commercial lines of credit, revolving credit lines, and overdraft protection agreements which are commitments for possible future extensions of credit to existing customers.

Commercial and standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those letters of credit are used primarily to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved is extending loan facilities to customers.

The total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained for commitments, if it is deemed necessary by the Corporation, is based on management's credit evaluation of the customer.

Note 11 - Minimum Regulatory Capital Requirements

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgements by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on investment securities – available for sale is not included in computing regulatory capital. Management believes as of December 31, 2025, the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2025 and 2024, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

Actual and required capital amounts (in thousands) and ratios are presented below at year-end. These tables do not include the 2.5% capital conservation buffer requirement which effectively increases the required minimum total risk-based, Common Tier 1 (CET 1), and tier 1 risk based capital ratios. A bank with a capital conservation buffer greater than 2.5% of risk-weighted assets would not be restricted by payout limitations. However, if the 2.5% threshold is not met, a bank would be subject to increasing limitations on capital distributions and discretionary bonus payments to executive officers as the capital conservation buffer approaches zero.

(000s omitted from dollar amounts)	Actual		Minimum For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2025						
Common Tier 1 (CET1) to risk-weighted assets	$ 91,551	10.83%	$ 38,028	4.50%	$ 54,929	6.50%
Total Capital to risk-weighted assets	102,133	12.09	67,605	8.00	84,506	10.00
Tier 1 (Core) Capital to risk-weighted assets	91,551	10.83	50,704	6.00	67,605	8.00
Tier 1 (Core) Capital to average assets	91,551	9.35	39,178	4.00	48,973	5.00
As of December 31, 2024						
Common Tier 1 (CET1) to risk-weighted assets	$ 87,323	10.71%	$ 36,699	4.50%	$ 53,010	6.50%
Total Capital to risk-weighted assets	97,532	11.96	65,243	8.00	81,553	10.00
Tier 1 (Core) Capital to risk-weighted assets	87,323	10.71	48,932	6.00	65,243	8.00
Tier 1 (Core) Capital to average assets	87,323	8.99	38,842	4.00	48,552	5.00

Note 12 - Restrictions on Dividends, Loans, and Advances

Banking regulations place certain restrictions on dividends paid and loans or advances made by the Bank to the Corporation.

Prior approval of the Bank's federal regulator is required if the total dividends declared by the Bank in a calendar year exceed the sum of the net profits of the Bank for the preceding three years, less any required transfers to surplus. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum standards.

Note 13 – Share-Based Compensation

At December 31, 2025, the Corporation has a share-based compensation plan, which is described below. The compensation cost that has been charged against earnings for the plan was $805,760 and $763,006 for 2025 and 2024, respectively. There were no significant deferred income tax benefits recognized in the consolidated statements of income for share-based compensation arrangements for both 2025 and 2024.

The Corporation's stock option and restricted stock plan (the "Plan"), which is stockholder approved and monitored by the board, permits the grant of stock awards to its employees for up to 500,000 shares of common stock. The Corporation believes that such awards better align the interests of its employees with those of its stockholders.

Option awards are generally granted with an exercise price equal to the market price of the Corporation's stock at the date of grant; those option awards generally vest over three years of continuous service. Restricted stock awards generally vest over five years of continuous service. The calculated value of each option award is estimated on the date of grant using a Black-Scholes option valuation model that uses the weighted-average assumptions noted in the following table. Expected volatilities are based on similar volatilities of comparable banks. The Corporation uses comparable bank data to estimate option exercise and employee termination within the valuation model and expects all granted options to fully vest. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. In 2025, the Corporation did not grant any options. In 2024, the Corporation granted 2,500 options at a strike price of $40.00. Information used to measure the 2024 options granted are as follows:

	2024
Expected volatility	20.00%
Expected term (in years)	10
Risk-free rate	4.15%

A summary of option activity under the Plan for the year ended December 31, 2025 is presented below:

Options	Number of Shares	Weighted-Average Exercise Price	Weighted-average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2025	50,989	$ 36.69	4.17	$ 321,852
Exercised	(10,189)	25.00		
Outstanding at December 31, 2025	40,800	39.61	3.62	322,050
Exercisable at December 31, 2025	35,467	38.58	2.96	316,217

Note 13 – Share-Based Compensation (continued)

The weighted-average grant-date calculated fair value of options granted during 2024 was $26.52.

The intrinsic value of options exercised in 2025 and 2024 was $212,253 and $134,890, respectively.

As of December 31, 2025 there was approximately $17,000 of total unrecognized compensation cost related to non-vested options granted under the Plan. That cost is expected to be recognized through December 31, 2027. In 2025 and 2024, the Corporation also awarded 14,850 and 14,280 restricted shares, respectively. The fair value of the awards is based on the value of the stock at the grant date and will be recognized in compensation expense over the vesting period, which is five years. The weighted-average grant-date calculated fair value in 2025 and 2024 was $638,550 ($43.00 per share) and $571,700 ($40.04 per share), respectively. The unrecognized cost for restricted share awards was approximately $1,418,000 at December 31, 2025 and is expected to be recognized through December 31, 2030. The weighted-average fair value of shares vested during the years ended December 31, 2025 and 2024 was $783,834 ($47.72 per share) and $704,733 ($48.77 per share), respectively.

