

Consolidated Financial Statements and
Independent Auditor's Report

Coeur d'Alene Bancorp and Subsidiary

As of December 31, 2025 and 2024 and
For the Years then Ended

Independent Auditor's Report 1

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets 3

Consolidated Statements of Income..... 4

Consolidated Statements of Comprehensive Income 6

Consolidated Statements of Stockholders' Equity 7

Consolidated Statements of Cash Flows..... 8

Notes to Consolidated Financial Statements..... 10

FORTNER BAYENS, PC

Accountants and Advisors

Independent Auditor's Report

Board of Directors
Coeur d'Alene Bancorp and Subsidiary
Coeur d'Alene, Idaho

Opinion

We have audited the consolidated financial statements of Coeur d'Alene Bancorp and Subsidiary (the Company), which comprise the consolidated balance sheet as of December 31, 2025, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the year 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 the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The consolidated financial statements of the Company as of and for the year ended December 31, 2024, were audited by other auditors, whose report dated March 7, 2025, expressed an unmodified opinion on those statements.

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 for 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 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.

Fortner Bayens, PC

Denver, Colorado
March 11, 2026

Coeur d'Alene Bancorp and Subsidiary
Consolidated Balance Sheets
December 31, 2025 and 2024

	2025	2024
ASSETS		
Cash and noninterest-bearing due from banks	\$ 5,780,083	\$ 4,291,703
Interest-bearing due from banks	10,451,253	388,618
Federal funds sold	1,953,000	-
Cash and cash equivalents	18,184,336	4,680,321
Time deposits in other banks	1,490,000	1,490,000
Debt securities available for sale, net of allowance for credit losses of \$-0- (amortized cost of \$79,271,079 and \$93,936,770 at December 31, 2025 and 2024, respectively)	78,440,421	91,070,959
Restricted stock	329,359	899,159
Loans receivable, net of allowance for credit losses of \$2,044,871 and \$1,671,407 at December 31, 2025 and 2024, respectively	132,263,682	131,562,189
Premises and equipment, net	6,210,770	5,964,884
Company owned life insurance	3,941,506	3,841,526
Accrued interest receivable	874,821	1,021,910
Goodwill	42,420	42,420
Other assets	904,671	1,353,640
Total assets	\$ 242,681,986	\$ 241,927,008
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	\$ 48,101,244	\$ 48,153,896
Interest-bearing	160,636,742	147,340,438
Total deposits	208,737,986	195,494,334
Federal funds purchased	-	2,697,000
Federal Home Loan Bank advances	-	12,700,000
Subordinated debt	4,988,960	4,967,671
Accrued interest payable	80,576	94,159
Accrued expenses and other liabilities	2,576,149	2,608,131
Total liabilities	216,383,671	218,561,295
Commitments and contingencies (Notes 5, 9, 14)		
Stockholders' Equity		
Common stock par value \$5 per share; authorized 5,000,000 shares; issued and outstanding, 1,899,254 and 1,891,154 shares at December 31, 2025 and 2024, respectively	9,496,270	9,455,770
Additional paid in capital	5,843,502	5,763,664
Accumulated earnings	11,614,763	10,410,270
Accumulated other comprehensive loss	(656,220)	(2,263,991)
Total stockholders' equity	26,298,315	23,365,713
Total liabilities and stockholders' equity	\$ 242,681,986	\$ 241,927,008

See Notes to Consolidated Financial Statements.

Coeur d'Alene Bancorp and Subsidiary
Consolidated Statements of Income
Years Ended December 31, 2025 and 2024

	2025	2024
Interest income		
Loans, including fees	\$ 9,097,964	\$ 8,080,050
Investment securities		
Taxable securities	1,859,597	2,178,874
Tax exempt securities	426,128	443,201
Federal funds sold and deposits with other banks	411,883	307,862
Total interest income	11,795,572	11,009,987
Interest expense		
Deposits	2,337,894	2,435,949
Borrowed funds	428,002	948,227
Total interest expense	2,765,896	3,384,176
Net interest income	9,029,676	7,625,811
Provision for credit loss - loans	360,000	88,836
Provision for credit loss - off-balance sheet credit exposures	19,500	167,975
Total provision for credit loss	379,500	256,811
Net interest income after provision for credit losses	8,650,176	7,369,000
Noninterest income		
Service charges on deposits	239,595	193,273
Loss on sale of investments, net	-	(23,005)
ATM and debit card fees	565,240	593,912
Other	172,374	139,085
Total noninterest income	977,209	903,265
Noninterest expense		
Salaries and employee benefits	4,216,910	3,614,729
Occupancy	728,070	485,198
Equipment	289,015	182,558
Professional services	342,867	385,971
General office expense	210,241	172,508
Advertising	154,198	71,260
Data processing	484,899	445,282
Other operating expenses	1,243,030	1,118,442
Total noninterest expense	7,669,230	6,475,948
Income before income tax expense	1,958,155	1,796,317
Income tax expense	374,307	321,108
Net income	\$ 1,583,848	\$ 1,475,209

See Notes to Consolidated Financial Statements.

Coeur d'Alene Bancorp and Subsidiary
Consolidated Statements of Income (Continued)
Years Ended December 31, 2025 and 2024

	2025	2024
Earnings per Share of Common Stock		
Basic	\$ 0.83	\$ 0.78
Diluted	\$ 0.82	\$ 0.77
Weighted Average Number of Shares Outstanding During the Period		
Basic	1,897,869	1,891,090
Effects of potentially dilutive common shares	40,547	25,810
Diluted	1,938,416	1,916,900

See Notes to Consolidated Financial Statements.

Coeur d'Alene Bancorp and Subsidiary
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2025 and 2024

	2025	2024
Net income	\$ 1,583,848	\$ 1,475,209
Other comprehensive income		
Gross unrealized gains (losses) on securities available for sale	2,035,153	1,581,326
Reclassification adjustment for losses (gains) realized in net income	-	23,005
Net unrealized gains (losses) on securities available for sale	2,035,153	1,604,331
Tax effect	(427,382)	(336,910)
Total other comprehensive income	1,607,771	1,267,421
Total Comprehensive Income	\$ 3,191,619	\$ 2,742,630

See Notes to Consolidated Financial Statements.

Coeur d'Alene Bancorp and Subsidiary
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2025 and 2024

	Common Stock		Additional Paid-In Capital	Accumulated Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Number of Shares	Amount				
Balances, December 31, 2023	1,891,054	\$ 9,455,270	\$ 5,732,266	\$ 8,935,061	\$ (3,531,412)	\$ 20,591,185
Net income	-	-	-	1,475,209	-	1,475,209
Stock option expense	-	-	30,398	-	-	30,398
Stock grants issued	100	500	1,000	-	-	1,500
Other comprehensive income	-	-	-	-	1,267,421	1,267,421
Balances, December 31, 2024	1,891,154	9,455,770	5,763,664	10,410,270	(2,263,991)	23,365,713
Net income	-	-	-	1,583,848	-	1,583,848
Stock option expense	-	-	37,918	-	-	37,918
Stock options exercised	5,600	28,000	23,520	-	-	51,520
Stock grants issued	2,500	12,500	18,400	-	-	30,900
Dividends paid	-	-	-	(379,355)	-	(379,355)
Other comprehensive income	-	-	-	-	1,607,771	1,607,771
Balances, December 31, 2025	1,899,254	\$ 9,496,270	\$ 5,843,502	\$ 11,614,763	\$ (656,220)	\$ 26,298,315

See Notes to Consolidated Financial Statements.

