



**IN YOUR CORNER.**

**2025** ANNUAL REPORT



Citizens Holding Company<sup>SM</sup>



Citizens Holding Company<sup>SM</sup>





**Since 1908, The Citizens Bank has proudly served as a cornerstone of our community, growing from our roots in Philadelphia, Mississippi, into a trusted community bank serving 26 communities across the state.**

As we have expanded our footprint over more than a century, we have remained true to a simple but enduring mission: to serve our customers with integrity, strengthen the communities we call home, and steward this institution with care for generations to come.

As a community bank, our success has never been measured solely by numbers on a balance sheet, but by the relationships we build, the trust we earn, and the role we play in helping local families, businesses, and communities thrive. Through economic cycles, industry change, and generational shifts, The Citizens Bank has remained steady-locally owned, locally managed, and deeply invested in the people and places we serve.

This past year reflects that commitment. From supporting local businesses and families to reinvesting in our communities and advancing thoughtful, responsible growth, we continue to balance tradition with progress. Our employees-dedicated, knowledgeable, and service-driven-are the heart of this bank, and their commitment ensures that our customers receive the personal attention and sound financial guidance they expect from The Citizens Bank.

As we celebrate 118 years of service, we do so with gratitude for the confidence our shareholders place in us and with optimism for the future. Guided by our history and focused on long-term strength, we remain committed to preserving the values that define us while positioning The Citizens Bank for continued success in the years ahead.

# Letter to the Shareholders

Stacy M. Brantley




On behalf of The Citizens Bank's Board of Directors and the entire Citizens team, I am excited to report significant progress made during the year and continued execution of the strategic plan adopted in the fourth quarter of 2023. This plan is focused primarily on reconstruction of our balance sheet and building on the service culture that has anchored the Bank's success for well over a century.

Commitment to serving our communities and support of our bankers facilitated strong core growth over the course of 2025. Organized focus on deposit gathering and treasury sales resulted in non-interest-bearing deposit growth of 10.48% over the prior year end. This, along with disciplined pricing, helped the Bank to lower its overall cost of funds by 36bps during the year. On the other side of the balance sheet, our banking teams produced loan growth of 9.80% during the year driving the yield on earning assets up 15bp over the prior year-end. In combination, these efforts led to significant expansion of the net interest margin with a margin of 3.10%. This represents a 53bp increase over the prior year-end, the highest net interest margin achieved by the bank in over a decade, and a significant recovery since the Bank's margin bottomed out at 2.55% following increases to the Fed Funds rate as the Fed tightened from February of 2022 through August of 2023. Our banking teams have driven strategic improvements to and growth of the company's balance sheet positioning the Bank for both asset and earnings growth in the future.

In addition to strong year-over-year earnings growth, the company dedicated resources to building a more conservative balance sheet, expanding both capital and reserves. While growing loans by 9.80%, the company funded reserves for this growth and expanded the reserve for credit losses by 15bp to 1.06%. We are committed to increasing capital and reserves to further fortify the Bank's balance sheet as the company grows. In discussing transformational changes for the company, transitioning over fifteen percent of the bank's liabilities



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from repurchase agreements to deposits during the fourth quarter has and will have a significant impact on opportunities to expand earnings and increase liquidity in coming quarters. This will allow for strategic reinvestment of over \$250 million in assets over time and position the company to achieve larger spreads and wider margins.

While I am extremely proud of the progress made during 2025 and the significant efforts and contributions made across our banking teams, I am equally excited by the opportunities that lie ahead. We will continue to invest in talented bankers, seek efficiencies through technology, and work to ensure we provide the products and services our customers demand. Build out of key business lines will be a top priority entering 2026 and we will work to better support and expand banking teams in key markets as needed. In each of these endeavors, we will lead with culture, providing exceptional support to our banking teams and exceptional service to our customers and trusted partners.

I would like to express my gratitude to our shareholders for their commitment to and support of Citizens Holding Company. It remains my honor to serve, and I look forward to a bright future as we continue to reinvest in your company and grow your investment.

With sincere appreciation,



Stacy M. Brantley  
President and CEO



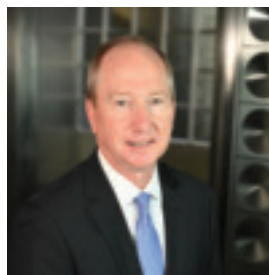
**Good leaders have the ability to inspire us in their lifetime.  
Great leaders have the ability to inspire us beyond their lifetime.**

SIMON SINEK



**STACY M.  
BRANTLEY**

President & Chief  
Executive Officer  
The Citizens Bank



**GREG  
CRONIN**

Gulf Coast President  
The Citizens Bank



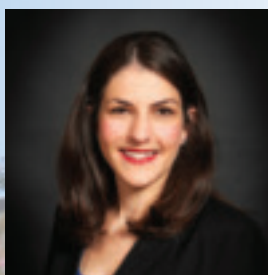
**JANE D.  
CROSSWHITE**

Executive Vice President  
Williams Brothers INC.



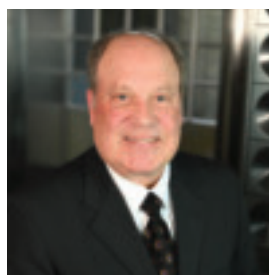
**CRAIG  
DUNGAN, MD**

Physician  
Meridian  
Gastroenterology PLLC



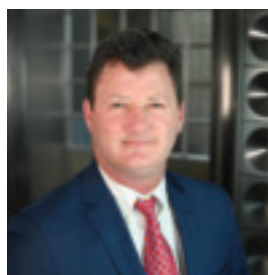
**CAROLINE  
FORKS**

Trust Counsel  
Argent Trust Company



**DAVID A.  
KING**

Proprietor  
Philadelphia Motor  
Company



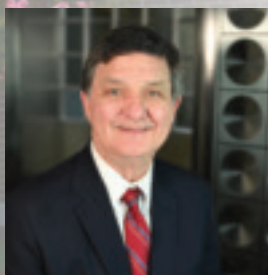
**ADAM  
MARS**

Business Manager  
Mars, Mars, & Mars



**GREG L.  
MCKEE**

Retired President & CEO  
The Citizens Bank



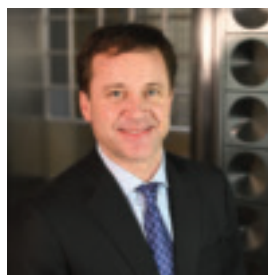
**DAVID P.  
WEBB**

Attorney  
Baker, Donelson, Bearman,  
Caldwell & Berkowitz, PC



**TERRELL E.  
WINSTEAD**

Chief Financial Officer  
Molpus Woodlands Group



**JASON  
VOYLES**

CEO & President  
Spectrum Capital

# Board of Directors

*The Citizens Bank of Philadelphia*

# Powering Collaboration, Accountability, and Sustainable Growth.

Banker Bounty is an internal referral platform designed to strengthen collaboration across the bank while supporting disciplined, relationship-driven growth. The program empowers employees to refer customers to the appropriate banking specialist—whether for loans, deposits, or other services—ensuring opportunities are efficiently captured and well served.

When a referral results in a new account or funded relationship, employees are incented, reinforcing accountability and encouraging a shared commitment to the bank's success.

## **Turning Teamwork into Measurable Growth**

The program enhances organic growth by improving cross-departmental referrals and increasing product penetration within existing and new customer relationships. By connecting customers with the right banker at the right time, the platform improves service quality, accelerates decision-making, and strengthens long-term customer relationships.

Equally important, it provides visibility into referral activity, allowing management to better measure performance, identify growth opportunities, and align employee efforts with the bank's strategic objectives.

## **Empowering Employees to Drive Long-Term Success**

The program rewards employees for recognizing customer needs and taking initiative beyond their individual roles. It fosters a culture of collaboration by reinforcing a “one bank” approach—where success is shared across teams, branches, and departments. Incentive-based recognition also enhances employee engagement and reinforces a performance-driven mindset.

By encouraging teamwork, accountability, and proactive customer engagement, this program supports sustainable, relationship-based growth. It strengthens internal culture while contributing to consistent loan and deposit growth—key components of long-term shareholder value.

## **Program Success**

In 2025, Treasury Services delivered strong results driven by the dedication and market-focused efforts of our employees. Performance across multiple service lines reflected our ability to provide value-added treasury solutions while deepening core customer relationships. Through the Banker Bounty program, our bankers originated 690 new customer relationships, contributing to our loan and core deposit growth, expanded fee income, and increased cross-sell opportunities across the markets we serve.



# CITIZENS STORIES

## REAL STORIES ABOUT WHAT IT TAKES.

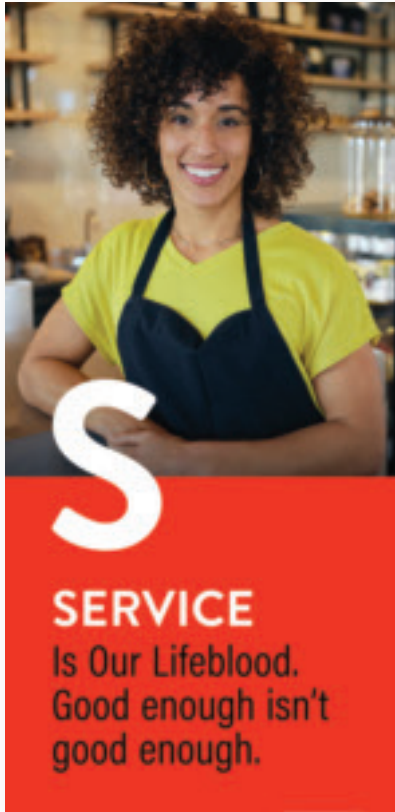
Behind every successful business is a story of hard work, resilience and the right support system. We invite you to hear directly from the business owners and leaders who are building our community — and see how having a financial partner in your corner can make all the difference. Scan the QR code or visit the link below to watch these short testimonials and discover what it truly takes to turn vision into reality.



[www.thecitizensbankphila.com/stories](http://www.thecitizensbankphila.com/stories)



# The Value We Place on Service.

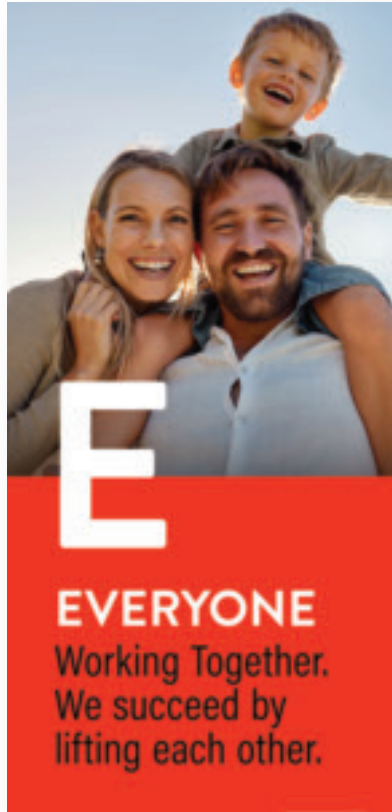


## Service is our lifeblood.

We exist to serve, internal and in the marketplace. This is our differentiator from other banks. Good enough is simply never good enough.



**2025 SERVE Champion:**  
Brad Copeland



## Everyone is in this together.

Titles and positions don't matter. We will lead ourselves with a spirit of cooperation, teamwork, kindness, and respect.



**2025 SERVE Champion:**  
Sherly Mathieu



## Responsibility to our communities.

Our success is built on community. Inside the bank we are stronger together. Outside the bank we make communities we serve stronger.

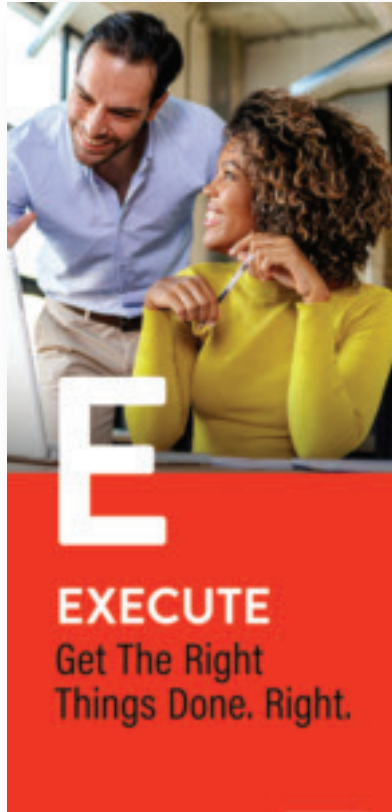


**2025 SERVE Champion:**  
Teresa Patterson



## Value conscious.

Everything we do is intended to increase value for our customers, employees, and Shareholders.



## Execution-minded.

We will convert forward-looking, innovation plans to action. We will lean forward to do the right things, right. All the time.



**2025 SERVE Champion:**  
Barbara Pickens



**2025 SERVE Champion:**  
Sharon Wetel



## TCB 2.0 - Our Just Cause

Our Just Cause is more than a statement — it is the standard we strive to live out every day. We believe exceptional customer service begins with an unwavering commitment to support, encourage and develop our bankers. By placing service at the center of our mission, we cultivate team members who are joy-filled, ever-growing and dedicated to adding meaningful value to every client interaction.

At this year's Annual Dinner, we proudly recognized our Our Just Cause Champion, Temikka Triplett, for exemplifying these principles in both spirit and action. This honor celebrates an individual who consistently serves with excellence, supports their teammates and demonstrates what it truly means to live out our cause.

# Living Our Commitment to Growth.

At The Citizens Bank, strengthening our communities begins with investing in people — both inside our organization and beyond our walls. By supporting education in our schools and encouraging professional growth among our bankers, we are building a stronger future rooted in leadership, service, and opportunity.

## Mississippi Bankers



At The Citizens Bank, we take great pride in the accomplishments of our team and their continued commitment to professional excellence. We are pleased to recognize Channing Peebles and Tyler Sistrunk (*pictured*) for graduating from The Mississippi School of Banking at Ole Miss, and Chad Hill for graduating from The Graduate School of Banking at LSU.

Our team remains actively engaged in industry events to stay current with evolving banking trends and innovations. Several TCB bankers attended the Mississippi Bankers Association's 12th Annual Women in Banking

Conference, an event we were proud to sponsor. Jackie Hester served as Chair for the conference, joined by Liz Owen, Monica Hammock, Debra Yates, Hannah Warren, Yunkea McSwain, Connie Comans, Ashley Peebles, Katie Hancock, Sandra Curtis, Stacy Arnold, Lynn Graham, Karla Chandler, and Channing Peebles.

TCB bankers also participated in the Mississippi Bankers Association's 75th Annual Mississippi Young Bankers Convention. Attendees included Crystal Carter, Daniel Webb, Rose Alderson, Josh Sullivan, Lee Burrell, and Theresa Jenkins. The convention provided valuable opportunities for networking, professional development, and insight into industry trends, leadership, regulatory updates, and emerging technologies. Daniel Webb also serves as a council member of the Mississippi Young Bankers Executive Council.

In addition, Jeremy Watkins completed the inaugural Mississippi Bankers Association Foundation of Leadership program, further reflecting our team's dedication to growth and leadership development.



More photos from these events can be found on page 23.



### Investing in our Schools

At The Citizens Bank, our community isn't just where we work, it's home. And supporting the students in our towns is one of the most important ways we can give back. We love seeing kids grow, succeed, and chase their dreams, and we're proud to stand beside them every step of the way.

**\$24k**  
in Scholarships

Each year, we award sixteen \$1,000 Reward A's scholarships to students in the counties we serve. We also give sixteen \$500 donations to the schools of those scholarship winners, helping fund projects that make a real difference for teachers and classmates alike.

Our School Stash debit card program is a favorite way for families, students, and teachers to show their school spirit. Every time one of our forty-one School Stash debit cards is used for a qualified purchase, we donate \$0.05 to that student's school. In 2025, this program raised \$60,412.75 to support local schools—money that goes straight back into classrooms, activities, and programs that help kids thrive.

**\$60k**  
Back to Schools

Through the "A Banker in Every Classroom" program with the Mississippi Bankers Association, our bankers visit local schools to teach kids about saving, budgeting, and handling money. From kindergarten to high school seniors, these lessons help students take their first steps toward financial confidence—and often give our bankers as much joy as the students.

We also partner with the University of Mississippi Foundation, helping rising seniors attend the summer college program, and we support students heading to East Central Community College, with scholarship recipients chosen by the college.

Beyond scholarships and recognition, we support school academics, athletics, and band programs through donations, field signs, and advertisements. Because when our schools succeed, our whole community succeeds.

At The Citizens Bank, helping students grow isn't just part of our work, it's part of our community's story, and we're honored to be a part of it.



# A Commitment to Cybersecurity Excellence.

Safeguarding our clients, employees and systems remains a top priority. The Bank maintains a comprehensive, multilayered cybersecurity framework designed to proactively defend against evolving threats while ensuring the integrity, confidentiality and availability of our networks. Through advanced technologies, industry best practices and dedicated leadership, we continue to strengthen our security posture at every level.

The Bank maintains multiple layers of security to protect its systems and networks.

## **Endpoint Security Controls**

The Bank applies comprehensive, multilayered protections across all endpoints within its networks to safeguard critical systems.

## **CIS Critical Security Controls**

The CIS Critical Security Controls (CIS Controls) are a prescriptive, prioritized, and simplified set of best practices that you can use to strengthen your cybersecurity posture. Today, thousands of cybersecurity practitioners from around the world use the CIS Controls and/or contribute to their development via a community consensus process.

## **Unified Privileged Access Management**

These applications allow the Bank to gain holistic visibility and control over client privileged access from a single, unified platform.

Features of the application include the ability to discover and manage credentials. Control and monitor privileged activity, record sessions. Reduce risks related to privileged access.

## **Application Whitelisting**

The Bank has implemented a suite of security tools that are powerful and designed to directly control exactly what applications run on its networks.

This security platform is utilized used to stop misuse and vulnerable software as well as control application elevation, storage and network traffic.

## **Supporting Security at the State Level**

Debbie Reynolds, Accounting Administrative Officer and Casey Shoemaker, IT Security Analyst for the Bank have been named to the 2026 Infragard Mississippi Members Alliance Board of Directors.





