



MOUNTAIN COMMERCE BANCORP, INC. AND SUBSIDIARY

Consolidated Financial Statements

Years Ended December 31, 2025 and 2024

This page intentionally left blank.

Table of Contents

Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Income	5
Consolidated Statements of Comprehensive Income	7
Consolidated Statements of Changes in Stockholders' Equity	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	12

This page intentionally left blank.



Independent Auditor’s Report

Stockholders and the Board of Directors
Mountain Commerce Bancorp, Inc. and Subsidiary

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the consolidated financial statements of Mountain Commerce Bancorp, Inc. and Subsidiary (the “Company”), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related statements of income, comprehensive income, changes in stockholders’ equity, and cash flows for the years then ended, and the related notes to the financial statements. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited the Company’s internal control over financial reporting as of December 31, 2025, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on COSO.

Basis for Opinions

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 Audits of the Financial Statements and Internal Control over Financial Reporting” section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements and Internal Control over Financial Reporting

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management also is responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report.

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

Auditor’s Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor’s report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit of financial statements and an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of the Company's internal control over financial reporting included controls over the preparation of the Company's financial statements in accordance with accounting principles generally accepted in the United States of America and controls over the preparation of schedules equivalent to the basic financial statements in accordance with the Federal Financial Institutions Examination Council Instructions for Consolidated Reports of Condition and Income (Call Report Instructions). An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Forvis Mazars, LLP

Birmingham, Alabama
March 20, 2026

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

(Dollars in thousands, except share data)	2025	2024
ASSETS		
Cash and due from banks	\$ 14,728	\$ 15,819
Interest-earning deposits	<u>65,199</u>	<u>59,717</u>
Cash and cash equivalents	79,927	75,536
Securities available for sale (amortized cost of \$124,204 and \$133,482 at December 31, 2025 and 2024, respectively)	109,112	112,960
Equity securities	2,794	2,695
Premises held for sale	3,762	3,762
Loans receivable	1,490,358	1,463,107
Allowance for credit losses	<u>(11,625)</u>	<u>(11,550)</u>
Net loans receivable	1,478,733	1,451,557
Premises and equipment, net	59,250	61,215
Accrued interest receivable	5,383	5,587
Other real estate owned	3,103	2,572
Bank owned life insurance	10,415	10,190
Restricted stock	3,646	4,317
Deferred tax asset, net	6,897	7,762
Other assets	<u>7,972</u>	<u>7,516</u>
Total assets	<u>\$ 1,770,994</u>	<u>\$ 1,745,669</u>

The accompanying notes are an integral part of the financial statements.

Mountain Commerce Bancorp, Inc. and Subsidiary
Consolidated Balance Sheets
December 31, 2025 and 2024 (Continued)

(Dollars in thousands, except share data)	2025	2024
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 231,568	\$ 248,298
Interest-bearing	1,053,346	991,864
Wholesale.	<u>260,064</u>	<u>286,552</u>
Total deposits	1,544,978	1,526,714
Federal Home Loan Bank advances	50,000	50,000
Senior debt, net	17,996	13,998
Subordinated debt, net	—	9,973
Accrued interest payable	2,395	4,435
Post-employment liabilities	3,367	3,285
Other liabilities.	<u>6,642</u>	<u>4,911</u>
Total liabilities	1,625,378	1,613,316
Commitments and contingencies (Notes 8, 14, and 27)		
Stockholders' equity:		
Common stock; \$0.01 par, 20,000,000 shares authorized; 6,385,286 and 6,393,081 issued and outstanding at December 31, 2025 and 2024, respectively	64	64
Additional paid-in capital	65,996	66,208
Retained earnings.	90,756	81,228
Accumulated other comprehensive loss.	<u>(11,200)</u>	<u>(15,147)</u>
Total stockholders' equity	145,616	132,353
Total liabilities and stockholders' equity	<u>\$ 1,770,994</u>	<u>\$ 1,745,669</u>

The accompanying notes are an integral part of the financial statements.

