

REACHING
HIGHER
REACHING
FARTHER



2025 ANNUAL REPORT



In today's fast-paced, constantly changing, competitive business environment, Jonestown Bank & Trust Co. (JBT) understands that standing still is not an option. As this annual report will illustrate, reaching higher and reaching farther led to overall growth, improved client experiences, new product offerings, and valuable resources for the clients we serve.

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JBT BANCORP, INC.

STRONG SUSTAINED GROWTH

For Jonestown Bank & Trust Company, 2025 was a year of reaching higher and reaching farther in continuing its steady pattern of growth.

Reaching higher enabled JBT to increase total assets, deposits, and loans over 2024, and the Bank reached farther by adding more new client relationships, expanding product offerings, adding digital banking capabilities, providing valuable resources for commercial clients, and growing JBT's market footprint through Cannabis Related Businesses and Mortgage capabilities.

These and several other contributing factors resulted in increased profitability and growth, reflecting the disciplined strategy and operational strength that enable JBT to remain an independent, community-focused bank.



EXPANDED MORTGAGE CAPABILITY

JBT significantly expanded its mortgage capabilities, enabling the bank to serve more clients. This expansion included adding depth and experience to the mortgage team.

JBT also broadened its offerings by offering additional federal mortgage programs, including loans backed by the Federal Housing Administration (FHA), United States Department of Agriculture (USDA), and the Department of Veterans Affairs (VA). These programs expand access to home financing and allow JBT to serve a wider range of borrowers.

Additionally, JBT launched SmartMove Mortgage, designed specifically for first-time homebuyers. With a low minimum down payment requirement of just 3% and no income limit restrictions, this program is helping more individuals and families achieve the dream of homeownership.



INCREASED NEW CLIENT RELATIONSHIPS

JBT attracted a record number of new client relationships in 2025 as more individuals, families, and businesses discovered what it means to *Bank on a Smile*®.

This success reflects an ongoing commitment to enhancing the client experience. Continued investment in digital banking capabilities allows clients to bank conveniently on their own schedule. In addition, a fully implemented, enhanced, branch model has improved service delivery, ensuring client visits are efficient, personalized, and responsive to both routine and complex financial needs.

Operational efficiencies, strategic automation, and digital delivery expansion have further strengthened the client experience. Innovations such as online account opening, robust mortgage offerings, indirect auto lending, and the ability of JBT's Cannabis Related Business segment to serve clients in neighboring states all contributed to significant growth in new relationships. In addition, JBT and the commitment of JBT's employees to community service continue to make a significant impact in the lives of all members of the communities we serve.



ENHANCED BUSINESS SOLUTIONS AND RESOURCES

JBT recognizes that local businesses are the foundation of the communities it serves. The Bank expanded its support for commercial clients by introducing new solutions and educational resources.

A key initiative was the launch of Treasury Management services, providing another level of products for clients with complex cash management needs. This includes tools to better manage cash flow, accelerate collections, monitor account balances, facilitate electronic funds movement, and improve overall financial efficiency.



As cyber threats continue to increase in frequency and sophistication, JBT also prioritized client education and

protection. The Bank developed a comprehensive Business Fraud Prevention Guide to help businesses identify and prevent common threats such as vendor impersonation, payroll fraud, and ransomware attacks. Additionally, JBT hosted multiple in-person fraud prevention seminars, equipping business clients with the knowledge and tools needed to safeguard their organizations.



BOARD OF DIRECTORS



Glenn T. Wenger
Chairman
 Director - 2008
 CEO, Wengers of Myerstown;
 President, JK&B Inc.



Edwin C. Hostetter II CPA CGMA
Vice Chairman
 Director - 2013
 CPA and CGMA (Inactive) and
 Management Consultant; Vice
 President & Chief Financial Officer,
 SSM Group, Inc. (Retired)



Edward L. Anspach
*Second Vice Chairman
 and Secretary*
 Director - 1987
 President, Anspach Autos



Troy A. Peters
 Director - 2016
 President and Chief Executive
 Officer, JBT Bancorp, Inc.,
 Jonestown Bank & Trust Co.



Jeffrey L. Bohn
 Director - 1987
 Former Owner & President,
 JP Donmoyer, Inc.; Executive
 Director, Shining Light, Inc.



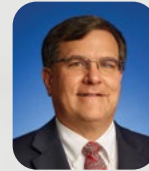
Gina S. Breslin
 Director - 2024
 Shareholder, Consultant,
 North Group Consultants



Lloyd A. Deaven, Jr.
 Director - 1998
 President, Patriot Auto Parts
 (Retired)



Jonathan E. Hollinger CPA
 Director - 2022
 President & CEO,
 Pleasant View Communities



Brian R. Miller
 Director - 2015
 Insurance Agency Principal,
 Richard S. Miller, Inc. (Retired)



Sallie A. Neuin
 Director - 2009
 Lebanon County Treasurer;
 Lebanon County Tax
 Claim Director (Retired)



Vinod P. Patel
 Director - 2025
 Hospitality Businesses Owner
 and Developer (Retired)



Eric A. Trainer
 Director - 2011
 Co-owner & Operator, Trainer's
 Midway Diner, Quality Inn at Midway,
 Microtel Inn & Suites—Hamburg,
 Pappy T's Pub & Lounge—Hamburg

EXECUTIVE OFFICERS

Standing L-R:

Richard M. Rollman
 Chief Lending Officer

Michael E. Grenier
 Chief Risk Officer

Timothy D. Gingrich
 Chief Information Officer

Seated L-R:

Robert B. Weidler Jr.
 Chief Financial Officer

Troy A. Peters
 President
 Chief Executive Officer

Edward T. Martel, Jr.
 Chief Operating Officer





Troy A. Peters
President & Chief Executive Officer

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DEAR SHAREHOLDER

It is my privilege to provide an annual report on the performance of JBT Bancorp, Inc. and our wholly owned subsidiary, Jonestown Bank & Trust Co. (JBT).

In 2025, the Bank increased assets by 3.8% to \$989 million. Annual earnings increased 32.4% to \$10 million, or \$4.11 per share. The resulting return on average equity and return on average assets were 11.79% and 1.03% respectively. Dividends declared for the year amounted to \$1.14 per share for a dividend yield of 4.21% based on the average share price. Due to our increased profitability, we were pleased to raise the dividend by .02 in both the third and fourth quarters.

Core Business Growth

We balanced loan and deposit growth with a 5.9% increase in loan balances funded by a 5.4% increase in stable deposits.

Commercial lending represents our primary loan portfolio at 58.0% of balances, followed by our indirect auto lending business at 29.5%. Growth in commercial loans was 10.6% and indirect was flat at .7%. This was a designed result that focused on higher yielding commercial credits where we believe we have earned a strong brand that attracts quality client relationships utilizing multiple products and services. Indirect lending remains a business line where we can manage cash flows as desired with market pricing.

Cannabis banking (Cannabis Related Business/CRB) is also a very high-touch, relationship focused, business where we have a competitive advantage. JBT is widely known as *Pennsylvania's Premier Cannabis Banking Partner* actively servicing growers, processors, dispensaries, clinical registrants, and testing facilities inside and outside of the Commonwealth. We remain selective and focused on partnering with highly compliant and well-run companies. During the year, we onboarded several clients resulting in CRB deposit portfolio growth of 20.5%. All CRB staff has earned recognized cannabis banking accreditations or certifications, and they are viewed as industry experts.

Attracting and retaining core deposits is critical to our strategy and we worked hard to gain a record number of new relationships. The largest portfolio balance increase was in money market accounts followed by non-interest-bearing demand deposits.

The Fed cut interest rates three times in 2025 mainly because the balance of risks shifted from inflation being “too high” toward growing concern about a softening labor market and downside risks to economic growth, even though inflation was still above the 2% target.

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Despite these cuts, our funding mix and the repricing of maturing loans enabled us to effectively manage our margin. A key contributor to our success, net interest income increased 12.2% over the prior year.

Increasing Capabilities

As a complement to our core businesses, we strategically advanced our residential mortgage process and team. Many traditional banks have been squeezed by online-only lenders in this space. However, given the new residential building in our market and the desire for a higher-touch experience, we see opportunity to increase our exposure. We added three full-time individuals to our team during the year, including hiring originators with successful track records. During the year, gain on sale of loans increased by 528% and we believe we have momentum heading into 2026 to elevate our results even further.

We also introduced intelligent and dynamic liquidity limits for checking account clients that allow access to liquidity when needed most. In many cases, consumers can access small dollar loans and directly fund their checking account. Our aim is to increase access to needed liquidity and mitigate risk based on behavioral criteria.

Creating Efficiencies

Our company is heavily invested in technology, and it comes at a significant expense to provide top-notch security and relevant products and services to our clients. Early in the year, we began reviewing our largest technology contracts. In some cases, we removed or replaced legacy features and implemented new capabilities such as expanded Treasury Management services, expanded digital delivery, and on-line/mobile Spanish language communication. We also improved our service level guarantees and negotiated significant cost savings going forward.

