

Peoples Bancorp, Inc.



Annual Report 2025

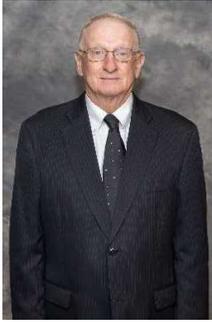
Peoples State Bank

1875

CELEBRATING 150 YEARS

2025

BOARD OF DIRECTORS



Paul B. Finley
Board Chairman
Director Since 2008



Stacy J. Moore
Director Since 2014



Brett A. Lessley
Director Since 2017



Tamara S. Phillips
Director Since 2020



Edward J. Grunloh
Director Since 2020



Adam J. Wolf
Director Since 2023



Jeffrey L. Ochs
Director Since 2024



Kenneth E. Snyder
Director Since 2024

Peoples Bancorp, Inc.

March 20, 2026

Dear Stockholder,

I am pleased to present our 2025 year-end financial results, marking our 150th Anniversary as a tremendously successful year. The bank achieved its twenty-sixth consecutive year of growth, reaching an all-time high in total assets of more than \$700 million. We also set a new earnings record, surpassing \$8 million in net income for the first time in our history.

Total assets ended the year at \$719 million, reflecting a \$24 million increase from the previous year. Over the past five years, the bank has experienced significant growth, with total assets increasing by more than \$198 million (38%). Loan growth continues to be the primary driver of our expansion. Year-end loan balances finished 2025 at \$504 million, up \$35 million from the prior year and \$190 million over the past five years (a 60% increase). The bank's investment portfolio accounts for the majority of the remaining assets and totaled \$162 million at year-end. Regulatory Tier 1 capital remains strong at \$82.6 million, with a capital-to-total-assets ratio of 11.2%, well above the regulatory threshold for a "Well-Capitalized" bank.

Net income for 2025 exceeded \$8 million for the first time, finishing at \$8.17 million. Solid asset growth, coupled with excellent asset quality, drove higher interest income and contributed to an outstanding year. Our Return on Assets (ROA) continues to exceed peer banks in Illinois (those with assets under \$3 billion), at 1.14% compared to 1.06%.

As we near the end of the first quarter of 2026, we are once again off to a great start and are excited about the momentum built over the past several years. Our team works diligently each day to build upon the foundation established by our predecessors. We continue to find success through personal service and by building meaningful, lasting relationships with our clients.

One challenge we continue to monitor closely is the difficult margin environment facing our agricultural producers. Elevated input costs, particularly for seed, fertilizer, chemicals, and equipment, continue to outpace modest commodity prices. Global supply dynamics, trade uncertainty, and weather volatility have further pressured pricing. As an agricultural-focused bank, we are closely monitoring borrower liquidity, working capital, and repayment capacity to identify stress early. While near-term pressures persist, we remain confident in the long-term resilience of our agricultural customers and in the strength of our portfolio management approach.

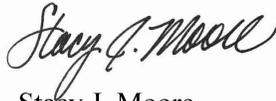
If you have not yet viewed our updated short film highlighting the 150th Anniversary Celebration, you can access it directly on our website at www.psbnewton.com by clicking on “150th Shareholder Dinner and Concert Celebration.” It is a wonderful recap of the weekend’s festivities and something we are all very proud to have been part of.

The Nominating Committee met on February 12, 2026, and proposed the following directors for re-election in 2026: Brett A. Lessley, Jeffrey L. Ochs and Dr. Adam J. Wolf.

Your first quarter dividend was approved in the amount of \$3.00 per share. I welcome all of you to attend the Annual Meeting on April 13, 2026, at 3:30 PM CST in the main bank lobby in Newton.

As always, thank you for your continued trust and support of Peoples Bancorp, Inc. and The Peoples State Bank!

Sincerely,

A handwritten signature in black ink that reads "Stacy J. Moore". The signature is written in a cursive style with a large, stylized 'S'.

Stacy J. Moore
President/CEO

****PLEASE NOTE:** The Independent Auditor’s Report and Consolidated Financial Statements for the fiscal year ending December 31, 2025 are available in a secure portion of our website at www.psbnewton.com under the “About Us” tab. The password is **PSB1875**.



Peoples Bancorp, Inc. and Subsidiary

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2025 and 2024



Peoples Bancorp, Inc. and Subsidiary
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December 31, 2025 and 2024

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Independent Auditor's Report

Board of Directors
Peoples Bancorp, Inc. and Subsidiary
Newton, Illinois

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Forvis Mazars, LLP

**St. Louis, Missouri
February 6, 2026**

Peoples Bancorp, Inc. and Subsidiary
Consolidated Balance Sheets
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and due from banks	\$ 6,574,084	\$ 6,902,151
Restricted cash equivalents	250,000	-
Interest-bearing demand deposits in banks	2,637,681	2,514,278
Federal funds sold	<u>8,342,000</u>	<u>11,551,000</u>
Cash, cash equivalents and restricted cash equivalents	<u>17,803,765</u>	<u>20,967,429</u>
Available-for-sale debt securities, at fair value	151,979,927	157,792,930
Held-to-maturity debt securities	10,397,206	10,834,263
Loans, net of allowance for credit losses of 2025 - \$6,202,572, 2024 - \$5,280,560	504,154,799	469,799,709
Premises and equipment, net of accumulated depreciation of 2025 - \$8,861,842, 2024 - \$8,441,650	6,544,109	6,524,404
Federal Home Loan Bank stock	3,656,200	2,034,500
Interest receivable	7,690,793	7,412,277
Deferred income taxes	7,641,501	9,970,679
Goodwill	194,623	281,121
Core deposits intangible	-	161,269
Bank-owned life insurance	8,922,644	8,667,641
Other assets	<u>710,272</u>	<u>951,758</u>
	<u>701,892,074</u>	<u>674,430,551</u>
Total Assets	<u><u>\$ 719,695,839</u></u>	<u><u>\$ 695,397,980</u></u>

Peoples Bancorp, Inc. and Subsidiary
Consolidated Balance Sheets
December 31, 2025 and 2024

(Continued)

	<u>2025</u>	<u>2024</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Non-interest-bearing demand	\$ 102,972,996	\$ 109,516,401
Interest-bearing	458,412,167	467,931,943
Total Deposits	<u>561,385,163</u>	<u>577,448,344</u>
Securities sold under agreements to repurchase	22,690,489	14,909,601
Federal Home Loan Bank advances	60,860,000	41,000,000
Interest payable	384,813	417,566
Other liabilities	5,209,817	4,488,965
Total Liabilities	<u>650,530,282</u>	<u>638,264,476</u>
Stockholders' Equity		
Common stock, \$6.25 par value; 96,000 shares authorized; issued and outstanding	600,000	600,000
Additional paid-in capital	4,400,000	4,400,000
Retained earnings	77,929,347	71,872,583
Accumulated other comprehensive loss	(13,763,790)	(19,739,079)
Total Stockholders' Equity	<u>69,165,557</u>	<u>57,133,504</u>
Total Liabilities and Stockholders' Equity	<u>\$ 719,695,839</u>	<u>\$ 695,397,980</u>

Peoples Bancorp, Inc. and Subsidiary
Consolidated Statements of Income
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Interest Income		
Loans, including fees	\$ 30,272,603	\$ 27,543,385
Debt securities, taxable	3,773,349	4,067,036
Debt securities, tax exempt	1,126,218	1,058,471
Federal funds sold	890,540	1,023,607
Total Interest Income	<u>36,062,710</u>	<u>33,692,499</u>
Interest Expense		
Deposits	11,204,047	12,012,800
Short-term borrowings	641,249	1,125,062
Federal Home Loan Bank advances	1,478,845	820,029
Total Interest Expense	<u>13,324,141</u>	<u>13,957,891</u>
Net Interest Income	<u>22,738,569</u>	<u>19,734,608</u>
Provision for Credit Loss Expense	900,000	425,000
Net Interest Income After Provision for Credit Loss Expense	<u>21,838,569</u>	<u>19,309,608</u>
Noninterest Income		
Fiduciary activities	88,289	88,499
Service charges on deposits	619,515	682,364
Retail insurance	152,891	149,263
Retail investment	1,397,204	1,422,660
Realized loss on sales of available-for-sale securities	(720,782)	(77,776)
Internet	144,850	163,087
Interchange fees, net of expenses	318,653	310,160
Other	533,253	389,908
Total Noninterest Income	<u>2,533,873</u>	<u>3,128,165</u>

**Peoples Bancorp, Inc. and Subsidiary
Consolidated Statements of Income
Years Ended December 31, 2025 and 2024**

(Continued)

	<u>2025</u>	<u>2024</u>
Noninterest Expense		
Salaries and employee benefits	\$ 8,506,894	\$ 7,882,673
Occupancy expense	888,253	759,576
Equipment expense	709,248	701,230
Professional fees and services	174,375	152,597
Postage, printing and office supplies	343,388	350,813
Advertising	270,849	276,849
Deposit insurance premium	336,000	312,000
Amortization of goodwill	86,498	86,499
Amortization of core deposits	161,269	645,074
Other	1,854,957	1,674,338
	<u>13,331,731</u>	<u>12,841,649</u>
Total Noninterest Expense		
	<u>11,040,711</u>	<u>9,596,124</u>
Income Before Income Taxes		
	<u>2,871,947</u>	<u>2,516,456</u>
Provision for Income Taxes		
	<u>\$ 8,168,764</u>	<u>\$ 7,079,668</u>
Net Income		

Peoples Bancorp, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net Income	<u>\$ 8,168,764</u>	<u>\$ 7,079,668</u>
Other Comprehensive Income (Loss)		
Unrealized appreciation (depreciation) on available-for-sale debt securities, net of taxes of \$2,017,997 in 2025 and \$(101,029) in 2024	5,405,871	(270,611)
Less reclassification adjustment for net realized losses on sales of securities included in net income, net of taxes of \$151,364 in 2025 and \$16,333 in 2024	<u>(569,418)</u>	<u>(61,443)</u>
	<u>5,975,289</u>	<u>(209,168)</u>
Comprehensive Income	<u><u>\$ 14,144,053</u></u>	<u><u>\$ 6,870,500</u></u>

Peoples Bancorp, Inc. and Subsidiary
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2025 and 2024

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2024	\$ 600,000	\$ 4,400,000	\$ 66,520,915	\$ (19,529,911)	\$ 51,991,004
Net income	-	-	7,079,668	-	7,079,668
Other comprehensive loss	-	-	-	(209,168)	(209,168)
Dividends on common stock of \$18.00 per share	-	-	(1,728,000)	-	(1,728,000)
Balance, December 31, 2024	<u>600,000</u>	<u>4,400,000</u>	<u>71,872,583</u>	<u>(19,739,079)</u>	<u>57,133,504</u>
Net income	-	-	8,168,764	-	8,168,764
Other comprehensive income	-	-	-	5,975,289	5,975,289
Dividends on common stock of \$22.00 per share	-	-	(2,112,000)	-	(2,112,000)
Balance, December 31, 2025	<u>\$ 600,000</u>	<u>\$ 4,400,000</u>	<u>\$ 77,929,347</u>	<u>\$ (13,763,790)</u>	<u>\$ 69,165,557</u>

