



2025 Consolidated Annual Report

Fleetwood
Bank Corporation

Fleetwood
Bank®

BANK LOCAL *from anywhere*

WITH BERKS COUNTY'S BEST BANK & BEST FINANCIAL INSTITUTION 3 YEARS IN A ROW

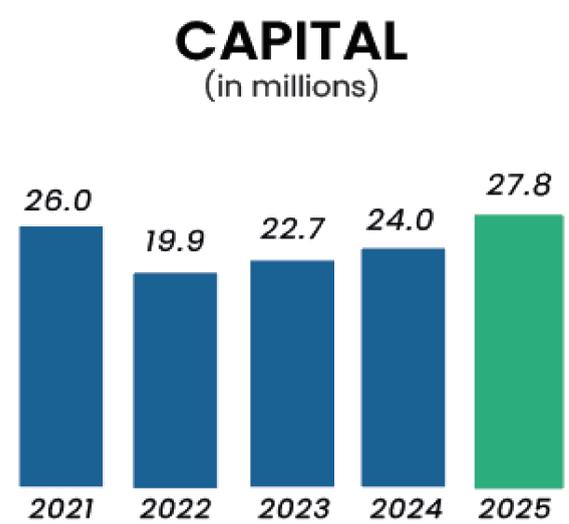
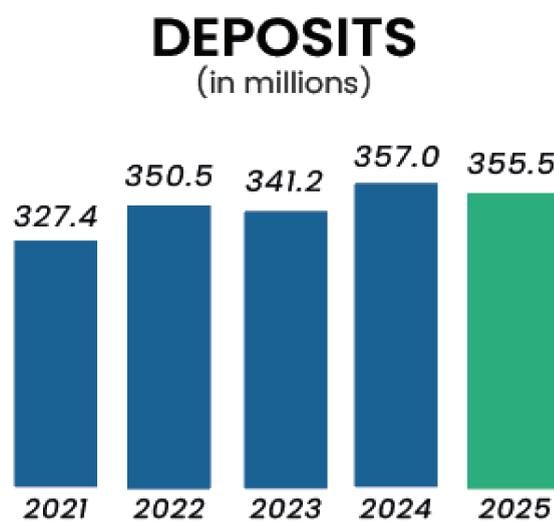
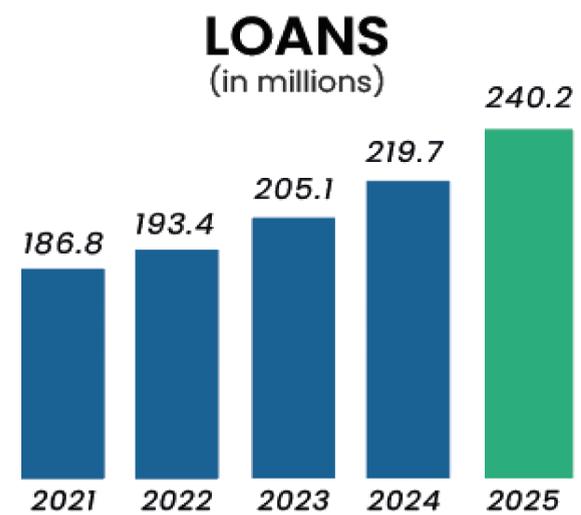
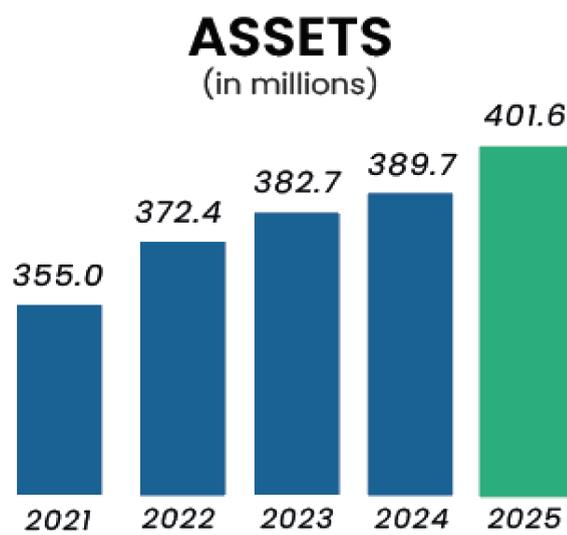
OUR VISION

Fleetwood Bank will be a **catalyst** to help **build strong communities**.

OUR MISSION

To create **opportunities** for our **communities, employees, and shareholders**.

FINANCIAL HIGHLIGHTS



SUBSCRIBE TO OUR NEWSLETTER:

Scan the QR code or visit bit.ly/fleetwoodbanknewsletter



SEVEN BRANCHES CONVENIENTLY LOCATED THROUGHOUT BERKS COUNTY:

BLANDON | FLEETWOOD | KUTZTOWN | LYONS | OLEY | SHOEMAKERSVILLE | WYOMISSING

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FLEETWOOD BANK CORPORATION

FLEETWOOD, PENNSYLVANIA 19522

TELEPHONE 610-944-7666

Dear Shareholder —

I am pleased to present the annual update on the performance of Fleetwood Bank for 2025. Our Bank continued to perform well in 2025 in loan growth, interest income and management of expenses. Total loans, net of reserve increased by \$17,599,000 or 8.01%. Deposits contracted slightly but remained strong at \$355,529,000. Moving to the income statement, total interest income increased by \$913,000 while interest expenses decreased by \$933,000 or 23.69%. Total other expenses increased to \$10,723,000, led by increases in salary and benefit expense. Net income totaled \$2,351,000, an increase of \$935,000. Interest expense did level off in the second half of the year and we do not anticipate any dramatic changes to rates in 2026. Further analysis of our financial performance can be found in the pages that follow.

Our largest increase in loan outstandings came from our commercial portfolio, increasing by \$16,195,000, or 18%. The strength of our commercial growth is a result of our investment in developing a strong commercial lending team, made up of our Commercial Relationship Managers, Underwriters and Relationship Assistants. It is important to note this growth did not come at the expense of asset quality. The Bank did not have any delinquent commercial loans in its portfolio and total criticized and classified loans were only 0.58% of the total loan portfolio at the end of 2025.

While we are proud of our commercial loan growth, we remain committed to mortgage lending and continue to be a resource for our community as they look to fulfill the dream of home ownership. Our residential mortgage portfolio continued to grow through 2025 and now stands at \$114,282,000.

Our retail banking team continued to deliver strong results throughout the year. We have made significant investments in the physical structure of our branches and have worked to develop strong, knowledgeable bankers that understand the needs of our customers and can work with them to assist in achieving their financial goals.

Last year we launched our Tiger Card, a Fleetwood Bank debit card, cobranded with the Fleetwood Area School District. This has proven to be a meaningful resource as we partner with the school district on teaching the importance of financial literacy to the students at the high school. Throughout the year, members of our team have been invited to teach financial literacy classes to high school students. We expect that to continue in 2026.

Over this past year, our commitment to our community has not changed. Fleetwood Bank remains focused on creating opportunities for our community, our employees and our shareholders.

It is you, our dedicated shareholders, that allows us to continue looking forward and building a better community for our family, friends, and neighbors.

Thank you for being a part of our story.

With Gratitude,



Timothy P. Snyder

President - CEO

Independent Auditors' Report

To the Board of Directors of and Stockholders of
Fleetwood Bank Corporation

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of 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 Auditors' Responsibilities for the Audit of the Consolidated 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 Consolidated 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.

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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.

