UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended June 30, 2026**

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to**

Commission File Number: 333-209052

SKYLINE BANKSHARES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Virginia	**47-5486027**
(State or Other Jurisdiction of Incorporation)	(I.R.S. Employer Identification Number)
212 East Main Street **Floyd, Virginia**	**24091**
(Address of Principal Executive Offices)	(Zip Code)

(540) 745-4191
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
	None	

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by checkmark whether the Registrant has submitted electronically any Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405) of this chapter during the preceding 12 months or for such shorter period that the Registrant was required to submit such files. Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☑	Smaller reporting company ☑
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The registrant had 5,672,204 shares of Common Stock, no par value per share, outstanding as of August 13, 2026.

Part I. Financial Information

Item 1. Financial Statements

Skyline Bankshares, Inc. and Subsidiary

Consolidated Balance Sheets

June 30, 2026 and December 31, 2025

(dollars in thousands)	**June 30, 2026** *(Unaudited)*	**December 31, 2025** *(Audited)*
Assets		
Cash and due from banks	$ 19,529	$ 19,724
Interest-bearing deposits with banks	373	3,125
Federal funds sold	-	343
Total cash and cash equivalents	19,902	23,192
Investment securities available for sale	104,748	114,096
Restricted equity securities	4,715	3,474
Loans	1,108,258	1,058,198
Allowance for credit losses	(9,150)	(8,666)
Net loans	1,099,108	1,049,532
Cash value of life insurance	27,558	27,169
Properties and equipment, net	40,479	40,760
Accrued interest receivable	4,824	4,541
Core deposit intangible	2,708	3,043
Goodwill	7,900	7,900
Deferred tax assets, net	3,911	3,696
Other assets	16,082	15,900
	$ 1,331,935	$ 1,293,303
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing	$ 370,898	$ 371,001
Interest-bearing	809,460	807,164
Total deposits	1,180,358	1,178,165
Borrowings	25,000	-
Fed funds purchased	2,676	-
Accrued interest payable	526	531
Other liabilities	8,100	6,943
	1,216,660	1,185,639
Commitments and contingencies (Note 9)		
Stockholders' Equity		
Preferred stock, no par value; 5,000,000 shares authorized, none issued	-	-
Common stock, no par value; 25,000,000 shares authorized, 5,672,204 and 5,666,204 issued and outstanding at June 30, 2026 and December 31, 2025, respectively	-	-
Surplus	34,107	33,984
Retained earnings	94,503	86,617
Accumulated other comprehensive loss	(13,335)	(12,937)
	115,275	107,664
	$ 1,331,935	$ 1,293,303

See Notes to Consolidated Financial Statements

Skyline Bankshares, Inc. and Subsidiary
Consolidated Statements of Income
For the Three and Six Months ended June 30, 2026 and 2025

(dollars in thousands except share amounts)	**Three Months Ended June 30, 2026**	**Three Months Ended June 30, 2025**	**Six Months Ended June 30, 2026**	**Six Months Ended June 30, 2025**
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Interest income				
Loans and fees on loans	$ 16,866	$ 15,367	$ 33,095	$ 30,088
Interest-bearing deposits in banks	39	126	62	173
Federal funds sold	3	5	4	7
Interest on taxable securities	529	604	1,084	1,237
Interest on nontaxable securities	48	49	97	98
Dividends	56	113	116	145
	17,541	16,264	34,458	31,748
Interest expense				
Deposits	3,197	3,441	6,518	6,776
Interest on borrowings	200	363	282	789
	3,397	3,804	6,800	7,565
Net interest income	14,144	12,460	27,658	24,183
Provision for credit losses	210	284	489	462
Net interest income after Provision for credit losses	13,934	12,176	27,169	23,721
Noninterest income				
Service charges on deposit accounts	696	606	1,346	1,190
Other service charges and fees	1,121	1,016	2,116	1,932
Mortgage origination fees	151	82	263	117
Increase in cash value of life insurance	206	180	385	354
Life insurance income	-	-	-	60
Other income	39	17	90	34
	2,213	1,901	4,200	3,687
Noninterest expenses				
Salaries and employee benefits	5,227	4,850	10,061	9,350
Occupancy and equipment	1,528	1,405	3,075	2,884
Data processing expense	915	873	1,811	1,721
FDIC Assessments	205	238	454	484
Advertising	293	250	557	494
Bank franchise tax	150	132	300	264
Director fees	103	102	217	195
Professional fees	223	248	447	550
Telephone expense	94	118	209	242
Core deposit intangible amortization	166	208	335	420
Other expense	889	796	1,697	1,479
	9,793	9,220	19,163	18,083
Net income before income taxes	6,354	4,857	12,206	9,325
Income tax expense	1,368	1,056	2,619	1,951
Net income	$ 4,986	$ 3,801	$ 9,587	$ 7,374
Net income per share	$ 0.89	$ 0.68	$ 1.71	$ 1.32
Weighted average shares outstanding	5,617,204	5,584,704	5,617,204	5,584,704
Dividends declared per share	$ 0.00	$ 0.00	$ 0.30	$ 0.25

See Notes to Consolidated Financial Statements

Skyline Bankshares, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income
For the Six and Three Months ended June 30, 2026 and 2025

(dollars in thousands)	Six Months Ended June 30, 2026 (Unaudited)	Six Months Ended June 30, 2025 (Unaudited)
Net Income	$ 9,587	$ 7,374
Other comprehensive (loss) income		
Net change in fair value of cash flow hedge:		
Change in fair value of cash flow hedge	-	11
Tax benefit	-	(2)
Unrealized (losses) gains on investment securities available for sale:		
Unrealized (losses) gains arising during the period	(504)	3,941
Tax related to unrealized losses (gains)	106	(827)
Total other comprehensive (loss) income	(398)	3,123
Total comprehensive income	$ 9,189	$ 10,497

(dollars in thousands)	Three Months Ended June 30, 2026 (Unaudited)	Three Months Ended June 30, 2025 (Unaudited)
Net Income	$ 4,986	$ 3,801
Other comprehensive income		
Net change in fair value of cash flow hedge:		
Change in fair value of cash flow hedge	-	11
Tax benefit	-	(2)
Unrealized gains on investment securities available for sale:		
Unrealized gains arising during the period	104	1,354
Tax related to unrealized gains	(22)	(284)
Total other comprehensive income	82	1,079
Total comprehensive income	$ 5,068	$ 4,880

See Notes to Consolidated Financial Statements

Skyline Bankshares, Inc. and Subsidiary
Consolidated Statements of Changes in Stockholders' Equity
For the Six and Three Months ended June 30, 2026 and 2025 (unaudited)

(dollars in thousands except share amounts)

	Common Stock				Accumulated Other Comprehensive	
	Shares	Amount	Surplus	Retained Earnings	Loss	Total
Balance, December 31, 2024	5,651,704	$ -	$ 33,507	$ 73,714	$ (18,553)	$ 88,668
Net income	-	-	-	3,573	-	3,573
Other comprehensive income	-	-	-	-	2,044	2,044
Dividends paid ($0.25 per share)	-	-	-	(1,413)	-	(1,413)
Share-based compensation	-	-	49	-	-	49
Balance, March 31, 2025	5,651,704	$ -	$ 33,556	$ 75,874	$ (16,509)	$ 92,921
Net income	-	-	-	3,801	-	3,801
Other comprehensive income	-	-	-	-	1,079	1,079
Share-based compensation	-	-	51	-	-	51
Balance, June 30, 2025	5,651,704	$ -	$ 33,607	$ 79,675	$ (15,430)	$ 97,852
Balance, December 31, 2025	5,666,204	$ -	$ 33,984	$ 86,617	$ (12,937)	$ 107,664
Net income	-	-	-	4,601	-	4,601
Other comprehensive loss	-	-	-	-	(480)	(480)
Dividends paid ($0.30 per share)	-	-	-	(1,701)	-	(1,701)
Stock awards issued	6,000	-	-	-	-	-
Share-based compensation	-	-	59	-	-	59
Balance, March 31, 2026	5,672,204	$ -	$ 34,043	$ 89,517	$ (13,417)	$ 110,143
Net income	-	-	-	4,986	-	4,986
Other comprehensive income	-	-	-	-	82	82
Share-based compensation	-	-	64	-	-	64
Balance, June 30, 2026	5,672,204	$ -	$ 34,107	$ 94,503	$ (13,335)	$ 115,275

See Notes to Consolidated Financial Statements

Skyline Bankshares, Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Six Months ended June 30, 2026 and 2025

(dollars in thousands)	Six Months Ended June 30, 2026 (Unaudited)	Six Months Ended June 30, 2025 (Unaudited)
Cash flows from operating activities		
Net income	$ 9,587	$ 7,374
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	1,064	1,005
Amortization of core deposit intangible	335	420
Accretion of loan discount and deposit premium, net	(337)	(513)
Provision for credit losses	489	462
Deferred income taxes	(109)	83
Accretion of discount on securities, net of amortization of premiums	40	17
Deferred compensation	83	59
Share-based compensation	123	100
Loss on sale of other real estate owned	-	27
Life insurance income	-	(60)
Changes in assets and liabilities:		
Cash value of life insurance	(385)	(354)
Accrued interest receivable	(283)	(221)
Other assets	(182)	1,351
Accrued interest payable	(5)	(336)
Other liabilities	1,135	199
Net cash provided by operating activities	11,555	9,613
Cash flows from investing activities		
Activity in available for sale securities:		
Maturities/calls/paydowns	8,804	7,752
Purchases of restricted equity securities	(1,241)	(1,105)
Net increase in loans	(49,779)	(42,530)
Purchases of life insurance contracts	(4,106)	-
Proceeds from life insurance contracts	4,102	328
Proceeds from sale of other real estate owned	-	113
Purchases of property and equipment	(783)	(3,532)
Net cash used in investing activities	(43,003)	(38,974)
Cash flows from financing activities		
Net increase in deposits	2,183	47,751
Proceeds from FHLB advances	72,000	204,500
Repayments on FHLB advances	(47,000)	(188,500)
Net change in fed funds purchased	2,676	(4,254)
Advances on short-term line of credit	-	4,000
Payment on short-term line of credit	-	(7,500)
Dividends paid	(1,701)	(1,413)
Net cash provided by financing activities	28,158	54,584
Net (decrease) increase in cash and cash equivalents	(3,290)	25,223
Cash and cash equivalents, beginning	23,192	19,451
Cash and cash equivalents, ending	$ 19,902	$ 44,674

See Notes to Consolidated Financial Statements

Skyline Bankshares, Inc. and Subsidiary
Consolidated Statements of Cash Flows, continued
For the Six Months ended June 30, 2026 and 2025

(dollars in thousands)	**Six Months Ended June 30, 2026** *(Unaudited)*	**Six Months Ended June 30, 2025** *(Unaudited)*
Supplemental disclosure of cash flow information		
Interest paid	$ 6,805	$ 7,901
Taxes paid	$ 2,446	$ 981
Supplemental disclosure of noncash investing activities		
Effect on equity of change in net unrealized (loss) gain on available for sale securities	$ (398)	$ 3,114
Unrealized holding gains on cash flow hedge	$ -	$ 9
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 110	$ -

See Notes to Consolidated Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Organization

Skyline Bankshares, Inc. (the "Company") is a bank holding company headquartered in Floyd, Virginia. The Company offers a wide range of retail and commercial banking services through its wholly-owned bank subsidiary, Skyline National Bank (the "Bank"). On January 1, 2023, the Company changed its name from Parkway Acquisition Corp. to Skyline Bankshares, Inc. to align its brand across the entire organization.