In August, the Bank subdivided and sold a portion

of property located along State Route 72 and Long Lane in Lebanon, PA. To offset the taxable gain created by this sale, we facilitated a bond loss sale strategy and restructured some borrowing facilities. Lower yielding investments were sold, and the proceeds were invested in higher yielding bonds. We also refinanced FHLBank borrowings at a lower cost. These offsets positively position the Bank moving forward and reduced our current year tax burden.

With Gratitude

At the end of the year, Tim Gingrich, our Chief Information Officer, retired after a forty-eight-year career in banking. He guided information technology efforts at the Bank for nearly fourteen years. Tim's contributions included moving the Bank to an outsourced environment, countless technology, product, and security upgrades, strengthening our disaster recovery plans, and vendor management process. In preparation for his retirement, we elevated the responsibilities of both our Information Security Officer, Josh Wright, and IT Manager, Mario Nardone. Under their leadership we are well positioned to continue to move forward, and we thank Tim for his service.

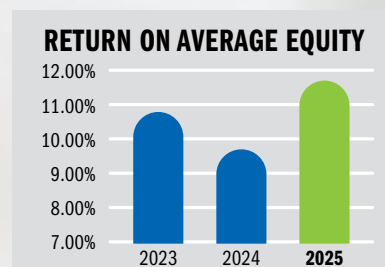
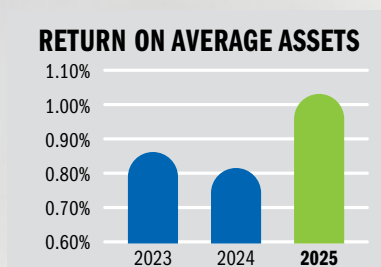
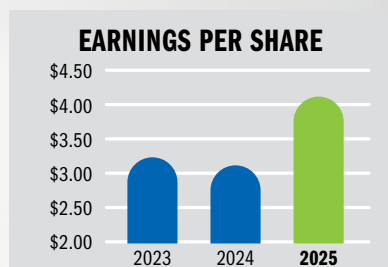
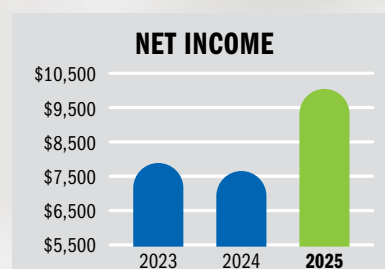
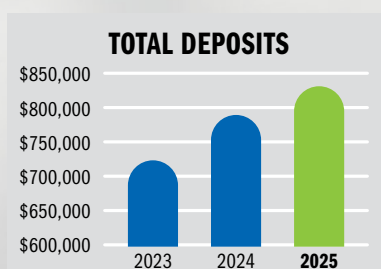
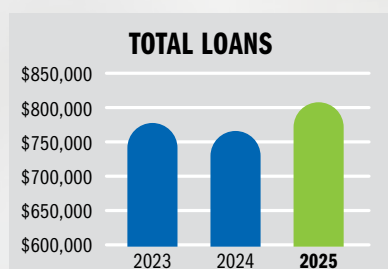
In closing, we are proud of our performance in 2025. I credit our success to remaining disciplined in approach, staying rooted in proper fundamentals, and executing on new strategies to keep us relevant. Bringing those things together to make it happen are the nearly 160 employees at JBT. They aspire and inspire every day. On behalf of everyone in your company, we thank you for your continued investment and support.



Troy A. Peters
President & Chief Executive Officer

FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share amounts)	2025	2024	Change
Results of Operations			
Net interest income	\$ 36,208	\$ 32,273	12.2%
Credit loss provisions	3,223	1,729	86.4%
Net income	10,006	7,555	32.4%
Per Share Data			
Book value	\$ 37.17	\$ 33.44	11.2%
Basic earnings	4.11	3.10	32.6%
Dividends declared	1.14	1.02	11.8%
Financial Condition at Year-end			
Assets	\$ 988,719	\$ 952,125	3.8%
Deposits	830,680	788,232	5.4%
Loans receivable, net	803,849	759,153	5.9%
Allowance for credit loss	9,714	9,015	7.8%
Shareholders' equity	90,453	81,371	11.2%
Financial ratios			
Return on average assets	1.03%	0.81%	27.2%
Return on average equity	11.79%	9.70%	21.5%



INDEPENDENT AUDITOR'S REPORT

Shareholders and the Board of Directors
JBT Bancorp, Inc.
Jonestown, Pennsylvania

Opinion

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

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

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 JBT Bancorp, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about JBT Bancorp, Inc.'s ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Crowe LLP

New York, New York
March 3, 2026

J B T Bancorp, Inc.
(Dollar amounts in thousands)

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2025	2024
ASSETS		
Cash and due from banks	\$ 15,799	\$ 14,244
Interest bearing deposits in other banks	78,167	92,418
Cash and cash equivalents	93,966	106,662
Securities available for sale, at fair value	49,487	45,050
Loans held for sale	920	402
Loans	813,563	768,168
Less allowance for credit losses	9,714	9,015
Net loans	803,849	759,153
Restricted investment in bank stock	3,047	3,169
Other real estate owned	-	-
Premises and equipment	8,112	8,546
Bank-owned life insurance	20,528	20,724
Accrued interest receivable	3,037	2,886
Other assets	5,773	5,533
Total assets	\$ 988,719	\$ 952,125
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest-bearing	\$ 158,276	\$ 153,688
Interest-bearing	672,404	634,544
Total deposits	830,680	788,232
Federal Home Loan Bank advances	48,000	64,125
Subordinated debt	9,937	9,926
Accrued interest payable and other liabilities	9,649	8,471
Total liabilities	\$ 898,266	\$ 870,754
Shareholders' equity		
Preferred stock, no par value; \$1,000 per share liquidation preference; 3,996,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value \$2.00; 6,000,000 shares authorized; issued and outstanding 2,433,696 on December 31, 2025 and December 31, 2024	4,867	4,867
Surplus	7,394	7,394
Retained earnings	77,841	70,512
Accumulated other comprehensive income (loss)	351	(1,402)
Total shareholders' equity	\$ 90,453	\$ 81,371
Total liabilities and shareholders' equity	\$ 988,719	\$ 952,125

J B T Bancorp, Inc.

(Dollar amounts in thousands)

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,	
	<u>2025</u>	<u>2024</u>
Interest and dividend income		
Loans, including fees	\$ 46,489	\$ 42,763
Taxable securities	1,858	1,855
Tax-exempt securities	121	143
Dividend income on securities	238	308
Other	3,817	3,906
Total interest and dividend income	<u>52,523</u>	<u>48,975</u>
Interest expense		
Deposits	13,220	12,804
Federal Home Loan Bank advances	2,709	3,512
Subordinated debentures	386	386
Total interest expense	<u>16,315</u>	<u>16,702</u>
Net interest income	36,208	32,273
Credit loss provision - loans	2,616	1,527
Credit loss provision - off-balance sheet credit exposures	607	202
Credit loss provision	<u>3,223</u>	<u>1,729</u>
Net interest income after credit loss provision	32,985	30,544
Non-interest income		
Service charges on deposit accounts	1,938	1,800
Debit and credit card fees	1,886	1,729
Earnings on investments in life insurance	759	570
Net gains on sales of loans	339	54
Gain or (loss) on sale of investments	(744)	-
Gain on sale of property	1,623	-
Other	697	641
Total non-interest income	<u>6,498</u>	<u>4,794</u>
Non-interest expense		
Salaries and employee benefits	14,502	13,835
Data processing	2,455	2,371
Occupancy	1,650	1,508
Third-party processing	1,518	1,627
Advertising	900	872
Equipment expense	625	630
Pennsylvania bank shares tax	788	769
Federal deposit insurance	550	594
Other	4,099	3,790
Total non-interest expense	<u>27,087</u>	<u>25,996</u>
Income before income taxes	12,396	9,342
Income tax expense	2,390	1,787
Net income	<u>\$ 10,006</u>	<u>\$ 7,555</u>
Earnings per share, basic and diluted	\$ 4.11	\$ 3.10
Weighted-average shares outstanding	2,433,696	2,433,696

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

J B T B a n c o r p , I n c .
(Dollar amounts in thousands)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,	
	2025	2024
Net Income	\$ 10,006	\$ 7,555
Other comprehensive income:		
Unrealized gains (losses) on debt securities available-for-sale:		
Unrealized holding gain (loss) arising during the period	1,300	564
Reclassification adjustment for losses included in net income	744	-
Tax effect	(429)	(119)
Net of tax	1,615	445
Defined benefit pension plan:		
Net gain (loss) arising during the period	174	306
Tax effect	(36)	(64)
Net of tax	138	242
Total other comprehensive income (loss)	1,753	687
Comprehensive income	\$ 11,759	\$ 8,242