Baker Tilly US, LLP

Allentown, Pennsylvania
February 12, 2026

Fleetwood Bank Corporation and Subsidiary

Consolidated Balance Sheets

December 31, 2025 and 2024

(In Thousands, Except Share and Per Share Data)

	<u>2025</u>	<u>2024</u>
Assets		
Cash and due from banks	\$ 6,321	\$ 3,882
Interest bearing deposits with banks	5,964	5,677
	<u>12,285</u>	<u>9,559</u>
Cash and cash equivalents	12,285	9,559
Interest-bearing time deposits	6,050	9,500
Securities available-for-sale, at fair value	62,448	59,767
Securities held-to-maturity, at amortized cost (fair value 2025 \$61,698; 2024 \$67,320)	64,395	72,645
Loans receivable, net of allowance for credit losses (2025 \$2,959; 2024 \$2,884)	237,270	219,671
Restricted stocks, at cost	1,155	732
Premises and equipment, net	6,290	6,201
Bank owned life insurance	7,529	7,352
Net deferred tax asset	1,483	2,164
Accrued interest receivable	1,247	1,270
Other assets	1,281	868
	<u>\$ 401,433</u>	<u>\$ 389,729</u>
Total assets		
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest bearing	\$ 75,705	\$ 71,992
Interest-bearing	279,824	284,982
	<u>355,529</u>	<u>356,974</u>
Total deposits		
Accrued interest payable	38	49
Long-term debt	14,000	3,000
Other liabilities	3,918	5,687
	<u>373,485</u>	<u>365,710</u>
Total liabilities		
Stockholders' Equity		
Common stock, par value \$2 per share; authorized 1,000,000 shares; issued 2025 and 2024: 308,201 shares; outstanding 2025: 295,654 shares; 2024: 298,180 shares	619	619
Surplus	10,406	10,406
Retained earnings	20,554	18,801
Accumulated other comprehensive loss	(2,812)	(5,177)
Treasury stock, at cost, 2025: 12,547 shares; 2024: 10,021 shares	(819)	(630)
	<u>27,948</u>	<u>24,019</u>
Total stockholders' equity		
Total liabilities and stockholders' equity	<u>\$ 401,433</u>	<u>\$ 389,729</u>

See notes to consolidated financial statements

Fleetwood Bank Corporation and Subsidiary

Consolidated Statements of Income

Years Ended December 31, 2025 and 2024

(In Thousands, Except Share and Per Share Data)

	<u>2025</u>	<u>2024</u>
Interest Income		
Loans receivable, including fees	\$ 12,635	\$ 11,512
Securities:		
Taxable	1,741	1,943
Tax-exempt	393	402
Other	570	569
	<u>15,339</u>	<u>14,426</u>
Total interest income		
	<u>15,339</u>	<u>14,426</u>
Interest Expense		
Deposits	3,006	3,765
Other	193	427
	<u>3,199</u>	<u>4,192</u>
Total interest expense		
	<u>3,199</u>	<u>4,192</u>
Net interest income	12,140	10,234
Provision for Credit Losses	60	330
	<u>60</u>	<u>330</u>
Net interest income after provision for credit losses	12,080	9,904
	<u>12,080</u>	<u>9,904</u>
Other Income		
Customer service fees	674	681
Earnings on bank owned life insurance	148	174
Other	600	589
	<u>1,422</u>	<u>1,444</u>
Total other income		
	<u>1,422</u>	<u>1,444</u>
Other Expenses		
Salaries and employee benefits	5,653	5,255
Occupancy, net	862	777
Furniture and equipment	619	596
Data processing	953	883
Professional fees	562	356
FDIC insurance assessment	297	305
Advertising	196	194
Pennsylvania shares tax expense	154	175
ATM charges and expenses	257	238
Other operating expenses	1,170	958
	<u>10,723</u>	<u>9,737</u>
Total other expenses		
	<u>10,723</u>	<u>9,737</u>
Income before income tax expense	2,779	1,611
Income Tax Expense	428	195
	<u>428</u>	<u>195</u>
Net income	<u>\$ 2,351</u>	<u>\$ 1,416</u>
Per Share Data		
Basic earnings per share	<u>\$ 8.10</u>	<u>\$ 4.74</u>
Cash dividends	<u>\$ 2.00</u>	<u>\$ 2.00</u>
Weighted-Average Number of Shares Outstanding	<u>297,115</u>	<u>298,756</u>

See notes to consolidated financial statements

Fleetwood Bank Corporation and Subsidiary

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2025 and 2024

(In Thousands)

	<u>2025</u>	<u>2024</u>
Net Income	\$ 2,351	\$ 1,416
Other Comprehensive Income		
Unrealized holding gains on securities available-for-sale, net of tax of (\$629) in 2025 and (\$156) in 2024	<u>2,365</u>	<u>584</u>
Comprehensive income	<u>\$ 4,716</u>	<u>\$ 2,000</u>

See notes to consolidated financial statements

Fleetwood Bank Corporation and Subsidiary

Consolidated Statements of Stockholders' Equity
 Years Ended December 31, 2025 and 2024
 (In Thousands, Except Per Share Data)

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Stock	Total Stockholders' Equity
Balance at December 31, 2023	\$ 619	\$ 10,405	\$ 17,984	\$ (5,761)	\$ (569)	\$ 22,678
Net income	-	-	1,416	-	-	1,416
Other comprehensive income	-	-	-	584	-	584
Purchase of treasury stock (1,133 shares)	-	1	-	-	(61)	(60)
Cash dividends, \$2.00 per share	-	-	(599)	-	-	(599)
Balance at December 31, 2024	619	10,406	18,801	(5,177)	(630)	24,019
Net income	-	-	2,351	-	-	2,351
Other comprehensive income	-	-	-	2,365	-	2,365
Purchase of treasury stock (2,526 shares)	-	-	-	-	(189)	(189)
Cash dividends, \$2.00 per share	-	-	(598)	-	-	(598)
Balance at December 31, 2025	\$ 619	\$ 10,406	\$ 20,554	\$ (2,812)	\$ (819)	\$ 27,948

See notes to consolidated financial statements

Fleetwood Bank Corporation and Subsidiary

Consolidated Statements of Cash Flows
 Years Ended December 31, 2025 and 2024
 (In Thousands)

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Net income	\$ 2,351	\$ 1,416
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	60	330
Depreciation expense	388	376
Net amortization of securities premiums and discounts	109	147
Deferred income taxes	53	(102)
Earnings on bank owned life insurance	(148)	(174)
Increase in accrued interest receivable and other assets	(390)	(238)
(Decrease) increase in accrued interest payable and other liabilities	(1,805)	1,878
Net cash provided by operating activities	<u>618</u>	<u>3,633</u>
Cash Flows From Investing Activities		
Purchases of available-for-sale securities	(5,867)	-
Proceeds from maturities, calls and principal repayments on available-for-sale securities	6,116	2,598
Purchases of held-to-maturity securities	(3,105)	-
Proceeds from maturities, calls and principal repayments on held-to-maturity securities	11,309	3,617
Net increase in loans receivable	(17,659)	(14,907)
Net (purchases) redemptions of restricted stocks	(423)	504
Purchases of premises and equipment	(481)	(1,252)
Redemption of interest bearing time deposits	3,450	1,950
Net cash used in investing activities	<u>(6,660)</u>	<u>(7,490)</u>
Cash Flows From Financing Activities		
Net (decrease) increase in deposits	(1,445)	15,808
Proceeds from long-term debt	11,000	3,000
Repayments of long-term debt	-	(15,000)
Purchase of treasury stock	(189)	(60)
Dividends paid	(598)	(599)
Net cash provided by financing activities	<u>8,768</u>	<u>3,149</u>
Net increase (decrease) in cash and cash equivalents	2,726	(708)
Cash and Cash Equivalents, Beginning	<u>9,559</u>	<u>10,267</u>
Cash and Cash Equivalents, Ending	<u>\$ 12,285</u>	<u>\$ 9,559</u>
Supplemental Cash Flows Information		
Interest paid	<u>\$ 3,210</u>	<u>\$ 4,229</u>
Federal income taxes paid	<u>\$ 350</u>	<u>\$ 180</u>

See notes to consolidated financial statements

Fleetwood Bank Corporation and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Fleetwood Bank Corporation and its wholly owned subsidiary, Fleetwood Bank (collectively, the Company), which also includes its wholly owned entity, Fleetwood Financial, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of Operations

Fleetwood Bank Corporation is a bank holding company, which controls its wholly owned subsidiary, Fleetwood Bank (the Bank). It is regulated under the Bank Holding Company Act of 1956, as amended.

The Bank is a state-chartered bank that provides full banking services. As a state-chartered bank, the Bank is subject to regulation by the Pennsylvania Department of Banking and Securities, the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Board. The Company is subject to regulation by the Federal Reserve Board. The Bank grants commercial, installment and residential loans to its customers located primarily in Berks and surrounding counties of Pennsylvania. The Bank also provides a variety of deposit products to its customers, including checking, savings and term certificate accounts.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements 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 credit losses, the fair value of securities, and the valuation of deferred tax assets.

Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located within Berks and surrounding counties of Pennsylvania. Note 4 discusses the types of securities that the Bank invests in. Note 5 discusses the types of lending that the Bank engages in. The Company does not have any significant concentrations to any one industry or customer. Although the Company has a diversified loan portfolio, its debtors' ability to honor its contracts is influenced by the region's economy.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, amounts due from banks, interest bearing deposits with banks and federal funds sold, all of which mature within 90 days.

