

ANNUAL REPORT

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OUR SENSE OF COMMUNITY IS AS STRONG INSIDE OUR BANK AS OUTSIDE OF IT.



In 2026, the Kentucky Chamber of Commerce and the Kentucky Society for Human Resource Management (KYSHRM) named Central Bank one of the Best Places to Work in Kentucky – for the 19th time. The competition encourages and motivates Kentucky-based companies to improve their workplace environments, resulting in improved profitability and employee satisfaction.



MISSION STATEMENT

The mission of Central Bancshares is to become Kentucky’s leading, high-performing, community banking company by empowering our staff to deliver consistently superior service and value to our customers, shareholders and communities. We will be successful because Central Bankers are our greatest resource and our most sustainable advantage.

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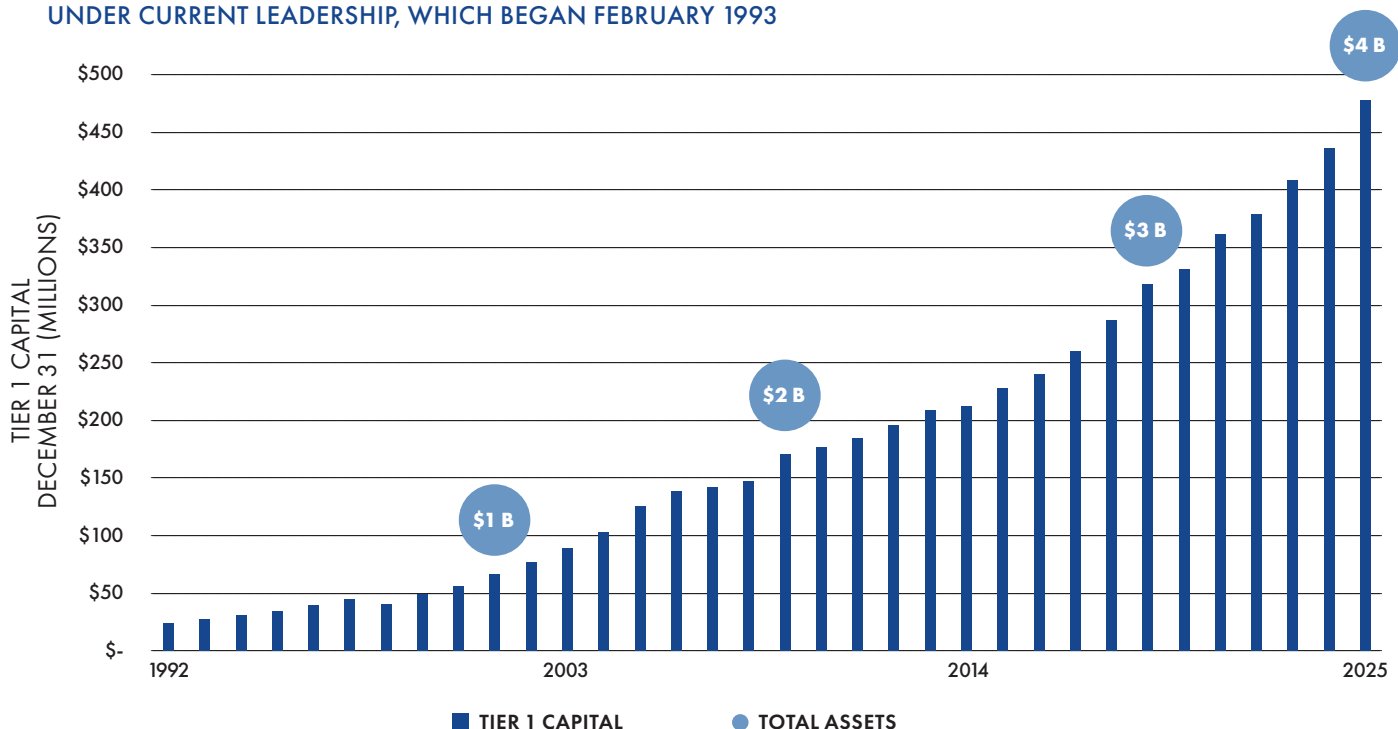
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FINANCIAL HIGHLIGHTS

As of and for the twelve months ended December 31

(in thousands, except share data)	2025	2024	2023	2022	2021
RESULTS OF OPERATIONS:					
Net income	\$ 43,404	\$ 35,878	\$ 33,400	\$ 21,006	\$ 31,150
Basic net income per share	1.27	1.05	0.96	0.61	0.90
Cash dividends per share	0.06	0.05	0.05	0.05	0.05
Book value per share at year end	13.72	12.29	11.07	9.97	10.24
AT DECEMBER 31:					
Assets	\$ 3,943,328	\$ 3,642,622	\$ 3,441,462	\$ 3,822,109	\$ 3,892,368
Earning assets	3,738,699	3,428,399	3,233,750	3,597,416	3,775,756
Loans, net	2,889,170	2,831,084	2,656,871	2,327,853	2,048,484
Deposits	3,070,918	2,853,208	2,728,045	2,985,850	3,230,568
Shareholders' equity	468,760	419,927	385,012	346,782	356,147
AVERAGES:					
Assets	\$ 3,805,498	\$ 3,547,912	\$ 3,570,276	\$ 3,844,649	\$ 3,532,637
Earning assets	3,599,397	3,338,828	3,357,087	3,627,290	3,406,562
Loans, net	2,839,244	2,776,062	2,474,206	2,123,899	2,273,501
Deposits	2,971,137	2,758,410	2,764,225	3,104,021	2,909,638
Shareholders' equity	443,053	398,343	363,377	343,967	344,646
PERFORMANCE RATIOS:					
Return on average assets	1.14%	1.01%	0.94%	0.55%	0.88%
Return on average equity	9.80	9.01	9.19	6.11	9.04
Average equity to average assets	11.64	11.23	10.18	8.95	9.76
Dividend payout ratio	4.72	4.76	5.21	8.26	5.58
Net interest margin (tax equivalent)	3.92	3.86	3.69	2.87	3.01
CAPITAL RATIOS:					
Total capital to risk-weighted assets	15.9%	14.8%	14.5%	14.5%	17.5%
Tier I capital to risk-weighted assets	14.8	13.8	13.5	13.5	16.4
Common equity Tier I to risk-weighted assets	14.4	13.3	13.0	13.0	15.7
Tier I capital to average assets	12.1	12.0	11.5	9.9	9.6

CENTRAL BANCSHARES TIER 1 CAPITAL & TOTAL ASSETS UNDER CURRENT LEADERSHIP, WHICH BEGAN FEBRUARY 1993



Mr. Garvice D. Kincaid founded Central Bank on the idea that banks can and should be pillars of their communities – in good times and in bad. As a result of his dedication to this core tenet, Central Bank has grown significantly from our humble beginnings at the corner of Short and Upper streets in downtown Lexington.

Today, we are proud to be community fixtures in eight counties, serving the cities of Berea, Crestview Hills, Florence, Ft. Mitchell, Georgetown, Lexington, Louisville, Nicholasville, Richmond, Union and Winchester. We are proud to call these communities home, and we strive to support them whenever we can.



Banks can and should be pillars of their communities — in good times and in bad.”

*- Garvice D. Kincaid
Founder of Central Bank*

COMMUNITY

BANKING

LENDING*

INSURANCE SERVICES**

WEALTH MANAGEMENT**

Member FDIC

*Subject to credit approval.

**Wealth Management Services are provided by Central Bank & Trust Co. CBIA, Inc., dba Central Insurance Services (CIS), is a wholly-owned subsidiary of Central Bank & Trust Co. Insurance products, investment products and securities are:

NOT FDIC Insured	NOT Guaranteed by the Bank	MAY Lose Value	NOT Insured by any Federal Government Agency	NOT a Deposit	Subject to Risk
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OPEN SINCE

1946

BANKING CENTERS

29

KENTUCKY COUNTIES

8

EMPLOYEE SERVICE HOURS IN 2025

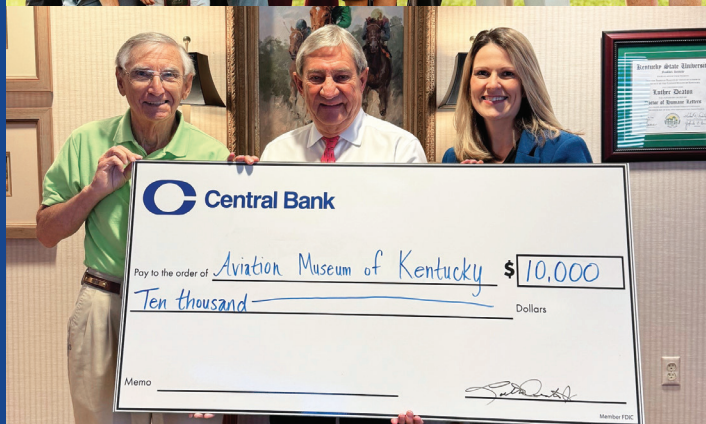
4,300+

ORGANIZATIONS SUPPORTED

600+

NAMED A BEST PLACE TO WORK IN KENTUCKY FOR

19 yrs



TO OUR SHAREHOLDERS, CUSTOMERS AND COMMUNITIES

2025 was a year of steady progress and intentional growth for Central Bancshares, Inc. (the “Company”). We exceeded our financial goals while staying true to our values – investing in the communities, individuals and businesses who trust us every step of the way. We’re proud to be your financial partner for all of life’s milestones – your first accounts, homes and businesses and every financial decision that follows.

Amid a shifting economic landscape and evolving customer needs, we remained focused on relationships, stability and looking forward. We enhanced our technology to make banking simpler and more efficient, strengthened relationships across our business communities and continued to invest in the people and places that depend on us. As we reflect on the year, we are proud to report strong capital, high-quality assets, continued growth and healthy earnings, building a solid foundation for what’s next.

Looking back on 2025, we are proud of the level of service provided by our team of Central Bankers. As we build additional partnerships to grow with our community, we will continue to raise the standard for what a community bank can be. After all, your goals and dreams are at the center of it all, and we really do start with you.

PERFORMANCE

These financial highlights for the Company include Central Bank & Trust Co. (“Central Bank”) and its wholly owned subsidiaries, Central Investment Center, Inc., and Central Insurance Services, Inc. We have provided a detailed discussion of our financial results in the Management’s Discussion and Analysis beginning on page 6.

- Net income was \$43.4 million or \$1.27 per share for 2025. In 2024, net income was \$35.9 million or \$1.05 per share.
- Total deposits increased \$218 million or 7.6% to \$3.1 billion.
- Total loans increased \$57.7 million or 2.0%, ending the year at \$2.9 billion.
- At year-end 2025, liquidity risk trends have improved and remain stable.
- Tangible shareholders’ equity grew \$48.8 million or 12.0%.

KEY INITIATIVES

- In 2025, Central Bank continued its leadership in addressing the critical need for affordable housing in Lexington through the Lexington Affordable Housing Coalition. Building on the Company’s 2024 acquisition of scarce developable property in metro Lexington, Central Bank – alongside four local banking partners – advanced the initiative by transferring the property to trusted local affordable housing organizations for redevelopment. This collaborative effort will help expand access to quality, attainable housing and support the long-term vitality of our community.

Central Bank has played a leading role in bringing this partnership to life, and we view this as a model for future impact. We are committed to expanding this approach both locally and across the Commonwealth, replicating the partnership framework in other communities we serve to help address housing needs statewide.

- We successfully implemented MeridianLink as our new consumer loan origination system, a cross-departmental effort that modernizes how customers apply for loans online. The system enhances the online loan application experience for customers while streamlining workflows and increasing backend operational efficiency.
- We experienced a significant 8% growth in deposits as we continued to expand our client base in 2025.
- Central Bank’s commitment to protecting our customers and community against fraud remains stronger than ever. This year, our Fraud Awareness Campaign reached thousands of customers through in-branch materials, digital channels and one-on-one conversations emphasizing how to recognize and prevent common scams.
- We launched an updated Fraud Hub website, providing an accessible, one-stop resource for fraud education, real-time alerts and prevention tips. To further strengthen internal defenses, we delivered two sessions of Fraud Academy, keeping our teams and community partners informed on the latest threats and best practices.
- Recognizing the importance of inclusive education, we expanded our community outreach to at-risk populations, hosting informational sessions at homeless shelters where individuals are often targeted and exploited to facilitate fraud on behalf of others.

- We made new, long-term commitments to Ronald McDonald House, God’s Pantry and the Hope Center. These long-term partnerships reflect our commitment to our relationships and the people who make up the communities we hold dear.
- We continued to expand small business lending through the development of our SBA program, a key strategic focus in 2025 that will remain a priority moving forward.
- We provided Banzai, an online financial literacy program, to educators and students in our community for free, as well as to 21 local nonprofits and organizations. Through our sponsorship of 25 schools, we impacted over 6,000 students and 100 teachers.
- Central Bank employees logged over 4,300 community service hours in 2025, reinforcing our commitment to local impact and showing up for our people.

LOOKING FORWARD

As we look to the future, we will remain focused on disciplined growth and meaningful reinvestment in the communities we know and love. Our commitment to exceptional service, strong relationships and a deep understanding of our customers’ needs will continue to guide everything we do.

We are excited by the expansion of our physical presence with a new Spring House branch in Richmond that opened in March 2026. Planning is also underway for a new Oldham County branch targeted for 2027. These investments reflect our commitment to meeting customers where they are and supporting continued growth in our communities.

We are proud to mark 2026 as the 80th year of Central Bank, an important milestone in our history. Within our marketing plan for our 80th anniversary, we will celebrate the principles that have defined Central Bank for eight decades while demonstrating how we are evolving in the ways that matter most.

RETIREES

At Central Bank, our people make us who we are. As a leader, I’m honored to have worked with so many associates whose tireless efforts contribute to the success of Central Bank and the communities we serve. I want to express my personal thanks to each of the long-term colleagues who completed their service with us to begin new chapters in their lives: Venita Garrard (Nicholasville Road, 41 years); Diane Gentry (Client Services, 40 years); Lisa Williamson (Financial Planning, 24 years); Elaine Fawbush (Taylorsville Road, 20 years); Charlotte Warren (Sir Barton, 18 years); David Ross (Lexington, 17 years); Jeff Fultz (Richmond, 17 years); Jenny Burns (Crestview Hills, 15 years); Mary Pat Landrum (Turfway, 9 years); Ed Cundiff (Outer Loop, 8 years); and Cathy Nordman (Ft. Mitchell, 8 years).

WITH APPRECIATION

Our success would not be possible without the time, insight and support provided by our directors. They are the vital connection between us and our local markets, and their constant leadership is both invaluable and appreciated.

We want to extend our appreciation to Lee Ann Pope for joining our Board of Directors. Her commitment to community engagement strengthens our leadership and reflects the values Central Bank stands for every day.

We would also like to offer our sincere gratitude to Wayne Martin for long-standing service on our board following his retirement. His leadership, insight and commitment have made a meaningful impact on the Company and our community.

To all our employees, we are sincerely grateful for your efforts. You work hard, care for our customers and your fellow employees, and are knowledgeable about all we offer along with our mission. You are the reason Central Bank is consistently named one of the Best Places to Work in Kentucky.