Coeur d'Alene Bancorp and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,583,848	\$ 1,475,209
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	521,453	481,766
Stock option and stock grant compensation expense	68,818	31,898
Provision for credit losses	379,500	256,811
Deferred income tax expense (benefit)	249,176	(134,597)
Securities amortization, net	201,715	434,744
Increase in cash surrender value life insurance	(99,980)	(97,438)
Amortization of subordinated debt issuance costs	21,289	21,289
Net loss on sale of securities	-	23,005
Net change in:		
Accrued interest receivable	147,089	120,661
Other assets	(227,589)	(2,431,172)
Accrued interest payable	(13,583)	11,621
Accrued expenses and other liabilities	(51,482)	1,926,670
Net cash provided by operating activities	2,780,254	2,120,467
CASH FLOWS FROM INVESTING ACTIVITIES		
Activity in securities available for sale		
Purchases	(23,540,549)	(5,464,315)
Maturities, prepayments and calls	38,004,525	19,699,123
Proceeds from sale of securities	-	2,023,660
Purchase of restricted stock	(3,465,700)	(3,304,000)
Sales of restricted stock	4,035,500	2,736,600
Loan originations and principal collections, net	(1,061,493)	(14,949,655)
Purchases of premises and equipment	(767,339)	(984,864)
Net cash provided (used) by investing activities	13,204,944	(243,451)

See Notes to Consolidated Financial Statements.

Coeur d'Alene Bancorp and Subsidiary
Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	\$ 13,243,652	\$ 366,065
Federal funds purchased	(2,697,000)	1,601,000
Advances on (repayment) of Federal Home Loan Bank advances	(12,700,000)	12,700,000
Repayment of Federal Reserve borrowings	-	(15,500,000)
Proceeds from stock options exercised	51,520	-
Cash dividends paid	(379,355)	-
	(2,481,183)	(832,935)
Net cash used by financing activities		
Net change in cash and cash equivalents	13,504,015	1,044,081
Cash and cash equivalents at beginning of year	4,680,321	3,636,240
Cash and cash equivalents at end of year	\$ 18,184,336	\$ 4,680,321
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest paid	\$ 2,779,479	\$ 3,372,555
Income taxes	264,742	455,705
NONCASH INVESTING AND FINANCING ACTIVITIES		
Lease liabilities arising from obtaining right-of-use assets	\$ -	\$ 1,107,581

See Notes to Consolidated Financial Statements.

Note 1 – Summary of Significant Accounting Policies

Bank Organization

Coeur d'Alene Bancorp (the Parent Company) was formed on October 1, 2008, to serve as the holding company for bankcda (the Bank). Effective as of October 1, 2008, each share of common stock of the Bank issued and outstanding immediately prior to October 1, 2008, was automatically converted into one share of common stock of the holding company.

The Bank was organized on October 5, 2000, and commenced banking operations on May 17, 2001. The Bank provides a full range of banking services to its commercial and consumer customers through its six full-service branches serving Coeur d'Alene, Post Falls, Hayden, and Kellogg, Idaho, and in Spokane and Richland, Washington.

The Company is subject to competition from other financial institutions and other financial services providers for loans, deposit accounts and other banking services. The Company is also subject to regulation by certain governmental agencies and undergoes periodic examinations by those regulatory agencies. The Parent Company's primary regulator is the Federal Reserve, and the Bank's primary regulators are the Federal Deposit Insurance Corporation and the Idaho Department of Finance.

Basis of Consolidation and Reclassifications

The December 31, 2025 and 2024, consolidated financial statements include Coeur d'Alene Bancorp and its wholly-owned subsidiary, bankcda (collectively, the Company). All significant intercompany balances and transactions have been eliminated.

The Company is not a filer with the Securities and Exchange Commission; however, the Company has listed its voting common stock on OTC Markets' OTCQX exchange, which trades under the symbol "CDAB".

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Use of Estimates

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

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan credit losses and the fair value of investment securities. In connection with the determination of the allowance for credit losses, management obtains independent appraisals for significant properties and assesses estimated future cash flows from borrowers' operations and the liquidation of loan collateral. In connection with the valuation of investment securities, management obtains valuations from a third-party pricing service.

Management believes that the allowance for credit losses is adequate. While management uses available information to recognize losses on loans, changes in economic conditions may necessitate revisions in future years.

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, amounts due from depository institutions and interest-bearing deposits, including federal funds sold, in other banks with initial maturities of three months or less. The Company maintains cash and cash equivalents in various federally-insured financial institutions. These deposits are not guaranteed; however, the Company's management monitors the soundness of these financial institutions and believes the risk of loss is negligible.

Time Deposits in Other Banks

Time deposits in other banks mature within three years and are carried at cost. At December 31, 2025 and 2024, time deposits in other banks were \$1,490,000. No time deposits in other banks were pledged to secure customer deposits or as collateral for borrowing lines as of December 31, 2025 and 2024. Maturities of time deposits are \$496,000 in 2027 and \$994,000 in 2028.

Investment Securities

General Accounting Policies

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and are recorded at amortized cost. Debt securities not classified as held to maturity are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

The amortized cost of debt securities classified as held to maturity or available for sale is adjusted for amortization of purchase premiums and accretion of purchase discounts. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are determined using the specific identification method.

The accrual of interest on debt securities is discontinued at the time any principal or interest payments become significantly delinquent. Additionally, securities are placed on nonaccrual at an earlier date if collection of principal or interest is considered doubtful. When placing a security on nonaccrual status, interest accrued to date is reversed and is charged against the current year's interest income. Payments received on a security on nonaccrual status are applied against the balance of the security. A security is returned to accrual status when principal and interest are no longer past due and collectability is no longer doubtful.

Allowance for Credit Losses – Securities Available for Sale

For available for sale securities in an unrealized loss position, management first assesses whether (i) it intends to sell or (ii) it is more likely than not that it will be required to sell the security before recovery of the amortized cost basis. If either case is affirmative, any previously recognized allowances are charged-off and the security's amortized cost is written down to fair value through income. If neither case is affirmative, the security is evaluated to determine whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency and any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Adjustments to the allowance are reported in the income statement as a component of credit loss expense. Management has made the accounting policy election to exclude accrued interest receivable on available for sale securities from the estimate of credit losses.

Available for sale securities are charged-off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by management or when either of the aforementioned criteria regarding intent or requirement to sell is met.

Restricted Stock

The Company is a member of the Federal Home Loan Bank (FHLB) system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

The Company is a shareholder of TIB, Inc. (TIB). TIB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

The Company is a shareholder of Bankers' Bank of the West Bancorp, Inc. (BBW). BBW stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans

The Company grants commercial, real estate, and consumer loans to customers. A substantial portion of the loan portfolio is represented by commercial and real estate loans in the Coeur d'Alene, Idaho and eastern Washington area. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for credit losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The accrual of interest on all loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. Payments received on a loan on nonaccrual status are generally applied against the balance of the loan; however, in certain circumstances the interest component of payments may be recognized in interest income on the cash method. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Past due loans are any loans for which payments of interest, principal or both have not been received within the timeframes designated by the loan agreements. Loans with payments in arrears but for which borrowers have resumed making scheduled payments are considered past due until arrearages are brought current. Loans that experience insignificant payment delays or payment shortfalls generally are not considered past due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Financial difficulty modification loans are loans containing concessions in terms as a result of the borrower experiencing financial difficulty. Generally, concessions granted to customers include lower interest rates and modification of the payment stream to lower or defer payments. Interest on financial difficulty modification loans is accrued under the new terms if the loans are performing and full collection of principal and interest is expected. However, interest accruals are discontinued on financial difficulty modification loans that meet the Company's nonaccrual criteria. A loan may be considered a financial difficulty modification loan regardless of whether it is considered a continuation of an existing loan or a new loan that replaces an existing loan.

The quality of the Company's loan portfolio is assessed as a function of the levels of past due loans, nonaccrual loans, and internal credit quality ratings which are updated monthly by management. The ratings on the Company's internal credit scale are an important part of the Company's overall credit risk management process. The ratings on the Company's internal credit scale are broadly grouped into the categories "nonclassified" and "classified," with detailed ratings as follows:

Non-Classified

Pass - Loans classified as pass represent loans that are evaluated and are performing under the stated terms. Pass rated assets are analyzed by the paying capacity, the current net worth, and the value of the loan collateral of the obligor.