Interest-Bearing Time Deposits

Interest-bearing time deposits mature at various times through 2030 and are carried at cost.

Fleetwood Bank Corporation and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Securities

Securities classified as available-for-sale are those debt securities that the Company intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movement in interest rates, changes in maturity mix of the Company's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Securities available-for-sale are carried at fair value. Unrealized gains or losses are reported as increases or decreases in other comprehensive income, net of the related deferred tax effect. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Purchases and sales of securities are recorded at the trade date. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Securities classified as held-to-maturity are those debt securities the Company has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost adjusted for the amortization of premium and accretion of discount, computed by the interest method over their contractual lives.

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each consolidated balance sheet date.

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

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the un-collectability of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable is excluded from the estimate of credit losses.

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. Accrued interest receivable is excluded from the estimate of credit losses. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

Management classifies the held-to-maturity portfolio into the following major security types: U.S. government agencies, mortgage-backed and state and municipal securities.

Nearly all of the U.S. government agencies securities and mortgage-backed securities are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. State and municipal securities are rated investment grade and have a history of no credit losses.

Fleetwood Bank Corporation and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Investment in Restricted Stocks, at Cost

Investment in restricted stocks, at cost is principally comprised of restricted stock in the Federal Home Loan Bank (FHLB), which is carried at cost. Federal law requires a member institution of the FHLB to hold stock according to a predetermined formula. The FHLB stock was carried at approximately \$1,036,000 and \$613,000 as of December 31, 2025 and 2024, respectively. Restricted stock also includes stock of the Atlantic Community Bankers Bank in the amount of \$88,000 at December 31, 2025 and 2024 and stock of the Federal Reserve Bank in the amount of \$31,000 at December 31, 2025 and 2024. Both cash and stock dividends are reported as income.

Management's determination of whether these investments are impaired is based on the Company's assessment of the ultimate recoverability of the Company's cost rather than by recognizing temporary declines in value. Management believes no impairment charge is necessary related to these restricted stocks as of December 31, 2025.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for credit losses and any deferred fees or costs. 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 yield (interest income) of the related loans. The Company generally amortizes these amounts over the contractual life of the loan.

The loans receivable portfolio is segmented into commercial and consumer loans. Commercial loans consist of the following classes: commercial and commercial real estate. Consumer loans consist of the following classes: residential mortgage, home equity and other consumer.

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for credit losses. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months) and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

Allowance for Credit Losses

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

Management estimates the allowance balance using relevant 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 credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics, such as differences in underwriting standards, portfolio mix, delinquency level or term, as well as for changes in environmental conditions, such as changes in unemployment rates and property values.

Fleetwood Bank Corporation and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified the following portfolio segments and measures the allowance for credit losses using the SCALE method: commercial, commercial real estate owner occupied, commercial real estate nonowner occupied, residential mortgages, home equity loans, and other consumer loans. These pools of loans are evaluated for loss exposure based upon historical loss rates for each of these categories of loans, adjusted for qualitative and forecasted risk factors. These risk factors include:

1. Lending policies and procedures, including experience, ability and depth of lending management and staff, underwriting standards and collection, charge-off and recovery practices.
2. National, regional and local economic and business conditions as well as the condition of various market segments, including the value of underlying collateral for collateral dependent loans.
3. Nature and volume of the portfolio and terms of loans.
4. Volume and severity of past due, classified and nonaccrual loans as well as other loan modifications.
5. Existence and effect of any concentrations of credit and changes in the level of such concentrations.
6. Effect of external factors, such as competition and legal and regulatory requirements.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management's best judgment using relevant information available at the time of the evaluation. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for credit loss calculation.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are also not included in the collective evaluation. When management determines that foreclosure is probable, or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. Loans that experience insignificant payment delays and payment shortfalls generally are not individually evaluated. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration 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.

The Company's credit policies determine advance rates against the different forms of collateral that can be pledged against commercial loans. Typically, the majority of loans will be limited to a percentage of their underlying collateral values such as real estate values, equipment, eligible accounts receivable and inventory. Individual loan advance rates may be higher or lower depending upon the financial strength of the borrower and/or term of the loan. The assets financed through commercial loans are used within the business for its ongoing operation. Repayment of these kinds of loans generally comes from the cash flow of the business or the ongoing conversions of assets. Commercial real estate loans include long-term loans financing commercial properties. Repayment of this kind of loan is dependent upon either the ongoing cash flow of the borrowing entity or the resale of or lease of the subject property. Commercial real estate loans typically require a loan to value ratio of not greater than 80% and vary in terms.

Fleetwood Bank Corporation and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

For commercial loans secured by real estate, estimated fair values are determined primarily through third-party appraisals. When a real estate secured loan becomes nonperforming, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property.

For commercial and industrial loans secured by nonreal estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable agings or equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets.

Residential mortgages and home equity loans are secured by the borrower's residential real estate in either a first or second lien position. Residential mortgages and home equity loans have varying loan rates depending on the financial condition of the borrower and the loan to value ratio. Residential mortgages have amortizations up to 30 years and home equity loans have maturities up to 15 years.

Other consumer loans include installment loans, car loans and overdraft lines of credit. The majority of these loans are unsecured.

Other Real Estate Owned

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

Premises and Equipment

Land is carried at cost. Buildings and equipment are stated at cost less accumulated depreciation and amortization computed on a straight-line method over the estimated useful lives of the assets and the expected terms of the leases if shorter. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured.

Leases

The Company accounts for leases in accordance with Accounting Standards Codification (ASC) 842, *Leases*. The Company determines if an arrangement is a lease at inception. Right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments.

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.

Fleetwood Bank Corporation and Subsidiary

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Income Taxes

There are two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax basis of assets and liabilities and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more-likely-than-not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more-likely-than-not means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more-likely-than-not that some portion or all of a deferred tax asset will not be realized.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

Treasury Stock

Common stock shares repurchased are recorded as treasury stock at cost.

Earnings Per Share

The Company has a simple capital structure. Basic earnings per share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period.

Treasury shares are not deemed outstanding for earnings per share calculations.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains on securities available-for-sale which are recognized as a separate component of equity, net of income taxes.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions are more fully disclosed in Note 15. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded in the consolidated balance sheets when they are funded.

Fleetwood Bank Corporation and Subsidiary

Notes to Consolidated Financial Statements

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Bank Owned Life Insurance

The Company invests in bank owned life insurance (BOLI) as a source of funding for employee benefit expenses. BOLI involves the purchasing of life insurance by the Company on a chosen group of employees. The Company is the owner and beneficiary of the policies. This life insurance investment is carried at the cash surrender value of the underlying policies and is included on the consolidated balance sheets. Income from the increase in cash surrender value of the policies is included in other income on the consolidated statements of income.

Employment Agreement

The Bank has an employment agreement with its President and Chief Executive Officer for a two-year period. The agreement renews automatically and the employment period is extended for successive additional periods of two years each unless written notice is given not to renew by any of the parties to this agreement. The agreement also contains several restrictive covenants common to most employment contracts.

Advertising Costs

Advertising costs are expensed as incurred.

Reclassification

Certain reclassifications have been made to the 2025 consolidated financial statements to conform to the 2024 consolidated financial statement presentation. These reclassifications had no effect on net income.

Subsequent Events

The Company has evaluated events and transactions occurring subsequent to the consolidated balance sheet date of December 31, 2025 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through February 12, 2026, the date these consolidated financial statements were available for issue.

Adopted Accounting Standard

In 2025, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. ASU No. 2023-09 enhances the transparency and decision usefulness of income tax disclosures. The amendments in this ASU require consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction disclosures. The amendments in this ASU are applied on a retrospective basis. The adoption of ASU No. 2023-09 did not have a material effect on the results of operations, financial position or cash flows of the Company. See Note 10 for the updated income tax disclosures.

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2. Revenue Recognition

The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers. The main types of revenue contracts included in other income within the consolidated statements of income are as follows:

Deposits Related Fees and Service Charges

Service charges and fees on deposits consist of transaction-based fees, account maintenance fees and overdraft services fees for various retail and business checking customers. Transaction-based fees, which includes services such as automated teller machines (ATM) fees, Automated Clearing House (ACH) fees, stop payment charges and statement rendering fees are recognized at the time transaction is executed as that is the point in time the Company fulfills the customer's request. All deposit liabilities are considered to have one-day terms, and therefore, related fees are recognized as noninterest income at the time when the services are provided to the customer. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn directly from the customer's account balance.