Peoples Bancorp, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Activities		
Net income	\$ 8,168,764	\$ 7,079,668
Items not requiring (providing) cash		
Gain on sale of foreclosed assets	(34,311)	-
Depreciation, amortization, and accretion	1,637,509	2,217,375
Provision for credit loss expense	900,000	425,000
Deferred income taxes	(215,010)	14,787
Net realized losses on available-for-sale debt securities	720,782	77,776
Increase in cash surrender value of bank-owned life insurance	(255,003)	(247,894)
Increase in derivative instrument liability	142,015	-
Changes in		
Interest receivable	(278,516)	(1,452,307)
Other assets	48,658	(62,611)
Interest payable	(32,753)	(600,449)
Other liabilities	290,837	144,513
Net Cash Provided by Operating Activities	<u>11,092,972</u>	<u>7,595,858</u>
Investing Activities		
Purchases of available-for-sale debt securities	(17,696,471)	-
Proceeds from sales of available-for-sale debt securities	19,451,766	4,447,839
Proceeds from maturities, calls, and paydowns of available-for-sale debt securities	10,953,997	10,936,879
Purchases of held-to-maturity debt securities	(1,018,629)	-
Proceeds from maturities of held-to-maturity debt securities	1,408,000	1,296,500
Net change in loans	(35,344,625)	(51,103,284)
Purchases of premises and equipment	(459,355)	(608,187)
Purchases of Federal Home Loan Bank stock	(1,633,700)	(520,000)
Proceeds from redemptions of Federal Home Loan Bank stock	12,000	398,000
Proceeds from sales of foreclosed assets	316,674	68,831
Net Cash Used in Investing Activities	<u>(24,010,343)</u>	<u>(35,083,422)</u>

Peoples Bancorp, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

(Continued)

	<u>2025</u>	<u>2024</u>
Financing Activities		
Net decrease in non-interest bearing deposits in banks	\$ (6,543,405)	\$ (2,447,357)
Net increase (decrease) in interest-bearing deposits	(9,519,776)	22,771,794
Net increase (decrease) in securities sold under agreements to repurchase	7,780,888	(7,215,042)
Proceeds from Federal Home Loan Bank advances	252,361,000	200,000,000
Repayment of Federal Home Loan Bank advances	(232,501,000)	(173,000,000)
Proceeds from Federal Reserve Bank Term Funding Program	-	20,000,000
Repayment of Federal Reserve Bank Term Funding Program	-	(40,000,000)
Dividends paid	(1,824,000)	(1,728,000)
	<u>9,753,707</u>	<u>18,381,395</u>
Net Cash Provided by Financing Activities		
Cash, Cash Equivalents and Restricted Cash Equivalents		
Decrease	(3,163,664)	(9,106,169)
Beginning of year	20,967,429	30,073,598
	<u>20,967,429</u>	<u>30,073,598</u>
End of Year		
	<u>\$ 17,803,765</u>	<u>\$ 20,967,429</u>
Supplemental Cash Flows Information		
Interest paid	\$ 13,356,894	\$ 14,558,340
Income taxes paid	2,967,209	2,552,513
Dividends declared, not yet paid	1,440,000	1,152,000
Real estate acquired in settlement of loans	89,535	277,919

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Peoples Bancorp, Inc. (“Company”) is a financial holding company whose principal activity is the ownership and management of its wholly-owned subsidiary, The Peoples State Bank of Newton (“Bank”).

The Bank generates commercial (including agricultural), mortgage and consumer loans and receives deposits from customers located primarily in east-central Illinois. In addition to traditional banking services, the Bank also offers a full range of financial products and services through Commonwealth Financial Network. The Bank also provides wireless internet service to a limited number of communities. The Bank is subject to competition from other financial institutions. The Bank operates under a state bank charter and is subject to the regulations of certain federal and state agencies, and undergoes periodic examinations by those regulatory authorities.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

A material estimate that is particularly susceptible to significant change relates to the determination of the allowance for credit losses.

Cash Equivalents and Restricted Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2025 and 2024, cash equivalents consisted primarily of interest bearing and non-interest bearing demand deposits in banks and federal funds sold. Included in Restricted Cash Equivalents on the consolidated balance sheets is a restricted cash account totaling \$250,000 for cash collateral held related to the derivative financial instrument further described in Note 10.

At December 31, 2025, the Company’s cash accounts did not exceed federally insured limits.

Debt Securities

Certain debt securities that management has the positive intent and ability to hold to maturity are classified as “held to maturity” and recorded at amortized cost, net of allowance for credit losses. Securities not classified as held to maturity are classified as “available-for-sale” and recorded at fair value, with unrealized gains and losses (for those for which no allowance for credit losses is recorded) excluded from earnings and reported in other comprehensive income (loss). Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sales of securities are recorded on the trades dates and are determined using the specific identification method.

Allowance for Credit Losses – Held-to-Maturity Debt Securities

The allowance for credit losses on held-to-maturity securities is a contra-asset valuation account that is deducted from the amortized cost basis of held-to-maturity securities to present the Company's best estimate of the net amount expected to be collected. Held-to-maturity securities are charged off against the allowance when deemed uncollectible. Adjustments to the allowance are reported in the consolidated statements of income as a component of credit loss expense. The Company measures expected credit losses on held-to-maturity securities on a collective basis by major security type with each type sharing similar risk characteristics and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The Company excludes accrued interest receivable on held-to-maturity securities, which was \$44,753 and \$56,706 at December 31, 2025 and 2024, respectively, from the estimate of credit losses. The allowance for credit losses on held-to-maturity securities is described more fully in Note 2.

Allowance for Credit Losses – Available-for-Sale Debt Securities

For available-for-sale securities in an unrealized loss position, the Company first assesses whether (i) there is intention to sell or (ii) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If either case is affirmative, any previously recognized allowances are charged off and the security's amortized cost is written down to fair value through income. If neither case is affirmative, the security is evaluated to determine whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency and any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss). Adjustments to the allowance are reported in the consolidated statements of income as a component of credit loss expense. The Company excludes accrued interest receivable on available-for-sale securities, which was \$710,187 and \$801,209 at December 31, 2025 and 2024, respectively, from the estimate of credit losses. Available-for-sale securities are charged off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by management or when either of the aforementioned criteria regarding intent or requirement to sell is met.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for unearned income, charge-offs, and the allowance for credit losses.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past-due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses – Loans

The allowance for credit losses on loans on loans is established as losses are expected to occur through a provision for credit losses charged to income. Credit losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for credit losses is evaluated on a regular basis by management.

Groups of loans with similar risk characteristics are collectively evaluated. Loans that do not share risk characteristics are evaluated on an individual basis. Loans with similar risk characteristics are grouped into homogenous segments, or pools, for analysis.

Management estimated the allowance balance using relevant available information from both internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience of the Company, paired with economic forecasts provide the basis for the quantitative modeled estimates of expected credit losses.

The Company qualitatively adjusts model results for risk factors that are not considered within the modeling processes but are nonetheless relevant in assessing the expected credit losses within the loan pools. These qualitative factors and other qualitative adjustments may increase or decrease the Company's estimate of expected credit losses by a calculated percentage or amount based upon the estimated level of risk. The various risks that may be considered in making qualitative adjustments include, among other things, the impact of:

- (A) Changes in lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries
- (B) Actual and expected changes in international, national, regional, and local economic and business conditions and developments that affect the collectibility of the loan pools
- (C) Changes in the nature and volume of the loan pools and in the terms of the underlying loans
- (D) Changes in the experience, ability, and depth of our lending management and staff
- (E) Changes in volume and severity of past due financial assets, the volume of non-accrual assets, and the volume and severity of adversely classified or graded assets
- (F) Changes in the quality of our credit review function
- (G) Changes in the value of the underlying collateral for loans that are non-collateral dependent
- (H) The existence, growth, and effect of any concentrations of credit
- (I) Other factors such as the regulatory, legal and technological environments; competition; and events such as natural disasters or health pandemics

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company uses the average historical loss method to measure the quantitative portion of the allowance for credit losses over the forecast and reversion periods. The following portfolio segments have been identified: agricultural real estate, agricultural production, commercial real estate, commercial and industrial, residential real estate, consumer vehicle, and consumer other. Residential real estate, consumer vehicle and consumer other loans are largely secured by underlying residential real estate or consumer collateral. Repayment of these loans is dependent on general economic conditions and unemployment levels in the Company's market area. Agricultural real estate, agricultural production, commercial real estate, and commercial and industrial loans primarily consist of income producing real estate and related business, farm, and subdivision assets. Repayment of these loans depends, to a large degree, on the results of operations, cash flow and management of the related business, farms or subdivisions. These loans may be affected largely by adverse commerce conditions or the economy in general. Accordingly, the nature of these loans makes them more difficult for management to monitor and evaluate.

Peoples Bancorp, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Loans that do not share risk characteristics are evaluated on an individual basis. A loan is individually evaluated for allowance for credit loss when the scheduled payments of principal or interest when due are not expected to occur according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due.

Expected credit losses are estimated over the contractual terms of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a loan modified to a borrower experiencing financial difficulty will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

The Company excludes accrued interest receivable on loans, which was \$6,935,853 and \$6,554,362 at December 31, 2025 and 2024, respectively, from the estimate of credit losses.

Allowance for Credit Losses – Off-Balance-Sheet Credit Exposures

The allowance for credit losses on off-balance-sheet credit exposures is a liability account, representing expected credit losses over the contractual period for which the Company is exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if the Company has the unconditional right to cancel the obligation. The allowance is reported as a component of other liabilities in the consolidated balance sheets. Adjustments to the allowance are reported in the consolidated statements of income as a component of provision for credit loss expense. The allowance for credit losses for off-balance-sheet exposures was \$242,669 at December 31, 2025 and 2024.

Premises and Equipment

Land is carried at cost. Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense on the straight-line basis over the estimated useful life of the asset.

The estimated useful lives for each major depreciable classification of premises and equipment are as follows:

Buildings and improvements	35 to 39 years
Equipment	3 to 10 years

Goodwill

The Company has elected the private company accounting alternative for amortizing goodwill. Under this alternative, goodwill is amortized on a straight-line basis over 10 years. The Company tests goodwill for impairment when there is a triggering event indicating that the fair value of the entity may be below its carrying amount.

In testing goodwill for impairment, the Company has the option first to perform a qualitative assessment to determine whether it is more likely than not that goodwill is impaired or the entity can bypass the qualitative assessment and proceed directly to the quantitative test by comparing the carrying amount, including goodwill, of the entity with its fair value. The goodwill impairment loss, if any, is measured as the amount by which the carrying amount of an entity, including goodwill, exceeds its fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements. There was no triggering event during the years ended December 31, 2025 and 2024.

Intangible Assets

Intangible assets with finite lives are being amortized on the straight-line basis over a period of seven years. Such assets are periodically evaluated as to the recoverability of carrying values.

Long-Lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value, and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2025 and 2024.

Federal Home Loan Bank Stock

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment. Both cash and stock dividends are reported as income.

Foreclosed Assets Held for Sale

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

Bank-owned Life Insurance

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

Derivatives

Derivatives are recognized in other liabilities on the consolidated balance sheets and measured at fair value. The fair value is based on dealer quotes, pricing models, discounted cash flow methodologies, or similar techniques for which the determination of fair value may require significant management judgment or estimation. Derivatives used as a hedge of the fair value of the recognized asset or liability are considered fair value hedges. Derivatives used to hedge exposure to variability in expected future cash flows are considered cash flow hedges. To qualify for hedge accounting, the Company must comply with detailed rules and documentation requirements at the inception of the hedge, and hedge effectiveness is assessed at inception and periodically throughout the life of the hedging relationship. The Company's derivative is a fair value hedge.

For derivatives designated as fair value hedges, changes in the fair value of the derivative along with the loss or gain on the hedged asset or liability that is attributable to the hedged risk are recorded in current period earnings.