# FINANCING COMMUNITY DEVELOPMENT

In September 2025, The Citizens Bank proudly provided financing for Phase I of the Oxford Commons Entertainment

Block in Oxford, Mississippi. This exciting development will bring approximately 9,000 square feet of new office and retail

space to the Oxford Commons district, further enhancing one of the area's premier destinations. The project includes

a new location for Aplós Restaurant and reflects continued investment in the city's growth and vitality. Construction is

currently underway, with completion anticipated within the next year.

# Recognizing Achievement and Growth

At The Citizens Bank, our greatest strength is our people. Throughout the year, we proudly celebrated the promotions of team members who demonstrated leadership, dedication and a commitment to excellence. These advancements reflect not only individual achievement, but also our continued investment in developing talent and creating opportunities for growth across our organization.





JOIN US IN  
CONGRATULATING  
**TAMMY  
McALPIN**  
ON HER PROMOTION  
TO AVP & COMMERCIAL LOAN  
PORTFOLIO MANAGER



FDIC The Citizens Bank.



JOIN US IN  
CONGRATULATING  
**BILLY  
COOK**  
ON HIS PROMOTION  
TO MARKET PRESIDENT -  
CARTHAGE



FDIC The Citizens Bank.



JOIN US IN  
CONGRATULATING  
**ELAINE  
BATES**  
ON HER PROMOTION  
TO TREASURY MANAGEMENT  
OFFICER



FDIC The Citizens Bank.



JOIN US IN  
CONGRATULATING  
**CHARLES  
WILKERSON**  
ON HIS PROMOTION  
TO VP & LOAN OPERATIONS  
OFFICER



FDIC The Citizens Bank.



JOIN US IN  
CONGRATULATING  
**LIZ  
OWEN**  
ON HER PROMOTION TO  
SVP AND CHIEF TALENT  
OFFICER



FDIC The Citizens Bank.



JOIN US IN  
CONGRATULATING  
**PAULA  
BROWN**  
ON HER PROMOTION TO  
AVP COMMUNITY BANKER  
CARTHAGE



FDIC The Citizens Bank.

# New Faces. Shared Commitment.

Throughout the year, we were proud to welcome new team members across our organization — individuals who embody the spirit of TCB 2.0 and our commitment to service at every level. Each new hire strengthens our ability to stand in your corner, bringing fresh perspective, talent and dedication to the clients and communities we serve. As we continue to grow, we remain focused on building a team that lives out Our Just Cause and delivers excellence in every interaction.





JOIN US IN  
WELCOMING

**CANDICE  
STEWART**

AVP & BRANCH  
MANAGER, FOREST



FDIC The Citizens Bank.



JOIN US IN  
WELCOMING

**SCOTT  
MAXFIELD**

AVP/BSA OFFICER



FDIC The Citizens Bank.



JOIN US IN  
WELCOMING

**EMILY  
AGOSTINELLI**

SWP/CHIEF RISK OFFICER,  
HOWOOD



FDIC The Citizens Bank.



JOIN US IN  
WELCOMING

**CHUCK  
ALDERMAN**

VP/REGIONAL COMMERCIAL  
BANKER, STARKVILLE



FDIC The Citizens Bank.



# Celebrating Dedication and Commitment.

At The Citizens Bank, our story is written by the people who serve with dedication year after year. From celebrating remarkable career milestones to honoring those whose retirements mark the close of long and meaningful chapters, we recognize the individuals whose commitment, integrity, and personal service have shaped our culture and strengthened our communities. Their legacy is woven into the foundation of our bank and continues to inspire the future we are building together.



*Deborah Ladd*



*Karen Edwards*



*Sandra Curtis*

## **Years of Service**

The Citizens Bank's success is built on the dedication and integrity of our employees, whose daily efforts reflect our core values and commitment to excellence.

In 2025, we proudly honored three team members for reaching significant service milestones. Deborah Ladd and Karen Edwards each celebrated 40 years of service, while Sandra Curtis marked an impressive 50 years with The Citizens Bank. Their experience, loyalty, and lasting contributions have been instrumental to our organization, and we are sincerely grateful for the impact they continue to make.

## **Honoring our Retirees**

The strength and continuity of The Citizens Bank have always been shaped by the dedication of our people. This year, we proudly recognize nine outstanding women whose retirements conclude long and meaningful careers of service to our institution and the communities we serve.

Across decades of change and growth, each of these individuals exemplified the values that have defined The Citizens

Bank for more than a century—integrity, professionalism, and commitment to personal service. Their contributions, whether in leadership, operations, customer service, or compliance, helped build the trust and relationships that remain the foundation of our success.

We thank each of these retirees for their years of service and lasting contributions and wish them continued success and fulfillment in the years ahead.



**Lawanda McCaughn**  
Branch Manager, Forest, 15 years



**Peggy Towne**  
Teller, Louisville, 27 years



**Beth Branning**  
Accounting Officer, Philadelphia, 48 years



**Jan White**  
Branch Operations Officer, DeKalb, 30 years



**Sheryl Young**  
Teller, Philadelphia Westside, 21 years



**Karen Edwards**  
Loan Preview Clerk, Philadelphia, 40 years



**Rhonda Edmonson**  
Branch Manager, Starkville, 32 years



**Tabbetha Calvert**  
BSA Officer, Biloxi, 17 years



**Margaret Peebles**  
Sr. Customer Support Rep., Philadelphia, 18 years

# Responsibility to Our Communities.

For 118 years, The Citizens Bank has been proud to call our community's home. Being a true community bank means more to us than providing financial services, it means showing up, lending a hand, and supporting the people and places that make our towns strong.

Our employees live and work in the same communities we serve, and their commitment goes well beyond the bank.

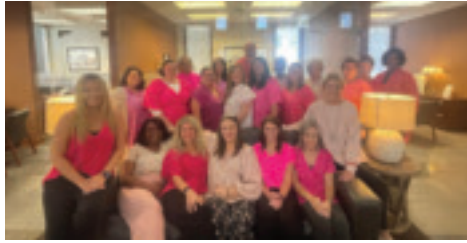
Across Mississippi, our team members proudly support local nonprofit and community organizations by giving their time, talents, and leadership. Many serve on local boards, volunteer at community events, and work alongside neighbors to meet local needs.

Each year, our employees contribute hundreds of volunteer hours, helping make a difference in big ways and small.

Whether supporting local schools, churches, civic groups, or community programs, their involvement reflects the values that have guided The Citizens Bank for generations.

We are proud of our employees and grateful for the opportunity to give back to the communities that have supported us for more than a century. Through ongoing efforts and new opportunities, we remain committed to strengthening our hometowns and building a brighter future for the neighbors we serve.

## Breast Cancer Awareness



## Career Fairs

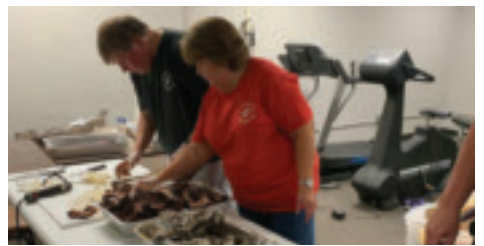
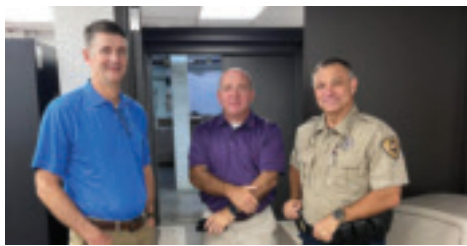


## Halloween





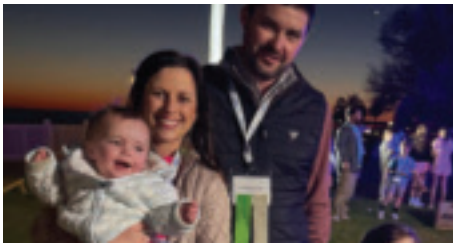
**First Responders' Luncheon**



## Mississippi Bankers Association



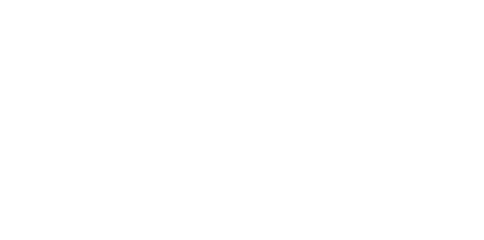
## Mississippi Young Bankers Convention



## Customer Appreciation Day

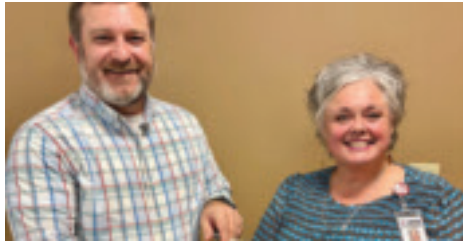


## United Way

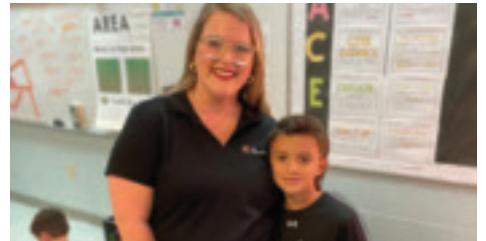


## School Stash Donations



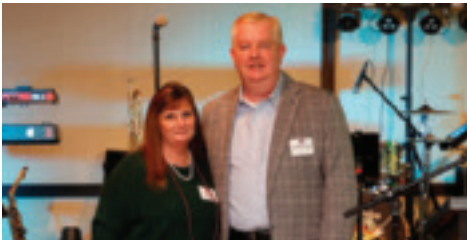


## School Visits



## TCB Christmas





# The Citizens Bank's Leadership Team

## **Bank Officers**

**Stacy M. Brantley**  
President  
Chief Executive Officer

**Phillip Branch**  
Senior Vice President  
Chief Financial Officer

**Mark Taylor**  
Senior Vice President  
Chief Operating Officer  
Trust Officer

**Liz Owen**  
Senior Vice President  
Chief Talent Officer

**Ledale Reynolds**  
Senior Vice President  
Chief Information Officer

**Joshua Sullivan**  
Senior Vice President  
Senior Credit Officer

**Emily C. Agostinelli**  
Senior Vice President  
Chief Risk Officer

**Jackie Hester**  
Vice President  
Marketing Officer

**Jean Fulton**  
Vice President  
Internal Auditor

**Mark Majure**  
Vice President  
Loan Review Officer

**Bob Posey**  
Vice President  
Community Banker

**Stacy Arnold**  
Vice President  
Compliance Officer

**Ashley Peebles**  
Vice President  
Director of Deposit Services

**Jamie Shotts**  
Vice President  
Appraisal Review Officer

**Sommer Vick**  
Vice President  
Controller

**Mitch Peden**  
Vice President  
Information Services  
Manager

**Scott Lewis**  
Vice President  
Director of Information  
Security

**Sam Mars**  
Vice President  
Regional Community  
Banker

**Charles Wilkerson**  
Vice President  
Loan Operations Officer

**Shon Kirkland**  
Vice President  
Security Officer/Facilities  
Manager

**Grant Comans**  
Assistant Vice President  
Branch Manager

**Pam Lewis**  
Assistant Vice President  
Collections Manager

**Sandra Curtis**  
Assistant Vice President  
Teller Administrator

**Temika Triplett**  
Assistant Vice President  
Electronic Services Officer

**Greg Jackson**  
Accounting Officer

**Reaghan Jenkins**  
Accounting Officer

**Deborah Ladd**  
Item Processing Officer

**Pam Garrett**  
Assistant Vice President  
IT Project Manager

**Stacey Chisolm**  
IT Service Desk Manager

**Debra Yates**  
Executive Assistant to the  
President/CEO

**Shirley McDaniel**  
Loan Processing Officer

**Elaine Bates**  
Treasury Management  
Officer

**Amanda Long**  
Loan Administration Officer

**Debbie Reynolds**  
Accounting Administrative  
Officer

**Kristi Hodges**  
Treasury Sales Officer

**Karla Chandler**  
Human Resources Officer

**Westside Branch**  
**Brice Richardson**  
Vice President  
Branch Manager

**Eastside Branch**  
**Brad Copeland**  
Vice President  
Branch Manager

**Carthage Branch**  
**Billy Cook**  
Market President  
Vice President  
Loan Officer

**Paula Brown**  
Assistant Vice President  
Community Banker

**Tonya J. Dorman**  
Deposit Operations Officer

**Sebastopol Branch**  
**Connie Comans**  
President

**DeKalb & Scooba Branch**  
**Reginald Moore**  
Assistant Vice President  
Branch Manager

**Decatur Branch**  
**Susan Brown**  
Assistant Vice President  
Deposit Operations Officer

**Kosciusko Branch**  
**Teresa Patterson**  
Vice President  
Branch Manager

**Meridian Eastgate Branch**  
**Jay Hines**  
Vice President  
Senior Consumer & Small  
Business Credit Officer

**Russell Huntley**  
Vice President  
Regional Commercial  
Banker

**Danny Russell**  
Vice President  
Regional Commercial  
Banker

**Forest Branch**  
**Candice N. Stewart**  
Assistant Vice President  
Branch Manager

**Louisville, Industrial &  
Noxapater Branch**  
**Bruce Lee**  
President  
Market President

**Lynn Graham**  
Vice President  
Branch Operations Officer



Pictured (l-r): Greg Cronin, Ledale Reynolds, Mark Taylor, Ford Kinsey, George Gammon III, Liz Owen, Stacy Brantley, Phillip Branch, Joshua Sullivan, Mike Shelby, and Marion Boyd. Not pictured Emily Agostinelli.

**Collinsville Branch**

**Mike Shelby**  
Regional President  
Northeast Mississippi

**Scott Fieber**  
Assistant Vice President  
Community Banker

**Pattie Prince**  
Branch Operations Officer

**Starkville Branch**

**Lee Burrell**  
Vice President  
Community Banker

**Chuck Alderman**  
Vice President  
Regional Commercial  
Banker

**Flowood Branch**

**George Gammon III**  
Regional President  
North-West Mississippi

**Warner Cannada**  
Vice President  
Regional Commercial  
Banker

**Kevin J. White**  
Vice President  
Director of Financial  
Planning & Analysis

**Monica L. Hammack**  
Assistant Vice President  
Branch Manager

**Hattiesburg Branch**

**Chad Hill**  
Vice President  
Branch Manager

**Lee Kemp**  
Assistant Vice President &  
Community Banker

**Tammy McAlpin**  
Assistant Vice President  
Commercial Loan Portfolio  
Manager

**Scott C. Maxfield**  
Assistant Vice president  
BSA Officer

**Biloxi Cedar Lake**

**Travis Moore**  
Vice President  
Regional Commercial  
Lender

**Katie Hancock**  
Vice President  
Branch Manager

**Oxford Branch**

**Marion Boyd**  
Senior Vice President  
Chief Business  
Development Officer

**Robert Nance**  
Assistant Vice President  
Community Banker

**Rose Alderson**  
Assistant Vice  
President  
Branch Operations  
& Retail Banking Officer

**Pascagoula Branch**  
**Greg Cronin**  
Regional President  
Coastal-South Mississippi

**Ford Kinsey**  
Senior Vice President  
Chief Credit Officer

**Amber Thomas**  
Vice President  
Commercial Banker

**Theresa Jenkins**  
Assistant vice President  
Branch Manager

**Ocean Spring Branch**

**Reagan Bridley**  
Vice President  
Commercial Banker

**Sharon Wetzel**  
Vice President  
Information Technology  
Officer

**Melissa Cooper**  
Assistant Vice President  
Community Banker

**Ridgeland Branch**

**Daniel Webb**  
Vice President  
Loan Officer

**Mortgage Loan Division**

**Tom Graham**  
Vice President  
Mortgage Loan Officer  
Gulfport

**Charlene DeWeese**  
Assistant Vice President  
Mortgage Loan Officer  
Philadelphia

**Tammy Warren**  
Assistant Vice President  
Mortgage Loan Officer  
Biloxi Cedar Lake

## BANKING LOCATIONS

### Philadelphia Main Office

521 Main Street  
Philadelphia, MS 39350  
601.656.4692

### Westside Branch

912 West Beacon Street  
Philadelphia, MS 39350  
601.656.4978

### Eastside Branch

599 East Main Street  
Philadelphia, MS 39350  
601.656.4976

### Union Branch

502 Bank Street  
Union, MS 39365  
601.774.9231

### Carthage Branch

301 West Main Street  
Carthage, MS 39051  
601.267.4525

### Sebastopol Branch

24 Pine Street  
Sebastopol, MS 39359  
601.625.7447

### Dekalb Branch

176 Main Avenue  
Dekalb, MS 39328  
601.743.2115

### Kosciusko Branch

775 North Jackson Street  
Kosciusko, MS 39090  
662.289.4356

### Scooba Branch

27597 Hwy 16 East  
Scooba, MS 39358  
662.476.8431

### Meridian Eastgate Branch

1825 Hwy 39 North  
Meridian, MS 39301  
601.693.8367

### Decatur Branch

15330 Hwy 15 South  
Decatur, MS 39327  
601.635.2321

### Forest Branch

247 Woodland Drive North  
Forest, MS 39074  
601.469.3424

### Louisville Main

906 South Columbus Avenue  
Louisville, MS 39339  
662.773.6261

### Louisville Industrial Branch

1760 South Church Avenue  
Louisville, MS 39339  
662.773.6261

### Noxapater Branch

45 East Main Street  
Noxapater, MS 39346  
662.724.4261

### Collinsville Branch

9065 Collinsville Road  
Collinsville, MS 39325  
601.626.7608

### Starkville Branch

201 Hwy 12 West  
Starkville, MS 39759  
662.323.1420

### Flowood Branch

2845 Lakeland Drive  
Flowood, MS 39232  
601.992.7688

### Hattiesburg Branch

6222 Highway 98  
Hattiesburg, MS 39402  
601.264.4425

### Biloxi Cedar Lake Branch

1830 Popp's Ferry RD  
Biloxi, MS 39532  
228.594.6913

### Lemoyne Blvd. Branch

15309 Lemoyne Boulevard  
Biloxi, MS 39532  
228.207.2343

### Oxford Branch

902 Sisk Avenue, Suite E  
Oxford, MS 38655  
662.550.4029

### Ocean Springs Branch

2702 Bienville Boulevard  
Ocean Springs, MS 39564  
228.875.3933

### Pascagoula Branch

1519 Jackson Avenue  
Pascagoula, MS 39567  
228.762.3330

### Gulfport Branch

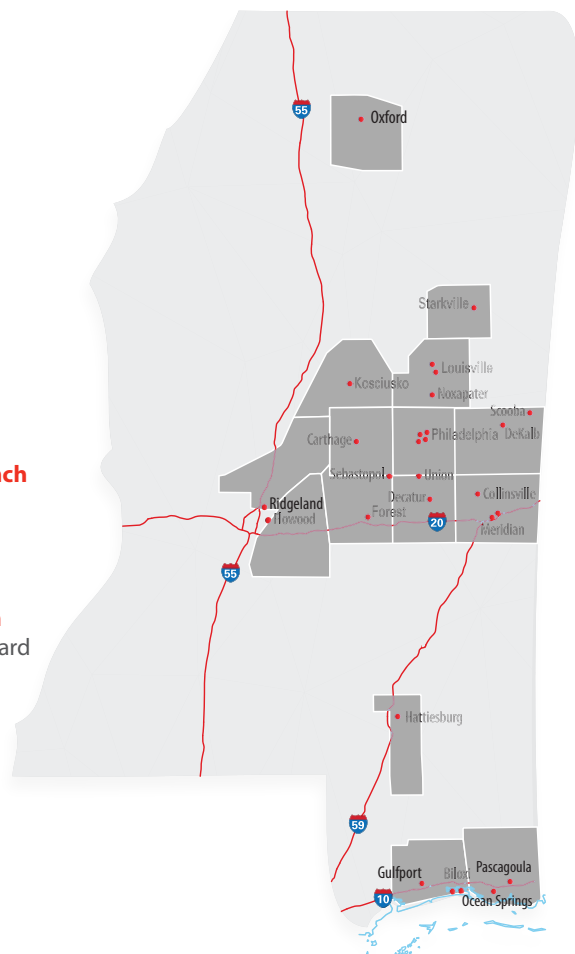
12008 Highway 49  
Gulfport, MS 39503  
228.831.3535