Mountain Commerce Bancorp, Inc. and Subsidiary
Consolidated Statements of Income
For the Years Ended December 31, 2025 and 2024

(Dollars in thousands, except share data)	2025	2024
Interest and dividend income:		
Loans	\$ 84,005	\$ 82,573
Investment securities—taxable	4,104	4,611
Investment securities—tax exempt	117	117
Dividends and other	<u>3,615</u>	<u>4,784</u>
Total interest and dividend income	91,841	92,085
Interest expense:		
Deposits:		
Savings	4,573	6,715
Interest bearing transaction accounts	15,614	15,763
Time certificates of deposit of \$250,000 or more	16,058	17,877
Other time certificates of deposit	<u>13,047</u>	<u>14,570</u>
	49,292	54,925
Senior debt	875	1,429
Subordinated debt	565	656
Federal Home Loan Bank advances	<u>2,157</u>	<u>3,529</u>
Total interest expense	52,889	60,539
Net interest income	38,952	31,546
Provision for (recovery of) credit losses	<u>744</u>	<u>(1,770)</u>
Net interest income after provision for (recovery of) credit losses	38,208	33,316
Noninterest income:		
Service charges and fees	1,564	1,575
Bank owned life insurance	225	223
Realized gains (losses) on sale of securities available for sale	(160)	69
Realized gains (losses) on equity securities	30	(28)
Gain on sale of loans	15	38
Gain on disposal of premises and equipment	5	30
Wealth management	880	761
Swap fees	385	51
Limited partnership income	352	—
Other noninterest income	<u>46</u>	<u>24</u>
Total noninterest income	3,342	2,743

The accompanying notes are an integral part of the financial statements.

Mountain Commerce Bancorp, Inc. and Subsidiary
Consolidated Statements of Income
For the Years Ended December 31, 2025 and 2024 (Continued)

(Dollars in thousands, except share data)	2025	2024
Noninterest expenses:		
Compensation and employee benefits	\$ 14,009	\$ 11,911
Occupancy	3,162	2,753
Furniture and equipment	1,295	1,182
Data processing	2,737	2,643
FDIC insurance	1,402	1,450
Office	744	733
Advertising	432	443
Professional	1,990	2,041
Real estate owned	25	—
Merger related expenses	255	—
Other noninterest	1,472	1,377
Total noninterest expenses	27,523	24,533
Income before income taxes	14,027	11,526
Income tax expense	2,840	2,603
Net income	<u>\$ 11,187</u>	<u>\$ 8,923</u>
Earnings per common share:		
Basic	\$ 1.78	\$ 1.42
Diluted	\$ 1.78	\$ 1.42
Weighted average common shares outstanding:		
Basic	6,269,993	6,268,048
Diluted	6,288,971	6,277,887

The accompanying notes are an integral part of the financial statements.

**Mountain Commerce Bancorp, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2025 and 2024**

(Dollars in thousands, except share data)	<u>2025</u>	<u>2024</u>
Comprehensive income:		
Net income	\$ 11,187	\$ 8,923
Other comprehensive income:		
Unrealized holdings gains on securities available for sale:		
Unrealized gains arising during the period	5,270	1,635
Deferred income tax expense	(1,393)	(438)
Reclassification adjustment for realized (gains) losses on sale of securities available for sale	160	(69)
Deferred income tax expense (benefit)	(42)	18
Unrealized holding gain on cash flow hedge:		
Unrealized gain arising during the period	80	—
Deferred income tax expense	(21)	—
Reclassification adjustment for realized gain on cash flow hedge recognized in interest expense	(133)	—
Deferred income tax expense	35	—
Reclassification adjustment for realized gain on terminated cash flow hedge recognized in interest expense	(12)	(47)
Deferred income tax expense	3	12
Total other comprehensive income	<u>3,947</u>	<u>1,111</u>
Total comprehensive income	<u>\$ 15,134</u>	<u>\$ 10,034</u>

The accompanying notes are an integral part of the financial statements.

