

# ANNUAL REPORT

20  
25



January 10, 1951 - Board of Directors and Incorporators of the Community State Bank of Orbisonia  
-Photo courtesy of *The Daily News*

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ORBISONIA COMMUNITY BANCORP, INC



# **ORBISONIA COMMUNITY BANCORP, INC.**





# Chairman of the Board's Message



On January 11, 2026, Community State Bank celebrated its 75th anniversary. It is remarkable to reflect that a community bank founded in the small town of Orbisonia has navigated the savings and loan crisis of 1980, the real estate crash of 2008, and the ongoing wave of mergers and acquisitions in the banking industry. This milestone reflects the strength of our history and motivates us to pursue opportunities that lie ahead.

As you know, the bank has been navigating an intentional period of transition under the leadership of President and CEO Mike Bibak. Mike's time at the bank is coming to a close. Although Mike's tenure with Community State Bank has been relatively short, his impact was significant. He was brought in with a clear mandate: to strengthen the bank's foundation, enhance our compliance and risk posture, and develop the next generation of leadership. He delivered on all fronts. The Board is deeply grateful for his leadership during this important chapter in the bank's history.

Looking ahead, the Board is committed to ensuring a thoughtful and seamless leadership transition. I am pleased to share that Nicole Wilson was named President of the Bank on February 2, 2026. Nicole brings a deep understanding of community banking, a strong commitment to customer relationships, and a clear vision for continued growth and improved financial performance. Nicole is a smart, capable leader whose experience - from the teller line, to public accounting, to serving as the bank's CFO for the past six and a half years - gives her a deep and well-rounded understanding of banking and our organization. As a native of Fulton County, she is passionate about the bank and its role in our communities, and her vision aligns fully with the bank's strategic plan and our Mission, Vision, and Core Values. We are excited for what lies ahead under her leadership.

Three years ago, we recognized we were a bank that needed to evolve in order to compete in the ever-changing banking landscape. While many words are used to describe times of transition, the one that resonates most with me is opportunity. Opportunity abounds during times of transition and I want to applaud the employees who leaned in, learned more, and continued to move the organization forward. They are the reason we are able to celebrate this 75-year milestone and look confidently toward the future.

As always, thank you for your investment in and commitment to Community State Bank.

**Jessica Parsons Tice**  
*Chairman of the Board*



# CEO's Message



As I reflect on 2025, I am very proud of the employees of Community State Bank who have responded to the challenge posed to them upon my arrival in 2023. The continued financial performance improvement of the bank is evidence of their dedication, commitment and trust.

This improved financial performance allows CSB to remain a locally owned and managed community bank, committed to serving the people and communities that have supported us since 1951.

In 2023, we began an initiative to ensure the commitment first made to this area in 1951 continues well into the future. Over the past three years, the bank has transitioned many people and departments into a more efficient, professional group of dedicated individuals working together to provide the products and services that our customers need.

Change is never easy and at times it can be and was challenging. I wish to thank all of our customers and shareholders who have placed their trust in the bank and its employees through these changes. We have made great progress, resulting in a much-improved return on investment for our shareholders, while improving service to all the bank's customers.

The future is bright for CSB. We have built a great team to take the bank into the future, and I am proud to have been a part of this for the past three years. I want to thank the board of directors and the dedicated employees for this opportunity. I wish nothing but success for the bank and its employees.

**Michael J. Bibak**  
*Chief Executive Officer*



# President's Message



Our bank's story is rooted in service—service to our customers, our communities, and the generations who have relied on us to be a stable financial partner. This year, we honored that legacy while taking meaningful steps toward a more innovative and resilient future.

I am deeply grateful for the opportunity to work alongside an exceptional team of employees who embody our values every day. Their commitment to maintaining a strong culture of genuine customer care, compliance, and sound risk management is the foundation of our success. In a time when trust and transparency matter more than ever, their dedication ensures that we remain a bank our customers can rely on.

This year reaffirmed the strength of our community bank model. We continued to invest in the relationships that define us, supporting local businesses, families, and organizations with the personalized service and thoughtful guidance that set us apart. At the same time, we advanced important initiatives to modernize our operations, enhance our digital capabilities, and position the bank for long term growth.

Looking ahead, I am excited about the future. We enter the coming year with a strong balance sheet, a clear strategic vision, and a team fully aligned around our mission. As we honor the traditions that built this institution, we are equally committed to embracing innovation and new opportunities that will allow us to serve our customers even better.

Thank you for your continued confidence and support. Together, we will carry forward the legacy of this bank while building a future defined by stability, service, and sustainable growth.

**Nicole E. Wilson**

*President*

# Board of Directors



**Jessica Parsons Tice**  
*Chairman of the Board*



**Ramon H. Morgan**  
*Vice-Chairman of the Board*



**Michael J. Bibak**  
*Director, President &  
Chief Executive Officer*



**Jan E. Goshorn**  
*Director*



**William M. Kick**  
*Director*



**Clay A. McMath**  
*Director*



**Preston H. Spahr III**  
*Director*



# Executive & Senior Management



**Michael J. Bibak**  
*President  
Chief Executive Officer*



**Clay A. McMath**  
*President/CEO of Brown &  
Walters Insurance Agency*



**Joshua E. Dortenzo**  
*EVP, Chief Operating Officer*



**Nicole E. Wilson**  
*EVP, Chief Financial Officer*



**Denise L. Fife**  
*SVP, Operations Manager*



**Glenda K. Port**  
*SVP, Branch Administration  
Officer*



**Richard A. Strait**  
*SVP, Chief Lending Officer*



**Amber M. Gerholt**  
*VP, Director of Enterprise Risk  
Management*



**Christopher D. Grace**  
*VP, Director of Technology/ISO*



**Isaiah J. Hahn**  
*VP, Credit Administration  
Manager*



**William M. Kick**  
*VP, Market President*

# CSB 2025 at a Glance



# CSB 2025 at a Glance



ORBISONIA COMMUNITY BANCORP, INC.  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2025

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Orbisonia Community Bancorp, Inc.  
Orbisonia, Pennsylvania

### **Opinion**

We have audited the accompanying consolidated financial statements of Orbisonia Community Bancorp, Inc. and subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024; the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, the financial statements).

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

### **Basis for Opinion**

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

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements are issued or available to be issued.

#### **PITTSBURGH, PA**

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#### **PHILADELPHIA, PA**

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Conshohocken, PA 19428  
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#### **WHEELING, WV**

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#### **STEUBENVILLE, OH**

511 N. Fourth Street  
Steubenville, OH 43952  
(304) 233-5030

S.R. Snodgrass, P.C. d/b/      Snodgrass, A.C. in West Virginia



### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

Cranberry Township, Pennsylvania  
March 9, 2026

**ORBISONIA COMMUNITY BANCORP, INC.**  
**Consolidated Balance Sheets**  
**December 31, 2025 and 2024**

	<b>December 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>ASSETS</b>		
Cash and due from banks	\$ 6,449,472	\$ 7,752,081
Interest-bearing deposits in other banks	937,957	968,171
Federal funds sold	13,861,000	6,562,000
Total cash and cash equivalents	<u>21,248,429</u>	<u>15,282,252</u>
Debt securities available for sale, at fair value (amortized cost of \$71,223,496 and \$76,451,450, respectively)	65,477,190	67,376,918
Equity securities, at fair value	507,780	472,235
Loans	352,009,434	355,085,194
Less: Allowance for credit losses on loans	<u>(2,971,343)</u>	<u>(2,954,135)</u>
Loans, net	349,038,091	352,131,059
Premises and equipment	5,123,479	5,406,099
Restricted bank stock	611,300	1,054,300
Accrued interest receivable	1,264,033	1,267,847
Bank-owned life insurance	10,165,483	10,000,788
Foreclosed assets	35,924	233,341
Goodwill	1,127,949	1,127,949
Other intangible assets, net	1,092,669	1,392,428
Other assets	3,682,341	4,073,403
<b>TOTAL ASSETS</b>	<b><u>\$ 459,374,668</u></b>	<b><u>\$ 459,818,619</u></b>
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing	\$ 37,728,132	\$ 39,550,574
Interest-bearing	373,097,757	367,049,855
Total deposits	<u>410,825,889</u>	<u>406,600,429</u>
Federal Home Loan Bank borrowings	-	10,009,167
Other borrowings	702,428	888,905
Accrued interest payable	164,841	158,990
Other liabilities	3,144,184	2,815,097
<b>TOTAL LIABILITIES</b>	<b><u>414,837,342</u></b>	<b><u>420,472,588</u></b>
<b>STOCKHOLDERS' EQUITY</b>		
Capital stock, voting common, par value \$0.125; 8,000,000 shares authorized and 1,600,000 issued shares, 1,538,061 shares outstanding at 2025 and 2024	200,000	200,000
Additional paid-in-capital	2,056,687	2,056,687
Retained earnings	48,005,282	45,445,074
Accumulated other comprehensive loss	(4,537,793)	(7,168,880)
Less cost of treasury stock; 61,939 shares at 2025 and 2024	<u>(1,186,850)</u>	<u>(1,186,850)</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b><u>44,537,326</u></b>	<b><u>39,346,031</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$ 459,374,668</u></b>	<b><u>\$ 459,818,619</u></b>

**ORBISONIA COMMUNITY BANCORP, INC.**  
**Consolidated Statements of Income**  
**Years Ended December 31, 2025 and 2024**