### Ridgeland Branch

320 Highway 51 North  
Ridgeland, MS 39157  
601.519.4020

### Phone Teller

800.397.0344



www.thecitizensbankphila.com

**CITIZENS HOLDING COMPANY**

Philadelphia, Mississippi

Consolidated Financial Statements

As of December 31, 2025 and 2024 and for the  
Years Ended December 31, 2025 and 2024

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6410 Poplar Ave, Suite 750  
Memphis, TN 38119

## **Independent Auditor's Report**

Members of the Audit Committee  
Citizens Holding Company  
Philadelphia, Mississippi

### ***Opinion***

We have audited the consolidated financial statements of Citizens Holding Company and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

### ***Basis for Opinion***

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

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

Management is responsible for the preparation and fair presentation of the 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 the Company's ability to continue as a going concern within one year after the date that 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

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in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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

BDO USA, P.C.

(formerly HORNE LLP)

Memphis, Tennessee  
March 17, 2026

**CITIZENS HOLDING COMPANY**

Consolidated Balance Sheets

December 31, 2025 and 2024

(in thousands, except share data)

<b>ASSETS</b>	<b>2025</b>	<b>2024</b>
Cash and due from banks	\$ 17,140	\$ 18,360
Interest bearing deposits with other banks	47,379	23,915
Cash and cash equivalents	64,519	42,275
Securities available-for-sale ("AFS"), at fair value	152,418	187,337
Investment securities held-to-maturity ("HTM"), at amortized cost	352,325	370,221
Loans held for investment ("LHFI"), net	841,136	764,866
Less allowance for credit losses, LHFI	8,945	6,948
Net LHFI	832,191	757,918
Bank premises, furniture, fixtures and equipment, net	20,191	20,052
Other real estate owned	1,839	1,014
Accrued interest receivable	5,774	5,624
Cash surrender value of life insurance	26,337	27,028
Deferred tax assets, net	25,244	26,863
Goodwill and other intangible assets	13,112	13,222
Other assets	17,374	18,289
Total assets	\$ 1,511,324	\$ 1,469,843
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits		
Non-interest bearing deposits	\$ 285,291	\$ 257,992
Interest bearing deposits	1,051,991	813,359
Total deposits	1,337,282	1,071,351
Short-term borrowings	74,223	311,650
Long-term borrowings	13,475	15,100
Accrued interest payable	1,196	1,507
Deferred compensation payable	9,477	9,547
Other liabilities	13,540	12,602
Total liabilities	1,449,193	1,421,757
Shareholders' equity		
Common stock, \$.20 par value, authorized 22,500,000 shares; 5,655,253 shares issued and outstanding at December 31, 2025 and 5,637,061 shares issued and outstanding at December 31, 2024.	1,131	1,127
Additional paid-in capital	18,817	18,696
Accumulated other comprehensive loss, net of tax benefit of \$22,108 in 2025 and \$24,260 in 2024	(66,976)	(72,974)
Retained earnings	109,159	101,237
Total shareholders' equity	62,131	48,086
Total liabilities and shareholders' equity	\$ 1,511,324	\$ 1,469,843

The accompanying notes are an integral part of these statements.

**CITIZENS HOLDING COMPANY**  
Consolidated Statements of Income  
Years Ended December 31, 2025 and 2024  
(in thousands, except share and per share data)

	<b>2025</b>	<b>2024</b>
Interest income		
Interest and fees on loans	\$ 56,396	\$ 46,464
Interest on securities		
Taxable	9,683	9,432
Non-taxable	3,462	3,593
Other interest	1,990	6,959
Total interest income	71,531	66,448
Interest expense		
Deposits	19,239	20,139
Other borrowed funds	9,146	11,687
Total interest expense	28,385	31,826
Net interest income	43,146	34,622
Provision for credit losses	2,261	833
Net interest income after provision for credit losses	40,885	33,789
Non-interest income		
Service charges on deposit accounts	4,398	3,964
Other service charges and fees	4,624	4,378
Net losses on sales of securities	(11)	(2,563)
Gain on sale of fixed assets	-	4,535
Other income	2,103	1,721
Total non-interest income	11,114	12,035
Non-interest expense		
Salaries and employee benefits	21,811	19,991
Occupancy expense	4,412	1,537
Equipment expense	4,501	5,349
Other expense	11,729	12,038
Total non-interest expense	42,453	38,915
Income before income taxes	9,546	6,909
Income tax expense	1,398	1,419
Net income	\$ 8,148	\$ 5,490
Net income per share – basic	\$ 1.44	\$ 0.98
Net income per share – diluted	\$ 1.44	\$ 0.98
Weighted average shares outstanding		
Basic	5,649,834	5,609,710
Diluted	5,660,325	5,610,497

The accompanying notes are an integral part of these statements.

**CITIZENS HOLDING COMPANY**  
Consolidated Statements of Comprehensive Income  
Years Ended December 31, 2025 and 2024  
(in thousands)

	<b>2025</b>	<b>2024</b>
Net income	\$ 8,148	\$ 5,490
Other comprehensive income		
Securities available-for-sale		
Unrealized holding gains (losses) during the period	3,823	(2,563)
Income tax effect	(954)	639
Net unrealized gains (losses)	2,869	(1,924)
Amortization of net unrealized losses on securities transferred from AFS to HTM		
Income tax effect	4,472	4,377
Net unrealized losses amortized on securities transferred from AFS to HTM	(1,116)	(1,092)
Net unrealized losses amortized on securities transferred from AFS to HTM	3,356	3,285
Derivative Instruments		
Unrealized holding (losses) gains during the period	(314)	40
Income tax effect	78	(10)
Net unrealized (losses) gains	(236)	30
Reclassification adjustment for losses included in net income		
Income tax effect	11	2,563
Net losses included in net income	(3)	(639)
Net losses included in net income	8	1,924
Total other comprehensive income	5,998	3,315
Comprehensive income	\$ 14,146	\$ 8,805

The accompanying notes are an integral part of these statements.

**CITIZENS HOLDING COMPANY**  
Consolidated Statements of Changes in Shareholders' Equity  
Years Ended December 31, 2025 and 2024  
(in thousands, except share data)

	Number of Shares Issued	Common Stock	Additional Paid-In Capital	Accumulated		
				Other Comprehensive (Loss) Income	Retained Earnings	Total
Balance, December 31, 2023	5,616,438	\$ 1,123	\$ 18,585	\$ (76,289)	\$ 99,354	\$ 42,773
Net income	-	-	-	-	5,490	5,490
Dividends paid (\$0.64 per share)	-	-	-	-	(3,607)	(3,607)
Restricted stock granted	20,623	4	(4)	-	-	-
Stock compensation expense	-	-	115	-	-	115
Other comprehensive income, net	-	-	-	3,315	-	3,315
Balance, December 31, 2024	5,637,061	\$ 1,127	\$ 18,696	\$ (72,974)	\$ 101,237	\$ 48,086
Net income	-	-	-	-	8,148	8,148
Dividends paid (\$0.04 per share)	-	-	-	-	(226)	(226)
Restricted stock granted	18,192	4	(4)	-	-	-
Stock compensation expense	-	-	125	-	-	125
Other comprehensive income, net	-	-	-	5,998	-	5,998
Balance, December 31, 2025	5,655,253	\$ 1,131	\$ 18,817	\$ (66,976)	\$ 109,159	\$ 62,131

The accompanying notes are an integral part of these statements.

**CITIZENS HOLDING COMPANY**  
Consolidated Statements of Cash Flows  
Years Ended December 31, 2025 and 2024

1 of 2  
(in thousands)

	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 8,148	\$ 5,490
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,203	1,169
Amortization of premiums and accretion of discounts on investment securities, net	2,255	2,521
Amortization of intangible assets	110	109
Stock compensation expense	125	115
Provision for credit losses	2,261	833
Loss on sale of securities	11	2,563
Gain on sale of fixed assets	-	(4,535)
Loss on sale of other real estate	47	-
Deferred income tax expense	(441)	34
Increase in accrued interest receivable	(150)	(393)
Decrease (Increase) in cash surrender value of life insurance	691	(744)
(Decrease) Increase in accrued interest payable	(311)	264
Stock dividend from Federal Home Loan Bank	-	(229)
Net change in other operating assets and liabilities	1,256	(447)
Net cash provided by operating activities	15,205	6,750
<b>Cash flows from investing activities</b>		
Proceeds from calls, paydowns and maturities of securities available-for-sale	\$ 21,186	\$ 22,588
Proceeds from calls, paydowns and maturities of securities held-to-maturity	20,396	20,002
Proceeds from sales of securities available-for-sale	17,696	47,339
Purchases of securities available-for-sale	(250)	(83,283)
Purchases of bank premises, furniture, fixtures and equipment	(1,614)	(451)

**CITIZENS HOLDING COMPANY**  
Consolidated Statements of Cash Flows  
Years Ended December 31, 2025 and 2024  
2 of 2  
(in thousands)

	<b>2025</b>	<b>2024</b>
Proceeds from sales of bank premises, furniture, fixtures and equipment	272	10,840
Proceeds from sale of other real estate owned	226	267
Net change in LHFII	<u>(77,526)</u>	<u>(124,584)</u>
Net cash used in investing activities	<u>(19,614)</u>	<u>(107,282)</u>
Cash flows from financing activities		
Net change in deposits	\$ 265,931	\$ (98,725)
Net (decrease) increase in short term borrowings	(237,427)	153,564
Repayment of borrowings on secured line of credit	(1,625)	(2,900)
Dividends paid to shareholders	<u>(226)</u>	<u>(3,607)</u>
Net cash provided by financing activities	<u>26,653</u>	<u>48,332</u>
Net increase (decrease) in cash and cash equivalents	22,244	(52,201)
Cash and cash equivalents, beginning of year	<u>42,275</u>	<u>94,475</u>
Cash and cash equivalents, end of year	<u>\$ 64,519</u>	<u>\$ 42,275</u>
Supplemental disclosures of cash flow information		
Cash paid for		
Interest	<u>\$ 28,696</u>	<u>\$ 31,562</u>
Income taxes	<u>\$ 866</u>	<u>\$ 1,709</u>
Noncash disclosures		
Real estate acquired by foreclosure	<u>\$ 1,098</u>	<u>\$ 47</u>

The accompanying notes are an integral part of these financial statements.

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

*(in thousands, except share and per share data)*

### Nature of Business

Citizens Holding Company (referred to herein as the “Holding Company”) owns and operates The Citizens Bank of Philadelphia (the “Bank”) (collectively the “Company”). In addition to full service commercial banking, the Company offers mortgage loans, title insurance services through third party partnerships and a full range of internet banking services including online banking, bill pay and cash management services for businesses. As a state bank, the Bank is subject to regulations of the Mississippi Department of Banking and Consumer Finance and the Federal Deposit Insurance Company. The Company is also subject to the regulations of the Federal Reserve. The area served by the Bank is east central Mississippi, along with southern and northern counties of Mississippi and their surrounding areas. Services are provided at multiple branch offices.

### Basis of Financial Statement Presentation

The consolidated financial statements of the Holding Company includes the accounts of the Bank and its affiliate. The accounting policies of the Company and its subsidiary conform to generally accepted accounting principles (“GAAP”) in the United States of America and to general practices within the banking industry. All significant intercompany transactions have been eliminated in consolidation.

### Segment Reporting

Accounting standards require that information be reported about a company’s operating segments using a “management approach.” Reportable segments are identified in these standards as those revenue-producing components for which discrete financial information is produced internally and which are subject to evaluation by the chief operating decision maker in deciding how to allocate resources to segments. The Company has identified the President and Chief Executive Officer as the chief operating decision maker. Consistent with the Company’s strategy that is focused on providing a consistent package of banking products and services across all markets, the Company has identified its overall banking operations, which comprises substantially all of the consolidated operations, as its only reportable segment.

The President and Chief Executive Officer primarily uses net income and return on average assets to make operational and financial decisions and manage the Company. The accounting policies used to measure the profit and loss of the segment are the same as those described elsewhere within this footnote. The significant segment expenses included in net income and reported to the President and Chief Executive Officer are consistent with the financial statement captions shown on the face of the Consolidated Statements of Income. There are no other segment items needed to reconcile expenses included in net income to significant segment expenses reviewed by the chief operating decision maker.

### Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure

## **Note 1. Continued**

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.

Estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses (“ACL”) and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the ACL and valuation of foreclosed real estate, management obtains independent appraisals for significant properties.

While management uses available information to recognize losses on loans and to value foreclosed real estate, future additions to the allowance or adjustments to the valuation may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of the examination process, periodically review the Company’s ACL and valuations of foreclosed real estate. Such agencies may require the Company to recognize additions to the allowance or to make adjustments to the valuation based on their judgments about information available to them at the time of their examination. Due to these factors, it is reasonably possible that the ACL and valuation of foreclosed real estate may change materially in the near term.

### Cash, Due from Banks and Interest Bearing Deposits with Other Banks

For the purpose of reporting cash flows, cash and due from banks includes cash on hand and demand deposits. As of both December 31, 2025 and 2024, there was no cash reserve balances required to be maintained at the Federal Reserve Bank.

Interest-bearing deposits with other banks mature within one year and are carried at cost.

### Investment Securities

In accordance with the investments topic of the ASC, securities are classified as available-for-sale (“AFS”), held-to-maturity (“HTM”) or trading. Fair values for securities are based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Gains or losses on the sale of securities are determined using the specific identification method. Currently, the Company has no trading securities.

### Securities Available-for-Sale

Securities that are held for indefinite periods of time or used as part of the Company’s asset/liability management strategy and that may be sold in response to interest rate changes, changes in prepayment risk, the need to increase regulatory capital and other similar factors are classified as AFS. AFS securities are reported at fair value, with unrealized gains and losses reported, net of related income tax effect, as a separate component of shareholders’ equity.

## Note 1. Continued

The Company also evaluates AFS investment securities in an unrealized loss position on a quarterly basis. If the Company intends to sell the security or it is more likely than not that it will be required to sell before recovery, the entire unrealized loss is recorded as a loss within noninterest income in the Consolidated Statements of Income with a corresponding adjustment to the amortized cost basis of the security. If the Company does not intend to sell the security and it is not more likely than not that it will be required to sell the security before recovery of its amortized cost basis, the Company evaluates if any of the unrealized loss is related to a potential credit loss. The amount, if any, related to credit loss is recognized in earnings as a provision for credit loss (“PCL”) and a corresponding ACL is established; each is calculated as the difference between the estimate of discounted future cash flows and the amortized cost basis of the security. A number of qualitative and quantitative factors, including the financial condition of the underlying issuer, current and projected deferrals or defaults and credit ratings by nationally recognized statistical rating agencies are considered by management in the estimate of the discounted future cash flows. The remaining difference between the fair value and the amortized cost basis of the security is considered the amount related to other market factors and is recognized in other comprehensive income, net of applicable taxes.

### Securities Held-to-Maturity

HTM securities are carried at amortized cost and represent those securities that the Company both intends and has the ability to hold to maturity.

The Company evaluates its ACL on the HTM investment portfolio on a quarterly basis in accordance with Financial Accounting Standards Board (“FASB”) ASC 326, “*Financial Instruments - Credit Losses* (“ASC 326”); ASC 326 is also referred to as current expected credit losses (“CECL”). Expected credit losses on debt securities classified as HTM are measured on a collective basis by major security type. The estimates of expected credit losses are based on historical default rates, investment grades, current conditions, and reasonable and supportable forecasts about the future. The allowance is increased through PCL and decreased by charge-offs, net of recoveries of amounts previously charged-off.

### LHFI and Allowance for Credit Losses

LHFI are loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal amount outstanding, net of unearned income and an ACL. The Company has no loans held-for-sale.

Unearned origination fees include deferred fees net of deferred direct incremental loan origination cost. Unearned origination fees attributable to loans held with a maturity of more than one year is recognized as income or expense over the life of the loan.