In closing, but with great importance, we want to extend a heartfelt thanks to the people who choose to bank with us every day. In an ever-changing financial landscape with more options than ever, you’ve chosen a real banking partner made up of real people. It’s been our privilege to help you achieve your financial goals this year, and we look forward to continuing that partnership for many years to come.



Luther Deaton, Jr.

Luther Deaton, Jr. Chairman,
President & CEO
March 13, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Central Bancshares, Inc. (the "Company"), a bank holding company located in Lexington, Kentucky, is the parent company of Central Bank & Trust Co. (the "Bank"). The Company is registered with, and subject to supervision, regulation, and examination by, the Federal Reserve. The Bank is a state-chartered non-member financial institution that is subject to regulation, supervision, and examination by the Federal Deposit Insurance Corporation and the Kentucky Department of Financial Institutions. At year-end 2025, the Company had 28 full-service banking centers located in Boone, Clark, Fayette, Jefferson, Jessamine, Kenton, Madison and Scott counties, a full-service brokerage business, and a full-service insurance agency. A new full-service bank branch was opened in Richmond, Kentucky (Madison County) during March 2026.

RESULTS OF OPERATIONS

The Company reported net income of \$43.4 million for 2025, an increase of \$7.5 million or 21.0% compared with 2024. On a per share basis, net income was \$1.27 and \$1.05 for 2025 and 2024, respectively. The increase in net income for 2025 is primarily the result of higher net interest income of \$12.5 million or 9.7%, partially offset by an increase in non-interest expenses of \$2.5 million or 1.9%.

NET INTEREST INCOME

Net interest income is the difference between interest and fee income generated from interest earning assets and the interest paid on interest bearing liabilities used to fund those assets. Although the Company has a well-diversified revenue stream, its primary source of income is net interest income. Net interest income made up 75% of total revenue in 2025, up 166 basis points from 2024. Net interest spread is the difference between the taxable equivalent yield on earning assets and the average rate paid on interest bearing liabilities. Net interest margin represents the taxable equivalent net interest income divided by average interest earning assets. Net interest margin will exceed net interest spread because of the existence of non-interest bearing sources of funds that are available to fund earning assets such as demand deposits and shareholders' equity.

Fluctuations in interest rates, yield curves, repricing characteristics and changes in the volume and mix of interest earning assets and interest bearing liabilities have a material impact on the Company's net interest income. The Federal Reserve Board (the "Fed") sets a target for its short-term federal funds rate in order to influence the interest rates on borrowing, lending, and other financial transactions of banks and other financial institutions. This rate impacts the spending decisions of households and businesses, which has significant implications for economic activity, employment, and inflation.

For a sense of the Company's general interest rate environment, the level and fluctuations in the federal funds rate are noteworthy. In its efforts to reduce the rate of inflation in the U.S. economy over the last several years, the Fed increased the federal funds rate sharply during 2022 and 2023. After a 13-month pause, citing a weakening labor market and slowing inflation, the Fed began easing the rate with three cuts totaling 100 basis points in 2024, followed by three additional cuts totaling 75 basis points in 2025. At year-end 2025, the targeted rate was between 3.50% to 3.75%.

Another indicator of the economic and interest rate environment is represented by the U.S. Treasury yield curve. At year-end 2025, the slope of the yield curve steepened when compared to a year earlier. The steepening occurred primarily as interest rates for shorter-term maturities declined approximately 65 basis points to 75 basis points between the one-month and two-year maturities. Ten-year maturities declined by six basis points, while the 30-year term increased six basis points. Short-term rates have been influenced by the decrease in the federal funds targeted rate. Longer-term maturities remain more uncertain as inflation, while easing, remains a concern along with geopolitical fears.

Net interest income was \$141 million in 2025, an increase of \$12.5 million or 9.7% compared to a year earlier. Total interest income was \$197 million for 2025, up \$18.0 million or 10.0%. This outpaced an increase in interest expense of \$5.5 million or 10.8%. Interest income was up in 2025 due primarily to a higher average balance (volume) of overall earning assets combined with an increase in the average rate earned on the loan portfolio. The increase in interest expense was driven by a higher volume of interest bearing deposits outstanding, primarily from higher rate time deposits.

The Company's net interest spread was 2.91% and 2.83% for 2025 and 2024, respectively. The increase is the result of an overall higher average rate earned on earning assets of 11 basis points, partially offset by an increase in the average rate paid on interest bearing liabilities of three basis points. Net interest margin for 2025 was 3.92%, up six basis points from a year earlier. The impact of non-interest bearing sources of funds added 101 basis points to net interest margin for 2025, down from 103 basis points a year earlier.

Interest income on loans was \$168 million for 2025, up \$9.0 million or 5.7%. The improvement is attributed to both an increase of 19 basis points in the average rate earned to 5.88% combined with higher volumes of \$61.3 million or 2.2%. Although market interest rates have generally declined during 2025, particularly for short- and medium-term maturity periods, the Company has been able to reprice certain of its loan renewals at higher rates than they were at origination that occurred during the Fed's near-zero rates in the early 2020s.

Interest income from deposits with other financial institutions, primarily made up of overnight deposits held at the Federal Reserve, was \$13.1 million. This represents an increase of \$10.0 million from the prior year. This increase is due to a buildup in the average balance to \$295 million for 2025 compared to \$54.3 million for 2024, which offset a decline in the average rate earned of 74 basis points to 4.29%. The Company has sought to proactively manage its level of liquidity over the last several years while not unduly penalizing profitability. Such efforts, along with economic and other factors, have resulted in increased cash balances at the Fed.

Interest income from debt securities was \$16.5 million, down \$731 thousand or 4.2% in the comparison. The decrease is attributed to a smaller portfolio average, which is down \$41.8 million or 8.3% and outweighed an increase in the overall average rate earned of 15 basis points to 3.6%.

Total interest expense for 2025 was \$55.8 million, an increase of \$5.5 million or 10.8% from the prior year. Interest paid on deposits, the largest component of interest expense, was \$48.9 million for 2025, up \$6.0 million or 14.0%. Although interest expense increased in all major deposit categories, the most significant increases are attributed to time and money market accounts as depositors have opted for products with higher returns amid the recent period of falling overnight and other short-term interest rates.

Interest expense on time deposits was up \$3.2 million or 12.4% mainly as a result of an increase in volume of \$145 million or 24.1%, which offset a decline in the average rate paid of 41 basis points to 4.0%. Interest expense was up \$2.3 million or 22.8% on money market deposits, up \$351 thousand or 22.3% on savings, and up \$156 thousand or 2.9% on interest bearing checking accounts. Each of these increases was driven primarily by a higher average rate paid because of competitive and market forces and the desire for the Company to maintain its strong liquidity position. Overall rates paid on deposits are expected to decline slightly in the near to medium term based on the most recent Fed projections, an easing of certain exception pricing within the portfolio, and the projected overall product mix within the portfolio.

Interest expense on borrowed funds was \$6.9 million for 2025, a decrease of \$535 thousand or 7.2%. Interest on short-term borrowings, consisting of

Federal Home Loan Bank ("FHLB") cash management advances, federal funds purchased, and repurchase agreements with commercial customers decreased \$1.6 million or 29.7%. The decrease is due to a 40 basis point decline in the average rate paid to 1.7% combined with lower volume of \$34.9 million or 13.8% to \$218 million.

Interest expense on long-term borrowings, consisting of FHLB term advances and subordinated debentures at the parent company, increased \$1.1 million or 53.3%. The increase is due primarily to a higher average balance outstanding of \$32.4 million. The Company borrowed \$50.0 million from the FHLB during the third quarter of 2024 to supplement its funding sources and add more term structure versus the short-term overnight cash management advances. Such borrowings were outstanding for the entire year of 2025.

During 2025, the Company borrowed an additional \$5.0 million from the FHLB through an advance maturing in 2030. This borrowing is in the form of a CDFI Loan Investment Fund ("CLIF") Advance with a zero percent interest rate. The borrowing term is 60 months with principal due at maturity. Such funds are used to help Community Development Financial Institutions ("CDFIs") expand economic opportunities in low-income and distressed communities. All FHLB advances are borrowed under a blanket lien agreement and collateralized by FHLB stock and fully disbursed, otherwise unencumbered, 1-4 family residential first mortgage and certain commercial real estate mortgage loans.

Interest expense on subordinated debt at the parent company was \$978 thousand for 2025. This represents a decrease of \$157 thousand or 13.8%. The interest rate on this debt is variable, tied to the 3-month CME Term Secured Overnight Financing Rate ("SOFR"), and resets on a quarterly basis. The rate in effect at year-end 2025 was 5.7% compared to 6.4% a year ago. The 3-month SOFR has generally trended downward during 2025 similar to the federal funds rate as the Fed sought to gradually ease monetary policy.

The ratio of the Company's 2025 average loans to average deposits decreased to 96.5% from 102% in 2024. The decrease was driven by average deposit growth of \$213 million or 7.7%, which was nearly 3.5 times the growth in average loans of \$61.5 million or 2.2%.

Liquidity measures the ability to meet current and future cash flow needs as they become due. For financial institutions, liquidity reflects the capacity to meet loan demand, accommodate possible outflows in deposits, and

to react and capitalize on interest rate market opportunities to maximize profitability. This is accomplished by balancing changes in the demand for funds with changes in the supply of funds. Liquidity is provided by short-term assets that can be converted to cash, available for sale debt securities, borrowing sources, and the ability to increase deposits.

The historically high liquidity levels experienced during the pandemic period began to diminish during 2023, both for the Company and throughout the banking industry. Managing the Company's liquidity during significant structural changes to its balance sheet and an expected ratio of loans to deposits to equal or exceed 100% for the near term, the Company completed several actions to maximize liquidity sources. Those additional sources included increasing borrowing capacity with the Federal Home Loan Bank by the inclusion of eligible commercial real estate as collateral, adding operational functionality for discount window borrowing at the Fed, additional federal funds borrowing capacity and, more recently, the limited use of a reciprocal certificate of deposit services offering.

The certificate of deposit service product offers an alternative to pledging the Company's investment securities of large depositors. The product allows depositors access to multi-million dollar FDIC insurance coverage on large balances through reciprocal deposits within a network of banks. Deposits exceeding the FDIC limit of a single bank are divided and placed within the reciprocal network of banks with the entire balance eligible for insurance. The depositor continues to interact with the primary bank. For well-capitalized banks, such as the Bank, reciprocal deposits are treated as core, non-brokered deposits up to the specified limit of the lesser of \$5 billion or 20% of the Bank's liabilities. At year-end 2025, the Company had less than \$10.0 million of reciprocal deposits.

The Company's liquidity position and related metrics are closely monitored as management seeks the appropriate balance between the relative safety of higher liquidity levels and corresponding lower yields, versus the interest rate risk inherent in obtaining higher yields over a longer-term investment. Average loans as a percentage of average deposits were 96.5% for 2025, down from 102% a year earlier. Liquidity risk trends for the Company remain low and are expected to remain stable over the near term.

The table below reflects information regarding the Company's average balances, interest income or expense, and average rates earned and paid by each major balance sheet category for the years ended December 31, 2025 and 2024.

NET INTEREST MARGIN ANALYSIS

(dollars in thousands)

	2025			2024		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest earning assets						
Loans ^{1,2}	\$ 2,867,682	\$ 168,505	5.88%	\$ 2,806,337	\$ 159,646	5.69%
Interest bearing deposits	294,703	12,641	4.29	54,258	2,727	5.03
Federal Home Loan Bank stock	5,435	471	8.67	6,662	690	10.36
Securities ¹	460,015	16,524	3.59	501,846	17,255	3.44
Total interest earning assets	\$ 3,627,835	\$ 198,141	5.46%	\$ 3,369,103	\$ 180,318	5.35%
Interest bearing liabilities						
Deposits						
NOW accounts	\$ 405,188	\$ 5,522	1.36%	\$ 400,801	\$ 5,366	1.34%
Savings deposits	228,499	1,923	0.84	226,619	1,572	0.69
Money market deposits	521,628	12,139	2.33	479,065	9,887	2.06
Time deposits	743,124	29,328	3.95	598,602	26,097	4.36
Total interest bearing deposits	1,898,439	48,912	2.58	1,705,087	42,922	2.52
Short-term borrowings	217,654	3,795	1.74	252,593	5,395	2.14
Long-term borrowings	68,711	3,063	4.46	36,297	1,998	5.50
Total interest bearing liabilities	\$ 2,184,804	\$ 55,770	2.55%	\$ 1,993,977	\$ 50,315	2.52%
Net interest margin		\$ 142,371	3.92%		\$ 130,003	3.86%

¹Income and yield stated at a tax equivalent basis using a marginal corporate tax rate of 24.95%.

²Loan balances include principal balances on nonaccrual loans.

The table below reflects the changes in net interest income in 2025 and 2024 due to changes in rates and volumes computed on a tax equivalent basis.

TAXABLE EQUIVALENT RATE/VOLUME ANALYSIS

(dollars in thousands)

	2025/2024			2024/2023		
	Net Change	Increase/Decrease Due to		Net Change	Increase/Decrease Due to	
		Rate	Volume		Rate	Volume
Interest income						
Loans	\$ 8,859	\$ 5,323	\$ 3,536	\$ 28,958	\$ 12,249	\$ 16,709
Interest bearing deposits	9,914	(457)	10,371	(85)	89	(174)
Federal Home Loan Bank stock	(219)	(103)	(116)	122	239	(117)
Securities	(731)	749	(1,480)	(5,065)	4,877	(9,942)
Total interest income	17,823	5,512	12,311	23,930	17,454	6,476
Interest expense						
Deposits						
NOW accounts	156	97	59	1,806	2,189	(383)
Savings deposits	351	338	13	893	960	(67)
Money market deposits	2,252	1,328	924	4,992	5,266	(274)
Time deposits	3,231	(2,641)	5,872	10,820	2,794	8,026
Short-term borrowings	(1,600)	(913)	(687)	40	1,123	(1,083)
Long-term borrowings	1,065	(440)	1,505	446	333	113
Total interest expense	5,455	(2,231)	7,686	18,997	12,665	6,332
Net interest income	\$ 12,368	\$ 7,743	\$ 4,625	\$ 4,933	\$ 4,789	\$ 144

NON-INTEREST INCOME

Total non-interest income was \$46.2 million for 2025, an increase of \$226 thousand or 0.5% from 2024. Most line items of non-interest income were up in the annual comparison, but were nearly offset by a decrease in electronic banking income of \$772 thousand or 9.4%. Total revenue, defined as non-interest income plus net interest income, increased \$12.7 million or 7.3%. Significantly all of the increase was due to a higher earning asset base, primarily overnight deposits held at the Fed, and an increase in the average rate earned from the loan portfolio.

Wealth management income includes trust administration, retirement and estate planning, insurance commissions, and investment brokerage fees. Such fees were \$21.0 million for 2025, up \$853 thousand or 4.2% in the comparison. Insurance commissions were \$6.3 million in 2025, an increase of \$652 thousand or 11.4%, driven nearly equally by increased commercial and personal policy volumes and higher contingency fees. Title insurance fees were \$543 thousand, down 2.2%.