Interchange Income

The Company earns interchange fees from credit/debit cardholder transactions conducted through MasterCard payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized monthly, concurrently with the transaction processing services provided to the cardholder.

Gain/Losses on Sale of OREO

The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO assets are derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction prices and related gain (loss) on sale if a significant financing component is present. There were no sales of OREO in 2025 and 2024.

3. Restrictions on Cash and Due From Banks

The Company is required to maintain reserve balances in the form of vault cash or on deposit with the Federal Reserve Bank. The amount reserved at December 31, 2025 and 2024 was \$0.

Fleetwood Bank Corporation and Subsidiary

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4. Securities

The amortized cost and fair value of investment securities, with gross unrealized gains and losses at December 31, 2025 and 2024 are as follows:

	2025				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
	(In Thousands)				
Available-for-sale:					
U.S. government agencies	\$ 44,847	\$ -	\$ (2,334)	\$ -	\$ 42,513
Mortgage-backed securities	12,751	1	(555)	-	12,197
State and municipal	8,410	-	(672)	-	7,738
	<u>\$ 66,008</u>	<u>\$ 1</u>	<u>\$ (3,561)</u>	<u>\$ -</u>	<u>\$ 62,448</u>
Held-to-maturity:					
U.S. government agencies	\$ 47,985	\$ 1	\$ (1,838)	\$ -	\$ 46,148
Mortgage-backed securities	5,143	-	(280)	-	4,863
State and municipal	10,767	10	(591)	-	10,186
Corporate bonds	500	1	-	-	501
	<u>\$ 64,395</u>	<u>\$ 12</u>	<u>\$ (2,709)</u>	<u>\$ -</u>	<u>\$ 61,698</u>
	2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
	(In Thousands)				
Available-for-sale:					
U.S. government agencies	\$ 49,667	\$ -	\$ (4,521)	\$ -	\$ 45,146
Mortgage-backed securities	8,224	-	(882)	-	7,342
State and municipal	8,430	-	(1,151)	-	7,279
	<u>\$ 66,321</u>	<u>\$ -</u>	<u>\$ (6,554)</u>	<u>\$ -</u>	<u>\$ 59,767</u>
Held-to-maturity:					
U.S. government agencies	\$ 56,775	\$ -	\$ (3,884)	\$ -	\$ 52,891
Mortgage-backed securities	6,061	-	(529)	-	5,532
State and municipal	9,809	-	(912)	-	8,897
	<u>\$ 72,645</u>	<u>\$ -</u>	<u>\$ (5,325)</u>	<u>\$ -</u>	<u>\$ 67,320</u>

Investment securities with a carrying amount of \$20,812,000 and \$24,315,000 as of December 31, 2025 and 2024, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

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Notes to Consolidated Financial Statements

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The amortized cost and fair value of debt securities by contractual maturity, at December 31, 2025 are as follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)			
Due within one year	\$ 15,851	\$ 15,649	\$ 14,370	\$ 14,146
Due after one year through five years	26,085	24,304	34,228	33,051
Due after five years through 10 years	9,633	8,753	6,317	5,793
Due after 10 years	1,688	1,545	4,337	3,845
	53,257	50,251	59,252	56,835
Mortgage-backed securities	12,751	12,197	5,143	4,863
	<u>\$ 66,008</u>	<u>\$ 62,448</u>	<u>\$ 64,395</u>	<u>\$ 61,698</u>

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.

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

The following tables show gross unrealized losses and fair value of the Company's investments for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that the individual securities have been in continuous unrealized loss position at December 31, 2025 and 2024.

	2025					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Available-for-sale:						
U.S. government agencies	\$ -	\$ -	\$ 42,513	\$ (2,334)	\$ 42,513	\$ (2,334)
Mortgage-backed securities	5,767	(69)	6,399	(486)	12,166	(555)
State and municipal	742	(8)	6,351	(664)	7,093	(672)
	<u>\$ 6,509</u>	<u>\$ (77)</u>	<u>\$ 55,263</u>	<u>\$ (3,484)</u>	<u>\$ 61,772</u>	<u>\$ (3,561)</u>
Held-to-maturity:						
U.S. government agencies	\$ -	\$ -	\$ 42,648	\$ (1,838)	\$ 42,648	\$ (1,838)
Mortgage-backed securities	-	-	4,862	(280)	4,862	(280)
State and municipal	4,004	(54)	4,675	(537)	8,679	(591)
	<u>\$ 4,004</u>	<u>\$ (54)</u>	<u>\$ 52,185</u>	<u>\$ (2,655)</u>	<u>\$ 56,189</u>	<u>\$ (2,709)</u>

Fleetwood Bank Corporation and Subsidiary

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	2024					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Available-for-sale:						
U.S. government agencies	\$ -	\$ -	\$ 45,146	\$ (4,521)	\$ 45,146	\$ (4,521)
Mortgage-backed securities	-	-	7,306	(882)	7,306	(882)
State and municipal	660	(89)	6,620	(1,062)	7,280	(1,151)
	<u>\$ 660</u>	<u>\$ (89)</u>	<u>\$ 59,072</u>	<u>\$ (6,465)</u>	<u>\$ 59,732</u>	<u>\$ (6,554)</u>
Held-to-maturity:						
U.S. government agencies	\$ -	\$ -	\$ 52,891	\$ (3,884)	\$ 52,891	\$ (3,884)
Mortgage-backed securities	-	-	5,532	(529)	5,532	(529)
State and municipal	2,482	(31)	6,415	(881)	8,897	(912)
	<u>\$ 2,482</u>	<u>\$ (31)</u>	<u>\$ 64,838</u>	<u>\$ (5,294)</u>	<u>\$ 67,320</u>	<u>\$ (5,325)</u>

At December 31, 2025 and 2024, the Company had 10 and 7 securities, in an unrealized loss position for less than 12 months, respectively. At December 31, 2025 and 2024, the Company had 105 and 125 securities, in an unrealized loss position for 12 months or more, respectively. The majority of these securities are guaranteed by the U.S. government. These unrealized losses relate principally to current interest rates for similar types of securities. The contractual terms of the U.S. government agency and mortgage-backed securities do not permit the issuer to settle the securities at a price less than amortized cost basis of the investments. For municipal securities, the Company analyzes an issuer's financial condition and considers whether downgrades by bond rating agencies have occurred in determining whether or not there is an impairment. Because the Company does not intend to sell the investments and it is not more-likely-than-not that the Company will be required to sell the investments before recovery of their amortized cost basis which may be at maturity, the Company does not consider any investments held as of December 31, 2025 to need an allowance for credit losses.

5. Loans and Allowance for Credit Losses

A summary of loans at December 31, 2025 and 2024 are as follows:

	2025	2024
	(In Thousands)	
Commercial	\$ 25,112	\$ 24,053
Commercial real estate owner occupied	26,373	23,653
Commercial real estate nonowner occupied	54,558	41,764
Residential mortgage	114,282	112,176
Home equity	19,772	20,708
Consumer, other	132	201
	<u>240,229</u>	<u>222,555</u>
Less allowance for credit losses	<u>(2,959)</u>	<u>(2,884)</u>
Loans, net	<u>\$ 237,270</u>	<u>\$ 219,671</u>

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

	2025				
	Allowance for Credit Losses				
	Beginning Balance	Charge-offs	Recoveries	Provision for Credit Losses	Ending Balance
	(In Thousands)				
Commercial	\$ 518	\$ -	\$ -	\$ (71)	\$ 447
Commercial real estate owner occupied	493	-	-	16	509
Commercial real estate nonowner occupied	870	-	-	182	1,052
Residential mortgage	867	-	10	(99)	778
Home equity	130	-	-	41	171
Consumer, other	6	-	5	(9)	2
Total	\$ 2,884	\$ -	\$ 15	\$ 60	\$ 2,959

	2024				
	Allowance for Credit Losses				
	Beginning Balance	Charge-offs	Recoveries	Provision for Credit Losses	Ending Balance
	(In Thousands)				
Commercial	\$ 326	\$ -	\$ -	\$ 192	\$ 518
Commercial real estate owner occupied	314	-	-	179	493
Commercial real estate nonowner occupied	550	-	-	320	870
Residential mortgage	1,265	(33)	16	(381)	867
Home equity	112	-	-	18	130
Consumer, other	3	(6)	7	2	6
Total	\$ 2,570	\$ (39)	\$ 23	\$ 330	\$ 2,884

The cumulative loss rate used as the basis for the estimate of credit losses is comprised of the historical loss experience of banks located in Pennsylvania with an asset size between \$300,000,000 and \$500,000,000. The Company has adjusted the historical loss experience to reflect the Bank's portfolio, asset quality, concentrations of credit, lending policies, management, loan review policies and procedures, and operating environment. Additionally, the Company has adjusted the historical loss experience to reflect the Company's expectations for future performance of the local residential and commercial real estate markets.