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2024	\$ 4,867	\$ 7,394	\$ 65,391	\$ (2,089)	\$ 75,563
Net income	-	-	7,555	-	7,555
Other comprehensive income (loss), net of taxes	-	-	-	687	687
Dividends declared (\$1.00 per share)	-	-	(2,434)	-	(2,434)
Balance at December 31, 2024	\$ 4,867	\$ 7,394	\$ 70,512	\$ (1,402)	\$ 81,371
Net income	-	-	10,006	-	10,006
Other comprehensive income (loss), net of taxes	-	-	-	1,753	1,753
Dividends declared (\$1.10 per share)	-	-	(2,677)	-	(2,677)
Balance, December 31, 2025	\$ 4,867	\$ 7,394	\$ 77,841	\$ 351	\$ 90,453

J B T Bancorp, Inc.
(Dollar amounts in thousands)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2025	2024
Cash flows from operating activities		
Net income	\$ 10,006	\$ 7,555
Adjustments to reconcile net income to net cash from operating activities:		
Credit loss expense	2,616	1,527
Depreciation and amortization of premises and equipment	616	668
Net amortization (accretion) of securities	(184)	(108)
Net amortization of deferred loan fees	2,205	2,906
Deferred income tax expense (benefit)	(997)	(735)
Loss (gain) on disposal of equipment	2	10
Net realized loss on sales of securities	744	-
Origination of loans held for sale	(12,633)	(4,041)
Proceeds from loans held for sale	12,454	3,693
Net (gain) on sale of loans	(339)	(54)
Earnings on bank-owned life insurance	(613)	(570)
Net change in:		
Accrued interest receivable and other assets	1,978	643
Accrued interest payable and other liabilities	1,189	1,508
Net cash from operating activities	17,044	13,002
Cash flows from investing activities		
Available-for-sale securities:		
Maturities, prepayments and calls	10,997	14,930
Purchases	(27,366)	(24,509)
Sales	13,416	-
Net (increase) decrease in loans	(49,517)	12,502
Purchases of Federal Home Loan Bank stock	(1,041)	(120)
Redemptions of Federal Home Loan Bank stock	1,163	952
Purchase of premises and equipment	(224)	(339)
Gain on the sale of property	(1,623)	-
Purchase of bank-owned life insurance	-	(318)
Proceeds of life insurance death benefit	809	-
Net cash from investing activities	(53,386)	3,098
Cash flows from financing activities		
Net increase (decrease) in deposits	42,448	69,232
Proceeds from Federal Home Loan Bank advances	100,000	70,000
Repayments of Federal Home Loan Bank advances	(116,125)	(89,000)
Dividends on common stock	(2,677)	(2,434)
Net cash from financing activities	23,646	47,798
Net change in cash and cash equivalents	(12,696)	63,898
Beginning cash and cash equivalents	106,662	42,764
Ending cash and cash equivalents	\$ 93,966	\$ 106,662
Supplemental cash flow information:		
Interest paid	\$ 16,620	\$ 16,764
Income taxes paid	3,013	2,410

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Nature of Operations and Principles of Consolidation

The consolidated financial statements include JBT Bancorp, Inc., and its wholly owned subsidiary, Jonestown Bank & Trust Co., together referred to as “the Company.” Intercompany transactions and balances are eliminated in consolidation.

The Company provides financial services through its 11 full-service offices and two limited-service offices located in Lebanon County, northern Lancaster County, and western Berks County, Pennsylvania. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial, and installment loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. However, the customers’ ability to repay their loans is dependent on the real estate and general economic conditions in the area.

Subsequent Events

Management has reviewed events occurring through March 3, 2026, the date the consolidated financial statements were available to be issued and no subsequent events occurred requiring disclosure.

Use of Estimates

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and disclosures provided, and actual results could differ.

Cash Flows

Cash and cash equivalents include cash, deposits with other financial institutions with maturities fewer than 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, interest bearing deposits in other financial institutions, and federal funds purchased and repurchase agreements.

Interest-Bearing Deposits in Other Financial Institutions

Interest-bearing deposits in other financial institutions mature within one year and are carried at cost.

Debt Securities

Debt securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they might be sold before maturity. Securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income. The amount of accrued interest reversed against interest income totaled \$0 and \$0 for the years ended December 31, 2025 and 2024.

1. Summary of Significant Accounting Policies (continued)

Allowance for Credit Losses – Available-For-Sale Securities

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

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

Accrued interest receivable on available-for-sale debt securities totaled \$216 and \$250 at December 31, 2025 and 2024, and is excluded from the estimate of credit losses.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net realized losses, if any, are recorded as a valuation allowance and charged to earnings.

Mortgage loans held for sale are generally sold with servicing rights released. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost net of the allowance for credit losses. Amortized cost is the principal balance outstanding, net of deferred loan fees and costs. Accrued interest receivable totaled \$2,768 at December 31, 2025 and was reported in Accrued interest receivable on the consolidated balance sheets and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Commercial loans include advances to local businesses for various commercial purposes including working capital, inventory, equipment, machinery, commercial vehicles, and municipal improvements. These loans may be structured as a line of credit or term loan. A significant portion of these loans are either secured by business real estate or the business owner's personal real estate. Loans secured solely by a business' accounts receivable, inventory, and equipment represent a small portion of this loan segment. Commercial loans are typically a riskier loan segment as they are more vulnerable to economic conditions. The Company attempts to mitigate this risk through strong underwriting standards, acquiring collateral and personal guarantees of the business owners when warranted, and by performing annual relationship reviews. This segment also includes a small number of municipal loans that are provided to support local municipal projects and school districts. These loans present a lower risk to the Company, as they are secured by the entity's taxing authority or revenue streams.

Commercial Real Estate loans include advances to local businesses for the purchase, refinance, or improvement of a business property. These loans are structured as term loans, with variable rate loan features, and are secured by a senior or junior lien on the property. A specialty within this segment includes hotel/motel financing. Commercial Real Estate loans are typically a riskier loan segment as they are more vulnerable to economic conditions. The Company attempts to mitigate these risks by having strong underwriting standards, acquiring the personal guarantees of the business owners when warranted, and by performing annual relationship reviews.

1. Summary of Significant Accounting Policies (continued)

Commercial Real Estate Construction loans includes loans to fund various commercial construction projects, including new projects or renovations to existing projects. These loans are typically secured by the property being improved. Loans remain in this segment until the completion of the project. Risk during construction is managed by a third-party inspection company to ensure that the work is completed per original specifications. After completion of the project, the loan is transferred to another loan segment based upon its specific type.

Residential Real Estate loans include Mortgages, Home Equity and Investment loans.

Mortgages are advanced for consumer purposes and are secured by a first lien on the consumer's personal residence. Customers have the choice of either fixed rate or adjustable rate. The Company manages the risks associated with this loan segment by having strong underwriting criteria, including requiring private mortgage for loans that exceed a loan to value of 80%.

Home Equity Loans, which include both term loans and lines of credit options, are offered for various consumer purposes. These loans are secured by either a senior or junior lien on a customer's personal residence. The Company manages the risks associated with this loan segment by having strong underwriting criteria, including a maximum loan to value of 80%.

Investment Property Loans represent loans advanced for the purchase or refinance of 1-4 family residential properties that will be held for investment where the owner intends to rent the property, which typically is the primary repayment source of the loan. These loans are processed as commercial term loans and are underwritten including the projected income and expenses of the subject property. This segment presents additional risk to the Company, as economic conditions can impact property owner's cash flow due to occupancy issues. The Company manages the risks of this segment by having strong underwriting criteria, including occupancy discounts and having a maximum loan to value of 80%.

Indirect loans are loans advanced for the purpose of purchasing consumer automobiles, motorcycles, or recreation merchandise. These loans are processed through a network of local dealers that the Company has agreed to do business with. Dealers are vetted to mitigate risk. The Company has many risk management initiatives in place to manage the risk associated with this type of business.

Consumer loans, including both term loans and lines of credit, are offered for a variety of consumer purposes. These loans may be either secured or unsecured. Loans are typically collateralized by automobile titles, recreational merchandise, or deposit accounts. The risks associated with this loan type are mitigated by strong underwriting criteria. These loans present a greater risk of loss to the Company than consumer loans secured by real estate, as many have no collateral or have collateral that depreciates rapidly.

Interest income on residential and commercial loans is discontinued and placed on nonaccrual status at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection. Mortgage loans are charged off at 180 days past due, and commercial loans are charged off to the extent principal or interest is deemed uncollectible. Consumer and credit card loans continue to accrue interest until they are charged off no later than 120 days past due unless the loan is in the process of collection. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

1. Summary of Significant Accounting Policies (continued)

Allowance for Credit Losses – Loans

The allowance for credit losses – loans (“ACL”) represents an amount that in management's judgment, is reflective of expected credit losses inherent in the loan portfolio as of the balance sheet date. Balances deemed to be uncollectible are charged against the ACL on loans when identified and subsequent recoveries if any, are credited to the ACL when received. Additions and reductions to the ACL are recognized through the provision for credit losses on loans in the Company's consolidated statement of income.