Trust fees for 2025 were \$11.9 million, down \$188 thousand or 1.6%. The Company's trust fees are highly correlated with stock market valuations. Although the broad stock market experienced widespread gains as measured by the S&P 500 and other indexes, fees were down primarily due to a decline in assets under management during the fourth quarter of 2024. Average assets under management for 2025 were \$2.3 billion, a decrease of \$194 million or 7.9%. At year-end 2025, the asset base was \$2.3 billion, up \$158 million or 7.2% compared to a year earlier.

Mortgage banking income primarily includes gains on the sale of long-term, fixed-rate consumer mortgage loans the Company originates as part of its management of interest rate risk. Such income was \$1.4 million for 2025, an increase of \$120 thousand or 9.7% due mainly to an increase in volume of \$5.5 million or 7.3%. Market interest rates heavily influence the origination volume of mortgage loans. Mortgage loan origination and refinancing activity showed signs of improving during 2025 with an overall

downward movement in certain interest rates compared with the last few years. However, long-term interest rates remained relatively flat. Home prices continued to increase, but at a much lower rate than recent annual trends. Many borrowers that refinanced at or near record low interest rates continue to be reluctant to sell homes or refinance at higher rates, although cash-out refinancing and second mortgages have experienced a moderate increase.

Card and interchange fees primarily represent amounts received from card payment networks. Electronic banking income primarily represents amounts received from debit card transactions. These fees are generally based on the value of the underlying customer transaction amount. Card and interchange fees were \$9.4 million in 2025, up \$118 thousand or 1.3% due to higher corporate account volume. Electronic banking income was \$7.4 million, a decrease of \$772 thousand or 9.4%. Incentives earned under our growth contract with VISA were \$574 thousand less in 2025 versus 2024. The structure of this agreement, of which 2025 was the first year of our renewal, necessitates that revenue is deferred, and accelerates as long as annual growth targets are met, into later years of the contract for recognition. Although volumes increased for both credit and debit card transactions, these were partially offset by lower interchange rates from the payment networks. Lower payment rates for debit card transactions are mainly attributed to increased competition resulting from Federal regulations that provide merchants with broader access to alternative payment systems with the goal of reducing their processing fees. Customer preferences for electronic payment forms over traditional paper check payments continued to drive increased volume activity.

Service charges on deposit accounts were \$5.8 million for 2025, an increase of \$134 thousand or 2.3% compared to a year ago. The increase is primarily related to NSF and overdraft charges, which were up \$97 thousand or 2.9% and are volume related.

ANALYSIS OF NON-INTEREST INCOME

(dollars in thousands)

	2025		2024		2023		2025/2024		2024/2023	
							CHANGE	%	CHANGE	%
Service charges on deposit accounts	\$ 5,841	\$ 5,707	\$ 5,911	\$ 134	2.35 %	\$ (204)	(3.45)%			
Mortgage banking income	1,360	1,240	891	120	9.68	349	39.17			
Card and interchange fees	9,378	9,260	8,946	118	1.27	314	3.51			
Trust fees	11,863	12,051	10,261	(188)	(1.56)	1,790	17.44			
Electronic banking	7,435	8,207	8,152	(772)	(9.41)	55	0.67			
Net gain (loss) on sales and write-downs of OREO	-	-	4	-	-	(4)	(100.00)			
Net loss on sales of available for sale investment securities	-	-	(915)	-	-	915	(100.00)			
Other fees and income	10,321	9,507	9,650	814	8.56 %	(143)	(1.48)%			
Total non-interest income	\$ 46,198	\$ 45,972	\$ 42,900	\$ 226	0.49%	\$ 3,072	7.16%			

NON-INTEREST EXPENSE

Total non-interest expense for 2025 was \$132 million, an increase of \$2.5 million or 1.9% compared with 2024. Employee salaries and benefits drove the increase, but there was a significant reduction in certain other expenses, particularly related to processing charges.

Employee salaries and benefits were 49.3% of total non-interest expenses for 2025, an increase of 169 basis points from 47.6% a year earlier. Total salary expense, which includes salaries, commissions, and incentives, was \$51.8 million for 2025, an increase of \$2.8 million or 5.7%. The increase in salary expense is attributed to additional staffing needs, normal annual merit-pay increases, and higher incentive compensation.

Additional staffing was added in 2025 in the areas of lending, compliance, and other back-office support areas. Staffing was also added toward the end of the year in preparation for the branch opening in Richmond that took place during the first quarter of 2026. At year-end 2025, the number of full-time equivalent employees was 520, up from 500 at the prior year-end. Sales commissions increased \$246 thousand or 7.3%, reflective of the higher fee income generated from investment brokerage services and insurance commissions. Incentive compensation was \$7.1 million, up \$556 thousand or 8.5% as a result of the Company's strong financial performance in 2025. Incentive compensation levels are predetermined annually based on a board approved plan prior to the start of the year.

Employee benefit costs consist of personnel-related expenses not included in compensation such as employee retirement plan contributions, health

insurance, and payroll taxes. Total employee benefits increased \$622 thousand or 4.8% in the comparison. Contributions to the Company's ESOP were \$3.1 million in 2025, a decrease of 4.6% compared to a year earlier. Contributions to the ESOP can fluctuate between periods and are highly dependent upon the price and number of Company shares that become available from participants electing to sell their shares back to the ESOP. All other employee benefit expenses were up \$771 thousand or 8.0% in the aggregate, with healthcare insurance and payroll taxes up \$511 thousand or 17.1% and \$150 thousand or 4.6%, respectively.

Processing charges were \$8.1 million for 2025, a decrease of \$1.8 million or 18.4%. Processing charges primarily include expenditures for core data processing, debit and credit card processing, internet banking, and ATM processing. The decline in processing charges is due to better pricing terms with the Company's core data processor following its contract renewal, which now extends to 2032. Pricing for core data processing is expected to remain relatively stable over the term of the contract.

Card and interchange expense was \$9.5 million, relatively unchanged from a year ago. Interchange and card assessment fees increased \$63 thousand or 1.1% and \$85 thousand or 5.5%, respectively, partially offset by lower rewards expense of \$88 thousand or 4.1%.

Occupancy and equipment expense primarily include depreciation of capital assets, property rental, property taxes, and other operating expenses such as maintenance, utilities, and service contracts.

Total occupancy and equipment expenses were \$21.8 million for 2025, up \$828 thousand or 4.0% compared with 2024. Service contracts and

ANALYSIS OF NON-INTEREST EXPENSE

(dollars in thousands)

	2025		2024		2023		2025/2024		2024/2023	
							CHANGE	%	CHANGE	%
Salaries and benefits	\$ 65,283	\$ 61,873	\$ 56,575	\$ 3,410	5.51%	\$ 5,298	9.36%			
Occupancy and equipment	21,785	20,957	20,941	828	3.95	16	0.08			
Processing charges	8,113	9,938	9,583	(1,825)	(18.36)	355	3.70			
Advertising and business development	11,676	10,977	9,834	699	6.37	1,143	11.62			
Card and interchange expenses	9,473	9,412	8,620	61	0.65	792	9.19			
Professional services	3,075	3,561	2,779	(486)	(13.65)	782	28.14			
FDIC insurance assessment	1,683	1,564	1,596	119	7.61	(32)	(2.01)%			
Other real estate owned, net	-	1	1	(1)	(100.00)%	-	0.00			
Other	11,332	11,687	9,991	(355)	(3.04)%	1,696	16.97			
Total non-interest expense	\$ 132,420	\$ 129,970	\$ 119,920	\$ 2,450	1.89%	\$ 10,050	8.38%			

building maintenance increased \$602 thousand or 11.5% and \$247 thousand or 19.5%, respectively. Service contracts continue to trend upward due to information technology upgrades.

Advertising and business development include costs related to promoting the Company such as acquiring new business, retaining existing customers, and community support. These expenses were \$11.7 million for 2025. This represents an increase of \$699 thousand or 6.4% compared to the prior year. Included in the total are contributions and other community support totaling \$7.8 million, up \$743 thousand or 10.5% from a year ago. The Company remains active in assisting its immediate and surrounding communities with financial assistance to those entities serving the public through education, medical care, youth and elderly programs, and the arts. Advertising and other business development expenses were relatively unchanged at \$3.8 million.

Professional service fees include payments to third parties that offer highly specialized services and support to assist the Company in meeting its obligations or to improve efficiencies. These services typically include accounting, legal, technology support, or other operational consulting arrangements. Professional services fees were \$3.1 million for 2025, a decrease of \$486 thousand or 13.6%. The decrease is primarily related to deconversion costs of \$567 thousand during the prior year to transition to new credit card and trust processing vendors. Legal fees were \$1.5 million, up \$225 thousand or 17.2%.

FDIC insurance assessment expense for 2025 was \$1.7 million, an increase of \$119 thousand or 7.6% compared to the prior year. The higher expense is due to an increase in the assessment base. The assessment base increased in 2025 due mainly to the growth in total assets (as defined by regulation), which outpaced the absolute growth in tangible equity. The Bank's assessment rate was unchanged.

INCOME TAXES

The Company recorded income tax expense of \$10.4 million for 2025 compared with \$7.9 million for 2024, an increase of \$2.5 million or 31.9%. The increase is attributed to higher pre-tax income of \$10.0 million or 22.9%. The effective income tax rates were 19.3% and 18.0% for the current and preceding year, respectively. The effective income tax rates are less than the statutory tax rate of 24.95% primarily as a result of tax credits related to investments in low-income tax partnerships and tax-exempt interest income.

The Company's tax planning strategy includes participation in Industrial Revenue Bond lending for nonprofit organizations to increase tax-exempt income. It is also a limited partner in nine low-income housing projects and five Community Reinvestment Act related funds with both low-income housing and Historic Rehabilitation tax credits.

FINANCIAL CONDITION

Total assets of the Company at year-end 2025 were \$3.9 billion, an increase of \$301 million or 8.3% compared with year-end 2024. Cash and equivalents increased \$226 million or 121%. Debt securities were up \$14.9 million or 3.2%. An increase in deposits of \$218 million or 7.6% was the primary funding source for the year-over-year asset growth. Deposit levels increased during 2025 following a general downward trend from the fourth quarter of 2022 to midway through 2023. Since June 2023, total deposits are up \$420 million or 15.8%. As market rates began to fall, the Company was able to reduce certain deposit rates at a slower pace than its competitors, which helped increase its deposit base and maintain a strong net interest margin.

Shareholders' equity was \$469 million at December 31, 2025, an increase of \$48.8 million or 11.6% compared with the prior year-end. The increase in equity was primarily driven by net income of \$43.4 million, partially offset by dividends paid of \$2.0 million. The net after-tax unrealized loss on available for sale debt securities was \$6.7 million, an improvement of \$7.5 million or 53.1%. The improvement is attributed to a decline primarily in

short-term interest rates as well as principal payments and maturities in the securities portfolio. Capital ratios continue to significantly exceed the levels required to be considered well-capitalized under regulatory guidance. Liquidity measures improved throughout 2025 and continue to be in excess of historical norms for the Company.

EARNING ASSETS

Earning assets consist primarily of interest bearing deposits with other financial institutions, investment in debt securities, and loans receivable. Funds made available from deposits or other sources are loaned out to the extent possible based on prudent underwriting standards and overall demand. Excess funds have generally been held in short-term interest bearing deposits with the Fed or shorter-term debt securities due to the relative lack of suitable returns available on longer-term investment instruments as well as for liquidity and interest rate risk management.

Gross loans outstanding were \$2.9 billion at December 31, 2025, an increase of \$57.7 million or 2.0% from the prior year-end. Commercial real estate loans remain the largest component of the portfolio at \$1.8 billion. This represents an increase of \$105 million or 6.3% from a year earlier. Loan growth was achieved in 2025 despite several significant payoffs. Loan pipelines remain steady, with 2026 volumes expected to grow in the low to mid-single digits.

The fluctuation in the interest rate environment over the last several years along with a decline in demand for office space related to work-at-home initiatives have led to concerns nationally with regard to credit quality and collateral values of the commercial real estate sector in general and office buildings in particular. Office building loans for the Company represent 4.8% of its commercial real estate portfolio at year-end 2025, with a balanced mix of both owner and non-owner occupied properties. Such properties are located in the Company's primary markets. None of the related loans are classified as substandard, and the most recent collateral values result in strong loan-to-value ratios.

Loans secured by residential real estate were \$656 million, an increase of \$24.1 million or 3.8%. The increase is due nearly equally to higher balances of home equity lines of credit in the amount of \$11.7 million or 8.7% and higher outstanding balances of fixed-rate mortgages of \$12.4 million or 2.5%.

Installment loans, which are primarily secured by consumer asset purchases such as personal vehicles, decreased \$21.9 million or 38.2% in the annual comparison. Installment loans peaked during 2021 while interest rates were at historically low levels and consumers generally had higher deposit balances. The Company experienced elevated delinquencies and charge-offs in the installment portfolio beginning in early 2022 and continuing through 2024. The combination of increased charge-offs and higher market interest rates led the Company to increase credit underwriting requirements and curtail funding such loans.

Commercial loan balances decreased \$48.4 million or 9.9% at year-end 2025 compared with the prior year. Elevated payoff activity was the primary driver.

The Company remains committed to generating high quality loans while limiting its exposure to credit risk. This is accomplished through diversifying the loan portfolio by loan type, industry, and customer. Diversification by industry and geographic region within the portfolio helps to maintain acceptable credit risk. Concentrations of credit are monitored on a monthly basis for compliance with internal policy and regulatory guidelines. As a result, management believes there is no undue concentration in any single sector.

The investment securities portfolio is primarily used as a tool for liquidity management and collateral for certain short-term overnight borrowing arrangements and, to a lesser extent, as an additional source for interest income. In managing the composition of its balance sheet, the Company seeks a balance between earnings sources, credit quality, and liquidity considerations. Total debt securities were \$480 million at year-end 2025,

ANALYSIS OF ALLOWANCE FOR CREDIT LOSSES

(in thousands)

	2025	2024	2023	2022	2021
Allowance for credit losses					
Balance January 1	\$ 29,857	\$ 30,012	\$ 26,266	\$ 23,994	\$ 25,185
Impact of adopting ASC Topic 326	-	-	559	-	-
Provision for credit losses	697	1,689	7,063	5,290	1,017
Less: net charge-offs	(1,079)	(1,844)	(3,876)	(3,018)	(2,208)
Balance December 31	\$ 29,475	\$ 29,857	\$ 30,012	\$ 26,266	\$ 23,994
Average loans, net of unearned income	\$ 2,868,502	\$ 2,807,043	\$ 2,502,742	\$ 2,147,945	\$ 2,298,270
Loans, net of unearned income, at year-end	2,918,645	2,860,941	2,686,883	2,354,119	2,072,478
Nonperforming loans at year-end	5,451	6,238	6,786	9,696	15,479
Other real estate owned at year-end	-	-	-	-	385
Ratios:					
Provision for credit losses to average loans	0.02%	0.06%	0.28%	0.25%	0.04%
Net charge-offs to average loans	0.04	0.07	0.15	0.14	0.10
Allowance for credit losses to loans	1.01	1.04	1.12	1.12	1.16
Allowance for credit losses to nonperforming loans	540.73	478.63	442.26	270.90	155.01
Nonperforming loans to loans	0.19	0.22	0.25	0.41	0.75
Nonperforming assets to total assets	0.14	0.17	0.20	0.25	0.41
Nonperforming assets to total shareholders' equity and allowance for credit losses	1.09	1.39	1.64	2.60	4.17
Total delinquent loans to loans at year-end	0.31	0.37	0.43	0.66	1.10
Total assets	\$ 3,943,328	\$ 3,642,622	\$ 3,441,462	\$ 3,822,109	\$ 3,892,368
Shareholders' equity	468,760	419,927	385,012	346,782	356,150

an increase of \$ 14.9 million or 3.2% from a year earlier. The increase is primarily related to the need for additional collateral correlated with the increase in certain deposit relationships and overnight borrowing activities.