The Company does not use derivatives for trading or speculative purposes.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, the tax position will be realized or sustained upon examination. The term “more likely than not” means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management’s judgment.

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

The Company files consolidated income tax returns with its subsidiary.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes unrealized appreciation (depreciation) on available-for-sale debt securities and the reclassification adjustment for realized losses on sales of available-for-sale debt securities.

Transfers of Financial Assets

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

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Note 2. Securities

Amounts related to securities, including the amortized cost and approximate fair values, together with gross unrealized gains and losses and any allowance for credit losses recognized in accumulated other comprehensive loss, are as follows:

	2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities				
U.S. Government and federal agencies	\$ 3,807,318	\$ -	\$ (449,043)	\$ 3,358,275
Corporate bonds	4,750,000	-	(426,620)	4,323,380
Mortgage-backed securities	111,916,007	84,650	(12,215,466)	99,785,191
State and political subdivisions	50,708,762	25,640	(6,221,321)	44,513,081
	<u>\$ 171,182,087</u>	<u>\$ 110,290</u>	<u>\$ (19,312,450)</u>	<u>\$ 151,979,927</u>
	2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities				
U.S. Government and federal agencies	\$ 9,748,423	\$ -	\$ (1,052,364)	\$ 8,696,059
Corporate bonds	5,750,000	-	(724,472)	5,025,528
Mortgage-backed securities	113,984,379	132,177	(17,280,754)	96,835,802
State and political subdivisions	56,031,764	27	(8,796,250)	47,235,541
	<u>\$ 185,514,566</u>	<u>\$ 132,204</u>	<u>\$ (27,853,840)</u>	<u>\$ 157,792,930</u>

All mortgage-backed debt securities are with government sponsored enterprises (GSEs) such as Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation.

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The amortized cost and approximate fair values, together with gross unrealized gains and losses, of held-to-maturity securities are as follows:

	2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-Maturity Securities				
State and political subdivisions	\$ 10,397,206	\$ 9,273	\$ (182,246)	\$ 10,224,233
	2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-Maturity Securities				
State and political subdivisions	\$ 10,834,263	\$ 968	\$ (327,008)	\$ 10,508,223

The amortized cost and fair value of available-for-sale debt securities and held-to-maturity debt securities at December 31, 2025 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	\$ -	\$ -	\$ 1,378,022	\$ 1,379,480
After one year through five years	13,966,015	13,136,171	5,492,178	5,435,012
After five years through 10 years	19,151,126	17,032,759	1,509,000	1,508,692
After 10 years	26,148,939	22,025,806	2,018,006	1,901,049
	59,266,080	52,194,736	10,397,206	10,224,233
Mortgage-backed securities	111,916,007	99,785,191	-	-
	<u>\$ 171,182,087</u>	<u>\$ 151,979,927</u>	<u>\$ 10,397,206</u>	<u>\$ 10,224,233</u>

The carrying value of securities pledged as collateral, to secure public deposits and for other purposes, was \$63,370,350 and \$64,892,413 at December 31, 2025 and 2024, respectively.

Gross gains of \$39,928 and \$0 and gross losses of \$760,710 and \$77,776 resulting from sales of available-for-sale debt securities were realized during the years ended December 31, 2025 and 2024, respectively.

Certain investments in debt securities are reported in the consolidated financial statements at an amount less than historical cost. Total fair value of these investments at December 31, 2025 and 2024 was \$142,522,695 and \$155,062,779, which is approximately 88% and 92%, respectively, of the Company's available-for-sale debt securities portfolio.

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

	2025					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale						
U.S. government and federal agencies	\$ -	\$ -	\$ 3,358,275	\$ (449,043)	\$ 3,358,275	\$ (449,043)
Corporate bonds	-	-	4,323,380	(426,620)	4,323,380	(426,620)
Mortgage-backed securities	11,028,022	(82,728)	77,160,879	(12,132,738)	88,188,901	(12,215,466)
State and political subdivisions	-	-	43,626,192	(6,221,321)	43,626,192	(6,221,321)
	<u>\$ 11,028,022</u>	<u>\$ (82,728)</u>	<u>\$ 128,468,726</u>	<u>\$ (19,229,722)</u>	<u>\$ 139,496,748</u>	<u>\$ (19,312,450)</u>

	2024					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale						
U.S. government and federal agencies	\$ -	\$ -	\$ 8,696,059	\$ (1,052,364)	\$ 8,696,059	\$ (1,052,364)
Corporate bonds	-	-	5,025,528	(724,472)	5,025,528	(724,472)
Mortgage-backed securities	2,056,828	(3,041)	86,275,635	(17,277,713)	88,332,463	(17,280,754)
State and political subdivisions	-	-	47,075,514	(8,796,250)	47,075,514	(8,796,250)
	<u>\$ 2,056,828</u>	<u>\$ (3,041)</u>	<u>\$ 147,072,736</u>	<u>\$ (27,850,799)</u>	<u>\$ 149,129,564</u>	<u>\$ (27,853,840)</u>

	2025					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Held-to-Maturity						
State and political subdivisions	\$ 284,692	\$ (308)	\$ 2,741,255	\$ (181,938)	\$ 3,025,947	\$ (182,246)

	2024					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Held-to-Maturity						
State and political subdivisions	\$ 2,440,155	\$ (24,464)	\$ 3,493,060	\$ (302,544)	\$ 5,933,215	\$ (327,008)

Unrealized losses on available-for-sale debt securities have not been recorded as an allowance for credit loss because the Company does not intend to sell the securities prior to their anticipated recovery and the decline in fair value is largely due to changes in interest rates and other market conditions.

As of December 31, 2025, the Company's investment portfolio consisted of 245 securities, of which 206 were in an unrealized loss position.

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For the Company's investments in each type of security having significant unrealized losses, without a recorded allowance for credit loss, note the following:

U.S. Government and Federal Agencies and Corporate Bonds

The unrealized losses on the Company's investments in direct obligations of U.S. government and federal agencies and corporate bonds were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at prices less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of its amortized cost bases, which may be maturity, the Company has not recorded an allowance for credit losses at December 31, 2025.

Mortgage-backed Securities

The unrealized losses on the Company's investments in residential mortgage-backed securities were caused by changes in interest rates and illiquidity. The Company expects to recover the amortized cost bases over the terms of the debt securities. Because the decline in market value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of its amortized cost bases, which may be maturity, the Company has not recorded an allowance for credit losses at December 31, 2025.

State and Political Subdivisions

The unrealized losses on the Company's investments in securities of state and political subdivisions were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at prices less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of its amortized cost bases, which may be maturity, the Company has not recorded an allowance for credit losses at December 31, 2025.

The Company had no credit losses on available-for-sale or held-to-maturity debt securities for which an allowance for credit losses was recorded for the years ended December 31, 2025 and 2024.

Credit Quality Indicators

The Company monitors the credit quality of held-to-maturity debt securities through the use of credit ratings. The credit ratings are monitored on a quarterly basis. The following table summarizes the amortized cost of held-to-maturity securities at December 31, 2025 and 2024, aggregated by credit quality indicator:

	<u>2025</u>	<u>2024</u>
	<u>State and Political Subdivisions</u>	<u>State and Political Subdivisions</u>
Investment grade (ratings at or above BBB-*)	\$ 4,829,842	\$ 5,759,907
Non-rated	<u>5,567,364</u>	<u>5,074,356</u>
Total	<u>\$ 10,397,206</u>	<u>\$ 10,834,263</u>

*As determined by S&P Global ratings scale.

The Company had no held-to-maturity debt securities on nonaccrual or past due over 89 days still on accrual as of December 31, 2025 and 2024 or during the years ended December 31, 2025 and 2024.

A security is considered to be past due once it is 30 days contractually past due under the terms of the agreement. As of December 31, 2025 and 2024, the Company had no past due held-to-maturity debt securities.

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Note 3. Loans and Allowance for Credit Loss

Classes of loans at December 31, 2025 and 2024 include:

	<u>2025</u>	<u>2024</u>
Agricultural Real Estate	\$ 129,272,693	\$ 118,449,958
Agricultural Production	75,648,625	72,022,152
Commercial Real Estate	102,221,874	90,248,077
Commercial and Industrial	106,098,165	101,128,307
Residential Real Estate	79,757,135	76,060,989
Consumer Vehicle	6,150,313	6,895,144
Consumer Other	<u>11,208,566</u>	<u>10,275,642</u>
Gross loans	510,357,371	475,080,269
Less		
Allowance for credit losses	<u>6,202,572</u>	<u>5,280,560</u>
Net loans	<u>\$ 504,154,799</u>	<u>\$ 469,799,709</u>

The following tables present the balance in the allowance for credit losses based on portfolio segment as of December 31, 2025 and 2024:

	<u>2025</u>							
	<u>Agricultural Real Estate</u>	<u>Agricultural Production</u>	<u>Commercial Real Estate</u>	<u>Commercial & Industrial</u>	<u>Residential Real Estate</u>	<u>Consumer Vehicle</u>	<u>Consumer Other</u>	<u>Total</u>
Allowance for credit losses								
Beginning balance	\$ 1,311,257	\$ 883,048	\$ 1,348,981	\$ 1,096,519	\$ 419,788	\$ 96,519	\$ 124,448	\$ 5,280,560
Provision (recovery) charged to expense	421,945	(33,033)	205,447	151,227	65,541	22,375	66,498	900,000
Losses charged off	-	-	-	(58,000)	-	(14,028)	(28,058)	(100,086)
Recoveries	-	-	-	53,363	50,000	403	18,332	122,098
Ending balance	<u>\$ 1,733,202</u>	<u>\$ 850,015</u>	<u>\$ 1,554,428</u>	<u>\$ 1,243,109</u>	<u>\$ 535,329</u>	<u>\$ 105,269</u>	<u>\$ 181,220</u>	<u>\$ 6,202,572</u>

	<u>2024</u>							
	<u>Agricultural Real Estate</u>	<u>Agricultural Production</u>	<u>Commercial Real Estate</u>	<u>Commercial & Industrial</u>	<u>Residential Real Estate</u>	<u>Consumer Vehicle</u>	<u>Consumer Other</u>	<u>Total</u>
Allowance for credit losses								
Beginning balance	\$ 1,211,991	\$ 912,656	\$ 1,496,613	\$ 857,895	\$ 558,721	\$ 95,303	\$ 137,505	\$ 5,270,684
Provision (recovery) charged to expense	99,266	(29,608)	133,863	307,038	(131,843)	45,328	956	425,000
Losses charged off	-	-	(281,495)	(68,644)	(10,203)	(44,395)	(29,863)	(434,600)
Recoveries	-	-	-	230	3,113	283	15,850	19,476
Ending balance	<u>\$ 1,311,257</u>	<u>\$ 883,048</u>	<u>\$ 1,348,981</u>	<u>\$ 1,096,519</u>	<u>\$ 419,788</u>	<u>\$ 96,519</u>	<u>\$ 124,448</u>	<u>\$ 5,280,560</u>

Internal Risk Categories

The Company's internal credit exposure grading system is based on experiences with similarly graded loans. All loan relationships with a minimum aggregate balance of \$400,000 or greater are reviewed on an annual basis. Based on this review, a risk rating is applied to each credit relationship. Exceptions to this policy will be agricultural borrowers whose total debt consists of real estate secured loans on a structured repayment program and consumer customers whose total debt consists of residential real estate and other secured debt on a structured repayment program.