Unearned discounts on installment loans are recognized as income over the terms of the loans by a method that approximates the interest method. Unearned origination fees and interest on commercial loans are recognized based on the principal amount outstanding. For all other loans, interest is accrued daily on the outstanding balances. For nonperforming loans, interest is discontinued on a loan when management believes, after considering collection efforts and other

## Note 1. Continued

factors, that the borrower's financial condition is such that collection of interest is doubtful. Cash collections on these loans are credited to the loan receivable balance, and no interest income is recognized on those loans until the principal balance has been collected. The Company generally discontinues the accrual of interest income when a loan becomes 90 days past due as to principal or interest; however, management may elect to continue the accrual when the estimated net realizable value of collateral is sufficient to cover the principal balance and the accrued interest. Interest income on other nonaccrual loans is recognized only to the extent of interest payments.

Upon discontinuance of the accrual of interest on a loan, any previously accrued but unpaid interest is reversed against interest income.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Generally, the recognition of interest on mortgage and commercial and industrial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Consumer and other retail loans are typically charged-off no later than the time the loan is 120 days past due. In all cases, loans are placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful. Loans may be placed on nonaccrual regardless of whether or not such loans are considered past due. All interest accrued for the current year, but not collected, for loans that are placed on nonaccrual or charged-off is reversed against interest income, the amount of which was immaterial for the years ended December 31, 2025 and 2024. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Interest income recognized on nonaccrual loans was immaterial for the year ended December 31, 2025. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The ACL is an estimate of expected losses inherent within the Company's LHFI portfolio and is maintained at a level believed adequate by management to absorb credit losses inherent in the entire loan portfolio in accordance with ASC 326. Management evaluates the adequacy of the ACL on a quarterly basis. Expected credit loss inherent in non-cancellable off-balance-sheet credit exposures is accounted for as a separate liability in the Balance Sheet. The ACL for LHFI, as reported in the Company's Balance Sheet, is adjusted by a PCL, which is reported in earnings, and reduced by net charge-offs. Loan losses are charged against the ACL when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The credit loss estimation process involves procedures to appropriately consider the unique characteristics of the Company's loan portfolio segments. Credit quality is assessed and monitored by evaluating various attributes, and the results of those evaluations are utilized in underwriting new loans and in the Company's process for the estimation of expected credit losses. Credit quality monitoring procedures and indicators can include an assessment of problem loans, the types of loans, historical loss experience, new lending products, emerging credit trends, changes in the size and character of loan categories and other factors, including the Company's risk rating system, regulatory guidance and economic conditions, such as the unemployment rate and gross domestic product ("GDP") growth in the markets in which the

## Note 1. Continued

Company operates, as well as trends in the market values of underlying collateral securing loans, all as determined based on input from management, loan review staff and other sources. This evaluation is complex and inherently subjective, as it requires estimates by management that are inherently uncertain and therefore susceptible to significant revision as more information becomes available. In future periods, evaluations of the overall loan portfolio, in light of the factors and forecasts then prevailing, may result in significant changes in the ACL and PCL in those future periods.

The methodology for estimating the amount of expected credit losses reported in the ACL has two basic components: first, a collective or pooled component for estimating expected credit losses for pools of loans that share similar risk characteristics; and second, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans.

Additionally, the Company made an accounting policy election to exclude accrued interest receivable from the amortized cost basis of loans and thus the measurement of the ACL in the Company's loan portfolio. Accrued interest receivable on loans is reported as a component of accrued interest receivable on the Balance Sheet and totaled \$3,411 and \$3,080 at December 31, 2025 and December 31, 2024, respectively, and is excluded from estimated credit losses.

### *Loans Evaluated on a Collective (Pool) Basis*

The ACL for loans that share similar risk characteristics with other loans is calculated on a collective or pool basis, where such loans are segregated into loan portfolio segments based upon similarity of credit risk. The Company's primary loan portfolio segments are as follows:

Real Estate – Land Development and Construction - The Company's construction loan portfolio consists of loans for the construction of single family residential properties, multi-family properties and commercial projects. Maturities for construction loans generally range from 6 to 12 months for residential properties and from 24 to 36 months for non-residential and multi-family properties. The source of repayment of a construction loan comes from the sale or lease of newly-constructed property, although often construction loans are repaid with the proceeds of a commercial real estate loan that the Company makes to the owner or lessor of the newly-constructed property.

Real Estate - Farmland - are "owner-occupied" loans in which the owner develops a property with the intention of locating its farming operations there. Payments on these loans are dependent on the successful development and management of the business as well as the borrower's ability to generate sufficient operating revenue to repay the loan. In some instances, in addition to the mortgage on the underlying real estate of the business, farmland loans are secured by other non-real estate collateral, such as equipment or other assets used in the business. In addition to owner-occupied commercial real estate loans, the Company offers loans in which the owner develops a property where the source of repayment of the loan will come from the sale or lease of the developed property. These loans are referred to as "non-owner occupied" farmland loans.

## Note 1. Continued

Real Estate - 1-4 Family Mortgage - This segment of the Company's loan portfolio includes loans secured by first or second liens on residential real estate in which the property is the principal residence of the borrower, as well as loans secured by residential real estate in which the property is rented to tenants or is otherwise not the principal residence of the borrower. Loans for the preparation of residential real property prior to construction are also included in this segment. Finally, this segment includes home equity loans or lines of credit and term loans secured by first and second mortgages on the residences of borrowers who elect to use the accumulated equity in their homes for purchases, refinances, home improvements, education and other personal expenditures. The Company attempts to minimize the risk associated with residential real estate loans by scrutinizing the financial condition of the borrower; typically, the maximum loan-to-value ratio is also limited.

Real Estate - Commercial Real Estate - are "owner-occupied" loans in which the owner develops a property with the intention of locating its business there. Payments on these loans are dependent on the successful development and management of the business as well as the borrower's ability to generate sufficient operating revenue to repay the loan. In some instances, in addition to the mortgage on the underlying real estate of the business, commercial real estate loans are secured by other non-real estate collateral, such as equipment or other assets used in the business. In addition to owner-occupied commercial real estate loans, the Company offers loans in which the owner develops a property where the source of repayment of the loan will come from the sale or lease of the developed property, for example, retail shopping centers, hotels and storage facilities. These loans are referred to as "non-owner occupied" commercial real estate loans. The Company also offers commercial real estate loans to developers of commercial properties for purposes of site acquisition and preparation and other development prior to actual construction (referred to as "commercial land development loans"). Non-owner occupied commercial real estate loans and commercial land development loans are dependent on the successful completion of the project and may be affected by adverse conditions in the real estate market or the economy as a whole.

Business Loans - Commercial and Industrial Loans - Commercial loans are customarily granted to established local business customers in the Company's market area on a collateralized basis to meet their credit needs. Maturities are typically short term in nature and are commensurate with the secondary source of repayment that serves as the Company's collateral. Although commercial loans may be collateralized by equipment or other business assets, the repayment of this type of loan depends primarily on the creditworthiness and projected cash flow of the borrower (and any guarantors). Thus, the chief considerations when assessing the risk of a commercial loan are the local business borrower's ability to sell its products/services, thereby generating sufficient operating revenue to repay the Company under the agreed upon terms and conditions, and the general business conditions of the local economy or other market that the business serves.

Business Loans – Farm Production and Other Farm Loans - Farm Production and Other Farm loans are customarily granted to established local farming customers in the Company's market area on a collateralized basis to meet their credit needs. Maturities are typically short term in nature and are commensurate with the secondary source of repayment that serves as the Company's collateral. Although farm loans may be collateralized by equipment or other business assets, the repayment of this type of loan depends primarily on the creditworthiness and

## Note 1. Continued

projected cash flow of the borrower (and any guarantors). Thus, the chief considerations when assessing the risk of a commercial loan are the local business borrower's ability to sell its products/services, thereby generating sufficient operating revenue to repay the Company under the agreed upon terms and conditions, and the general business conditions of the local economy or other market that the business serves.

Consumer Loans and Credit Cards - Installment loans to individuals are granted to individuals for the purchase of personal goods. Loss or decline of income by the borrower due to unplanned occurrences represents the primary risk of default to the Company. In the event of default, a shortfall in the value of the collateral may pose a loss in this loan category. Before granting a consumer loan, the Company assesses the applicant's credit history and ability to meet existing and proposed debt obligations. Although the applicant's creditworthiness is the primary consideration, the underwriting process also includes a comparison of the value of the collateral, if any, to the proposed loan amount. The Company obtains a lien against the collateral securing the loan and holds title until the loan is repaid in full.

In determining the ACL on loans evaluated on a collective basis, the Company categorizes loan pools based on loan type and/or risk rating. The Company uses five CECL models: (1) a loss rate model, based on Case-Shiller U.S. National Home Price Index and U.S. Unemployment for Real Estate – 1-4 Family Construction and 1-4 Family Mortgages (2) a loss rate model, based on nominal GDP and U.S. Unemployment for Real Estate – Land Development and Other Construction, 1-4 Family Mortgages, Multifamily, and Commercial Real Estate (3) a loss rate model, based on U.S. unemployment for Commercial and Industrial Loans and Farm Production and Other Farm Loans, (4) a loss rate model, based on U.S. unemployment and nominal GDP for Consumer Loans, and (5) a WARM model, based on company loss history for Credit Cards.

The historical loss rates calculated as described above are adjusted, as necessary, for both internal and external qualitative factors where there are differences in the historical loss data of the Company and current or projected future conditions. Internal factors include lending expertise, risk tolerance measured through lending policy requirements, and quality of the loan review system. External factors include current and reasonable and supportable forecasted economic conditions, impact of competition and changes in collateral values. These factors are used to adjust the historical loss rates (as described above) to ensure that they reflect management's expectation of future conditions based on a reasonable and supportable forecast period. To the extent the lives of the loans in the portfolio extend beyond the period for which a reasonable and supportable forecast can be made, the Company uses a reversion period of four quarters and reverts to the historical mean on a straight-line basis over the remaining life of the loans.

### *Loans Evaluated on an Individual Basis*

For loans that do not share similar risk characteristics with other loans, an individual analysis is performed to determine the expected credit loss. If the respective loan is collateral dependent (that is, when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral), the expected credit loss is measured as the difference between the amortized cost basis of the loan and the fair value of the collateral. The fair value of collateral is initially based on external appraisals. Generally,

## Note 1. Continued

collateral values for loans for which measurement of expected losses is dependent on the fair value of such collateral are updated every twelve months, either from external third parties or in-house certified appraisers. Third-party appraisals are obtained from a pre-approved list of independent, local appraisal firms. The fair value of the collateral derived from external appraisal is then adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. Other acceptable methods for determining the expected credit losses for individually evaluated loans (typically used when the loan is not collateral dependent) is a discounted cash flow approach or, if applicable, an observable market price. Once the expected credit loss amount is determined, an allowance equal to such expected credit loss is included in the ACL.

The Company considers the loans disclosed as individually evaluated in Note 4, "ACL on LHFI" as collateral dependent with the type of collateral typically being real estate.

The Company maintains a separate ACL on unfunded loan commitments, which is included in the "Other liabilities" line item on the Balance Sheet. Changes in such allowance are recorded in the "Other noninterest expense" line item on the Consolidated Statements of Income. Management estimates the amount of expected losses on unfunded loan commitments by calculating a likelihood of funding over the contractual period for exposures that are not unconditionally cancellable by the Company and applying the loss factors used in the ACL on loans methodology described above to unfunded commitments for each loan type. No credit loss estimate is reported for off-balance-sheet credit exposures that are unconditionally cancellable by the Company.

### Bank Premises, Furniture, Fixtures and Equipment

The Company's premises, furniture, fixtures and equipment are stated at cost less accumulated depreciation computed by straight-line methods over the estimated useful lives of the assets, which range from three to forty years. Costs of major additions and improvements are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

### Leases

The Company has certain contracts that it has identified as leases according to FASB ASC Topic 842, "Leases". Leases are classified as either operating or finance leases and a right-of-use asset and a lease liability are recognized at the lease commencement date. The lease liability represents the present value of the lease payments that remain unpaid as of the commencement date and the right-of-use asset is the initial lease liability recognized for the lease plus any lease payments made to the lessor at or before the commencement date as well as any initial direct costs less any lease incentives received. The Company accounts for the lease and nonlease components separately as such amounts are readily determinable.

The Company's operating leases primarily consist of building and land leases. The Company recognizes lease rent expense on a straight-line basis over the term of the lease contract and records it as noninterest expense in occupancy expense. The Company's amortization of the right-of-use asset is the difference between the straight-line lease expense and the interest expense recognized on the lease liability during the period. The Company's lease liabilities are measured as the present value of the remaining lease payments throughout the lease term.

## **Note 1. Continued**

In order to calculate its right-of-use assets and lease liabilities, FASB ASC Topic 842 requires the Company to use the rate of interest implicit in the lease when readily determinable. If the rate implicit in the lease is not readily determinable, the Company is required to use its incremental borrowing rate, which is the rate of interest the Company would have to pay to borrow on a collateralized basis over a similar term in a similar economic environment. Since the implicit interest rate for most of its building and land leases were not readily determinable, the Company used its incremental borrowing rate.

The Company's short-term leases primarily include automated teller machines. For short-term leases, the Company recognizes lease expense on a straight-line basis over the lease term. As previously stated, the Company has elected not to include short-term leases on its Balance Sheet.

### Other Real Estate Owned

Other real estate owned ("OREO") consists of properties repossessed by the Company on foreclosed loans. These assets are stated at fair value at the date acquired less estimated costs to sell. Losses arising from the acquisition of such property are charged against the ACL. Declines in value resulting from subsequent revaluation of the property or losses resulting from disposition of such property are expensed as incurred. Revenue and expenses from operations of OREO are reflected as other income (expense).

### Cash Surrender Value of Life Insurance

The Company has purchased life insurance contracts on certain employees and directors. Certain of such policies were acquired to fund deferred compensation arrangements with employees and directors. The cash surrender value of the Company owned policies is carried at the actual cash surrender value of the policy at the balance sheet date. Changes in the value of the policies are classified in non-interest income.

### Intangible Assets

Intangible assets include core deposits purchased and goodwill. Core deposit intangibles are amortized on a straight-line basis over their estimated economic lives ranging from 5 to 10 years. Goodwill and other intangible assets with indefinite lives are not amortized but are tested at least annually for impairment. Fair values are determined based on market valuation multiples for the Company and comparable businesses based on the assets and cash flow of the Bank, the Company's only reportable segment. If impairment has occurred, the goodwill or other intangible asset is reduced to its estimated fair value through a charge to expense.

### Investments in New Market Tax Partnerships

The Company invests in tax credit partnerships that generate income tax credits and other related tax benefits. These investments are accounted for using the proportional amortization method. Under this method, the initial investment is amortized in proportion to the income tax credits and other tax benefits received, and the net amortization and tax credits are recognized as a component of income tax expense in the consolidated statements of income. The Company evaluates these investments for impairment when events or circumstances indicate that the

## Note 1. Continued

carrying amount may not be recoverable. During the current year, the Company made tax credit partnership investments totaling \$328.

### Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and the changes in deferred tax assets and liabilities, excluding components of other comprehensive income. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

### Fair Value Measurements:

ASC 820, “*Fair Value Measurements and Disclosures*,” provides guidance for using fair value to measure assets and liabilities and also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to a valuation based on quoted prices in active markets for identical assets and liabilities (Level 1), moderate priority to a valuation based on quoted prices in active markets for similar assets and liabilities and/or based on assumptions that are observable in the market (Level 2), and the lowest priority to a valuation based on assumptions that are not observable in the market (Level 3). See Note 18, “Fair Value Measurements,” for further details regarding the Company’s methods and assumptions used to estimate the fair values of the Company’s financial assets and liabilities.

### Derivative Instruments and Hedging Activities

The Company utilizes derivative financial instruments as part of its ongoing efforts to manage its interest rate risk exposure as well as to meet the needs of its customers. Derivative financial instruments are included in the Balance Sheet line item “Other assets” or “Other liabilities” at fair value in accordance with ASC 815.

Fair value hedges are utilized to mitigate the exposure to future interest rate risk. For the Company’s derivatives designated as fair value hedges, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged liability attributable to the hedged risk are recognized in current earnings. The gain or loss on the derivative instrument is presented on the same line item as the earnings effect of the hedged item.

Cash flow hedges are utilized to mitigate the exposure to variability in expected future cash flows or other types of forecasted transactions. For the Company’s derivatives designated as cash flow hedges, changes in the fair value of cash flow hedges are, to the extent that the hedging relationship is effective, recorded as other comprehensive income and are subsequently recognized in earnings at the same time that the hedged item is recognized in earnings. The assessment of the effectiveness of a hedging relationship is evaluated under the hypothetical derivative method.

## Note 1. Continued

### Comprehensive Income

Comprehensive income includes net earnings reported in the consolidated statements of income, changes in unrealized gain (loss) on securities available-for-sale and the amount of unrealized losses recorded upon the transfer of AFS securities to HTM securities, net of amortization, reported as a component of shareholders' equity. Unrealized gain (loss) on AFS securities, net of related income taxes, and unrealized losses from the transfer of AFS securities to HTM securities are the primary components of accumulated other comprehensive income for the Company.

### Net Income Per Share

Net income per share-basic is computed by dividing net income by the weighted average number of common shares outstanding during the year. Net income per share-diluted is based on the weighted average number of shares of common stock outstanding for the periods, including the dilutive effect of the Company's outstanding stock options and restricted stock grants. The effect of the dilutive shares for the years 2025 and 2024 is illustrated in the following table.

	<u>2025</u>	<u>2024</u>
Basic weighted average shares outstanding	5,649,834	5,609,710
Dilutive effect of stock options	<u>10,491</u>	<u>787</u>
Dilutive weighted average shares outstanding	<u>5,660,325</u>	<u>5,610,497</u>
Net income	<u>\$ 8,148</u>	<u>\$ 5,490</u>
Net income per share-basic	\$ 1.44	\$ 0.98
Net income per share-diluted	\$ 1.44	\$ 0.98

### Advertising Costs

Advertising costs are charged to expense when incurred. Advertising expense was \$772 and \$733 for the years ended December 31, 2025 and 2024, respectively.

### Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase are accounted for as collateralized financing transactions, recorded at the amounts at which the securities were sold, and included in short term borrowings. Securities, generally United States Government, federal agency and state county municipal securities, pledged as collateral under these financing arrangements cannot be sold or re-pledged by the secured party.

## Note 1. Continued

### Reclassifications

Certain information for 2024 has been reclassified to conform to the financial presentation for 2025. Such reclassifications had no effect on net income or shareholders' equity.

### Stock-Based Compensation

At December 31, 2025, the Company had outstanding grants under two stock-based compensation plans, the 2013 and 2024 Incentive Compensation Plan. Compensation expense for option grants and restricted stock awards is determined based on the estimated fair value of the stock options and restricted stock on the applicable grant or award date. The Company has elected to account for forfeitures in compensation cost when they occur as permitted under the guidance in ASC 718, "Compensation - Stock Compensation" ("ASC 718"). Expense associated with the Company's stock-based compensation is included under the line item "Salaries and employee benefits" on the Consolidated Statements of Income. The Company recognizes compensation expense for all share-based payments to employees in accordance with ASC 718.

### *Newly Issued, But Not Yet Effective Accounting Standards:*

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures; which provides for improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This ASU is effective for the Company beginning on January 1, 2026. The adoption of ASU 2023-09 is not expected to have a significant impact on the Company's consolidated financial statements.

In July 2024, the FASB issued ASU 2024-03, Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40); which requires the disclosure of disaggregated information about specified components of income statement expense captions. This ASU is effective for the Company beginning on January 1, 2027. The adoption of ASU 2024-03 is not expected to have a significant impact on the Company's consolidated financial statements.

In March 2025, the FASB issued ASU 2025-03, Business Combinations (Topic 805) & Consolidation (Topic 810): Determining the Accounting Acquirer in a VIE Acquisition; which clarifies how to identify the acquirer when the entity is also a variable interest entity (VIE). This ASU is effective for the Company beginning on January 1, 2027. The adoption of ASU 2025-03 is not expected to have a significant impact on the Company's consolidated financial statements.

In April 2025, the FASB issued ASU 2025-04, Compensation — Stock Compensation (Topic 718) & Revenue (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer; which clarifies the accounting for share-based compensation paid to customers in revenue contracts and how transactions should be recognized. This ASU is effective for the Company beginning on January 1, 2027. The adoption of ASU 2025-04 is not expected to have a significant impact on the Company's consolidated financial statements.

In June 2025, the FASB issued ASU 2025-06, Intangibles — Goodwill & Other — Internal-Use Software (Subtopic 350-40): Targeted Improvements; which updates the accounting guidance governing internal use software costs, especially aspects surrounding capitalization. This ASU is

## Note 1. Continued

effective for the Company beginning on January 1, 2028. The adoption of ASU 2025-06 is not expected to have a significant impact on the Company's consolidated financial statements.

## Note 2. Investment Securities

(in thousands)

The amortized cost and estimated fair value of securities available-for-sale and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive loss at December 31, 2025 and 2024 were as follows:

<b>2025</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Securities available-for-sale				
Mortgage-backed securities	\$ 79,296	\$ 20	\$ 6,498	\$ 72,818
State, County, Municipals	104,807	-	25,917	78,890
Other securities	750	-	40	710
Total	<u>\$ 184,853</u>	<u>\$ 20</u>	<u>\$ 32,455</u>	<u>\$ 152,418</u>

<b>2024</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Securities available-for-sale				
Mortgage-backed securities	\$ 117,148	\$ 13	\$ 8,751	\$ 108,410
State, County, Municipals	106,152	-	27,664	78,488
Other securities	500	-	61	439
Total	<u>\$ 223,800</u>	<u>\$ 13</u>	<u>\$ 36,476</u>	<u>\$ 187,337</u>

The amortized cost and estimated fair value of securities HTM and the corresponding amounts of gross unrealized gains and losses at December 31, 2025 and 2024 were as follows:

<b>2025</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Securities held-to-maturity				
Obligations of U.S.				
Government agencies	\$ 4,199	\$ -	\$ 325	\$ 3,874
Mortgage-backed securities	254,999	309	22,653	232,655
State, County, Municipals	93,128	-	7,209	85,918
Total	<u>\$ 352,325</u>	<u>\$ 309</u>	<u>\$ 30,187</u>	<u>\$ 322,447</u>

**Note 2. Continued**

<b>2024</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Securities held-to-maturity				
Obligations of U.S.				
Government agencies	\$ 4,130	\$ -	\$ 484	\$ 3,646
Mortgage-backed securities	273,064	-	33,926	239,138
State, County, Municipals	93,027	-	6,851	86,176
<b>Total</b>	<b>\$ 370,221</b>	<b>\$ -</b>	<b>\$ 41,261</b>	<b>\$ 328,960</b>

The following tables show the gross unrealized losses and fair value of the Company's investments classified as AFS and HTM investments with unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2025 and 2024.

A summary of unrealized loss information for AFS and HTM securities, categorized by security type follows:

<b>December 31, 2025</b>						
<b>Available-for-sale</b>	<b>Less than 12 months</b>		<b>12 months or more</b>		<b>Total</b>	
<b>Description of Securities</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>
Mortgage backed securities	\$ 3,838	\$ 5	\$ 57,863	\$ 6,493	\$ 61,701	\$ 6,498
State, County, Municipal	637	4	78,253	25,913	78,890	25,917
Other securities	-	-	-	40	710	40
<b>Total</b>	<b>\$ 4,475</b>	<b>\$ 9</b>	<b>\$ 136,116</b>	<b>\$ 32,446</b>	<b>\$ 141,301</b>	<b>\$ 32,455</b>

<b>Held-to-maturity</b>	<b>Less than 12 months</b>		<b>12 months or more</b>		<b>Total</b>	
<b>Description of Securities</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>
Obligations of U.S.						
Government agencies	\$ -	\$ -	\$ 3,874	\$ 325	\$ 3,874	\$ 325
Mortgage backed securities	-	-	214,268	22,653	214,268	22,653
State, County, Municipal	2,991	8	82,928	7,201	85,919	7,209
<b>Total</b>	<b>\$ 2,991</b>	<b>\$ 8</b>	<b>\$ 301,070</b>	<b>\$ 30,179</b>	<b>\$ 304,061</b>	<b>\$ 30,187</b>

**Note 2. Continued**

December 31, 2024						
Available-for-sale	Less than 12 months		12 months or more		Total	
Description of Securities	Fair Value	Unrealized		Unrealized		Unrealized
		Losses	Fair Value	Losses	Fair Value	
Mortgage backed securities	\$ 66,266	\$ 583	\$ 33,304	\$ 8,168	\$ 99,570	\$ 8,751
State, County, Municipal	-	-	78,488	27,664	78,488	27,664
Other securities	-	-	439	61	439	61
Total	\$ 66,266	\$ 583	\$ 112,231	\$ 35,893	\$ 178,497	\$ 36,476

Held-to-maturity	Less than 12 months		12 months or more		Total	
Description of Securities	Fair Value	Unrealized		Unrealized		Unrealized
		Losses	Fair Value	Losses	Fair Value	
Obligations of U.S.						
Government agencies	\$ -	\$ -	\$ 3,646	\$ 484	\$ 3,646	\$ 484
Mortgage backed securities	-	-	239,137	33,926	239,137	33,926
State, County, Municipal	6,304	204	79,872	6,647	86,176	6,851
Total	\$ 6,304	\$ 204	\$ 322,655	\$ 41,057	\$ 328,959	\$ 41,261

The unrealized losses shown above are due to increases in market interest rates over the yields available at the time of purchase of the underlying securities and not credit quality. The Company does not intend to sell any of the securities in an unrealized loss position, and it is more likely than not that the Company will not be required to sell any such security prior to the recovery of its amortized cost basis, which may be at maturity.

The amortized cost and estimated fair value of securities at December 31, 2025, by contractual maturity and investment type, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
December 31, 2025				
Due in one year or less	\$ 877	\$ 876	\$ -	-
Due after one year through five years	2,384	2,272	-	-
Due after five years through ten years	5,038	4,719	4,199	3,874
Due after ten years	97,258	71,735	93,129	85,919
Residential mortgage backed securities	2,591	2,444	199,512	183,415
Commercial mortgage backed securities	76,705	70,372	55,485	49,239
Total	\$ 184,853	\$ 152,418	\$ 352,325	\$ 322,447

**Note 2. Continued**

Investment securities with carrying amounts of \$235,198 and \$515,858 at December 31, 2025 and December 31, 2024, respectively, were pledged as collateral for public deposits and securities sold under agreement to repurchase.

The ACL on HTM securities is evaluated on a quarterly basis in accordance with ASC 326. Expected credit losses on debt securities classified as HTM are measured on a collective basis by major security type. The estimates of expected credit losses are based on historical default rates, investment grades, current conditions, and reasonable and supportable forecasts about the future. At December 31, 2025 and 2024, the ACL on HTM securities was \$2 and \$2, respectively.

Realized gains and losses are included in net gains (losses) on sales of securities in the Consolidated Statements of Income. Total realized gains (losses) from the sale of investment securities for each of the years ended December 31, 2025 and 2024 were \$(11) and \$(2,563), respectively.

**Note 3. Federal Home Loan Bank Stock**

*(in thousands)*

The Company, as a member of the Federal Home Loan Bank of Dallas (“FHLB”) system, owns stock in the organization. No ready market exists for the stock, and it has no quoted market value. The Company’s investment in the FHLB is carried at cost of \$914 and \$2,319 at December 31, 2025 and December 31, 2024 respectively, and is included in “Other Assets” in the Balance Sheet. The Company did not purchase stock in either 2025 or 2024.

**Note 4. LHFI and Allowance for Credit Losses**

*(In Thousands, Except Number of Loans)*

The composition of LHFI, net at December 31, 2025 and 2024 is as follows:

**Note 4. Continued**

	<u>2025</u>	<u>2024</u>
Real Estate:		
Land Development and Construction	\$ 89,050	\$ 98,329
Farmland	17,079	11,959
1-4 Family Mortgages	151,262	123,761
Commercial Real Estate	472,602	428,766
Total Real Estate Loans	<u>729,993</u>	<u>662,815</u>
Business Loans:		
Commercial and Industrial Loans	90,361	83,944
Farm Production and Other Farm Loans	680	594
Total Business Loans	<u>91,041</u>	<u>84,538</u>
Consumer Loans:		
Credit Cards	4,272	3,938
Other Consumer Loans	17,055	14,838
Total Consumer Loans	<u>21,327</u>	<u>18,776</u>
Total Gross Loans	<u>842,361</u>	<u>766,129</u>
Unearned Income	(1,225)	(1,263)
Allowance for credit losses	(8,945)	(6,948)
Loans, net	<u>\$ 832,191</u>	<u>\$ 757,918</u>

In the ordinary course of business, the Company has granted loans to certain directors, significant shareholders and their affiliates (collectively referred to as “related parties”). These loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other unaffiliated persons and do not involve more than normal risk of collectability. Activity in related party loans during 2025 is presented in the following table.

Balance outstanding at December 31, 2024	\$ 993
Principal additions	498
Principal reductions	<u>(1,025)</u>
Balance outstanding at December 31, 2025	<u>\$ 466</u>

## Note 4. Continued

### Nonaccrual and Past Due LHF I

The amortized cost basis of period-end, nonaccrual LHF I, segregated by class, were as follows:

	Nonaccrual With No Allowance for Credit Loss	Nonaccrual With an Allowance	Total Nonaccrual Loans
<u>December 31, 2025</u>			
Real Estate:			
Land Development and Construction	\$ 28	\$ -	\$ 28
Farmland	45	-	45
1-4 Family Mortgages	1,029	-	1,029
Commercial Real Estate	594	-	594
Total Real Estate Loans	1,696	-	1,696
Business Loans:			
Commercial and Industrial Loans	1,343	701	2,044
Farm Production and Other Farm Loans	-	-	-
Total Business Loans	1,343	701	2,044
Consumer Loans:			
Other Consumer Loans	4	-	4
Total Consumer Loans	4	-	4
Total Non-accrual Loans	\$ 3,043	\$ 701	\$ 3,744
	Nonaccrual With No Allowance for Credit Loss	Nonaccrual With an Allowance	Total Nonaccrual Loans
<u>December 31, 2024</u>			
Real Estate:			
Land Development and Construction	\$ -	\$ -	\$ -
Farmland	-	66	66
1-4 Family Mortgages	357	1,461	1,818
Commercial Real Estate	642	673	1,315
Total Real Estate Loans	999	2,200	3,199
Business Loans:			
Commercial and Industrial Loans	1,378	1,533	2,911
Farm Production and Other Farm Loans	-	-	-
Total Business Loans	1,378	1,533	2,911
Consumer Loans:			
Other Consumer Loans	-	30	30
Total Consumer Loans	-	30	30
Total Non-accrual Loans	\$ 2,377	\$ 3,763	\$ 6,140

## Note 4. Continued

There were loans past due 90 days or more and still accruing interest as of December 31, 2025 and 2024 in the amount of \$30 and \$154, respectively.

An aging analysis of past due loans, segregated by class of loans, as of December 31, 2025 is as follows:

	Loans 30-89 Days Past Due	Loans 90 or more Days Past Due	Total Past Due Loans	Current Loans	Total Loans	Accruing Loans 90 or more Days Past Due
Real Estate:						
Land Development and Construction	\$ -	\$ -	\$ -	\$ 89,050	\$ 89,050	\$ -
Farmland	202	-	202	16,877	17,079	-
1-4 Family Mortgages	2,054	228	2,282	148,980	151,262	-
Commercial Real Estate	7,413	-	7,413	465,189	472,602	-
Total Real Estate Loans	9,669	228	9,897	720,096	729,993	-
Business Loans:						
Commercial and Industrial Loans	78	1,978	2,056	88,305	90,361	-
Farm Production and Other Farm Loans	-	-	-	680	680	-
Total Business Loans	78	1,978	2,056	88,985	91,041	-
Consumer Loans:						
Credit Cards	-	-	-	4,272	4,272	30
Other Consumer Loans	227	-	227	16,828	17,055	-
Total Consumer Loans	227	-	227	21,100	21,327	30
Total Loans	\$ 9,974	\$ 2,206	\$ 12,180	\$ 830,181	\$ 842,361	\$ 30

An aging analysis of past due loans, segregated by class of loans, as of December 31, 2024 is as follows:

	Loans 30-89 Days Past Due	Loans 90 or more Days Past Due	Total Past Due Loans	Current Loans	Total Loans	Accruing Loans 90 or more Days Past Due
Real Estate:						
Land Development and Construction	\$ 768	\$ -	\$ 768	\$ 97,561	\$ 98,329	\$ -
Farmland	87	-	87	11,872	11,959	-
1-4 Family Mortgages	3,541	518	4,059	119,702	123,761	140
Commercial Real Estate	25	31	56	428,710	428,766	-
Total Real Estate Loans	4,421	549	4,970	657,845	662,815	140
Business Loans:						
Commercial and Industrial Loans	171	266	437	83,507	83,944	-
Farm Production and Other Farm Loans	-	-	-	594	594	-
Total Business Loans	171	266	437	84,101	84,538	-
Consumer Loans:						
Credit Cards	93	32	125	3,813	3,938	12
Other Consumer Loans	204	-	204	14,634	14,838	2
Total Consumer Loans	297	32	329	18,447	18,776	14
Total Loans	\$ 4,889	\$ 847	\$ 5,736	\$ 760,393	\$ 766,129	\$ 154

## **Note 4. Continued**

### ***Loan Modifications***

Based on the guidance in ASU 2022-02, a loan modification or refinancing results in a new loan if the terms of the new loan are at least as favorable to the lender as the terms with customers with similar collection risks that are not refinancing or restructuring their loans and the modification to the terms of the loans are more than minor. If a loan modification or refinancing does not result in a new loan, it is classified as a loan modification. There are additional disclosures for the modification of loans with borrowers experiencing financial difficulty that results in a direct change in the timing or amount of contractual cash flows. The disclosures are applicable to situations where there is principal forgiveness, interest rate reductions, other-than-insignificant payment delays, term extensions or a combination of any of these terms. If the Company modifies any loans to borrowers in financial distress that involves principal forgiveness, the amount of principal forgiven is charged off against the ACL.

The Company had no new loan modification to borrowers experiencing financial difficulties in 2025.

At December 31, 2025 and 2024, LHFH classified as modified loans totaled \$0 and \$972, respectively. At December 31, 2024, modified loans were primarily comprised of interest rate concessions.

The allocated ACL attributable to modified loans was \$0 and \$37 at December 31, 2025 and 2024, respectively. The Company had no commitments to lend additional funds on these loans as of December 31, 2025 and 2024.

There were no loans modified within the last twelve months for which there was a payment default during the twelve months ended December 31, 2025 and 2024.

At December 31, 2025 and 2024, there were no Real Estate – 1-4 Family Mortgage loans in the process of foreclosure.

## Note 4. Continued

### *Collateral-Dependent Loans*

The following tables present the amortized cost basis of collateral-dependent loans by class of loans and collateral type as of December 31, 2025 and 2024:

December 31, 2025	Stocks	Inventory	Real Estate	Receivables	Total
Loans secured by real estate:					
Land Development and Construction	\$ -	\$ -	\$ 1,829	\$ -	\$ 1,829
1-4 Family Mortgages	-	-	695	-	695
Commercial Real Estate	-	-	13,787	-	13,787
Total Real Estate Loans	\$ -	\$ -	\$ 16,311	\$ -	\$ 16,311
Business Loans:					
Commercial and Industrial Loans	\$ 1,268	\$ -	\$ -	\$ -	\$ 1,268
Farm Production and Other Farm Loans	-	-	-	-	-
Total Business Loans	\$ 1,268	\$ -	\$ -	\$ -	\$ 1,268
Total	\$ 1,268	\$ -	\$ 16,311	\$ -	\$ 17,579
December 31, 2024					
Loans secured by real estate:					
Land Development and Construction	\$ -	\$ -	\$ -	\$ -	\$ -
1-4 Family Mortgages	-	-	496	-	496
Commercial Real Estate	-	-	642	-	642
Total Real Estate Loans	\$ -	\$ -	\$ 1,138	\$ -	\$ 1,138
Business Loans:					
Commercial and Industrial Loans	\$ 1,254	\$ 92	\$ -	\$ 32	\$ 1,378
Farm Production and Other Farm Loans	-	-	-	-	-
Total Business Loans	\$ 1,254	\$ 92	\$ -	\$ 32	\$ 1,378
Total	\$ 1,254	\$ 92	\$ 1,138	\$ 32	\$ 2,516

A loan is collateral dependent when the borrower is experiencing financial difficulty and repayment of the loan is expected to be provided substantially through the sale of the collateral. The following provides a qualitative description by class of loan of the collateral that secures the Company's collateral-dependent LHFI:

- Loans secured by real estate – Loans within these loan classes are secured by liens on real estate properties. There have been no significant changes to the collateral that secures these financial assets during the period.
- Business loans – Loans within this loan class are primarily secured by inventory, accounts receivables, equipment and other non-real estate collateral. There have been no significant changes to the collateral that secures these financial assets during the period.