Deposit account balances and, to a much lesser extent, customer repurchase agreements, are the Company's primary source of funds. Repurchase agreements represent short-term borrowings generally maturing in one business day that are primarily used by large commercial customers in connection with cash management accounts. Such borrowings require the Company to provide a direct pledge from its investment securities portfolio primarily in the form of U.S. government and agency securities. Deposit balances and repurchase agreements increased \$218 million or 7.6% and \$28.3 million or 14.3% in the annual comparisons.

Other sources of funds for the Company include the ability to borrow from the FHLB, the Fed, and other commercial banks in the form of overnight federal funds purchases. FHLB borrowings were \$55.0 million at year-end 2025, up \$5.0 million or 10.0%. There was no borrowing activity from the Fed during or as of the end of the current or prior year. Federal funds purchased were \$500 thousand at year-end 2025 and 2024. On-balance sheet liquidity for the Company is composed of cash, cash equivalents, and unencumbered available for sale debt securities. At December 31, 2025 cash and cash equivalents were \$413 million, an increase of \$226 million or 121% compared to a year earlier.

Unencumbered available for sale debt securities were \$59.5 million at year-end 2025, an increase of \$21.3 million from a year earlier. Loans increased \$57.7 million or 2.0%, led by additional lending secured by non-owner occupied commercial real estate and multifamily properties. Total deposits were up \$218 million or 7.6%. Cash made available from the increase in deposits and repurchase agreements was used to fund the growth in loan balances. Excess cash was primarily invested in short-term interest earning deposits with the Fed. Internal liquidity ratios, which are monitored closely on a regular basis, are in excess of long-standing parameters established by internal policy and regulatory guidance.

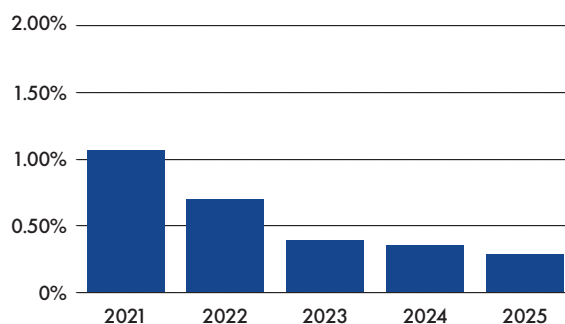
ALLOWANCE FOR CREDIT LOSSES ON LOANS

The allowance for credit losses on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Management estimates the allowance balance with a model using relevant available information from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. The model estimates an allowance over the life of the loan where 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, changes in environmental conditions, and other relevant factors. Loans that do not share risk characteristics are evaluated on an individual basis.

Determining the appropriate level of allowance for credit losses is highly subjective. While allocations of the allowance may be made for

Delinquency



individually analyzed loans, the entire allowance is available for any loan that, in management's judgment, should be charged-off. The Company records an allowance for credit losses on certain financial instruments with off-balance sheet credit exposures in other liabilities on the consolidated balance sheet.

The provision for credit losses for off-balance sheet credit exposures is recorded in non-interest expense on the consolidated statements of income and represents the adjustments to the allowance during the reporting period. See Footnote 1 to the Company's 2025 audited consolidated financial statements titled "Summary of Significant Accounting Policies" for additional information related to the allowance for credit losses methodology on loans and off-balance sheet credit exposures.

Despite an increase in loans of \$57.7 million in the year-over-year comparison, the allowance for credit losses on loans declined \$382 thousand or 1.3% to \$29.5 million at December 31, 2025. The decline was made up of \$1.1 million in net charge-offs, partially offset by additional provision of \$697 thousand. The amount of allowance needed decreased from a year ago mainly due to changes in the composition of the portfolio. At year-end 2025, a greater amount of the portfolio was made up of loans secured by multi-family and non-owner occupied commercial real estate properties partially offset by a reduction in outstanding balances of commercial and industrial lending and installment loans. Based on historical loss rates and other risk characteristics, required reserves for multi-family and non-owner occupied commercial real estate are much less than for commercial and industrial lending and installment lending.

The allowance for credit losses as a percentage of loans outstanding was 1.01% and 1.04% for the current and prior year-end, respectively. As a percentage of average loans, net charge-offs were 0.04% and 0.07% for 2025 and 2024, respectively. Each of these measures are at or near historical lows.

Overall credit quality metrics of the loan portfolio continued the recent strong trends experienced over the last several years. Certain metrics such as net charge-offs, nonperforming loans, and delinquencies remain at or near record lows and below peer group levels. Installment loans make up the largest portion of delinquencies and net charge-offs, although these amounts continue to shrink as this type of lending has been curtailed in recent years. Installment loans primarily represent activity whereby the Company purchases consumer contracts with automobile dealers. The dealers generate loan applications for the purchase of automobiles to individuals. Those applications are forwarded to the Company to either approve or deny funding based on judgments made about the borrower's ability to repay, creditworthiness, and collateral value. Installment loan delinquencies began to trend upward during the last half of 2021 and have remained inflated at 4.1%. The Company has reduced its purchase volume from automobile dealers which has led to a reduction in its amount of past due loans; however, the percentage of delinquencies has remained relatively stable.

Nonperforming loans consist of those that have been classified as nonaccrual as well as those which are past due over 90 days or more that are still accruing interest. Nonperforming loans decreased \$787 thousand or 12.6% to \$5.5 million at year-end 2025. The decrease was driven primarily by payoff activity. As a percentage of year-end loans, nonperforming loans were 0.2%, a decrease of 3 basis points. The percentage decrease was also helped by the increase in loans outstanding. The allowance for credit losses on loans as a percentage of nonperforming loans was 541% at year-end 2025 compared with 478% at year-end 2024.

Loans identified as special mention and substandard were \$32.7 million at year-end 2025, a decrease of \$19.5 million or 37.3% from a year ago. Loans graded as special mention were down \$36.4 million, partially offset by an increase in substandard loans of \$16.9 million. Special mention credits include \$42.7 million that were upgraded to pass rated to reflect

improvements in the borrowers' risk classification and prospects for full payment and \$2.6 million relating to loans that were paid off. Special mention loans include one credit with an outstanding balance of \$16.5 million secured by business assets and a personal residence that was downgraded from pass rated to substandard during the year. There are specific reserves of \$741 thousand related to this credit relationship at year-end 2025. As a percentage of the loan portfolio, special mention and substandard credits decreased 72 basis points to 1.14%.

DEPOSITS

Total deposits were \$3.1 billion at year-end 2025, an increase of \$218 million or 7.6% from year-end 2024. Non-interest bearing demand deposits were relatively unchanged, but interest bearing deposits increased \$220 million or 12.3%. The shift in deposit mix and overall volume is mainly attributed to customers seeking higher yielding alternatives, particularly with time deposits and money market accounts, as those products typically provide higher rates than that of other deposit offerings. For 2025, the Company generally decreased rates on non-maturing deposits more slowly than its competitors after Fed rate cuts. Rates on shorter-term time deposits were reset downward more quickly due to the maturity structure of the portfolio.

In the yearly comparison, time deposits increased \$115 million or 17.1%. Time deposits under \$250 thousand were up \$26.5 million or 7.3%, while those \$250 thousand and above increased \$85.1 million or 26.5%. Time deposits under \$250 thousand include \$75.0 million of brokered deposits, a decrease of \$25.0 million from a year earlier. Brokered deposits had a weighted average cost of 4.37% in 2025, down from 5.06% a year earlier. Brokered deposits totaling \$40.0 million are set to mature in mid-2026 and \$35.0 million maturing during 2027.

Money market deposit accounts were \$571 million at year-end 2025, an increase of \$102 million or 21.8%. Money market account offerings have been structured to be competitive within the Bank's markets, with various tiered offering structures that encourage maturing certificates of deposits to remain within the Bank to maintain liquidity. Savings deposit balances increased \$3.5 million or 1.5% and interest checking balances were flat at \$410 million.

SHORT-TERM BORROWINGS

Substantially all of the Company's short-term borrowings at year-end 2025 relate to funds of commercial customers under corporate cash management arrangements in the form of sweep accounts. Sweep account arrangements are financial agreements with generally a one-day maturity that require the bank to provide a direct pledge of high-quality obligations from its investment securities portfolio. Cash management services continue to be a valuable offering to the Company's commercial deposit customers.

The balance in commercial sweep accounts was \$226 million at December 31, 2025, an increase of \$28.3 million or 14.3% from a year ago. Since sweep accounts represent larger-balance customer relationships used to manage their liquidity needs, large fluctuations in these balances are common.

LONG-TERM BORROWINGS

Long-term borrowings consist of FHLB advances with an original maturity of greater than one year and subordinated debentures issued by the Parent Company. At December 31, 2025, the Company had \$55.0 million in outstanding long-term borrowings from the FHLB. There are two separate issuances of traditional debt in the amount of \$25.0 million. The first issuance represents borrowings with a fixed rate of 4.4% maturing in July 2026; the second issuance is priced at a fixed rate of 4.0% maturing in August 2027. There is an additional \$5.0 million that represents a CDFI Loan Investment Fund ("CLIF") Advance bearing an interest rate of zero percent. This borrowing has a term of 60 months with principal due at maturity in May 2030. Such funds are used to help Community Development

Financial Institutions (“CDFIs”) expand economic opportunities in low-income and distressed communities.

FHLB advances are borrowed under a blanket lien agreement and are collateralized by FHLB stock and fully disbursed, otherwise unencumbered, 1–4 family residential first mortgage and certain commercial real estate mortgage loans. Except for the CLIF Advance, the Company is subject to a prepayment penalty if it were to repay the advances prior to maturity.

In March 2005, Central Bancshares KY Statutory Trust I, a trust formed by the Company, closed a pooled private offering of 15 thousand trust preferred securities with a liquidation amount of \$1 thousand per security. The Company issued \$15.5 million of subordinated debentures to the trust in exchange for ownership of all of the common security of the trust in the amount of \$464 thousand and the proceeds of the preferred securities sold by the trust of \$15.0 million. The subordinated debentures mature on June 15, 2035, and have a variable rate of interest equal to the sum of the three-month SOFR and 1.75%. The interest rate in effect as of the last determination date for 2025 was 5.73%, down from 6.37% a year ago due to movement in short-term market rates over the last year.

The subordinated debentures are redeemable in whole or in part, without penalty, at the Company’s option. The subordinated debentures, net of the Company’s investment in the trust, may be included in Tier 1 capital (with certain limitations applicable) under current regulatory guidelines and interpretations. At year-end 2025 and 2024, the Company’s Tier 1 capital included \$15.0 million, which represents the full amount of the subordinated debentures net of the investment in the trust.

CAPITAL

Capital adequacy guidelines of the regulatory agencies, and additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items. The Bank is subject to capital-based regulatory requirements which place banks into one of five categories based upon their capital levels and other supervisory criteria. These five categories are: (1) well-capitalized, (2) adequately capitalized, (3) undercapitalized, (4) significantly undercapitalized, and (5) critically undercapitalized.

The Company had the following capital ratios for regulatory purposes as of the date indicated:

	Common Equity Tier 1 Risk-based Capital Ratio ¹	Tier 1 Risk-based Capital Ratio ¹	Total Risk-based Capital Ratio ¹	Tier 1 Leverage Capital Ratio ²
December 31, 2025				
Company	14.4%	14.8%	15.9%	12.1%
Bank	14.8	14.8	15.8	12.0
December 31, 2024				
Company	13.3%	13.8%	14.8%	12.0%
Bank	13.7	13.7	14.7	11.9

¹Common Equity Tier 1 Risk-based, Tier 1 Risk-based, and Total Risk-based Capital ratios are computed by dividing a bank’s Common Equity, Tier 1, or Total Capital, as defined by regulation, by a risk-weighted sum of the bank’s assets, with the risk weighting determined by general standards established by regulation.

²Tier 1 Leverage ratio is computed by dividing a bank’s Tier 1 Capital by its total quarterly average assets, as defined by regulation.

To be well-capitalized, a bank must have a Common Equity Tier 1 Risk-based Capital ratio of at least 6.5%, a Tier 1 Risk-based Capital ratio of 8.0%, a Total Risk-based Capital ratio of at least 10.0%, and a Tier 1 Leverage ratio of at least 5.0%. The Company’s capital ratios at December 31, 2025 and 2024 continued to significantly exceed the levels required to be considered well-capitalized under regulatory guidance.

To avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers, the Company and the Bank are required to hold a 2.5% capital conservation buffer. The buffer is the amount in excess of the minimum required capital amounts and risk-based capital ratios necessary to be considered adequately capitalized. At December 31, 2025, the adequately capitalized minimums, including the capital conservation buffer, were 7.0% for the Common Equity Tier 1 Risk-based Capital ratio, 8.5% for the Tier 1 Risk-based Capital ratio, and 10.5% for the Total Risk-based Capital ratio.

The Tier 1 Leverage Capital Ratio for the Company increased at year-end 2025 due to an increase in Tier 1 Capital of \$41.4 million or 9.5%, primarily driven by net income for the year, which outpaced an increase in total assets (as defined) of \$313 million or 8.6%. Each of the Risk-based Capital ratios increased from a year ago as capital levels grew at a faster pace than the Risk-weighted asset base.

STOCK REPURCHASE

In February 2026, the Company’s Board of Directors authorized a limited repurchase of its voting and nonvoting common shares at a fixed price of \$12.90 per voting share and \$12.75 per non-voting share. The repurchase authorization includes only shares that were previously issued under the Company’s employee stock ownership plan (“ESOP”) to participants that elected to receive their ESOP benefit in Company common shares rather than cash. The Company expects that it will purchase a maximum of 235 thousand shares at an aggregate purchase price of \$3.0 million under the plan.

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
Central Bancshares, Inc.
Lexington, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Central Bancshares, Inc., which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Central Bancshares, Inc. 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.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Central Bancshares, Inc.'s internal control over financial reporting as of December 31, 2025, based on criteria established in the *Internal Control-Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated March 13, 2026 expressed an unmodified opinion.