The ACL estimation process is performed in accordance with ASU Topic 326. When calculating the ACL estimate, management considers the effects of past events, current economic conditions, and reasonable, supportable forecasts regarding the expected collectability of financial assets as of the reporting date. The bank also considers the need to qualitatively adjust credit loss estimates for information not already included in the quantitative loss calculation. Methods used to estimate the ACL are consistently applied over time to reflect current expectations of future lifetime credit losses.

The ACL is estimated on a collective, or pooled basis where loans with similar risk characteristics are grouped together and evaluated collectively for potential future losses. For ACL purposes, management typically groups collectively evaluated loans by federal call code. Peer bank data pertaining to historic loss rates is considered in this analysis when internal historic loss data is insufficient or not meaningful. Discounted cash flow or weighted average remaining life methods are typically used to quantitatively estimate the ACL for pooled loans.

Qualitative loss factors are applied to pooled loan balances when appropriate. These factors adjust expected credit losses to account for pertinent information not already included in the ACL calculation. The following qualitative factors are considered when analyzing the pooled loan portfolio:

- Changes in lending policies, procedures, and strategies
- Changes in the nature and volume of the loan portfolio
- Experience level of staff and management
- Delinquency and non-accrual trends
- Concentrations of credit risk
- Changes in value of loan collateral
- Competitive, legal and regulatory factors
- Quality of the loan review function
- Changes in economic conditions

Data from Federal Open Market Committee (FOMC) sources are utilized to provide reasonable and supportable economic forecasts to inform and project future expected credit losses.

The Company individually evaluates loans for expected credit losses when the financial asset does not share similar risk characteristics with loans that are being evaluated on a pooled basis. Individually analyzed loans are not included in the collective assessment of expected credit losses for pooled loans. Loans with unique risk characteristics are individually analyzed for potential credit loss and a specific loss reserve is calculated as needed.

Loss reserves for individually analyzed loans may be determined based upon the present value of expected future cash flows discounted at the loan's effective interest rate, or (as a practical expedient) at the loan's observable market price, or at the fair value of the collateral if the loan is collateral dependent.

1. Summary of Significant Accounting Policies (continued)

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancelled by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Concentration of Credit Risk

Most of the Company's business activity is with customers located within the state of Pennsylvania as it relates to indirect dealer financing, and within the Lebanon-Lancaster-Berks County area as it relates to all other loans. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy in the state of Pennsylvania and the counties of Lebanon, Lancaster, and Berks. The Company has a significant concentration of loans to lessors of 1-4 family residential properties, lessors of non-residential properties, and the hospitality industry.

Transfers of Financial Assets

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

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components are depreciated using the straight-line method with useful lives ranging from 5 to 40 years. Furniture, fixtures and equipment are depreciated using the straight-line (or accelerated) method with useful lives ranging from 3 to 7 years.

Leases

Lease agreements are entered into to obtain the right to use assets for business operations. Lease liabilities and ROU assets are recognized when entering into operating leases and represent obligations and rights to use these assets over the period of the leases and may be re-measured for certain modifications, resolution of certain contingencies involving variable consideration, or exercise of options (renewal, extension, or termination) under the lease.

Operating lease liabilities include fixed and in-substance fixed payments for the contractual duration of the lease. The lease payments are discounted using a rate determined when the lease is recognized. As the discount rate implicit in the lease is typically not known, an estimated discount rate that approximates a collateralized borrowing rate for the estimated duration of the lease is used. The discount rate is updated when re-measurement events occur. The related operating lease ROU assets may differ from operating lease liabilities due to initial direct costs, deferred or prepaid lease payments and lease incentives.

Operating lease liabilities are presented in accrued interest payable and other liabilities and the related operating lease ROU assets in premises and equipment. The amortization of operating lease ROU assets and the accretion of operating lease liabilities are reported together as fixed lease expense and are included in occupancy expense within noninterest expense. The fixed lease expense is recognized on a straight-line basis over the life of the lease.

1. Summary of Significant Accounting Policies (continued)

Some of the operating leases include variable lease payments which are periodic adjustments of our payments for the use of the asset based on changes in factors such as consumer price indices, fair market value, tax rates imposed by taxing authorities, or lessor cost of insurance. To the extent not included in operating lease liabilities and operating lease ROU assets, these variable lease payments are recognized as incurred in occupancy expense within noninterest expense.

For substantially all of our leased assets, the consideration paid under the contract for maintenance or other services is accounted for as lease payments. In addition, for certain asset classes, the Company has elected to exclude leases with original terms of less than one year from the operating lease ROU assets and lease liabilities. The related short-term lease expense is included in occupancy expense.

Federal Home Loan Bank (FHLB) Stock

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

Bank Owned Life Insurance

The Company has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

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

The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

Retirement Plans

Pension expense is the net of service and interest cost, return on plan assets and amortization of gains and losses not immediately recognized. Employee 401(k) expense is the amount of matching contributions. Supplemental retirement plan expense allocates the benefits over years of service.

Earnings per Share

Basic earnings per share represent net income available to common shareholders divided by the weighted-average number of shares outstanding during the period. Dividends on preferred stock are deducted from net income in calculating earnings per common share. The Company currently maintains a simple capital structure and there are no dilutive effects on earnings per share.

1. **Summary of Significant Accounting Policies (continued)**

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available-for-sale and changes in the funded status of the pension plan which are also recognized as separate components of equity.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Restrictions on Cash

Cash on hand or on deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements.

Dividend Restriction

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

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgement regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Reclassifications

Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

New Accounting Pronouncement

In December 2023, the FASB issued Accounting Standards Update 2023-09, "Income Taxes (Topic 740), Improvements to Income Tax Disclosures" ("ASU 2023-09"). ASU 2023-09 requires public entities to disclose in their rate reconciliation table additional categories of information about federal, state and foreign income taxes and to provide more details about the reconciling items in some categories if items meet a quantitative threshold. ASU 2023-09 also requires all entities to disclose income taxes paid, net of refunds, disaggregated by federal, state and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative threshold, among other things. ASU 2023-09 is effective for the Company for fiscal years beginning after December 15, 2024 with early adoption permitted. The Company adopted ASU 2023-09 on a prospective basis effective December 31, 2025.

Adoption of ASU 2023-09 did not have a material impact on the Company's consolidated financial statements. See Note 13 – Income Taxes for new disclosures required by ASU 2023-09.

J B T B a n c o r p , I n c .
(Dollar amounts in thousands)

2. Debt Securities

The following tables summarize the amortized cost, fair value and allowance for credit losses of securities available-for-sale at December 31, 2025 and 2024 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
<u>December 31, 2025</u>					
Available-for-sale securities					
US government sponsored entities and agencies	\$ 7,195	\$ 77	\$ -	\$ -	\$ 7,272
State and political subdivisions	1,831	3	-	-	1,834
Mortgage-backed securities - residential	30,679	294	71	-	30,902
Other	9,739	-	260	-	9,479
Total	<u>\$ 49,444</u>	<u>\$ 374</u>	<u>\$ 331</u>	<u>\$ -</u>	<u>\$ 49,487</u>

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
<u>December 31, 2024</u>					
Available-for-sale securities					
US government sponsored entities and agencies	\$ 2,545	\$ 13	\$ 5	\$ -	\$ 2,553
State and political subdivisions	6,179	1	277	-	5,903
Mortgage-backed securities - residential	27,086	10	884	-	26,212
Other	11,241	-	859	-	10,382
Total	<u>\$ 47,051</u>	<u>\$ 24</u>	<u>\$ 2,025</u>	<u>\$ -</u>	<u>\$ 45,050</u>

The proceeds from sales and calls of securities and the associated gains and losses are listed below:

	2025	2024
Proceeds	\$ 17,441	\$ 13,000
Gross losses	(744)	-

The tax benefit from the net realized losses was \$156 in 2025.

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

	Amortized Cost	Fair Value
<u>December 31, 2025</u>		
Available-for-sale		
Within one year	\$ 630	\$ 631
One to five years	6,637	6,673
Five to ten years	10,697	10,478
Beyond ten years	801	803
Mortgage-backed securities - residential	30,679	30,902
Total	<u>\$ 49,444</u>	<u>\$ 49,487</u>

2. Debt Securities (continued)

Securities pledged at year-end 2025 and 2024 had a carrying amount of \$38,973 and \$31,899, and were pledged to secure public deposits.