The Company utilizes a risk grading matrix to assign a risk grade to each of its loans when originated and is updated as factors related to the strength of the loan changes. Loans are graded on a scale of 1 to 9. A description of the general characteristics of the 9 risk grades is as follows.

#### **Note 4. Continued**

Grade 1. MINIMAL RISK - These loans are without loss exposure to the Company. This classification is reserved for only the best, well secured loans to borrowers with significant capital strength, low leverage, stable earnings and growth and other readily available financing alternatives. This type of loan would also include loans secured by a program of the government.

Grade 2. MODEST RISK - These loans include borrowers with solid credit quality and moderate risk of loss. These loans may be fully secured by certificates of deposit with another reputable financial institution, or secured by readily marketable securities with acceptable margins.

Grade 3. AVERAGE RISK - This is the rating assigned to most of the loans held by the Company. This includes loans with average loss exposure and average overall quality. These loans should liquidate through possessing adequate collateral and adequate earnings of the borrower. In addition, these loans are properly documented and are in accordance with all aspects of the current loan policy.

Grade 4. ACCEPTABLE RISK - Borrower generates sufficient cash flow to fund debt service but most working asset and capital expansion needs are provided from external sources. Profitability and key statement of balance sheet ratios are usually close to peers but one or more may not align with peers.

Grade 5. MANAGEMENT ATTENTION - Borrower has potential weaknesses resulting from performance trends or management concerns. The financial condition of the borrower has taken a negative turn and may be temporarily strained. Cash flow is weak but cash reserves remain adequate to meet debt service. Management weakness is evident.

Grade 6. OTHER LOANS ESPECIALLY MENTIONED (“OLEM”) - Loans in this category are fundamentally sound but possess some weaknesses. OLEM loans have weaknesses, which may, if not checked or corrected, weaken the asset or inadequately protect the Bank's credit position at some future date. These loans have an identifiable weakness in credit, collateral, or repayment ability but there is no expectation of loss.

Grade 7. SUBSTANDARD ASSETS - Assets classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Assets classified as substandard must have a well-defined weakness based upon objective evidence. Assets classified as substandard are characterized by the distinct possibility that the insured institution will sustain some loss if the deficiencies are not corrected. The possibility that liquidation would not be timely requires a substandard classification even if there is little likelihood of total loss.

Grade 8. DOUBTFUL - A loan classified as doubtful has all the weaknesses of a substandard classification and the added characteristic that the weakness makes collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable or improbable. The possibility of loss is extremely high, but because of certain important and reasonable specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined. A doubtful classification could reflect the fact that the primary source of repayment

**Note 4. Continued**

is gone and serious doubt exists as to the quality of a secondary source of repayment.

Grade 9. LOSS - Loans classified loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may occur in the future. Also included in this classification is the defined loss portion of loans rated substandard assets and doubtful assets.

These internally assigned grades are updated on a continual basis throughout the course of the year and represent management’s most updated judgment regarding grades at December 31, 2025 and 2024.

The following table details the amortized cost basis of LHFI, segregated by grade and class, as of December 31, 2025:

	Satisfactory 1,2,3,4	Special Mention 5,6	Substandard 7	Doubtful 8	Loss 9	Total Loans
<b>Real Estate:</b>						
Land Development and Construction	\$ 86,238	\$ 874	\$ 1,938	\$ -	\$ -	\$ 89,050
Farmland	10,742	6,194	143	-	-	17,079
1-4 Family Mortgages	144,860	3,444	2,958	-	-	151,262
Commercial Real Estate	419,645	38,575	14,382	-	-	472,602
Total Real Estate Loans	661,485	49,087	19,421	-	-	729,993
<b>Business:</b>						
Commercial and Industrial Loans	84,443	3,842	2,076	-	-	90,361
Farm Production and Other Farm Loans	680	-	-	-	-	680
Total Business Loans	85,123	3,842	2,076	-	-	91,041
<b>Consumer Loans:</b>						
Other Consumer Loans	16,823	125	107	-	-	17,055
Credit Cards	4,272	-	-	-	-	4,272
Total Consumer Loans	21,095	125	107	-	-	21,327
Total Loans	\$ 767,703	\$ 53,054	\$ 21,604	\$ -	\$ -	\$ 842,361

## Note 4. Continued

December 31, 2024:

	Satisfactory 1,2,3,4	Special Mention 5,6	Substandard 7	Doubtful 8	Loss 9	Total Loans
<b>Real Estate:</b>						
Land Development and Construction	\$ 97,709	\$ 380	\$ 240	\$ -	\$ -	\$ 98,329
Farmland	11,672	220	67	-	-	11,959
1-4 Family Mortgages	119,424	1,389	2,948	-	-	123,761
Commercial Real Estate	384,761	26,339	17,666	-	-	428,766
Total Real Estate Loans	613,566	28,328	20,921	-	-	662,815
<b>Business:</b>						
Commercial and Industrial Loans	79,878	2,471	1,595	-	-	83,944
Farm Production and Other Farm Loans	594	-	-	-	-	594
Total Business Loans	80,472	2,471	1,595	-	-	84,538
<b>Consumer Loans:</b>						
Other Consumer Loans	3,906	32	-	-	-	3,938
Credit Cards	14,372	37	429	-	-	14,838
Total Consumer Loans	18,278	69	429	-	-	18,776
Total Loans	\$ 712,316	\$ 30,868	\$ 22,945	\$ -	\$ -	\$ 766,129

The following table details activity in the ACL by portfolio segment and individually evaluated as of December 31, 2025 and 2024:

	2025		2024		Total
	Real Estate	Business Loans	Real Estate	Business Loans	
Beginning Balance	\$ 6,067	\$ 487	\$ 6,067	\$ 487	\$ 6,948
Provision for loan losses	1,072	886	1,072	886	2,151
Chargeoffs	112	59	112	59	522
Recoveries	206	64	206	64	368
Net (recoveries) chargeoffs	(94)	(5)	(94)	(5)	154
Ending Balance	\$ 7,233	\$ 1,378	\$ 7,233	\$ 1,378	\$ 8,945
<b>Period end allowance allocated to:</b>					
Loans individually evaluated for impairment	\$ -	\$ 701	\$ -	\$ 701	\$ 701
Loans collectively evaluated for impairment	7,233	677	7,233	334	8,244
Ending Balance	\$ 7,233	\$ 1,378	\$ 7,233	\$ 334	\$ 8,945
<b>December 31, 2025</b>					
Loans individually evaluated for specific impairment	\$ 16,311	\$ 1,268	\$ -	\$ -	\$ 17,579
Loans individually evaluated for general impairment	714,470	87,665	22,647	-	824,782
	\$ 730,781	\$ 88,933	\$ 22,647	\$ -	\$ 842,361

## Note 4. Continued

	2024		Real	Business		Total		
			Estate	Loans	Consumer			
Beginning Balance	\$	5,641	\$	536	\$	374	\$	6,551
Provision for loan losses		410		(18)		167		559
Chargeoffs		125		47		216		388
Recoveries		141		16		69		226
Net (recoveries) chargeoffs		(16)		31		147		162
Ending Balance	\$	6,067	\$	487	\$	394	\$	6,948
Period end allowance allocated to:								
Loans individually evaluated for impairment	\$	37	\$	-	\$	-	\$	37
Loans collectively evaluated for impairment		6,030		487		394		6,911
Ending Balance	\$	6,067	\$	487	\$	394	\$	6,948
<b>December 31, 2024</b>								
Loans individually evaluated for specific impairment	\$	1,138	\$	1,378	\$	-	\$	2,516
Loans individually evaluated for general impairment		661,677		83,160		18,776		763,613
	\$	662,815	\$	84,538	\$	18,776	\$	766,129

The Company recorded a PCL of \$2,261 during 2025, as compared to a PCL of \$833 recorded in 2024. The Company's ACL model considers economic projections, primarily the national unemployment rate, recessionary risks, GDP and Case-Shiller U.S. National Home Price Index fluctuations.

The following table provides a roll-forward of the ACL for off-balance sheet credit exposure for the period presented:

	For the Twelve Months Ended December, 31 2025		For the Twelve Months Ended December, 31 2024	
ACL for off-balance sheet credit exposure:				
Beginning balance	\$	1,156	\$	882
PCL for off-balance sheet credit exposure		104		274
Ending balance	\$	1,260	\$	1,156

The Company recorded a PCL for off-balance sheet credit exposure for the twelve months ended December 31, 2025 of \$104 compared to \$274 for the twelve months ended December 31, 2024.

## Note 5. Derivative Instruments

The Company utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest rate swaps does not represent amounts exchanged by the parties but is rather determined by reference to the notional amount and the other terms of the individual interest rate swap agreements.

The Company posted collateral of \$3,610 in the normal course of business related to these contracts as of December 31, 2025 and 2024.

**Note 5. Continued**

*Derivatives designated as fair value hedges*

Interest rate swaps with notional amounts totaling \$24,500 and \$44,140 as of December 31, 2025 and 2024, were designated as fair value hedges of certain fixed rate investments and were determined to be effective during all periods presented. The Company expects the hedges to remain effective during the remaining terms of the swaps.

Interest income recorded on these swaps totaled \$124 and \$689 during 2025 and 2024, respectively, and is reported as a component of other interest income.

The Company presents derivative position gross on the balance sheet. The following table reflects the derivatives recorded on the balance sheet as of December 31:

Included in other assets:	2025		2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives designated as hedging instruments:				
Interest rate hedges related to fixed rate investments	\$ 14,718	\$ 210	\$ 19,640	\$ 62
Interest rate hedges related to fixed rate funding	-	-	15,000	40
Total included in other assets	\$ 14,718	\$ 210	\$ 34,640	\$ 102

Included in other liabilities:	2025		2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives designated as hedging instruments:				
Interest rate hedges related to fixed rate investments	\$ 14,718	\$ (210)	-	-
Interest rate hedges related to fixed rate funding	15,000	(274)	-	-
Interest rate hedges related to fixed rate investments	24,500	(104)	24,500	(39)
Total included in other liabilities	\$ 54,218	\$ (588)	\$ 24,500	\$ (39)

*Derivatives designated as cash flow hedges*

In a cash flow hedge, the entire change in the fair value of the interest rate swap included in the assessment of hedge effectiveness is initially recorded in OCI and subsequently reclassified from OCI to current period earnings in the same period that the hedged item affects earnings. Interest rate hedges with notional amounts totaling \$15,000 as of December 31, 2025 and 2024, were designated as cash flow hedges of certain interest-bearing liabilities and interest rate contracts and were determined to be effective during all periods presented. The Company expects the hedges to remain effective during the remaining terms of the hedges. The effect of cash flow hedge accounting on other comprehensive income for the years ended December 31, 2025 and 2024 were a (\$314) and \$40 unrealized gain, respectively.

Interest income recorded on the cash flow hedges totaled \$42 and \$85 during 2025 and 2024, respectively, and is reported as a component of interest expense on other borrowed funds.

## Note 6. Bank Premises, Furniture, Fixtures and Equipment

(in thousands)

Bank premises, furniture, fixtures and equipment consist of the following at December 31, 2025 and December 31, 2024:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
(in thousands)		
Land and Buildings	\$ 27,840	\$ 27,308
Furniture, Fixtures, and Equipment	8,938	8,180
Total	<u>36,778</u>	<u>35,488</u>
Less: Acc Depreciation	<u>16,587</u>	<u>15,436</u>
	<u>\$ 20,191</u>	<u>\$ 20,052</u>

Depreciation expense for the years ended December 31, 2025 and 2024 was \$1,203 and \$1,169, respectively.

The Company leases certain premises and equipment under operating leases. At December 31, 2025 and 2024, the Company had lease liabilities and right-of-use (“ROU”) assets totaling \$8,574 and \$8,821, respectively, related to these leases. Lease liabilities and ROU assets are reflected in other liabilities and other assets, respectively. For the years ended December 31, 2025 and 2024, the weighted average remaining lease term for operating leases was 12.66 and 13.62 years, respectively, and the weighted average discount rate used in the measurement of operating lease liabilities was 8.39% and 8.35%, respectively.

Lease costs for the twelve months ended December 31 were:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Operating lease cost	\$ 1,113	\$ 1,054
	<u>\$ 1,113</u>	<u>\$ 1,054</u>

There were no sale and leaseback transactions, leverage leases or lease transactions with related parties during the year ended December 31, 2025 and 2024.

## Note 6. Continued

A maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total operating lease liability is as follows:

	<u>December 31, 2025</u>	
Lease payments due:		
Within one year	\$	1,188
After one year but within two years		1,188
After two years but within three years		1,095
After three year but within four years		1,065
After four years but within five years		1,065
After five years		8,518
Total undiscounted cash flows		14,119
Discount on cash flows		<u>(5,545)</u>
Total lease liability	\$	<u>8,574</u>

## Note 7. Goodwill and Other Intangible Assets

*(in thousands)*

The balance in goodwill was \$13,030 for the year ended December 31, 2025 and 2024. The Company performed a goodwill impairment test for 2025 and concluded that no impairment charge was required.

The following table provides a summary of finite-lived intangible assets as of the dates presented:

	<u>2025</u>		<u>2024</u>	
Core deposit intangible	\$	192	\$	301
Accumulated amortization		<u>(110)</u>		<u>(109)</u>
Total finite-lived intangible assets	\$	<u>82</u>	\$	<u>192</u>

Core deposit intangible amortization expense for the years ended December 31, 2025 and 2024 was \$110 and \$109 respectively. The remaining \$82 of finite-lived intangible assets will amortize fully during 2026.

## Note 8. Deposits

(in thousands)

The composition of deposits as of December 31, 2025 and December 31, 2024 is as follows:

	<b>2025</b>	<b>2024</b>
Non-interest bearing	\$ 285,291	\$ 257,992
NOW and money market accounts	405,349	435,295
Insured Cash Sweep (“ICS”) deposits	274,661	6,787
Savings deposits	113,610	108,760
Time deposits, \$250,000 or more	98,212	71,004
Other time deposits	160,159	191,513
Total	<u>\$ 1,337,282</u>	<u>\$ 1,071,351</u>

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

<b>Year Ending December 31,</b>	<b>Amount</b>
2026	\$ 167,887
2027	61,379
2028	6,124
2029	10,788
2030 and thereafter	12,193
	<u>\$ 258,371</u>

## Note 9. Short-Term Borrowings

(in thousands)

Short-term borrowings as of December 31 are summarized as follows:

	<b>2025</b>	<b>2024</b>
Securities sold under agreements to repurchase	\$ 74,223	\$ 311,650
Federal funds purchased	-	-
Federal Home Loan Bank short-term advances	-	-
Total short-term borrowings	<u>\$ 74,223</u>	<u>\$ 311,650</u>

Securities sold under agreements to repurchase (“repurchase agreements”) represent funds received from customers, generally on an overnight or continuous basis, which are collateralized by investment securities owned or, at times, borrowed and re-hypothecated by the Company. The securities used as collateral consist primarily of U.S. Government agency mortgage-backed securities, U.S. Government agency collateralized mortgage obligations, obligations of U.S. Government agencies, and obligations of states and political subdivisions. All securities are maintained by the Company’s safekeeping agents. These securities are reviewed by the Company on a daily basis, and the Company may be required to provide additional collateral due to changes in the fair market value of these securities. The terms of the Company’s repurchase agreements are continuous but may be canceled at any time by the Company or the customer.

## Note 9. Continued

Federal funds purchased are short-term borrowings, generally overnight borrowings, between financial institutions that are generally used to maintain reserve requirements at the Federal Reserve Bank or elsewhere.

FHLB short-term advances are borrowings with original maturities of less than one year. Interest is payable monthly. Pursuant to collateral agreements with the FHLB, advances are collateralized by all of the Bank's FHLB stock and qualifying first mortgages and other loans. As of December 31, 2025 and 2024, the balance in qualifying first mortgages and other loans was \$220,464 and \$291,577, respectively.

The average balances and cost of funds of short-term borrowings for the years ending December 31 are summarized as follows:

	Average Balances		Cost of Funds	
	2025	2024	2025	2024
Securities sold under agreements to repurchase	\$ 243,696	\$ 233,975	3.32%	4.30%
Line of Credit	-	17,138	0.00%	8.35%
Federal funds purchased	-	17	0.00%	5.24%
Total short-term borrowings	<u>\$243,696</u>	<u>\$251,130</u>	<u>3.32%</u>	<u>4.58%</u>

## Note 10. Long-Term Borrowings

*(in thousands)*

Long-term borrowings as of December 31, 2025 and 2024 is summarized as follows:

	2025	2024
Long-term borrowings	<u>\$ 13,475</u>	<u>\$ 15,100</u>
Total long-term borrowings	<u>\$ 13,475</u>	<u>\$ 15,100</u>

On June 9, 2021, the Company obtained a secured revolving line of credit ("Line") in the amount of \$20,000 with First Horizon Bank (the "lender"). The proceeds of the Line were used to enhance the Bank's capital structure. The Line bore interest at a floating interest rate linked to WSJ Prime Rate with an initial interest rate of 8.50%, which was payable quarterly on the first day of each calendar quarter, commencing on July 1, 2022, with the final installment of interest being due and payable concurrently on the same date that the principal balance is due. The Line also bore an unused line fee at a rate equal to 0.25%, applied to the unused balance of the Line. The Line is fully secured by the common stock of the Bank. The Line matured on June 9, 2024, at which time all unpaid interest was paid to the lender and the remaining principal balance was converted to a term loan and, maturing June 9, 2027. As of December 31, 2024 the Company did not meet the Return on Average Assets covenant set forth in the applicable loan agreement of 50 basis points on an annualized return basis. The Company breached the return on average assets covenant but subsequently obtained a waiver of the debt covenant in March 2025. The Company complied with the covenant during 2025.