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 Central Bancshares, Inc. 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 Central Bancshares, Inc.'s ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

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.
- 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 Central Bancshares, Inc.'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
Louisville, Kentucky
March 13, 2026

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

December 31

	2025	2024
ASSETS		
Cash and due from financial institutions	\$ 52,038	\$ 62,244
Interest bearing deposits with other financial institutions	361,000	125,000
Total cash and cash equivalents	413,038	187,244
Available for sale debt securities, at fair value (amortized cost \$485,165 (2025) and \$479,347 (2024), net of allowance of \$0 in 2025 and 2024)	476,287	460,431
Held to maturity debt securities, at amortized cost (fair value \$3,423 (2025) and \$4,209 (2024), net of allowance of \$0 in 2025 and 2024)	3,626	4,573
Total debt securities	479,913	465,004
Loans held for sale	3,035	1,674
Loans, net of allowance of \$29,475 (2025) and \$29,857 (2024)	2,889,170	2,831,084
Premises and equipment, net	87,578	86,873
Interest receivable	11,019	10,489
Federal Home Loan Bank stock, at cost	5,501	5,556
Goodwill	14,313	14,313
Other assets	39,761	40,385
Total assets	\$ 3,943,328	\$ 3,642,622
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest bearing	\$ 1,072,475	\$ 1,074,432
Interest bearing	1,998,443	1,778,776
Total deposits	3,070,918	2,853,208
Federal funds purchased and repurchase agreements	226,526	198,240
Federal Home Loan Bank advances	55,000	50,000
Subordinated debentures	15,464	15,464
Interest payable	2,993	3,820
Other liabilities	103,667	101,963
Total liabilities	3,474,568	3,222,695
SHAREHOLDERS' EQUITY		
Common stock (voting), \$10 par value; 350,000 shares authorized; 341,583 shares issued and outstanding at December 31, 2025 and 2024	3,416	3,416
Common stock (non-voting), no par value; 34,650,000 shares authorized; 33,815,927 shares issued and outstanding at December 31, 2025 and 2024	-	-
Additional paid-in capital	6,765	6,765
Retained earnings	466,766	425,412
Accumulated other comprehensive loss	(8,187)	(15,666)
Total shareholders' equity	468,760	419,927
Total liabilities and shareholders' equity	\$ 3,943,328	\$ 3,642,622

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)

Years Ended December 31

	2025	2024
INTEREST AND DIVIDEND INCOME		
Loans, including fees	\$ 167,629	\$ 158,642
Debt securities	16,524	17,255
Deposits with other financial institutions	13,112	3,417
	<u>197,265</u>	<u>179,314</u>
INTEREST EXPENSE		
Deposits	48,912	42,922
Federal funds purchased and repurchase agreements	3,795	3,538
Federal Home Loan Bank advances	2,085	2,720
Subordinated debentures	978	1,135
	<u>55,770</u>	<u>50,315</u>
Net interest income	141,495	128,999
Provision for credit losses	1,473	1,239
Net interest income after provision for credit losses	<u>140,022</u>	<u>127,760</u>
NON-INTEREST INCOME		
Service charges on deposit accounts	5,841	5,707
Mortgage banking income	1,360	1,240
Card and interchange fees	9,378	9,260
Trust fees	11,863	12,051
Electronic banking	7,435	8,207
Other fees and income	10,321	9,507
	<u>46,198</u>	<u>45,972</u>
NON-INTEREST EXPENSE		
Salaries and benefits	65,283	61,873
Occupancy and equipment	21,785	20,957
Processing charges	8,113	9,938
Advertising and business development	11,676	10,977
Card and interchange expenses	9,473	9,412
Professional services	3,075	3,561
FDIC assessment	1,683	1,564
Other real estate owned, net	-	1
Other	11,332	11,687
	<u>132,420</u>	<u>129,970</u>
Income before income taxes	53,800	43,762
Income taxes	10,396	7,884
Net income	<u>\$ 43,404</u>	<u>\$ 35,878</u>
Basic earnings per share	\$ 1.27	\$ 1.05
Weighted average number of common shares outstanding	34,157,510	34,262,549

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

Years Ended December 31

	2025		2024	
Net income	\$	43,404	\$	35,878
Other comprehensive income:				
Unrealized gains/losses on available for sale debt securities:				
Unrealized holding gain arising during the period		10,038		9,903
Tax effect		(2,504)		(2,471)
Net of tax		7,534		7,432
Defined benefit pension plans:				
Net loss arising during the period		(964)		(797)
Reclassification adjustment for amortization of net loss realized in net income		670		554
Tax effect		239		61
Net of tax		(55)		(182)
Total other comprehensive income		7,479		7,250
Comprehensive income	\$	50,883	\$	43,128

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands, except share data)

Years Ended December 31, 2025 and 2024

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balances, January 1, 2024	\$ 3,479	\$ 6,890	\$ 397,559	\$ (22,916)	\$ 385,012
Net income	-	-	35,878	-	35,878
Cash dividends declared (\$0.05 per share)	-	-	(1,708)	-	(1,708)
Other comprehensive income	-	-	-	7,250	7,250
Common stock redemptions	(63)	(125)	(6,317)	-	(6,505)
Balances, December 31, 2024	\$ 3,416	\$ 6,765	\$ 425,412	\$ (15,666)	\$ 419,927
Net income	-	-	43,404	-	43,404
Cash dividends declared (\$0.06 per share)	-	-	(2,050)	-	(2,050)
Other comprehensive income	-	-	-	7,479	7,479
Balances, December 31, 2025	\$ 3,416	\$ 6,765	\$ 466,766	\$ (8,187)	\$ 468,760

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

Years Ended December 31

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 43,404	\$ 35,878
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	1,473	1,239
Deferred income tax benefit	(732)	(677)
Depreciation and amortization	3,841	4,751
Net (gain) loss on disposals of premises and equipment	(1)	5
Noncash operating lease expense	3,671	3,752
Repayment of operating lease liabilities	(3,088)	(3,134)
Pension plan expense	1,203	1,023
Net gain on sale of loans	(1,257)	(1,150)
Net change in:		
Loans held for sale	(104)	340
Interest receivable	(530)	661
Other assets	91	(4,587)
Interest payable	(827)	1,581
Other liabilities	(333)	4,551
Net cash provided by operating activities	<u>46,811</u>	<u>44,233</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Available for sale debt securities:		
Purchases	(336,484)	(475,569)
Maturities, calls, and return of principal	333,034	553,652
Held to maturity debt securities:		
Maturities, calls, and return of principal	946	1,043
Investment in low income tax housing	(3,471)	(553)
Net change in loans	(58,783)	(175,902)
Purchases of premises and equipment	(5,260)	(2,461)
Purchase of Federal Home Loan Bank stock	(229)	(5,951)
Redemption of Federal Home Loan Bank stock	284	8,172
Net cash used in investing activities	<u>(69,963)</u>	<u>(97,569)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	217,710	125,163
Net change in federal funds purchased and repurchase agreements	28,286	(14,357)
Issuance of Federal Home Loan Bank advances	5,000	50,000
Common stock redeemed	-	(6,505)
Cash dividends paid	(2,050)	(1,708)
Net cash provided by financing activities	<u>248,946</u>	<u>152,593</u>
Net change in cash and cash equivalents	225,794	99,257
Cash and cash equivalents, beginning of year	187,244	87,987
Cash and cash equivalents, end of year	<u>\$ 413,038</u>	<u>\$ 187,244</u>
Supplemental cash flow information:		
Interest paid	\$ 56,596	\$ 48,734
Income taxes paid	10,750	7,863
Supplemental noncash disclosures:		
Recognition of right-of-use assets and operating lease liabilities	2,963	1,634
Reductions to right-of-use assets due to modifications	-	9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

(dollars in thousands, except share data)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Nature of Operations: The consolidated financial statements include the accounts of Central Bancshares, Inc. (the “Company”) and its wholly-owned subsidiary, Central Bank & Trust Co. (the “Bank”), and Central Bank & Trust Co.’s wholly-owned subsidiaries, Central Investment Center, Inc., Central Insurance Services, Inc., and CBT Real Estate Holdings, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company grants commercial, consumer and residential loans to customers primarily located in Fayette, Boone, Kenton, Clark, Jessamine, Madison, Scott, Jefferson and surrounding counties in Kentucky. The Company provides full banking services, including trust services. Although the Company has a diversified loan portfolio, a substantial portion of its debtors’ ability to honor their contracts is dependent upon the local economy. Substantially all loans are secured by specific items of collateral including business assets, consumer assets and real estate. Other financial instruments, which potentially represent concentrations of credit risk, include cash and cash equivalents held in other financial institutions. Central Investment Center, Inc. offers non-deposit investment products, including mutual funds, annuities, and certain debt and equity securities. Central Insurance Services, Inc. is a licensed agent for life, health, title, and property and casualty insurance. CBT Real Estate Holdings, LLC holds and disposes of certain real estate acquired in settlement of loans.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through March 13, 2026, which is the date the financial statements were available to be issued.

Estimates in the Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Flows: Cash and cash equivalents include cash, deposits with financial institutions with an initial maturity of less than 90 days when acquired by the Company, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, federal funds purchased and repurchase agreements.

Interest Bearing Deposits in Other Financial Institutions: Interest bearing deposits in other financial institutions mature within one year and are carried at cost. Such deposits consist primarily of cash on deposit with the Federal Reserve Bank.

Debt Securities: Debt securities are classified into two categories: available for sale and held to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Debt securities are classified as held to maturity when management has the positive intent and ability to hold them to maturity. The Bank has no trading securities. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax. Securities held to maturity are stated at amortized cost.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on debt securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on dispositions are recorded on the trade date and based on the net proceeds and the adjusted carrying amount of the securities sold, using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income. There was no reversal of accrued interest against interest income for either of the years ended December 31, 2025 or 2024.

Equity Securities: Equity securities are carried at fair value, with changes in fair value reported in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

Allowance for Credit Losses – Held to Maturity Securities: Management measures expected credit losses on held to maturity debt securities on a collective basis by major security type. The estimate for credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Accrued interest receivable on held to maturity securities of \$8 and \$10 at December 31, 2025 and 2024 is excluded from the estimate of credit losses.

Agency mortgage-backed securities are the only type of securities the Company has classified as held to maturity. All held to maturity securities are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government and have a long history of no credit losses. As a result, no allowance for credit losses was recorded on held to maturity at December 31, 2025 or 2024.

Allowance for Credit Losses – Available for Sale Securities: For available for sale debt securities in an unrealized loss position, the Company 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 income. For debt securities available for sale that do not meet the aforementioned criteria, the Company 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 expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on available for sale debt securities of \$1,562 and \$1,620 at December 31, 2025 and 2024 is excluded from the estimate of credit losses.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs, and an allowance for credit losses. Loan origination fees, net of certain direct origination costs, are deferred and the net amount is amortized as a yield adjustment over the life of the related loans.

Interest income is accrued on the principal balance. Classes of commercial and real estate loans are placed on nonaccrual, with interest income discontinued, at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Classes of consumer loans may be placed on nonaccrual if sufficient collateral exists, but are typically charged off no later than 120 days past due. All interest accrued but not received on loans placed on nonaccrual is reversed against interest income.

For all loan classes, payments received on nonaccrual loans are applied to principal only using the cost recovery method if the Company estimates that collection of all principal is not reasonably assured. If all principal is reasonably assured, payments on nonaccrual loans may be applied to interest income on the cash basis. Loans of all classes are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. For all loan classes, past due status is based on the contractual terms of the loan.

Loan disclosures include presenting certain disaggregated information based on recorded investment. The recorded investment in a loan includes its principal amount outstanding adjusted for certain items that include net deferred loan costs or fees, charge-offs, and accrued interest. The Company had a total of \$3,543 and \$3,387 of net deferred loan fees at year-end 2025 and 2024, respectively, included in the carrying amount of loans on the consolidated balance sheets. The amount of net deferred loan fees is not material and is omitted from the computation of the recorded investment included in Note 3 that follows. Similarly, accrued interest receivable on loans was \$9,054 and \$8,666 at year-end 2025 and 2024, respectively, which has also been omitted from certain information presented in Note 3.

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. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed, with unsecured commercial loans being charged off within 120 days past due. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Accrued interest receivable is excluded from the estimate of credit losses.

Management estimates the allowance balance with an expected credit loss model using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The model estimates an allowance over the life of the loan where 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, changes in environmental conditions, and other relevant factors.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The model utilizes a closed pool methodology for each pool with an economic forecast over a twelve-month reasonable and supportable period with immediate reversion to historical losses. The portfolio segments identified by the Company are listed below.

- Commercial loans are dependent on the strength of the industries of the related borrowers and the success of their businesses. Commercial loans are advanced for equipment purchases, to provide working capital, or to meet other financing needs of business enterprises. These loans may be secured by accounts receivable, inventory, equipment, or other business assets. Financial information is obtained from the borrowers and guarantors to evaluate ability to repay the loans.
- Commercial real estate loans are dependent on the industries tied to these loans as well as the local commercial real estate market. Commercial real estate loans include completed projects as well as construction loans. The loans are secured by real estate, and appraisals are obtained to support the loan amount. Financial information is obtained from borrowers and guarantors and/or an evaluation of the project's cash flows is performed to evaluate the borrower's ability to repay the loan.
- Residential real estate loans are affected by the local residential real estate market and the local economy. The Bank evaluates the borrower's repayment ability through a review of financial information obtained from the borrower. Appraisals or evaluations are obtained to support the loan amount.
- Installment loans are highly dependent upon the borrower's continuing financial stability, which is highly correlated to local economies. Installment loans are generally secured by consumer assets such as automobiles, trucks, or a variety of other personal assets, but may also be unsecured. The Bank evaluates the borrower's repayment ability through a review of financial information obtained from the borrower.
- Credit card receivables are highly dependent upon the borrower's continuing financial stability, which is highly correlated to local economies. Credit card lending is unsecured and the receivables have no stated maturity date. The Bank evaluates the borrower's repayment ability through a review of financial information obtained from the borrower.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. Regardless of an initial measurement method, once it is determined that foreclosure is probable, the allowance for credit losses is measured based on the fair value of the collateral as of the measurement date. As a practical expedient, the fair value of the collateral may be used for a loan when determining the allowance for credit losses for which the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty. The fair value is adjusted for estimated selling costs when foreclosure is probable. For collateral-dependent financial assets, the credit loss expected may be zero if the fair value less costs to sell exceed the amortized cost of the loan.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when 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 to a borrower experiencing financial difficulty 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 cancelable by the Company.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: 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 Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Company records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable, through a charge to provision for credit losses in the Company's income statements. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur. The allowance for unfunded commitments was \$3,003 and \$2,227 at year-end 2025 and 2024, respectively, and is included in other liabilities on the Company's consolidated balance sheets.

Mortgage Banking Activities: Mortgage loans originated and intended for sale in the secondary market are classified as held for sale and carried at the lower of aggregate cost or fair value as determined by outstanding commitments from investors. Gains on sales generated from mortgage banking activities are based on the difference between the selling price and the carrying value of the related loan sold.

The Company enters into commitments to originate certain mortgage loans whereby the interest rate on the loans is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. The period of time between issuance of a loan commitment, loan closing, and the sale of the loan generally ranges from 30 to 90 days. The Company protects itself from changes in interest rates through the use of best efforts forward delivery contracts, whereby the Company commits to sell a loan at the time the borrower commits to an interest rate with the intent that the buyer has assumed interest rate risk on the loan. If the underlying loan does not close, there is no obligation on the Company's part to deliver the loan to the investor. As a result, the Company is not exposed to losses nor will it realize significant gains related to its rate lock commitments due to changes in interest rates. The correlation between the rate lock commitments and the best efforts contracts is very high due to their similarity. Because of this high correlation, no gain or loss occurs on the rate lock commitments.