Watch - Loans classified as watch possess potential weaknesses that require management attention, but do not yet warrant adverse classification. While the status of a loan placed in this classification may not technically trigger a classification as substandard or doubtful, it is considered a proactive way to identify potential issues and address them before the situation deteriorates further and does result in a loss for the Company.

Classified

Substandard - Loans classified as substandard may be inadequately protected by the current net worth, paying capacity of the obligor, or by the collateral pledged. Substandard loans have a well-defined weakness or weaknesses that jeopardize the repayment of the credit as originally contracted. They are characterized by the distinct possibility that the Company will sustain a loss if the deficiencies are not corrected. Some, but not all, substandard loans require nonaccrual treatment.

Doubtful - Loans classified as doubtful have the weaknesses of those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. All doubtful loans necessitate nonaccrual treatment.

Loss - Loans considered loss are considered uncollectable and of such little value that their continuance as a bankable asset, even with a valuation allowance, is not warranted. This does not mean the loans have no recovery or salvage value, but rather it is not practical or desirable to defer a charge-off even though a partial recovery may be effected in the future. Loans classified as a loss are charged-off in the period they are deemed uncollectible. Generally, loans are charged off in whole or in part after they become significantly past due or management's analysis classifies the loan as a loss. Charge off amounts are determined based upon the carrying amount of loans and the amount estimated to be collectible as determined by analyses of expected future cash flows and the liquidation of loan collateral.

Allowance for Loan Credit Losses (ACL)

The ACL for loans is a valuation allowance for the current expected credit losses in the Company's loan portfolio that is deducted from the loan's amortized cost basis to present the net amount expected to be collected. Loans are charged-off against the allowance when management classifies the loan as "loss". Subsequent recoveries, if any, are credited to the ACL.

Management estimates the allowance over the loan portfolio's entire contractual term, adjusted for expected prepayments when appropriate. The allowance estimate considers relevant, available information from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for qualitative or environmental factors that cause the estimate for expected losses as of the evaluation date to differ from historical loss experience. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions, changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; changes in the collateral valuations; concentrations of credit; the effect of other external factors such as competition and legal and regulatory requirements; and other relevant factors determined by management.

The ACL is measured on a collective (pool) basis when similar risk characteristics exist and on an individual basis when management determines that the loan does not share similar risk characteristics with other loans. The Company has identified the following loan pools: commercial, commercial real estate, residential real estate, and consumer loans. Relevant risk characteristics for commercial and commercial real estate loan pools include debt service coverage, loan-to-value ratios and financial performance. Relevant risk characteristics for residential real estate, consumer and other loan pools include credit scores, debt-to income ratios, collateral type and loan-to-value ratios.

The Company uses the Discounted Cash Flow method to measure the ACL for all loan pools to calculate a loss rate that combines the pool's risk characteristics, historical loss experience, and reasonable and supportable future economic forecasts to project lifetime losses. The loss rate is then combined with the loans balance and contractual maturity, adjusted for expected prepayments, to determine expected future losses. Future and supportable economic forecasts are based on various economic conditions over a period of up to two years followed by a reversion back to historical losses.

Loans that do not share similar risk characteristics to their loan pool are evaluated on an individual basis and are excluded from the collective measurement. Loans can be identified for individual evaluation for various reasons including delinquency, nonaccrual status, risk rating and loan modifications. A loan is considered collateral dependent when management determines that foreclosure is probable or when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The ACL on collateral dependent loans is measured using the amortized cost basis of the financial asset less the fair value of the underlying collateral, adjusted for costs to sell, when applicable. If the value of the underlying collateral is determined to be less than the recorded amount of the loan, a specific reserve for that loan is recorded. If the Company determines that the loss represented by the specific reserve is uncollectible it records a charge-off for the uncollectible portion.

The Company has elected not to estimate an allowance for credit losses on accrued interest receivable and record losses against current year interest income when loans are placed on nonaccrual.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Company enters into off-balance sheet financial instruments consisting of commitments to extend credit, unused lines of credit, standby letters of credit and undisbursed loans in process (collectively, "unfunded loan commitments"). These financial instruments are recorded in the financial statements when they are funded.

In conjunction with the determination of the allowance for loan credit losses and using the same criteria, the Company determines the extent of credit risk on its unfunded loan commitments and whether there are credit losses on those instruments for which a loss provision is necessary. The allowance for credit losses on unfunded loan commitments is carried as a component of Accrued Expenses and Other Liabilities, and changes in the allowance are recorded as a credit loss provision or reversal through earnings.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Premises and Equipment

Land is carried at cost. Other premises and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, on the straight-line method. Furniture and equipment are depreciated over periods ranging from two to ten years and building improvements are depreciated over periods ranging from five to thirty years. Maintenance and repairs are expensed as incurred, while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

For leased premises, at lease inception the Company records a lease liability equal to the present value of fixed lease payments not yet paid and also records a corresponding right-of-use asset. Over the lease term, the right-of use asset is amortized and interest on the lease liability is recorded, with amortization and interest charged to rent expense. The lease liability is reduced by the principal component of the fixed lease payments.

The combination of amortization on the right-of-use-asset and interest on the lease liability results in straight-line lease expense over the lease term. Variable lease costs, such as pass-through operating costs of lessors, are expensed as incurred. For leases with terms of under 12 months, no right of use asset or lease liability is recorded and rent expense is recorded when paid.

The Company carries the right-of-use asset related to its leases as a component of Premises and Equipment, and the lease liability is carried as a component of Accrued Expenses and Other Liabilities.

Company Owned Life Insurance

The Company invests in company-owned life insurance. This investment involves the purchasing of life insurance by the Company on a select group of managerial employees. The Company is the owner and primary beneficiary of these policies. The investment is recorded as an asset at the cash surrender value. Increases in the cash value of these policies, as well as insurance proceeds received, are recorded in other noninterest income.

Goodwill

Goodwill represents the excess of the purchase price of net assets over fair value. The Company assesses goodwill for impairment annually in December, and more frequently in the presence of certain circumstances. Impairment exists when the carrying amount of goodwill exceeds its implied fair value. In connection with the AmericanWest Bank branch acquisition in 2013, the Company recorded goodwill of \$42,420. No impairment was recorded for the years ended December 31, 2025 and 2024.

Income Taxes

Income tax expense is recorded based upon current year income tax due or refundable and the change in deferred tax assets and liabilities (excluding deferred tax assets and liabilities related to other comprehensive income). The Bank and its Parent Company file consolidated income tax returns. Income taxes of the Company are recorded on the basis of filing separate returns, after adjustments related to consolidated income tax regulations. Current income taxes payable or receivable by the Company are paid to or received from the Parent Company.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

Deferred income tax assets and liabilities are determined using the liability method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Advertising Costs

The Company expenses advertising production costs as they are incurred. Advertising expense was \$154,198 and \$71,260 for the years ended December 31, 2025 and 2024, respectively.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, excluding transaction costs. When measuring fair value, entities should maximize the use of observable inputs and minimize the use of unobservable inputs. The following describes the three levels of inputs that may be used to measure fair value:

- *Level 1 Inputs* - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- *Level 2 Inputs* - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- *Level 3 Inputs* - Unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Earnings Per Share

Basic earnings per share is net income divided by the weighted average number of shares outstanding during the period. Diluted earnings per share includes the dilutive effect of additional shares issuable through stock options using the treasury method.

Deferred Compensation

Benefits under deferred compensation contracts are accrued over the period of the employee's active employment from the time the contract is signed to the employee's full retirement eligibility date.

In 2020, the Company entered into a non-qualified deferred compensation plan with an employee. The plan is effective from January 16, 2020, until a distribution event takes place. Under the terms of the agreement, the employee will receive amounts in monthly installments over a period of 10 years, beginning in August 1, 2039. In the event of death prior to August 1, 2039, deferred compensation will be 100% vested and paid out in one lump sum.