Fleetwood Bank Corporation and Subsidiary

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The following tables present the amortized cost basis of loans on nonaccrual status as of December 31, 2025 and 2024:

	2025		
	Nonaccrual With No Allowance For Credit Loss	Nonaccrual With Recorded Allowance For Credit Loss	Total Nonaccrual
	(In Thousands)		
Commercial	\$ -	\$ -	\$ -
Commercial real estate owner occupied	12	-	12
Commercial real estate nonowner occupied	-	-	-
Residential mortgage	1,104	211	1,315
Home equity	82	-	82
Consumer, other	-	-	-
Total	\$ 1,198	\$ 211	\$ 1,409

	2024		
	Nonaccrual With No Allowance For Credit Loss	Nonaccrual With Recorded Allowance For Credit Loss	Total Nonaccrual
	(In Thousands)		
Commercial	\$ -	\$ -	\$ -
Commercial real estate owner occupied	15	-	15
Commercial real estate nonowner occupied	-	-	-
Residential mortgage	1,248	-	1,248
Home equity	70	-	70
Consumer, other	-	-	-
Total	\$ 1,333	\$ -	\$ 1,333

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

	2025		Total Collateral Dependent Loans
	Real Estate Secured	Other (1)	
	(In Thousands)		
Commercial	\$ -	\$ -	\$ -
Commercial real estate owner occupied	12	-	12
Commercial real estate nonowner occupied	-	-	-
Residential mortgage	1,315	-	1,315
Home equity	90	-	90
Consumer, other	-	-	-
Total	\$ 1,417	\$ -	\$ 1,417

(1) Secured by business assets, personal property and equipment, or guarantees.

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	2024		
	Real Estate Secured	Other (1)	Total Collateral Dependent Loans
	(In Thousands)		
Commercial	\$ -	\$ -	\$ -
Commercial real estate owner occupied	15	-	15
Commercial real estate nonowner occupied	-	-	-
Residential mortgage	1,248	-	1,248
Home equity	70	-	70
Consumer, other	-	-	-
Total	<u>\$ 1,333</u>	<u>\$ -</u>	<u>\$ 1,333</u>

(1) Secured by business assets, personal property and equipment, or guarantees.

The performance and credit quality of the loan portfolio is monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following tables present the classes of the loan portfolio summarized by the past due status as of December 31, 2025 and 2024:

	2025						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivables	Loans Receivable >90 Days and Accruing
	(In Thousands)						
Commercial	\$ -	\$ -	\$ -	\$ -	\$ 25,112	\$ 25,112	\$ -
Commercial real estate owner occupied	-	-	-	-	26,373	26,373	-
Commercial real estate nonowner occupied	-	-	-	-	54,558	54,558	-
Residential mortgage	2,017	182	1,194	3,393	110,889	114,282	-
Home equity	390	70	19	479	19,293	19,772	-
Consumer, other	5	4	-	9	123	132	-
	<u>\$ 2,412</u>	<u>\$ 256</u>	<u>\$ 1,213</u>	<u>\$ 3,881</u>	<u>\$ 236,348</u>	<u>\$ 240,229</u>	<u>\$ -</u>

	2024						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivables	Loans Receivable >90 Days and Accruing
	(In Thousands)						
Commercial	\$ -	\$ -	\$ -	\$ -	\$ 24,053	\$ 24,053	\$ -
Commercial real estate owner occupied	15	-	-	15	23,638	23,653	-
Commercial real estate nonowner occupied	1,596	-	-	1,596	40,168	41,764	-
Residential mortgage	-	301	573	874	111,302	112,176	-
Home equity	-	-	70	70	20,638	20,708	-
Consumer, other	35	-	-	35	166	201	-
	<u>\$ 1,646</u>	<u>\$ 301</u>	<u>\$ 643</u>	<u>\$ 2,590</u>	<u>\$ 219,965</u>	<u>\$ 222,555</u>	<u>\$ -</u>

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The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually to classify the loans as to credit risk. This analysis includes loans with an outstanding balance greater than \$500,000 and non-homogenous loans, such as commercial and commercial real estate loans. This analysis is performed on an annual basis. The Company uses the following definitions for risk ratings:

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

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

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

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass-rated loans.

The following tables present the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Company's internal risk rating system as of December 31, 2025 and 2024:

		2025						
		Loans Amortized Cost Basis by Origination Year						
		2025	2024	2023	2022	2021	Prior	Total
		(In Thousands)						
Commercial:								
Risk Rating:								
Pass	\$	6,165	\$ 5,840	\$ 4,010	\$ 382	\$ 245	\$ 8,470	\$ 25,112
Special mention		-	-	-	-	-	-	-
Substandard		-	-	-	-	-	-	-
Doubtful		-	-	-	-	-	-	-
Total	\$	6,165	\$ 5,840	\$ 4,010	\$ 382	\$ 245	\$ 8,470	\$ 25,112
2025 gross write offs	\$	-	-	-	-	-	-	-

		2025						
		Loans Amortized Cost Basis by Origination Year						
		2025	2024	2023	2022	2021	Prior	Total
		(In Thousands)						
Commercial real estate owner occupied:								
Risk Rating:								
Pass	\$	4,651	\$ 5,304	\$ 3,075	\$ 2,475	\$ 2,244	\$ 4,547	\$ 22,296
Special mention		-	275	1,000	384	-	2,406	4,065
Substandard		-	-	-	-	-	12	12
Doubtful		-	-	-	-	-	-	-
Total	\$	4,651	\$ 5,579	\$ 4,075	\$ 2,859	\$ 2,244	\$ 6,965	\$ 26,373
2025 gross write offs	\$	-	-	-	-	-	-	-

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		2025						
		Loans Amortized Cost Basis by Origination Year						
		2025	2024	2023	2022	2021	Prior	Total
		(In Thousands)						
Commercial real estate nonowner occupied:								
Risk Rating:								
Pass	\$	21,640	\$ 7,985	\$ 3,520	\$ 9,610	\$ 4,133	\$ 5,903	\$ 52,791
Special mention		-	-	-	-	1,767	-	1,767
Substandard		-	-	-	-	-	-	-
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>21,640</u>	<u>\$ 7,985</u>	<u>\$ 3,520</u>	<u>\$ 9,610</u>	<u>\$ 5,900</u>	<u>\$ 5,903</u>	<u>\$ 54,558</u>
2025 gross write offs	\$	-	-	-	-	-	-	-

		2025						
		Loans Amortized Cost Basis by Origination Year						
		2025	2024	2023	2022	2021	Prior	Total
		(In Thousands)						
Residential mortgage:								
Risk Rating:								
Pass	\$	9,555	\$ 13,490	\$ 12,138	\$ 16,375	\$ 22,286	\$ 39,123	\$ 112,967
Special mention		-	-	-	-	-	-	-
Substandard		-	-	-	231	-	1,084	1,315
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>9,555</u>	<u>\$ 13,490</u>	<u>\$ 12,138</u>	<u>\$ 16,606</u>	<u>\$ 22,286</u>	<u>\$ 40,207</u>	<u>\$ 114,282</u>
2025 gross write offs	\$	-	-	-	-	-	-	-

		2025						
		Loans Amortized Cost Basis by Origination Year						
		2025	2024	2023	2022	2021	Prior	Total
		(In Thousands)						
Home equity:								
Risk Rating:								
Pass	\$	3,844	\$ 3,112	\$ 1,852	\$ 4,493	\$ 915	\$ 5,474	\$ 19,690
Special mention		-	-	-	-	-	-	-
Substandard		-	-	-	77	5	-	82
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>3,844</u>	<u>\$ 3,112</u>	<u>\$ 1,852</u>	<u>\$ 4,570</u>	<u>\$ 920</u>	<u>\$ 5,474</u>	<u>\$ 19,772</u>
2025 gross write offs	\$	-	-	-	-	-	-	-