The Company primarily sells loans with servicing released. A small amount of loans are sold with servicing retained; servicing rights are recognized as assets for the allocated value of retained servicing rights on loans sold. Servicing rights are initially recorded at fair value based on market prices for comparable mortgage servicing contracts. Servicing rights are expensed in proportion to, and over the period of, estimated net servicing revenues. Impairment is evaluated based on the fair value of the rights, using groupings of the underlying loans as to interest rates. Any impairment of a grouping is reported as a valuation allowance.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income. Servicing fee income, gains on sales of mortgage loans held for sale, and amortization of mortgage servicing rights are reported on the income statement as Mortgage Banking Income.

Premises and Equipment: Land is carried at cost. Premises are stated at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets. Furniture, fixtures, and equipment are depreciated using an accelerated method. Leasehold improvements are amortized on the straight-line method over the shorter of the estimated useful lives of the improvements or the terms of the related leases.

Leases: Leases are classified as operating or finance leases at the lease commencement date. The Company leases certain branch locations, back-office operations, and its insurance and investment brokerage offices. The Company records leases on the balance sheet in the form of a lease liability for the present value of future minimum 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 of the right-of-use asset. The discount rate used in determining the lease liability is based upon incremental borrowing rates the Company could obtain for similar loans as of the date of commencement or renewal. The Company does not record short-term leases with an initial lease term of one year or less on the consolidated balance sheets.

At lease inception, the Company determines the lease term by considering the noncancelable lease term and all optional renewal periods that the Company is reasonably certain to renew. The lease term is also used to calculate straight-line lease expense. Leasehold improvements are amortized over the shorter of the useful life and the estimated lease term. The Company's leases do not contain residual value guarantees or material variable lease payments that will impact the Company's ability to pay dividends or cause the Company 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 expense, and any impairment of the right-of-use asset. Lease expense is included in occupancy and equipment expense on the Company's consolidated statements of income. The Company's variable lease expense includes 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.

The Company has elected to treat property leases that include both lease and non-lease components as a single component and account for it as a lease.

Income Taxes: Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted federal and state tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Company recognizes a tax benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit is recorded. The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

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 a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

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

Other Real Estate Owned (“OREO”): Assets acquired through or instead of loan foreclosure are initially recorded at fair value, less estimated selling costs, when acquired, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage 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. If fair value declines subsequent to acquisition, a valuation allowance is recorded through expense. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Operating costs incurred after acquisition are expensed.

The Company had no OREO at December 31, 2025 or 2024. There were no loans transferred into OREO or sales of OREO during 2025 or 2024, nor were there any write-downs in either of those periods. The recorded investment in mortgage loans secured by residential real estate that were in the process of foreclosure was \$2,369 and \$409 at December 31, 2025 and 2024, respectively.

Goodwill and Other Intangible Assets: Goodwill arises from business combinations and is determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exist that indicate a goodwill impairment test should be performed. The Company has selected December 31 as the date to perform the annual impairment test. Intangible assets with finite useful lives are amortized over their estimated useful lives to their estimate residual values. Goodwill is the only intangible asset with an indefinite life on our balance sheet.

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 repay. Such financial instruments are recorded when they are funded.

Trust Department: The Company earns fees by providing a comprehensive base of traditional services such as trust administration, estate planning and settlement, individual retirement planning, and corporate retirement plan services. These fees are primarily earned and accrued over the period of time the Company provides the contracted services and are generally assessed monthly based on a tiered scale of the market value of the assets of the accounts. Fees are generally paid out of the assets held in the customer’s account. Securities and other properties, except cash on deposit at the Bank, held by the trust department in a fiduciary or agency capacity are not included in the consolidated financial statements since such items are not assets of the Company.

Investment in Limited Partnerships: The Company is a limited equity partner in nine low-income housing projects and five Community Reinvestment Act related funds with both low-income housing and Historic Rehabilitation tax credit generation. The investments are accounted for using the equity method and are included in other assets on the consolidated balance sheets. The investments had a balance of \$13,971 and \$12,858 at year-end 2025 and 2024, respectively. At year-end 2025, remaining funding commitments were \$490.

The Company recognized amortization expense related to its limited partnerships of \$2,359 and \$2,149 for 2025 and 2024, respectively, which is included in other non-interest expense on the consolidated statements of income. Tax credits recognized were \$2,667 and \$2,472. No impairment losses were incurred in either of the years presented.

Benefit Plans: Pension expense is the net of interest cost, return on plan assets, and amortization of gains and losses not immediately recognized. Employee stock ownership plan (“ESOP”) and 401(k) plan expenses are the amount contributed determined by Board decision. Deferred compensation plan expense is allocated over years of service. All ESOP shares are allocated to participants as of the end of each fiscal year. Compensation expense is based on the price paid for the shares acquired by the plan during the year. Since all ESOP shares are allocated to participants, all dividends reduce retained earnings.

Fair Value of Financial Instruments: Fair values of financial instruments, as more fully disclosed in Note 9, are estimated using relevant market information and other assumptions. 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.

Earnings Per Share: Basic earnings per share is net income divided by the weighted average number of shares outstanding during the period. ESOP shares are considered outstanding for this calculation unless unearned. The Company has no shares outstanding which are potentially dilutive.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on debt securities available for sale, net of related income tax, and changes in the funded status of its supplemental non-qualified pension and deferred compensation plans, net of related income tax. Accumulated other comprehensive income is recognized as a separate component of equity. Accumulated other comprehensive loss at December 31, 2025 of \$8,187 was comprised of \$1,524 related to the non-qualified pension plan and \$6,663 related to an unrealized net loss on available for sale debt securities. Accumulated other comprehensive loss at December 31, 2024 of \$15,666 was comprised of \$1,469 related to the non-qualified pension plan and \$14,197 related to an unrealized net loss on available for sale debt securities.

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 that there now are such matters that will have a material effect on the consolidated financial statements.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the holding company or by the holding company to shareholders.

Restrictions on Cash: The Company is required to maintain a deposit balance with the Federal Reserve Bank to meet its clearing requirements.

Common Share Redemption: In early 2024, the Company's Board of Directors authorized the repurchase of a limited number of common shares held by former employees or their beneficiaries that had been issued in past years in connection with the ESOP. The Company redeemed 6,339 of voting and 628,351 of non-voting common shares in the amount of \$6,505 during 2024. The redemption period for this authorization has expired.

Reclassifications: Certain amounts in the accompanying consolidated financial statements presented for prior years have been reclassified to conform to the current year presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

Adoption of New Accounting Standard: In March 2023, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2023-02, "Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method." The amendments in this update allow reporting entities to elect to account for equity investments made primarily for the purpose of receiving income tax credits by using the proportional amortization method if certain conditions are met, regardless of the tax credit program from which the related income tax credits are received. The amendments allow for making the election to apply the proportional amortization method on a tax-credit-program-by-tax-credit-program basis, as opposed to applying this method at the reporting entity level or to individual investments. The Company adopted the amendments of this ASU on January 1, 2025. The adoption did not have a material impact on the Company's consolidated financial statements since it did not elect the proportional amortization method to account for the investment in its low-income housing tax credit partnerships.

NOTE 2 – SECURITIES

The fair value of debt securities available for sale and the related gross unrealized gains and losses recognized in accumulated other comprehensive loss were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2025				
U.S. Treasury securities	\$ 80,130	\$ 46	\$ (449)	\$ 79,727
U.S. government sponsored entities and agencies	186,079	19	(975)	185,123
Agency mortgage-backed securities – residential	129,264	197	(8,352)	121,109
Agency mortgage-backed securities – commercial	39,536	48	(1,095)	38,489
Corporate debt securities	50,156	2,261	(578)	51,839
	<u>\$ 485,165</u>	<u>\$ 2,571</u>	<u>\$ (11,449)</u>	<u>\$ 476,287</u>
2024				
U.S. Treasury securities	\$ 60,020	\$ -	\$ (1,997)	\$ 58,023
U.S. government sponsored entities and agencies	171,460	36	(4,227)	167,269
Agency mortgage-backed securities – residential	131,742	47	(11,233)	120,556
Agency mortgage-backed securities – commercial	43,081	2	(1,273)	41,810
States and political subdivisions	3,130	-	(11)	3,119
Corporate debt securities	69,914	993	(1,253)	69,654
	<u>\$ 479,347</u>	<u>\$ 1,078</u>	<u>\$ (19,994)</u>	<u>\$ 460,431</u>

The amortized cost, unrecognized gains and losses, and fair value of debt securities held to maturity were as follows:

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
2025				
Agency mortgage-backed securities – residential	\$ 3,626	\$ -	\$ (203)	\$ 3,423
	<u>\$ 3,626</u>	<u>\$ -</u>	<u>\$ (203)</u>	<u>\$ 3,423</u>
2024				
Agency mortgage-backed securities – residential	\$ 4,573	\$ -	\$ (364)	\$ 4,209
	<u>\$ 4,573</u>	<u>\$ -</u>	<u>\$ (364)</u>	<u>\$ 4,209</u>

The amortized cost and fair value of debt securities at December 31, 2025 are shown below by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without penalties. Mortgage-backed securities not due at a single maturity date are shown separately.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 215,068	\$ 213,768	\$ -	\$ -
Due from one to five years	27,018	27,185	-	-
Due from five to ten years	47,631	46,979	-	-
Due after ten years	26,648	28,757	-	-
Agency mortgage-backed securities – residential	129,264	121,109	3,626	3,423
Agency mortgage-backed securities – commercial	39,536	38,489	-	-
Total	<u>\$ 485,165</u>	<u>\$ 476,287</u>	<u>\$ 3,626</u>	<u>\$ 3,423</u>

Debt securities with a carrying amount of \$396,542 and \$405,854 at December 31, 2025 and 2024, respectively, were pledged to secure public deposits and repurchase agreements.

At December 31, 2025 and 2024, there were no holdings of debt securities of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10.0% of shareholders' equity.

There were no sales of investment securities in 2025 or 2024.

The following table summarizes debt securities in an unrealized and unrecognized loss position for which an allowance for credit losses has not been recorded at December 31, 2025 and 2024, aggregated by investment category and length of time that individual securities have been in a continuous unrealized or unrecognized loss position.

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2025						
Available for sale						
U.S. Treasury securities	\$ -	\$ -	\$ 29,577	\$ (449)	\$ 29,577	\$ (449)
U.S. government sponsored entities and agencies	68,491	(72)	101,631	(903)	170,122	(975)
Agency mortgage-backed securities – residential	1,232	(2)	93,052	(8,350)	94,284	(8,352)
Agency mortgage-backed securities – commercial	1,018	(1)	25,977	(1,094)	26,995	(1,095)
Corporate debt securities	-	-	11,923	(578)	11,923	(578)
Total available for sale	\$ 70,741	\$ (75)	\$ 262,160	\$ (11,374)	\$ 332,901	\$ (11,449)
Held to maturity						
Agency mortgage-backed securities – residential	\$ -	\$ -	\$ 3,423	\$ (203)	\$ 3,423	\$ (203)
Total held to maturity	\$ -	\$ -	\$ 3,423	\$ (203)	\$ 3,423	\$ (203)

NOTE 3 – LOANS

Loans at December 31 were as follows:

	2025	2024
Commercial	\$ 439,838	\$ 488,266
Commercial real estate	1,777,888	1,673,300
Residential real estate	655,771	631,706
Installment	35,515	57,438
Credit card receivables	13,176	13,618
	<u>2,922,188</u>	<u>2,864,328</u>
Deferred loan fees, net	(3,543)	(3,387)
Allowance for credit losses	(29,475)	(29,857)
Loans, net	<u>\$ 2,889,170</u>	<u>\$ 2,831,084</u>

The following table presents the activity in the allowance for credit losses by segment of loans for the years ended December 31, 2025 and 2024:

	Commercial	Commercial Real Estate	Residential Real Estate	Installment	Credit Card Receivables	Total
2025						
Allowance for credit losses:						
Beginning balance	\$ 6,076	\$ 17,264	\$ 3,854	\$ 1,892	\$ 771	\$ 29,857
Provision for credit losses	(156)	459	202	25	167	697
Loans charged off	(276)	-	(228)	(1,914)	(235)	(2,653)
Recoveries	149	2	144	1,240	39	1,574
Total ending allowance balance	<u>\$ 5,793</u>	<u>\$ 17,725</u>	<u>\$ 3,972</u>	<u>\$ 1,243</u>	<u>\$ 742</u>	<u>\$ 29,475</u>
2024						
Allowance for credit losses:						
Beginning balance	\$ 6,501	\$ 14,448	\$ 5,782	\$ 2,394	\$ 887	\$ 30,012
Provision for credit losses	(509)	2,808	(2,007)	1,158	239	1,689
Loans charged off	(99)	-	-	(3,602)	(405)	(4,106)
Recoveries	183	8	79	1,942	50	2,262
Total ending allowance balance	<u>\$ 6,076</u>	<u>\$ 17,264</u>	<u>\$ 3,854</u>	<u>\$ 1,892</u>	<u>\$ 771</u>	<u>\$ 29,857</u>

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 90 days still on accrual by class of loans as of December 31, 2025 and 2024:

	Nonaccrual Loans With No Recorded Allowance	Total Nonaccrual	Past Due 90 Days or More and Still Accruing
December 31, 2025			
Commercial real estate	\$ 852	\$ 1,102	\$ -
Residential real estate	3,174	3,174	704
Installment	420	420	-
Credit card receivables	24	24	27
Total	<u>\$ 4,470</u>	<u>\$ 4,720</u>	<u>\$ 731</u>

December 31, 2024			
Commercial	\$ 288	\$ 305	\$ -
Commercial real estate	1,637	1,675	-
Residential real estate	2,567	2,777	846
Installment	573	573	22
Credit card receivables	33	33	7
Total	<u>\$ 5,098</u>	<u>\$ 5,363</u>	<u>\$ 875</u>

The Company recognized interest income on nonaccrual loans as follows for the years indicated:

	2025	2024
Commercial	\$ 48	\$ 46
Commercial real estate	378	77
Residential real estate	45	104
Installment	32	41
Total	<u>\$ 503</u>	<u>\$ 268</u>

The amount of accrued interest income previously recorded as revenue and subsequently reversed due to the change in accrual status was not material for 2025 or 2024.