Mountain Commerce Bancorp, Inc. and Subsidiary
Consolidated Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2025 and 2024

(Dollars in thousands, except share data)	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
	Balance, December 31, 2023	6,352,725	\$ 64	\$ 65,207	\$ 73,774	\$ (16,258)
Net income	—	—	—	8,923	—	8,923
Other comprehensive income	—	—	—	—	1,111	1,111
Dividends paid to shareholders	—	—	—	(1,469)	—	(1,469)
Repurchase of common stock	(12,467)	—	(94)	—	—	(94)
Share-based compensation	52,823	—	1,095	—	—	1,095
Balance, December 31, 2024	6,393,081	\$ 64	\$ 66,208	\$ 81,228	\$ (15,147)	\$ 132,353
Net income	—	—	—	11,187	—	11,187
Other comprehensive income	—	—	—	—	3,947	3,947
Dividends paid to shareholders	—	—	—	(1,659)	—	(1,659)
Repurchase of common stock	(67,013)	(1)	(1,154)	—	—	(1,155)
Share-based compensation	59,218	1	942	—	—	943
Balance, December 31, 2025	6,385,286	\$ 64	\$ 65,996	\$ 90,756	\$ (11,200)	\$ 145,616

The accompanying notes are an integral part of the financial statements.

Mountain Commerce Bancorp, Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

(Dollars in thousands, except share data)	2025	2024
Operating activities:		
Net income	\$ 11,187	\$ 8,923
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,298	1,922
Amortization of debt issuance costs	30	59
Amortization of premiums on investment securities, net	276	235
Provision for (recovery of) credit losses	744	(1,770)
Provision for and losses on sale of real estate owned	(75)	—
Gain on disposal of premises and equipment	(5)	(30)
Capitalized interest on construction in progress	—	(471)
Refund of overpayment of interest reserves on prior construction in progress	165	—
Share-based compensation	943	1,095
Deferred income tax (benefit) expense	(553)	930
Realized (gains) losses on securities available for sale	160	(69)
Realized (gains) losses on equity securities	(30)	28
Mutual funds dividends reinvested	(69)	(62)
Increase in bank owned life insurance	(225)	(223)
Increase (decrease) in net deferred loan fees	243	(180)
Secondary market activities:		
Loans originated	(1,442)	(3,523)
Loans sold	1,457	3,561
Gain on sale loans sold	(15)	(38)
Net change in operating assets and liabilities:		
Accrued interest receivable	204	(108)
Other assets	(522)	563
Accrued interest payable	(2,040)	2,177
Other liabilities	1,813	(2,577)
Net cash provided by operating activities	<u>14,544</u>	<u>10,442</u>
Investing activities:		
Activity for investments available for sale:		
Purchases	(6,143)	(989)
Proceeds from sales	4,276	9,758
Maturities, principal repayments	10,710	9,847
Net increase in loans receivable	(29,162)	(12,342)
Proceeds from sale of real estate owned	543	—
Purchase of equity securities	—	(761)
Proceeds from redemption of Federal Home Loan Bank stock	671	3,828
Purchase of premises and equipment	(493)	(10,269)
Proceeds from sale of premises and equipment	—	30
Net cash used by investing activities	<u>(19,598)</u>	<u>(898)</u>

The accompanying notes are an integral part of the financial statements.

Mountain Commerce Bancorp, Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024 (Continued)

(Dollars in thousands, except share data)	<u>2025</u>	<u>2024</u>
Financing activities:		
Net increase in deposits	\$ 18,264	\$ 54,680
Proceeds from FHLB advances	487,000	455,000
Repayments of FHLB advances	(487,000)	(505,000)
Proceeds from (repayment of) senior debt	4,000	(6,000)
Repayment of subordinated debt	(10,000)	—
Payment of dividends to shareholders	(1,659)	(1,469)
Payment of debt issuance costs	(5)	(6)
Repurchase of common stock	(1,155)	(94)
Net cash provided by (used by) financing activities	<u>9,445</u>	<u>(2,889)</u>
Increase in cash and cash equivalents	4,391	6,655
Cash and cash equivalents, beginning of year	<u>75,536</u>	<u>68,881</u>
Cash and cash equivalents, end of year	<u>\$ 79,927</u>	<u>\$ 75,536</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest on deposits and other borrowings	\$ 54,899	\$ 58,303
Income taxes	3,350	625
Noncash investing and financing activities:		
Real estate acquired in satisfaction of loans	\$ 999	\$ 2,572
Gross chargeoffs on loans	232	95
Unrealized gains on securities available for sale, net of taxes	3,995	1,146
Reclassification adjustment for realized gain on terminated cash flow hedge, net of taxes	(48)	(35)

The accompanying notes are an integral part of the financial statements.