The Company has recognized deferred compensation expense of \$30,507 and \$28,429, for the years ended December 31, 2025 and 2024, respectively.

Stock Options and Stock Grants

Stock-based compensation expense reflects the fair value of stock-based awards measured at the grant date and recognized over the relevant vesting period. The Company estimates the fair value of stock option awards on the measurement date using the Black-Scholes option valuation model which incorporates assumptions as to stock price volatility, the expected life of the options, risk-free interest rate and dividend yield. The fair value of stock grants is the fair value of the stock on the grant date.

Noninterest Income

Noninterest income, other than gains on sales of assets, is substantially comprised of service charges on deposit accounts and ATM and debit card income. Service charges on deposit accounts consist of monthly account fees, stop payment charges, and charges for deposit items returned for non-sufficient funds or paid as an overdraft (net of fees waived or refunded). ATM and debit card income is comprised of charges for use of Bank ATMs and debit card interchange income. In all instances, noninterest income is recognized concurrent with the Company's satisfaction of the underlying performance obligation, which typically occurs at a single point in time as a transaction or statement cycle is completed.

Comprehensive Income (Loss)

Components of comprehensive income are net income and all other non-owner changes in equity. The components of other comprehensive income consist of unrealized holding gains and losses on available for sale securities, net of income taxes.

Subsequent Events

Management evaluates events occurring subsequent to the balance sheet date, through the date the financial statements are eligible to be issued, to determine whether the events require recognition or disclosure in the financial statements. If a subsequent event evidences conditions existing at the balance sheet date, the effects are recognized in the financial statements (recognized subsequent event). If a subsequent event evidences conditions arising after the balance sheet date, the effects are not recognized in the financial statements but rather disclosed in the notes to the financial statements (non-recognized subsequent events). The effects of subsequent events are only recognized if material, or disclosed if the financial statements would otherwise be misleading.

With respect to the December 31, 2025 financial statements, Management has considered subsequent events through March 11, 2026.

Note 2 – Debt Securities Available for Sale

The amortized cost of securities and approximate fair value at December 31, 2025 and 2024 are as follows:

	December 31, 2025			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Debt securities available for sale				
U.S. Treasury and government agencies	\$ 15,486,014	\$ 17,870	\$ (269,143)	\$ 15,234,741
Mortgage-backed securities	30,436,249	212,201	(416,363)	30,232,087
Municipal bonds	14,311,955	43,100	(307,870)	14,047,185
Corporate bonds	19,036,861	170,155	(280,608)	18,926,408
	<u>\$ 79,271,079</u>	<u>\$ 443,326</u>	<u>\$ (1,273,984)</u>	<u>\$ 78,440,421</u>
	December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities available for sale				
U.S. Treasury and government agencies	\$ 40,058,367	\$ -	\$ (954,247)	\$ 39,104,120
Mortgage-backed securities	19,648,282	71,487	(927,751)	18,792,018
Municipal bonds	16,332,146	32,146	(598,892)	15,765,400
Corporate bonds	17,897,975	116,888	(605,442)	17,409,421
	<u>\$ 93,936,770</u>	<u>\$ 220,521</u>	<u>\$ (3,086,332)</u>	<u>\$ 91,070,959</u>

At December 31, 2025 and 2024, U.S. government agency securities are comprised of Federal Home Loan Bank and Federal Farm Credit Bank bonds. At December 31, 2025 and 2024, mortgage-backed securities are comprised of mortgage-backed bonds and collateralized mortgage obligations issued by Ginnie Mae, Freddie Mac and Fannie Mae. State and municipal securities are comprised of bonds issued by various states and municipalities and are all rated “A” or better as of December 31, 2025 and 2024 by a nationally recognized statistical rating organization. Corporate bonds are comprised of debt securities issued by large publicly traded U.S. domestic corporations and are all rated “Baa3” or better as of both December 31, 2025 and 2024.

The amortized cost and estimated fair value of debt securities at December 31, 2025 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Maturity information for mortgage-backed securities is not presented as these securities paydown on a monthly basis based upon the repayments of the loans underlying the bonds:

	Amortized Cost	Fair Value
Due in one year or less	\$ 12,167,808	\$ 11,993,851
Due after one year through five years	15,410,737	15,125,926
Due after five years through ten years	14,829,165	14,823,568
Due after ten years	6,427,120	6,264,989
	48,834,830	48,208,334
 Mortgage-backed securities	30,436,249	30,232,087
	\$ 79,271,079	\$ 78,440,421

Investment securities with a carrying amount of \$20,985,929 and \$10,824,385 were pledged at December 31, 2025 and 2024, respectively, as collateral for customer deposits, available borrowings, and for other purposes as required or permitted by law.

For the years ended December 31, 2025 and 2024, the Company realized no gains on the sale of securities. Losses realized on the sale of securities for the years ended December 31, 2025 and 2024 were \$0 and \$23,005, respectively.

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

	December 31, 2025			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Debt securities available for sale				
U.S. Treasury and government agencies	\$ 1,905,788	\$ (4,203)	\$ 11,807,549	\$ (264,940)
Mortgage-backed securities	4,212,005	(30,389)	11,536,046	(385,974)
Municipal bonds	-	-	11,519,979	(307,870)
Corporate bonds	7,406,721	(73,445)	8,516,033	(207,163)
Total	\$ 13,524,514	\$ (108,037)	\$ 43,379,607	\$ (1,165,947)

Coeur d’Alene Bancorp and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

	December 31, 2024			
	Less Than 12 Months		12 Months or Greater	
	Fair	Gross	Fair	Gross
	Value	Unrealized Losses	Value	Unrealized Losses
Debt securities available for sale				
U.S. Treasury and government agencies	\$ 593,281	\$ (3,992)	\$ 38,505,685	\$ (950,255)
Mortgage-backed securities	1,920,777	(46,688)	13,235,474	(881,063)
Municipal bonds	584,114	(9,666)	12,990,486	(589,226)
Corporate bonds	887,372	(16,046)	13,507,515	(589,396)
Total	\$ 3,985,544	\$ (76,392)	\$ 78,239,160	\$ (3,009,940)

At December 31, 2025, unrealized losses are due to differences in market yields as compared to yields available at the time securities were purchased. Management has performed analyses of investment credit quality and cash flows on securities with unrealized losses and does not believe that any securities are impaired due to reasons of credit quality. The Company has the ability and intent to hold investment securities for a period of time sufficient for a recovery of cost, and credit loss analysis has not identified the need to record an allowance for credit losses on securities available for sale.

At December 31, 2025 and 2024 there are no securities on nonaccrual status and no securities for which principal or interest is past due.

Note 3 – Restricted Stock

The Company owns stock in the Federal Home Loan Bank of Des Moines (“FHLB”), TIB, Inc., and Bankers’ Bank of the West Bancorp, Inc. The investments are recorded at cost, as follows at December 31:

	2025	2024
Federal Home Loan Bank	\$ 145,200	\$ 715,000
TIB, Inc.	101,334	101,334
Bankers' Bank of the West Bancorp, Inc.	82,825	82,825
Total	\$ 329,359	\$ 899,159

Note 4 – Loans and Allowance for Credit Losses

Loan portfolio segments:

Commercial loans are primarily made for business working capital needs and are underwritten based on the identified or projected cash flows of the borrower and/or the underlying collateral provided by the borrower. The primary repayment risks of C&I loans are that the cash flows of the borrower may be unpredictable, and the collateral securing these loans may fluctuate in value. Collateral for these loans generally includes the business assets financed, accounts receivable, inventory, and equipment. The collateral securing these loans may depreciate over time, may be difficult to appraise, and may fluctuate in value based on the success of the business. These loans may incorporate a corporate or personal guarantee.