	<b>Year Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>INTEREST AND DIVIDEND INCOME</b>		
Interest and fees on loans	\$ 20,045,248	\$ 19,818,104
Interest and dividends on investment securities	1,559,927	1,714,615
Interest on federal funds sold and other	320,981	412,292
<b>Total interest and dividend income</b>	<b>21,926,156</b>	<b>21,945,011</b>
<b>INTEREST EXPENSE</b>		
Interest on deposits	5,125,570	5,188,898
Interest on borrowings	198,441	1,315,564
<b>Total interest expense</b>	<b>5,324,011</b>	<b>6,504,462</b>
<b>Net interest income</b>	<b>16,602,145</b>	<b>15,440,549</b>
<b>PROVISION FOR CREDIT LOSSES</b>		
Provision for credit losses - loans	269,000	199,000
Provision for credit losses - off-balance sheet exposures	72,000	-
<b>Total provision for credit losses</b>	<b>341,000</b>	<b>199,000</b>
<b>Net interest income after provision for credit losses</b>	<b>16,261,145</b>	<b>15,241,549</b>
<b>OTHER INCOME</b>		
Service charges on deposit accounts	799,976	750,857
Other service charges	398,701	403,644
Insurance commissions	1,781,078	1,657,355
Wealth management services	246,884	292,573
Earnings on bank-owned life insurance	164,695	171,474
Loss on sales of foreclosed assets	(85,079)	(6,506)
Gain on sales of premises and equipment	19,123	-
Loss on sales of debt securities	(77,955)	-
Gain on sales of loans held for sale	43,064	-
Change in fair value of equity securities	35,545	(1,089)
Other income	181,509	71,541
<b>Total other income</b>	<b>3,507,541</b>	<b>3,339,849</b>
<b>OTHER EXPENSE</b>		
Salaries and wages	6,772,908	6,448,803
Retirement plans and other employee benefits	2,232,543	2,233,553
Occupancy expense	1,115,681	1,196,938
Data processing	2,062,477	1,849,214
Telecommunications expense	492,212	474,487
Pennsylvania shares tax	267,853	261,311
Professional fees	711,066	610,447
Insurance expense	336,077	363,115
Loan expense	60,986	229,155
Intangible amortization expense	299,759	334,800
Other operating expenses	1,498,276	1,530,667
<b>Total other expense</b>	<b>15,849,838</b>	<b>15,532,490</b>
<b>Income before income taxes</b>	<b>3,918,848</b>	<b>3,048,908</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>681,894</b>	<b>513,774</b>
<b>Net income</b>	<b>\$ 3,236,954</b>	<b>\$ 2,535,134</b>
Earnings per share of common stock:		
Net income	\$ 2.10	\$ 1.65
Weighted-average shares outstanding (basic and diluted)	1,538,061	1,538,557

**ORBISONIA COMMUNITY BANCORP, INC.**  
**Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2025 and 2024**

	<b>Year Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Net income	\$ 3,236,954	\$ 2,535,134
Other comprehensive income (loss):		
Unrealized holding gains (losses) on securities available for sale arising during the year	3,250,271	(90,012)
Tax effect (1)	<u>(680,768)</u>	<u>18,903</u>
Net of tax	2,569,503	(71,109)
Reclassification adjustment for loss on sales of debt securities included in net income (2)	77,955	-
Tax effect (1)	<u>(16,371)</u>	<u>-</u>
Net of tax	61,584	-
Total other comprehensive income (loss)	<u>2,631,087</u>	<u>(71,109)</u>
<b>Total comprehensive income</b>	<b><u>\$ 5,868,041</u></b>	<b><u>\$ 2,464,025</u></b>

(1) Amounts are included in provision for income taxes on the Consolidated Statements of Income

(2) Amounts are included in loss on sales of debt securities on the Consolidated Statements of Income

**ORBISONIA COMMUNITY BANCORP, INC.**  
**Consolidated Statements of Stockholders' Equity**  
**Years Ended December 31, 2025 and 2024**

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
<b>Balance, December 31, 2023</b>	\$ 200,000	\$ 2,031,687	\$ 43,494,538	\$ (7,097,771)	\$ (1,161,850)	\$ 37,466,604
Net income	-	-	2,535,134	-	-	2,535,134
Other comprehensive loss, net of taxes	-	-	-	(71,109)	-	(71,109)
Terminate deferred equity compensation plan (1,000 shares)	-	25,000	-	-	(25,000)	-
Cash dividends declared on common stock (\$0.38 per share)	-	-	(584,598)	-	-	(584,598)
<b>Balance, December 31, 2024</b>	<b>200,000</b>	<b>2,056,687</b>	<b>45,445,074</b>	<b>(7,168,880)</b>	<b>(1,186,850)</b>	<b>39,346,031</b>
Net income	-	-	3,236,954	-	-	3,236,954
Other comprehensive income, net of taxes	-	-	-	2,631,087	-	2,631,087
Cash dividends declared on common stock (\$0.44 per share)	-	-	(676,746)	-	-	(676,746)
<b>Balance, December 31, 2025</b>	<b>\$ 200,000</b>	<b>\$ 2,056,687</b>	<b>\$ 48,005,282</b>	<b>\$ (4,537,793)</b>	<b>\$ (1,186,850)</b>	<b>\$ 44,537,326</b>

**ORBISONIA COMMUNITY BANCORP, INC.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

	<b>Year Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 3,236,954	\$ 2,535,134
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,385,474	1,404,744
Provision for credit losses - loans	269,000	199,000
Provision for credit losses - off-balance sheet exposures	72,000	-
Loss on sales of foreclosed assets	85,079	6,506
Gain on sales of premises and equipment	(19,123)	-
Loss on sales of debt securities	77,955	-
Gain on sales of loans	(43,064)	-
Origination of loans held for sale	(2,257,825)	-
Proceeds from loans held for sale	2,300,889	-
Deferred income taxes	(127,587)	(49,450)
Change in fair value of equity securities	(35,545)	1,089
Earnings on bank-owned life insurance	(164,695)	(171,474)
(Increase) decrease in accrued interest receivable	3,814	(57,736)
Increase (decrease) in accrued interest payable	5,851	(10,780)
Other, net	78,597	400,948
<b>Net cash provided by operating activities</b>	<b>4,867,774</b>	<b>4,257,981</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of available-for-sale debt securities	3,377,945	-
Proceeds from maturities of available-for-sale debt securities	2,155,000	1,290,000
Proceeds from principal paydowns of available-for-sale debt securities	5,949,171	4,842,791
Purchases of available-for-sale debt securities	(7,038,164)	(970,411)
Proceeds from redemption of restricted bank stock	443,000	619,700
Net decrease (increase) in loans	2,781,044	(2,024,512)
Purchases of bank premises and equipment	(169,959)	(335,818)
Proceeds from sales of foreclosed assets	155,262	255,705
Proceeds from sales of property and equipment	144,067	-
<b>Net cash provided by investing activities</b>	<b>7,797,365</b>	<b>3,677,455</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net increase in deposits	4,225,460	12,116,763
Advances on FHLB borrowings	14,500,000	10,000,000
Repayment of borrowings	(24,747,676)	(25,253,283)
Dividends paid	(676,746)	(584,598)
<b>Net cash used by financing activities</b>	<b>(6,698,962)</b>	<b>(3,721,118)</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,966,177</b>	<b>4,214,318</b>
<b>Cash and cash equivalents, beginning balance</b>	<b>15,282,252</b>	<b>11,067,934</b>
<b>Cash and cash equivalents, ending balance</b>	<b>\$ 21,248,429</b>	<b>\$ 15,282,252</b>

**ORBISONIA COMMUNITY BANCORP, INC.**  
**Consolidated Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2025 and 2024**

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	<b>Year Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</b>		
Cash paid during the year for:		
Interest	\$ 5,318,160	\$ 6,515,242
Income taxes	850,000	430,000
 <b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Other real estate and repossessed assets acquired in settlement of loans	\$ 42,924	\$ 347,738

# **ORBISONIA COMMUNITY BANCORP, INC.**

## **Notes to Consolidated Financial Statements**

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### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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#### **Nature of Operations**

Orbisonia Community Bancorp, Inc. (the “Corporation”)’s primary activity consists of owning and supervising its wholly owned subsidiary, Community State Bank of Orbisonia (the “Bank”), which is engaged in providing banking and bank-related services in South Central Pennsylvania, principally Huntingdon, Fulton, Franklin, Bedford, and Juniata Counties. Its eight offices are located in Orbisonia, Mount Union, Smithfield, Saxton, Three Springs, McConnellsburg, St. Thomas, and Mercersburg, Pennsylvania. The Corporation’s primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial, and installment loans. Most loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate. The Bank also owns and supervises its wholly owned subsidiary, C. McMath Insurance Agency (the “Insurance Agency”), which provides insurance and insurance-related services in South Central Pennsylvania, centralized in Orbisonia, Pennsylvania.

#### **Principles of Consolidation and Basis of Accounting**

The consolidated financial statements include the accounts of the Corporation, the Bank, and the Insurance Agency. All significant intercompany transactions and accounts have been eliminated. The Corporation uses the accrual basis of accounting.

#### **Use of Estimates**

The preparation of financial statements, in conformity with accepted accounting principles generally accepted in the United States of America (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 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 relate to the valuation of available for sale investment securities, determination of the allowance for credit losses on loans, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, the valuation of deferred tax assets, the valuation of assets purchased in business combinations, and Level 3 fair value measurements and disclosures. In connection with the determination of the allowance for credit losses on loans and foreclosed real estate, management obtains independent appraisals for significant properties. Additionally, the valuation of deferred tax assets is dependent on management’s judgment regarding the Corporation’s ability to generate taxable income in order to fully utilize the assets. The valuation of investments and assets purchased in business combinations is obtained from a third-party valuation firm.

While management uses available information to recognize losses on loans and foreclosed real estate, future additions to the allowance may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Corporation’s allowance for credit losses on loans and foreclosed real estate. Such agencies may require the Corporation to recognize additions to the allowance based on their judgments about information available to them at the time of their examination. Because of these factors, management’s estimate of credit losses inherent in the loan portfolio and the related allowance may change in the near term. However, the amount of change that is reasonably possible cannot be estimated.

# **ORBISONIA COMMUNITY BANCORP, INC.**

## **Notes to Consolidated Financial Statements**

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### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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#### **Cash and Cash Equivalents**

For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include those amounts included on the Consolidated Balance Sheet captions “cash and due from banks,” “interest-bearing deposits in other banks,” and “federal funds sold,” which all have original maturities of 90 days or less. The Corporation has elected to present the net increase or decrease in loans and deposits on the Consolidated Statements of Cash Flows. There are no significant cash restrictions other than the amount noted in the following Correspondent Bank Accounts disclosure.

#### **Correspondent Bank Accounts**

The Corporation is required to maintain certain minimum cash balances for electronic funds transfer transactions. The required cash balance was \$554,000 at December 31, 2025 and 2024. The Corporation maintains balances with its correspondent banks that may exceed federally insured limits, which management considers to be a normal business risk.

#### **Debt Securities Available for Sale and Allowance for Credit Losses**

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. Securities available for sale are those debt securities that the Corporation intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell debt securities available for sale would be based on various factors such as changes in interest rates, resultant prepayment risk, changes in the maturity mix of the Corporation’s assets and liability needs, regulatory capital considerations, and other similar factors. These securities are stated at fair value. Unrealized holding gains and losses, net of tax, on debt securities available for sale are reported at a net amount in a separate component (“accumulated other comprehensive income (loss)”) of stockholders’ equity until realized. Realized gains and losses on sales of securities are recorded on the trade date based on net proceeds and the adjusted book value of the securities sold using the specific identification method. Purchase discounts are amortized to earnings by the interest method from the purchase date to maturity date. Purchase premiums are amortized to earnings by the interest method from the purchase date to call date. Interest on debt securities is recognized as income when earned. The Corporation has no investment securities classified as “held to maturity” at December 31, 2025 and 2024.