At year-end 2025 and 2024, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

The following tables summarize debt securities available-for-sale in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2025 and 2024, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<u>December 31, 2025</u>						
Available-for-sale securities						
US government sponsored entities and agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State and political subdivisions	-	-	-	-	-	-
Mortgage-backed securities - residential	11,338	71	-	-	11,338	71
Other securities	-	-	7,979	260	7,979	260
Total	<u>\$11,338</u>	<u>\$ 71</u>	<u>\$ 7,979</u>	<u>\$ 260</u>	<u>\$19,317</u>	<u>\$ 331</u>

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<u>December 31, 2024</u>						
Available-for-sale securities						
US government sponsored entities and agencies	\$ 1,767	\$ 5	\$ -	\$ -	\$ 1,767	\$ 5
State and political subdivisions	798	6	3,947	271	4,745	277
Mortgage-backed securities - residential	10,872	136	12,239	748	23,111	884
Other securities	-	-	10,382	859	10,382	859
Total	<u>\$13,437</u>	<u>\$ 147</u>	<u>\$26,568</u>	<u>\$ 1,878</u>	<u>\$40,005</u>	<u>\$ 2,025</u>

All mortgage-backed securities held by the Company were issued by U.S. government-sponsored entities and agencies. These securities maintain high credit quality ratings and principal and interest collection continues to be timely. Unrealized losses are determined to be associated with changes in market interest rates and are expected to recover as maturities are approached and/or market rates change.

Unrealized losses on state and political subdivisions bonds and other securities have not been recognized into income because the issuers bonds are of high credit quality (rated AA or higher), 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.

J B T B a n c o r p , I n c .
(Dollar amounts in thousands)

3. Loans and Allowance for Credit Losses

Loans at year-end were as follows:

	2025	2024
Commercial	\$ 36,625	\$ 37,447
Commercial real estate	253,443	242,061
Commercial real estate construction	22,271	6,889
Secured by residential real estate	244,920	224,662
Indirect automobile financing	247,556	247,761
Consumer - other	8,748	9,348
Gross loans	<u>813,563</u>	<u>768,168</u>
Less: allowance for loan losses	<u>9,714</u>	<u>9,015</u>
Net loans	<u>\$ 803,849</u>	<u>\$ 759,153</u>

Net deferred costs included in the preceding table total \$6,069 and \$8,216 as of December 31, 2025 and 2024.

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

	Commercial	Commercial Real Estate	Commercial Real Estate Construction	Residential Real Estate	Consumer Indirect Autos	Consumer Other	Total
<u>December 31, 2025</u>							
Allowance for credit losses:							
Beginning balance	\$ 604	\$ 2,203	\$ 154	\$ 1,840	\$ 3,713	\$ 501	\$ 9,015
Credit loss expense	53	(99)	531	354	1,441	336	2,616
Charge-offs	(25)	-	-	-	(2,769)	(424)	(3,218)
Recoveries	-	-	-	6	1,230	65	1,301
Ending Balance	<u>\$ 632</u>	<u>\$ 2,104</u>	<u>\$ 685</u>	<u>\$ 2,200</u>	<u>\$ 3,615</u>	<u>\$ 478</u>	<u>\$ 9,714</u>

	Commercial	Commercial Real Estate	Commercial Real Estate Construction	Residential Real Estate	Consumer Indirect Autos	Consumer Other	Total
<u>December 31, 2024</u>							
Allowance for credit losses:							
Beginning balance	\$ 516	\$ 1,927	\$ 162	\$ 1,752	\$ 4,273	\$ 471	\$ 9,101
Credit loss expense	88	276	(8)	84	949	138	1,527
Charge-offs	-	-	-	(1)	(2,760)	(181)	(2,942)
Recoveries	-	-	-	5	1,251	73	1,329
Ending Balance	<u>\$ 604</u>	<u>\$ 2,203</u>	<u>\$ 154</u>	<u>\$ 1,840</u>	<u>\$ 3,713</u>	<u>\$ 501</u>	<u>\$ 9,015</u>

J B T Bancorp, Inc.
(Dollar amounts in thousands)

3. Loans and Allowance for Credit Losses (continued)

The following tables present the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2025 and 2024:

<u>December 31, 2025</u>	Nonaccrual With No Allowance for Credit Loss	Nonaccrual Loans	Loans Past Due Over 89 Days Still Accruing
Commercial real estate	\$ -		\$ -
Residential real estate	220	16	274
Indirect auto financing	-	-	171
Consumer - other	-	-	19
Total	\$ 220	\$ 16	\$ 464
<u>December 31, 2024</u>	Nonaccrual With No Allowance for Credit Loss	Nonaccrual Loans	Loans Past Due Over 89 Days Still Accruing
Commercial real estate	\$ -	\$ 36	\$ 22
Residential real estate	306	55	378
Indirect auto financing	-	-	275
Consumer - other	-	-	41
Total	\$ 306	\$ 91	\$ 716

The Company recognized \$130 and \$30 of interest income on nonaccrual loans during the years ended December 31, 2025 and 2024.

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

<u>December 31, 2025</u>	Collateral: Residential RE
Residential real estate	\$ 787
Total	\$ 787
<u>December 31, 2024</u>	Collateral: Residential RE
Residential real estate	619
Total	\$ 619

J B T Bancorp, Inc.
(Dollar amounts in thousands)

3. Loans and Allowance for Credit Losses (continued)

The following tables present the aging of the amortized cost basis in past-due loans as of December 31, 2025 and 2024 by class of loans:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
<u>December 31, 2025</u>						
Commercial	\$ -	\$ 25	\$ -	\$ 25	\$ 36,600	\$ 36,625
Commercial real estate	187	-	-	187	253,256	253,443
Commercial real estate construction	-	-	-	-	22,271	22,271
Residential real estate	1,503	328	274	2,105	242,815	244,920
Indirect auto financing	5,068	701	171	5,940	241,616	247,556
Consumer - other	24	38	19	81	8,667	8,748
Total	<u>\$ 6,782</u>	<u>\$ 1,092</u>	<u>\$ 464</u>	<u>\$ 8,338</u>	<u>\$ 805,225</u>	<u>\$ 813,563</u>

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
<u>December 31, 2024</u>						
Commercial	\$ 8	\$ -	\$ -	\$ 8	\$ 37,439	\$ 37,447
Commercial real estate	-	-	22	22	242,039	242,061
Commercial real estate construction	-	-	-	-	6,889	6,889
Residential real estate	883	268	608	1,759	222,903	224,662
Indirect auto financing	2,912	692	275	3,879	243,882	247,761
Consumer - other	141	28	41	210	9,138	9,348
Total	<u>\$ 3,944</u>	<u>\$ 988</u>	<u>\$ 946</u>	<u>\$ 5,878</u>	<u>\$ 762,290</u>	<u>\$ 768,168</u>

Occasionally, the company may modify loans to borrowers in financial distress by providing principal forgiveness, term extension, and other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

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

December 31, 2025

No loans were modified in 2025

	Term Extension	Total Class of Financing Receivable
<u>December 31, 2024</u>		
Commercial real estate	\$ 442	0.18%
Residential real estate	\$ 281	0.13%
Total	<u>\$ 723</u>	<u>0.15%</u>

3. Loans and Allowance for Credit Losses (continued)

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. No loans are past due that have been modified in the last 12 months.

The following tables present the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the year ended December 31, 2025 and 2024:

December 31, 2025

No loans were modified in 2025

	<u>Term Extension</u>
<u>December 31, 2024</u>	
Commercial real estate	5.3 years
Residential real estate	13.5 years

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. Loans are analyzed individually to classify the loans as to credit risk. This analysis is conducted according to the Company's annual review guidelines on the commercial and commercial real estate portfolio and uses the following definitions for risk ratings:

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

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

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

Pass – Loans not meeting the criteria that are analyzed individually as part of the risk classification process are considered pass-rated loans.

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(Dollar amounts in thousands)

3. Loans and Allowance for Credit Losses (continued)

	Term Loan Amortized Cost Basis by Origination Year				Revolving	Revolving	Total
	2025	2024	2023	Prior	Loans Amortized Cost Basis	Loans Converted to Term	
<u>December 31, 2025</u>							
Commercial loans:							
Pass	\$ 3,685	\$ 3,435	\$ 2,023	\$ 27,457	\$ -	\$ -	\$ 36,600
Substandard	-	-	-	25	-	-	25
Total	<u>\$ 3,685</u>	<u>\$ 3,435</u>	<u>\$ 2,023</u>	<u>\$ 27,482</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,625</u>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ 25	\$ -	\$ -	\$ -
Commercial real estate:							
Pass	\$ 36,038	\$ 22,646	\$ 35,556	\$ 147,433	\$ -	\$ -	\$ 241,673
Special mention	-	-	-	2,552	-	-	2,552
Substandard	161	-	-	9,057	-	-	9,218
Total	<u>\$ 36,199</u>	<u>\$ 22,646</u>	<u>\$ 35,556</u>	<u>\$ 159,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253,443</u>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial real estate construction:							
Pass	\$ 6,427	\$ 14,014	\$ -	\$ 1,830	\$ -	\$ -	\$ 22,271
Total	<u>\$ 6,427</u>	<u>\$ 14,014</u>	<u>\$ -</u>	<u>\$ 1,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,271</u>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Term Loan Amortized Cost Basis by Origination Year				Revolving	Revolving	Total
	2024	2023	2022	Prior	Loans Amortized Cost Basis	Loans Converted to Term	
<u>December 31, 2024</u>							
Commercial loans:							
Pass	\$ 4,103	\$ 2,894	\$ 5,401	\$ 24,929	\$ -	\$ -	\$ 37,327
Substandard	-	-	-	120	-	-	120
Total	<u>\$ 4,103</u>	<u>\$ 2,894</u>	<u>\$ 5,401</u>	<u>\$ 25,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,447</u>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial real estate:							
Pass	\$ 22,704	\$ 37,401	\$ 29,853	\$ 144,857	\$ -	\$ -	\$ 234,815
Substandard	-	-	-	7,246	-	-	7,246
Total	<u>\$ 22,704</u>	<u>\$ 37,401</u>	<u>\$ 29,853</u>	<u>\$ 152,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,061</u>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial real estate construction:							
Pass	\$ 3,023	\$ 18	\$ 1,790	\$ 2,058	\$ -	\$ -	\$ 6,889
Total	<u>\$ 3,023</u>	<u>\$ 18</u>	<u>\$ 1,790</u>	<u>\$ 2,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,889</u>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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(Dollar amounts in thousands)