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The Company's internal risk ratings are as follows:

Pass – Credits range from minimal (A) to average (B) to acceptable risk (C). Borrowers have satisfactory liquidity, asset quality, debt capacity, a good credit rating and adequate collateral coverage. Fluctuating earnings may be reflected but the borrowers have sufficient financial strength to compensate for these economic events.

Special Mention – Credits have specific weaknesses or downward trends which may pose a threat if left uncorrected. Borrowers may have limited debt capacity, marginal asset quality, and/or minimal liquidity indicating above average risk. The borrower is performing as agreed but may be adversely affected by developing problems or economic conditions. They could be in a turnaround situation. No loss of principal or interest is expected but they are potentially weak and maintain a marginal position. As of December 31, 2025 and 2024, the Company had no loans with a special mention rating that had not been charged off. As such, this category has not been included in the following tables.

Substandard – Credits have well defined weaknesses that jeopardize repayment. The Company may be inadequately protected by current net worth, payment capacity or value of collateral. There is a possibility of a partial loss of principal and/or interest if these weaknesses are not corrected. Significant deterioration in cash flow based on delinquency status or reliance on a secondary source of repayment is evident.

Doubtful – Circumstances as outlined in the Substandard category plus other weaknesses that make collection or liquidation in full highly questionable. The borrower has failed to meet prior agreements. Serious problems exist and the potential for a loss of principal is likely. An actual loss has not been identified because of pending factors including a liquidation process, additional collateral, refinancing or an infusion of capital which may strengthen the credit. As of December 31, 2025 and 2024, the Company had no loans with a doubtful rating that had not been charged off. As such, this category has not been included in the following tables.

Loss – These credits are generally deemed uncollectible. There may be recovery value. However, it is not desirable to defer a write off even though partial recovery may occur. Loans are not maintained as a bankable asset while long term recovery is attempted. Credits in this category should be accompanied with a recommendation for charge off to affect timely recognition of loan losses. This is a one-time risk rating. As of December 31, 2025 and 2024, the Company had no loans with a loss rating that had not been charged off. As such, this category has not been included in the following tables.

Risk characteristics applicable to each segment of the loan portfolio are described as follows:

Agricultural Real Estate and Commercial Real Estate: Agricultural real estate and commercial real estate loans typically involve larger principal amounts, and repayment of these loans is generally dependent on the successful operations of the property securing the loan or the business conducted on the property securing the loan. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Company's market areas.

Agricultural Production and Commercial and Industrial Loans: The agricultural production and commercial and industrial portfolios include loans to agricultural and commercial customers for use in financing working capital needs, equipment purchases and expansions. The loans in these categories are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations.

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Residential Real Estate: Residential estate loans include 1-4 family real estate loans that are generally secured by owner-occupied 1-4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Company's market areas that might impact either property values or a borrower's personal income. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Consumer Vehicle and Consumer Other: The consumer loan portfolio consists of various term and line of credit loans such as automobile loans and loans for other personal purposes. Repayment for these types of loans will come from a borrower's income source that are typically independent of the loan purpose. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the Company's market area) and the creditworthiness of a borrower.

The following tables present the credit risk profile of the Company's loan portfolio based on internal rating category as of December 31, 2025 and 2024:

		2025							
		<u>Agricultural Real Estate</u>	<u>Agricultural Production</u>	<u>Commercial Real Estate</u>	<u>Commercial & Industrial</u>	<u>Residential Real Estate</u>	<u>Consumer Vehicle</u>	<u>Consumer Other</u>	<u>Total</u>
Grade	Pass	\$ 124,876,392	\$ 73,099,020	\$ 96,347,545	\$ 102,637,088	\$ 78,966,679	\$ 6,127,262	\$ 11,139,102	\$ 493,193,088
	Substandard	4,396,301	2,549,605	5,874,329	3,461,077	790,456	23,051	69,464	17,164,283
		<u>\$ 129,272,693</u>	<u>\$ 75,648,625</u>	<u>\$ 102,221,874</u>	<u>\$ 106,098,165</u>	<u>\$ 79,757,135</u>	<u>\$ 6,150,313</u>	<u>\$ 11,208,566</u>	<u>\$ 510,357,371</u>

		2024							
		<u>Agricultural Real Estate</u>	<u>Agricultural Production</u>	<u>Commercial Real Estate</u>	<u>Commercial & Industrial</u>	<u>Residential Real Estate</u>	<u>Consumer Vehicle</u>	<u>Consumer Other</u>	<u>Total</u>
Grade	Pass	\$ 117,576,115	\$ 70,720,520	\$ 85,827,448	\$ 99,887,749	\$ 75,550,330	\$ 6,895,144	\$ 10,244,180	\$ 466,701,486
	Substandard	873,843	1,301,632	4,420,629	1,240,558	510,659	-	31,462	8,378,783
		<u>\$ 118,449,958</u>	<u>\$ 72,022,152</u>	<u>\$ 90,248,077</u>	<u>\$ 101,128,307</u>	<u>\$ 76,060,989</u>	<u>\$ 6,895,144</u>	<u>\$ 10,275,642</u>	<u>\$ 475,080,269</u>

The Company evaluates the loan risk grading system definitions and the allowance for credit loss methodology on an ongoing basis. No significant changes were made during the past year.

The following tables present the Company's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2025 and 2024:

		2025					
		<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Greater Than 89 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans</u>
Agricultural Real Estate	\$	625,178	-	-	625,178	\$ 128,647,515	\$ 129,272,693
Agricultural Production		169,864	374,005	-	543,869	75,104,756	75,648,625
Commercial Real Estate		16,693	-	1,327,790	1,344,483	100,877,391	102,221,874
Commercial and Industrial		626,347	57,000	513,732	1,197,079	104,901,086	106,098,165
Residential Real Estate		467,307	-	28,051	495,358	79,261,777	79,757,135
Consumer Vehicle		51,059	31,800	15,735	98,594	6,051,719	6,150,313
Consumer Other		51,419	7,929	23,550	82,898	11,125,668	11,208,566
		<u>\$ 2,007,867</u>	<u>\$ 470,734</u>	<u>\$ 1,908,858</u>	<u>\$ 4,387,459</u>	<u>\$ 505,969,912</u>	<u>\$ 510,357,371</u>

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	2024					Total Loans
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days	Total Past Due	Current	
Agricultural Real Estate	\$ -	\$ -	\$ 351,621	\$ 351,621	\$ 118,098,337	\$ 118,449,958
Agricultural Production	20,599	73,784	-	94,383	71,927,769	72,022,152
Commercial Real Estate	53,412	-	423,479	476,891	89,771,186	90,248,077
Commercial and Industrial	824,216	23,988	352,231	1,200,435	99,927,872	101,128,307
Residential Real Estate	459,659	32,078	3,097	494,834	75,566,155	76,060,989
Consumer Vehicle	18,268	18,970	4,218	41,456	6,853,688	6,895,144
Consumer Other	17,323	1,600	35,396	54,319	10,221,323	10,275,642
	<u>\$ 1,393,477</u>	<u>\$ 150,420</u>	<u>\$ 1,170,042</u>	<u>\$ 2,713,939</u>	<u>\$ 472,366,330</u>	<u>\$ 475,080,269</u>

The following tables present the Company's nonaccrual loans at December 31, 2025 and 2024:

	2025		
	Nonaccrual with No ACL	Nonaccrual	Loans Past Due Over 89 Days and Still Accruing
Agricultural Real Estate	\$ -	\$ -	\$ -
Agricultural Production	-	-	-
Commercial Real Estate	338,036	1,327,790	-
Commercial and Industrial	41,887	513,732	-
Residential Real Estate	-	-	28,051
Consumer Vehicle	10,957	15,735	-
Consumer Other	-	9,750	13,800
	<u>\$ 390,880</u>	<u>\$ 1,867,007</u>	<u>\$ 41,851</u>

	2024		
	Nonaccrual with No ACL	Nonaccrual	Loans Past Due Over 89 Days and Still Accruing
Agricultural Real Estate	\$ 351,621	\$ 351,621	\$ -
Agricultural Production	-	-	-
Commercial Real Estate	423,479	423,479	-
Commercial and Industrial	348,231	348,231	4,000
Residential Real Estate	1,175	1,175	1,922
Consumer Vehicle	4,218	4,218	-
Consumer Other	23,062	35,396	-
	<u>\$ 1,151,786</u>	<u>\$ 1,164,120</u>	<u>\$ 5,922</u>

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

	2025		
	Commercial Real Estate	Business Assets	Vehicle
Agricultural Real Estate	\$ -	\$ -	\$ -
Agricultural Production	-	-	-
Commercial Real Estate	2,371,449	-	-
Commercial and Industrial	-	-	-
Residential Real Estate	-	-	-
Consumer Vehicle	-	-	-
Consumer Other	-	-	18,514
	<u>\$ 2,371,449</u>	<u>\$ -</u>	<u>\$ 18,514</u>

	2024		
	Commercial Real Estate	Business Assets	Vehicle
Agricultural Real Estate	\$ -	\$ -	\$ -
Agricultural Production	-	-	-
Commercial Real Estate	937,619	-	-
Commercial and Industrial	-	-	-
Residential Real Estate	-	-	-
Consumer Vehicle	-	-	-
Consumer Other	-	-	12,344
	<u>\$ 937,619</u>	<u>\$ -</u>	<u>\$ 12,344</u>

The Company had four commercial and industrial loans to a borrower experiencing financial difficulty with total outstanding balance of \$808,523 at December 31, 2025. The modifications to these loans were modifications to the terms of the loans. The Company had no loans modified to borrowers experiencing financial difficulty as of and during the year ended December 31, 2024.

The following tables present financing receivables purchased and/or sold during the year by portfolio segment:

	2025							
	Agricultural Real Estate	Agricultural Production	Commercial Real Estate	Commercial & Industrial	Residential Real Estate	Consumer Vehicle	Consumer Other	Total
Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	\$ 123,300	\$ -	\$ 11,000,000	\$ -	\$ 1,330,075	\$ -	\$ -	\$ 12,453,375

	2024							
	Agricultural Real Estate	Agricultural Production	Commercial Real Estate	Commercial & Industrial	Residential Real Estate	Consumer Vehicle	Consumer Other	Total
Purchases	\$ -	\$ -	\$ -	\$ 609,375	\$ -	\$ -	\$ -	\$ 609,375
Sales	\$ 259,200	\$ -	\$ 1,750,000	\$ 1,575,000	\$ 719,100	\$ -	\$ -	\$ 4,303,300

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Note 4. Loan Servicing

Loans serviced for others are not included in the accompanying consolidated balance sheets. The risks inherent in mortgage servicing assets relate primarily to changes in prepayments that result from shifts in mortgage interest rates. The unpaid principal balances of mortgage and other loans serviced for others were \$67,314,708 and \$60,401,161 at December 31, 2025 and 2024, respectively.

Note 5. Premises and Equipment

Major classifications of premises and equipment, stated at cost, are as follows:

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 651,503	\$ 651,503
Buildings and improvements	9,205,000	8,938,871
Equipment	<u>5,549,448</u>	<u>5,375,680</u>
Less accumulated depreciation	<u>8,861,842</u>	<u>8,441,650</u>
Net premises and equipment	<u>\$ 6,544,109</u>	<u>\$ 6,524,404</u>

Note 6. Goodwill and Core Deposit Intangibles

The carrying basis and accumulated amortization of recognized intangible assets at December 31, 2025 and 2024 were:

	<u>2025</u>	<u>2024</u>
Goodwill	\$ 2,076,025	\$ 2,076,025
Accumulated amortization	(1,881,402)	(1,794,904)
Core deposit intangible	4,635,137	4,635,137
Accumulated amortization	<u>(4,635,137)</u>	<u>(4,473,868)</u>
	<u>\$ 194,623</u>	<u>\$ 442,390</u>

Amortization expense for each of the years ended December 31, 2025 and 2024, was \$247,767 and \$731,573, respectively. Estimated amortization expense for each of the following three years is:

2026	\$ 86,499
2027	86,499
2028	<u>21,625</u>
	<u>\$ 194,623</u>

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Note 7. Federal Home Loan Bank Advances

At December 31, 2025, the Company has secured lines of credit and outstanding letters of credit with the Federal Home Loan Bank, which are both secured by loans with a total collateral value of \$208,481,870.