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		2025 Loans Amortized Cost Basis by Origination Year						
		2025	2024	2023	2022	2021	Prior	Total
		(In Thousands)						
Consumer, other:								
Risk Rating:								
Pass	\$	39	\$ 28	\$ 20	\$ 38	\$ 4	\$ 3	\$ 132
Special mention		-	-	-	-	-	-	-
Substandard		-	-	-	-	-	-	-
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>39</u>	<u>\$ 28</u>	<u>\$ 20</u>	<u>\$ 38</u>	<u>\$ 4</u>	<u>\$ 3</u>	<u>\$ 132</u>
2025 gross write offs	\$	-	-	-	-	-	-	-
		2024 Loans Amortized Cost Basis by Origination Year						
		2024	2023	2022	2021	2020	Prior	Total
		(In Thousands)						
Commercial:								
Risk Rating:								
Pass	\$	7,694	\$ 4,912	\$ 1,311	\$ 437	\$ 3,019	\$ 6,680	\$ 24,053
Special mention		-	-	-	-	-	-	-
Substandard		-	-	-	-	-	-	-
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>7,694</u>	<u>\$ 4,912</u>	<u>\$ 1,311</u>	<u>\$ 437</u>	<u>\$ 3,019</u>	<u>\$ 6,680</u>	<u>\$ 24,053</u>
2024 gross write offs	\$	-	-	-	-	-	-	-
		2024 Loans Amortized Cost Basis by Origination Year						
		2024	2023	2022	2021	2020	Prior	Total
		(In Thousands)						
Commercial real estate owner occupied:								
Risk Rating:								
Pass	\$	4,578	\$ 3,851	\$ 2,812	\$ 3,243	\$ 1,060	\$ 8,094	\$ 23,638
Special mention		-	-	-	-	-	-	-
Substandard		-	-	-	-	-	15	15
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>4,578</u>	<u>\$ 3,851</u>	<u>\$ 2,812</u>	<u>\$ 3,243</u>	<u>\$ 1,060</u>	<u>\$ 8,109</u>	<u>\$ 23,653</u>
2024 gross write offs	\$	-	-	-	-	-	-	-

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		2024 Loans Amortized Cost Basis by Origination Year						
		2024	2023	2022	2021	2020	Prior	Total
		(In Thousands)						
Commercial real estate nonowner occupied:								
Risk Rating:								
Pass	\$	9,874	\$ 6,020	\$ 10,842	\$ 5,474	\$ 1,526	\$ 6,205	\$ 39,941
Special mention		-	-	-	1,823	-	-	1,823
Substandard		-	-	-	-	-	-	-
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>9,874</u>	<u>\$ 6,020</u>	<u>\$ 10,842</u>	<u>\$ 7,297</u>	<u>\$ 1,526</u>	<u>\$ 6,205</u>	<u>\$ 41,764</u>
2024 gross write offs	\$	-	-	-	-	-	-	-

		2024 Loans Amortized Cost Basis by Origination Year						
		2024	2023	2022	2021	2020	Prior	Total
		(In Thousands)						
Residential mortgage:								
Risk Rating:								
Pass	\$	10,732	\$ 12,810	\$ 17,663	\$ 24,276	\$ 14,754	\$ 30,693	\$ 110,928
Special mention		-	-	-	-	-	-	-
Substandard		-	-	238	-	412	598	1,248
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>10,732</u>	<u>\$ 12,810</u>	<u>\$ 17,901</u>	<u>\$ 24,276</u>	<u>\$ 15,166</u>	<u>\$ 31,291</u>	<u>\$ 112,176</u>
2024 gross write offs	\$	-	-	-	-	-	33	\$ 33

		2024 Loans Amortized Cost Basis by Origination Year						
		2024	2023	2022	2021	2020	Prior	Total
		(In Thousands)						
Home equity:								
Risk Rating:								
Pass	\$	5,771	\$ 2,020	\$ 5,566	\$ 1,170	\$ 1,061	\$ 5,050	\$ 20,638
Special mention		-	-	-	-	-	-	-
Substandard		-	-	70	-	-	-	70
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>5,771</u>	<u>\$ 2,020</u>	<u>\$ 5,636</u>	<u>\$ 1,170</u>	<u>\$ 1,061</u>	<u>\$ 5,050</u>	<u>\$ 20,708</u>
2024 gross write offs	\$	-	-	-	-	-	-	-

		2024 Loans Amortized Cost Basis by Origination Year						
		2024	2023	2022	2021	2020	Prior	Total
		(In Thousands)						
Consumer, other:								
Risk Rating:								
Pass	\$	45	\$ 65	\$ 45	\$ 7	\$ 1	\$ 38	\$ 201
Special mention		-	-	-	-	-	-	-
Substandard		-	-	-	-	-	-	-
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>45</u>	<u>\$ 65</u>	<u>\$ 45</u>	<u>\$ 7</u>	<u>\$ 1</u>	<u>\$ 38</u>	<u>\$ 201</u>
2024 gross write offs	\$	-	-	-	4	2	-	\$ 6

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Occasionally, the Company modifies loans to borrowers in financial distress by providing interest rate reductions, extensions of maturity, interest only payments or other-than-insignificant payment delays. In 2025 and 2024, there were no modifications to loans to borrowers in financial distress.

6. Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment at December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
	(In Thousands)	
Land	\$ 869	\$ 869
Buildings and improvements	9,501	9,109
Furniture and equipment	5,830	5,741
	<u>16,200</u>	<u>15,719</u>
Accumulated depreciation	<u>(9,910)</u>	<u>(9,518)</u>
	<u>\$ 6,290</u>	<u>\$ 6,201</u>

Depreciation expense for the years ended December 31, 2025 and 2024 amounted to \$388,000 and \$376,000, respectively.

7. Leases

The Company's three leases are classified as operating leases with no short-term leases. Currently, two of the leases are for branch leases and one of the two leases contains a renewal option. The third lease is for office equipment that contains a renewal option. The recorded amounts for the branch leases are impacted by assumptions around renewals and/or extensions and the interest rate used to discount those future lease obligations. The Company has recorded amounts as of December 31, 2025 and 2024 for the right-of-use asset of \$495,000 and \$169,000, respectively, recorded in other assets, and lease liabilities of \$497,000 and \$171,000, respectively, recorded in other liabilities on the consolidated balance sheets. Operating cash flow paid for lease liabilities was \$134,000 and \$106,000 as of December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, the operating leases overall had a weighted average lease term of 3.6 and 2.7 years, respectively. The weighted average discount rate for the operating leases as of December 31, 2025 and 2024 was 3.85% and 4.48%, respectively.

A reconciliation of operating lease liabilities by minimum lease payments by year and in aggregate and discount amounts in aggregate, as of December 31, 2025, are as follows (in thousands):

2026	\$ 152
2027	127
2028	90
2029	90
2030	56
	<u>515</u>
Total undiscounted lease liabilities	515
Less discounted amount	<u>(18)</u>
Total lease liabilities	<u>\$ 497</u>

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8. Deposits

The components of deposits at December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
	(In Thousands)	
Demand:		
Noninterest bearing	\$ 75,705	\$ 71,992
Interest bearing	172,468	170,092
Savings	68,286	67,020
Time	<u>39,070</u>	<u>47,870</u>
	<u>\$ 355,529</u>	<u>\$ 356,974</u>

Time deposits that meet or exceed the FDIC Insurance limit of \$250,000 at December 31, 2025 and 2024 were \$2,615,000 and \$3,281,000, respectively.

At December 31, 2025, the scheduled maturities of time deposits are as follows (in thousands):

2026	\$ 37,147
2027	1,058
2028	441
2029	370
2030	<u>54</u>
	<u>\$ 39,070</u>

9. Borrowings

The Company has a maximum borrowing capacity with the FHLB of approximately \$131,720,000 and \$126,106,000 at December 31, 2025 and 2024, respectively, of which \$14,000,000 and \$3,000,000 of debt advances were outstanding at December 31, 2025 and 2024, respectively. The FHLB advances outstanding at December 31, 2025 have an average interest rate of 4.13%. Advances from the FHLB are secured by a blanket lien on qualified assets of the Company.

Maturities of FHLB borrowings at December 31, 2025 are as follows (in thousands):

2026	\$ 14,000
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10. Income Taxes

The federal income tax provision (benefit) for December 31, 2025 and 2024 is summarized as follows:

	<u>2025</u>	<u>2024</u>
	(In Thousands)	
Current	\$ 375	\$ 297
Deferred	<u>53</u>	<u>(102)</u>
	<u>\$ 428</u>	<u>\$ 195</u>

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Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating losses and tax credit carryforwards.