Commercial real estate loans are offered to commercial customers for the acquisition of real estate used in their businesses, such as offices, warehouses and production facilities, and to real estate investors for the acquisition of apartment buildings, retail centers, office buildings and other commercial buildings. Commercial real estate loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and prudently expand its business. Management examines current and projected cash flows to determine the ability of the borrower to repay its obligations as agreed. Commercial real estate lending typically involves higher loan principal amounts, and the repayment of these loans is generally dependent on sufficient income from the properties securing the loans to cover operating expenses and debt service. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy.

Residential real estate loans are collateralized by primary and secondary positions on 1-4 family real estate and are underwritten primarily based on borrower's documented income, credit scores, and collateral values. Repayment of these loans is largely dependent on the borrower's financial stability and may be impacted by adverse personal circumstances. Credit risk is minimized within the residential mortgage portfolio due to relatively smaller loan balances spread across many individual borrowers.

Consumer installment loans are generally comprised of term loans secured primarily by automobiles, boats and recreational vehicles and other consumer loans are generally secured by other personal assets. Consumer loan underwriting terms are dependent on the collateral type, debt to income ratio and the borrower's creditworthiness as evidenced by their credit score. In the event of a consumer installment loan default, collateral value alone may not provide an adequate source of repayment of the outstanding loan balance. This shortage is a result of the nature of the collateral securing the loan.

Coeur d'Alene Bancorp and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

A summary of loans by major classification as of December 31 follows:

	<u>2025</u>	<u>2024</u>
Commercial	\$ 22,199,557	\$ 25,365,405
Commercial real estate	90,467,165	88,213,068
Residential real estate	21,531,274	19,549,739
Consumer	837,070	788,641
Total loans	<u>135,035,066</u>	<u>133,916,853</u>
Allowance for credit losses	(2,044,871)	(1,671,407)
Net deferred loan fees and costs	(726,513)	(683,257)
Net Loans	<u>\$ 132,263,682</u>	<u>\$ 131,562,189</u>

An analysis of the allowance for credit losses are as follows:

	<u>Two Years Ended December 31, 2025</u>				
	<u>Commercial</u>	<u>Commercial Real Estate</u>	<u>Residential Real Estate</u>	<u>Consumer</u>	<u>Total</u>
Balance at December 31, 2023	\$ 414,669	\$ 839,576	\$ 296,108	\$ 15,003	\$ 1,565,356
Provision for credit losses	(116,614)	272,585	(58,656)	(8,479)	88,836
Charge-offs	-	-	-	-	-
Recoveries	12,225	460	-	4,530	17,215
Net (charge-offs) recoveries	<u>12,225</u>	<u>460</u>	<u>-</u>	<u>4,530</u>	<u>17,215</u>
Balance at December 31, 2024	310,280	1,112,621	237,452	11,054	1,671,407
Provision for credit losses	29,923	191,765	138,854	(542)	360,000
Charge-offs	-	-	-	-	-
Recoveries	12,994	470	-	-	13,464
Net (charge-offs) recoveries	<u>12,994</u>	<u>470</u>	<u>-</u>	<u>-</u>	<u>13,464</u>
Balance at December 31, 2025	<u>\$ 353,197</u>	<u>\$ 1,304,856</u>	<u>\$ 376,306</u>	<u>\$ 10,512</u>	<u>\$ 2,044,871</u>

Coeur d'Alene Bancorp and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Based on the most recent analysis performed, the risk category of loans by class of loans and origination year as of December 31, 2025, was as follows:

		December 31, 2025							
		Term Loans Amortized Cost Basis by Origination Year						Revolving Loans	Total
		2025	2024	2023	2022	2021	Prior		
Commercial									
Pass	\$	2,087,765	1,583,239	1,320,936	3,107,622	2,051,833	4,229,039	3,812,613	18,193,047
Watch		130,781	210,154	753,132	745,636	-	-	831,821	2,671,524
Substandard		-	-	384,294	34,289	-	466,314	450,089	1,334,986
Doubtful		-	-	-	-	-	-	-	-
Total	\$	<u>2,218,546</u>	<u>1,793,393</u>	<u>2,458,362</u>	<u>3,887,547</u>	<u>2,051,833</u>	<u>4,695,353</u>	<u>5,094,523</u>	<u>22,199,557</u>
Current period gross charge-offs	\$	-	-	-	-	-	-	-	-
Commercial Real Estate									
Pass	\$	19,710,820	15,827,329	13,563,622	10,010,719	15,165,961	9,864,422	-	84,142,873
Watch		-	-	-	272,324	-	908,355	-	1,180,679
Substandard		-	3,949,287	217,006	-	110,896	866,424	-	5,143,613
Doubtful		-	-	-	-	-	-	-	-
Total	\$	<u>19,710,820</u>	<u>19,776,616</u>	<u>13,780,628</u>	<u>10,283,043</u>	<u>15,276,857</u>	<u>11,639,201</u>	<u>-</u>	<u>90,467,165</u>
Current period gross charge-offs	\$	-	-	-	-	-	-	-	-
Residential Real Estate									
Pass	\$	2,421,593	3,167,471	945,508	5,578,934	3,272,207	1,418,646	3,923,572	20,727,931
Watch		-	-	-	-	-	-	-	-
Substandard		-	-	-	803,343	-	-	-	803,343
Doubtful		-	-	-	-	-	-	-	-
Total	\$	<u>2,421,593</u>	<u>3,167,471</u>	<u>945,508</u>	<u>6,382,277</u>	<u>3,272,207</u>	<u>1,418,646</u>	<u>3,923,572</u>	<u>21,531,274</u>
Current period gross charge-offs	\$	-	-	-	-	-	-	-	-
Consumer and Other									
Pass	\$	123,672	45,158	18,900	6,518	-	616,149	26,673	837,070
Watch		-	-	-	-	-	-	-	-
Substandard		-	-	-	-	-	-	-	-
Doubtful		-	-	-	-	-	-	-	-
Total	\$	<u>123,672</u>	<u>45,158</u>	<u>18,900</u>	<u>6,518</u>	<u>-</u>	<u>616,149</u>	<u>26,673</u>	<u>837,070</u>
Current period gross charge-offs	\$	-	-	-	-	-	-	-	-

Coeur d'Alene Bancorp and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Based on the most recent analysis performed, the risk category of loans by class of loans and origination year as of December 31, 2024, was as follows:

		December 31, 2024						
		Term Loans Amortized Cost Basis by Origination Year						
		2024	2023	2022	2021	Prior	Revolving Loans	Total
Commercial								
Pass		\$ 2,125,611	\$ 6,665,033	\$ 6,125,568	\$ 2,250,799	\$ 7,625,149	\$ -	\$ 24,792,160
Watch		-	-	-	-	-	-	-
Substandard		-	17,911	-	-	555,334	-	573,245
Doubtful		-	-	-	-	-	-	-
Total		<u>\$ 2,125,611</u>	<u>\$ 6,682,944</u>	<u>\$ 6,125,568</u>	<u>\$ 2,250,799</u>	<u>\$ 8,180,483</u>	<u>\$ -</u>	<u>\$ 25,365,405</u>
Current period gross charge-offs		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commercial Real Estate								
Pass		\$ 26,747,226	\$ 16,842,568	\$ 13,367,049	\$ 15,874,810	\$ 14,962,270	\$ -	\$ 87,793,923
Watch		-	-	-	-	419,145	-	419,145
Substandard		-	-	-	-	-	-	-
Doubtful		-	-	-	-	-	-	-
Total		<u>\$ 26,747,226</u>	<u>\$ 16,842,568</u>	<u>\$ 13,367,049</u>	<u>\$ 15,874,810</u>	<u>\$ 15,381,415</u>	<u>\$ -</u>	<u>\$ 88,213,068</u>
Current period gross charge-offs		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Residential Real Estate								
Pass		\$ 1,314,335	\$ 1,397,521	\$ 5,982,900	\$ 3,360,839	\$ 270,269	\$ 6,431,177	\$ 18,757,041
Watch		-	-	631,552	-	161,146	-	792,698
Substandard		-	-	-	-	-	-	-
Doubtful		-	-	-	-	-	-	-
Total		<u>\$ 1,314,335</u>	<u>\$ 1,397,521</u>	<u>\$ 6,614,452</u>	<u>\$ 3,360,839</u>	<u>\$ 431,415</u>	<u>\$ 6,431,177</u>	<u>\$ 19,549,739</u>
Current period gross charge-offs		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Consumer and Other								
Pass		\$ 79,554	\$ 24,801	\$ 16,730	\$ 792	\$ 648,155	\$ 18,609	\$ 788,641
Watch		-	-	-	-	-	-	-
Substandard		-	-	-	-	-	-	-
Doubtful		-	-	-	-	-	-	-
Total		<u>\$ 79,554</u>	<u>\$ 24,801</u>	<u>\$ 16,730</u>	<u>\$ 792</u>	<u>\$ 648,155</u>	<u>\$ 18,609</u>	<u>\$ 788,641</u>
Current period gross charge-offs		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Coeur d'Alene Bancorp and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