This page is intentionally left blank

Notes to Consolidated Financial Statements

1. Nature of Operations and Basis of Consolidation

Nature of Operations

Mountain Commerce Bancorp, Inc. (the Company) is a bank holding company headquartered in Knoxville, Tennessee whose principal activity is the ownership and management of its wholly-owned subsidiary Mountain Commerce Bank (the Bank). The Bank also owns a 100% interest in MCB Services, Inc. which was established in 2021 to manage the Bank's investments in municipal securities. The Company provides a variety of financial services to individuals and corporate customers located primarily in Middle and Eastern Tennessee and the surrounding areas. The Company's primary deposit products include transaction, savings and money market, certificates of deposit and IRA accounts. Its primary lending products are one-to-four family residential, commercial real estate, commercial and industrial and consumer lending.

The Bank operates under a state bank charter and provides full banking services. As a state-chartered bank, the Bank is subject to regulation by the Tennessee Department of Financial Institutions and the Federal Deposit Insurance Corporation. The Bank had 7 branches as of December 31, 2025 and 2024.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company, the Bank and MCB Services, Inc. (also collectively referred to as the Company). All material intercompany balances and transactions have been eliminated in consolidation.

2. Significant Accounting Policies

The accounting principles followed by the Company and the methods of applying these principles conform with accounting principles generally accepted in the United States of America ("GAAP") and with general practices within the banking industry. The following is a description of the significant policies.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses on loans and unfunded commitments.

Operating Segments

Operating segments are components of a business about which separate financial information is available and evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assessing performance. The Company has concluded that it has one operating and reportable segment.

Cash, Cash Equivalents, and Certificates of Deposit

The Company considers all cash and amounts due from depository institutions with original maturities less than 90 days, interest-bearing deposits in other banks, and federal funds sold to be cash equivalents for purposes of the statements of cash flows. When held, certificates of deposits represent investment of funds at other financial institutions with original contractual maturities greater than 90 days. At various times during the year, the Company has deposits in excess of FDIC limits at correspondent institutions. The Company periodically evaluates the credit worthiness of its correspondent institutions to monitor its credit risk.

Included in Other Assets on the consolidated balance sheet as of December 31, 2025 and 2024, respectively, is \$2.1 million and \$2.0 million of cash collateral provided to the interest rate swap counterparty as collateral for the fair value of the hedging instruments.

Investment Securities Available for Sale

The Company classifies all of its debt securities as available for sale. Securities available for sale are carried at fair value, based on quoted market prices or other third-party pricing services, with unrealized gains and losses, net of the related tax effect, reported in other comprehensive income. Realized gains and losses on securities available for sale are included in noninterest income and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income. Gains and losses on sales of securities are determined on the specific-identification method on a trade-date basis. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method. Premiums on callable debt securities are amortized to the earliest call date.

Equity Securities

Equity securities with readily determinable fair values are carried at fair value with changes in fair value recognized in net income. Dividends on equity securities are recorded on the ex-dividend date.

Loans Held for Sale

Loans held for sale are residential mortgages carried at the lower of cost or market value. The market value for loans held for sale are based on what mortgage buyers are currently offering the Bank on a “best efforts” basis to buy the loans. Interest rate lock commitments with borrowers and the related derivative are not material as of December 31, 2025 and 2024.

Loans

Loans are stated at unpaid principal plus net deferred loan fees and costs, less the allowance for credit losses. Loan fees and associated costs are deferred and amortized into interest income over the life of the loan using the interest method.

The accrual of interest is discontinued when a loan becomes 90 days past due and is not well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. Past due status is based on contractual terms of the loan. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged against interest revenue on loans. Interest payments are applied to reduce the principal balance on nonaccrual loans. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance and future payments are reasonably assured. Nonaccrual loans include smaller balance homogeneous loans of \$100,000 or less that are collectively evaluated for impairment and individually classified impaired loans.