The Corporation measures expected credit losses on debt securities available for sale when the Corporation determines that a decline in fair value below the amortized cost has resulted from a credit loss, at which point an allowance for credit losses is established. If the corporation intends to sell the security or believes it will be required to sell the security before recovery of its amortized cost basis, the security’s amortized cost basis is written down to fair value through a charge-off is recorded to the allowance for credit losses. For debt securities available for sale that do not meet the aforementioned criteria, the Corporation evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Corporation 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 evaluation 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, equal to the amount that the fair value is less than the amortized cost basis. Economic forecast data is utilized to calculate the present value of expected cash flows. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

# **ORBISONIA COMMUNITY BANCORP, INC.**

## **Notes to Consolidated Financial Statements**

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### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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#### **Debt Securities Available for Sale and Allowance for Credit Losses (Continued)**

The allowance for credit losses on debt securities available for sale is included within debt securities available for sale on the Consolidated Balance Sheets. Changes in the allowance for credit losses are recorded within provision for credit losses on the Consolidated Statements of Income. Losses are charged against the allowance when the Corporation believes the collectability of a debt security available for sale security is in jeopardy or when either of the criteria regarding intent or requirement to sell is met. As of December 31, 2025 and 2024, the Corporation has not identified any security with a decline in fair value resulting from credit losses or related factors and therefore has not recorded an allowance for credit losses for debt securities available for sale.

Accrued interest receivable on debt securities available for sale totaled \$365,286 and \$410,773 at December 31, 2025 and 2024, respectively and is included within accrued interest receivable on the Consolidated Balance Sheets. This amount is excluded from the estimate of expected credit losses. Debt securities available for sale are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When debt securities available for sale are placed on nonaccrual status, unpaid interest credited to income is reversed. As of December 31, 2025 and 2024, the Corporation has not identified any security with a decline in fair value resulting from credit losses or related factors and therefore has no debt securities available for sale that have been placed on nonaccrual status.

#### **Equity Securities**

Equity securities are held at fair value. The change in the unrealized gains and losses for equity securities is reported in other income on the Consolidated Statements of Income. Realized gains and losses on sales of securities are recorded on the trade date based on net proceeds using the specific identification method. Dividends on equity securities are recognized as income when earned.

#### **Loans**

Loans are stated at the amount of unpaid principal, reduced by net deferred loan origination fees, an unearned discount, and an allowance for credit losses. Unearned discount on installment loans is recognized as income over the terms of the loans by the interest method. Interest on other loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. Interest income is accrued on the unpaid principal balance. Accrued interest receivable totaled \$898,747 and \$857,074 at December 31, 2025 and 2024, respectively, was reported in accrued interest receivable on the Consolidated Balance Sheets and is excluded from the estimate of credit losses. Loan origination fees are being deferred and amortized as an adjustment of the loan's related yield. The Corporation is amortizing these amounts over the contractual life of the related loans.

The Corporation segregates its loan portfolio into loan segments with varying risk characteristics, comparable to the categorization of loans for the quarterly Call Report. The homogenous loan pools are further summarized into the following portfolio segments: Commercial, Residential Mortgage, HELOC/Jr. Lines/Lines of Credit, and Installment/Individuals.

# ORBISONIA COMMUNITY BANCORP, INC.

## Notes to Consolidated Financial Statements

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### Loans (Continued)

The makeup of the loan segments is described below:

**Commercial:** Commercial loans include loans to businesses for general commercial purposes and include permanent and short-term working capital, machinery and equipment financing, and may be either in the form of lines of credit, demand, or term loans. Some commercial and industrial loans may be unsecured to higher rated customers, but the majority of these loans are secured by the borrower's accounts receivable, inventory, and machinery and equipment, and in many loans, the collateral also includes the business real estate or the business owner's personal real estate or assets. Commercial loans have credit exposure since they are more susceptible to risk of loss during a downturn in the economy, as borrowers may have greater difficulty in meeting their debt service requirements and the value of the collateral may decline.

Commercial construction and land development loans consist of one-to-four family residential construction and commercial and land development loans. The risk of loss on these loans is contingent on the assessment of the property's value at the completion of the project, which should exceed the property's construction costs. A number of factors can negatively affect the project during the construction phase, such as cost overruns, delays in completing the project, competition, and real estate market conditions, which may change based on the supply of similar properties in the area. If the collateral value at the completion of the project is not sufficient to cover the outstanding loan balance, repayment of the loan would potentially need to rely on other repayment sources, including the guarantors of the project or other collateral securing the loan.

Also included in commercial loans are farm and agricultural loans to local family-owned farmers for the operation of farm activities, including raising and selling cattle or milk produced and raising and selling crops. The risks to repayment of farm loans include unfavorable weather conditions that can affect the production of crops for sale or feed, milk production, and mortality rates of cattle that can be affected if cattle become ill, and milk prices paid, which can vary, depending on market prices and government subsidies. Collateral for these types of loans typically consists of real estate of farms but can also include equipment or cattle.

Commercial real estate loans consist of owner occupied and non-owner occupied commercial real estate loans:

- Owner occupied commercial real estate loans are generally dependent upon the successful operation of the borrower's business, with the cash flows generated from the business being the primary source of repayment of the loan. If the business suffers a downturn in sales or profitability, the borrower's ability to repay the loan could be in jeopardy, which could increase the risk of loss.
- Non-owner occupied and multi-family commercial real estate loans and non-owner-occupied residential loans are dependent on the borrower's ability to generate a sufficient level of occupancy to produce rental income that exceeds debt service requirements and operating expenses. Lower occupancy or lease rates may result in a reduction in cash flows, which may affect the ability of the borrower to meet debt service requirements, and may result in lower collateral values, which represents a higher inherent risk than owner-occupied commercial loans.

At December 31, 2025 and 2024, respectively, there was \$23,444,906 and \$23,930,567 in commercial loans not secured by real estate and \$81,623,314 and \$76,183,151 in commercial loans secured by real estate.

# ORBISONIA COMMUNITY BANCORP, INC.

## Notes to Consolidated Financial Statements

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### **Loans (Continued)**

**Residential Mortgage:** Residential real estate loans include adjustable and fixed-rate first lien mortgage loans, with the underlying one-to-four family owner-occupied residential property securing the loan. Risk exposure is mitigated somewhat through the evaluation of the credit worthiness of the borrower, including debt-to-income ratios, and limits on the loan-to-value ratios. Home equity term loans represent a slightly higher risk than one-to-four family first liens, as these loans can be first or second liens on one-to-four family owner-occupied residential property, but there are loan-to-value limits on the value of the real estate taken as collateral. The credit worthiness of the borrower is considered, including debt-to-income ratios.

**HELOC/Jr. Liens/Lines of Credit:** Home equity lines of credit represent a slightly higher risk than one-to-four family first liens, as these loans can be first or second liens on one-to-four family owner-occupied residential property, but there are loan-to-value limits on the value of the real estate taken as collateral. The credit worthiness of the borrower is considered, including debt-to-income ratios.

**Installment/Individuals:** Installment and other consumer loans' credit risk are mitigated through evaluation of the credit worthiness of the borrower through debt-to-income ratios, and if secured, the collateral value of the assets. However, these loans can be unsecured or secured by assets that may depreciate quickly or may fluctuate and represent a greater risk than one-to-four family residential loans.

The past-due status of all classes of loans receivable is determined based on contractual due dates for loan payments. The Corporation considers a loan past due when the payment is 30 days delinquent. Loans less than 90 days delinquent are deemed to have insignificant delay in payment and generally continue to accrue interest. The accrual of interest income on all loan segments (including individually evaluated loans) ceases when principal or interest is past due 90 days or more and collateral is inadequate to cover principal and interest or immediately if, in the opinion of management after considering economic and business conditions and collection efforts, the borrower's financial condition is such that collection of all principal and interest is unlikely. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. Interest accrued but not collected as of the date of placement on nonaccrual status is reversed and charged against current income unless fully collateralized. Subsequent payments received are applied to the outstanding principal balance. Interest income generally is not recognized on specific individually evaluated loans unless the likelihood of further loss is remote. 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.

#### **Allowance for Credit Losses on Loans**

The allowance for credit losses is a valuation reserve established and increased through a provision for credit losses charged to expense and reduced by charge-offs, net of recoveries. Loans are charged off against the allowance for credit losses when management believes that the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance, but do not exceed the aggregate of amounts previously charged off. The Corporation has elected to exclude accrued interest receivable from the measurement of its allowance for credit losses. The allowance for credit losses is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible based on management's evaluation of the collectability of loans in light of historical loss experience, current conditions in the economy and loan portfolio, and forecasts of future economic conditions. This evaluation is inherently subjective and may have significant changes from period to period.

# ORBISONIA COMMUNITY BANCORP, INC.

## Notes to Consolidated Financial Statements

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### **Allowance for Credit Losses on Loans (Continued)**

The methodology for determining the allowance for credit losses is calculated quarterly based on two main components: evaluation of expected credit losses for certain groups of homogenous loans that share similar risk characteristics and individual evaluation of loans that do not share risk characteristics with other loans.

Historical credit loss experience is the basis for the estimation of expected credit losses. Historical loss rates are applied over the remaining lifetime of each loan pool. After consideration of the historic loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts of broader economic data like unemployment, changes in housing prices, and gross domestic product, not already reflected in the historical loss information at the balance sheet date. The qualitative adjustments for current conditions are based on the bank's underwriting standards, changes in lending policies and practices, experience and ability of lending staff, quality of the bank's loan review system, level of delinquent, nonaccrual, and problem loans, growth in loans, the existence of and changes in concentrations, and other external factors. These modified historical loss rates are multiplied by the outstanding principal balance of each loan to calculate the required reserve.

Individual loans are selected to be evaluated for impairment once a specific loan is identified as no longer sharing similar characteristics with other pooled loans. Loans internally graded as substandard or doubtful or loans that are on nonaccrual are individually evaluated for possible designation as impaired when the balance of the loan exceeds \$25,000. Specific reserves are established based on the following three acceptable methods for measuring the allowance for credit losses: 1) the present value of expected future cash flows discounted at the loan's original effective interest rate; 2) the loan's observable market price; or 3) the fair value of the collateral when the loan is collateral dependent. Collateral values for collateral dependent loans are discounted to consider disposition costs when appropriate. A specific reserve is established or a charge-off is taken if the fair value of the loan is less than the loan balance. The Corporation has elected to exclude accrued interest receivable from the measurement of the specific reserve. When a loan is placed on nonaccrual status, any outstanding accrued interest is generally reversed against interest income.

#### **Loans Held for Sale**

During the year ended December 31, 2025, the Corporation partnered with a third-party lender that allowed the bank to offer VA and other secondary market loans, which are held for sale. Mortgage loans held for sale are recorded at the lower of cost or market value. Gains and losses realized from the sale of loans and adjustments to market value are included in other income on the Consolidated Statements of Income. The Corporation did not have any loans held for sale at December 31, 2025 or 2024.