Lines of Credit

At December 31, 2025 and 2024, the Company had \$60,860,000 and \$41,000,000 in borrowings under this credit facility. The advances are shown as follows:

December 31, 2025		
Amount	Interest Rate	Due Date
\$ 5,000,000	3.88%	January 5, 2026
5,000,000	3.80%	January 12, 2026
5,000,000	3.81%	January 20, 2026
5,000,000	3.81%	January 26, 2026
5,000,000	4.13%	March 2, 2026
8,000,000	3.33%	August 24, 2026
400,000	1.84%	August 25, 2026
5,000,000	3.94%	August 28, 2026
4,000,000	3.24%	November 24, 2026
5,000,000	3.67%	April 1, 2027
400,000	3.16%	May 25, 2027
11,000,000	3.12%	November 24, 2027
2,060,000	3.08%	November 27, 2028

December 31, 2024		
Amount	Interest Rate	Due Date
\$ 5,000,000	4.58%	January 6, 2025
7,000,000	4.49%	January 13, 2025
7,000,000	4.44%	January 21, 2025
7,000,000	4.44%	January 27, 2025
5,000,000	4.40%	August 28, 2025
5,000,000	4.13%	March 2, 2026
5,000,000	3.94%	August 28, 2026

Outstanding Letters of Credit

At December 31, 2025, the Company has 10 outstanding letters of credit from the FHLB in the amount of \$116,000,000 that are used to secure certain governmental deposits over and above FDIC limits. The letters of credit have initial terms of one year and then will automatically renew on the anniversary of their respective settlement dates, which are February, July, August, September and October 2025.

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Note 8. Interest-Bearing Deposits

A summary of interest-bearing deposits at December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Interest-bearing demand	\$ 129,330,692	\$ 136,160,878
Savings	111,776,189	112,540,977
Time deposits		
Less than \$250,000	130,042,032	119,420,972
\$250,000 or more	87,263,254	74,924,741
Brokered	<u>-</u>	<u>24,884,375</u>
Net premises and equipment	<u>\$ 458,412,167</u>	<u>\$ 467,931,943</u>

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

2026	\$ 200,965,589
2027	13,844,377
2028	1,661,098
2029	403,261
2030	<u>430,961</u>
	<u>\$ 217,305,286</u>

During 2025, the remaining gross balance of \$25,000,000 of brokered deposits was called and redeemed.

Note 9. Short-term Borrowings

Short-term borrowings consists of securities sold under repurchase agreements and federal funds purchased. Securities sold under repurchase agreements consist of obligations of the Company to other parties were \$22,690,489 and \$14,909,601 at December 31, 2025 and 2024. There were no federal funds purchased at December 31, 2025 and 2024.

These repurchase agreements are collateralized by investments in debt securities consisting of obligations of U.S. government and federal agencies and state and political subdivisions which had an aggregate fair value of \$28,118,993 and \$22,355,284 at December 31, 2025 and 2024, respectively.

The Company may be required to provide additional collateral securing the borrowings in the event of principal pay downs, a decrease in the market value of the pledged securities, etc. The Company mitigates this risk by monitoring the market value and liquidity of the collateral and ensuring that it holds a sufficient level of eligible securities to cover potential increases in collateral requirements.

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The average balance and maximum month-end balance of securities sold under agreements to repurchase for the years ended December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Average balance outstanding	\$ 21,205,775	\$ 17,056,952
Maximum month-end balance outstanding	27,737,024	23,177,152

Note 10. Derivative Financial Instrument

In June 2025, the Company entered into an agreement with PNC Bank to utilize an interest rate swap derivative financial instrument to manage some of its interest rate risk. These derivative instruments are utilized when they can demonstrated to effectively hedge a designated asset or liability and such asset or liability exposes the Company to interest rate risk. The decision to enter into an interest rate swap is made after considering the asset/liability mix of the Company, the desired asset/liability sensitivity and interest rate levels. Prior to entering into a hedge transaction, the Company formally documents the relationship between hedging instruments and hedged items, as well as the risk management objective for undertaking the various hedge transactions.

Derivative instruments are recognized as either assets or liabilities in the accompanying consolidated financial statements and are measured at fair value.

Fair Value Hedge – Interest Rate Swap

For derivative instruments that are designated and qualify as a fair value hedge, the change in the gain or loss on the derivative as well as the offsetting change in the gain or loss on the hedged item attributable to the hedged risk are recognized in current earnings.

Interest rate swap agreements are entered into to reduce the exposure to changes in the fair value of fixed-rate municipal securities in both individual fair value hedges and a portfolio fair value hedge.

The change in fair value of the interest rate swap agreement and the underlying municipal investment securities are recorded as gains or losses in interest income from non-taxable debt securities. Interest rate swaps with notional amounts of \$25,000,000 as of December 31, 2025 were designated as a fair value hedge of a layer of a closed portfolio of municipal investment securities.

As of December 31, 2025, the following amounts were recorded on the consolidated balance sheet related to cumulative-basis adjustments for fair value hedges:

	<u>Carrying Amount of the Hedged Assets</u>		<u>Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Line Item in the Consolidated Balance Sheet in Which the Hedged Item is Included				
Available-for-sale debt securities	<u>\$ 29,087,380</u>	<u>\$ -</u>	<u>\$ (142,015)</u>	<u>\$ -</u>

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These amounts represent the amortized cost basis of closed portfolios used to designate hedging relationships in which the hedged item is the portfolio layer expected to be remaining at the end of the hedging relationship.

The fair value of derivative instruments at December 31, 2025 was (\$142,015). This amount is captured in other liabilities within the December 31, 2025 consolidated balance sheet. Gains recognized in income on fair value hedging relationships totaled \$88,690 for the year ending December 31, 2025. These gains are recorded within tax-exempt debt securities interest income on the consolidated statement of income for the year ending December 31, 2025.

Note 11. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction and the State of Illinois. During the years ended December 31, 2025 and 2024, the Company did not recognize expense for interest or penalties.

The provision for income taxes includes these components:

	<u>2025</u>	<u>2024</u>
Taxes currently payable	\$ 3,086,957	\$ 2,501,669
Deferred income taxes	<u>(215,010)</u>	<u>14,787</u>
Income tax expense	<u>\$ 2,871,947</u>	<u>\$ 2,516,456</u>

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	<u>2025</u>	<u>2024</u>
Computed at the statutory rate (21%)	\$ 2,318,549	\$ 2,015,186
Increase (decrease) resulting from		
Tax exempt interest income	(299,665)	(283,756)
State income taxes	806,844	679,168
Other	<u>46,219</u>	<u>105,858</u>
Actual tax expense	<u>\$ 2,871,947</u>	<u>\$ 2,516,456</u>

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The tax effects of temporary differences related to deferred taxes shown on the consolidated balance sheets were:

	<u>2025</u>	<u>2024</u>
Deferred tax assets		
Allowance for credit losses	\$ 1,836,894	\$ 1,574,121
Goodwill impairment and core deposit amortization	693,463	728,412
Deferred compensation	61,348	75,837
Employee benefits	478,453	447,722
Deferred income	9,913	20,940
Unrealized loss on available-for-sale securities	5,397,895	7,982,557
Unrealized loss on derivative transaction	40,475	-
Other	188,107	39,613
	<u>8,706,548</u>	<u>10,869,202</u>
Deferred tax liabilities		
Depreciation	(623,793)	(477,869)
Unrealized gains on equity security	(74,720)	(81,892)
Net accretion on debt securities	(284,284)	(252,075)
Prepaid expenses	(82,250)	(86,687)
	<u>(1,064,847)</u>	<u>(898,523)</u>
Net deferred tax asset	<u>\$ 7,641,501</u>	<u>\$ 9,970,679</u>

Note 12. Employee Benefit Plans

Profit Sharing Plan

The Company has a profit-sharing plan covering substantially all full-time employees. Contributions to the plan are at the discretion of the Company's Board of Directors. During 2025 and 2024, contributions charged to expense were \$615,000 and \$530,000, respectively.

Deferred Compensation Plan

The Company has deferred compensation plans with certain directors. In addition, during 2004, the Company started a nonqualified deferred compensation plan for key employees. The employees must remain employed by the Company until age 65, the age benefits begin. The Company is recording a liability on a systematic and rational basis taking into consideration the number of years until the employee reaches age 65. At December 31, 2025 and 2024, \$1,409,943 and \$1,384,719, respectively, has been accrued under these plans and is included in other liabilities on the consolidated balance sheets. Costs for the above plans for the years ending December 31, 2025 and 2024 were \$145,522 and \$143,382, respectively.

Note 13. Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under U.S. GAAP, regulatory reporting requirements and regulatory capital standards. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Bank's regulators could require adjustments to regulatory capital not reflected in these consolidated financial statements.

The Community Bank Leverage Ratio (CBLR) framework, which became effective January 1, 2020, provides an optional simple leverage capital measure. A banking organization that has less than \$10 billion in total consolidated assets can elect to opt into the CBLR framework if its leverage ratio is greater than 9 percent and the banking organization meets the framework's qualifying criteria. A qualifying institution with a leverage ratio that exceeds 9 percent and opts into the CBLR framework shall be considered to have met: (i) the generally applicable risk-based and leverage capital requirements in the agencies' capital rules; (ii) the capital ratio requirements to be considered well-capitalized under the agencies' prompt corrective action (PCA) framework; and (iii) any other applicable capital or leverage requirements.

A qualifying banking organization can opt into or out of the CBLR framework at any time by following the prescribed procedures and completing the associated reporting line items that are required on its Call Report and/or form FR Y-9SP, as applicable. The banking organization becomes subject to the CBLR framework when it makes an election. If a CBLR banking organization fails to satisfy one of the qualifying criteria but has a leverage ratio of greater than 8 percent, the banking organization can continue to apply the CBLR framework and be considered "well capitalized" for a grace period of up to two quarters.

The Bank elected to use the CBLR framework in prior years and intends to utilize this measure for the foreseeable future.

Management believes, as of December 31, 2025 and 2024, the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2025, the most recent notification from the Bank's Federal regulators categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized under the Community Bank Leverage Ratio framework, the Bank must maintain the capital ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

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The Bank's actual capital amounts and ratios are also presented in the following table (in thousands):

	Actual		Minimum Capital Requirement		Minimum to Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2025						
Tier I Capital (to average assets)	\$ 82,597	11.3%	\$ 29,338	4.0%	\$ 36,673	5.0%
As of December 31, 2024						
Tier I Capital (to average assets)	\$ 76,399	10.6%	\$ 28,921	4.0%	\$ 36,151	5.0%

Unrealized losses are excluded from regulatory capital ratios. Banks are subject to certain restrictions on the amount of dividends they may declare without prior regulatory approval.