A loan is considered for individual analysis when, based on current events and circumstances, it is probable that all amounts due, according to the contractual terms of the loan, will not be collected. Individually analyzed loans are measured based on the present value of expected future cash flows, discounted at the loan’s effective interest rate, at the loan’s observable market price, or the fair value of the collateral if the loan is collateral dependent. Interest revenue on individually analyzed loans is discontinued when the loans meet the criteria for nonaccrual status. Factors considered by management in analyzing these loans include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not considered impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and borrower, including the length of the delay, the reasons for the delay, the borrower’s prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Allowance for Credit Losses—Loans

The allowance for credit losses reflects management's estimate of losses that will result from the inability of its borrowers to make required loan payments. Expected credit losses are reflected in the allowance for credit losses through a provision for credit losses. Management records loans charged off against the allowance for credit losses and subsequent recoveries, if any, increase the allowance for credit losses when they are recognized. Management uses a systematic methodology to determine its allowance for credit losses for certain off-balance sheet credit exposures. The allowance for credit losses is a valuation account that is deducted from the amortized costs basis to present the net amount expected to be collected on the loan portfolio. Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current and projected conditions, and reasonable and supportable forecasts. Internal and peer group historical credit loss experience provides the basis for the estimation of credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics, such as differences in underwriting standards, portfolio mix, asset quality, as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or the health of the economy.

The Company's secured by real estate loans are underwritten based primarily on the proposed borrower's credit history and financial capacity. Risks that are common to the Company's loans secured by real estate include general economic conditions, the personal or business circumstances of the borrowers, and reductions in collateral values. In addition to these common risks for the Company's loans secured by real estate, the various loan classes within the segment also have certain risks specific to them. Common risks to non-real estate loans include general economic conditions within the Company's markets, such as unemployment, the personal or business circumstances of the borrowers, reductions in collateral values and demand for borrower's products and services, as applicable. In addition to these common risks for the Company's non-real estate loans, various non-real estate loan classes may also have certain risks specific to them.

The allowance for credit losses is measured on a collective basis for pools of loans with similar risk characteristics. The Company has identified the following pools of financial assets with similar risk characteristics for measuring expected credit losses:

Real-estate loans

- Construction/development/land loans are highly dependent on the supply and demand for real estate in the Company's markets. Prolonged deterioration in demand could result in significant decreases in the underlying collateral values and make repayment of the outstanding loans more difficult for the Company's borrowers.
- Farmland loans are made only to those borrowers who are strongly capitalized, have adequate management depth, demonstrate proven track records, display reliable cash flow, and have the ability to provide the bank with necessary financial reporting.
- Residential loans are to individuals and are typically secured by previously built homes that conform to property requirements of secondary market investors or FHA or VA, as applicable. Significant and rapid declines in real estate values can result in residential mortgage loan borrowers having debt levels in excess of the current market value of the collateral.

- Junior mortgage loans are typically secured by second liens on residential real estate, thereby making such loans particularly susceptible to declining collateral values. A substantial decline in collateral value could render the Company's second lien position to be effectively unsecured. Additional risks include lien perfection inaccuracies and disputes with first lien holders that may further weaken collateral positions. Further, the open-end structure of these loans creates the risk that customers may draw on the lines in excess of the collateral value if there have been significant declines since origination.
- Multifamily loans are primarily dependent on the ability of the Company's commercial loan customers to achieve business results consistent with those projected at loan origination resulting in cash flow sufficient to service the debt. The ability of that borrower to service the Company's loan on a basis consistent with the contractual terms may be at risk to the extent that a borrower's actual business results significantly underperform the original projections. While these loans and leases are generally secured by real property, personal property, or business assets such as inventory or accounts receivable, it is possible that the liquidation of the collateral will not fully satisfy the obligation.
- Commercial owner-occupied loans are secured by owner-occupied nonfarm nonresidential properties for which the primary source of repayment is the cash flow from the ongoing operations and activities conducted by the party who owns the property. These loans are highly dependent on the ongoing operations of the owner and their ability to service the debt in accordance with the contractual terms and conditions of loan agreement.
- Commercial non-owner-occupied loans are secured by other nonfarm nonresidential properties where the primary source of repayment is derived from rental income associated with the property or the proceeds from the sale, refinancing, or permanent financing of the property. These loans are highly dependent on the supply and demand for commercial property within the Company's market.