3. Loans and Allowance for Credit Losses (continued)

The Company considers the performance of the loan portfolio and its impact on the allowance for credit losses. For residential and consumer loan classes, the Company also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following tables present the amortized cost in residential and consumer loans based on payment activity:

	Term Loan Amortized Cost Basis by Origination Year				Revolving	Revolving	Total
	2025	2024	2023	Prior	Loans Amortized Cost Basis	Loans Converted to Term	
<u>December 31, 2025</u>							
Residential real estate:							
Payment performance							
Performing	\$ 36,584	\$ 23,276	\$ 22,452	\$ 120,545	\$ 41,553	\$ -	\$ 244,410
Nonperforming	-	-	30	359	121	-	510
Total	<u>\$ 36,584</u>	<u>\$ 23,276</u>	<u>\$ 22,482</u>	<u>\$ 120,904</u>	<u>\$ 41,674</u>	<u>\$ -</u>	<u>\$ 244,920</u>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect auto financing:							
Payment performance							
Performing	\$ 89,512	\$ 47,871	\$ 38,212	\$ 71,790	\$ -	\$ -	\$ 247,385
Nonperforming	4	35	55	77	-	-	171
Total	<u>\$ 89,516</u>	<u>\$ 47,906</u>	<u>\$ 38,267</u>	<u>\$ 71,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,556</u>
Current period gross write-offs	\$ 253	\$ 505	\$ 791	\$ 1,220	\$ -	\$ -	\$ 2,769
Consumer - other:							
Payment performance							
Performing	\$ 2,291	\$ 1,130	\$ 1,138	\$ 4,170	\$ -	\$ -	\$ 8,729
Nonperforming	-	-	-	19	-	-	19
Total	<u>\$ 2,291</u>	<u>\$ 1,130</u>	<u>\$ 1,138</u>	<u>\$ 4,189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,748</u>
Current period gross write-offs	\$ 87	\$ 30	\$ 12	\$ 295	\$ -	\$ -	\$ 424

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(Dollar amounts in thousands)

3. Loans and Allowance for Credit Losses (continued)

	Term Loan Amortized Cost Basis by Origination Year				Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	Prior			
<u>December 31, 2024</u>							
Residential real estate:							
Payment performance							
Performing	\$ 27,776	\$ 26,248	\$ 42,407	\$ 97,807	\$ 29,685	\$ -	\$ 223,923
Nonperforming	-	-	141	368	230	-	739
Total	<u>\$ 27,776</u>	<u>\$ 26,248</u>	<u>\$ 42,548</u>	<u>\$ 98,175</u>	<u>\$ 29,915</u>	<u>\$ -</u>	<u>\$ 224,662</u>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ 1
Indirect auto financing:							
Payment performance							
Performing	\$ 64,319	\$ 58,650	\$ 70,064	\$ 54,453	\$ -	\$ -	\$ 247,486
Nonperforming	29	32	107	107	-	-	275
Total	<u>\$ 64,348</u>	<u>\$ 58,682</u>	<u>\$ 70,171</u>	<u>\$ 54,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,761</u>
Current period gross write-offs	\$ 97	\$ 764	\$ 1,147	\$ 752	\$ -	\$ -	\$ 2,760
Consumer - other:							
Payment performance							
Performing	\$ 2,061	\$ 1,782	\$ 1,079	\$ 4,385	\$ -	\$ -	\$ 9,307
Nonperforming	-	-	24	17	-	-	41
Total	<u>\$ 2,061</u>	<u>\$ 1,782</u>	<u>\$ 1,103</u>	<u>\$ 4,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,348</u>
Current period gross write-offs	\$ 97	\$ 13	\$ 24	\$ 47	\$ -	\$ -	\$ 181

4. Other Real Estate Owned

There was no other real estate owned balance or activity in either 2025 or 2024. At December 31, 2025 and 2024, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process is \$121 and \$137.

5. Fair Value

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.

5. Fair Value (continued)

The three levels of the fair value hierarchy are described as follows:

Level I: 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 II: 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 III: Inputs that are unobservable inputs for the asset or liability.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

All securities available for sale are priced using pricing models, quoted prices of securities with similar characteristics or using discounted cash flows and therefore are classified in the level 2 hierarchy.

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

	As of December 31, 2025			
	Level I	Level II	Level III	Total
Assets measured on a recurring basis:				
Available-for-sale securities:				
US Government sponsored entities and agencies	\$ -	\$ 7,272	\$ -	\$ 7,272
States and political subdivisions	-	1,834	-	1,834
Mortgage-backed securities - residential	-	30,902	-	30,902
Other debt securities	-	9,479	-	9,479
Total	\$ -	\$ 49,487	\$ -	\$ 49,487
As of December 31, 2024				
	Level I	Level II	Level III	Total
Assets measured on a recurring basis:				
Available-for-sale securities:				
US Government sponsored entities and agencies	\$ -	\$ 2,553	\$ -	\$ 2,553
States and political subdivisions	-	5,903	-	5,903
Mortgage-backed securities - residential	-	26,212	-	26,212
Other debt securities	-	10,382	-	10,382
Total	\$ -	\$ 45,050	\$ -	\$ 45,050

Certain financial assets are measured at fair value on a nonrecurring basis in accordance with accounting principles generally accepted in the United States of America. 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.

5. Fair Value (continued)

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

Other Real Estate Owned: Certain assets such as other real estate owned (OREO) 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 in order to establish fair value. Appraised values are typically determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Company using observable market data or on a recent sale offer (Level 2). However, if the appraisal for the acquired property is over two years old, then 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 OREO properties with write-downs during the years ended December 31, 2025 or 2024.

Impaired Loans: Loans of a commercial nature are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. The measurement of loss associated with impaired loans can be based on either the observable market price of the loan, the fair value of the collateral (if collateral dependent), or the present value of expected future cash flows. Fair value is measured based on the value of the collateral securing the loan less estimated costs to sell or the expected present value of future cash flows based on current market rates. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The value of the collateral is typically determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Company 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 stale, then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal if deemed significant, or the net book value on the applicable business' financial statements if not considered significant. Likewise, values for inventory and accounts receivable collateral are based on financial statement balances or aging reports (Level 3). Impaired loans with an allocation to the allowance for loan losses are measured at fair value on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for loan losses on the Consolidated Statements of Income.

The fair value of impaired loans reported below is based on the total impaired loans with a specific allowance for loan loss allocation less the total allocations for such loans, while the fair value level is determined based on the nature and observability of the inputs used in estimating collateral value, including the extent of reliance on third-party appraisals and any significant management adjustments. Specific allocations to the allowance for loan losses for impaired loans were \$91 and \$115 at December 31, 2025 and 2024.

Loans held for sale were \$920 and \$402 at December 31, 2025 and 2024.

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

	As of December 31, 2025				Gain\Loss
	Level I	Level II	Level III	Total	
Impaired loans	\$ -	\$ -	\$ 2,645	\$ 2,645	\$ -
	As of December 31, 2024				
	Level I	Level II	Level III	Total	Gain\Loss
Impaired loans	\$ -	\$ -	\$ 2,669	\$ 2,669	\$ -

5. Fair Value (continued)

The following tables provide a listing of the significant unobservable inputs used in the fair value measurement process for items valued utilizing Level III techniques:

As of December 31, 2025				
	Fair Value	Valuation Techniques	Unobservable Input	Range
	Impaired Loans	\$ 2,645	Discounted cash flows	Prevailing market rates

As of December 31, 2024				
	Fair Value	Valuation Techniques	Unobservable Input	Range
	Impaired Loans	\$ 2,669	Discounted cash flows	Prevailing market rates

The following information should not be interpreted as an estimate of the fair value of the entire Company, since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful.