The Company was incorporated as a Virginia corporation on November 2, 2015. The Company was formed as a business combination shell company for the purpose of completing a business combination transaction between Grayson Bankshares, Inc. ("Grayson") and Cardinal Bankshares Corporation ("Cardinal") in which Grayson and Cardinal merged with and into the Company, with the Company as the surviving corporation (the "Cardinal merger"), on July 1, 2016. Upon completion of the Cardinal merger, the Bank of Floyd ("Floyd"), a wholly-owned subsidiary of Cardinal, was merged with and into the Bank (formerly Grayson National Bank), a wholly-owned subsidiary of Grayson. Effective March 13, 2017, the Bank changed its name to Skyline National Bank.

On July 1, 2018, the Company acquired Great State Bank ("Great State"), based in Wilkesboro, North Carolina, through the merger of Great State with and into the Bank, with the Bank as the surviving bank. On September 1, 2024, the Company acquired Johnson County Bank ("JCB"), based in Mountain City, Tennessee, through the merger of JCB with and into the Bank, with the Bank as the surviving bank. The purpose of this acquisition was to facilitate the Bank's entry into Eastern Tennessee.

The Bank was organized under the laws of the United States in 1900 and now serves the Virginia counties of Grayson, Floyd, Carroll, Wythe, Pulaski, Montgomery, Roanoke, Patrick and Washington, the North Carolina counties of Alleghany, Ashe, Burke, Caldwell, Catawba, Cleveland, Davie, Iredell, Watauga, Wilkes, and Yadkin, and the Tennessee county of Johnson, and the surrounding areas, through twenty-eight full-service banking offices and two loan production offices. As a Federal Deposit Insurance Corporation ("FDIC") insured national banking association, the Bank is subject to regulation by the Comptroller of the Currency and the FDIC. The Company is regulated by the Board of Governors of the Federal Reserve System (the "Federal Reserve").

The consolidated financial statements as of June 30, 2026 and for the three and six-month periods ended June 30, 2026 and 2025 included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the information furnished in the interim consolidated financial statements reflects all adjustments necessary to present fairly the Company's consolidated financial position, results of operations, changes in stockholders' equity and cash flows for such interim periods. Management believes that all interim period adjustments are of a normal recurring nature. These consolidated financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto as of December 31, 2025, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025. The results of operations for the three and six-months ended June 30, 2026 are not necessarily indicative of the results to be expected for the full year.

Critical Accounting Policies

Management believes the policies with respect to the methodology for the determination of the allowance for credit losses, and asset impairment judgments, such as the recoverability of intangible assets and credit losses on investment securities, involve a higher degree of complexity and require management to make difficult and subjective judgments that often require assumptions or estimates about highly uncertain matters. Changes in these judgments, assumptions or estimates could cause reported results to differ materially. These critical policies and their application are periodically reviewed with the Audit Committee and the Board of Directors.

Reclassification

No reclassifications have been made to the prior years' financial statements to place them on a comparable basis with the current presentation.

Note 1. Organization and Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Substantially all of the Bank's loan portfolio consists of loans in its market area. Accordingly, the ultimate collectability of a substantial portion of the Bank's loan portfolio and the recovery of a substantial portion of the carrying amount of foreclosed real estate are susceptible to changes in local market conditions. The regional economy is diverse, but influenced to an extent by the manufacturing and agricultural segments.

While management uses available information to recognize loan and foreclosed real estate losses, future additions to the allowances may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as a part of their routine examination process, periodically review the Bank's allowances for credit and foreclosed real estate losses. Such agencies may require the Bank to recognize additions to the allowances based on their judgments about information available to them at the time of their examinations. Because of these factors, it is reasonably possible that the allowances for credit and foreclosed real estate losses may change materially in the near term.

The Company seeks strategies that minimize the tax effect of implementing its business strategies. As such, judgments are made regarding the ultimate consequence of long-term tax planning strategies, including the likelihood of future recognition of deferred tax benefits. The Company's tax returns are subject to examination by both Federal and State authorities. Such examinations may result in the assessment of additional taxes, interest and penalties. As a result, the ultimate outcome, and the corresponding financial statement impact, can be difficult to predict with accuracy.

Accounting for pension benefits, costs and related liabilities are developed using actuarial valuations. These valuations include key assumptions determined by management, including the discount rate and expected long-term rate of return on plan assets. Material changes in pension costs may occur in the future due to changes in these assumptions.

Segment Reporting

The Company adopted Accounting Standards Update ("ASU") 2023-07 "*Segment Reporting (Topic 280) - Improvement to Reportable Segment Disclosures*" on January 1, 2024. The Company has determined that its banking subsidiary meets the aggregation criteria of Accounting Standards Codification ("ASC") 280, *Segment Reporting*, as its current operating model is structured whereby its banking subsidiary serves a similar base of retail and commercial clients utilizing a company-wide offering of similar products and services managed through similar processes and platforms that are collectively reviewed by the Company's Chief Executive Officer, who has been identified as the chief operating decision maker ("CODM").

The CODM regularly assesses performance of the aggregated single operating and reporting segment and decides how to allocate resources based on net income calculated on the same basis as is net income reported in the Company's consolidated statements of income and other comprehensive income. The measure of segment assets is reported on the balance sheet as total consolidated assets. The CODM is also regularly provided with expense information at a level consistent with that disclosed in the Company's consolidated statements of income and other comprehensive income.

Note 1. Organization and Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements

The following accounting standards may affect the future financial reporting by the Company:

In November 2024, the FASB issued Accounting Standards Update 2024-03 ("ASU 2024-03") which amended the Income Statement—Reporting Comprehensive Income topic in the Accounting Standards Codification to require public companies to disclose, in interim and annual reporting periods, additional information about certain expenses in the notes to financial statements. The amendments are effective for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company will apply the amendments prospectively to financial statements issued for reporting periods after the effective date. The Company does not expect these amendments to have a material effect on its financial statements.

In January 2025, the FASB amended the effective date of ASU 2024-03 to clarify that all public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. The Company does not expect these amendments to have a material effect on its financial statements.

In November 2025, the FASB amended the Financial Instruments—Credit Losses topic in the Accounting Standards Codification to expand the population of acquired financial assets subject to the gross-up approach. The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance. The Company does not expect these amendments to have a material effect on its financial statements.

In November 2025, the FASB amended the Derivatives and Hedging topic in the Accounting Standards Codification to clarify certain aspects of the guidance on hedge accounting and to address several incremental hedge accounting issues arising from the global reference rate reform initiative. The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted on any date on or after the issuance of this ASU. Upon adoption of the amendments, entities are permitted to modify certain critical terms of certain existing hedging relationships without dedesignating the hedge. The Company does not expect these amendments to have a material effect on its financial statements.

In December 2025, the FASB amended the Interim Reporting topic in the Accounting Standards Codification to clarify current interim reporting requirements. The amendments are effective for interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company will apply the amendments prospectively. The Company does not expect these amendments to have a material effect on its financial statements.

In December 2025, the FASB issued amendments to the Codification to make incremental improvements to generally accepted accounting principles. The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. The Company will apply the amendments prospectively to all transactions recognized on or after the date that the Company first applies the amendments. The Company does not expect these amendments to have a material effect on its financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Note 2. Investment Securities

Investment securities have been classified in the consolidated balance sheets according to management's intent. The amortized cost of securities and their approximate fair values at June 30, 2026 and December 31, 2025 is summarized in the following table. There was no allowance for credit losses on available for sale securities as of June 30, 2026 and December 31, 2025.

(dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
June 30, 2026				
Available for sale:				
U.S. Government agencies	$ 20,493	$ -	$ (2,638)	$ 17,855
Mortgage-backed securities	54,210	-	(6,551)	47,659
State and municipal securities	45,889	8	(6,663)	39,234
	$ 120,592	$ 8	$ (15,852)	$ 104,748
December 31, 2025				
Available for sale:				
U.S. Government agencies	$ 25,457	$ -	$ (2,444)	$ 23,013
Mortgage-backed securities	58,040	-	(6,379)	51,661
State and municipal securities	45,939	7	(6,524)	39,422
	$ 129,436	$ 7	$ (15,347)	$ 114,096

Restricted equity securities totaled $4.7 million at June 30, 2026 and $3.5 million at December 31, 2025. Restricted equity securities consist of investments in stock of the Federal Home Loan Bank of Atlanta ("FHLB"), CBB Financial Corp., Pacific Coast Bankers Bank, and the Federal Reserve Bank of Richmond, all of which are carried at cost. All of these entities are upstream correspondents of the Bank. The FHLB requires financial institutions to make equity investments in the FHLB in order to borrow money. The Federal Reserve requires banks to purchase stock as a condition for membership in the Federal Reserve System. The Bank's stock in CBB Financial Corp. and Pacific Coast Bankers Bank is restricted only in the fact that the stock may only be repurchased by the respective banks.

The following tables details unrealized losses and related fair values in the Company's available for sale investment securities portfolios for which an allowance for credit losses has not been recorded as of June 30, 2026 and December 31, 2025. This information is aggregated by the length of time that individual securities have been in a continuous unrealized loss position as of June 30, 2026 and December 31, 2025.

	Less Than 12 Months		12 Months or More		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2026						
Available for sale:						
U.S. Government agencies	$ -	$ -	$ 17,855	$ (2,638)	$ 17,855	$ (2,638)
Mortgage-backed securities	-	-	47,659	(6,551)	47,659	(6,551)
State and municipal securities	1,240	(32)	37,576	(6,631)	38,816	(6,663)
Total securities available for sale	$ 1,240	$ (32)	$ 103,090	$ (15,820)	$ 104,330	$ (15,852)
December 31, 2025						
Available for sale:						
U.S. Government agencies	$ -	$ -	$ 23,013	$ (2,444)	23,013	$ (2,444)
Mortgage-backed securities	-	-	51,661	(6,379)	51,661	(6,379)
State and municipal securities	-	-	38,405	(6,524)	38,405	(6,524)
Total securities available for sale	$ -	$ -	$ 113,079	$ (15,347)	$ 113,079	$ (15,347)

Note 2. Investment Securities, continued

At June 30, 2026, 76 investment securities with unrealized losses had depreciated 13.19 percent from their total amortized cost basis. Management evaluates all available for sale investments in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value and the entire loss is recorded in earnings.