Non-real estate loans

- Commercial-other loans are primarily for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises. These loans also include loans for purchasing or carrying securities or inventory and are primarily dependent on the ongoing operations of the borrower which can be significantly impacted by economic condition within the Company's market.
- Consumer loans include loans secured by deposit accounts or personal property such as automobiles, boats, and motorcycles, as well as unsecured consumer debt. The value of underlying collateral, if any, within this class is especially volatile due to potential rapid depreciation in values since the date of loan origination in excess of principal repayment.

For collectively evaluated loans, the Company uses a simplified non-discounted cash flow method for each loan pool, with the exception of consumer automobile loans and credit card receivables using the weighted-average remaining life method, and the results are aggregated at the pool level. Under the simplified non-discounted cash flow method, the reserve is determined by the sum of net expected losses, rather than a comparison of the instrument's basis to the present value of cash flows. An expected loss rate is applied to a projective model of the pool's cash flows while considering prepayment and principal curtailment effects. The simplified non-discounted cash flow analysis produces expected cash flows for each instrument in the pool by pairing loan-level term information (maturity date, payment amount, interest rate, etc.) with top-down pool assumptions (prepayment speeds and curtailment rates).

Beginning in 2024, third-party recovery rate data based on a study of hundreds of financial institutions became available for management to use. As such, management has elected to include recovery rates in its top-down pool assumptions for pools using the simplified non-discounted cash flow method.

The Company uses the weighted-average remaining life method for the consumer automobile loans and credit card receivables segments. For these segments, a long-term average loss rate is calculated and applied on a quarterly basis for the remaining life of the pool.

Management has determined that peer loss experience provides the best basis for its assessment of expected credit losses to determine the allowance for credit losses. The Company utilizes peer call report data to measure historical credit loss experience with similar risk characteristics within the segments over an economic cycle. For collectively evaluated loans, the Company has incorporated a combination of three macroeconomic drivers using a statistical regression modeling methodology: the national unemployment rate, one-year change in the national home price index, and one-year change in national real gross domestic product. The macroeconomic drivers utilized vary by loan segment.

For all discounted cash flow models, management has determined that four quarters represents a reasonable and supportable forecast period and reverts back to a historical loss rate over the next four quarters on a straight-line basis. The Company uses the Federal Open Market Committee's quarterly summary of economic projections to obtain projections of national unemployment rate and national real gross domestic product. For projections of national home price index, the Company uses PNC's economic outlook report.

Loans that do not share risk characteristics are evaluated on an individual basis. When the Company has determined that foreclosure on a collateral dependent loan is probable, or when the borrower is experiencing financial difficulty and the Company expects repayment of the loan to be provided substantially through the operation or sale of the collateral, the allowance for credit losses is measured based on the difference between the fair value of the collateral and the amortized cost basis of the loan as of the measurement date. When repayment is expected to be from the operation of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the loan exceeds the present value of expected cash flows from the operation of the collateral. The Company may, in the alternative, measure the expected credit loss as the amount by which the amortized cost basis of the loan exceeds the estimated fair value of the collateral. When repayment is expected to be from the sale of the collateral, expected credit losses are calculated as the amount by which the amortized costs basis of the loan exceeds the fair value of the underlying collateral less estimated cost to sell. The allowance for credit losses may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the loan.

Expected credit losses are estimated over the contractual term 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 modification will be executed with an individual borrower or the extension or renewal options included in the original or modified contract at the reporting date are not unconditionally cancellable by the Company.

The Company elected not to measure an allowance for credit losses for accrued interest receivable and instead elected to reverse interest income on loans that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Company believes the collection of interest is doubtful. The Company has concluded that this policy results in the timely reversal of uncollectible interest.

Allowance for Credit Losses—Off-Balance Sheet Credit Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet exposures is adjusted through the provision for credit losses. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The allowance for credit losses is calculated using the same aggregate reserve rates calculated for the funded portion of loans at the portfolio level applied to the amount of commitments expected to fund. The Company has identified pools of unfunded commitments which align with loans held for investment. The allowance for credit losses on off-balance sheet credit exposures is recorded on the other liabilities line item of the balance sheet.