#### **Premises and Equipment**

The Corporation capitalizes any eligible assets with a cost of \$1,000 or greater. Building, equipment, furniture and fixtures are carried at cost less accumulated depreciation. Expenditures for replacements are capitalized, and any replacement items are retired. Repairs and maintenance are charged to operations as incurred. Depreciation is computed based on both straight-line and accelerated methods over the estimated useful lives of the related assets as follows:

	<b>Years</b>
Bank building	5 - 40
Premises and equipment	3 - 40
Land improvements	10 - 15

# **ORBISONIA COMMUNITY BANCORP, INC.**

## **Notes to Consolidated Financial Statements**

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### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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#### **Restricted Bank Stock**

Restricted investments in bank stock, which represent required investments in the common stock of correspondent banks, are carried at cost and as of December 31, 2025 and 2024, consist of the common stock of the Federal Home Loan Bank (FHLB) of Pittsburgh and Atlantic Community Bankers Bank (ACBB). Federal law requires a member institution of the FHLB to hold stock of its district FHLB according to a predetermined formula.

Management evaluates the restricted stock for impairment at least annually, or more frequently, if necessary. Management's determination of whether these investments are impaired is based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value.

The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the restricted stock as compared with the capital stock amount and the length of time this situation has persisted, (b) commitments by the FHLB and ACBB to make payments required by law or regulation and the level of such payments in relation to the operating performance, (c) the impact of legislative and regulatory changes on the customer base of the FHLB and ACBB, and (d) the liquidity position of the FHLB and ACBB. There was no impairment of the FHLB and ACBB stock as of December 31, 2025 or 2024.

#### **Bank-Owned Life Insurance**

The Corporation owns split-dollar life insurance on the lives of a certain group of key employees. The policies were purchased to help offset the increase in the costs of benefit plans. The cash surrender value of these policies is included as an asset on the Consolidated Balance Sheets, and any increases in the cash surrender value are recorded as earnings on bank-owned life insurance in other income on the Consolidated Statements of Income. In the event of the death of an insured individual under these policies, the Corporation and employee's beneficiary may receive a death benefit.

#### **Endorsement Split-Dollar Life Insurance Arrangements**

The Corporation recognizes a liability and related compensation cost for an endorsed split-dollar life insurance arrangement that provides a benefit to specific retired employees. The amount recognized as a liability represents the present value of the post-retirement cost for the endorsement split-dollar life insurance policies. See Note 7 for additional information.

#### **Foreclosed Assets**

Real estate properties acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at fair value based on an independent appraisal, less estimated cost to sell, which becomes the property's new basis. Any write-downs based on the asset's fair value at foreclosure are charged to the allowance for credit losses. If an increase in basis results, it is classified as other income unless there has been a prior charge-off, in which case a recovery to the allowance for credit losses is recorded. Improvements to the property are added to the basis of the assets. Costs incurred in obtaining and maintaining foreclosed properties and subsequent fair value adjustments to the carrying amount of the property are classified as other operating expenses.

Gains and losses from the sale of foreclosed real estate properties are recorded as a separate component of other income on the Consolidated Statements of Income. Foreclosed assets as of December 31, 2025 and 2024 consisted of residential real estate properties with no commercial real estate properties. The outstanding balance of residential real estate loans in process of foreclosure at December 31, 2025 and 2024 was \$506,101 and \$762,965, respectively.

# **ORBISONIA COMMUNITY BANCORP, INC.**

## **Notes to Consolidated Financial Statements**

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### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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#### **Goodwill and Other Intangible Assets**

Goodwill is calculated as the purchase premium, if any, after adjusting for the fair value of net assets acquired in purchase transactions. Goodwill is not amortized but is reviewed for potential impairment on at least an annual basis, with testing between annual tests if an event occurs or circumstances change that could potentially reduce the fair value of a reporting unit. Other intangible assets represent purchased assets that can be distinguished from goodwill because of contractual or other legal rights. The Corporation's other intangible assets have finite lives and are amortized on either an accelerated amortization method or straight-line basis over their estimated lives, generally 5 years for noncompete agreements and 10 years for customer list intangibles.

#### **Treasury Stock**

The purchase of the Corporation's treasury stock is recorded at cost. Shares are reissued from treasury based on the weighted-average cost method.

#### **Earnings per Share**

Earnings per common share were computed based on weighted-average shares of common stock outstanding of 1,538,061 and 1,538,557 for 2025 and 2024, respectively. At December 31, 2023, the Corporation had 1,000 shares restricted for a stock award plan. The restricted stock award plan was terminated during the year ending December 31, 2024. During the years ending December 31, 2025 and 2024, there were no other outstanding stock options, convertible securities, or other stock grants or awards, which could cause potential dilution to basic earnings per share.

#### **Leases**

The Corporation evaluates its contracts at inception to determine if an arrangement is a lease or contains one. As of December 31, 2025 and 2024, the Corporation had five operating leases where the Corporation was the lessee and one operating lease where the Corporation was the lessor. The Company's operating and financing leases relate primarily to bank branches and equipment.

Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term, and lease liabilities represent an obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. If the Corporation's leases do not provide an implicit rate, the Corporation's incremental borrowing rate is used, which approximates its fully collateralized borrowing rate, based on the information available at commencement date in determining the present value of lease payments. The incremental borrowing rate is reevaluated upon lease modification. The operating and finance lease ROU asset also includes any initial direct costs and prepaid lease payments made less any lease incentives. In calculating the present value of lease payments, the Corporation may include options to extend the lease when it is reasonably certain that it will exercise that option. As of December 31, 2025 and 2024, no operating or finance lease ROU assets or liabilities are included on the Consolidated Balance Sheets because the calculated assets and liabilities were insignificant to the Consolidated Balance Sheets. See Note 13 for further details.

#### **Advertising**

The Corporation expenses advertising costs as they are incurred. Advertising expense was \$132,154 and \$125,025 for the years ended December 31, 2025 and 2024, respectively, which is included in other operating expenses on the Consolidated Statements of Income.

# ORBISONIA COMMUNITY BANCORP, INC.

## Notes to Consolidated Financial Statements

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### **Federal Income Taxes**

As a result of certain timing differences between financial statement and federal income tax reporting, including depreciation, loan losses, nonaccrual loan interest, deferred compensation, unrealized gains and losses on investment securities, and intangible asset amortization, deferred income taxes are provided in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. See Note 14 for further details.

#### **Comprehensive Income (Loss)**

Comprehensive income (loss) is defined as the change in equity from transactions and other events from non-owner sources. It includes all changes in equity except those resulting from investments by stockholders and distributions to shareholders. Comprehensive income includes net income and certain elements of "other comprehensive income (loss)" such as foreign currency transactions, accounting for futures contracts, employer's accounting for pensions, and accounting for certain investments in debt securities.

The components of accumulated other comprehensive income (loss) were exclusively comprised of net income and the unrealized gain (loss) on debt securities available for sale as of and during the years ended December 31, 2025 and 2024.

### NOTE 2 REVENUE RECOGNITION

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The sources of revenue for the Bank are interest income from loans, income from investments, and non-interest income. Non-interest income is generally earned from various banking and financial services that the Bank offers, from changes in the value of investments, and from the sale of assets. Revenue is recognized as earned based on contractual terms, as transactions occur, or as services are provided. Most revenues of the Bank are accounted for under other accounting guidance and are outside of the scope of ASC 606, including most revenues associated with financial instruments. All revenues determined to be in the scope of ASC 606 are presented within other income on the Consolidated Statements of Income and are recognized as performance obligations to the customer are met. The Corporation evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented on the Consolidated Statements of Income was not necessary. Following are further details of the various types of revenue the Bank earns and when it is recognized:

**Interest Income:** Interest income is generated from various sources, including outstanding loans and investments and is recognized on an accrual basis according to loan agreements, securities contracts, or other such written contracts. These revenues are outside the scope of ASC 606.

**Service Charges on Deposit Accounts:** Service charges are generated from customer deposit accounts for overdraft and account maintenance services. Overdraft fees are recognized when the overdraft occurs. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Bank satisfies the performance obligation. In each case, these service charges and fees are recognized in income at the time or within the same period that the Bank's performance obligation is satisfied.

# ORBISONIA COMMUNITY BANCORP, INC.

## Notes to Consolidated Financial Statements

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### NOTE 2 REVENUE RECOGNITION (CONTINUED)

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**Other Service Charges:** Other service charges are earned from customers based on transaction-based services. Such services include sales of customer checkbooks, electronic banking fees, merchant service fees, and loan settlement and collection services. In each case, these service charges and fees are recognized in income at the time or within the same period that the Bank's performance obligation is satisfied.

**Insurance Commissions:** Insurance commissions are earned from customers based on transaction-based sales of insurance policies. In some instances, the Corporation receives commissions from third-party insurance carriers on a monthly basis. In other instances, the Corporation receives insurance commissions upon completion of a sales transaction. Included in insurance commissions for the year ending December 31, 2025 and 2024 are \$17,622 and \$26,383, respectively, in insurance commissions earned by the Agency from the sale of insurance to the Bank.

**Wealth Management Services:** Revenue is primarily comprised of fees earned from investment brokerage services provided to its customers by a third-party service provider. The Bank receives commissions from the third-party service provider on a monthly basis based on customer activity for the months that are transaction-based.

**Earnings on Bank-Owned Life Insurance:** Revenues are generated from life insurance policies by increases in cash surrender values as premiums are paid and by the redemption and payout of the policies. These revenues are recognized at the time of carriers reporting cash surrender values to the Bank and at the time proceeds are received. These revenues are outside the scope of ASC 606.

**Realized Gains or Losses on Sales of Assets:** Realized gains or losses on the sale of assets represent proceeds received in excess of carrying value for assets sold. These gains are recognized at a point in time once control of the assets have transferred to the buyers and collectability of the transaction price is reasonably assured.

**Change in Fair Value of Equity Securities:** Unrealized gains presented in other income represent changes in market value of equity investment securities that are available for sale. These gains (losses) are recognized at the time the investments are marked to market (generally daily) or upon being realized, as applicable. These revenues are outside the scope of ASC 606.

**Other Income:** Other income represents safe deposit box income and other fees charged to customers. Income is recognized either annually or transaction-based, as the performance obligation is satisfied.