The following tables summarize the aging of the past due loans by loan class as of December 31, 2025 and 2024:

December 31, 2025					
Accruing Loans					
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual Loans	Total Loans
Commercial	\$ 21,171,736	\$ 878,321	\$ -	\$ 149,500	\$ 22,199,557
Commercial Real Estate	86,961,501	307,620	-	3,198,044	90,467,165
Residential Real Estate	20,955,722	-	-	575,552	21,531,274
Consumer	837,070	-	-	-	837,070
	<u>\$ 129,926,029</u>	<u>\$ 1,185,941</u>	<u>\$ -</u>	<u>\$ 3,923,096</u>	<u>\$ 135,035,066</u>

December 31, 2024					
Accruing Loans					
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual Loans	Total Loans
Commercial	\$ 25,317,554	\$ 47,851	\$ -	\$ -	\$ 25,365,405
Commercial Real Estate	88,213,068	-	-	-	88,213,068
Residential Real Estate	19,549,739	-	-	-	19,549,739
Consumer	788,641	-	-	-	788,641
	<u>\$ 133,869,002</u>	<u>\$ 47,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,916,853</u>

Information relative to nonaccrual loans as of December 31, 2025, and related allocations of the allowance for loan credit losses follows. The Company had no nonaccrual loans as of December 31, 2024.

December 31, 2025					
	Nonaccrual Loans With No Credit Allowance	Nonaccrual Loans With A Specific Credit Allowance	Total Nonaccrual Loans	Specific Credit Allowance On Nonaccrual Loans	Net Carrying Amount of Nonaccrual Loans
Commercial	\$ -	\$ 149,500	\$ 149,500	\$ 74,750	\$ 74,750
Commercial Real Estate	3,198,044	-	3,198,044	-	3,198,044
Residential Real Estate	-	575,552	575,552	143,888	431,664
Consumer	-	-	-	-	-
	<u>\$ 3,198,044</u>	<u>\$ 725,052</u>	<u>\$ 3,923,096</u>	<u>\$ 218,638</u>	<u>\$ 3,704,458</u>

At of December 31, 2025, all nonaccrual loans are considered to be collateral dependent. There were no collateral dependent loans for the year ended December 31, 2024. At December 31, 2025, the nonaccrual residential real estate loan of \$575,552 had a 75% guarantee from the Small Business Administration.

Occasionally, the Company may modify loans to borrowers who are experiencing financial difficulty. Loan modifications to borrowers experiencing financial difficulty may be in the form of principal forgiveness, term extension, an other-than-insignificant payment delay, interest rate reduction, or combination thereof. There were no such loans modified during the years ended December 31, 2025 and 2024.

Loans to officers, directors, and their affiliates are subject to regulatory limitations (“insider loans”). The terms of these loans, including interest rates and collateral, are similar to those prevailing for comparable transactions and do not involve more than a normal amount of credit risk. The total balance outstanding on insider loans as of December 31, 2025 and 2024 was \$2,339 and \$904,043, respectively.

The total principal balance of pledged loans as of December 31, 2025 and 2024, was \$59,338,414 and \$55,730,521, respectively.

Note 5 – Premises and Equipment

Components of premises and equipment included on the balance sheet at December 31, 2025 and 2024 were as follows:

	December 31,	
	2025	2024
Building and improvements	\$ 5,802,130	\$ 4,765,552
Building right-of-use assets	1,713,841	1,713,841
Land	779,578	779,578
Furniture, fixtures and equipment	1,787,107	1,341,094
Construction in progress	10,000	786,483
	10,092,656	9,386,548
Less accumulated depreciation and amortization	(3,881,886)	(3,421,664)
	\$ 6,210,770	\$ 5,964,884

Depreciation and amortization expense for the years ended December 31, 2025 and 2024, was \$521,453 and \$481,766, respectively.

At December 31, 2025 and 2024, the Company’s operating lease liabilities for leased premises in Spokane, Washington and Post Falls, Idaho total \$1,342,674 and \$1,405,368 respectively and are included as a component of Accrued Expense and Other Liabilities. These leases expire in years 2029 through 2032 but have extensions that go through 2042. Extension options that are expected to be exercised are included in the right-of-use asset and lease liability.

Future undiscounted minimum rent commitments for the two premises operating leases, including expected extension options through 2042, are as follows at December 31, 2025:

2026	\$	144,783
2027		147,111
2028		149,508
2029		131,071
2030		87,321
Thereafter		1,189,069
	\$	<u>1,848,863</u>

The \$506,189 difference between the lease liability and the rent commitment total in the table above is the future interest component of the liability to be included rent expense over the remaining term of the leases.

The Company also leases a branch location in Richland, Washington. Rent for this lease is due monthly in the amount of \$3,500 through June 30, 2027. On the basis of materiality, the Company has not recorded a right-of-use asset or lease liability on the balance sheet. Additionally, the monthly rent commitments for this lease are not included in the future undiscounted rent commitments table above.

Total rent expense for premises operating leases, including variable costs, was \$168,954 and \$91,665 in 2025 and 2024, respectively.

Note 6 – Investment in Life Insurance Contracts

The Company is the owner and the beneficiary of life insurance policies on certain current and former directors and officers of the Bank, with aggregate death benefits of \$8,411,471 and \$8,405,516, as of December 31, 2025 and 2024, respectively. The cash surrender value on the policies amounted to \$3,941,506 and \$3,841,526, as of December 31, 2025 and 2024, respectively.

Note 7 – Deposits

Major classifications of deposits at December 31, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Noninterest-bearing demand	\$ 48,101,244	\$ 48,153,896
Interest-bearing demand	63,850,343	55,596,658
Money market	63,075,413	60,039,179
Savings	21,644,436	21,199,876
Certificates of deposit	12,066,550	10,504,725
	<u>\$ 208,737,986</u>	<u>\$ 195,494,334</u>

The aggregate amount of certificates of deposit that meet or exceed the FDIC insurance limit of \$250,000 was \$4,355,289 and \$2,711,554, at December 31, 2025 and 2024, respectively.

The following is a schedule by year of maturities for time deposits at December 31, 2025:

<u>Years Ending December 31,</u>	
2026	\$ 10,964,860
2027	523,179
2028	213,574
2029	253,256
2030	111,681
	<u>\$ 12,066,550</u>

The Company held deposits to officers, directors, and their affiliates of \$1,936,522 and \$1,278,657 at December 31, 2025 and 2024, respectively.

Note 8 – Federal Funds Purchased and Other Borrowed Funds

Federal Funds Purchased

As of December 31, 2025, the Company has unsecured federal funds lines of credit at its correspondent banks with an aggregate credit limit of \$10,000,000. At December 31, 2025 and 2024, federal funds amounting to \$0 and \$2,697,000, were outstanding. The federal funds lines are uncommitted, and funding requests made by the Company are subject to the lending institutions’ approval and funding availability at the time of request.