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

As of December 31, 2025						
	Carrying Amount	Fair Value	Level I	Level II	Level III	
Financial assets:						
Cash and due from banks	\$ 15,799	\$ 15,799	\$ 15,799	\$ -	\$ -	
Interest bearing balances with other banks	78,167	78,167	78,167	-	-	
Available-for-sale securities	49,487	49,487	-	49,487	-	
Net loans	803,849	807,291	-	-	807,291	
Accrued interest receivable	3,037	3,037	3,037	-	-	
Financial liabilities:						
Deposits	\$ 830,680	\$ 789,785	\$ -	\$ 789,785	\$ -	
Federal Home Loan Bank advances	48,000	48,050	-	48,050	-	
Subordinated debt	9,937	11,294	-	11,294	-	
Accrued interest payable	674	674	674	-	-	

As of December 31, 2024						
	Carrying Amount	Fair Value	Level I	Level II	Level III	
Financial assets:						
Cash and due from banks	\$ 14,244	\$ 14,244	\$ 14,244	\$ -	\$ -	
Interest bearing balances with other banks	92,418	92,418	92,418	-	-	
Available-for-sale securities	45,050	45,050	-	45,050	-	
Net loans	759,153	755,815	-	-	755,815	
Accrued interest receivable	2,886	2,886	2,886	-	-	
Financial liabilities:						
Deposits	\$ 788,232	\$ 695,930	\$ -	\$ 695,930	\$ -	
Federal Home Loan Bank advances	\$ 64,125	64,120	-	64,120	-	
Subordinated debt	9,926	10,798	-	10,798	-	
Accrued interest payable	1,041	1,041	1,041	-	-	

6. Premises and Equipment

Year-end premises and equipment owned and utilized in the operations of the Company were as follows:

	December 31,	
	2025	2024
Land and improvements	\$ 2,213	\$ 2,253
Buildings	10,664	10,595
Furniture and equipment	3,960	4,030
Total premises and equipment	16,837	16,878
Less: Accumulated depreciation	8,725	8,332
Net premises and equipment	\$ 8,112	\$ 8,546

Depreciation expense was \$616 and \$668 for 2025, and 2024.

A net gain of \$1,623 was recorded from the sale of land from a subdivided property in 2025.

7. Leases

The Company leases land and office space under operating leases. Rental expense for these leases was \$399 and \$400 for years ended December 31, 2025 and 2024. Future lease payments under operating leases are presented below:

2026	\$ 400
2027	357
2028	268
2029	198
2030	101
Thereafter	85
Total undiscounted lease payments	1,409
Less: imputed interest	101
Total operating lease liabilities	\$ 1,308

All leases are operating leases. Below is a table of the operating lease right of use (ROU) assets included in other assets and lease liabilities included in accrued interest payable and other liabilities along with remaining average lease term and discount rate:

	December 31,	
	2025	2024
Right of use assets	\$ 1,294	\$ 1,634
Lease liability	\$ 1,308	\$ 1,659
Weighted average remaining lease term in years	4.37	5.18
Weighted average discount rate	3.91%	3.92%

Our operating leases predominantly expire within the next three to nine years with the longest expiring in nine years.

The Company does not include renewal or termination options in the establishment of the lease term when it is not reasonably certain that they will be exercised.

8. Deposits

The composition of deposits is as follows:

	December 31,	
	2025	2024
Demand, non-interest-bearing	\$ 158,276	\$ 153,688
Checking with interest and money market	347,954	318,660
Savings	73,540	71,320
Time deposits greater than \$250,000	40,157	41,617
Other time deposits	210,753	202,947
Total	\$ 830,680	\$ 788,232

Scheduled maturities of time deposits for the next five years were as follows:

2026	\$ 234,948
2027	10,703
2028	3,121
2029	1,073
2030 and greater	1,065
Total	\$ 250,910

9. Federal Home Loan Bank Advances

At year-end, advances from the Federal Home Loan Bank were as follows:

<u>December 31, 2025</u>	
Maturities June 2026 through June 2028, fixed rates from 3.62% to 3.96%, averaging 3.75%	\$ 48,000
	\$ 48,000
 <u>December 31, 2024</u>	
Maturities February 2025 through June 2027, fixed rates from 1.11% to 5.27%, averaging 4.45%	\$ 59,125
Overnight floating rate borrowing at 4.71%	5,000
	\$ 64,125

Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances. The advances were collateralized by \$428,265 and \$387,640 of loans under a blanket lien arrangement at year-end 2025 and 2024. Based on this collateral and the Company's holdings of FHLB stock, the Company is eligible to borrow up to a total of \$247,734 at year-end 2025.

Payments over the next five years are as follows:

2026	\$ 20,000
2027	18,000
2028	10,000
2029	-
2030	-

10. Subordinated Debt

The Company entered into an unsecured subordinated debt of \$10 million with Atlantic Community Bankers Bank on December 22, 2021, with a maturity date of December 2031. The note carries a fixed rate of 3.75% for five years and then a variable rate based on 30-day Secured Overnight Financing Rate (SOFR) plus 3.50% for the last five years. Interest is payable quarterly in arrears at each quarter-end date beginning March 31, 2022. The debt can be redeemed in whole or in part with required notice beginning December 2026. The unamortized cost of issuance associated with this obligation was \$63 and \$74 at December 31, 2025 and 2024.

11. Pension

The Company has a noncontributory defined benefit pension plan (the "Plan") covering substantially all employees hired prior to February 1, 2006. The Plan's benefit formulas generally base payments to retired employees upon their length of service and the employees' average monthly compensation. This plan was frozen as of December 31, 2012 and no employees are accruing any more benefits.

The following tables set forth the Plan's funded status and the amounts recognized in the Company's consolidated financial statements. The measurement date for purposes of these valuations was December 31, 2025 and 2024.

	<u>2025</u>	<u>2024</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 2,256	\$ 2,506
Interest cost	121	118
Actuarial (gain) loss	(1)	(222)
Benefits paid	(112)	(112)
Settlements	(87)	(34)
Benefit obligation at end of year	<u>2,177</u>	<u>2,256</u>
Change in plan assets		
Fair value of plan assets at beginning of year	3,437	3,334
Actual return on plan assets	341	249
Employer contribution	-	-
Benefits paid	(112)	(112)
Settlements	(87)	(34)
Fair value of plan assets at end of year	<u>3,579</u>	<u>3,437</u>
Funded status included in other assets	<u>\$ 1,402</u>	<u>\$ 1,181</u>
Amounts recognized in the Balance Sheets consist of:		
	<u>2025</u>	<u>2024</u>
Accrued benefit cost in other assets	\$ 1,402	\$ 1,181
Accumulated other comprehensive loss	(400)	(226)
Net amount recognized	<u>\$ 1,002</u>	<u>\$ 955</u>
Amounts recognized in accumulated other comprehensive income (loss) consist of:		
	<u>2025</u>	<u>2024</u>
Net actuarial gain (loss)	\$ 400	\$ 226
Deferred tax benefit	(84)	(47)
Total	<u>\$ 316</u>	<u>\$ 179</u>

11. Pension (continued)

Net periodic pension expense included the following components:

	Years Ended December 31,	
	2025	2024
Interest cost	\$ 121	\$ 118
Expected return on plan assets	(168)	(163)
Settlement Charge	-	-
Net amortization and deferral	-	-
Net periodic pension expense (benefit)	\$ (47)	\$ (45)

The components of net periodic benefit cost are included in salaries and employee benefits in the Consolidated Statements of Income.

The accumulated benefit obligation was \$2,177 and \$2,256 at December 31, 2025 and 2024.

The following is a summary of actuarial assumptions used for the Company's pension plan:

	December 31,	
	2025	2024
Discount rate	5.54%	4.83%
Expected long-term return on plan assets	5.00%	5.00%
Rate of compensation increase	N/A	N/A

The estimated net actuarial gain to be amortized into net periodic pension cost in 2026 is \$63.

The selected long-term rate of return on Plan assets (5.00%) was primarily based on the asset allocation of the Plan's assets. Analysis of the historic returns on these asset classes and projections of expected future returns were considered in setting the long-term rate of return.