## Note 11. Other Income and Other Expense

(in thousands)

The following is a detail of the major income classifications that are included in other income under non-interest income on the income statement for the year ended December 31:

<b>Other Income</b>	2025	2024
BOLI insurance	\$ 574	\$ 569
Mortgage loan origination income	319	315
Other income	1,210	837
Total Other income	<u>\$ 2,103</u>	<u>\$ 1,721</u>

The following is a detail of the major expense classifications that comprise the other expense line item in the income statement for the years ended December 31:

<b>Other Expense</b>	2025	2024
Advertising	\$ 772	\$ 733
Office supplies	374	295
Professional fees	1,519	1,405
FDIC and state assessment	1,142	993
Postage and freight	661	620
Loan collection expense	81	50
Other losses	312	171
Debit card/ATM expense	1,051	987
Other expenses	5,817	6,784
Total Other Expense	<u>\$ 11,729</u>	<u>\$ 12,038</u>

## Note 12. Income Taxes

Income tax expense consists of the following:

	2025	2024
Current tax (benefit) expense		
Federal	\$ 1,466	\$ 1,140
State	372	244
	<u>1,838</u>	<u>1,384</u>
Deferred tax (benefit) expense	<u>(440)</u>	<u>35</u>
Income tax expense	<u>\$ 1,398</u>	<u>\$ 1,419</u>

The differences between income taxes calculated at the federal statutory rate and income tax expense were as follows:

	2025	2024
Federal taxes based on statutory rate	\$ 2,005	\$ 1,453
State income taxes, net of federal benefit	294	194
Tax-exempt investment interest	(611)	(188)
Income related to bank-owned life insurance	(121)	-
Other, net	(169)	(40)
Income tax expense	<u>\$ 1,398</u>	<u>\$ 1,419</u>

## Note 12. Continued

At December 31, 2025 and December 31, 2024, net deferred tax assets consisted of the following:

	<u>2025</u>	<u>2024</u>
Deferred tax assets		
Allowance for loan losses	\$ 2,232	\$ 2,022
Deferred compensation liability	2,365	2,408
Deferred compensation liability	-	197
Unrealized loss on securities available-for-sale	8,082	9,082
Unrealized loss on securities held-for-maturity	14,026	15,141
Other	657	72
Total	<u>27,362</u>	<u>28,922</u>
Deferred tax liabilities		
Premises and equipment	1,723	1,694
Core deposit intangible	21	48
Other	374	317
Total	<u>2,118</u>	<u>2,059</u>
Net deferred tax asset	<u>\$ 25,244</u>	<u>\$ 26,863</u>

The Company has evaluated the need for a valuation allowance related to the above deferred tax assets and, based on the weight of the available evidence, has determined that it is more likely than not that all deferred tax assets will be realized.

As of December 31, 2025, the Company has no unrecognized tax benefits related to federal and state income tax matters. As of December 31, 2025, the Company has not accrued for interest and penalties related to uncertain tax positions. It is the Company's policy to recognize interest or penalties related to income tax matters in income tax expense.

The Company and the Bank file a consolidated United States federal income tax return. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2023 through 2025. The Company and Bank's state income tax returns are open to audit under the statute of limitations for the years ended December 31, 2023 through 2025.

### Note 13. Summarized Financial Information of Citizens Holding Company

Summarized financial information of the Holding Company at December 31, 2025 and December 31, 2024, and for the years ended December 31, 2025 and 2024, is as follows:

#### Balance Sheets December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash <sup>(1)</sup>	\$ 544	\$ 379
Investment in bank subsidiary <sup>(1)</sup>	74,866	62,761
Other assets <sup>(1)</sup>	201	46
Total assets	<u>\$ 75,611</u>	<u>\$ 63,186</u>
Liabilities		
Secured line of credit	\$ 13,475	\$ 15,100
Other liabilities	5	-
Total liabilities	<u>\$ 13,480</u>	<u>\$ 15,100</u>
Shareholders' equity	<u>\$ 62,131</u>	<u>\$ 48,086</u>
Total liabilities and shareholders' equity	<u>\$ 75,611</u>	<u>\$ 63,186</u>

(1) Fully or partially eliminates in consolidation.

#### Income Statements Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Interest income <sup>(1)</sup>	<u>\$ -</u>	<u>\$ 9</u>
Other income		
Dividends from bank subsidiary <sup>(1)</sup>	3,073	7,516
Equity in undistributed earnings of bank subsidiary <sup>(1)</sup>	6,106	(614)
Other income	-	-
Total other income	<u>9,179</u>	<u>6,902</u>
Other expense	<u>1,411</u>	<u>1,867</u>
Income before income taxes	7,768	5,044
Income tax benefit	(380)	(446)
Net income	<u>\$ 8,148</u>	<u>\$ 5,490</u>

(1) Fully or partially eliminates in consolidation.

**Note 13. Continued****Statements of Cash Flows**

Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Net income	\$ 8,148	\$ 5,490
Adjustments to reconcile net income to net cash provided by operating activities		
Equity in undistributed (income) loss of the Bank	(6,106)	614
Stock compensation expense	125	114
(Increase) decrease in other assets	(157)	432
Increase in other liabilities	5	2
Net cash provided by operating activities	<u>2,015</u>	<u>6,652</u>
Cash flows from financing activities		
Dividends paid to shareholders	(226)	(3,607)
Repayments on line of credit	(1,624)	(2,900)
Net cash used in financing activities	<u>(1,850)</u>	<u>(6,507)</u>
Net increase (decrease) in cash	165	145
Cash, beginning of year	<u>379</u>	<u>234</u>
Cash, end of year	<u>\$ 544</u>	<u>\$ 379</u>

The Bank is required to obtain approval from state regulators before paying dividends.

**Note 14. Related Party Transactions**

*(in thousands)*

The Company had, and may have in the future, banking transactions in the ordinary course of business with directors, significant shareholders, principal officers, their immediate families, and affiliated companies in which they are principal shareholders (commonly referred to as related parties). In management's opinion, such loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties, and do not involve more than the normal risk of collectability at the time of the transaction.

## **Note 14. Continued**

Activity in related party loans is detailed in tabular form in Note 4 of the notes to the Financial Statements.

Deposits from related parties at December 31, 2025 and December 31, 2024 approximated \$91,731 and \$332,931, respectively.

The Company and its subsidiary have business dealings with companies owned by directors and beneficial shareholders of the Company. One director is a partner of the law firm that provides general counsel to the Company. Legal and other fees paid to this law firm for the years ended December 31, 2025 and 2024 were \$58 and \$63, respectively. Additionally, one director is associated with a business which provides insurance to the Company in which the amounts paid for this service in 2025 and 2024 were \$171 and \$408, respectively.

## **Note 15. Off-Balance Sheet Financial Instruments, Commitments and Contingencies and Concentrations of Risks**

*(in thousands)*

### Commitments to Extend Credit

In the ordinary course of business, the Company makes various commitments and incurs certain contingent liabilities to fulfill the financing needs of its customers. These commitments and contingent liabilities include commitments to extend credit and issue standby letters of credit. They involve, to varying degrees, elements of credit risk in excess of the amount recognized in the Balance Sheet. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. At December 31, 2025 and December 31, 2024, commitments related to unused lines of credit were \$112,315 and \$112,602, respectively, and standby letters of credit were \$18,141 and \$17,785, respectively. The fair value of such commitments is not materially different than stated values. As some of these commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. The Company applies the same credit policies and standards as it does in the lending process when making these commitments. The collateral obtained is based upon the assessed credit worthiness of the borrower. Collateral held varies, but may include accounts receivable, crops, livestock, inventory, property and equipment, residential real estate and income-producing commercial properties.

## **Note 15: Continued**

### Interest Rate Risk

The Company is principally engaged in providing short-term and medium-term installment, commercial and agricultural loans with interest rates that are fixed or fluctuate with the prime lending rate. These assets are primarily funded through short-term demand deposits and long-term certificates of deposit with variable and fixed rates. Accordingly, the Company is exposed to interest rate risk because in changing interest rate environments interest rate adjustments on assets and liabilities may not occur at the same time or in the same amount.

### Legal Proceedings

We are a party to various legal proceedings such as claims and lawsuits arising in the course of our normal business activities. Although the ultimate outcome of all claims and lawsuits outstanding as of December 31, 2025 cannot be ascertained at this time, it is the opinion of management that these matters, when resolved, will not have a material adverse effect on our business, results of operations or financial condition.

### Concentration of Risk

The Company makes commercial, residential and consumer loans throughout the state of Mississippi. A substantial portion of the customers' abilities to honor their contracts is dependent on their business and the agricultural economy in the state.

Although the Company's loan portfolio is diversified, there is a relationship in this state and our operating regions between the agricultural economy and the economic performance of loans made to nonagricultural customers. The Company's lending policies for agricultural and nonagricultural customers require loans to be well-collateralized and supported by cash flows. Credit losses from loans related to the agricultural economy are consistent with credit losses experienced in the portfolio as a whole. The concentration of credit in the regional agricultural economy is taken into consideration by management in determining the ACL. See Note 4 for a summary of loans by type.

## **Note 16. Benefit Plans**

*(in thousands)*

The Company provides its employees with a profit sharing and savings plan, which allows employees to direct a percentage of their compensation into a tax deferred retirement account, subject to statutory limitations. To encourage participation, the Company provides a 50 percent matching contribution for up to a maximum of 3 percent of each participant's compensation, plus discretionary non-matching contributions. Employees are eligible after one year of service. For 2025 and 2024 the Company's contributions were \$846 and \$779, respectively.

## **Note 16. Continued**

### Deferred Compensation Plans

The Company provides a deferred compensation plan covering its directors. Participants in the deferred compensation plan can defer a portion of their compensation for payment after attaining age 70. Life insurance contracts have been purchased which may be used to fund payments under the plan. Expenses related to this plan were \$149 and \$167 for the plan years ended December 31, 2025 and 2024, respectively.

The Company has also entered into deferred compensation arrangements with certain officers that provide for payments to such officers or their survivors after retirement. Life insurance policies have been purchased that may be used to fund all or a portion of the payments under these arrangements. The obligations of the Company under both the directors and officers deferred compensation arrangements are expensed on a systematic basis over the remaining expected service period of the individual directors and officers. Expenses related to this plan were \$591 and \$241 for the plan years ended December 31, 2025 and 2024, respectively.

## **Note 17. Regulatory Matters**

*(in thousands)*

The Company (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet the minimum regulatory capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on the Company.

Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines involving quantitative measures of the Company's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios of total capital and Tier I capital to risk-weighted assets (as defined in the regulations) and Tier I capital to average assets (as defined in the regulations). Management believes, as of December 31, 2025, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

The Federal Reserve Bank ("FRB"), Federal Deposit Insurance Corporation ("FDIC") and other federal banking agencies have established risk-based capital adequacy guidelines. These guidelines are intended to provide a measure of a bank's capital adequacy that reflects the degree of risk associated with a bank's operations.

A banking organization's risk-based capital ratios are obtained by dividing its qualifying capital by its total risk-adjusted assets and off-balance sheet items. Since December 31, 1992, the federal banking agencies have required a minimum ratio of qualifying total capital to risk-adjusted assets and off-balance sheet items of 8%, and a minimum ratio of Tier 1 capital to risk-adjusted assets and off-balance sheet items of 4%.

## Note 17. Continued

The Dodd-Frank Act requires the FRB, the Office of the Comptroller of the Currency (“OCC”) and the FDIC to adopt regulations imposing a continuing “floor” on the risk based capital requirements. In December 2010, the Basel Committee released a final framework for a strengthened set of capital requirements, known as “Basel III”. In July 2013, each of the U.S. federal banking agencies adopted final rules relevant to us: (1) the Basel III regulatory capital reforms; and (2) the “standardized approach of Basel II for non-core banks and bank holding companies, such as the Bank and the Company. The capital framework under Basel III will replace the existing regulatory capital rules for all banks, savings associations and U.S. bank holding companies with greater than \$500 million in total assets, and all savings and loan holding companies.

Beginning January 1, 2015, the Bank began to comply with the Basel III rules, which became effective on January 1, 2020. Among other things, the Basel III rules impact regulatory capital ratios of banking organizations in the following manner:

- Create a new requirement to maintain a ratio of common equity Tier 1 capital to total risk-weighted assets of not less than 4.5%;
- Increase the minimum leverage ratio to 4% for all banking organizations (currently 3% for certain banking organizations);
- Increase the minimum Tier 1 risk-based capital ratio from 4% to 6%; and
- Maintain the minimum total risk-based capital ratio at 8%.

In addition, the Basel III rules will subject a banking organization to certain limitations on capital distributions and discretionary bonus payments to executive officers if the organization did not maintain a capital conservation buffer of common equity Tier 1 capital in an amount greater than 2.5% of its total risk-weighted assets. The capital conservation buffer increases the minimum common equity Tier 1 capital ratio to 7%, the minimum Tier 1 risk-based capital ratio to 8.5% and the minimum total risk-based capital ratio to 10.5% for banking organizations seeking to avoid the limitations on capital distributions and discretionary bonus payments to executive officers.

The Basel III rules also changed the capital categories for insured depository institutions for purposes of prompt corrective action. Under the rules, to be well capitalized, an insured depository institution must maintain a minimum common equity Tier 1 capital ratio of at least 6.5%, a Tier 1 risk-based capital ratio of at least 8%, a total risk-based capital ratio of at least 10.0%, and a leverage capital ratio of at least 5%. In addition, the Basel III rules established more conservative standards for including an instrument in regulatory capital and imposed certain deductions from and adjustments to the measure of common equity Tier 1 capital.

**Note 17. Continued**

As of December 31, 2025 and 2024, the most recent regulatory notification categorized the Bank as well capitalized. There have been no conditions or events that would cause changes to the capital structure of the Company since this notification. To continue to be categorized as well capitalized under the regulatory framework for prompt corrective action, the Company would have to maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as disclosed below, in comparison with actual capital amounts and ratios:

	Actual		Minimum Capital Requirement to be Well Capitalized		Requirement to be Adequately Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>December 31, 2025</b>						
Citizens Holding Company						
Tier 1 leverage ratio	\$ 116,260	7.62%	\$ 76,328	5.00%	\$ 61,062	4.00%
Common Equity tier 1 capital ratio	116,260	11.01%	68,655	6.50%	47,530	4.50%
Tier 1 risk-based capital ratio	116,260	11.01%	84,499	8.00%	63,374	6.00%
Total risk-based capital ratio	126,219	11.95%	105,623	10.00%	84,499	8.00%
The Citizens Bank of Philadelphia						
Tier 1 leverage ratio	\$ 128,996	8.45%	\$ 76,325	5.00%	\$ 61,060	4.00%
Common Equity tier 1 capital ratio	128,996	12.12%	69,183	6.50%	47,896	4.50%
Tier 1 risk-based capital ratio	128,996	12.12%	85,148	8.00%	63,861	6.00%
Total risk-based capital ratio	138,955	13.06%	106,435	10.00%	85,148	8.00%
<b>December 31, 2024</b>						
Citizens Holding Company						
Tier 1 leverage ratio	\$ 108,378	7.33%	\$ 73,885	5.00%	\$ 59,108	4.00%
Common Equity tier 1 capital ratio	108,378	10.86%	96,051	6.50%	66,497	4.50%
Tier 1 risk-based capital ratio	108,378	10.86%	79,806	8.00%	59,854	6.00%
Total risk-based capital ratio	115,988	11.63%	99,757	10.00%	79,806	8.00%
The Citizens Bank of Philadelphia						
Tier 1 leverage ratio	\$ 123,053	8.33%	\$ 73,878	5.00%	\$ 59,103	4.00%
Common Equity tier 1 capital ratio	123,053	12.25%	96,042	6.50%	66,491	4.50%
Tier 1 risk-based capital ratio	123,053	12.25%	80,393	8.00%	60,295	6.00%
Total risk-based capital ratio	130,664	13.00%	100,491	10.00%	80,393	8.00%

## Note 18. Fair Values of Financial Instruments

*(in thousands)*

Under the authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the three following categories:

- Level 1      Quoted prices in active markets for identical assets or liabilities;
- Level 2      Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or
- Level 3      Unobservable inputs, such as discounted cash flow models or valuations.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company used the following methods and assumptions to estimate the fair value of financial instruments that are measured at fair value on a recurring basis:

### Investment Securities

The fair values of debt securities available for sale are determined by third party 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).

### Derivative Instruments

Most of the Company's derivative contracts are actively traded in over-the-counter markets and are valued using discounted cash flow models which incorporate observable market based inputs including current market interest rates, credit spreads, and other factors. Such instruments are categorized within Level 2 of the fair value hierarchy and include interest rate swaps. The Company's interest rate lock commitments are valued using current market prices for mortgage-backed securities with similar characteristics, adjusted for certain factors including servicing and risk.