Federal Home Loan Bank

The Company is eligible to borrow from the Federal Home Loan Bank of Des Moines on an overnight and long-term basis. Federal Home Loan Bank borrowings are secured by loans and investment securities with total available credit of \$30,731,734 as of December 31, 2025. There were no outstanding balances as of December 31, 2025. As of December 31, 2024, \$12,700,000 was outstanding at rates ranging from 4.519% to 4.703%.

Federal Reserve Bank

The Company is eligible to borrow from the Federal Reserve Bank discount window. Federal Reserve Bank borrowings are secured by loans and investment securities with total available credit of \$17,843,647 as of December 31, 2025. Total outstanding borrowings with the Federal Reserve Bank were \$0 at December 31, 2025 and 2024.

Banc of California

On June 17, 2021, the Company took out \$5,000,000 of subordinated debt from Pacific Western Bank, now Banc of California. The interest rate is fixed at 4.50% until June 30, 2026 at which time the note converts to a variable interest rate of Three-Month Term SOFR plus 3.89%. Interest is to be paid semi-annually in June and December of each year with payments on the principal balance due upon maturity. The note has a maturity date of June 30, 2031. The note at December 31, 2025 and 2024, has an outstanding balance, net of unamortized issuance costs, of \$4,988,960 and \$4,967,671, respectively. The debt is unsecured and contains various covenants with respect to financial condition and results of operations. Management believes the Company is in compliance with all covenants as of December 31, 2025 and 2024.

Note 9 – Financial Instruments with Off-Balance Sheet Risk

The Company is a party to credit related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and stand-by letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The Company’s exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments.

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

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

At December 31, the following financial instruments were outstanding whose contract amounts represent credit risk:

	December 31,	
	2025	2024
Commitments to extend credit	\$ 18,053,000	\$ 25,081,000
Standby letters of credit	210,000	210,000

At December 31, 2025 and 2024 the Company has an allowance for credit losses on unfunded loan commitments of \$403,975 and \$384,475, respectively, carried as a component of Accrued Expenses and Other Liabilities. In 2025 and 2024 the Company recorded credit loss provisions related to unfunded loan commitments of \$19,500 and \$167,975, respectively.

Note 10 – Income Taxes

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

	December 31,	
	2025	2024
Current Tax Expense		
Federal	\$ 102,600	\$ 344,300
State	22,531	111,405
Total Current Tax Expense	125,131	455,705
Deferred Tax Expense (Benefit)		
Federal	196,743	(115,396)
State	52,433	(19,201)
Total Deferred Tax Expense (Benefit)	249,176	(134,597)
Total Income Tax Expense	\$ 374,307	\$ 321,108

Deferred tax assets and liabilities as of December 31, 2025 and 2024 are as follows:

	December 31,	
	2025	2024
Deferred tax assets		
Allowance for credit losses	\$ 469,936	\$ 373,955
Nonaccrual loan interest	-	89,562
Net unrealized loss on available for sale securities	174,438	601,820
Other	93,063	32,718
Total deferred tax assets	737,437	1,098,055
Deferred tax liabilities		
Basis of bank premises and equipment	(322,287)	(32,333)
Deferred loan fees	(27,607)	(31,526)
Prepaid expenses and other	(58,153)	(28,248)
Total deferred tax liabilities	(408,047)	(92,107)
Net deferred tax asset (liability)	\$ 329,390	\$ 1,005,948

The following reconciles the income tax expense at the statutory federal rate on pretax income to the effective rate:

	2025		2024	
	Amount	Percent	Amount	Percent
Statutory federal rate	\$ 411,213	21.0%	\$ 377,226	21.0%
Increase (decrease) resulting from:				
Tax exempt interest	(65,226)	-3.3%	(92,737)	-5.2%
Income on Company owned life insurance	(20,996)	-1.1%	(20,462)	-1.1%
State income taxes, net of federal benefits	59,222	3.0%	46,679	2.6%
Other	(9,906)	-0.5%	10,402	0.6%
Effective Rate	<u>\$ 374,307</u>	<u>19.1%</u>	<u>\$ 321,108</u>	<u>17.9%</u>

Note 11 – Employee Benefit Plans

The Company maintains a 401(k) plan (the Plan) covering all employees who have completed three consecutive full calendar months of employment. The Plan provides for employees to contribute amounts up to the Internal Revenue Code limits. The Company contributes 3% of the employee's compensation per year. All contributions are immediately vested. The Company contributed \$99,014 and \$83,191, for the years ended December 31, 2025 and 2024, respectively.

Note 12 – Share Based Awards

The 2011 Equity Compensation Plan allows for awards to include stock options, restricted stock grants, or stock appreciation rights. The stock options and restricted stock grants vest over a period ranging from one to five years. The Company did not issue any awards under the 2011 plan during 2025 and 2024. At December 31, 2025, there were 51,769 shares of options outstanding and no options available for future grants.

The 2021 Equity Compensation Plan allows for awards to include stock options, restricted stock grants, or stock appreciation rights. The stock options and restricted stock grants vest over a period ranging from zero to five years. The Company issued 8,000 stock options and 0 restricted stock grants under the 2021 plan during 2025 and 20,000 stock options and 2,600 restricted stock grants in 2024. At December 31, 2025, there were 51,000 shares of options outstanding and 196,400 shares available for future awards of all types. The weighted average stock price as of the date of issuance was \$17.07 and \$12.38 for 2025 and 2024, respectively.

The plan limits the number of shares in the form of options and grants available to be granted to Directors to 50,000 shares. During 2025, 8,000 stock option shares and 0 stock grant shares were issued to Directors. During 2024, 0 stock option shares and 100 stock grant shares were issued to Directors. At December 31, 2025, there were 29,900 shares of options and grants available to be granted to Directors. The exercise price for options granted is the fair market value of the shares on the date the option is granted.

The fair value of each option award is estimated on the date of grant using a Black Scholes option-pricing model. The Company uses historical option exercise and termination data to estimate the expected term the options are expected to be outstanding. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield is calculated using historical dividend amounts and the stock price at the option issue date.

	<u>2025</u>	<u>2024</u>
Weighted average risk-free interest rate	4.02%	3.84%
Weighted average expected lives for options granted	7 years	0-5 years
Dividend declared	None	None
Forfeitures	7.98%	8.53%
Volatility	31.92%	13.24%

The weighted average grant date fair value of options granted during the year ended December 31, 2025, was \$4.87. The weighted average grant date fair value of options granted during the year ended December 31, 2024, was \$2.90.

A summary of option activity under the plans as of December 31, 2025 and 2024, and changes during the year then ended are as follows:

	<u>2025</u>		<u>2024</u>	
	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>
Outstanding options, beginning of year	103,369	\$ 10.19	87,369	\$ 9.65
Granted	8,000	17.07	20,000	12.36
Exercised	(5,600)	9.20	-	-
Forfeited	(3,000)	10.66	(4,000)	9.20
Outstanding options, end of year	<u>102,769</u>	<u>\$ 10.77</u>	<u>103,369</u>	<u>\$ 10.19</u>
Outstanding exercisable at end of year	<u>70,769</u>	<u>\$ 9.92</u>	<u>63,369</u>	<u>\$ 9.44</u>

Coeur d'Alene Bancorp and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

The following table summarizes information about stock options outstanding at December 31, 2025 and 2024:

	December 31, 2025					
	Options Outstanding			Options Exercisable		
	Weighted-Average Remaining Contractual Life	Number Outstanding at End of Year	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Number Outstanding at End of Year	Weighted-Average Exercise Price
Price \$9.00-\$9.99	4.39	51,769	\$ 9.22	4.32	49,769	\$ 9.22
Price \$10.00-\$10.99	5.91	23,000	10.66	5.73	15,000	10.66
Price \$12.00-\$12.99	9.00	20,000	12.36	9.00	4,000	12.36
Price \$17.00-\$17.99	7.00	8,000	17.07	7.00	2,000	17.07
	<u>5.83</u>	<u>102,769</u>	<u>\$ 10.77</u>	<u>4.96</u>	<u>70,769</u>	<u>\$ 9.92</u>