Allowance for Credit Losses—Available-for-Sale Securities

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

Changes in the allowance for credit losses under CECL are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2025 and 2024, there was no allowance for credit losses related to the available-for-sale portfolio. In addition, the Company had no held to maturity securities at December 31, 2025 and 2024.

The Company excludes the accrued interest receivable from the amortized cost basis in measuring expected credit losses on the available-for-sale debt securities. Nor does the Company record an allowance for credit losses on accrued interest receivable. Accrued interest receivable on available for sale debt securities totaled \$626 thousand and \$684 thousand at December 31, 2025 and 2024, respectively.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the related assets. Costs incurred for maintenance and repairs are expensed as incurred. The range of estimated useful lives for buildings and improvements is 10 to 40 years; for land improvements, 10 years; and for furniture and equipment, 3 to 10 years. The Company periodically reviews the carrying value of premises and equipment for impairment whenever events or circumstances indicate that the carrying amount of such assets may not be fully recoverable. Construction in progress is stated at cost and does not begin depreciating until the project is complete. Interest on construction in progress is capitalized, if material.

Premises Held for Sale

Premises held for sale are carried at the lower of cost or fair value less costs to sell. If fair value less estimated selling costs is determined to be less than the current book value, an impairment is reported through earnings.

Real Estate Owned

Real estate properties acquired through, or in lieu of, loan foreclosure are initially recorded at the lower of the loan principal balance or the fair value less estimated costs to sell at the date of foreclosure, with any initial write-down recorded as a charge-off against the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or net realizable value. Costs relating to development and improvement of properties are capitalized, whereas costs relating to the holding of property are expensed. Valuations are periodically performed by management, and an allowance for real estate losses is established by a charge to operations if the carrying value of a property exceeds its estimated net realizable value.

Bank Owned Life Insurance

The Company has purchased life insurance policies on certain key executives and members of management. 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 changes or other amounts due that are probable at settlement. The earnings on bank owned life insurance are exempt from taxation. Financial condition reviews are performed on all insurance carriers.

Restricted Stock

Restricted stock consists of Federal Home Loan Bank (FHLB) stock held to meet FHLB requirements related to outstanding advances. Our investment in FHLB stock is accounted for using the cost method of accounting. As conditions warrant, we review restricted stock for impairment and will adjust the carrying value of the investment if it is deemed to be impaired.

Transfers of Financial Assets

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

Revenue Recognition

In addition to lending and related activities, the Company offers various services to customers that generate revenue. These revenues are presented within noninterest income and include service charges and fees, brokerage fees, and other transaction-based fees. Revenue is recognized when the transactions occur or as services are performed over primarily monthly or quarterly periods. Payment is typically received in the period the transactions occur. Fees may be fixed or, where applicable, based on a percentage of transaction size.

The Company records revenue from contracts with customers in accordance with Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Accounting Standard Codification (“ASC”) 606). Under ASC 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the Company satisfies a performance obligation. Significant revenue has not been recognized in the current reporting period that results from performance obligations satisfied in previous periods.

The Company’s primary sources of revenue are derived from interest and fees earned on loans, investment securities and other financial instruments that are not within the scope of ASC 606. The Company has evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the Consolidated Statements of Income is not currently necessary. The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed, charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying ASC 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

Wealth Management Income

The Company earns wealth management fees from investment clients to manage individual investment accounts and/or 401(k) plans. These fees are primarily earned over time as the Company provides the contracted services and are generally assessed based on the market value of assets under management (AUM) at quarter-end. Fees that are commission based, including placing individual trades for brokerage accounts, are recognized at the time of the transaction. Other related services provided include financial planning services, which are negotiated with the client based on the scope of the planning arrangement.