**ORBISONIA COMMUNITY BANCORP, INC.**  
**Notes to Consolidated Financial Statements**

**NOTE 3 INVESTMENT SECURITIES**

The amortized cost, gross unrealized gains and losses, allowance for credit losses, and fair values of debt securities available for sale and equity securities at December 31, 2025 and 2024, were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
<b>2025</b>					
Debt securities:					
U.S. agency securities	\$ 2,462,125	\$ -	\$ (89,755)	\$ -	\$ 2,372,370
State and municipal securities	30,726,512	2,257	(2,986,686)	-	27,742,083
Mortgage-backed securities	36,310,091	50,765	(2,738,435)	-	33,622,421
Certificates of deposit	1,143,000	2,476	-	-	1,145,476
U.S. Treasury notes	581,768	13,072	-	-	594,840
	<u>\$ 71,223,496</u>	<u>\$ 68,570</u>	<u>\$ (5,814,876)</u>	<u>\$ -</u>	<u>\$ 65,477,190</u>
Equity securities	\$ 22,813	\$ 484,967	\$ -		\$ 507,780
<b>2024</b>					
Debt securities:					
U.S. agency securities	\$ 2,565,245	\$ -	\$ (175,237)	\$ -	\$ 2,390,008
State and municipal securities	35,522,710	644	(4,147,207)	-	31,376,147
Mortgage-backed securities	37,193,084	-	(4,755,817)	-	32,437,267
Certificates of deposit	600,000	3,508	-	-	603,508
U.S. Treasury notes	570,411	-	(423)	-	569,988
	<u>\$ 76,451,450</u>	<u>\$ 4,152</u>	<u>\$ (9,078,684)</u>	<u>\$ -</u>	<u>\$ 67,376,918</u>
Equity securities	\$ 22,813	\$ 449,422	\$ -		\$ 472,235

Investments of the Corporation are exposed to various risks, such as interest rate, market, currency and credit risks. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment assets reported in the financial statements.

Proceeds from sales of debt securities available for sale were \$3,377,945, which resulted in gross realized gains of \$782, gross realized losses of \$78,737, and net realized losses of \$77,955 for the year ended December 31, 2025. There were no securities sold during the year ended December 31, 2024.

There were no realized gains or losses on the sale of equity securities during the years ending December 31, 2025 or 2024. Unrealized gains (losses) on equity securities of \$35,545 and (\$1,089) were recognized on the Consolidated Statements of Income during the years ending December 31, 2025 and 2024, respectively.

The amortized cost and fair values of debt securities available for sale at December 31, 2025, by contractual maturity, are shown in the following table. Contractual maturities will differ from expected maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities were not included as the contractual maturity is generally irrelevant due to the borrowers' right to prepay without pre-payment penalty, which results in significant pre-payments.

	Amortized Cost	Fair Value
Due in one year or less	\$ 2,866,853	\$ 2,875,709
Due after one year through five years	4,104,750	3,849,120
Due after five years through ten years	8,373,204	7,768,488
Due after ten years	19,568,598	17,361,452
Mortgage-backed securities	36,310,091	33,622,421
Total	<u>\$ 71,223,496</u>	<u>\$ 65,477,190</u>

# ORBISONIA COMMUNITY BANCORP, INC.

## Notes to Consolidated Financial Statements

### NOTE 3 INVESTMENT SECURITIES (CONTINUED)

The following table shows the Corporation's gross unrealized losses and fair value, aggregated by debt security investment category and length of time that individual debt securities have been in a continuous loss position, at December 31, 2025 and 2024, respectively:

Description	12 Months or Less		More than 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
<b>2025</b>						
U.S. agency securities	\$ -	\$ -	\$ 2,372,370	\$ (89,755)	\$ 2,372,370	\$ (89,755)
State and municipal securities	-	-	26,977,648	(2,986,686)	26,977,648	(2,986,686)
Mortgage-backed securities	2,320,816	(6,264)	27,942,164	(2,732,171)	30,262,980	(2,738,435)
Total	<u>\$ 2,320,816</u>	<u>\$ (6,264)</u>	<u>\$ 57,292,182</u>	<u>\$ (5,808,612)</u>	<u>\$ 59,612,998</u>	<u>\$ (5,814,876)</u>
<b>2024</b>						
U.S. agency securities	\$ -	\$ -	\$ 2,390,008	\$ (175,237)	\$ 2,390,008	\$ (175,237)
State and municipal securities	1,114,010	(2,741)	29,536,294	(4,144,466)	30,650,304	(4,147,207)
Mortgage-backed securities	321,587	(2,407)	32,115,679	(4,753,410)	32,437,266	(4,755,817)
U.S. Treasury notes	569,989	(423)	-	-	569,989	(423)
Total	<u>\$ 2,005,586</u>	<u>\$ (5,571)</u>	<u>\$ 64,041,981</u>	<u>\$ (9,073,113)</u>	<u>\$ 66,047,567</u>	<u>\$ (9,078,684)</u>

At December 31, 2025, five U.S. agency securities, sixty-three state and municipal securities, and one-hundred mortgage-backed securities had unrealized losses. At December 31, 2024, five U.S. agency securities, seventy-two state and municipal securities, ninety-eight mortgage-backed securities, and one U.S. Treasury note had unrealized losses. The unrealized losses on these securities have not been recognized into income because the issuers' bonds are of high-credit quality, management has the intent and ability to hold these securities for the foreseeable future, and the decline in fair value is largely due to changes in market interest rates. The Corporation also considers sector-specific credit rating changes in its analysis. The fair value is expected to recover as the securities approach their maturity date or reset date. The Corporation does not intend to sell until recovery and does not believe selling will be required before recovery.

As of December 31, 2025 and 2024, no allowance for credit losses was required for any investment security. Unrealized losses in the investment portfolio have not been recognized into income because the issuer(s) bonds are of high quality, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

Investment securities that are pledged to secure public funds and for other purposes as required or permitted by law are as follows at December 31:

	<b>2025</b>	<b>2024</b>
Amortized cost	\$ 25,786,351	\$ 29,565,090
Fair value	23,191,157	26,030,514

# ORBISONIA COMMUNITY BANCORP, INC.

## Notes to Consolidated Financial Statements

### NOTE 4 LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

Loans receivable, by loan segment, consist of the following at December 31:

	2025	2024
Commercial	\$ 105,068,220	\$ 100,113,718
Residential mortgage	210,411,339	210,881,834
HELOC/jr. liens/lines of credit	25,391,370	23,011,099
Installment/individuals	11,138,505	21,078,543
Total loans	352,009,434	355,085,194
Less: Allowance for credit losses	(2,971,343)	(2,954,135)
Total loans net of the allowance for credit loss	<u>\$ 349,038,091</u>	<u>\$ 352,131,059</u>

The loan balances above are net of deferred loan fees and unearned discounts of (\$585,571) and (\$459,236) at December 31, 2025 and 2024, respectively.

Following is an aging analysis of past-due loans at December 31, 2025 and 2024:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Gross Loans
<b>2025</b>						
Commercial	\$ 347,486	\$ 278,709	\$ 314,216	\$ 940,411	\$ 104,127,809	\$ 105,068,220
Residential mortgage	1,458,117	86,416	1,163,916	2,708,449	207,702,890	210,411,339
HELOC/jr. liens/lines of credit	117,227	-	8,373	125,600	25,265,770	25,391,370
Installment/individuals	66,190	60,723	51,304	178,217	10,960,288	11,138,505
Total	<u>\$ 1,989,020</u>	<u>\$ 425,848</u>	<u>\$ 1,537,809</u>	<u>\$ 3,952,677</u>	<u>\$ 348,056,757</u>	<u>\$ 352,009,434</u>
<b>2024</b>						
Commercial	\$ 424,349	\$ 9,057	\$ 46,854	\$ 480,260	\$ 99,633,458	\$ 100,113,718
Residential mortgage	1,407,189	543,258	1,042,659	2,993,106	207,888,728	210,881,834
HELOC/jr. liens/lines of credit	15,088	58,487	86,220	159,795	22,851,304	23,011,099
Installment/individuals	203,286	39,262	37,800	280,348	20,798,195	21,078,543
Total	<u>\$ 2,049,912</u>	<u>\$ 650,064</u>	<u>\$ 1,213,533</u>	<u>\$ 3,913,509</u>	<u>\$ 351,171,685</u>	<u>\$ 355,085,194</u>

The following is a summary of information pertaining to collateral dependent loans on December 31, 2025 and 2024:

Collateral Type	Commercial	Residential Mortgage	HELOC/Jr. Liens/Lines of Credit		Installment/ Individuals	Total
<b>As of December 31, 2025</b>						
Real estate	\$ 5,855,191	\$ 1,664,628	\$ 41,468	\$ -	\$ -	\$ 7,561,287
Business assets	2,180,668	-	-	-	-	2,180,668
Other	-	-	-	64,260	-	64,260
Total	<u>\$ 8,035,859</u>	<u>\$ 1,664,628</u>	<u>\$ 41,468</u>	<u>\$ 64,260</u>	<u>\$ -</u>	<u>\$ 9,806,215</u>

Collateral Type	Commercial	Residential Mortgage	HELOC/Jr. Liens/Lines of Credit		Installment/ Individuals	Total
<b>As of December 31, 2024</b>						
Real estate	\$ 1,070,395	\$ 1,110,495	\$ 84,978	\$ -	\$ -	\$ 2,265,868
Business assets	90,019	-	-	-	-	90,019
Other	-	-	-	-	-	-
Total	<u>\$ 1,160,414</u>	<u>\$ 1,110,495</u>	<u>\$ 84,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,355,887</u>

# ORBISONIA COMMUNITY BANCORP, INC.

## Notes to Consolidated Financial Statements

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### NOTE 4 LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS (CONTINUED)

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The Corporation, from time to time, will modify a loan agreement to provide temporary relief and, if necessary, longer-term financial relief to loan customers. The Corporation may grant concessions for economic or legal reasons related to the borrower's financial difficulties that may not otherwise be considered. These concessions may be one or a combination of the following: movement of unpaid principal and interest to the end of the loan; deferral of principal payments for a period of time; and/or a reduction of interest rates either permanently or for a specified period of time. When principal forgiveness is provided, the amount of forgiveness is charged off against the allowance for credit losses. The Corporation did not modify any loans that to borrowers experiencing financial difficulty in the years ending December 31, 2025 or 2024. The Corporation did not have any commitments to loan additional funds to borrowers whose loans have been modified.

Upon the Corporation's determination that a modified loan, or a portion of the loan, has subsequently deemed uncollectible, the loan, or portion of the loan, is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for loan losses is adjusted by the same amount. As of December 31, 2025, there are no loan modifications in default.