**Note 18. Continued**

The following table presents investment securities and derivative instruments that are measured at fair value on a recurring basis as of December 31, 2025:

	Quoted Prices			Totals
	in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
Derivative instruments	\$ -	\$ 210	\$ -	\$ 210
Securities available for sale				
Mortgage-backed securities	-	72,818	-	72,818
State, County, Municipals	-	78,890	-	78,890
Other securities	-	710	-	710
	<u>\$ -</u>	<u>\$ 152,628</u>	<u>\$ -</u>	<u>\$ 152,628</u>
<b>Liabilities:</b>				
Derivative instruments	\$ -	\$ 588	\$ -	\$ 588
	<u>\$ -</u>	<u>\$ 588</u>	<u>\$ -</u>	<u>\$ 588</u>

The following table presents investment securities that are measured at fair value on a recurring basis as of December 31, 2024:

	Quoted Prices			Totals
	in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
Derivative instruments	\$ -	\$ 102	\$ -	\$ 102
Securities available for sale				
Mortgage-backed securities	-	108,410	-	108,410
State, County, Municipals	-	78,488	-	78,488
Other securities	-	439	-	439
	<u>\$ -</u>	<u>\$ 187,439</u>	<u>\$ -</u>	<u>\$ 187,439</u>
<b>Liabilities:</b>				
Derivative instruments	\$ -	\$ 39	\$ -	\$ 39
	<u>\$ -</u>	<u>\$ 39</u>	<u>\$ -</u>	<u>\$ 39</u>

## Note 18. Continued

### Individually Evaluated Loans

For loans that do not share similar risk characteristics with other loans, an individual analysis is performed to determine the expected credit loss. If the respective loan is collateral dependent (that is, when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral), the expected credit loss is measured as the difference between the amortized cost basis of the loan and the fair value of the collateral. The fair value of collateral is initially based on external appraisals. Generally, collateral values for loans for which measurement of expected losses is dependent on the fair value of such collateral are updated every twelve months, either from external third parties or in-house certified appraisers. Third-party appraisals are obtained from a pre-approved list of independent, local appraisal firms. The fair value of the collateral derived from external appraisal is then adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. Other acceptable methods for determining the expected credit losses for individually evaluated loans (typically used when the loan is not collateral dependent) is a discounted cash flow approach or, if applicable, an observable market price. Once the expected credit loss amount is determined, an allowance equal to such expected credit loss is included in the ACL. Since not all valuation inputs are observable, these nonrecurring fair value determinations are classified as Level 3. Individually evaluated loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors previously identified.

### Other real estate owned

OREO is primarily comprised of real estate acquired in partial or full satisfaction of loans. OREO is recorded at its estimated fair value less estimated selling and closing costs at the date of transfer, with any excess of the related loan balance over the fair value less expected selling costs charged to the ACL. Subsequent changes in fair value are reported as adjustments to the carrying amount and are recorded against earnings. The Company outsources the valuation of OREO with material balances to third party appraisers. The Company reviews the third-party appraisal for appropriateness and adjusts the value downward to consider selling and closing costs, which typically approximate 25% of the appraised value. Given that fair value, when recorded, is determined based on appraisals by qualified licensed appraisers and adjusted for management's estimates of costs to sell, values for OREO are classified as Level 3.

**Note 18. Continued**

The following table presents assets measured at fair value on a nonrecurring basis during December 31, 2025 and 2024 and were still held at those respective dates:

	Quoted Prices			
	in Active	Significant	Significant	
	Markets for	Other	Unobservable	
	Identical	Observable	Inputs	
	Assets	Inputs	Inputs	
	(Level 1)	(Level 2)	(Level 3)	Totals
<u>December 31, 2025</u>				
Loans individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -
Other real estate owned	-	-	1,839	1,839
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,839</u>	<u>\$ 1,839</u>
<u>December 31, 2024</u>				
Loans individually evaluated for impairment	\$ -	\$ -	\$ 935	\$ 935
Other real estate owned	-	-	260	260
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,195</u>	<u>\$ 1,195</u>

Individually evaluated loans with a carrying value of \$701 and \$972 had an allocated ACL of \$701 and \$37 at December 31, 2025 and December 31, 2024, respectively. The allocated allowance is based on the carrying value of the impaired loan and the fair value of the underlying collateral less estimated costs to sell.

After monitoring the carrying amounts for subsequent declines or impairment after foreclosure, management determined that no fair value adjustments to OREO was necessary for the years ended December 31, 2025 and December 31, 2024, respectively.

## Note 18. Continued

The following represents the carrying value and estimated fair value of the Company's financial instruments at December 31, 2025 and December 31, 2024:

	Carrying Value	Quoted Prices in Active Markets for Identical Assets			Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
		(Level 1)	(Level 2)	(Level 3)			
<u>2025</u>							
Financial assets							
Cash and due from banks	\$ 17,140	\$ 17,140	\$ -	\$ -	\$ -	\$ 17,140	
Interest bearing deposits with banks	47,379	47,379	-	-	-	47,379	
Securities held-to-maturity	352,325	-	322,447	-	-	322,447	
Securities available-for-sale	152,418	-	152,418	-	-	152,418	
Net LHFI	832,191	-	-	830,513	-	830,513	
Derivative instruments	210	-	210	-	-	210	
Financial liabilities							
Deposits	1,337,282	905,373	370,065	-	-	1,275,438	
Short-term borrowings	74,223	74,223	-	-	-	74,223	
Long-term borrowings	13,475	13,475	-	-	-	13,475	
Derivative instruments	588	-	588	-	-	588	
<u>2024</u>							
Financial assets							
Cash and due from banks	\$ 18,360	\$ 18,360	\$ -	\$ -	\$ -	\$ 18,360	
Interest bearing deposits with banks	23,915	23,915	-	-	-	23,915	
Securities held-to-maturity	370,221	-	328,960	-	-	328,960	
Securities available-for-sale	187,337	-	187,337	-	-	187,337	
Net LHFI	757,918	-	-	743,254	-	743,254	
Derivative instruments	102	-	102	-	-	102	
Financial liabilities							
Deposits	1,071,351	808,834	238,115	-	-	1,046,949	
Short-term borrowings	311,650	311,650	-	-	-	311,650	
Long-term borrowings	15,100	15,100	-	-	-	15,100	
Derivative instruments	39	-	39	-	-	39	

## Note 19. Stock Based Compensation

*(in thousands, except share data)*

The Company adopted the 2013 Incentive Compensation Plan (the “2013 Plan”), which the Company has used for all equity grants until the expiration of the Plan in 2024.

During 2024, the Company adopted the 2024 Incentive Compensation Plan (the “2024 Plan”), which the Company will use for all equity grants until expiration.

The following represents all stock transactions during the year ended December 31, 2025:

	2013 Stock Incentive Plan	Weighted Average Grant-Date Fair Value	2024 Stock Incentive Plan	Weighted Average Grant-Date Fair Value
Not vested at beginning of year	\$ 3,868	\$ 60	\$ 20,623	\$ 84
Awarded	-	-	18,192	61
Vested	-	-	(8,250)	(65)
Forfeited and cancelled	-	-	-	-
Not vested at end of year	<u>\$ 3,868</u>	<u>\$ 60</u>	<u>\$ 30,565</u>	<u>\$ 80</u>

## Note 20. Subsequent Events

The Company has evaluated, for consideration of recognition or disclosure, subsequent events that have occurred through the date of issuance of its financial statements, and has determined that no other significant events occurred after December 31, 2025 but prior to the issuance of these financial statements that would have a material impact on its Consolidated Financial Statements.

## Market Price and Dividend Information

### **MARKET PRICE INFORMATION**

The Company's common stock trades on the OTCQX Best Market ("OTCQX") under the symbol "CIZN". On February 27, 2026, the common stock's closing price on OTCQX was \$9.60.

On February 27, 2026, shares of the Company's common stock were held of record by approximately 438 shareholders.

### **DIVIDENDS**

Dividends totaled \$0.04 and \$0.64 per share for 2025 and 2024.

If funds are available, the Board of Directors of the Company typically declares dividends on a quarterly basis in March, June, September and December with payment following at the end of the month in which the dividend was declared. Funds for the payment by the Company of cash dividends are obtained from dividends, loans or advances received by the Company from the Bank. Accordingly, the declaration and payment of dividends by the Company depend upon the Bank's earnings and financial condition, general economic conditions, compliance with regulatory requirements, and other factors. The Bank must also receive the approval of the Mississippi Department of Banking and Consumer Finance prior to the payment of a dividend.

## THE CITIZENS BANK OFFICERS

### Philadelphia

Stacy M. Brantley  
President and CEO

Phillip R. Branch  
Senior Vice President, CFO

Mark Taylor  
Senior Vice President, COO, Trust Officer, Cashier

Ledale Reynolds  
Senior Vice President, CIO

Liz Owen  
Senior Vice President, Chief Talent Officer

Joshua Sullivan  
Senior Vice President, Senior Credit Officer

Ashley Peebles  
Vice President, Director of Deposit Services

Scott Lewis  
Vice President, Director of Information Security

Jackie Hester  
Vice President, Marketing Officer

Jean T. Fulton  
Vice President, Internal Auditor

Mark Majure  
Vice President, Loan Review Officer

Stacy Arnold  
Vice President, Compliance Officer

Sommer Vick  
Vice President, Controller, Assistant Trust Officer

Mitch Peden  
Vice President, Information Services Manager

Shon Kirkland  
Vice President, Security Officer and Facilities Manager

Charles Wilkerson  
Vice President, Loan Operations Officer

Jamie Shotts  
Vice President, Appraisal Review Officer

Brad Copeland  
Vice President, Branch Manager

Brice Richardson  
Vice President, Branch Manager

Sam Mars  
Vice President, Regional Commercial Banker

Bob Posey  
Vice President, Community Banker

Pam Garrett  
Assistant Vice President, IT Project Manager

Pam Lewis  
Assistant Vice President, Collections Manager

Sandra Curtis  
Assistant Vice President, Teller Administrator

Temika Triplett  
Assistant Vice President, Electronic Services Officer

Grant Comans  
Assistance Vice President, Branch Manager

Stacy Chisolm  
IT Service Desk Manager

Greg Jackson  
Accounting Officer

Reaghan Jenkins  
Accounting Officer

Debbie Reynolds  
Accounting Administrative Officer

Elaine Bates  
Treasury Management Officer

Karla Chandler  
Human Resources Officer

Deborah Ladd  
Item Processing Officer

Amanda Long  
Loan Administration Officer

Shirley McDaniel  
Loan Processing Officer

Debra Yates  
Executive Assistant to the President and CEO

### Carthage Branch

Billy Cook  
Market President

Paula Brown  
Assistant Vice President, Community Banker

Tonya Dorman  
Deposit Operations Officer

**Sebastopol Branch**

Connie Comans  
Branch President

**Union and Decatur Branches**

Susan Brown  
Assistant Vice President, Branch Manager

**Kosciusko Branch**

Teresa Patterson  
Vice President, Branch Manager

**Scooba and DeKalb Branches**

Reggie Moore  
Assistant Vice President, Branch Manager

**Forest Branch**

Candice Stewart  
Assistant Vice President, Branch Manager

**Louisville Branch**

Bruce Lee  
Market President

Lynn Graham  
Vice President, Branch Operations Officer

**Starkville Branch**

Lee Burrell  
Vice President, Regional Commercial Banker

Chuck Alderman  
Vice President, Regional Commercial Banker

**Collinsville Branch**

Mike Shelby  
Regional President – East MS

Scott Fieber  
Assistant Vice President, Community Banker

Patti Prince  
Branch Operations Officer

**Meridian Eastgate Branch**

Jay Hines  
Vice President, Senior Consumer and Small Business  
Credit Officer

Russell Huntley  
Vice President, Regional Commercial Banker

Danny Russell  
Vice President, Regional Commercial Banker

Kristi Hodges  
Treasury Sales Officer

**Hattiesburg Branch**

Chad Hill  
Market President

Scott Maxfield  
Assistant Vice President, BSA Officer

Tammy McAlpin  
Assistant Vice President, Commercial Loan Portfolio  
Manager

Lee Kemp  
Assistant Vice President, Community Banker

**Flowood Branch**

George Gammon III  
Regional President – West MS

Emily Agostinelli  
Senior Vice President, Chief Risk Officer

Kevin White  
Vice President, Director of FP&A

Warner Cannada  
Vice President, Regional Commercial Banker

Monica Hammack  
Assistant Vice President, Branch Manager

**Ridgeland Branch**

Daniel Webb  
Vice President, Regional Commercial Banker

**Biloxi Cedar Lake and Lemoyne Branches**

Travis Moore  
Vice President, Regional Commercial Banker

Katie Hancock  
Vice President, Branch Manager

Tammy Warren  
Assistant Vice President, Mortgage Loan Officer

**Mortgage Loan Department**

Charlene Deweese  
Assistant Vice President, Mortgage Loan Officer

**Oxford Branch**

Marion Boyd  
Senior Vice President, Chief Business Development  
Officer

Robert Nance IV  
Oxford City President

Rose Alderson  
Assistant Vice President, Branch Operations and Retail  
Banker Officer

**Pascagoula Branch**

Gregory E. Cronin  
Regional President – South MS

Ford Kinsey  
Senior Vice President, Chief Credit Officer, Special Assets  
Officer

Amber Thomas  
Vice President, Commercial Banker

Theresa Jenkins  
Assistant Vice President, Branch Manager

**Ocean Springs Branch**

Sharon Wetzel  
Vice President, Information Technology Officer

Reagan Bridley  
Vice President, Commercial Banker

Melissa Cooper  
Assistant Vice President, Community Banker

**Gulfport Branch**

Thomas Graham  
Vice President, Mortgage Loan Officer

**BOARD OF DIRECTORS**

Stacy M. Brantley  
President & Chief Executive Officer  
Citizens Holding Company and  
The Citizens Bank

Craig Dungan, MD  
Physician  
Meridian Gastroenterology PLLC

Caroline K. Forks  
Trust Counsel  
Argent Trust Company

Greg L. McKee  
Retired President & Chief Executive Officer  
Citizens Holding Company and  
The Citizens Bank

David A. King  
Proprietor  
Philadelphia Motor Company

David P. Webb  
Attorney  
Baker, Donelson, Bearman, Caldwell &  
Berkowitz, PC

Jane Crosswhite  
Executive Vice President  
Williams Brothers Inc.

Adam Mars  
Business Manager  
Mars, Mars & Mars

Terrell E. Winstead  
President & Chief Executive Officer  
Molpus Woodlands Group

Jason Voyles  
President & Chief Executive Officer  
Spectrum Capital, LLC

Gregory E. Cronin  
Regional President – South MS  
Citizens Holding Company and  
The Citizens Bank

**CITIZENS HOLDING COMPANY OFFICERS**

David A. King  
Chairman

Stacy M. Brantley  
President and Chief Executive Officer

Mark Taylor  
Secretary

Phillip R. Branch  
Treasurer and Chief Financial Officer

**BANKING LOCATIONS**

**Philadelphia Main Office**

521 Main Street  
Philadelphia, MS 39350  
601.656.4692

**Westside Branch**

912 West Beacon Street  
Philadelphia, MS 39350  
601.656.4692

**Pascagoula Branch**

1519 Jackson Ave  
Pascagoula, MS 39567  
228.762.3330

**Eastside Branch**

599 East Main Street  
Philadelphia, MS 39350  
601.656.4692

**Union Branch**

502 Bank Street  
Union, MS 39365  
601.774.9231

**Starkville Branch**

201 Highway 12 West  
Starkville, MS 39759  
662.323.1420

**Carthage Branch**

301 West Main Street  
Carthage, MS 39051  
601.257.4525

**Biloxi Cedar Lake Branch**

1830 Popp's Ferry Road  
Biloxi, MS 39532  
228.594.6913

**Oxford Branch**

902 Sisk Avenue, Ste E  
Oxford, MS 38655  
662.550.4029

**Collinsville Branch**

9065 Collinsville Road  
Collinsville, MS 39325  
601.626.7608

**Flowood Branch**

2845 Lakeland Drive  
Flowood, MS 39232  
601.992.7688

**Sebastopol Branch**

24 Pine Street  
Sebastopol, MS 39359  
601.625.7447

**DeKalb Branch**

176 Main Avenue  
DeKalb, MS 39328  
601.743.2115

**Kosciusko Branch**

775 North Jackson Street  
Kosciusko, MS 39090  
662.289.4356

**Scooba Branch**

27597 Highway 16 East  
Scooba, MS 39358  
662.476.8431

**Meridian Eastgate Branch**

1825 Hwy 39 North  
Meridian, MS 39301  
601.693.8367

**Hattiesburg Branch**

6222 Highway 98  
Hattiesburg, MS 39402  
601.264.4425

**Gulfport Branch**

12008 Highway 49  
Gulfport, MS 39503  
228.831.3535

**Decatur Branch**

15330 Hwy 15 South  
Decatur, MS 39327  
601.635.2321

**Forest Branch**

247 Woodland Drive North  
Forest, MS 39074  
601.469.3424

**Louisville-Main Branch**

906 South Columbus Avenue  
Louisville, MS 39339  
662.773.6261

**Noxapater Branch**

45 East Main Street  
Noxapater, MS 39346  
662.724.4261

**Louisville-Industrial Branch**

1760 South Church Avenue  
Louisville, MS 39339  
662.773.6960

**Biloxi Lemoyne Branch**

15309 Lemoyne Boulevard  
Biloxi, MS 39532  
228.207.2343

**Ocean Springs Branch**

2702 Bienville Boulevard  
Ocean Springs, MS 39564  
228.875.3933

**Ridgeland Branch**

320 Highway 51 North  
Ridgeland, MS 39157  
601.519.4020

**BANKING LOCATIONS** - Continued

**Phone Teller**

1.800.397.0344

**Internet and Mobile Banking**

<http://www.thecitizensbankphila.com>

## **FINANCIAL INFORMATION**

### **CORPORATE HEADQUARTERS**

521 Main Street  
P.O. Box 209  
Philadelphia, MS 39350

**601.656.4692**

### **ANNUAL SHAREHOLDER MEETING**

The Annual Shareholder meeting of the Citizens Holding Company, Inc. will be held Tuesday, April 28, 2026, at 4:30 P.M. in the lobby of the main office of The Citizens Bank, 521 Main Street, Philadelphia, Mississippi.

### **STOCK REGISTRAR AND TRANSFER AGENT**

Equiniti Trust Company LLC  
1110 Centre Point Curve, Suite 101  
Mendota Heights, MN 55120-4100

### **FINANCIAL CONTACT**

Phillip R. Branch  
Treasurer and Chief Financial Officer  
P.O. Box 209  
Philadelphia, Mississippi 39350

Additional information can be obtained from the Company's website at <https://www.thecitizensbankphila.com/investor-relations/>.