Note 14. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, included in stockholders' equity, are as follows:

	2025	2024
Net unrealized loss on available-for-sale debt securities	\$ (19,202,160)	\$ (27,721,636)
Tax effect	5,438,370	7,982,557
Net-of-tax amount	<u>\$ (13,763,790)</u>	<u>\$ (19,739,079)</u>

Note 15. Changes in Accumulated Other Comprehensive Loss by Component

Amounts reclassified from accumulated other comprehensive loss and the affected line items in the consolidated statements of income during the years ended December 31, 2025 and 2024 were as follows:

	Amounts Reclassified from AOCL		Affected Line Item in the Statements of Income
	2025	2024	
Realized losses on available-for-sale debt securities	\$ (720,782)	\$ (77,776)	Realized loss on sale of securities
Tax benefit	151,364	16,333	Provision for income taxes
Other comprehensive income	<u>\$ (569,418)</u>	<u>\$ (61,443)</u>	Net reclassified amount

Note 16. Related-Party Transactions

Loans

In the normal course of banking business, loans are made to officers and directors of the Company as well as their affiliates. In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectibility or present other unfavorable features. An analysis of the activity during 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 4,292,236	\$ 2,133,630
New loans	2,190,833	1,062,702
Effect of changes in composition of related parties	-	2,198,524
Repayments	<u>(2,474,044)</u>	<u>(1,102,620)</u>
Ending balance	<u>\$ 4,009,025</u>	<u>\$ 4,292,236</u>

Deposits

The deposits from officers and directors of the Company totaled approximately \$4,628,459 and \$2,922,826 at December 31, 2025 and 2024, respectively.

Equity Method Investment

During 2025 the Company made capital contributions totaling \$110,545 in Title Solutions Group, LLC, a limited liability company formed to operate as a title insurance agency under the management of Investors Title Management Services. The Company is a member of the LLC along with seven other Illinois banks and Investors Title Insurance Company. The equity method investment totaled \$110,545 at December 31, 2025 and is recorded within other assets on the consolidated balance sheets. Other activity at Title Solutions Group, LLC was trivial to the Company's operations in 2025.

Note 17. Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets

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Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2025 and 2024:

Asset Class	2025			
	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
U.S. Government and federal agencies	\$ 3,358,275	\$ -	\$ 3,358,275	\$ -
Corporate bonds	4,323,380	-	4,323,380	-
Mortgage-backed securities	99,785,191	-	99,785,191	-
State and political subdivisions	44,513,081	-	44,513,081	-
Total investments	<u>\$ 151,979,927</u>	<u>\$ -</u>	<u>\$ 151,979,927</u>	<u>\$ -</u>
Liabilities				
Interest rate swap agreement	\$ 142,015	\$ -	\$ 142,015	\$ -
Asset Class	2024			
	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
U.S. Government and federal agencies	\$ 8,696,059	\$ 4,722,422	\$ 3,973,637	\$ -
Corporate bonds	5,025,528	-	5,025,528	-
Mortgage-backed securities	96,835,802	-	96,835,802	-
State and political subdivisions	47,235,541	-	47,235,541	-
Total investments	<u>\$ 157,792,930</u>	<u>\$ 4,722,422</u>	<u>\$ 153,070,508</u>	<u>\$ -</u>

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Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2025. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Available-for-Sale Debt Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Interest Rate Swap Agreements

The fair value is estimated using forward-looking interest rate curves and is calculated using discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Nonrecurring Measurements

The following table presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2025 and 2024:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2025				
Collateral-dependent loans, net of ACL	\$ 2,165,502	\$ -	\$ -	\$ 2,165,502
December 31, 2024				
Collateral-dependent loans, net of ACL	\$ 848,191	\$ -	\$ -	\$ 848,191

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Peoples Bancorp, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Collateral-Dependent Loans, Net of ACL

The estimated fair value of collateral-dependent loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral-dependent loans are classified within Level 3 of the fair value hierarchy.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary. Appraisals are reviewed for accuracy and consistency. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by comparison to historical results.

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements at December 31, 2025 and 2024:

	Fair Value at December 31, 2025	Valuation Technique	Unobservable Inputs
Collateral-dependent loans, net of ACL	\$ 2,165,502	Internal or third-party appraisal	Discount to reflect realizable value
	Fair Value at December 31, 2024	Valuation Technique	Unobservable Inputs
Collateral-dependent loans, net of ACL	\$ 848,191	Internal or third-party appraisal	Discount to reflect realizable value

Note 18. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for credit losses are reflected in the note regarding loans. Current vulnerabilities due to certain concentrations of credit risk are discussed in the note on commitments and credit risk.

Note 19. Revenue from Contracts with Customers

All of the Company's revenue from contracts with customers in the scope of Topic 606 is recognized within noninterest income in the accompanying consolidated statements of income. A description of the Company's revenue streams accounted for under Topic 606 are as follows:

Service Charges on Deposits. The Company earns fees from its deposit customers for transaction-based, account maintenance and overdraft services. Transaction-based fees, which include services such as ATM fees, stop payment charges, statement rendering and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

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

Fiduciary Activities. The Company earns income from its contracts with trust customers to manage assets for investment and/or to transact on their accounts. These fees are primarily earned over time as the Company provides the contracted monthly or quarterly services and are generally assessed based on a tiered scale of the market value of assets under management at month-end. Fees that are transaction based, including trade execution services, are recognized at the point in time that the transaction is executed, i.e., the trade date. Other related services are provided and the fees the Company earns, which are based on a fixed fee schedule, are recognized when the services are rendered.

Retail Insurance. The Company earns fees from insurance services provided to its customers. These fees are primarily earned and assessed each month as the Company provides the contracted monthly service.

Retail Investment. The Company earns fees from investment services provided to its customers. These fees are primarily earned and assessed each month as the Company provides the contracted monthly service.

Internet. The Company earns fees from internet services provided to its customers. These fees are primarily earned and assessed each month as the Company provides the contracted monthly service.

Gains/Losses on Sales of OREO. The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. The gains/losses on sales of OREO are recognized in other noninterest income.

Note 20. Commitments and Credit Risk

The Company grants agribusiness, commercial and residential loans to customers throughout east central Illinois. The Company's loans are generally secured by specific items of collateral including real property, consumer assets and business assets. Although the Company has a diversified loan portfolio, a substantial portion of its debtors ability to honor their contracts is dependent upon the agricultural environment in east central Illinois.

Commitments to Originate Loans

Commitments to originate loans 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 a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable; inventory; property, plant, and equipment; commercial real estate; and residential real estate.

At December 31, 2025 and 2024, the Company had outstanding commitments to originate loans aggregating \$14,497,468 and \$8,462,205, respectively. The commitments extended over varying periods of time with the majority being disbursed within a one-year period. Loan commitments at fixed rates of interest amounted to \$248,470 and \$4,613,000 at December 31, 2025 and 2024, respectively, with the remainder at floating market rates.

Standby Letters of Credit

Standby letters of credit are irrevocable conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under nonfinancial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. Should the Company be obligated to perform under the standby letters of credit, the Company may seek recourse from the customer for reimbursement of amounts paid.

The Company had total outstanding standby letters of credit amounting to \$8,263,089 and \$6,943,919, at December 31, 2025 and 2024, respectively, with terms ranging from one year to thirteen years. At December 31, 2025 and 2024, the Company's deferred revenue under standby letter of credit agreements was nominal.

Lines of Credit

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant, and equipment, commercial real estate and residential real estate. Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

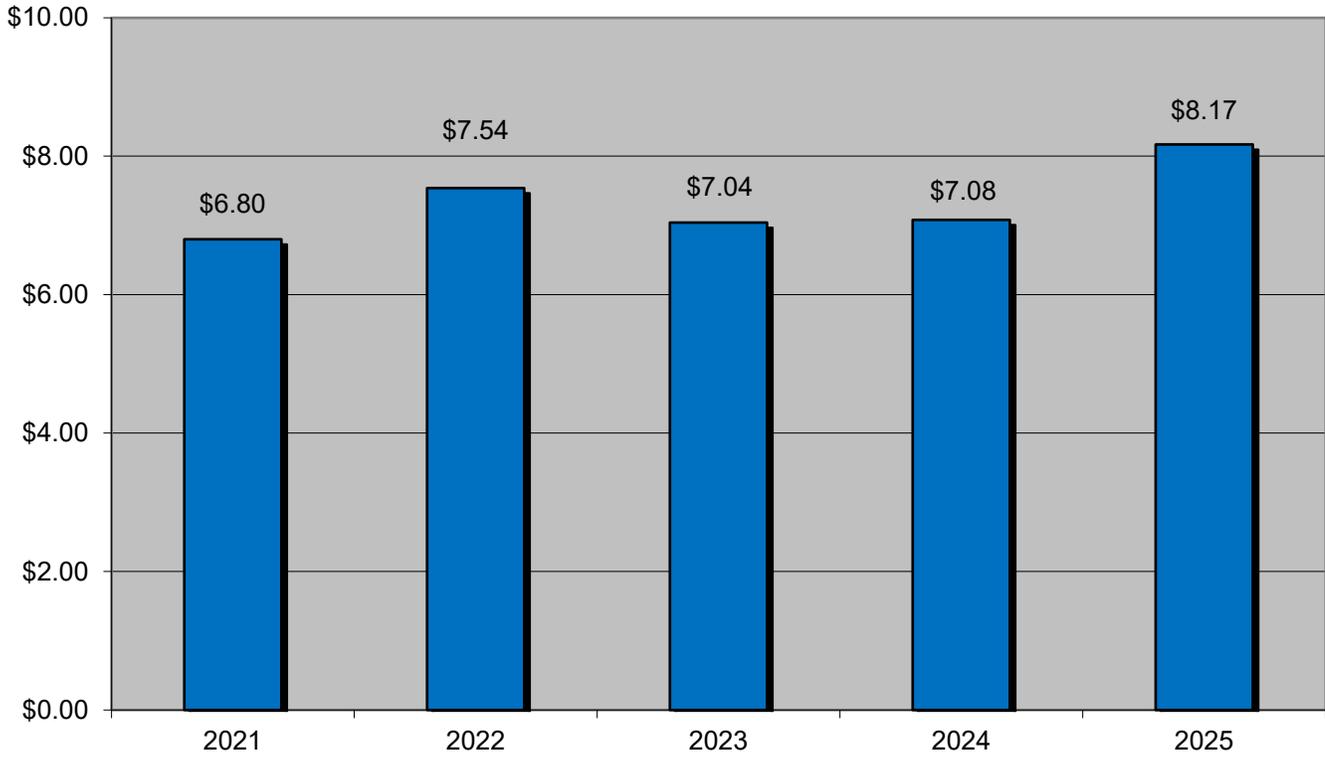
At December 31, 2025, the Company had granted unused lines of credit to borrowers aggregating approximately \$56,012,592 and \$3,913,579 for commercial lines and open-end consumer lines, respectively. At December 31, 2024, unused lines of credit to borrowers aggregated approximately \$58,839,649 for commercial lines and \$3,349,516 for open-end consumer lines.