The Company designates individually evaluated loans as collateral dependent if repayment of the loan is expected to be provided substantially by the underlying collateral. As allowed by ASC Topic 326, the fair value of the collateral may also be used on loans which are not collateral dependent as a practical expedient. Individually evaluated loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for estimated costs to sell and other discounts as applicable, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

The following table presents the amortized cost basis of collateral dependent loans by class of loans as of December 31, 2025 and 2024:

	Commercial Property	Owner Occupied	Residential First Liens	Residential Junior Liens	Residential Construction
December 31, 2025					
Commercial real estate	\$ -	\$ 43	\$ 676	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 676</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2024					
Commercial	\$ 230	\$ -	\$ -	\$ -	\$ -
Commercial real estate	38	680	425	266	158
Residential real estate	-	-	1,289	425	-
Total	<u>\$ 268</u>	<u>\$ 680</u>	<u>\$ 1,714</u>	<u>\$ 691</u>	<u>\$ 158</u>

The following table presents the aging of the recorded investment in past due loans as of December 31, 2025 and 2024 by class of loans:

	30–89 Days Past Due	90 Days or More Past Due	Total Past Due	Loans Not Past Due	Total
December 31, 2025					
Commercial	\$ 9	\$ -	\$ 9	\$ 439,829	\$ 439,838
Commercial real estate	815	748	1,563	1,776,325	1,777,888
Residential real estate	1,534	2,658	4,192	651,579	655,771
Installment	1,302	159	1,461	34,054	35,515
Credit card receivables	226	31	257	12,919	13,176
Total	\$ 3,886	\$ 3,596	\$ 7,482	\$ 2,914,706	\$ 2,922,188

December 31, 2024					
Commercial	\$ 180	\$ 53	\$ 233	\$ 488,033	\$ 488,266
Commercial real estate	690	463	1,153	1,672,147	1,673,300
Residential real estate	2,628	2,366	4,994	626,712	631,706
Installment	2,172	200	2,372	55,066	57,438
Credit card receivables	97	16	113	13,505	13,618
Total	\$ 5,767	\$ 3,098	\$ 8,865	\$ 2,855,463	\$ 2,864,328

Modifications: Occasionally, the Company modifies loans to borrowers in financial distress by providing a term extension, interest rate reduction, principal forgiveness, or an other-than-insignificant payment delay. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Company may provide multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. For the loans included in the "combination" columns below, multiple types of modifications have been made on the same loan within the current reporting period.

The following table presents the amortized cost basis of loans at December 31, 2025 and 2024 that were both experiencing financial difficulty and modified during the years ended December 31, 2025 and 2024, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

	Term Extension	Payment Delay	Combination Term Extension and Payment Delay	Total Class of Financing Receivable
December 31, 2025				
Commercial	\$ -	\$ 16,467	\$ -	3.74%
Residential real estate	-	63	52	0.02
Total	\$ -	\$ 16,530	\$ 52	1.51%
December 31, 2024				
Commercial real estate	\$ -	\$ 837	\$ -	0.05%
Residential real estate	-	957	-	0.15
Total	\$ -	\$ 1,794	\$ -	0.08%

The amount of commercial loans reported in the table above for 2025 represents a group of related credits to a single long-time customer of the Company. At year-end 2025, the Company has committed to lend additional amounts totaling \$531 to this customer. There was one commitment to lend \$142 related to a commercial real estate credit at year-end 2024.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. There was one residential real estate loan for \$957 that had a payment default in 2025 that was modified by a payment delay within 12 months of its modification. There were two commercial real estate credits totaling \$680 that had payment defaults in 2025 that were modified by a payment delay within 12 months of its modification. Two of the three loans that defaulted in 2025 totaling \$1,599 paid off prior to year-end 2025.

The Company had one residential real estate credit modified in 2025 that was past due between 60–89 days at year-end 2025 with a principal balance outstanding of \$52. There was one commercial real estate credit modified that was past due 60–89 days in 2024 with a principal balance outstanding of \$642.

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the years ended December 31, 2025 and 2024:

	Weighted Average Payment Delay or Term Extension (months)
2025	
Commercial	3
Residential real estate	6
Total	3
2024	
Commercial real estate	9
Residential real estate	3
Total	6

Credit Quality Indicators: The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes loans with an outstanding balance greater than \$100 and non-homogeneous loans, such as commercial, commercial real estate and residential real estate loans, and homogeneous loans that are part of a borrowing relationship. This analysis is performed on a monthly basis. The Company uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution'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 obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will 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 characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above-described process are considered to be pass rated loans. Loans listed as not rated are included in groups of homogeneous loans, such as home equity lines of credit, installment loans, and credit card receivables. Credit quality indicators similar to those described above, including delinquency and other performance indicators, are used for loans that are not rated.

Based on the most recent analysis performed, the risk category of loans by class of loans was as follows:

	Pass	Special Mention	Substandard	Doubtful	Not Rated	Total
December 31, 2025						
Commercial	\$ 423,117	\$ 24	\$ 16,697	\$ -	\$ -	\$ 439,838
Commercial real estate	1,768,367	3,824	5,697	-	-	1,777,888
Residential real estate	501,253	2,945	3,510	-	148,063	655,771
Installment	-	-	-	-	35,515	35,515
Credit card receivables	-	-	-	-	13,176	13,176
	\$ 2,692,737	\$ 6,793	\$ 25,904	\$ -	\$ 196,754	\$ 2,922,188
December 31, 2024						
Commercial	\$ 469,331	\$ 18,538	\$ 397	\$ -	\$ -	\$ 488,266
Commercial real estate	1,645,021	21,062	7,217	-	-	1,673,300
Residential real estate	490,394	3,608	1,343	-	136,361	631,706
Installment	-	-	-	-	57,438	57,438
Credit card receivables	-	-	-	-	13,618	13,618
	\$ 2,604,746	\$ 43,208	\$ 8,957	\$ -	\$ 207,417	\$ 2,864,328

Related Party Loans: The Company has entered into loan transactions with its directors, executive officers, significant shareholders and their affiliates (related parties). The aggregate amount of loans to such related parties was \$16,389 and \$24,905 at December 31, 2025 and 2024, respectively.

NOTE 4 – MORTGAGE BANKING ACTIVITIES

Loans originated for sale in the secondary market and subsequently sold totaled \$81,022 and \$75,532 during 2025 and 2024, respectively. Proceeds from the sale of loans were \$80,918 in 2025 and \$75,872 in 2024. Mortgage loans held for sale were \$3,035 and \$1,674 at year-end 2025 and 2024. The Company had commitments to originate \$5,707 in loans at December 31, 2025, which it intends to sell after the loans are closed. Loans serviced for others, which are not reported as assets, totaled \$40,806 and \$37,397 at December 31, 2025 and 2024, respectively.

Activity for mortgage servicing rights included in other assets was as follows:

	2025	2024
Beginning of year	\$ 152	\$ 171
Originated	68	33
Amortized to expense	(50)	(52)
End of year	\$ 170	\$ 152

No valuation allowance for impaired servicing rights is considered necessary. The fair value of capitalized mortgage servicing rights was estimated to be \$306 and \$280 at year-end 2025 and 2024.

NOTE 5 – OTHER REAL ESTATE OWNED

The Company had no Other Real Estate Owned ("OREO") at December 31, 2025 or 2024. There were no loans transferred into OREO or sales of OREO during 2025 or 2024, nor were there any write-downs in either of those periods.

At December 31, 2025 and 2024, the recorded investment in mortgage loans secured by residential real estate that were in the process of foreclosure was \$2,369 and \$409, respectively.

NOTE 6 – PREMISES AND EQUIPMENT

Premises and equipment at December 31 were as follows:

	2025	2024
Land	\$ 3,916	\$ 2,991
Buildings and improvements	18,511	18,327
Leasehold improvements	36,955	36,663
Furniture, fixtures and equipment	55,056	53,745
Construction in progress	3,690	1,122
	118,128	112,848
Accumulated depreciation	(95,534)	(91,666)
Operating lease – right-of-use asset	64,984	65,691
Total	\$ 87,578	\$ 86,873

Depreciation and amortization expense amounted to \$3,849 and \$3,871 in 2025 and 2024, respectively.

Leases: The Company enters into leases in the normal course of its business. Substantially all of the Company's operating leases are for various branch locations, back-office operations, and its insurance and investment brokerage offices. The Company's leases have remaining terms ranging from one to 25 years, some of which include renewal options to extend the lease in five-year increments for up to 15 years and some of which include options to terminate the lease within 8 years. In addition, the Company had one sublease at December 31, 2025 for vacated space in a branch location. This sublease has a remaining term of less than one year.

Right-of-use assets and lease liabilities by lease type and the associated balance sheet classifications are as follows at December 31:

Lease Type	Balance Sheet Classification	2025	2024
Operating lease – right-of-use asset	Premises and equipment, net	\$ 64,984	\$ 65,691
Operating lease liability	Other liabilities	68,127	68,107

The components of total lease cost were as follows for the year indicated:

	2025	2024
Operating lease cost	\$ 6,699	\$ 6,753
Variable lease cost	577	574
Sublease income	(114)	(114)
Total lease cost, net	<u>\$ 7,162</u>	<u>\$ 7,213</u>

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

	Operating Leases
2026	\$ 6,135
2027	5,957
2028	5,671
2029	5,723
2030	5,899
Thereafter	<u>77,122</u>
Total undiscounted lease payments	\$ 106,507
Less: imputed interest	<u>(38,380)</u>
Net lease liability	<u>\$ 68,127</u>

Supplemental Lease Information

	December 31, 2025	December 31, 2024
Operating lease weighted average remaining lease term (years)	17.94	18.38
Operating lease weighted average discount rate	4.76%	4.69%
Operating cash flows from operating leases	\$ 9,060	\$ 8,586
Recognition of right-of-use assets and operating lease liabilities	2,963	1,634

NOTE 7 – DEPOSITS

Time deposits that meet or exceed the FDIC insurance limit of \$250 at year-end 2025 and 2024 were \$405,866 and \$320,727, respectively.

Scheduled maturities of time deposits at year-end 2025 were as follows:

2026	\$ 735,588
2027	41,406
2028	5,574
2029	2,863
2030	1,854
Thereafter	<u>-</u>
Total	<u>\$ 787,285</u>

Deposits from directors and executive officers and companies in which they have beneficial ownership were \$8,633 and \$14,310 at December 31, 2025 and 2024, respectively.

NOTE 8 – FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

At December 31, advances from the Federal Home Loan Bank (“FHLB”) were as follows:

	2025	2024
Maturity of July 31, 2026 at a fixed rate of 4.37% at year-end 2025	\$ 25,000	\$ 25,000
Maturity of August 2, 2027 at a fixed rate of 3.97% at year-end 2025	25,000	25,000
Maturity of May 9, 2030 interest free CLIF Advance	5,000	-
Total	\$ 55,000	\$ 50,000

The FHLB advances that mature in 2026 and 2027 are payable at their maturity date and include a prepayment penalty if paid prior to maturity. Each of those advances are borrowed under a blanket lien agreement. The advances are collateralized by FHLB stock and fully disbursed, otherwise unencumbered, 1–4 family residential first mortgage and certain commercial real estate mortgage loans with an aggregate unpaid principal balance of \$1,097,442 and \$993,217 at December 31, 2025 and 2024, respectively. Based on this collateral and the holding of FHLB stock, the Company is eligible to borrow up to an additional total amount of \$462,084 at year-end 2025.

The FHLB advance maturing in 2030 represents a CDFI Loan Investment Fund (“CLIF”) Advance that is secured under the blanket lien agreement with a zero percent interest rate. The borrowing term is 60 months with principal due at maturity. Such funds are used to help Community Development Financial Institutions (“CDFIs”) expand economic opportunities in low-income and distressed communities.

The FHLB issues letters of credit on behalf of the Bank as security for certain deposit relationships as the need arises. Outstanding letters of credit at December 31, 2025 and 2024 were \$111,500 and \$101,500, respectively.

Federal Funds Purchased and Repurchase Agreements: Federal funds purchased represent unsecured overnight loans from other financial institutions generally at the current federal funds rate. The outstanding balance of such purchased funds mainly reflects excess liquidity held by downstream correspondent banking customers of the Bank. Repurchase agreements represent a funding source primarily used by large commercial customers in connection with cash management accounts that requires the Company to provide a direct pledge from its investment securities portfolio, primarily in the form of U.S. government and agency securities. Both federal funds purchased and repurchase agreements generally mature in one business day.

Federal funds purchased and repurchase agreements were \$226,526 and \$198,240 at December 31, 2025 and 2024, respectively. The average rate paid for 2025 and 2024 was 1.74% and 1.61%, respectively. Substantially all of the activity and balances are made up of repurchase agreements. The carrying value of securities pledged to secure repurchase agreements was \$231,580, and \$202,730 at year-end 2025 and 2024.

Subordinated Debentures: In March 2005, Central Bancshares KY Statutory Trust I, a trust formed by the Company, closed a pooled private offering of 15,000 trust preferred securities with a liquidation amount of \$1 per security. The Company issued \$15,464 of subordinated debentures to the trust in exchange for ownership of all of the common security of the trust and the proceeds of the preferred securities sold by the trust. The Company may redeem the subordinated debentures, in whole or in part, in a principal amount with integral multiples of \$1 at 100% of the principal amount, plus accrued and unpaid interest.

The subordinated debentures mature on June 15, 2035. The subordinated debentures are redeemable, in whole or in part from time to time, upon the occurrence of specific events defined within the trust indenture. The Company has the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed five consecutive years. The subordinated debentures have a variable rate of interest equal to the sum of the three-month CME Term Secured Overnight Financing Rate (“SOFR”) and 1.75%. The interest rate in effect as of the last determination date for 2025 was 5.73%. The Company’s investment in the common stock of the trust was \$464 and is included in other assets. The subordinated debentures, net of the Company’s investment in the trust, may be included in Tier 1 capital (with certain limitations applicable) under current regulatory guidelines and interpretations.

NOTE 9 – FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate fair value:

Debt Securities: The fair values for debt securities are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities’ relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Individually Evaluated Loans: Loans that do not share similar risk characteristics of their pool are evaluated on an individual basis. At the time a loan is individually evaluated, it is valued at the lower of cost or fair value. Individually evaluated loans carried at fair value generally receive specific allocations of the allowance for credit losses. For collateral dependent loans, fair value is commonly 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 independent 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. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and the client's business, resulting in a Level 3 fair value classification. Individually evaluated loans are reviewed on a quarterly basis for additional impairment and adjusted accordingly.

Other Real Estate Owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly 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 independent 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 both collateral-dependent loans and other real estate owned 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 Company. Once an appraisal is received, the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics are reviewed. On an annual basis, the Company compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustment should be made to the appraisal value to arrive at fair value.

Assets Measured on a Recurring Basis

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

	Fair Value Measurements at December 31, Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS (2025):			
Available for sale debt securities:			
U.S. Treasury securities	\$ -	\$ 79,727	\$ -
U.S. government sponsored entities and agencies	-	185,123	-
Agency mortgage-backed securities – residential	-	121,109	-
Agency mortgage-backed securities – commercial	-	38,489	-
Corporate debt securities	-	28,574	23,265
ASSETS (2024):			
Available for sale debt securities:			
U.S. Treasury securities	\$ -	\$ 58,023	\$ -
U.S. government sponsored entities and agencies	-	167,269	-
Agency mortgage-backed securities – residential	-	120,556	-
Agency mortgage-backed securities – commercial	-	41,810	-
States and political subdivisions	-	3,119	-
Corporate debt securities	-	48,329	21,325

There were no transfers into or out of Level 3 during 2025 or 2024. There were no purchases of debt securities during 2025 or 2024 classified as Level 3. During 2025, there was a net unrealized gain of \$1,940 recognized in other comprehensive income and \$158 of net accretion recognized on debt securities classified as Level 3. During 2024, there was a net unrealized gain of \$862 recognized in other comprehensive income and \$132 of net accretion recognized on debt securities classified as Level 3.