If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected are compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income.

Changes in the allowance for credit loss are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit loss when management believes an available for sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At June 30, 2026 and December 31, 2025, there was no allowance for credit losses related to the available for sale portfolio as a result of management's evaluation of the available for sale investments in an unrealized loss position as discussed above.

There were no sales of investment securities available for sale for the six-month periods ended June 30, 2026 and 2025, respectively. Gains and losses on the sale of investment securities are recorded on the trade date and are determined using the specific identification method.

There were no securities transferred between the available for sale and held to maturity portfolios or other sales of held to maturity securities during the periods presented. In the future management may elect to classify securities as held to maturity based upon such considerations as the nature of the security, the Bank's ability to hold the security until maturity, and general economic conditions. The scheduled maturities of securities available for sale at June 30, 2026, were as follows:

(dollars in thousands)	Amortized Cost	Fair Value
Due in one year or less	$ 135	$ 135
Due after one year through five years	22,562	20,694
Due after five years through ten years	62,825	55,320
Due after ten years	35,070	28,599
	$ 120,592	$ 104,748

Maturities of mortgage-backed securities are based on contractual amounts. Actual maturity will vary as loans underlying the securities are prepaid.

Investment securities with amortized cost of approximately $54.2 million and $55.3 million at June 30, 2026 and December 31, 2025, respectively, were pledged as collateral on public deposits and for other purposes as required or permitted by law.

Note 3. Loans Receivable

The major components of loans in the consolidated balance sheets at June 30, 2026 and December 31, 2025 are as follows:

(dollars in thousands)	**2026**	**2025**
Real Estate Secured:		
Construction & development	$ 65,449	$ 64,851
Farmland	26,940	23,203
Residential	623,280	596,318
Commercial mortgage	320,833	302,696
Non-Real Estate Secured:		
Commercial & agricultural	58,843	56,997
Consumer & other	12,913	14,133
Total loans	1,108,258	1,058,198
Allowance for credit losses	(9,150)	(8,666)
Loans, net of allowance for credit losses	$ 1,099,108	$ 1,049,532

Included in total loans above are deferred loan fees of $1.9 million and $1.8 million at June 30, 2026 and December 31, 2025, respectively. Included in total loans above are deferred loan costs of $6.4 million and $6.0 million, at June 30, 2026 and December 31, 2025, respectively. Income from net deferred fees and costs is recognized over the lives of the respective loans as a yield adjustment. If loans repay prior to scheduled maturities any unamortized fee or cost is recognized at that time.

The Company elected to exclude accrued interest receivable from the amortized cost basis of loans. Accrued interest receivable related to loans totaled $4.3 million at June 30, 2026 and $4.0 million at December 31, 2025 and was reported in accrued interest receivable on the consolidated balance sheets.

As of June 30, 2026 and December 31, 2025, $245.1 million and $235.7 million, respectively, of the Bank's residential 1-4 family loans were pledged as collateral for borrowing lines at the FHLB.

As of June 30, 2026, the Bank had $247 thousand in residential real estate loans in the process of foreclosure. As of December 31, 2025, the Bank had no residential real estate loans in the process of foreclosure.

Note 4. Allowance for Credit Losses

Allowance for Credit Losses - Loans

The change in the allowance for credit losses for the three and six months ended June 30, 2026, was due to the increase in loan volume and changes in the Company's forecast variables during the period ended June 30, 2026.

The change in the allowance for credit losses for the three and six months ended June 30, 2025, was due to the increase in loan volume and changes in the Company's forecast variables during the period ended June 30, 2025.

The following table summarizes the activity related to the allowance for credit losses for the three and six-month periods ended June 30, 2026 and 2025 under the Current Expected Credit Losses methodology.

(dollars in thousands)	Construction & Development	Farmland	Residential	Commercial Mortgage	Commercial & Agricultural	Consumer & Other	Total
For the Three Months Ended June 30, 2026							
Balance, March 31, 2026	$ 968	$ 224	$ 4,781	$ 2,293	$ 498	$ 150	$ 8,914
Charge-offs	-	-	-	-	(4)	(44)	(48)
Recoveries	-	-	-	-	2	11	13
Provision for (recovery of provision)	(110)	-	222	72	38	49	271
Balance, June 30, 2026	$ 858	$ 224	$ 5,003	$ 2,365	$ 534	$ 166	$ 9,150

(dollars in thousands)	Construction & Development	Farmland	Residential	Commercial Mortgage	Commercial & Agricultural	Consumer & Other	Total
For the Three Months Ended June 30, 2025							
Balance, March 31, 2025	$ 1,005	$ 166	$ 4,222	$ 1,968	$ 519	$ 280	$ 8,160
Charge-offs	-	-	(1)	-	-	(30)	(31)
Recoveries	-	-	2	1	25	17	45
Provision for credit losses	31	7	24	72	14	52	200
Balance, June 30, 2025	$ 1,036	$ 173	$ 4,247	$ 2,041	$ 558	$ 319	$ 8,374

(dollars in thousands)	Construction & Development	Farmland	Residential	Commercial Mortgage	Commercial & Agricultural	Consumer & Other	Total
For the Six Months Ended June 30, 2026							
Balance, December 31, 2025	$ 924	$ 182	$ 4,677	$ 2,192	$ 530	$ 161	$ 8,666
Charge-offs	-	-	-	-	(15)	(78)	(93)
Recoveries	-	-	-	2	4	21	27
Provision for (recovery of provision)	(66)	42	326	171	15	62	550
Balance, June 30, 2026	$ 858	$ 224	$ 5,003	$ 2,365	$ 534	$ 166	$ 9,150

(dollars in thousands)	Construction & Development	Farmland	Residential	Commercial Mortgage	Commercial & Agricultural	Consumer & Other	Total
For the Six Months Ended June 30, 2025							
Balance, December 31, 2024	$ 1,012	$ 174	$ 4,070	$ 1,941	$ 504	$ 326	$ 8,027
Charge-offs	-	-	(1)	-	-	(70)	(71)
Recoveries	-	-	2	2	28	25	57

Provision for (recovery of provision)	24	(1)	176	98	26	38	361
Balance, June 30, 2025	$ 1,036	$ 173	$ 4,247	$ 2,041	$ 558	$ 319	$ 8,374

Note 4. Allowance for Credit Losses, continued

Credit Quality Indicators

Management closely monitors the quality of the loan portfolio and has established a loan review process designed to help grade the quality of the Bank's loan portfolio. The Bank's loan ratings coincide with the "Substandard," "Doubtful" and "Loss" classifications used by federal regulators in their examination of financial institutions. Generally, an asset is considered "Substandard" if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. "Substandard" assets include those characterized by the distinct possibility that the insured financial institution will sustain some loss if the deficiencies are not corrected. Assets classified as "Doubtful" have all the weaknesses inherent in assets classified "Substandard" with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable. Assets classified as "Loss" are those considered uncollectible, and of such little value that its continuance on the books is not warranted. As of June 30, 2026 and December 31, 2025, respectively, the Bank had no loans graded "Doubtful" or "Loss" included in the balance of total loans outstanding.

Assets that do not currently expose the Bank to sufficient risk to warrant a classification of "Substandard" or "Doubtful," but that otherwise possess identifiable weaknesses, are designated "Special Mention." Management also maintains a listing of loans designated "Watch". These loans represent borrowers with declining earnings, strained cash flow, increasing leverage and/or weakening market fundamentals that indicate above average risk. Loans that are currently performing and are of high quality are given a loan rating of "Pass".

Loans are graded at origination and will be considered for potential downgrades as the borrower experiences financial difficulties. Loan officers meet periodically to discuss their past due credits and loan downgrades could occur at that time. Commercial relationships of over $1.0 million are reviewed on an annual basis, and that review could result in downgrades or in some cases, upgrades. In addition, the Company engages a third-party loan review each quarter. The results of these loan reviews could result in upgrades or downgrades.

The following table presents the Company's recorded investment in loans by credit quality indicators as of June 30, 2026 and December 31, 2025:

(dollars in thousands)	Loan Grades				
	Pass	Watch	Special Mention	Substandard	Total
June 30, 2026					
Real Estate Secured:					
Construction & development	$ 64,784	$ 202	$ 393	$ 70	$ 65,449
Farmland	25,179	-	1,134	627	26,940
Residential	611,638	1,023	4,597	6,022	623,280
Commercial mortgage	315,765	2,589	1,421	1,058	320,833
Non-Real Estate Secured:					
Commercial & agricultural	58,002	661	8	172	58,843
Consumer & other	12,856	-	-	57	12,913
Total	$ 1,088,224	$ 4,475	$ 7,553	$ 8,006	$ 1,108,258
December 31, 2025					
Real Estate Secured:					
Construction & development	$ 64,486	$ 365	$ -	$ -	$ 64,851
Farmland	21,419	-	1,154	630	23,203
Residential	584,031	358	5,065	6,864	596,318
Commercial mortgage	295,722	4,430	1,584	960	302,696
Non-Real Estate Secured:					
Commercial & agricultural	56,112	668	17	200	56,997
Consumer & other	14,069	21	-	43	14,133
Total	$ 1,035,839	$ 5,842	$ 7,820	$ 8,697	$ 1,058,198

Note 4. Allowance for Credit Losses, continued

Credit Quality Indicators, continued

The following table presents the Company's recorded investment in loans by credit quality indicators by year of origination as of June 30, 2026:

	Term Loans by Year of Origination							Revolving Loans Converted	
(dollars in thousands)	**2026**	**2025**	**2024**	**2023**	**2022**	**Prior**	**Revolving**	**To Term**	**Total**
Construction & development									
Pass	$ 9,430	$ 27,608	$ 7,877	$ 3,350	$ 2,646	$ 10,379	$ 3,494	$ -	$ 64,784
Watch	-	-	202	-	-	-	-	-	202
Special Mention	28	-	-	365	-	-	-	-	393
Substandard	-	-	-	-	70	-	-	-	70
Total construction & development	$ 9,458	$ 27,608	$ 8,079	$ 3,715	$ 2,716	$ 10,379	$ 3,494	$ -	$ 65,449
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Farmland									
Pass	$ 2,280	$ 4,338	$ 2,124	$ 2,307	$ 1,358	$ 7,997	$ 4,775	$ -	$ 25,179
Watch	-	-	-	-	-	-	-	-	-
Special Mention	-	-	-	-	-	916	125	93	1,134
Substandard	-	-	-	-	-	627	-	-	627
Total farmland	$ 2,280	$ 4,338	$ 2,124	$ 2,307	$ 1,358	$ 9,540	$ 4,900	$ 93	$ 26,940
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential									
Pass	$ 45,806	$ 103,986	$ 54,309	$ 54,368	$ 92,346	$ 153,547	$ 106,989	$ 287	$ 611,638
Watch	-	98	-	307	178	440	-	-	1,023
Special Mention	-	-	588	122	1,030	2,288	304	265	4,597
Substandard	-	-	454	493	2,509	577	1,989	-	6,022
Total residential	$ 45,806	$ 104,084	$ 55,351	$ 55,290	$ 96,063	$ 156,852	$ 109,282	$ 552	$ 623,280
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial mortgage									
Pass	$ 27,811	$ 38,265	$ 28,527	$ 38,683	$ 47,729	$ 121,050	$ 5,297	$ 8,403	$ 315,765
Watch	-	-	-	-	1,933	656	-	-	2,589
Special Mention	-	-	-	-	-	1,421	-	-	1,421
Substandard	-	-	87	-	-	971	-	-	1,058
Total commercial mortgage	$ 27,811	$ 38,265	$ 28,614	$ 38,683	$ 49,662	$ 124,098	$ 5,297	$ 8,403	$ 320,833
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial & agricultural									
Pass	$ 10,976	$ 14,069	$ 7,772	$ 4,430	$ 2,970	$ 2,932	$ 14,818	$ 35	$ 58,002
Watch	-	-	-	65	-	-	596	-	661
Special Mention	-	-	-	-	-	8	-	-	8
Substandard	-	-	35	-	-	137	-	-	172
Total commercial & agricultural	$ 10,976	$ 14,069	$ 7,807	$ 4,495	$ 2,970	$ 3,077	$ 15,414	$ 35	$ 58,843
Current period gross write-offs	$ -	$ 9	$ -	$ 2	$ -	$ 4	$ -	$ -	$ 15
Consumer & other									
Pass	$ 3,158	$ 3,517	$ 1,421	$ 670	$ 1,287	$ 2,089	$ 714	$ -	$ 12,856
Watch	-	-	-	-	-	-	-	-	-
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	4	16	-	37	-	-	57
Total consumer & other	$ 3,158	$ 3,517	$ 1,425	$ 686	$ 1,287	$ 2,126	$ 714	$ -	$ 12,913
Current period gross write-offs	$ 3	$ 30	$ 19	$ 12	$ 7	$ 7	$ -	$ -	$ 78
Total loans									
Pass	$ 99,461	$ 191,783	$ 102,030	$ 103,808	$ 148,336	$ 297,994	$ 136,087	$ 8,725	$ 1,088,224
Watch	-	98	202	372	2,111	1,096	596	-	4,475
Special Mention	28	-	588	487	1,030	4,633	429	358	7,553
Substandard	-	-	580	509	2,579	2,349	1,989	-	8,006
Total loans	$ 99,489	$ 191,881	$ 103,400	$ 105,176	$ 154,056	$ 306,072	$ 139,101	$ 9,083	$ 1,108,258
Total Current period gross write-offs	$ 3	$ 39	$ 19	$ 14	$ 7	$ 11	$ -	$ -	$ 93

Note 4. Allowance for Credit Losses, continued

Credit Quality Indicators, continued

The following table presents the Company's recorded investment in loans by credit quality indicators by year of origination as of December 31, 2025:

	Term Loans by Year of Origination							Revolving Loans Converted	
(dollars in thousands)	**2025**	**2024**	**2023**	**2022**	**2021**	**Prior**	**Revolving**	**To Term**	**Total**
Construction & development									
Pass	$ 29,637	$ 12,038	$ 4,406	$ 3,158	$ 5,110	$ 6,716	$ 3,326	$ 95	$ 64,486
Watch	-	-	-	-	-	-	-	365	365
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Total construction & development	$ 29,637	$ 12,038	$ 4,406	$ 3,158	$ 5,110	$ 6,716	$ 3,326	$ 460	$ 64,851
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Farmland									
Pass	$ 4,730	$ 2,223	$ 2,334	$ 1,711	$ 447	$ 8,145	$ 1,829	$ -	$ 21,419
Watch	-	-	-	-	-	-	-	-	-
Special Mention	-	-	-	-	772	160	222	-	1,154
Substandard	-	-	-	-	-	630	-	-	630
Total farmland	$ 4,730	$ 2,223	$ 2,334	$ 1,711	$ 1,219	$ 8,935	$ 2,051	$ -	$ 23,203
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential									
Pass	$ 97,859	$ 62,494	$ 59,933	$ 97,801	$ 50,254	$ 117,024	$ 98,457	$ 209	$ 584,031
Watch	99	-	62	-	-	197	-	-	358
Special Mention	-	594	247	1,057	721	2,446	-	-	5,065
Substandard	-	1,008	865	2,427	74	588	1,902	-	6,864
Total residential	$ 97,958	$ 64,096	$ 61,107	$ 101,285	$ 51,049	$ 120,255	$ 100,359	$ 209	$ 596,318
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ 1	$ -	$ -	$ 1
Commercial mortgage									
Pass	$ 36,621	$ 31,518	$ 39,769	$ 49,127	$ 40,196	$ 86,602	$ 11,680	$ 209	$ 295,722
Watch	-	-	-	1,962	-	2,468	-	-	4,430
Special Mention	-	117	-	-	418	1,049	-	-	1,584
Substandard	-	110	-	-	68	782	-	-	960
Total commercial mortgage	$ 36,621	$ 31,745	$ 39,769	$ 51,089	$ 40,682	$ 90,901	$ 11,680	$ 209	$ 302,696
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial & agricultural									
Pass	$ 16,796	$ 10,418	$ 6,083	$ 4,037	$ 1,983	$ 1,802	$ 14,538	$ 455	$ 56,112
Watch	-	-	73	-	-	-	595	-	668
Special Mention	-	-	-	-	4	13	-	-	17
Substandard	-	43	9	-	18	130	-	-	200
Total commercial & agricultural	$ 16,796	$ 10,461	$ 6,165	$ 4,037	$ 2,005	$ 1,945	$ 15,133	$ 455	$ 56,997
Current period gross write-offs	$ -	$ 9	$ 26	$ -	$ -	$ -	$ -	$ -	$ 35
Consumer & other									
Pass	$ 5,227	$ 2,303	$ 1,166	$ 1,447	$ 1,092	$ 2,085	$ 749	$ -	$ 14,069
Watch	-	-	21	-	-	-	-	-	21
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	6	-	-	-	37	-	-	43
Total consumer & other	$ 5,227	$ 2,309	$ 1,187	$ 1,447	$ 1,092	$ 2,122	$ 749	$ -	$ 14,133
Current period gross write-offs	$ 43	$ 51	$ 34	$ 10	$ 4	$ 21	$ -	$ -	$ 163
Total loans									
Pass	$ 190,870	$ 120,994	$ 113,691	$ 157,281	$ 99,082	$ 222,374	$ 130,579	$ 968	$ 1,035,839
Watch	99	-	156	1,962	-	2,665	595	365	5,842
Special Mention	-	711	247	1,057	1,915	3,668	222	-	7,820
Substandard	-	1,167	874	2,427	160	2,167	1,902	-	8,697
Total loans	$ 190,969	$ 122,872	$ 114,968	$ 162,727	$ 101,157	$ 230,874	$ 133,298	$ 1,333	$ 1,058,198
Total Current period gross write-offs	$ 43	$ 60	$ 60	$ 10	$ 4	$ 22	$ -	$ -	$ 199

Note 4. Allowance for Credit Losses, continued

Nonaccrual Loans

The following table is a summary of the Company's nonaccrual loans by major categories for the periods indicated:

	June 30, 2026		
(dollars in thousands)	**Nonaccrual Loans with no Allowance**	**Nonaccrual Loans with an Allowance**	**Total Nonaccrual Loans**
Construction & development	$ -	$ -	$ -
Farmland	-	63	63
Residential	2,848	684	3,532
Commercial mortgage	-	23	23
Commercial & agricultural	-	137	137
Consumer & other	-	57	57
Total	$ 2,848	$ 964	$ 3,812

	December 31, 2025		
(dollars in thousands)	**Nonaccrual Loans with no Allowance**	**Nonaccrual Loans with an Allowance**	**Total Nonaccrual Loans**
Construction & development	$ -	$ -	$ -
Farmland	-	63	63
Residential	3,264	1,172	4,436
Commercial mortgage	-	112	112
Commercial & agricultural	-	157	157
Consumer & other	-	42	42
Total	$ 3,264	$ 1,546	$ 4,810

Note 4. Allowance for Credit Losses, continued

Nonaccrual Loans, continued

The following table represents the accrued interest receivables written off on nonaccrual loans by reversing interest income during the three and six months ended June 30, 2026 and June 30, 2025:

(dollars in thousands)	For the Three Months Ended June 30, 2026	For the Three Months Ended June 30, 2025
Construction & development	$ -	$ -
Farmland	-	-
Residential	2	-
Commercial mortgage	-	-
Commercial & agricultural	-	-
Consumer & other	1	-
Total	$ 3	$ -

(dollars in thousands)	For the Six Months Ended June 30, 2026	For the Six Months Ended June 30, 2025
Construction & development	$ -	$ -
Farmland	-	-
Residential	6	-
Commercial mortgage	-	-
Commercial & agricultural	-	-
Consumer & other	2	1
Total	$ 8	$ 1

The following table represents the interest income recognized on loans before they entered nonaccrual status during the three and six months ended June 30, 2026 and June 30, 2025:

(dollars in thousands)	For the Three Months Ended June 30, 2026	For the Three Months Ended June 30, 2025
Construction & development	$ -	$ -
Farmland	-	-
Residential	2	-
Commercial mortgage	-	-
Commercial & agricultural	-	-
Consumer & other	1	-
Total	$ 3	$ -

(dollars in thousands)	For the Six Months Ended June 30, 2026	For the Six Months Ended June 30, 2025
Construction & development	$ -	$ -
Farmland	-	-
Residential	3	-
Commercial mortgage	-	-
Commercial & agricultural	-	-
Consumer & other	1	-
Total	$ 4	$ -

Note 4. Allowance for Credit Losses, continued

Aging Analysis

The following table presents an aging analysis of past due loans by category as of June 30, 2026:

(dollars in thousands)	Accruing 30-59 Days Past Due	Accruing 60-89 Days Past Due	Accruing 90+ Days Past Due	Nonaccrual Loans	Current	Total Loans
June 30, 2026						
Real Estate Secured:						
Construction & development	$ -	$ -	$ -	$ -	$ 65,449	$ 65,449
Farmland	257	-	-	63	26,620	26,940
Residential	146	42	-	3,532	619,560	623,280
Commercial mortgage	-	-	-	23	320,810	320,833
Non-Real Estate Secured:						
Commercial & agricultural	55	-	-	137	58,651	58,843
Consumer & other	48	14	-	57	12,794	12,913
Total	$ 506	$ 56	$ -	$ 3,812	$ 1,103,884	$ 1,108,258

The following table presents an aging analysis of past due loans by category as of December 31, 2025:

(dollars in thousands)	Accruing 30-59 Days Past Due	Accruing 60-89 Days Past Due	Accruing 90+ Days Past Due	Nonaccrual Loans	Current	Total Loans
December 31, 2025						
Real Estate Secured:						
Construction & development	$ -	$ -	$ -	$ -	$ 64,851	$ 64,851
Farmland	-	-	-	63	23,140	23,203
Residential	197	47	-	4,436	591,638	596,318
Commercial mortgage	27	-	-	112	302,557	302,696
Non-Real Estate Secured:						
Commercial & agricultural	10	-	-	157	56,830	56,997
Consumer & other	26	9	-	42	14,056	14,133
Total	$ 260	$ 56	$ -	$ 4,810	$ 1,053,072	$ 1,058,198

Note 4. Allowance for Credit Losses, continued

Collateral Dependent Loans

Loans that do not share risk characteristics within their respective loan pools are individually evaluated. The Company has certain loans for which repayment is dependent upon the operation or sale of collateral, as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan. The following provides more detail about the types of collateral that secure collateral dependent loans:

- Construction and development loans include both commercial and consumer loans. Commercial loans are typically secured by first liens on raw land acquired for the construction of owner occupied commercial real estate or non-owner occupied commercial real estate. Consumer loans are typically secured by a first lien on raw land acquired for the construction of residential homes for which a binding sales contract exists.
- Commercial real estate loans can be secured by either owner occupied commercial real estate or non-owner occupied investment commercial real estate. Typically, owner occupied commercial real estate loans are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner occupied commercial real estate loans are generally secured by office buildings and complexes, retail facilities, multifamily complexes, land under development, industrial properties, as well as other commercial or industrial real estate.
- Residential real estate loans are typically secured by first mortgages, and in some cases could be secured by a second mortgage.
- Home equity lines of credit are generally secured by second mortgages on residential real estate property.
- Consumer loans are generally secured by automobiles, motorcycles, recreational vehicles and other personal property. Some consumer loans are unsecured and have no underlying collateral.

The following table details the amortized cost of collateral dependent loans as of June 30, 2026 and December 31, 2025:

(dollars in thousands)	**2026**	**2025**
Construction & development	$ -	$ -
Farmland	-	-
Residential	4,648	5,064
Commercial mortgage	-	-
Commercial & agricultural	-	-
Consumer & other	-	-
Total Loans	$ 4,648	$ 5,064

Note 4. Allowance for Credit Losses, continued

Modifications Made to Borrowers Experiencing Financial Difficulty

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Company uses a lifetime probability of default/loss given default model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. There are no commitments to lend additional funds to borrowers experiencing financial difficulty as of June 30, 2026 and December 31, 2025.

Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, the Company modifies loans by providing principal forgiveness on certain of its real estate loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

In some cases, the Company will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness or interest rate reduction, may be granted.

There were no loans modified to borrowers experiencing financial difficulty during the three and six months ended June 30, 2026 and 2025.

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount. There were no loans that had a payment default during the period and were modified in the 12 months before default to borrowers experiencing financial difficulty.

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. There were no loans modified in the last 12 months as of June 30, 2026 and June 30, 2025.

Note 4. Allowance for Credit Losses, continued

Unfunded Commitments

The Company maintains a separate reserve for credit losses on off-balance-sheet credit exposures, including unfunded loan commitments, which is included in other liabilities on the consolidated balance sheets. The reserve for credit losses on off-balance-sheet credit exposures is adjusted as a provision for credit losses in the income statement. 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, utilizing the same models and approaches for the Company's other loan portfolio segments described above, as these unfunded commitments share similar risk characteristics as its loan portfolio segments.

The following table presents the balance and activity in the allowance for credit losses for unfunded loan commitments for the three and six months ended June 30, 2026 and June 30, 2025:

(dollars in thousands)	Total Allowance for Credit Losses – Unfunded Commitments
For the Three Months Ended June 30, 2026	
Balance, March 31, 2026	$ 479
Recovery of provision for credit losses - unfunded commitments	(61)
Balance, June 30, 2026	$ 418
For the Three Months Ended June 30, 2025	
Balance, March 31, 2025	$ 388
Provision for credit losses - unfunded commitments	84
Balance, June 30, 2025	$ 472
For the Six Months Ended June 30, 2026	
Balance, December 31, 2025	$ 479
Recovery of provision for credit losses - unfunded commitments	(61)
Balance, June 30, 2026	$ 418
For the Six Months Ended June 30, 2025	
Balance, December 31, 2024	$ 371
Provision for credit losses - unfunded commitments	101
Balance, June 30, 2025	$ 472

Note 5. Deposits

The following table presents the composition of deposits at June 30, 2026 and December 31, 2025:

(dollars in thousands)	June 30, 2026	December 31, 2025
Interest-bearing deposits:		
Interest-bearing demand deposit accounts	$ 163,605	$ 157,872
Money market	126,678	116,600
Savings	170,782	169,627
Time deposits	348,395	363,065
Total interest-bearing deposits	809,460	807,164
Noninterest-bearing deposits	370,898	371,001
Total deposits	$ 1,180,358	$ 1,178,165

The aggregate amount of time deposits in denominations of more than $250 thousand at June 30, 2026 and December 31, 2025 was $117.8 million, and $124.0 million, respectively.

Note 6. Goodwill and Intangible Assets

Goodwill

Goodwill arises from business combinations and is generally determined as the excess of fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill acquired in a purchase business combination and determined to have an indefinite useful life is not amortized, but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed. The Company has selected November 1 as the date to perform the annual impairment test. Goodwill is the only intangible asset with an indefinite life on our balance sheet. An analysis of goodwill during the six-month period ended June 30, 2026 and for the year ended December 31, 2025 is as follows:

(dollars in thousands)	June 30, 2026	December 31, 2025
Beginning of year	$ 7,900	$ 7,900
Impairment	-	-
End of the period	$ 7,900	$ 7,900

Intangible Assets

The following table presents the activity for the Company's core deposit intangible assets, which are the only identifiable intangible assets subject to amortization. Core deposit intangibles at June 30, 2026 and December 31, 2025 are as follows:

(dollars in thousands)	June 30, 2026	December 31, 2025
Balance at beginning of year, net of accumulated amortization	$ 3,043	$ 3,815
Amortization expense	(335)	(772)
Net book value	$ 2,708	$ 3,043

Aggregate amortization expense was $335 thousand and $420 thousand for the six-month periods ended June 30, 2026 and 2025, respectively. Aggregate amortization expense was $166 thousand and $208 thousand for the three-month periods ended June 30, 2026 and 2025, respectively.

Note 6. Goodwill and Intangible Assets, continued

Intangible Assets, continued

The following table presents the estimated amortization expense of the core deposit intangible over the remaining useful life:

(dollars in thousands)

Six months ending December 31, 2026	$	312
For the year ending December 31, 2027		564
For the year ending December 31, 2028		484
For the year ending December 31, 2029		406
For the year ending December 31, 2030		330
Thereafter		612
Total	$	2,708

Note 7. Short-Term Borrowings

At June 30, 2026, the Bank had a $25.0 million FHLB advance outstanding at a rate of 3.81%, with a maturity date of July 6, 2026, that was classified as short-term. At December 31, 2025 the Bank had no borrowings outstanding classified as short-term.

On September 9, 2024, the Company entered into a $5.0 million unsecured revolving line of credit, with a maturity date of September 9, 2025. On September 5, 2025, this $5.0 million unsecured revolving line of credit was renewed, and as a result the maturity date was changed to September 9, 2026. Interest on the line of credit is variable and is set at the prime rate. At June 30, 2026 and December 31, 2025, there was no balance outstanding under this revolving line of credit.

At June 30, 2026, the Bank had established unsecured lines of credit of approximately $75.0 million with correspondent banks to provide additional liquidity if, and as needed. At June 30, 2026 the Bank had $2.7 million outstanding under these lines of credit. There was nothing outstanding under these lines of credit as of December 31, 2025. In addition, the Bank has the ability to borrow up to approximately $367.9 million from the FHLB, subject to the pledging of collateral.

Note 8. Long-Term Borrowings

At June 30, 2026 and December 31, 2025, neither the Company nor the Bank had any borrowings outstanding classified as long-term.

Note 9. Commitments and Contingencies

Litigation

In the normal course of business, the Bank is involved in various legal proceedings. After consultation with legal counsel, management believes that any liability resulting from such proceedings will not be material to the consolidated financial statements.

Financial Instruments with Off-Balance Sheet Risk

The Bank is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, credit risk in excess of the amount recognized in the consolidated balance sheets.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as for on-balance sheet instruments. A summary of the Bank's commitments at June 30, 2026 and December 31, 2025 is as follows:

(dollars in thousands)	**June 30, 2026**	**December 31, 2025**
Commitments to extend credit	$ 239,543	$ 227,390
Standby letters of credit	3,688	3,091
	$ 243,231	$ 230,481

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

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies as specified above and is required in instances which the Bank deems necessary.

Concentrations of Credit Risk

Substantially all of the Bank's loans, commitments to extend credit, and standby letters of credit have been granted to customers in the Bank's market area and such customers are generally depositors of the Bank. Investments in state and municipal securities involve governmental entities within and outside the Bank's market area. The concentrations of credit by type of loan are set forth in Note 3. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Standby letters of credit are granted primarily to commercial borrowers. The Bank's primary focus is toward small business and consumer transactions, and accordingly, it does not have a significant number of credits to any single borrower or group of related borrowers. The Bank has cash and cash equivalents on deposit with financial institutions which exceed federally insured limits.

Note 10. Financial Instruments

FASB ASC 825, "Financial Instruments", requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet. In cases where quoted market prices are not available, fair values are based on estimates using present value of future cash flows or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. FASB ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following presents the carrying amount, fair value, and placement in the fair value hierarchy of the Company's financial instruments not recorded at fair value on a recurring basis as of June 30, 2026 and December 31, 2025. For short-term financial assets such as cash and cash equivalents, the carrying amount is a reasonable estimate of fair value due to the relatively short time between the origination of the instrument and its expected realization. For non-marketable equity securities such as FHLB and Federal Reserve Bank stock, the carrying amount is a reasonable estimate of the fair value as these securities can only be redeemed or sold at their par value and only to the respective issuing government supported institution or to another member institution. For accrued interest receivable and accrued interest payable, the carrying amount is a reasonable estimate of the fair value, due to the short period to expected realization or settlement. For financial liabilities such as noninterest-bearing demand, interest-bearing demand, and savings deposits, the carrying amount is a reasonable estimate of fair value due to these products having no stated maturity.