The aggregate amount of loans to officers and directors and the related activity was as follows:

	<b>2025</b>	<b>2024</b>
Beginning balance	\$ 312,642	\$ 844,162
New loans and advances	63,134	126,966
Removal of directors/officers	-	(463,224)
Repayments	<u>(125,912)</u>	<u>(195,262)</u>
Total	<u>\$ 249,864</u>	<u>\$ 312,642</u>

Although the Corporation has a diversified loan portfolio, a geographic concentration exists since most loans are provided to customers primarily in Huntingdon, Fulton, Bedford, Mifflin, and Franklin counties, Pennsylvania. Loan customer's ability to honor their obligations is dependent on the economy in these geographic areas. The Corporation has a concentration of loans to recreational vehicle (RV) parks and campgrounds. As of December 31, 2025, the total exposure to this industry was \$15,431,582, which represents approximately 4% of total loans and 31% of Tier 1 Capital + ACL. This concentration exposes the Corporation to a higher risk of loss if adverse events were to occur within the RV parks and campgrounds sector.

All commercial loan relationships are risk rated upon inception. Credit quality of loans is monitored on an ongoing basis by reviewing the risk rating of all loan relationships exceeding \$1,000,000 on an annual basis and a sample of other loan relationships between \$500,000 and \$1,000,000 to achieve 50 - 60% coverage of the commercial loan portfolio. The Corporation also risk rates other commercial loans, residential mortgage, HELOC/jr. liens/lines of credit, and installment/individual loans only if loan conditions are indicative of potential weaknesses in the credit quality. Considerations for weaknesses include current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other things. The Corporation analyzes loans individually on a quarterly basis to classify the loans as to credit risk.

**ORBISONIA COMMUNITY BANCORP, INC.**  
**Notes to Consolidated Financial Statements**

**NOTE 4 LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS (CONTINUED)**

The Corporation has adopted a six-point risk rating scale to measure and manage credit risk within the loan portfolio. The first two levels of “Strong” and “Satisfactory” represent the lowest and acceptable risk. Other internally assigned risk ratings include the following:

**Watch:** These loans have potential weaknesses that deserve management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of repayment prospects for the loan or in the Corporation’s credit position at some future date. They are exhibiting red flags or problem characteristics and downward trends, but the Corporation remains adequately protected. This category can also be referred to as other assets especially mentioned (OAEM).

**Substandard:** These loans have weaknesses that deserve management’s close attention. They are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. These loans are characterized by the distinct possibility that the Corporation will sustain some loss if the deficiencies are not corrected.

**Doubtful:** Weaknesses in these loans are so pronounced that the collection or liquidation of principal and interest is highly questionable or improbable. They contain most of the weaknesses of a Substandard loan and the probability of loss is great.

**Loss:** These loans are considered uncollectible. They no longer warrant being carried as assets and charge off is necessary. Some recovery may be possible, but the extent of recovery and time frame involved are uncertain at best.

Following is the credit risk profile by internally assigned grade as of December 31, 2025 and 2024:

	Commercial	Residential Mortgage	HELOC/Jr. Liens/Lines of Credit	Installment/ Individuals	Total
<b>As of December 31, 2025</b>					
Not rated	\$ 1,841,800	\$ 45,841,648	\$ 4,083,819	\$ 223,394	\$ 51,990,661
Strong	-	-	-	7,489	7,489
Satisfactory	82,523,464	159,508,527	21,065,693	10,759,361	273,857,045
Watch	12,573,708	3,126,662	190,662	46,019	15,937,051
Substandard	8,129,248	1,934,502	51,196	102,242	10,217,188
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total	<u>\$ 105,068,220</u>	<u>\$ 210,411,339</u>	<u>\$ 25,391,370</u>	<u>\$ 11,138,505</u>	<u>\$ 352,009,434</u>
<b>As of December 31, 2024</b>					
Not rated	\$ 1,234,802	\$ 53,189,586	\$ 4,811,746	\$ 2,550,763	\$ 61,786,897
Strong	-	-	-	16,718	16,718
Satisfactory	64,623,322	151,623,164	17,790,970	18,390,199	252,427,655
Watch	29,309,419	3,881,717	293,819	105,187	33,590,142
Substandard	4,946,175	2,187,367	114,564	15,676	7,263,782
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total	<u>\$ 100,113,718</u>	<u>\$ 210,881,834</u>	<u>\$ 23,011,099</u>	<u>\$ 21,078,543</u>	<u>\$ 355,085,194</u>

**ORBISONIA COMMUNITY BANCORP, INC.**  
**Notes to Consolidated Financial Statements**

**NOTE 4 LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS (CONTINUED)**

The following tables present performing and nonperforming loans based on payment activity:

	Commercial	Residential Mortgage	HELOC/Jr. Liens/Lines of Credit	Installment/ Individuals	Total
<b>As of December 31, 2025</b>					
Performing loans	\$ 104,754,004	\$ 208,976,696	\$ 25,382,997	\$ 11,007,890	\$ 350,121,587
Nonaccrual with no related allowance recorded	23,729	1,118,905	8,373	66,355	1,217,362
Nonaccrual with an allowance recorded	106,539	97,812	-	64,260	268,611
Total nonaccrual	130,268	1,216,717	8,373	130,615	1,485,973
Recorded investment > 90 days past due and accruing	183,948	217,926	-	-	401,874
Total nonperforming loans	\$ 314,216	\$ 1,434,643	\$ 8,373	\$ 130,615	\$ 1,887,847
<b>Total</b>	<b>\$ 105,068,220</b>	<b>\$ 210,411,339</b>	<b>\$ 25,391,370</b>	<b>\$ 11,138,505</b>	<b>\$ 352,009,434</b>
Interest income recognized on nonaccrual loans during the year ended December 31, 2025	\$ 1,352	\$ 16,556	\$ 38	\$ 2,809	\$ 20,755

	Commercial	Residential Mortgage	HELOC/Jr. Liens/Lines of Credit	Installment/ Individuals	Total
<b>As of December 31, 2024</b>					
Performing loans	\$ 100,036,938	\$ 209,428,393	\$ 22,924,879	\$ 20,992,892	\$ 353,383,102
Nonaccrual with no related allowance recorded	19,095	1,202,842	86,220	85,651	1,393,808
Nonaccrual with an allowance recorded	57,685	55,230	-	-	112,915
Total nonaccrual	76,780	1,258,072	86,220	85,651	1,506,723
Recorded investment > 90 days past due and accruing	-	195,369	-	-	195,369
Total nonperforming loans	\$ 76,780	\$ 1,453,441	\$ 86,220	\$ 85,651	\$ 1,702,092
<b>Total</b>	<b>\$ 100,113,718</b>	<b>\$ 210,881,834</b>	<b>\$ 23,011,099</b>	<b>\$ 21,078,543</b>	<b>\$ 355,085,194</b>
Interest income recognized on nonaccrual loans during the year ended December 31, 2024	\$ 1,222	\$ 5,788	\$ -	\$ 3,774	\$ 10,784

Following is an analysis of the allowance for credit losses at December 31, 2025 and 2024:

	Commercial	Residential Mortgage	HELOC/Jr. Liens/Lines of Credit	Installment/ Individuals	Unallocated	Total
<b>2025</b>						
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 729,118	\$ 1,803,705	\$ 89,655	\$ 331,657	\$ -	\$ 2,954,135
Losses charged to allowance	-	(82,715)	-	(315,300)	-	(398,015)
Recoveries credited to allowance	-	29,456	-	116,767	-	146,223
Current-year provision	373,882	(182,446)	17,345	55,876	4,343	269,000
Ending balance	\$ 1,103,000	\$ 1,568,000	\$ 107,000	\$ 189,000	\$ 4,343	\$ 2,971,343
<b>2024</b>						
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 691,047	\$ 1,997,852	\$ 88,723	\$ 306,837	\$ -	\$ 3,084,459
Losses charged to allowance	(221)	(60,101)	(20,924)	(325,691)	-	(406,937)
Recoveries credited to allowance	-	13,539	319	63,755	-	77,613
Current-year provision	38,292	(147,585)	21,537	286,756	-	199,000
Ending balance	\$ 729,118	\$ 1,803,705	\$ 89,655	\$ 331,657	\$ -	\$ 2,954,135

**ORBISONIA COMMUNITY BANCORP, INC.**  
**Notes to Consolidated Financial Statements**

**NOTE 5 PREMISES AND EQUIPMENT**

Bank building, equipment, furniture and fixtures consisted of the following at December 31, 2025 and 2024:

Description	Cost	Accumulated Depreciation	Depreciated Cost
<b>2025</b>			
Land	\$ 1,706,300	\$ -	\$ 1,706,300
Bank building	6,912,567	3,912,926	2,999,641
Premises and equipment	3,879,296	3,586,426	292,870
Land improvements	226,060	189,532	36,528
Work in progress	88,140	-	88,140
	<u>\$ 12,812,363</u>	<u>\$ 7,688,884</u>	<u>\$ 5,123,479</u>
<b>2024</b>			
Land	\$ 1,775,761	\$ -	\$ 1,775,761
Bank building	7,168,695	3,956,451	3,212,244
Premises and equipment	3,811,578	3,437,632	373,946
Land improvements	235,000	190,852	44,148
	<u>\$ 12,991,034</u>	<u>\$ 7,584,935</u>	<u>\$ 5,406,099</u>

Depreciation expense was \$327,635 and \$392,483 for the years ended December 31, 2025 and 2024, respectively.

**NOTE 6 RESTRICTED BANK STOCK**

The Corporation is required to maintain minimum investments in certain stocks, which are recorded at cost since they are not impaired or actively traded, and therefore have no readily determinable market value. Consequently, the Corporation owns the following restricted securities at December 31:

	2025	2024
Federal Home Loan Bank	\$ 591,300	\$ 1,034,300
Atlantic Community Bankers Bank	20,000	20,000
	<u>\$ 611,300</u>	<u>\$ 1,054,300</u>

**NOTE 7 BANK-OWNED LIFE INSURANCE**

The Corporation has purchased split-dollar bank-owned life insurance covering directors and key employees. The policies were funded with single premium life insurance contracts. The Bank is the owner, and the Bank and employee's beneficiary are beneficiaries of the policy. The cash surrender value of the life insurance policies is an unrestricted asset of the Corporation, which totaled \$10,165,483 and \$10,000,788 at December 31, 2025 and 2024, respectively. The change in cash surrender value recorded as income during the years ended December 31, 2025 and 2024 was \$164,695 and \$171,474, respectively.

The Corporation has promised a continuation of life insurance coverage to directors and some of the key employees post-retirement. GAAP requires the recording of post-retirement costs and a liability equal to the present value of the cost of post-retirement insurance during the insured employees' term of service. The net expense of \$1,320 and \$1,613 was recorded for the years ended December 31, 2025 and 2024, respectively, for post-retirement costs. The total liability related to this post-retirement benefit was \$504,293 and \$475,727 at December 31, 2025 and 2024, respectively.