Note 21. Subsequent Events

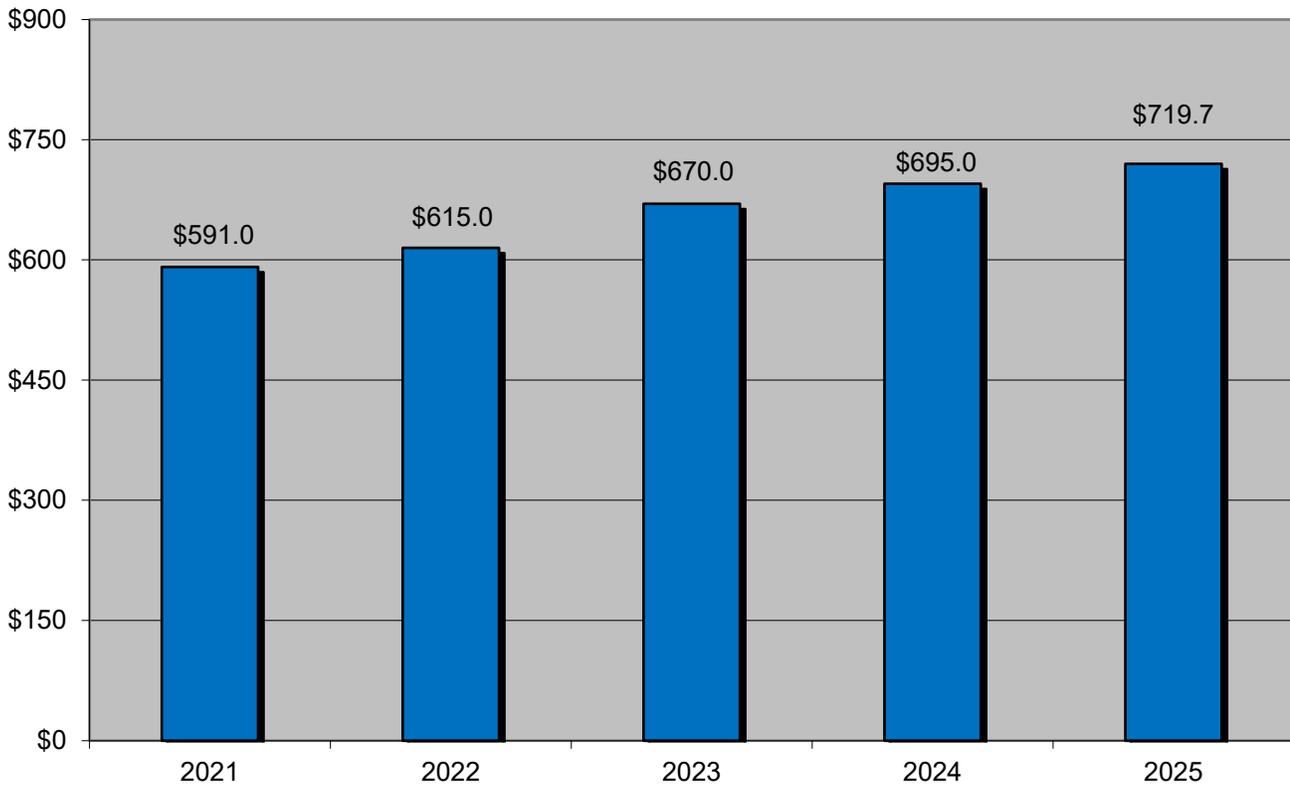
Subsequent events have been evaluated through February 6, 2026 which is the date the consolidated financial statements were available to be issued.

Supplemental Information

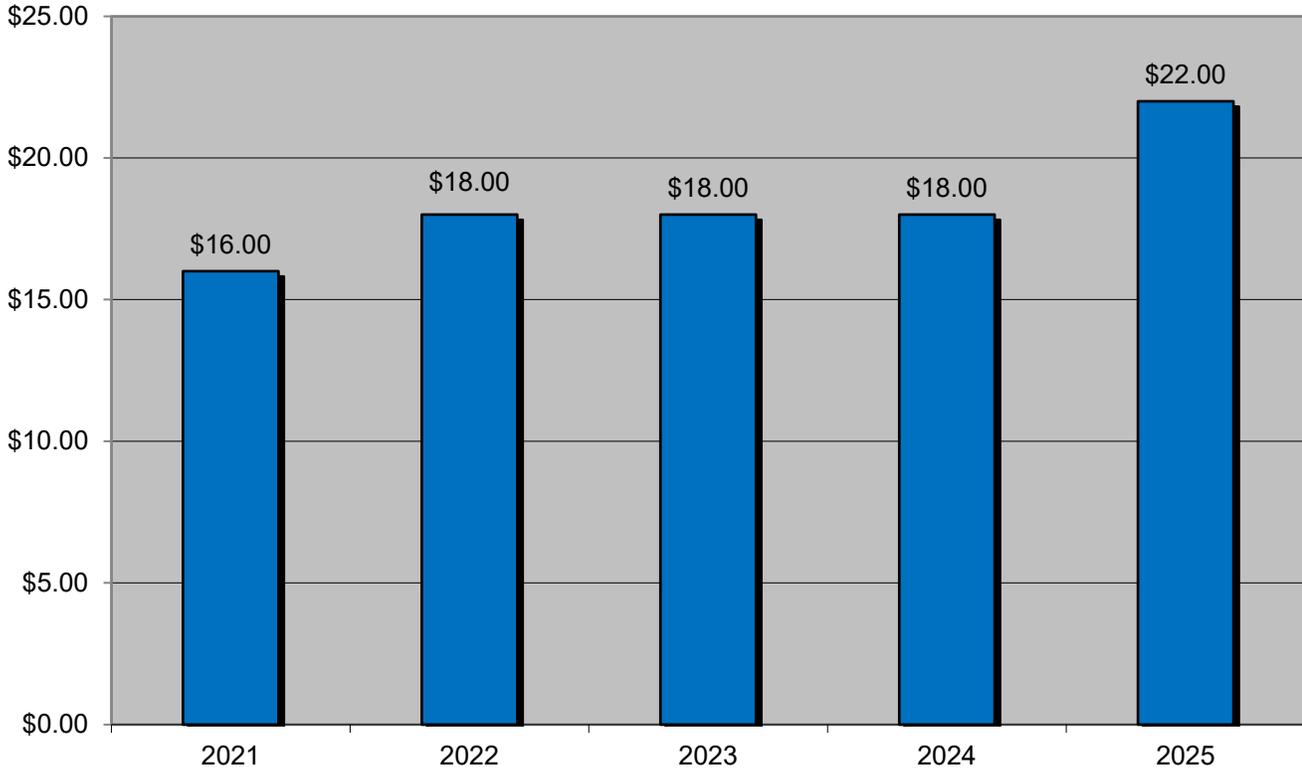
Net Income (\$ Millions)



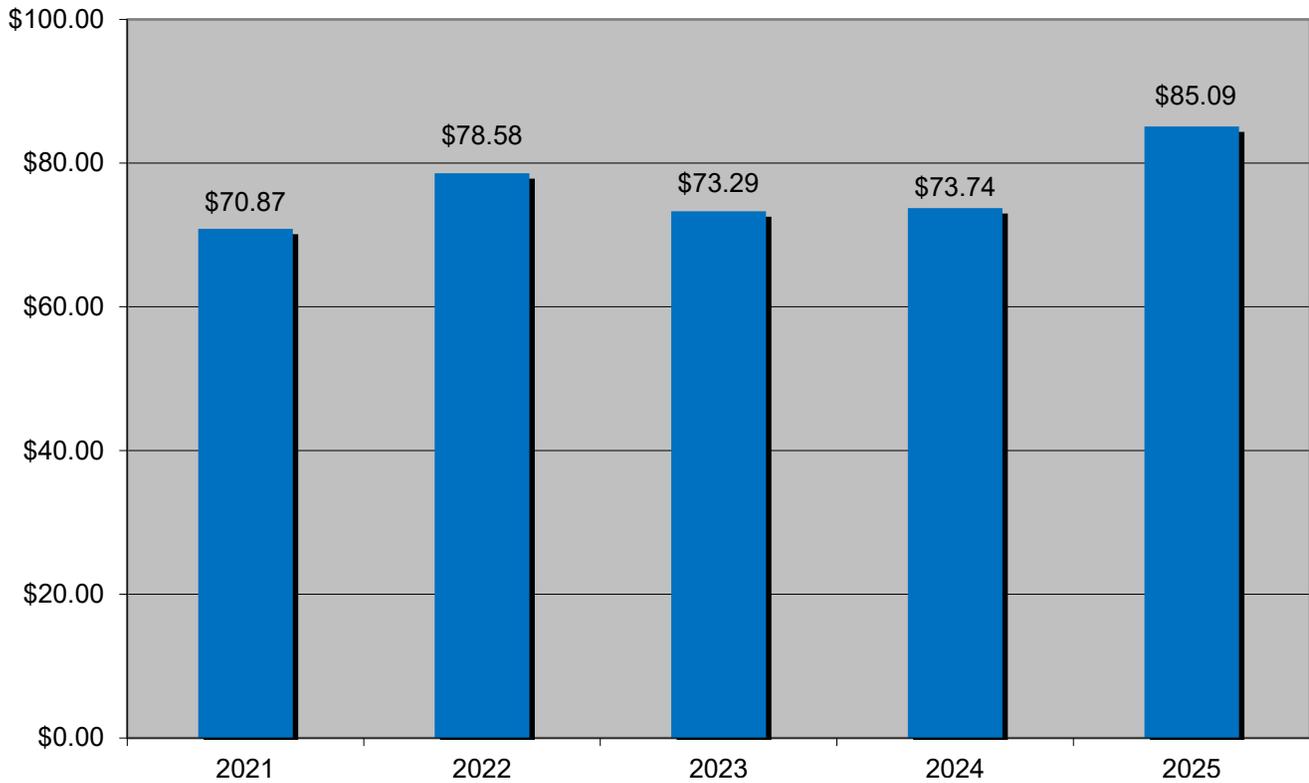
Total Assets (\$ Millions)