For loans, the carrying amount is net of unearned income and the allowance for credit losses. In accordance with ASU No. 2016-01, the fair value of loans as of June 30, 2026 and December 31, 2025, was measured using an exit price notion.

			Fair Value Measurements		
(dollars in thousands)	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2026					
Financial Instruments – Assets					
Cash and cash equivalents	$ 19,902	$ 19,902	$ 19,902	$ -	$ -
Restricted equity securities	4,715	4,715	-	4,715	-
Net loans	1,099,108	1,090,004	-	-	1,090,004
Accrued interest receivable	4,824	4,824	-	4,824	-
Financial Instruments – Liabilities					
Time Deposits	348,395	345,254	-	345,254	-
FHLB Advances	25,000	24,999	-	24,999	-
Accrued interest payable	526	526	-	526	-
December 31, 2025					
Financial Instruments – Assets					
Cash and cash equivalents	$ 23,192	$ 23,192	$ 23,192	$ -	$ -
Restricted equity securities	3,474	3,474	-	3,474	-
Net loans	1,049,532	1,032,254	-	-	1,032,254
Accrued interest receivable	4,541	4,541	-	4,541	-
Financial Instruments – Liabilities					
Time Deposits	363,065	361,318	-	361,318	-
Accrued interest payable	531	531	-	531	-

Note 10. Financial Instruments, continued

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Securities available for sale and derivatives are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as loans or foreclosed assets. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

Fair Value Hierarchy

Under FASB ASC 820, "Fair Value Measurements and Disclosures", the Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques may include the use of option pricing models, discounted cash flow models and similar techniques.

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

Investment Securities Available for Sale

Investment securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Individually Evaluated Loans

Individually evaluated loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are evaluated for potential specific reserves and adjusted, if a shortfall exists, to fair value less costs to sell. Fair value is measured based on the value of the underlying collateral securing the loan if repayment is expected solely from the sale or operation of the collateral or present value of estimated future cash flows discounted at the loan's contractual interest rate if the loan is not determined to be collateral dependent. All loans individually evaluated are classified as Level 3 in the fair value hierarchy.

Fair value for individually evaluated loans is determined using several methods. Generally, the fair value of real estate is determined based on appraisals by qualified licensed appraisers. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. These routine adjustments are made to adjust the value of a specific property relative to comparable properties for variations in qualities such as location, size, and income production capacity relative to the subject property of the appraisal. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

Note 10. Financial Instruments, continued

Assets Recorded at Fair Value on a Recurring Basis

(dollars in thousands)	Total	Level 1	Level 2	Level 3
June 30, 2026				
Investment securities available for sale				
U.S. Government agencies	$ 17,855	$ -	$ 17,855	$ -
Mortgage-backed securities	47,659	-	47,659	-
State and municipal securities	39,234	-	39,234	-
Total assets at fair value	$ 104,748	$ -	$ 104,748	$ -
December 31, 2025				
Investment securities available for sale				
U.S. Government agencies	$ 23,013	$ -	$ 23,013	$ -
Mortgage-backed securities	51,661	-	51,661	-
State and municipal securities	39,422	-	39,422	-
Total assets at fair value	$ 114,096	$ -	$ 114,096	$ -

No liabilities were recorded at fair value on a recurring basis as of June 30, 2026 or December 31, 2025. There were no transfers between levels during the six-month period ended June 30, 2026 and the year ended December 31, 2025.

Assets Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain assets and liabilities at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets and liabilities that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. No liabilities were recorded at fair value on a nonrecurring basis at June 30, 2026 and December 31, 2025. Assets measured at fair value on a nonrecurring basis are included in the table below.

(dollars in thousands)	Total	Level 1	Level 2	Level 3
June 30, 2026				
Individually evaluated loans	$ 5,975	$ -	$ -	$ 5,975
Total assets at fair value	$ 5,975	$ -	$ -	$ 5,975

(dollars in thousands)	Total	Level 1	Level 2	Level 3
December 31, 2025				
Individually evaluated loans	$ 6,960	$ -	$ -	$ 6,960
Total assets at fair value	$ 6,960	$ -	$ -	$ 6,960

For Level 3 assets measured at fair value on a recurring or non-recurring basis as of June 30, 2026 and December 31, 2025, the significant unobservable inputs used in the fair value measurements were as follows:

	Fair Value at June 30, 2026	Fair Value at December 31, 2025	Valuation Technique	Significant Unobservable Inputs	General Range of Significant Unobservable Input Values
Individually Evaluated Loans	$ 5,975	$ 6,960	Appraised Value/Discounted Cash Flows/Market Value of Note	Discounts to reflect current market conditions, ultimate collectability, and estimated costs to sell	0 – 10%

Note 11. Capital Requirements

The Company meets eligibility criteria of a small bank holding company in accordance with the Federal Reserve Small Bank Holding Company Policy Statement, and is not obligated to report consolidated regulatory capital. The Bank's actual capital amounts and ratios are presented in the following table as of June 30, 2026 and December 31, 2025, respectively. These ratios comply with Federal Reserve rules to align with the Basel III Capital requirements effective January 1, 2015.

	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
June 30, 2026						
Total Capital (to risk weighted assets)	$ 127,043	11.86%	$ 85,679	8.00%	$ 107,099	10.00%
Tier 1 Capital (to risk weighted assets)	$ 117,513	10.97%	$ 64,259	6.00%	$ 85,679	8.00%
Common Equity Tier 1 (to risk weighted assets)	$ 117,513	10.97%	$ 48,194	4.50%	$ 69,614	6.50%
Tier 1 Capital (to average total assets)	$ 117,513	8.81%	$ 53,377	4.00%	$ 66,722	5.00%
December 31, 2025						
Total Capital (to risk weighted assets)	$ 118,147	11.53%	$ 81,973	8.00%	$ 102,466	10.00%
Tier 1 Capital (to risk weighted assets)	$ 109,056	10.64%	$ 61,480	6.00%	$ 81,973	8.00%
Common Equity Tier 1 (to risk weighted assets)	$ 109,056	10.64%	$ 46,110	4.50%	$ 66,603	6.50%
Tier 1 Capital (to average total assets)	$ 109,056	8.34%	$ 52,317	4.00%	$ 65,396	5.00%

On September 17, 2019 the Federal Deposit Insurance Corporation finalized a rule that introduces an optional simplified measure of capital adequacy for qualifying community banking organizations (i.e., the community bank leverage ratio ("CBLR")) framework. The CBLR framework is designed to reduce burden by removing the requirements for calculating and reporting risk-based capital ratios for qualifying community banking organizations that opt into the framework.

In order to qualify for the CBLR framework, a community banking organization must have a Tier 1 leverage ratio of greater than 9.00%, less than $10.0 billion in total consolidated assets, and limited amounts of off-balance sheet exposures and trading assets and liabilities. A qualifying community banking organization that opts into the CBLR framework and meets all requirements under the framework will be considered to have met the well-capitalized ratio requirements under the prompt corrective action regulations and will not be required to report or calculate risk-based capital.

The CBLR framework was available for banks to use in their June 30, 2026 Call Report. At this time the Company has elected not to opt into the CBLR framework for the Bank, but may opt into the CBLR framework in the future.

Note 12. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date.

Management has reviewed the events occurring through the date the consolidated financial statements were issued and no subsequent events occurred requiring accrual or disclosure.

Part I. Financial Information

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The following discussion provides information about the major components of the results of operations and financial condition of the Company. This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements included in this report and in the Company's Annual Report on Form 10-K for the year ended December 31, 2025.

Critical Accounting Policies

For a discussion of the Company's critical accounting policies, including its allowance for credit losses and asset impairment judgments, see Note 1 in the Notes to Consolidated Financial Statements above, and in the Company's Annual Report on Form 10-K for the year ended December 31, 2025.

Executive Summary

- Net income was $5.0 million, or $0.89 per share, for the second quarter of 2026, compared to $3.8 million, or $0.68 per share, for the second quarter of 2025.
- For the six months ended June 30, 2026, net income was $9.6 million, or $1.71 per share, compared to net income of $7.4 million, or $1.32 per share, for the six months ended June 30, 2025.
- Second quarter 2026 earnings represented an annualized return on average assets ("ROAA") of 1.50% and an annualized return on average equity ("ROAE") of 17.70%, compared to 1.21% and 16.01%, respectively, for the same period last year.
- Net interest margin was 4.62% for the second quarter of 2026, compared to 4.55% in the first quarter of 2026, and 4.27% in the second quarter of 2025.
- Total assets increased $38.6 million, or 2.99%, to $1.33 billion at June 30, 2026 from $1.29 billion at December 31, 2025.
- Net loans were $1.10 billion at June 30, 2026, an increase of $49.6 million, or 4.72%, when compared to $1.05 billion at December 31, 2025. Loan growth during the first six months of 2026 was at an annualized rate of 9.54%.
- Total deposits were $1.18 billion at June 30, 2026, an increase of $2.2 million, or 0.19%, compared to December 31, 2025.
- Book value increased from $19.00 per share at December 31, 2025 to $20.32 per share at June 30, 2026.

Part I. Financial Information

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Results of Operations for the Three Months ended June 30, 2026 and 2025

Net interest income after provision for credit losses in the second quarter of 2026 was $13.9 million, compared to $12.2 million in the second quarter of 2025. Total interest income was $17.5 million in the second quarter of 2026, representing an increase of $1.3 million in comparison to the $16.3 million in the second quarter of 2025. Interest income on loans increased in the quarterly comparison by $1.5 million, primarily due to organic loan growth. Management anticipates that this loan growth will continue to have a positive impact on both earning assets and loan yields. Interest expense on deposits decreased by $244 thousand in the quarterly comparison due to deposit repricing. Management anticipates that interest expense on deposits could increase in the near term as competitive pressures for deposits may result in increases in rates on deposit offerings, especially on time deposits. Interest on borrowings decreased by $163 thousand, primarily due to the quarter over quarter decrease in average borrowings of $16.0 million.

Second quarter 2026 noninterest income was $2.2 million compared with $1.9 million in the second quarter of 2025. The increase of $312 thousand in the quarter over quarter comparison was primarily due to an increase in service charges and fees of $195 thousand and an increase of $69 thousand in mortgage origination fees.