# ORBISONIA COMMUNITY BANCORP, INC.

## Notes to Consolidated Financial Statements

### NOTE 8 GOODWILL AND OTHER INTANGIBLE ASSETS

On May 1, 2023, the Corporation completed the acquisition of 100% of the Insurance Agency. Included in the acquisition is a liability for future payments, which requires the Corporation to pay future scheduled installments as outlined in Note 10.

The acquisition resulted in the recording of goodwill and other intangible assets. At December 31, 2025 and 2024, goodwill was \$1,127,949. Goodwill is not amortized but is reviewed for potential impairment on at least an annual basis, with testing between annual tests if an event occurs or circumstances change that could potentially reduce the fair value of a reporting unit. The Corporation evaluates goodwill for impairment as of November 30. No impairment charges were recorded related to goodwill for the years ended December 31, 2025 or 2024.

The following table presents the components of other identifiable assets at December 31, 2025 and 2024:

Description	Cost	Accumulated Amortization	Amortized Cost
<b>2025</b>			
Customer list	\$ 1,927,214	\$ 852,646	\$ 1,074,568
Noncompete agreement	38,787	20,686	18,101
	<u>\$ 1,966,001</u>	<u>\$ 873,332</u>	<u>\$ 1,092,669</u>
<b>2024</b>			
Customer list	\$ 1,927,214	\$ 560,644	\$ 1,366,570
Noncompete agreement	38,787	12,929	25,858
	<u>\$ 1,966,001</u>	<u>\$ 573,573</u>	<u>\$ 1,392,428</u>

Amortization expense related to intangible assets was \$299,759 and \$334,800 for the years ended December 31, 2025, and 2024, respectively.

As of December 31, 2025, estimated future amortization expense for intangible assets was:

2026	\$	264,719
2027		229,679
2028		189,468
2029		151,841
2030		116,801
Thereafter		140,161
	\$	<u>1,092,669</u>

### NOTE 9 DEPOSITS

Interest-bearing deposits as of December 31, 2025 and 2024 were as follows:

	2025	2024
Savings deposits	\$ 274,433,329	\$ 269,591,934
Time certificates	98,027,256	96,808,164
Other time deposits	637,172	649,757
	<u>\$ 373,097,757</u>	<u>\$ 367,049,855</u>

The aggregate amount of time certificates that meet or exceeded the FDIC insurance limit of \$250,000 totaled \$12,604,024 and \$8,562,400 at December 31, 2025 and 2024, respectively.

# ORBISONIA COMMUNITY BANCORP, INC.

## Notes to Consolidated Financial Statements

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### NOTE 9 DEPOSITS (CONTINUED)

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

2026	\$ 76,291,337
2027	7,982,410
2028	5,808,107
2029	3,504,459
2030	2,686,192
Thereafter	2,391,923
	<u>\$ 98,664,428</u>

The aggregate amount of demand deposit overdrafts reclassified as loan balances were \$36,946 and \$26,902 at December 31, 2025 and 2024, respectively.

The Corporation accepts deposits of employees, officers and directors of the Corporation and its subsidiary on the same terms, including interest rates, as those prevailing at the time for comparable transactions with unrelated persons. The aggregate dollar amount of deposits of employees, officers and directors totaled \$5,287,045 and \$5,138,010 at December 31, 2025 and 2024, respectively.

### NOTE 10 BORROWED FUNDS

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The Corporation participated in a program with FHLB to provide startup or working capital for small businesses. Under the program, FHLB provided funding to the Corporation, who then provided financing to the small business. The Corporation collected monthly payments of interest and principal from the customer, and the Corporation made annual payments of interest and principal to FHLB, based on no payments due for one year and then a six-year amortization with a maturity date of May 2025 and an interest rate of 3.00%. The balance of these loans was \$9,167 at December 31, 2024.

The Corporation has pledged certain securities, loans, and other assets as collateral on the Federal Home Loan Bank borrowings in the amount \$297,165,000 at December 31, 2025. The maximum borrowing capacity from the Federal Home Loan Bank is \$179,020,400 at December 31, 2025. The Corporation had no outstanding borrowings at December 31, 2025. At December 31, 2024, the Corporation had one advance of \$10,000,000 that matured on February 6, 2025 with a daily adjustable rate based upon the Secured Overnight Finance Rate. The interest rate on this borrowing at December 31, 2024 was 4.66%.

The Corporation has an unsecured agreement related to federal funds purchased through the Atlantic Community Bankers Bank for up to \$5,000,000. The federal funds purchased agreement includes a variable interest rate that is determined daily. There were no federal funds purchased at December 31, 2025 or 2024.

The Corporation also has an unsecured agreement related to the acquisition of the Insurance Agency detailed in Note 8. The unsecured agreement requires annual payments of principal and interest and bears a fixed interest rate of 3.25%. Future payment requirements under the terms of the agreement are as follows:

2026	\$ 209,768
2027	225,808
2028	266,852
	<u>\$ 702,428</u>

# ORBISONIA COMMUNITY BANCORP, INC.

## Notes to Consolidated Financial Statements

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### NOTE 11 REGULATORY MATTERS

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Dividends paid by Orbisonia Community Bancorp, Inc. are provided from Community State Bank's dividends to the parent company. Under provisions of the Pennsylvania Banking Code, cash dividends may be paid from accumulated net earnings (retained earnings) as long as minimum capital requirements are met. Community State Bank is well above these requirements, and the balance of \$46,408,291, in its retained earnings at December 31, 2025, is available for cash dividends. Orbisonia Community Bancorp's balance of retained earnings at December 31, 2025, is \$48,005,282 and would be available for cash dividends, although payment of dividends to such extent would not be prudent or likely. The Federal Reserve Board, which regulates bank holding companies, establishes guidelines that indicate that cash dividends should be covered by current period earnings.

The Corporation is also subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct and material effect on the Corporation's financial statements. Under capital adequacy guidelines, the Bank is required to maintain minimum capital ratios. 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.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations.

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

An eligible banking organization can opt out of the CBLR framework and revert to the risk-weighting framework without restriction. As of December 31, 2025 and 2024, the Bank was a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework. The Federal Reserve has set the limit to qualify as a small bank holding company at \$3 billion which exempts it from risk-based capital and leverage rules.

**ORBISONIA COMMUNITY BANCORP, INC.**  
**Notes to Consolidated Financial Statements**

**NOTE 11 REGULATORY MATTERS (CONTINUED)**

The Bank's actual and required capital amounts and ratios were as follows (in thousands):

	Actual		For Capital Adequacy Purposes		For Capital Adequacy Purposes With Capital Conservation Buffer		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Rate	Amount	Rate	Amount	Rate
<b>As of December 31, 2025</b>								
Tier 1 leverage	\$ 46,387	10.1%	\$ 18,292	4.0%	\$ 18,292	4.0%	\$ 22,865	5.0%
<b>As of December 31, 2024</b>								
Tier 1 leverage	\$ 43,585	9.5%	\$ 18,397	4.0%	\$ 18,397	4.0%	\$ 22,996	5.0%

**NOTE 12 RETIREMENT PLANS**

**Defined Contribution Retirement Plan**

The Corporation has a 401(k)-profit sharing plan covering employees who have attained the age of 18 and have completed 6 months of service. The plan provides for the Corporation to make contributions that will match employee deferrals on a one-to-one basis, up to 3 percent of employees' eligible compensation. Additional contributions can be made at the discretion of the Board of Directors based on the Corporation's performance. The contributions for the years ended December 31, 2025 and 2024, were \$157,511 and \$153,435, respectively.

**Supplemental Executive Retirement Agreement**

The Corporation has established a supplemental executive retirement agreement for which the Corporation will fund a future benefit to certain executives upon retirement. GAAP requires the recording of a liability retirement account for the executive into which appropriate accruals shall be made, using a reasonable discount rate. A net expense of \$45,724 and \$38,664 was recorded for the years ended December 31, 2025 and 2024, respectively, for deferred compensation costs. The total liability related to this executive retirement benefit was \$119,584 and \$167,507 at December 31, 2025 and 2024, respectively.

**Restricted Stock Awards**

In 2023, the Corporation established a restricted stock agreement for which the Corporation would provide stock awards to certain executives over time. The stock awards had a vesting period of five years, with the compensation expense related to these awards being recognized monthly over the five-year vesting period. The restricted stock agreement was terminated in 2024. No expense was recorded for the year ended December 31, 2024 related to the restricted stock awards. Upon termination, the restricted stock awards were transferred to treasury stock.

**Deferred Compensation Plan**

The Corporation has established a director deferred compensation and executive deferred compensation agreement to allow directors and executives to defer director fees or salary until retirement. The total liability related to this director deferred compensation plan was \$311,734 and \$258,427 at December 31, 2025 and 2024, respectively. An expense of \$53,307 and \$60,068 was recorded for the years ended December 31, 2025 and 2024, respectively, for director deferred compensation costs on the Consolidated Statements of Income. The total liability related to the executive deferred compensation plan was \$658,190 and \$305,814 at December 31, 2025 and 2024, respectively. An expense of \$352,376 and \$305,814 was recorded for the years ended December 31, 2025 and 2024, respectively, for executive deferred compensation costs on the Consolidated Statements of Income.

# ORBISONIA COMMUNITY BANCORP, INC.

## Notes to Consolidated Financial Statements

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### NOTE 13 LEASES

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A lease provides the lessee with the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation has primarily entered into operating leases for branches and equipment. Most of the Corporation's leases contain renewal options, which the Corporation is not reasonably certain to exercise. Including renewal options, the Corporation's leases range from 3 years to 9 years. Operating lease right-of-use assets and lease liabilities are not included on the Consolidated Balance Sheets due to insignificance. In evaluating significance, the Corporation uses its incremental borrowing rate to determine the present value of the lease payments, as the rate implicit in the Corporation's leases, if not readily determinable from the lease contract. Variable costs, such as common area maintenance expenses and property taxes, are expensed as incurred.

Lease expense was \$172,873 and \$146,661 for the years ended December 31, 2025 and 2024, respectively, and are included in occupancy expense on the Consolidated Statements of Income.