Dividends per Share

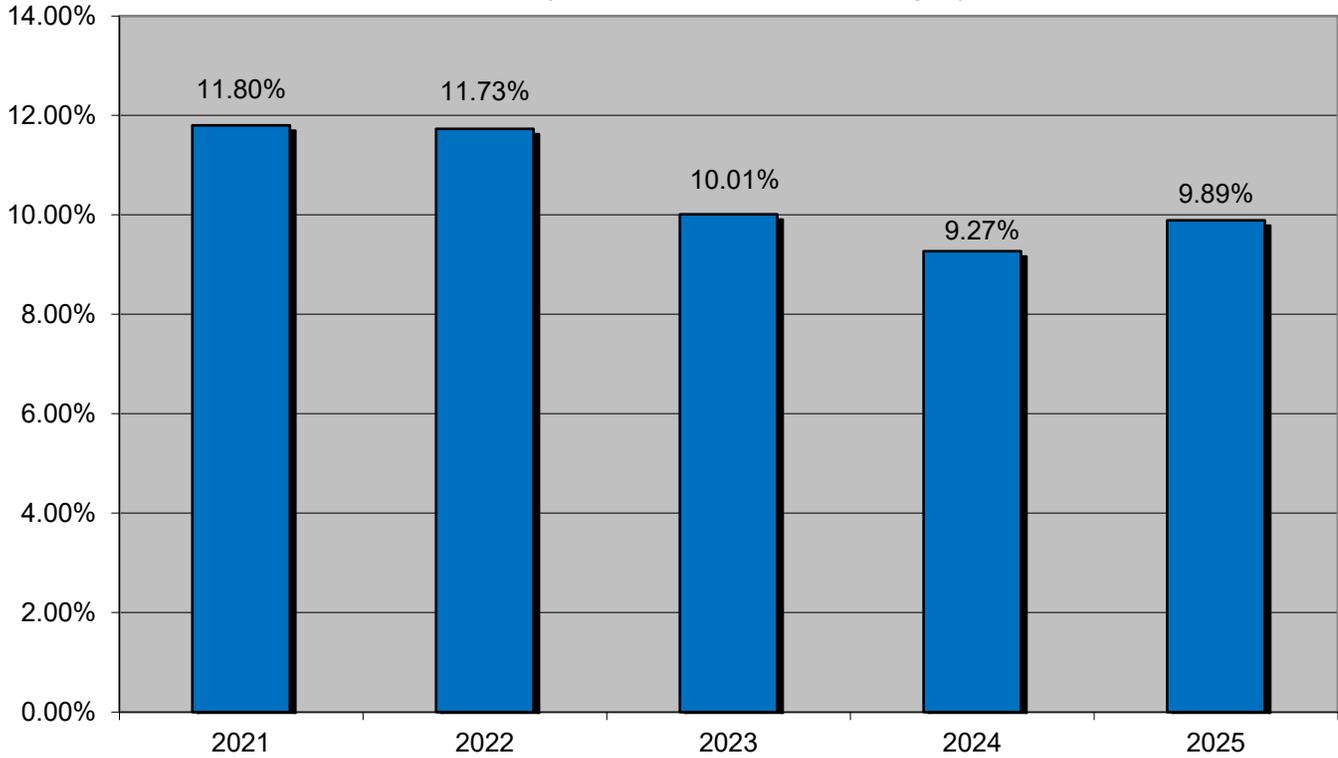


Earnings Per Share

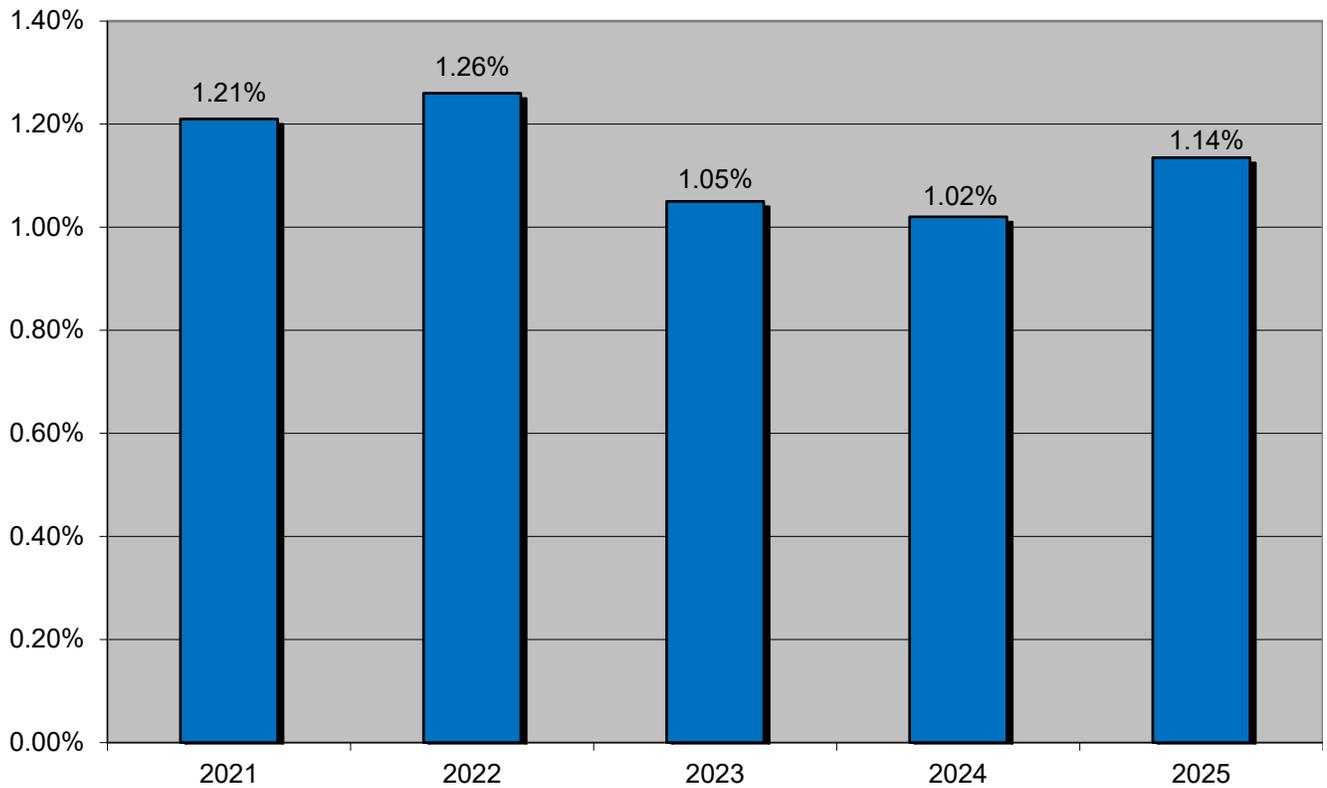


Return on Equity

(Net Income / Consolidated Tier 1 Capital)

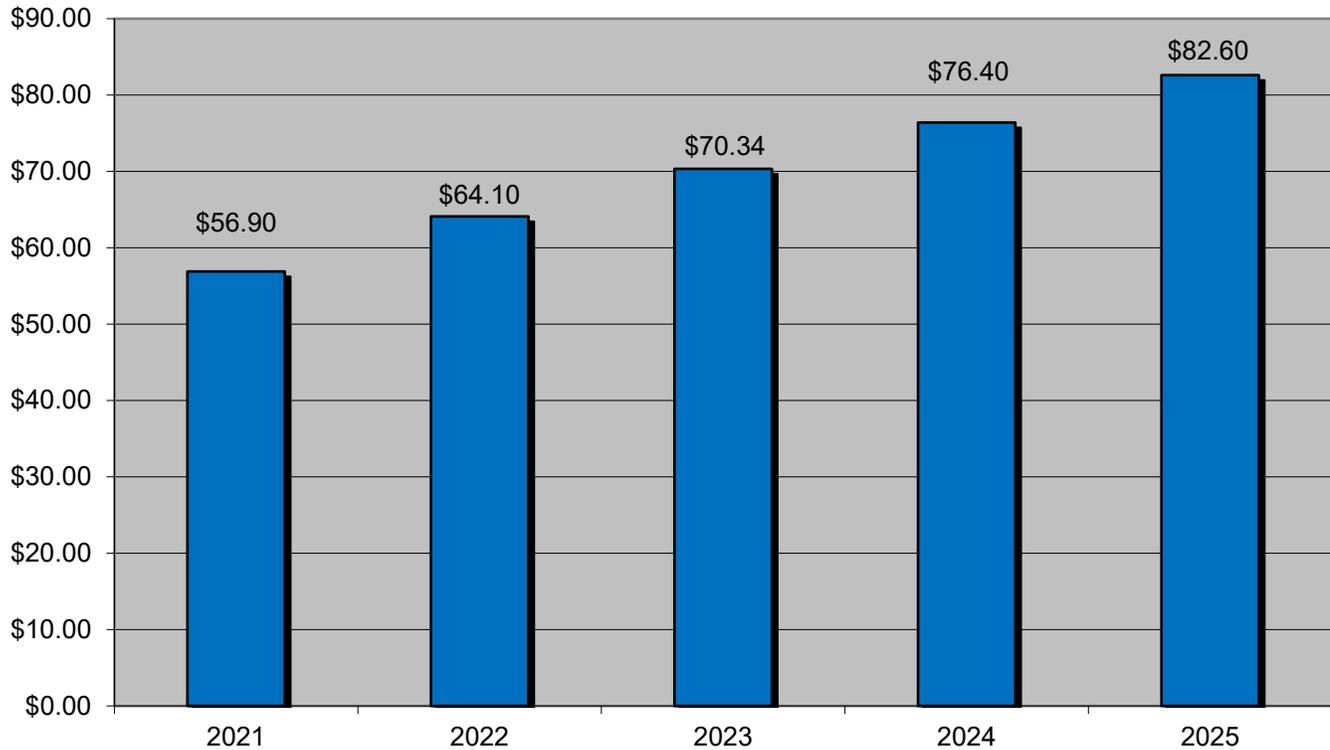


Return on Assets



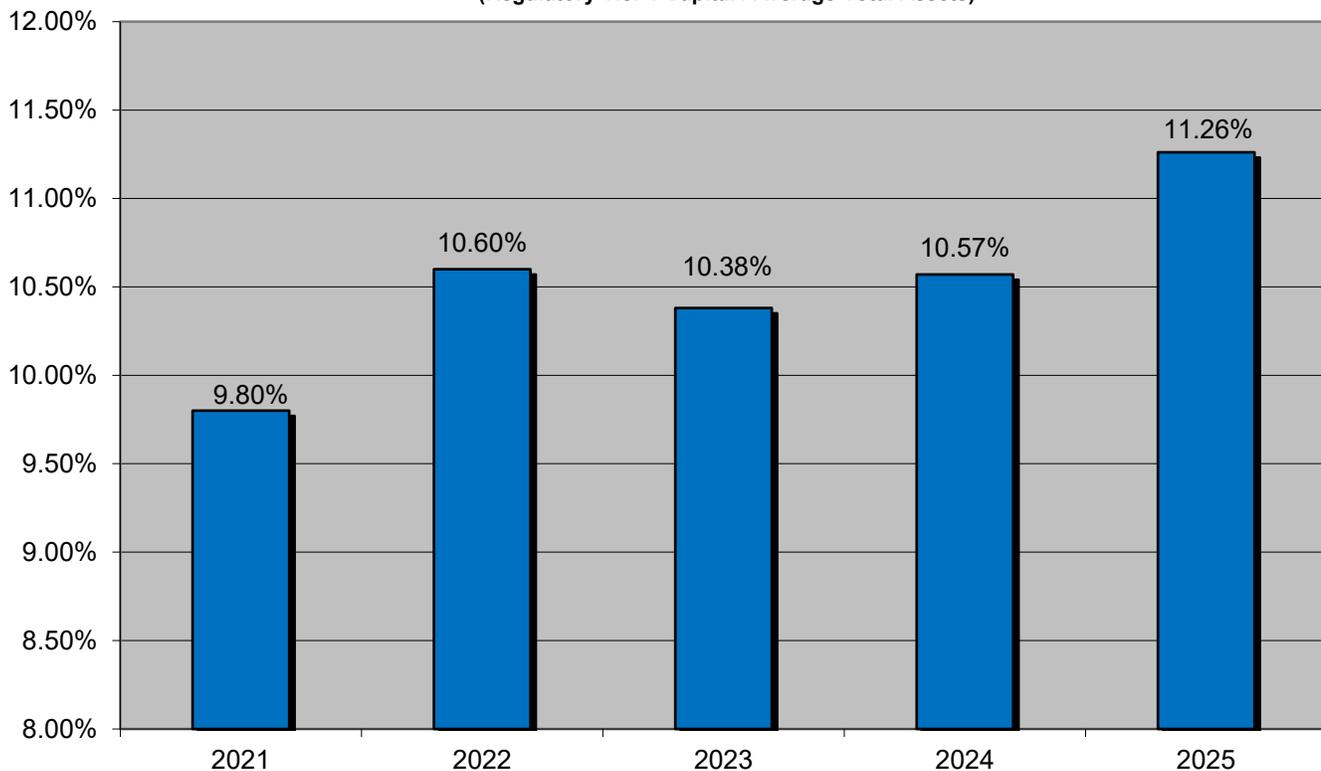
Regulatory Tier 1 Capital (\$ Millions)

(Bank Capital +/- AOCI - Goodwill - Deposit Intangibles)



Capital to Total Assets Ratio

(Regulatory Tier 1 Capital / Average Total Assets)



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