	December 31, 2024					
	Options Outstanding			Options Exercisable		
	Weighted-Average Remaining Contractual Life	Number Outstanding at End of Year	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Number Outstanding at End of Year	Weighted-Average Exercise Price
Price \$9.00-\$9.99	5.35	57,369	\$ 9.22	5.22	53,369	\$ 9.21
Price \$10.00-\$10.99	6.69	26,000	10.66	6.60	10,000	10.66
Price \$12.00-\$12.99	10.00	20,000	12.36	-	-	-
	<u>6.59</u>	<u>103,369</u>	<u>\$ 10.19</u>	<u>5.44</u>	<u>63,369</u>	<u>\$ 9.44</u>

The Company recognized \$68,818 and \$31,898 of stock-based compensation expense, inclusive of stock option expense and stock grant expense, for the years ended December 31, 2025 and 2024, respectively.

The aggregate intrinsic value of options exercisable for the year ended December 31, 2025, was \$511,660. The aggregate intrinsic value of options outstanding for the year ended December 31, 2025, was \$655,666.

The following table summarizes expected future stock option expense as of December 31, 2025:

Years Ending December 31,		
2026	\$	24,651
2027		23,543
2028		19,884
2029		5,793
	\$	73,871

Note 13 – Concentrations of Credit Risk

Most of the Company’s loans, commitments, and standby letters of credit have been granted to customers in the Company’s market areas of northern Idaho and eastern Washington. As such, significant changes in economic conditions in northern Idaho, eastern Washington, or with its primary industries could adversely affect the Company’s ability to collect loans. Substantially all such customers are depositors of the Company. The concentrations of credit by type of loan are set forth in Note 4. The distribution of commitments to extend credit approximates the distribution of loans outstanding. The Company’s lending limit to any single borrower or group of related borrowers is equal to 20% of the Company’s capital.

Note 14 – Legal Contingencies

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's financial statements.

Note 15 – Fair Value

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Securities available for sale – Debt securities are reported at fair value based upon measurements obtained from an independent pricing service. The fair value measurements for debt securities consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, market consensus prepayment speeds, credit information and the bonds’ terms and conditions, among other things (Level 2).

Collateral dependent loans – The Company does not record loans at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect (1) partial write-downs that are based on the current appraised or market-quoted value of the underlying collateral or (2) the full charge-off of the loan carrying value.

In some cases, the properties for which market quotes or appraised values have been obtained are located in areas where comparable sales data is limited, outdated, or unavailable. Fair value estimates for impaired loans are obtained from real estate brokers or other third-party consultants (Level 3).

The following table provides the hierarchy and fair value for each major category of assets and liabilities measured at fair value:

<u>Fair Value Measurements at</u>				
<u>December 31, 2025 Using</u>				
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Securities available for sale:				
U.S. Treasury and government agencies	\$ -	\$ 15,234,741	\$ -	\$ 15,234,741
Mortgage-backed securities	-	30,232,087	-	30,232,087
Municipal bonds	-	14,047,185	-	14,047,185
Corporate bonds	-	18,926,408	-	18,926,408
Total securities available for sale	\$ -	\$ 78,440,421	\$ -	\$ 78,440,421
Assets measured at fair value on a non-recurring basis				
Collateral dependent loans	\$ -	\$ -	\$ 3,272,794	\$ 3,272,794
<u>Fair Value Measurements at</u>				
<u>December 31, 2024 Using</u>				
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Securities available for sale:				
U.S. Treasury and government agencies	\$ -	\$ 39,104,120	\$ -	\$ 39,104,120
Mortgage-backed securities	-	18,792,018	-	18,792,018
Municipal bonds	-	15,765,400	-	15,765,400
Corporate bonds	-	17,409,421	-	17,409,421
Total securities available for sale	\$ -	\$ 91,070,959	\$ -	\$ 91,070,959

At December 31, 2025, collateral dependent loans with a principal balance of \$3,923,096 are carried at their fair value of \$3,704,458. The valuation allowance totaling \$218,638 has been recorded through the provision for credit losses. At December 31, 2024, the Company had no collateral dependent loans with a valuation allowance recorded through the provision for credit losses.

During 2025 and 2024, there were no Level 3 assets or liabilities measured at fair value on a recurring basis.

Coeur d'Alene Bancorp and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

The estimated fair values, and related carrying amounts, of the Company's financial instruments are as follows:

As of December 31, 2025					
	Carrying Value	Fair Value	Fair Value Measurements Using:		
			Level 1	Level 2	Level 3
Financial Assets:					
Cash and cash equivalents	\$ 18,184,336	\$ 18,184,336	\$ 18,184,336	\$ -	\$ -
Time deposits in other banks	1,490,000	1,504,819	-	1,504,819	-
Securities available for sale	78,440,421	78,440,421	-	78,440,421	-
Restricted stock	329,359	329,359	145,200	184,159	-
Loans, net	132,263,682	133,009,463	-	-	133,009,463
Company owned life insurance	3,941,506	3,941,506	-	3,941,506	-
Accrued interest receivable	874,821	874,821	-	874,821	-
Financial Liabilities:					
Non-maturity deposits	196,671,436	196,671,436	-	-	196,671,436
Certificates of deposit	12,066,550	11,996,143	-	-	11,996,143
Accrued interest payable	80,576	80,576	-	80,576	-
As of December 31, 2024					
	Carrying Value	Fair Value	Fair Value Measurements Using:		
			Level 1	Level 2	Level 3
Financial Assets:					
Cash and cash equivalents	\$ 4,680,321	\$ 4,680,321	\$ 4,680,321	\$ -	\$ -
Time deposits in other banks	1,490,000	1,490,000	-	1,490,000	-
Securities available for sale	91,070,959	91,070,959	-	91,070,959	-
Restricted stock	899,159	899,159	715,000	184,159	-
Loans, net	131,562,189	131,443,610	-	-	131,443,610
Company owned life insurance	3,841,526	3,841,526	-	3,841,526	-
Accrued interest receivable	1,021,910	1,021,910	-	1,021,910	-
Financial Liabilities:					
Non-maturity deposits	184,989,609	184,989,609	-	-	184,989,609
Certificates of deposit	10,504,725	10,568,801	-	-	10,568,801
Federal Home Loan Bank advances	12,700,000	12,700,000	-	12,700,000	-
Federal funds purchased	2,697,000	2,697,000	-	2,697,000	-
Accrued interest payable	94,159	94,159	-	94,159	-

Note 16 – Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to other factors. Prompt corrective action provisions are not applicable to bank holding companies. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital.

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

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. The community bank leverage ratio minimum requirement is 9%. An eligible banking organization is provided a two-quarter grace period to correct a ratio that falls below the required amount, provided the Bank maintains a leverage ratio greater than 8%.

An eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2025, the Bank was a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

Actual and required capital amounts and ratios are presented below at year-end.

	Actual		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
<u>As of December 31, 2025</u>	(dollars in thousands)			
Tier 1 capital (to average total assets)	\$ 31,337	12.9%	\$ 21,890	9.0%
<u>As of December 31, 2024</u>				
Tier 1 capital (to average total assets)	\$ 29,845	12.4%	\$ 21,748	9.0%

Regulatory authorities can initiate certain mandatory actions if the Bank fails to meet the minimum capital requirements, which could have a direct and material effect on the Company’s financial statements. Management believes, as of December 31, 2025 and 2024, that the Bank meets all capital adequacy requirements to which it is subject and that the Bank exceeds the minimum levels necessary to be considered “well capitalized.”