The following table presents maturities of the Corporation's lease agreements by year:

	<b>Years Ending December 31</b>
2026	\$ 210,999
2027	166,195
2028	130,950
2029	75,713
2030	36,000
	<u>\$ 619,857</u>

During the year ended December 31, 2023, the Corporation entered into an operating lease, as lessor, for professional office space. The lease matures on June 30, 2026. All lease income is included in other income on the Consolidated Statements of Income. During the years ending December 31, 2025 and 2024, the Corporation recognized \$15,600 and \$12,400, respectively, in rental income. The following table presents future expected annual income based on this lease agreement:

	<b>Years Ending December 31</b>
2026	<u>\$ 7,800</u>

### NOTE 14 INCOME TAXES

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The components of federal income tax expense are summarized as follows for the years ended December 31:

	<b>2025</b>	<b>2024</b>
Current-year provisions	\$ 809,481	\$ 563,224
Deferred income tax expense (benefit)	<u>(127,587)</u>	<u>(49,450)</u>
Applicable income tax	<u>\$ 681,894</u>	<u>\$ 513,774</u>

**ORBISONIA COMMUNITY BANCORP, INC.**  
**Notes to Consolidated Financial Statements**

**NOTE 14 INCOME TAXES (CONTINUED)**

A reconciliation of the effective applicable income tax rate to the federal statutory rate is as follows:

	<b>2025</b>	<b>2024</b>
Federal income tax rate	21.0 %	21.0 %
Reduction resulting from:		
Nontaxable interest income (net of nondeductible interest)	(2.7)	(3.3)
Life insurance income	(0.9)	(1.2)
Other	-	0.4
Effective income tax rate	<u>17.4 %</u>	<u>16.9 %</u>

Deferred tax assets have been provided for deductible temporary differences related to the allowance for loan losses, allowance for off-balance sheet commitments, nonaccrual interest on loans, deferred compensation plans, unrealized losses on debt securities available-for-sale, and amortization expense on intangibles. Deferred tax liabilities have been provided for taxable temporary differences related to accumulated depreciation and unrealized gains on equity securities available for sale. The Corporation has not recorded a valuation allowance for the deferred tax assets as management feels that it is more likely than not that they will be ultimately realized. The net deferred tax assets included in other assets on the Consolidated Balance Sheets include the following components at December 31:

	<b>2025</b>	<b>2024</b>
Total deferred tax assets:		
Loan loss provision	\$ 541,495	\$ 532,156
Off-balance sheet provision	15,120	-
Nonaccrual interest	1,139	3,875
Deferred compensation	228,797	153,667
Unrealized losses on available-for-sale debt securities	1,208,514	1,905,652
Unamortized acquisition expenses	6,063	6,555
Intangible asset amortization	64,120	45,900
Total deferred tax liabilities:		
Depreciation expense	(113,487)	(133,957)
Change in fair value of equity securities	(101,843)	(94,379)
Net deferred tax assets	<u>\$ 1,849,918</u>	<u>\$ 2,419,469</u>

**Uncertain Tax Positions**

The Corporation files income tax returns in the U.S. federal jurisdiction and the state of Pennsylvania. With few exceptions, the Corporation is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2022.

# ORBISONIA COMMUNITY BANCORP, INC.

## Notes to Consolidated Financial Statements

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### NOTE 14 INCOME TAXES (CONTINUED)

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#### **Uncertain Tax Positions (Continued)**

The Corporation follows the FASB Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in the financial statements. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized tax benefits on the Consolidated Balance Sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits would be classified as additional income taxes on the Consolidated Statements of Income. As of December 31, 2025 and 2024, there was no liability for unrecognized tax benefits.

### NOTE 15 FAIR VALUE MEASUREMENTS

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The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

- Level 1:** Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization can access at the measurement date.
- Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3:** Inputs that are unobservable inputs for the asset or liability.

**ORBISONIA COMMUNITY BANCORP, INC.**  
**Notes to Consolidated Financial Statements**

**NOTE 15 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Investment securities**

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds, mortgage products, and exchange traded equities. If quoted market prices are not available, securities are classified within Level 2 and fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include debt securities issued by U.S. agencies, mortgage-backed agency securities, state and municipal securities, certain corporate asset backed, and other securities. In cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. All of the Bank's debt and equity securities are classified as available for sale.

The Corporation had no liabilities reflected at fair value at December 31, 2025 and 2024.

A summary of assets at December 31, 2025 and 2024, measured at fair value on a recurring basis follows:

	Level 1	Level 2	Level 3	Total Fair Value Measurements
<b>2025</b>				
U.S. agency securities	\$ -	\$ 2,372,370	\$ -	\$ 2,372,370
State and municipal securities	-	27,742,083	-	27,742,083
Mortgage-backed securities	-	33,622,421	-	33,622,421
Certificates of deposit	-	1,145,476	-	1,145,476
U.S. Treasury notes	-	594,840	-	594,840
Equity securities - financial services	507,780	-	-	507,780
	<u>\$ 507,780</u>	<u>\$ 65,477,190</u>	<u>\$ -</u>	<u>\$ 65,984,970</u>
<b>2024</b>				
U.S. agency securities	\$ -	\$ 2,390,008	\$ -	\$ 2,390,008
State and municipal securities	-	31,376,147	-	31,376,147
Mortgage-backed securities	-	32,437,267	-	32,437,267
Certificates of deposit	-	603,508	-	603,508
U.S. Treasury notes	-	569,988	-	569,988
Equity securities - financial services	472,235	-	-	472,235
	<u>\$ 472,235</u>	<u>\$ 67,376,918</u>	<u>\$ -</u>	<u>\$ 67,849,153</u>

Certain financial assets are measured at fair value on a nonrecurring basis in accordance with GAAP. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

**ORBISONIA COMMUNITY BANCORP, INC.**  
**Notes to Consolidated Financial Statements**

**NOTE 15 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following describes the valuation techniques used by the Corporation to measure certain financial assets recorded at fair value on a nonrecurring basis in the financial statements:

**Collateral Dependent Loans**

Loans are designated as collateral dependent when collection of principal and interest is expected to be collected through the operation or sale of its collateral. The value of the collateral is typically determined by utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Corporation using observable market data (Level 2). However, if the collateral is a house or building in the process of construction or if an appraisal of the real estate property is over two years old, then the fair value is considered Level 3. The fair value of collateral dependent loans reported below is based on the total loans with a specific allowance for credit loss allocation less the total allocations for such loans, while the fair value measurement level is based on the age of the underlying appraisal of the collateral securing the loans. Specific allocations to the allowance for credit losses for collateral dependent loans carried at fair value were \$398,695 and \$39,044 at December 31, 2025 and 2024, respectively.

**Foreclosed Assets**

Certain assets, such as foreclosed assets, acquired through foreclosure are initially recorded at fair value of the property at the transfer date, less estimated selling costs. At or near the time of foreclosure, real estate appraisals are obtained on the properties acquired through foreclosure. The real estate is then valued and subsequently carried at the appraised value, less estimated costs to sell the property. Appraised values are typically determined by utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Corporation using observable market data or on a recent sales offer (Level 2). However, if the acquired property is a house or building in the process of construction, or if an appraisal of the real estate property is considered stale, the fair value is considered Level 3. The estimate of costs to sell the property is based on historical transactions of similar holdings.

There were no liabilities measured at fair value on a nonrecurring basis at December 31, 2025 and 2024.

A summary of assets at December 31, 2025 and 2024 measured at fair value on a nonrecurring basis is as follows:

	Level 1	Level 2	Level 3	Total Fair Value Measurements
<b>2025</b>				
Collateral dependent loans	\$ -	\$ -	\$ 3,771,495	\$ 3,771,495
Foreclosed assets	-	-	35,924	35,924
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,807,419</u>	<u>\$ 3,807,419</u>
<b>2024</b>				
Collateral dependent loans	\$ -	\$ -	\$ 106,206	\$ 106,206
Foreclosed assets	-	-	233,341	233,341
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 339,547</u>	<u>\$ 339,547</u>

**ORBISONIA COMMUNITY BANCORP, INC.**  
**Notes to Consolidated Financial Statements**

**NOTE 15 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table presents additional qualitative information about assets measured on a nonrecurring basis and for the Corporation has utilized Level 3 inputs to determine fair value:

	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range
<b>2025</b>				
Collateral dependent loans	\$ 3,771,495	Appraisal of collateral or depreciated value	Selling costs Management adjustments for age of appraisals/values	3.9% discount 5% - 34% discount
Foreclosed assets	35,924	Appraisal of collateral	Selling costs	3.9% discount
<b>2024</b>				
Collateral dependent loans	\$ 106,206	Appraisal of collateral	Selling costs Comparable sales	5% discount
Foreclosed assets	233,341	Appraisal of collateral	Management adjustments for liquidation expenses Comparable sales	40% discount

**NOTE 16 FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK**

The Corporation is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financial needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments.

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

Financial instruments whose contract amounts represent credit risk at December 31 consist of:

	<b>Contract or Notional Amount</b>	
	<b>2025</b>	<b>2024</b>
Commitments to extend credit	\$ 37,031,441	\$ 27,979,858
Standby letters of credit and financial guarantees written	133,447	156,421
	<u>\$ 37,164,888</u>	<u>\$ 28,136,279</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 Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies, but may include accounts receivable, inventory, real estate, equipment, and income-producing commercial properties.

# ORBISONIA COMMUNITY BANCORP, INC.

## Notes to Consolidated Financial Statements

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### NOTE 16 FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK (CONTINUED)

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Standby letters of credit and financial guarantees written are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Corporation holds collateral supporting those commitments when deemed necessary by management.

In addition to the allowance for credit losses on loans, the Corporation maintains an allowance for lending-related commitments such as unfunded loan commitments and letters of credit. The Corporation estimates expected credit losses over the contractual period in which the Corporation is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Corporation. The allowance for lending-related commitments on off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans, and are discussed in Note 1. The allowance for credit losses for unfunded loan commitments of \$72,000 at December 31, 2025 is included in other liabilities on the Consolidated Balance Sheets. The allowance for credit losses for unfunded loan commitments was not considered significant at December 31, 2024.

The following table presents the balance and activity in the allowance for credit losses for unfunded loan commitments for the year ended December 31, 2025:

<b>Total Allowance for Credit Losses - Unfunded Loan Commitments</b>	
	<b>2025</b>
Beginning balance at January 1	\$ -
Provision for credit losses on changes in unfunded loan commitments	72,000
Ending balance at December 31	<u>\$ 72,000</u>

### NOTE 17 COMMITMENTS

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During 2025, the Corporation entered into an agreement with a third-party consultant to provide assistance in evaluating and selecting a core processing system provider. The terms of the agreement require the Corporation to pay the third-party consultant 15% of any funds saved between the current core processing system costs and the final negotiated costs for the same services under a future core processor. The amount of this commitment will be based on final negotiated amounts, which are not currently known. This commitment may be material, but the Corporation is unable to estimate a commitment amount until the terms of any core processing agreement is finalized, which is expected to occur during 2026.

### NOTE 18 SUBSEQUENT EVENTS

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The Corporation has evaluated events and transactions occurring subsequent to the balance sheet date through March 9, 2026, the date the financial statements were available to be issued. The following events have been identified that require disclosure in the consolidated financial statements:

In February 2026, the Corporation entered into two construction contracts for renovations to bank buildings. The total contractual commitments related to these agreements are approximately \$1,263,000 and are expected to be completed by the first quarter of 2027.



**ORBISONIA COMMUNITY BANCORP, INC.**

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