A summary of changes in the Corporation's nonvested restricted shares for the year ended December 31, 2025 follows:

Nonvested Restricted Shares	Number of Shares	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Vesting Term (in years)
Nonvested at January 1, 2025	46,097	$ 47.34	2.83
Granted	14,850	43.00	
Vested	(16,424)	47.72	
Forfeited	(1,610)	46.64	
Nonvested at December 31, 2025	42,913	45.71	2.70

Note 14 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Corporation's assets measured at fair value on a recurring basis at December 31, 2025 and 2024 and the valuation techniques used by the Corporation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Corporation has the ability to access. The Corporation's Level 1 investment securities - available for sale consisted of US Treasuries.

Note 14 - Fair Value Measurements (continued)

Fair values determined by Level 2 inputs use other inputs that are observable either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals. The Corporation's Level 2 investment securities consisted primarily of U.S. government and federal agency, certificate of deposit investments, corporate, state and municipal, mortgage-backed securities - residential, and collateralized mortgage obligations.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

The fair value of collateral dependent loans with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Appraisals for collateral-dependent 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 Corporation. Management reviews the assumptions and approaches utilized in the appraisal. Management periodically evaluates the appraised values and will discount a property's appraised value to account for a number of factors including but not limited to the cost of liquidating the collateral, the age of the appraisal, observable deterioration since the appraisal, or other factors unique to the property. In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Corporation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2025			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2025
Assets				
Investment securities – available for sale:				
U.S. government and federal agency	$ -	$ 29,634,445	$ -	$ 29,634,445
U.S. Treasury	12,699,587	-	-	12,699,587
Certificate of deposit investments	-	1,701,807	-	1,701,807
Corporate	-	12,972,223	-	12,972,223
Mortgage-backed securities - residential	-	13,374,762	-	13,374,762
Collateralized mortgage obligations	-	12,646,092	-	12,646,092
State and municipal	-	40,595,974	646,874	41,242,848
Total assets	$ 12,699,587	$ 110,925,303	$ 646,874	$ 124,271,764

Note 14 - Fair Value Measurements (continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2024
Assets				
Investment securities – available for sale:				
U.S. government and federal agency	$ -	$ 45,340,218	$ -	$ 45,340,218
U.S. Treasury	17,205,782	-	-	17,205,782
Certificate of deposit investments	-	1,656,701	-	1,656,701
Corporate	-	20,319,336	-	20,319,336
Mortgage-backed securities: residential	-	15,169,389	-	15,169,389
Collateralized mortgage obligations	-	13,726,079	-	13,726,079
State and municipal	-	57,458,081	712,254	58,170,335
Total assets	$ 17,205,782	$ 153,669,804	$ 712,254	$ 171,587,840

The Corporation has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. These processes include reviewing other similar municipal investments, the yield curve, and ratings of the issuer. The change in Level 3 investment securities related to state and municipal securities from December 31, 2024 to December 31, 2025 was due to maturities and paydowns on these investment securities. There were no sales or transfers in and out of Level 3 for state and municipal securities with Level 3 inputs. Additional disclosures of quantitative information on state and municipal securities measured using Level 3 fair value measurements are not material to these consolidated financial statements.

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

		Fair Value Measurements Using		
	Total at December 31, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Commercial:				
Real estate – commercial and multifamily	$ 4,380,327	$ -	$ -	$ 4,380,327
Total assets	$ 4,380,327	$ -	$ -	$ 4,380,327

Collateral dependent loans, which are measured for impairment using the fair value of the collateral, had outstanding principal balances of $4,900,327 at December 31, 2025, and a valuation allowance of $520,000 at December 31, 2025. As a result, provision for credit losses of $520,000 was recorded for the year-ended December 31, 2025.

Note 14 - Fair Value Measurements (continued)

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

	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Collateral-dependent loans:				
Commercial:				
Real estate – commercial and multifamily	$4,380,327	Sales comparison approach	Adjustment for differences between the comparable estate sales	0% – 30% (16%)
		Income approach	Adjustment for differences in net operating income expectations	7.41% - 9.90% (8.89%)
			Capitalization rate	7.22% - 9.90% (8.75%)

Collateral dependent loans classified as Level 3 are loans for which the repayment is expected to be provided substantially through the sale or operation of the collateral when the borrower is experiencing financial difficulty. The fair value of the collateral should be adjusted for estimated costs to sell if the repayment depends on the sale of the collateral. The net carrying amount of the loan should not exceed the fair value of the collateral (less costs to sell, if applicable).

There were no assets measured at fair value on a nonrecurring basis at December 31, 2024.