Noninterest expense in the second quarter of 2026 was $9.8 million compared with $9.2 million in the second quarter of 2025, an increase of $573 thousand, or 6.21%. Salaries and employee benefits increased by $377 thousand in the quarterly comparison due to personnel additions and routine adjustments, as well as increased benefit costs. Occupancy and equipment expenses increased by $123 thousand, and data processing increased by $42 thousand in the quarterly comparison. Core deposit intangible amortization decreased by $42 thousand in the quarterly comparison.

Net income before taxes increased by $1.5 million in the quarterly comparison, causing an increase in income tax expense of $312 thousand.

Results of Operations for the Six Months ended June 30, 2026 and 2025

For the first half of 2026, net interest income after provision for credit losses was $27.2 million compared to $23.7 million for the first half of 2025. Interest income increased by $2.7 million, primarily due to an increase of $3.0 million in interest income on loans, primarily due to organic loan growth. Interest expense on deposits decreased by $258 thousand for the six months ended June 30, 2026 compared to the same period last year due to deposit repricing. Interest on borrowings decreased by $507 thousand in the six-month comparison, primarily due to a decrease in average borrowings of $22.7 million in the year over year comparison.

For the six months ended June 30, 2026 and 2025, noninterest income was $4.2 million and $3.7 million, respectively. Included in noninterest income for the first six months of 2025 was $60 thousand from life insurance contracts. Excluding this item, noninterest income increased by $573 thousand in the year over year comparison, primarily because of an increase in service charges and fees of $340 thousand and an increase of $146 thousand in mortgage origination fees.

For the six-month period ended June 30, 2026, total noninterest expenses increased by $1.1 million compared to the same period in 2025, primarily due to employee costs. Salaries and employee benefits increased by $711 thousand. Occupancy and equipment expenses increased by $191 thousand, and data processing increased by $90 thousand from the first six months of 2025 to 2026. Core deposit intangible amortization decreased by $85 thousand.

In the six-month comparison, net income before taxes increased by $2.9 million, resulting in an increase in income tax expense of $668 thousand.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

Total assets increased by $38.6 million, or 2.99%, to $1.33 billion at June 30, 2026 from $1.29 billion at December 31, 2025. The increase in total assets during the first six months of 2026 can be primarily attributed to the loan growth of $50.1 million.

Total loans increased by $50.1 million, or 4.73%, to $1.11 billion at June 30, 2026 from $1.06 billion at December 31, 2025. Total loans increased by $80.7 million, or 7.86%, when compared to $1.03 billion at June 30, 2025. Loan growth during the first six months of 2026 was at an annualized rate of 9.54%.

Asset quality has remained strong, with a ratio of nonperforming loans to total loans of 0.34% at June 30, 2026 compared to 0.45% at December 31, 2025. The allowance for credit losses to total loans was 0.83% at June 30, 2026 compared to 0.82% at December 31, 2025, respectively.

Investment securities decreased by $9.3 million to $104.7 million at June 30, 2026 from $114.1 million at December 31, 2025. The decrease in the first half of 2026 was the result of a $504 thousand increase in unrealized losses on investment securities and paydowns and maturities of $8.8 million.

Total deposits were $1.18 billion at June 30, 2026 an increase of $2.2 million, or 0.19%, compared to December 31, 2025. Noninterest bearing deposits decreased by $103 thousand and interest-bearing deposits increased by $2.3 million during the first six months of 2026. Lower cost interest bearing deposits increased by $17.0 million during the first half of 2026, while higher cost time deposits decreased by $14.7 million.

Total stockholders' equity increased by $7.6 million, or 7.07%, to $115.3 million at June 30, 2026, from $107.7 million at December 31, 2025. The change during the first half of 2026 was due to earnings of $9.6 million, less dividends paid of $1.7 million, and $398 thousand in other comprehensive losses. Book value increased from $19.00 per share at December 31, 2025 to $20.32 per share at June 30, 2026.

Commercial Real Estate Loans

Commercial real estate loans can be secured by either owner occupied commercial real estate or non-owner occupied investment commercial real estate. Typically, owner occupied commercial real estate loans are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner occupied commercial real estate loans are generally secured by office buildings and complexes, retail facilities, multifamily complexes, land under development, industrial properties, as well as other commercial or industrial real estate. As of June 30, 2026 approximately 45.11% of our commercial mortgage loans are owner occupied and 54.89% are non-owner occupied.

We generally originate adjustable-rate commercial real estate loans with maximum terms of up to 25 years. From time to time, we will also originate fixed-rate loans. We generally limit loan-to-value ratios to 80% of the appraised value or purchase price, whichever is lower. All of our commercial real estate loans are subject to our underwriting procedures and guidelines. Although our commercial real estate loans are made to a diversified pool of unrelated borrowers across numerous businesses, adverse developments in our market area could have an adverse impact on this portfolio of loans and the Company's income and financial position.

The management team has extensive experience in underwriting commercial real estate loans and has implemented and continues to maintain heightened risk management procedures and strong underwriting criteria with respect to its commercial real estate portfolio. The Board of Directors has established internal maximum limits on commercial real estate loans to better manage and control the exposure to property classes during periods of changing economic conditions.

Our risk management process begins with a robust underwriting program. The underwriting and risk rating of all loans is completed by an underwriting team that is independent of the originating lender(s). The underwriting analysis of commercial real estate loans includes pre-origination sensitivity analysis utilizing portfolio stress testing methods to fully understand the potential exposure before we originate the credit. Once originated, select loans receive ongoing annual stress tests to evaluate the risk profile over the life of the credit.

We consider a number of factors in originating commercial real estate loans. We evaluate the qualifications and financial condition of the borrower (including credit history), profitability and expertise, as well as the value and condition of the mortgaged property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, among other factors, we consider the net operating income of the mortgaged property before debt service and depreciation, the debt service coverage ratio (the ratio of net operating income to debt service) to ensure that, subject to certain exceptions, it is at least 1.25x for commercial real estate loans, and the ratio of the loan amount to the appraised value of the mortgaged property. Our commercial real estate loans are appraised by outside independent and qualified appraisers that are duly approved in accordance with Bank policy. Per policy, personal guarantees are obtained from commercial real estate borrowers. Each borrower's financial information on such loans is monitored on an ongoing basis by requiring periodic financial statement updates.

Commercial Real Estate Loans, continued

We believe that our commercial real estate composition is relatively diversified in terms of industry sectors, property types and various lending specialties. As of June 30, 2026, the amortized cost balances of concentrations in our commercial real estate loan portfolio, were as follows:

	Owner Occupied	Non-Owner Occupied	Total	%
Office	$ 41,889	$ 45,623	$ 87,512	27.28%
Hotel	-	54,106	54,106	16.86%
Retail	19,737	20,642	40,379	12.59%
Warehouse	30,479	8,688	39,167	12.21%
Mini-storage	2,031	13,943	15,974	4.98%
Industrial	11,649	4,174	15,823	4.93%
Restaurants	10,662	3,750	14,412	4.49%
Churches	8,602	702	9,304	2.90%
Assisted living	730	7,754	8,484	2.64%
Other	18,962	16,710	35,672	11.12%
Total	$ 144,741	$ 176,092	$ 320,833	100.00%

Nonperforming and Problem Assets

Certain credit risks are inherent in making loans, particularly commercial and consumer loans. Management prudently assesses these risks and attempts to manage them effectively. The Bank attempts to use shorter-term loans and, although a portion of the loans have been made based upon the value of collateral, the underwriting decision is generally based on the cash flow of the borrower as the source of repayment rather than the value of the collateral. The Bank also attempts to reduce repayment risk by adhering to internal credit policies and procedures. These policies and procedures include officer and customer limits, periodic loan documentation review and follow up on exceptions to credit policies.

The following table provides information about the allowance for credit losses, nonperforming assets and loans past due 90 days or more and still accruing as of June 30, 2026 and December 31, 2025.

	June 30, 2026	December 31, 2025
Allowance for credit losses	$ 9,150	$ 8,666
Total loans	$ 1,108,258	$ 1,058,198
Allowance for credit losses to total loans	0.83%	0.82%
Nonperforming loans:		
Nonaccrual loans	$ 3,812	$ 4,810
Loans past due 90 days or more and still accruing	-	-
Total nonperforming loans	3,812	4,810
Other real estate owned	-	-
Total nonperforming assets	$ 3,812	$ 4,810
Total nonperforming loans as a percentage to total loans	0.34%	0.45%
Total allowance for credit losses to nonperforming loans	240.03%	180.17%
Total nonperforming assets as a percentage to total assets	0.29%	0.37%
Total nonaccrual loans as a percentage to total loans	0.34%	0.45%
Total allowance for credit losses to nonaccrual loans	240.03%	180.17%

Nonperforming and Problem Assets, continued

Total nonperforming loans were 0.34% and 0.45% of total outstanding loans as of June 30, 2026 and December 31, 2025, respectively. The decrease in nonperforming loans during the six month period was due to paydowns and payoffs received on the loans. Loans are placed in nonaccrual status when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Loans are removed from nonaccrual status when they are deemed a loss and charged to the allowance, transferred to foreclosed assets, or returned to accrual status based upon performance consistent with the original terms of the loan or a subsequent restructuring thereof. Management's ability to ultimately resolve these loans either with or without significant loss will be determined, to a great extent, by general economic and real estate market conditions.

Past due loans are often regarded as a precursor to further credit problems which would lead to future increases in nonaccrual loans or other real estate owned. As of June 30, 2026, loans past due 30-89 days and still accruing totaled $562 thousand compared to $316 thousand at December 31, 2025. There was no other real estate owned as of June 30, 2026 and December 31, 2025, respectively. More information on nonperforming assets and modifications to borrowers experiencing financial difficulty can be found in Note 4 of the "Notes to Consolidated Financial Statements" found in this Quarterly Report on Form 10-Q.

As of June 30, 2026 and December 31, 2025, respectively, we had loans with a current principal balance of $12.0 million and $13.7 million rated "Watch" or "Special Mention". The "Watch" classification is utilized by us when we have an initial concern about the financial health of a borrower that indicates above average risk. We then gather current financial information about the borrower and evaluate our current risk in the credit. After this review we will either move the loan to a higher risk rating category or move it back to its original risk rating. Loans may be left rated "Watch" for a longer period of time if, in management's opinion, there are risks that cannot be fully evaluated without the passage of time, and we want to review it on a more regular basis. Assets that do not currently expose the Bank to sufficient risk to warrant a classification such as "Substandard" or "Doubtful" but otherwise possess weaknesses are designated "Special Mention". Loans rated as "Watch" or "Special Mention" are not considered "potential problem loans" until they are determined by management to be classified as "Substandard". As of June 30, 2026 and December 31, 2025, respectively, potential problem loans classified as "Substandard" totaled $8.0 million and $8.7 million, respectively. As of June 30, 2026 and December 31, 2025, the Bank had no loans graded "Doubtful" included in the balance of total loans outstanding.