The tax effects of significant items comprising the Company's deferred taxes at December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
	(In Thousands)	
Deferred tax assets:		
Allowance for credit losses	\$ 621	\$ 606
Deferred loan fees	131	86
Deferred employee benefit plans	62	278
Accrued incentive pay	281	22
Net unrealized loss on securities available-for-sale	748	1,376
Accrued interest on nonaccrual loans	14	10
Lease liabilities	104	36
	<u>1,961</u>	<u>2,414</u>
Total deferred tax assets		
Deferred tax liabilities:		
Premises and equipment depreciation	(337)	(174)
Securities accretion	(8)	(6)
Right-of-use assets	(104)	(36)
Other	(29)	(34)
	<u>(478)</u>	<u>(250)</u>
Total deferred tax liabilities		
Net deferred tax asset	<u>\$ 1,483</u>	<u>\$ 2,164</u>

The effective tax rate of the Company's provision for income taxes differs from the federal statutory rate as follows for the years ended December 31, 2024 and 2025:

	<u>2025</u>		<u>2024</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
U.S. Federal statutory tax rate	\$ 584	21.00 %	\$ 338	21.00 %
Nondeductible items:				
Tax-exempt interest, net of interest disallowance	(105)	(3.79)	(107)	(6.65)
Meals and entertainment	6	0.23	5	0.31
Officers' life insurance	(31)	(1.12)	(36)	(2.25)
Other	(26)	(1.00)	(5)	(0.28)
	<u>\$ 428</u>	<u>15.32 %</u>	<u>\$ 195</u>	<u>12.13 %</u>

The Company did not have any foreign or state income tax for the years ended December 31, 2025 and 2024. Pennsylvania Bank Shares Tax is not an income tax, but a separate tax imposed on banks and trust companies based on their capital stock. New Jersey Corporate Minimum Tax is not considered an income tax, but a separate tax for the privilege of conducting business in New Jersey.

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11. Employee Benefit Plans

Defined Benefit Retirement Plan

The Company participates in a multiemployer defined benefit pension plan covering all full-time employees who had attained a minimum age of 20.5 years and completed 12 months of service prior to June 30, 2006. The retirement benefit is based on 1.5% of the highest five-year average compensation for each year of service. Benefits vest over a seven-year period. On May 3, 2006, the Board of Directors authorized a freeze to the entry of newly-hired employees into the defined benefit retirement plan, together with any additional benefit accruals for existing employees, effective June 30, 2006.

The risks of participating in this multiemployer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Company chooses to stop participating in the plan, the Company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in the plan is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2025 and 2024 is for the plan's year-end at June 30, 2025 and 2024, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. There have been no significant changes that affect the comparability of 2025 and 2024 contributions.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions of the Company for the Years Ended December 31,		Surcharge Imposed
		2025	2024		2025	2024	

Pentagra Defined Benefit Plan for Financial Institutions	13-5645888/333	Green	Green	No	(In Thousands)		
					\$ 24	\$ 30	No

The Company was not listed in the plan's Form 5500 as providing 5% or more of contributions in 2024. The Form 5500 for 2025 is not yet available.

401(k) Retirement Plan

The Company has a 401(k) plan which covers employees who meet the eligibility requirements of having worked 1,000 hours in a plan year and have attained the age of 18. Participants are permitted to contribute from 1% to 20% of compensation. The Company is not required to contribute, but can elect to make an annual supplemental contribution to the Plan. The Company contributed approximately \$72,000 and \$63,000 to the plan for the years ended December 31, 2025 and 2024, respectively, which is included in salaries and employee benefits in the accompanying consolidated statements of income.

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Other Benefit Programs

The Company has several other benefit programs, which have been funded with single premium insurance contracts. The annual earnings on these contracts are projected to cover the Company's cost for the new programs, which include a nonqualified salary continuation plan, a director retirement plan, a director deferred fee plan, an officer supplemental life insurance plan and a community bankers scholarship program.

The salary continuation plan is to provide additional retirement benefits for certain key employees and directors. The director deferred fee plan will also allow each director to defer additional funds for retirement from the board. The officers' supplemental life insurance plan also provides additional life insurance benefits for another group of key employees. The community bankers' scholarship program allows the Company to provide several scholarships annually from earnings on life insurance contracts.

The aforementioned programs use bank-owned life insurance contracts with split-dollar agreements with each individual, so that the Company is projected to recover its investment for each program in the event of any premature deaths.

The following summarizes the activity in these benefit programs for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
	(In Thousands)	
Insurance contract earnings	\$ 238	\$ 264
Mortality costs	(90)	(92)
Net increase in cash value of insurance contracts	<u>\$ 148</u>	<u>\$ 172</u>
Benefits accrued during the year	\$ 194	\$ 96
Accrued benefits at end of year	1,336	1,325
Benefits paid during year	183	172

12. Transactions With Related Parties

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, principal officers, their immediate families and affiliated companies in which they are principal stockholders (commonly referred to as related parties), all of which have been in the opinion of management, on similar terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others.

The related-party loan activity as of and for the years ended December 31, 2025 and 2024 are summarized as follows:

	<u>2025</u>	<u>2024</u>
	(In Thousands)	
Balance at January 1	\$ 541	\$ 327
New loans	-	215
Principal repayments	(125)	(90)
Effect of change in related parties	(40)	89
Balance at December 31	<u>\$ 376</u>	<u>\$ 541</u>

Deposits from principal officers, directors, and their affiliates for the years ended December 31, 2025 and 2024 were \$417,000 and \$878,000, respectively.

Fleetwood Bank Corporation and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

13. 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 financial needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument of commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

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

	<u>2025</u>	<u>2024</u>
	(In Thousands)	
Commitments to grant loans	\$ 3,304	\$ 3,974
Unfunded commitments under lines of credit	76,138	68,291
Standby letters of credit	<u>3,341</u>	<u>1,039</u>
	<u>\$ 82,783</u>	<u>\$ 73,304</u>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to 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 inventory, real estate and equipment.

Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are collateralized and usually contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

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. The Company holds collateral supporting those commitments when deemed necessary by management.

14. Regulatory Matters

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

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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. As of December 31, 2025 and 2024, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Quantitative measures established by regulation to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the following table) of total capital, Tier 1 capital (as defined in the regulations) and common equity Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. A capital conservation buffer of 2.50%, comprised of common equity Tier I capital, is also established above the regulatory minimum capital requirements and must be maintained to avoid limitations on capital distributions.

The Bank's actual and required capital amounts and ratios are as follows at December 31, 2025 and 2024:

	2025					
	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollar Amounts in Thousands)					
Total capital (to risk-weighted assets)	\$ 33,696	14.12 %	\$ >19,091	8.00 %	\$ >23,864	10.00 %
Common equity Tier 1 (CET1) capital (to risk-weighted assets)	30,737	12.88	>10,739	4.50	>15,512	6.50
Tier 1 (core) capital (to risk-weighted assets)	30,737	12.88	>14,318	6.00	>19,091	8.00
Tier 1 (core) capital (to average assets)	30,737	7.77	>15,833	4.00	>19,791	5.00
	2024					
	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollar Amounts in Thousands)					
Total capital (to risk-weighted assets)	\$ 31,755	15.07 %	\$ >16,859	8.00 %	\$ >21,074	10.00 %
Common equity Tier 1 (CET1) capital (to risk-weighted assets)	29,118	13.82	>9,483	4.50	>13,698	6.50
Tier 1 (core) capital (to risk-weighted assets)	29,118	13.82	>12,645	6.00	>16,859	8.00
Tier 1 (core) capital (to average assets)	29,118	7.48	>15,575	4.00	>19,469	5.00

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15. Fair Value of Financial Instruments

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year-ends and have not been re-evaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

Determination of Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument 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. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on 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 for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

Fleetwood Bank Corporation and Subsidiary

Notes to Consolidated Financial Statements

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A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

Cash and Due From Banks and Interest Bearing Deposits With Banks (Carried at Cost)

The carrying amounts reported in the consolidated balance sheets for cash and short-term instruments approximate those assets' fair values.

Interest Bearing Time Deposits (Carried at Cost)

Fair values for fixed-rate time certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certificates to a schedule of aggregated expected monthly maturities on time deposits. The Company generally purchases amounts below the insured limit, limiting the amount of credit risk on these time deposits.

Securities

The fair value of securities available-for-sale (carried at fair value) and held-to-maturity (carried at amortized cost) are determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices. For certain securities which are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence (Level 3). In the absence of such evidence, management's best estimate is used. Management's best estimate consists of both internal and external support on certain Level 3 investments. Internal cash flow models using a present value formula that includes assumptions market participants would use along with indicative exit pricing obtained from broker/dealers (where available) were used to support fair values of certain Level 3 investments.