The following table presents qualitative information about Level 3 fair value measurements for financial instruments measured at fair value on a recurring basis at December 31, 2025 and 2024:

Valuation Techniques	Fair Value	Asset Category	Unobservable Inputs	Range (Weighted Average)
2025				
Indicative quote	\$ 23,265	Corporate debt securities	Liquidity discount	0.6% to 1.1% (0.9%)
2024				
Indicative quote	\$ 21,325	Corporate debt securities	Liquidity discount	0.0% to 10.5% (4.2%)

Assets Measured on a Non-Recurring Basis

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

	Fair Value Measurements at December 31, Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS (2025):			
Individually evaluated loans:			
Commercial real estate	\$ -	\$ -	\$ 172
ASSETS (2024):			
Individually evaluated loans:			
Commercial real estate	\$ -	\$ -	\$ 191
Residential real estate	-	-	155

Individually evaluated loans that are measured for impairment using the fair value of the collateral had a principal balance of \$251, with a valuation allowance of \$79 at December 31, 2025, resulting in \$4 of additional provision for credit losses for the year ended December 31, 2025. Individually evaluated loans that are measured for impairment using the fair value of the collateral had a principal balance of \$477, with a valuation allowance of \$131 at December 31, 2024, resulting in \$106 of additional provision for credit losses for the year ended December 31, 2024.

Other real estate owned is measured at fair value less estimated costs to sell. At December 31, 2025 and 2024, other real estate owned was zero. There were no write-downs of other real estate owned during either of those years.

The following table presents qualitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2025 and 2024:

Valuation Techniques	Fair Value	Asset Category	Unobservable Inputs	Range (Weighted Average)
2025				
Sales approach	\$ 172	Commercial real estate	Adjustment for differences between the comparable sales, aging, and specific borrower information	8%–8% (8%)
2024				
Sales approach	\$ 191	Commercial real estate	Adjustment for differences between the comparable sales, aging, and specific borrower information	27%–27% (27%)
	155	Residential real estate	Adjustment for differences between the comparable sales, aging, and specific borrower information	26%–26% (26%)

NOTE 10 – INCOME TAXES

The provision for income taxes consists of the following:

	2025	2024
Current income tax expense:		
Federal	\$ 8,311	\$ 6,239
State	2,817	2,322
Total current income tax expense	<u>11,128</u>	<u>8,561</u>
Deferred income tax benefit:		
Federal	\$ (604)	\$ (532)
State	(128)	(145)
Total deferred income tax benefit	<u>(732)</u>	<u>(677)</u>
Total income tax expense	<u>\$ 10,396</u>	<u>\$ 7,884</u>

The tax provision is less than that obtained by using the statutory federal income and state tax rates of 21.0% and 5.0%, respectively, due to tax credits generated by the Company's limited partnership interest in nine low-income housing projects, five Community Reinvestment Act related funds with both low-income housing and Historic Rehabilitation tax credit generation, and tax-exempt interest income totaling \$3,697 and \$3,978 for 2025 and 2024.

Deferred tax assets and liabilities relate principally to unrealized losses on debt securities available for sale, adjustment for retirement plan obligations, premises and equipment, the allowance for credit losses, nonaccrual loans, certain unearned income, and partnership investments.

The Company's deferred tax assets and deferred tax liabilities at December 31 were as follows:

	2025	2024
Deferred tax assets	\$ 17,487	\$ 18,923
Deferred tax liabilities	<u>(2,760)</u>	<u>(2,551)</u>
	<u>\$ 14,727</u>	<u>\$ 16,372</u>

Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. In assessing realizability, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences at December 31, 2025; therefore, no valuation allowance for the realization of deferred tax assets is considered necessary.

The Company has no unrecognized tax benefits as of December 31, 2025 and 2024. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease in the next 12 months. Should the accrual of any interest or penalties relative to unrecognized tax benefits be necessary, it is the Company's policy to record such accruals in its income tax expense accounts; no such accruals existed as of December 31, 2025 and 2024.

The Company and its subsidiary file a consolidated U.S. Corporation federal income tax return and a Kentucky Corporation income tax return. The federal return is subject to examination by taxing authorities for all years after 2022 and the Kentucky returns are subject to examination by taxing authorities for all years after 2021.

NOTE 11 – RETIREMENT PLANS

The Company maintains a non-qualified supplemental pension plan (“Supplemental Plan”) covering certain key executives, which provides for benefit payments that exceed the limit for deductibility imposed by income tax regulations. The Company curtailed the Supplemental Plan during 2009, fully vesting and freezing participant benefits.

The benefit obligation related to the Supplemental Plan, which is unfunded, was \$12,153 and \$10,656 at December 31, 2025 and 2024, respectively. Net periodic pension costs for the plan were \$1,203 and \$1,023 for 2025 and 2024, respectively, and are included in other non-interest expense in the consolidated statements of income. Amounts recognized in accumulated other comprehensive loss related to this plan at December 31, 2025 and 2024 were \$2,030 and \$1,735, respectively, and were the result of a net actuarial loss in the plan.

Deferred Compensation Plans: The Company maintains deferred compensation plans covering selected directors and key employees. Net deferred compensation expense was \$454 in 2025 and \$471 in 2024. The accrued liability associated with these plans of \$3,022 and \$2,568 at December 31, 2025 and 2024 is included in other liabilities. The amount recognized in other comprehensive income was \$0 at year-end 2025 and 2024.

Employee Stock Ownership Plan: The Company maintains an employee stock ownership plan (the “ESOP”). Contributions are determined annually by the Board of Directors in amounts not to exceed 15% of the total compensation of all participants. ESOP expense was \$3,101 and \$3,250 in 2025 and 2024, respectively. As of December 31, 2025 and 2024, a total of 34,843 and 34,889 voting common shares with a fair value of \$449 and \$391, respectively, were allocated to active participants. In addition, at year-end 2025 and 2024 there were a total of 3,448,265 and 3,453,025 non-voting common shares with a fair value of \$43,965 and \$38,156 allocated to active participants, as well as \$837 and \$648 in cash. There were no unallocated shares.

Any participant who receives a distribution of Company stock under the ESOP has the option to require the Company to repurchase the shares at fair value during a defined period within each of the succeeding two years. The total “put” obligation at December 31, 2025 is the fair value of all ESOP shares distributed in 2025 and shares to be distributed in 2026 to participants who had terminated as of year-end 2025. The Company has a right of first refusal with respect to distributed ESOP shares, which requires former participants to offer to sell their shares to the Company before selling them to another purchaser.

401(k) Retirement Plan: The Company has a 401(k) retirement plan. The Company matches a participant’s voluntary tax deferred contributions dollar for dollar up to a maximum of 6% of the participant’s annual compensation. Additional matching contributions to the plan may be made by the Company at its discretion. The Company made matching contributions totaling \$2,254 and \$2,148 in 2025 and 2024, respectively. There were no additional matching contributions during 2025 or 2024.

NOTE 12 – REGULATORY MATTERS

The Company and its subsidiaries are subject to comprehensive supervision and regulation that affect virtually all aspects of their operations. The laws and regulations are primarily intended for the protection of depositors, borrowers, and federal deposit insurance funds, and, to a lesser extent, for the protection of stockholders and creditors.

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. The Company is a bank holding company and is subject to regulation by the Federal Reserve. The Bank operates under a state bank charter and is subject to regulation by the Kentucky Department of Financial Institutions and the Federal Deposit Insurance Corporation.

Capital adequacy guidelines and, additionally for banks, 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 judgments by regulators. Failure to meet capital requirements can initiate regulatory action. Amounts recorded in accumulated other comprehensive income are not included in computing regulatory capital.

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 are asset growth and expansion, and capital restoration plans are required.

To avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers, the Company and the Bank are required to hold a 2.5% capital conservation buffer. The buffer is the amount in excess of the minimum required capital amounts and risk-based capital ratios necessary to be considered adequately capitalized. At December 31, 2025, the adequately capitalized minimums, including the capital conservation buffer, were 7.0% for the Common Equity Tier 1 Risk-based Capital ratio, 8.5% for the Tier 1 Risk-based Capital ratio, and 10.5% for the Total Risk-based Capital ratio.

At year-end 2025 and 2024, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be well capitalized, the Bank must maintain minimum Common Equity Tier 1 Risk-based, Tier 1 Risk-based, Total Risk-based, and Tier 1 Leverage ratios as set forth in the tables below. There are no conditions or events since that notification that management believes have changed the institution's category.

Actual and required capital amounts and ratios, exclusive of the capital conservation buffers, are presented below:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2025						
Total Risk-based Capital ¹ :						
Company	\$ 510,112	15.9%	\$ 257,389	8.0%	N/A	N/A
Bank	508,666	15.8	257,389	8.0	\$ 321,736	10.0%
Tier 1 Risk-based Capital ¹ :						
Company	\$ 477,634	14.8%	\$ 193,042	6.0%	N/A	N/A
Bank	476,188	14.8	193,042	6.0	\$ 257,389	8.0%
Common Equity Tier 1 Risk-based Capital ¹ :						
Company	\$ 462,634	14.4%	\$ 144,781	4.5%	N/A	N/A
Bank	476,188	14.8	144,781	4.5	\$ 209,128	6.5%
Tier 1 Leverage Capital ² :						
Company	\$ 477,634	12.1%	\$ 158,166	4.0%	N/A	N/A
Bank	476,188	12.0	158,240	4.0	\$ 197,800	5.0%
December 31, 2024						
Total Risk-based Capital ¹ :						
Company	\$ 468,363	14.8%	\$ 253,786	8.0%	N/A	N/A
Bank	466,934	14.7	253,822	8.0	\$ 317,277	10.0%
Tier 1 Risk-based Capital ¹ :						
Company	\$ 436,279	13.8%	\$ 190,340	6.0%	N/A	N/A
Bank	434,850	13.7	190,366	6.0	\$ 253,822	8.0%
Common Equity Tier 1 Risk-based Capital ¹ :						
Company	\$ 421,279	13.3%	\$ 142,755	4.5%	N/A	N/A
Bank	434,850	13.7	142,775	4.5	\$ 206,230	6.5%
Tier 1 Leverage Capital ² :						
Company	\$ 436,279	12.0%	\$ 145,648	4.0%	N/A	N/A
Bank	434,850	11.9	145,709	4.0	\$ 182,136	5.0%

¹ Total Risk-based, Tier 1 Risk-based, and Common Equity Tier 1 Risk-based Capital ratios are computed by dividing a bank's Total, Tier 1, or Common Equity Tier 1 Capital, as defined by regulation, by a risk-weighted sum of the bank's assets, with the risk weighting determined by general standards established by regulation.

² Tier 1 Leverage ratio is computed by dividing a bank's Tier 1 Capital by its total quarterly average assets, as defined by regulation.

The Company's principal source of funds is dividends received from the Bank. The Bank is subject to the dividend restrictions set forth by Kentucky Revised Statutes. Under such restrictions, a state-chartered bank may not pay dividends in excess of year-to-date net income combined with the preceding two years' undistributed net income or loss unless approval is obtained from the Kentucky Commissioner of Banking.

As of December 31, 2025, \$74,911 of Bank retained earnings is available to pay dividends to the Company, subject to ongoing capital and other regulatory requirements.

NOTE 13 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amounts of financial instruments with off-balance sheet risk at year-end were as follows:

	2025	2024
Standby letters of credit	\$ 23,325	\$ 23,192
Commitments to extend credit	394,651	394,392
Unused lines of credit	538,562	524,469

Commitments are generally made for periods of 45 days or less. The Company evaluates each customer's creditworthiness on a case-by-case basis. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

At December 31, 2025 and 2024, the Company had accrued \$3,003 and \$2,227 in other liabilities for its estimate of credit losses for unfunded loan commitments. This resulted in a provision for credit losses of \$776 for 2025.

NOTE 14 – REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Company's revenue from contracts with customers in the scope of ASC Topic 606 is recognized within non-interest income. The following table presents the Company's sources of non-interest income for the periods indicated. Amounts in the table are within the scope of ASC Topic 606 unless otherwise noted.

	Years Ended December 31	
	2025	2024
Non-interest income		
Service charges on deposit accounts	\$ 5,841	\$ 5,707
Mortgage banking income ¹	1,360	1,240
Card and interchange fees	9,378	9,260
Trust fees	11,863	12,051
Electronic banking	7,435	8,207
Other fees and income:		
Insurance commissions and fees	6,346	5,694
Brokerage commissions and fees	2,808	2,420
Commercial loan fees ¹	313	513
Other	854	880
Total non-interest income	\$ 46,198	\$ 45,972

¹ Not within the scope of ASC Topic 606.

A description of the Company's revenue streams accounted for under ASC 606 is as follows:

Service Charges on Deposit Accounts: The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees include services such as ATM use fees, stop payment charges, and ACH fees, which are recognized at the time the transaction is executed. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period in which the Company satisfies its performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposit accounts are withdrawn from the customer's account balance.

Card and Interchange Fees: The Company earns interchange and other fees from credit cardholder transactions conducted through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized as the performance obligation is satisfied, which is at the point in time the card transaction is authorized.

Trust Fees: The Company earns fees by providing a comprehensive base of traditional services such as trust administration, estate planning and settlement, individual retirement planning, and corporate retirement plan services. These fees are primarily earned and accrued over the period of time the Company provides the contracted services and are generally assessed monthly based on a tiered scale of the market value of the assets of the accounts. Fees are generally paid out of the assets held in the customer's account.

Electronic Banking: The Company earns interchange fees from debit cardholder transactions conducted through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized as the performance obligation is satisfied, which is at the point in time the card transaction is authorized.

Net Gain/Loss on Sales and Write-downs of Other Real Estate Owned: The Company records a gain or loss from the sale of other real estate owned when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of other real estate owned to a buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the asset is derecognized and the gain or loss on the sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on sale, the Company adjusts the transaction price and related gain or loss on sale if a significant financing component is present. The Company may also record an impairment loss after initial foreclosure of a property when the carrying amount exceeds its estimated fair value less costs to sell.

Insurance and Brokerage Commissions and Fees: The Company serves as a broker to third-party carriers to provide a wide range of insurance products such as property and casualty, general liability, individual life and health, employee benefits, title, and annuity products. Insurance commissions and fees are generally recognized at a point in time on the effective date of the policies.

The Company provides investment brokerage services to its customers through a third-party service provider. Transaction fees are assessed at the time of the transaction, with such fees collected and recognized on a monthly basis. Advisory and trail fees are based on the market value of the account and are assessed, collected, and recognized on a quarterly basis. Because the Company acts as an agent in arranging the relationship between the customer and the third-party service provider and does not control the services rendered to the customers, investment brokerage income is presented net of the third-party's related costs.

Other: All other non-interest income represents various other fees, charges, and gains resulting from the Company's operations that are not included elsewhere.

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Central Bank & Trust Co.**
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Central Bancshares, Inc. and
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*Vice Chairman of the Board,
Central Bancshares, Inc. and
Central Bank & Trust Co.*

Lee Anne Pope
Community Volunteer

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