The allowance for credit losses is maintained at a level adequate to absorb potential losses. Some of the factors which management considers in determining the appropriate level of the allowance for credit losses are: past loss experience, an evaluation of the current loan portfolio, identified loan problems, the loan volume outstanding, the present and expected economic conditions in general, and in particular, how such conditions relate to the market area that the Bank serves. Bank regulators also periodically review the Bank's loans and other assets to assess their quality. Loans deemed uncollectible are charged to the allowance. Provisions for credit losses and recoveries on loans previously charged off are added to the allowance. The allowance for credit losses was approximately 0.83% of total loans at June 30, 2026 compared to 0.82% of total loans at December 31, 2025. The increase in the allowance for credit losses was due to increases in loan volume and changes in the Company's forecast variables. The allocation of the allowance for credit losses as of June 30, 2026 and December 31, 2025 is as follows:

(dollars in thousands)	June 30, 2026			December 31, 2025		
Balance at the end of the period applicable to:	Amount	% of ACL to Loans	% of Loans to Total Loans	Amount	% of ACL to Loans	% of Loans to Total Loans
Construction & development	$ 858	1.31%	5.91%	$ 924	1.42%	6.13%
Farmland	224	0.83%	2.43%	182	0.78%	2.19%
Residential	5,003	0.80%	56.24%	4,677	0.78%	56.35%
Commercial mortgage	2,365	0.74%	28.95%	2,192	0.72%	28.61%
Commercial & agriculture	534	0.91%	5.31%	530	0.93%	5.38%
Consumer and other	166	1.29%	1.16%	161	1.14%	1.34%
Total	$ 9,150	0.83%	100.00%	$ 8,666	0.82%	100.00%

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Analysis of Net Charge-Offs

The following table presents net charge-offs, average loan balances and net charge-offs as a percentage of average loan balances for the six months ended June 30, 2026 and 2025, and the year ended December 31, 2025.

	Six months ended June 30, 2026		
(dollars in thousands)	**Net (Charge-Offs) Recoveries**	**Average Loans**	**Percentage of Net (Charge-Offs) Recoveries to Average Loans**
Construction & development	$ -	$ 66,275	0.00%
Farmland	-	25,966	0.00%
Residential	-	609,493	0.00%
Commercial mortgage	2	313,009	0.00%
Commercial & agriculture	(11)	57,435	(0.02%)
Consumer & other	(57)	13,431	(0.42%)
Total	$ (66)	$ 1,085,555	(0.01%)

	Six months ended June 30, 2025		
(dollars in thousands)	**Net (Charge-Offs) Recoveries**	**Average Loans**	**Percentage of Net (Charge-Offs) Recoveries to Average Loans**
Construction & development	$ -	$ 68,532	0.00%
Farmland	-	23,765	0.00%
Residential	1	537,589	0.00%
Commercial mortgage	2	295,893	0.00%
Commercial & agriculture	28	63,168	0.04%
Consumer & other	(45)	18,667	(0.24%)
Total	$ (14)	$ 1,007,614	0.00%

	Year ended December 31, 2025		
(dollars in thousands)	**Net (Charge-Offs) Recoveries**	**Average Loans**	**Percentage of Net (Charge-Offs) Recoveries to Average Loans**
Construction & development	$ -	$ 68,126	0.00%
Farmland	-	23,668	0.00%
Residential	1	558,135	0.00%
Commercial mortgage	4	296,448	0.00%
Commercial & agriculture	(4)	60,964	(0.01%)
Consumer & other	(121)	17,175	(0.70%)
Total	$ (120)	$ 1,024,516	(0.01%)

Liquidity

Liquidity is the ability to convert assets to cash to fund depositors' withdrawals or borrowers' loans without significant loss. Unsecured federal fund lines available from correspondent banks totaled $75.0 million at June 30, 2026. At June 30, 2026 the Bank had $2.7 million outstanding under these lines of credit. There was nothing outstanding under these lines of credit as of December 31, 2025. In addition, the Bank has the ability to borrow up to approximately $367.9 million from the FHLB, subject to the pledging of collateral.

At June 30, 2026, the Bank had short-term FHLB advances of $25.0 million. At December 31, 2025 the Bank had no borrowings outstanding classified as short-term.

The Bank uses cash and federal funds sold to meet its daily funding needs. If funding needs are met through holdings of excess cash and federal funds, then profits might be sacrificed as higher-yielding investments are foregone in the interest of liquidity. Therefore, management determines, based on such items as loan demand and deposit activity, an appropriate level of cash and federal funds and seeks to maintain that level.

The Bank's investment security portfolio also serves as a source of liquidity. The primary goals of the investment portfolio are liquidity management and maturity gap management. As investment securities mature, the proceeds are reinvested in federal funds sold if the federal funds level needs to be increased; otherwise, the proceeds are reinvested in similar investment securities. The majority of investment security transactions consist of replacing securities that have been called or matured. The Bank keeps a portion of its investment portfolio in unpledged assets with average lives or repricing terms of less than 60 months. These investments are a preferred source of funds because their market value is not as sensitive to changes in interest rates as investments with longer durations.

On September 9, 2024, the Company entered into a $5.0 million unsecured revolving line of credit, with a maturity date of September 9, 2025. On September 5, 2025, this $5.0 million unsecured revolving line of credit was renewed, and as a result the maturity date was changed to September 9, 2026. Interest on the line of credit is variable and is set at the prime rate. At June 30, 2026 and December 31, 2025, there was no balance outstanding under this revolving line of credit.

As a result of the steps described above, management believes that the Company maintains overall liquidity sufficient to satisfy its depositors' requirements and meet its customers' credit needs. The liquidity ratio (the level of liquid assets divided by total deposits plus short-term liabilities) was 6.1% and 7.2% for the periods ended June 30, 2026 and December 31, 2025, respectively. These ratios are considered to be adequate by management.

Capital Resources

A significant measure of the strength of a financial institution is its capital base. Federal regulations have classified and defined capital into the following components: (1) Tier 1 capital, which includes common shareholders' equity and qualifying preferred equity, and (2) Tier 2 capital, which includes a portion of the allowance for credit losses, certain qualifying long-term debt and preferred stock which does not qualify as Tier 1 capital. Financial institutions are also subject to the Basel III requirements, which includes as part of the capital ratios profile the Common Equity Tier 1 risk-based ratio. Minimum capital levels are regulated by risk-based capital adequacy guidelines, which require a financial institution to maintain capital as a percentage of its assets, and certain off-balance sheet items adjusted for predefined credit risk factors (risk-adjusted assets).

Regulatory guidelines relating to capital adequacy provide minimum risk-based ratios at the Bank level which assess capital adequacy while encompassing all credit risks, including those related to off-balance sheet activities. At June 30, 2026, the Bank exceeded minimum regulatory capital requirements and is considered to be "well capitalized."

At June 30, 2026, the Company's equity to asset ratio was 8.65% and the Bank's capital was in excess of regulatory requirements as discussed above. The Company will continue to monitor economic conditions in determining future cash dividends and any requirements for additional capital each quarter. The Company declared and paid dividends of $1.7 million during the first six months of 2026.

Part I. Financial Information

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain information contained in this discussion may include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 as amended. These include statements as to expectations regarding future financial performance and any other statements regarding future results or expectations. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this statement for purposes of these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our plans, strategies, and expectations of the Company, are generally identified by the use of words such as "believe," "expect," "intend," "anticipate," "estimate," or "project" or similar expressions. Our ability to predict results, or the actual effect of future plans or strategies, is inherently uncertain and subject to a number of risks. Factors which could have a material adverse effect on the operations and future prospects of the Company and its subsidiaries include, but are not limited to: changes in interest rates; general economic and financial market conditions; the effect of changes in banking, tax and other laws and regulations and interpretations or guidance thereunder; monetary and fiscal policies of the U.S. government, including policies of the U.S. Treasury and the Federal Reserve Board; inflation; the economic impact of duties, tariffs or other barriers or restrictions on trade, and any retaliatory counter measures, and the volatility and uncertainty arising therefrom; the quality and composition of the loan and securities portfolios; demand for loan products; deposit flows; the ability to maintain secondary funding sources; the Company's capital and liquidity; competition; demand for financial services in the Company's market area; the implementation of new technologies; the ability to develop and maintain secure and reliable electronic systems; political developments, including government shutdowns and other significant disruptions and changes in the funding, size, scope and effectiveness of the federal government, its agencies and services; geopolitical conditions, including acts or threats of terrorism, international hostilities and/or military conflicts; accounting principles, policies, and guidelines; and other factors identified in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections and elsewhere in the Company's Annual Report on 10-K for the year ended December 31, 2025 and this Quarterly Report on Form 10-Q. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or clarify these forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required.

Part I. Financial Information

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is (i) recorded, processed, summarized and reported as and when required and (ii) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

The Company's management is also responsible for establishing and maintaining adequate internal control over financial reporting. There were no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which Skyline is a party or of which any of its property is subject.

Item 1A. Risk Factors

In connection with the information set forth in this Form 10-Q, the factors discussed under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2025 should be considered. These risks could materially and adversely affect our business, financial condition and results of operations. There have been no material changes to the factors discussed in our Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

During the fiscal quarter ended June 30, 2026, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408(a) of Regulation S-K).

Item 6. Exhibits

31.1	Rule 15(d)-14(a) Certification of Chief Executive Officer.
31.2	Rule 15(d)-14(a) Certification of Chief Financial Officer.
32.1	Statement of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
101	The following materials from the Quarterly Report on Form 10-Q for the quarter ended June 30, 2026, formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Shareholders' Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to Unaudited Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

Part II. Other Information

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Skyline Bankshares, Inc.

Date: August 14, 2026

By: /s/ Blake M. Edwards
Blake M. Edwards
President and Chief Executive Officer

By: /s/ Lori C. Vaught
Lori C. Vaught
Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Blake M. Edwards, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Skyline Bankshares, Inc. for the period ended June 30, 2026;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 14, 2026

By: /s/ Blake M. Edwards
Blake M. Edwards
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Lori C. Vaught, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Skyline Bankshares, Inc. for the period ended June 30, 2026;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 14, 2026

By: /s/ Lori C. Vaught
Lori C. Vaught
Chief Financial Officer

Exhibit 32.1

STATEMENT OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. § 1350

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2026 (the "Form 10-Q") of Skyline Bankshares, Inc. (the "Company"), we, Blake M. Edwards, Chief Executive Officer of the Company, and Lori C. Vaught, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge:

(a) the Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(b) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Form 10-Q.

By: /s/ Blake M. Edwards
Blake M. Edwards
President and Chief Executive Officer

Date: August 14, 2026

By: /s/ Lori C. Vaught
Lori C. Vaught
Chief Financial Officer

Date: August 14, 2026