The Company's pension plan target asset allocations, by asset category, are as follows:

	December 31,	
	2025	2024
Equities	40%	40%
Fixed income	60%	60%
Other	0%	0%
Total	100%	100%

The following benefit payments are expected to be paid:

	Years Ended December 31,
2026	\$ 121
2027	124
2028	128
2029	134
2030	139
2031 through 2035	745
	\$ 1,391

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(Dollar amounts in thousands)

11. Pension (continued)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value:

	As of December 31, 2025			
	Level I	Level II	Level III	Total
Assets:				
Mutual funds:				
Equities				
Large-Cap Value	\$ 154	\$ -	\$ -	\$ 154
Large Cap Core	153	-	-	153
Mid-Cap Core	179	-	-	179
Small-Cap Core	186	-	-	186
International Growth	254	-	-	254
International Value	130	-	-	130
Large Cap Growth	302	-	-	302
Fixed income				
Long Gov't/Credit	683	-	-	683
Long Duration Credit	709	-	-	709
Long U.S. Treasury - ETF	608	-	-	608
Common Collective Trusts-Equity	-	155	-	155
Cash Equivalent	66	-	-	66
Total assets at fair value	\$ 3,424	\$ 155	\$ -	\$ 3,579

	As of December 31, 2024			
	Level I	Level II	Level III	Total
Assets:				
Mutual funds:				
Equities				
Large-Cap Value	\$ 158	\$ -	\$ -	\$ 158
Large-Cap Core	172	-	-	172
Mid-Cap Core	176	-	-	176
Small-Cap Core	183	-	-	183
International Growth	195	-	-	195
International Value	121	-	-	121
Large Cap Growth	328	-	-	328
Fixed Income				
Fixed Income- Core Plus	1	-	-	1
Long Gov't/Credit	670	-	-	670
Long Duration Credit	723	-	-	723
Long U.S. Treasury - ETF	487	-	-	487
Common Collective Trusts-Equity	-	160	-	160
Cash Equivalent	63	-	-	63
Total assets at fair value	\$ 3,277	\$ 160	\$ -	\$ 3,437

The Company does not expect to contribute to its pension plan in 2026.

12. Other Retirement Plans

401(k) Plan

A 401(k) benefit plan allows employee contributions up to 15% of their compensation. The Company matches 100% of elective contributions of employees not to exceed 4% of the employee's salary, plus 50% of the employee's elective contribution that exceed 4% of their salary but not to exceed 6% of their salary. Match expense for 2025, and 2024 was \$424, and \$410.

Supplemental Executive Retirement Plan

Supplemental executive retirement plan agreements ("SERP") cover selected executive officers. Each SERP provides for the monthly payment of a fixed cash benefit over a period of fifteen (15) years commencing on the first day of the month following the executive's separation from service occurring on or after reaching normal retirement age, reduced by fifty percent (50%) if a change in control occurs followed within twenty-four (24) months by separation from service prior to normal retirement age. Separate clauses provide for payment of the accrued benefit over a sixty (60) month period in the event of early termination or disability, or an immediate payout of the accrued benefit in the event of death. The accrued liability for the SERP plans was \$1,680 at December 31, 2025 and \$1,222 at December 31, 2024. The expense related to the plan was \$458 in 2025 and \$362 in 2024 and is included as a component of salaries and benefits expense in the Consolidated Statements of Income.

13. Income Taxes

The provision for federal income taxes consisted of the following:

	2025	2024
Federal tax expense		
Current	\$ 3,387	\$ 2,522
Deferred	(997)	(735)
Total	\$ 2,390	\$ 1,787

Reconciliation of the statutory income tax expense computed at 21% to the income tax expense included in the Statements of Income is as follows:

	2025		2024	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Provision at statutory rate	\$ 2,603	21.0 %	\$ 1,962	21.0 %
Life insurance	(159)	(1.3)	(120)	(1.3)
Tax exempt interest, net	(78)	(0.6)	(115)	(1.2)
Other, net	24	0.2	60	0.6
Actual tax expense and effective rate	\$ 2,390	19.3 %	\$ 1,787	19.1 %

The nontaxable or nondeductible items category includes items such as non-deductible meals and entertainment, dividend received deduction, and other non-deductible expenses. None of those items individually or in the aggregate exceeded the 5% quantitative threshold for separate disaggregation in the current year.

13. Income Taxes (continued)

Net deferred tax assets (liabilities) consisted of the following components:

	2025	2024
Deferred tax assets		
Allowance for credit losses	\$ 2,040	\$ 1,893
Net unrealized loss on available-for-sale securities	-	420
Accrued SERP	353	257
Reserve for contingent liabilities	306	179
Lease liability	275	348
Other deferred tax assets	215	152
Total deferred tax assets	3,189	3,249
Deferred tax liabilities		
Net deferred loan costs	(1,274)	(1,729)
Right of use asset	(272)	(343)
Prepaid pension	(211)	(201)
Depreciation	(197)	(220)
Other pension adjustments	(84)	(47)
Net unrealized gain on available-for-sale securities	(9)	-
Other deferred tax liabilities	(133)	(231)
Total deferred tax liabilities	(2,180)	(2,771)
Net deferred tax assets (liabilities)	\$ 1,009	\$ 478

The realizability of deferred tax assets is dependent upon various factors, including the generation of future taxable income, the existence of taxes paid and recoverable, the reversal of deferred tax liabilities, and tax planning strategies. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the net operating loss carryforwards are available and the temporary differences representing net future deductibles reverse. Based upon these and other factors management has determined that it is more likely than not that the Company will realize the benefits of the deferred tax assets that exist as of December 31, 2025.

As of December 31, 2025, and 2024, the Company had no material unrecognized tax benefits or accrued interest and penalties. The Company's policy is to account for interest as a component of interest expense and penalties as a component of other expense.

The Company and its subsidiaries are subject to U.S. federal income tax and are no longer subject to examination by taxing authorities for years before 2022.

14. Related-Party Transactions

Loans to principal officers, directors and their affiliates during 2025 were as follows:

Beginning balance	\$ 804
New loans	3,302
Effect of changes in composition of related parties	996
Repayments	(1,901)
Ending balance	\$ 3,201

Deposits from principal officers, directors and their affiliates at year-end 2025 and 2024 were \$3,615 and \$3,972.

15. Regulatory Capital Matters

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

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

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

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio 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 for purpose of section 38 of the Federal Deposit Insurance Act. The community bank leverage ratio minimum requirement is 9%. An eligible banking organization is provided a two-quarter grace period to correct a ratio that falls below 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, 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.

Financial institutions under the generally applicable capital rule are required to maintain a capital conservation buffer of greater than 2.5 percent to avoid restrictions on capital distributions and other payments. Federal banking regulations require institutions to meet their capital conservation buffer requirement with common equity tier 1 capital. However, because qualifying institutions using the CBLR framework are considered in compliance with the generally applicable capital rule the Bank is not subject to the capital conservation buffer.

15. Regulatory Capital Matters (continued)

The Bank's actual capital amounts and ratios as of December 31 are also presented below:

	<u>Actual</u>		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)	
	<u>Amount</u>	<u>Ratio</u>	<u>> Amount</u>	<u>> Ratio</u>
Community Bank Leverage Ratio				
2025	\$ 97,990	9.88 %	\$ 49,596	5.00 %
2024	\$ 90,328	9.58 %	\$ 47,163	5.00 %

The Company's principal source of funds for dividend payments is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. As of December 31, 2025, \$33,515 of retained earnings was available to pay dividends.

16. Loan Commitments

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

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

	<u>2025</u>	<u>2024</u>
Commitments to extend credit	\$ 1,828	\$ 923
Unfunded commitments	171,099	139,396
Standby letters of credit	7,456	11,242
Total	<u>\$ 180,383</u>	<u>\$ 151,561</u>

17. Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income (loss) and related tax effects are presented in the following table:

	Unrealized Gains\Losses on Securities	Defined Benefit Pension Plan	Total
Balance, December 31, 2023	\$ (2,026)	\$ (63)	\$ (2,089)
Change in unrealized gains (losses) on securities available for sale	564	-	564
Change in benefit obligation and plan assets	-	306	306
Tax effect of current period changes	(119)	(64)	(183)
Balance, December 31, 2024	<u>\$ (1,581)</u>	<u>\$ 179</u>	<u>\$ (1,402)</u>
Change in unrealized gains (losses) on securities available for sale	1,300	-	1,300
Amounts reclassified from accumulated other comprehensive income	744	-	744
Change in benefit obligation and plan assets	-	174	174
Tax effect of current period changes	(429)	(36)	(465)
Balance, December 31, 2025	<u>\$ 34</u>	<u>\$ 317</u>	<u>\$ 351</u>

18. Segment Information

The Company's reportable segment is determined by the Chief Financial Officer, who is the designated chief operating decision maker, based upon information provided about the Company's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business which are then aggregated if operating performance, products/services, and customers are similar. The chief operating decision maker will evaluate the financial performance of the Company's business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's segment and in the determination of allocating resources. The chief operating decision maker uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The chief operating decision maker uses consolidated net income to benchmark the Company against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results are used in assessment performance and in establishing compensation. Loans, investments, and deposits provide the revenues in the banking operation. Interest expense, provisions for credit losses, and payroll provide the significant expenses in the banking operation. All operations are domestic.

	Community Banking Segment	
	2025	2024
Interest and dividend income	\$ 52,523	\$ 48,975
Other revenues	6,498	4,794
Total consolidated revenues	\$ 59,021	\$ 53,769
Less: interest expense	16,315	16,702
Segment net interest income and noninterest income	\$ 42,706	\$ 37,067
Less:		
Provision for credit losses	3,223	1,729
Salaries and employee benefits	14,502	13,835
All other segment items	12,585	12,161
Income tax expense	2,390	1,787
Segment net income	\$ 10,006	\$ 7,555



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