Loans Receivable (Carried at Cost)

The fair values of loans are estimated using discounted cash flow analyses, using market rates at the consolidated balance sheet date that reflect the credit and interest rate-risk inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Generally, for variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values.

Individually Evaluated Loans (Generally Carried at Fair Value)

Individually evaluated loans are those in which the Bank has measured impairment generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements. At December 31, 2025, the fair value consists of the loan balances of \$211,000, with an associated valuation allowance of \$6,000. At December 31, 2024, there were no individually evaluated loans measured on the fair value of the loan's collateral.

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Restricted Investment in Bank Stocks (Carried at Cost)

The carrying amount of restricted investment in bank stocks approximates fair value and considers the limited marketability of such securities.

Accrued Interest Receivable and Payable (Carried at Cost)

The carrying amount of accrued interest receivable and payable approximates its fair value.

Deposit Liabilities (Carried at Cost)

The fair values disclosed for demand deposits (e.g., interest and noninterest checking, passbook savings and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Short-Term Debt and Long-Term Debt (Carried at Cost)

Fair values of FHLB advances are estimated using discounted cash flow analysis, based on quoted prices for new FHLB advances with similar credit risk characteristics, terms and remaining maturity. These prices obtained from this active market represent a market value that is deemed to represent the transfer price if the liability were assumed by a third party.

Off-Balance Sheet Financial Instruments (Disclosed at Cost)

Fair values for the Company's off-balance sheet financial instruments (lending commitments and letters of credit) are based on fees currently charged in the market to enter into similar agreements, taking into account, the remaining terms of the agreements and the counterparties' credit standing.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2025 and 2024 are as follows:

	2025			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In Thousands)			
Securities available-for-sale:				
U.S. government agencies	\$ 42,513	\$ -	\$ 42,513	\$ -
Mortgage-backed securities	12,197	-	12,197	-
State and municipal	7,738	-	7,738	-
	<u>\$ 62,448</u>	<u>\$ -</u>	<u>\$ 62,448</u>	<u>\$ -</u>

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	2024			
Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(In Thousands)				
Securities available-for-sale:				
U.S. government agencies	\$ 45,146	\$ -	\$ 45,146	\$ -
Mortgage-backed securities	7,342	-	7,342	-
State and municipal	7,279	-	7,279	-
	<u>\$ 59,767</u>	<u>\$ -</u>	<u>\$ 59,767</u>	<u>\$ -</u>

For financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2025 are as follows:

	2025			
Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(In Thousands)				
Individually evaluated loans	\$ 205	\$ -	\$ -	\$ 205

Quantitative information about Level 3 fair value measurements at December 31, 2025 is included in the table below:

	2025			
	Quantitative Information About Level 3 Fair Value Measurements			
Fair Value Estimate	Valuation Techniques	Unobservable Inputs	Estimated Range	
(In Thousands)				
Individually evaluated loans	\$ 205	Appraisal of collateral	Appraisal adjustments	90%
			Liquidation expenses	16%

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

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December 31, 2025 and 2024

At December 31, 2025 and 2024, the Company's estimated fair values of financial instruments were as follows:

	2025				
	Carrying Amount	Fair Value	(Level 1)	(Level 2)	(Level 3)
	(In Thousands)				
Financial assets:					
Cash and cash equivalents	\$ 12,285	\$ 12,285	\$ 12,285	\$ -	\$ -
Interest-bearing time deposits	6,050	6,050	-	6,050	-
Investment securities	130,403	124,146	-	124,146	-
Loans, net	237,270	255,605	-	-	255,605
Restricted stocks	1,155	1,155	-	1,155	-
Accrued interest receivable	1,247	1,247	-	1,247	-
Financial liabilities:					
Deposits	\$ 355,529	\$ 318,797	\$ -	\$ -	\$ 318,797
Long-term debt	14,000	14,132	-	14,132	-
Accrued interest payable	38	38	-	38	-
	2024				
	Carrying Amount	Fair Value	(Level 1)	(Level 2)	(Level 3)
	(In Thousands)				
Financial assets:					
Cash and cash equivalents	\$ 9,559	\$ 9,559	\$ 9,559	\$ -	\$ -
Interest-bearing time deposits	9,500	9,500	-	9,500	-
Investment securities	132,412	127,087	-	127,087	-
Loans, net	219,815	210,887	-	-	210,887
Restricted stocks	732	732	-	732	-
Accrued interest receivable	1,270	1,270	-	1,270	-
Financial liabilities:					
Deposits	\$ 356,974	\$ 316,964	\$ -	\$ -	\$ 316,964
Long-term debt	3,000	3,073	-	3,073	-
Accrued interest payable	49	49	-	49	-

16. Legal Contingencies

Various legal claims 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 consolidated financial statements.

17. Risks and Uncertainties

The Bank's loan and investment securities are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associated with certain assets and the level of uncertainty related to changes in the value of these assets, it is at least reasonably possible that changes in risks in the near term would materially affect the assets reported in the consolidated financial statements.

BUILDING STRONG COMMUNITIES

How Fleetwood Bank Served As A Catalyst For Our Communities in 2025

31% increase in charitable contributions from 2024 to 2025

Fleetwood Bank supported over 100 local organizations last year through financial donations to directly benefit our communities.



In 2025, the Bank made a three-year commitment to be a Blue Ribbon Sponsor of the Oley Fair



At our 2025 Shred Day we helped our neighbors properly dispose of over 2 tons of paper



Presenting checks to 2 of the 4 benefiting nonprofits: Hannah's Hope Ministries & VOiCEup Berks

Our Annual Community Gift Basket Bingo, which is made possible thanks to employees volunteering their time, also saw an increase in 2025.

\$14,240 RAISED — A \$3,240 increase from 2024.

This success resulted in the Bank donating \$3,560 to 4 nonprofits. We've raised \$33,191.33 in the last 3 years alone, all of which was donated to nonprofits who make an impact in Berks County each day.

Our employees made an impact on their own dime and with their own time, too.

\$15,550 was raised during United Way's Annual Campaign, all of which will benefit 190,000+ Berks County residents.

Team members clocked in over 400 hours of volunteering hours last year,



Team members volunteer at Kula Kamala Foundation during United Way's Day of Caring



Taking time out of our weekend to pack meals at The United Way's Annual Big Cheese event



Collecting school supplies to ensure all students have the tools they need to succeed



One of the 140 students who joined our Smart Savers Program in 2025

and they also participated in three drives to collect donations to improve the lives' of many throughout Berks County.

Our Smart Savers Program, which aims to instill smart money habits at an early age for our community's future leaders, saw a 47% increase in enrollment in 2025.

OUR DIRECTORS

Kimberly A. Moyer
Chair

Kenneth L. Hoch
Director

Ronald H. Frey
Director Emeriti

Timothy P. Snyder
President & Chief Executive Officer

Rebecca A. Iannelli
Director

Franklin S. Hoch
Director Emeriti

Franklin M. Brown, Jr.
Secretary

M. Christopher Wentzel
Director

Richard L. Meares
Director Emeriti

Bruce C. Rhoads
Treasurer & Assistant Secretary

Shannon M. Illiano
Assistant Secretary

Peter R. Merkel
Director Emeriti

OUR OFFICERS

Thomas Bendetti
Vice President, Relationship Manager

Philip Courtney
AVP, Compliance & Loan Administration Manager

Edward Benedetto
Vice President, Chief Financial Officer

Jessica Galeassi
AVP, Multi-Site Branch Leader

Kevin D. Bieber
Vice President, Relationship Manager

Jefferson Lentz
AVP, Multi-Site Branch Leader

Jennifer Clark
Vice President, Human Resources

Chasitie Marcinkowski
AVP, Loan Servicing Manager

Angela Cremer
Vice President, Marketing & Communications

CJ Ortega
AVP, IT Manager

Robert S. Kline III
Vice President, Chief Operating Officer

Leah Ross
AVP, Multi-Site Branch Leader

Melanie Manwiller
Vice President, Relationship Manager

Karen L. Waters
AVP, Mortgage Sales Manager

Stephen Patterson
Vice President, Chief Lending Officer

Bridget Winter
AVP, Deposit & Branch Administration Manager

Curin Romich
Vice President, Business Development

Theresa Y. Woznicki
AVP, Deposit & Branch Administration Supervisor