Payment Card and Service Charge Income

Payment card and service charge income are comprised of service charges on accounts and interchange and debit card transaction fees. Service charges on accounts consist of account analysis fees, monthly service fees, check orders and other account related fees. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied and the related revenue recognized, over the period in which the service is provided. Check orders and other account related fees are largely transactional based and therefore, the Company's performance obligation is satisfied and related revenue recognized, at a point in time. Payment for service charges on accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

Interchange and debit card transaction fees are primarily comprised of interchange fees earned whenever the Bank's debit and credit cards are processed through card payment networks, such as Visa. The Bank's performance obligation for debit card and interchange income is generally satisfied, and the related revenue recognized, on a transactional basis. Payment is typically received immediately or in the following month. The Company also enters into interchange arrangements with minimum commitment fees. Minimum commitment fees are recognized ratably, until such time that minimum commitment fees are exceeded or expected to be exceeded.

Other Operating Income

Other operating income is primarily comprised of ATM fees, wire transfer fees, travelers check fees, revenue streams such as safe deposit box rental fees and other miscellaneous service charges. ATM fees, wire transfer fees and travelers check fees are primarily generated when a Bank's cardholder uses a non-Bank ATM or a non-Bank cardholder uses a Bank ATM. Safe deposit box rental fees are charged to the customer on an annual basis and recognized upon receipt of payment. The Bank determined that since rentals and renewals occur fairly consistently over time, revenue is recognized on a basis consistent with the duration of the performance obligation. Other service charges include revenue from processing wire transfers, bill pay service, cashier's checks and other services. The Bank's performance obligations for fees and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month. The Bank's performance obligation for the gains and losses on sales of other real estate owned is satisfied, and the related revenue recognized, after each sale of other real estate owned is closed.

Leases

The Company records a right-of-use asset, included in Other Assets, and a related lease liability, included in Other Liabilities, for eligible operating leases for which it is the lessee, which include leases for land, buildings, and equipment. Payments related to these leases consist primarily of base rent and, in the case of building leases, additional operating costs associated with the leased property such as common area maintenance and utilities. In most cases these operating costs vary over the term of the lease, and therefore are classified as variable lease costs, which are recognized as incurred in the consolidated statement of income. In addition, certain operating leases include costs such as property taxes and insurance, which are recognized as incurred in the consolidated statement of income. Many of the Company's operating leases contain renewal options, most of which are excluded from the measurement of the right-of-use asset and lease liability as they are not reasonably certain to be exercised. The Company does not recognize a lease liability or right-of-use asset on the consolidated balance sheet related to short-term leases with a term of less than one year. Lease payments for short-term leases are recognized as expense over the lease term.

The Company accounts for leases where it is the lessor under ASC 842, primarily operating leases of real estate. Lease income is recognized on a straight-line basis over the lease term. Variable lease payments, such as common area maintenance and property taxes, are recognized as income when incurred. The leased assets remain recorded within premises and equipment and are depreciated over their useful lives. The Company does not recognize right-of-use assets or lease liabilities for leases in which it is the lessor. Lease terms and renewal options are evaluated to determine the lease classification and revenue recognition.

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The face amount for these items represents the exposure to loss before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded. The Company records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancellable, through a provision for credit losses charged against earnings and recorded in Other Liabilities on the consolidated balance sheet. The allowance for credit losses on these exposures is estimated by loan segment at each balance sheet date under the current expected credit losses model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2025 and 2024, was \$433 thousand and \$443 thousand, respectively.

Income Taxes

Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income taxes during the period that includes the enactment date.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of assets and liabilities results in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such asset is required. A valuation allowance is provided for a portion of the deferred tax asset when it is more likely than not that some or all of the deferred tax asset will not be realized. In assessing the realizability of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable earnings and prudent and feasible tax planning strategies. Management weighs both the positive and negative evidence, giving more weight to evidence that can be objectively verified.

The income tax benefit or expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

Derivative Instruments and Hedging Activities

The Company’s interest rate risk management strategy incorporates the use of derivative instruments to minimize fluctuations in net income that are caused by interest rate volatility. The objective is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that net interest revenue is not, on a material basis, adversely affected by movements in interest rates. The Company views this strategy as a prudent management of interest rate risk, such that net income is not exposed to undue risk presented by changes in interest rates.

The Company classifies its derivative financial instruments as either (1) a hedge of an exposure to changes in the fair value of a recorded asset or liability (“fair value hedge”), (2) a hedge of an exposure to changes in the cash flows of a recognized asset, liability or forecasted transaction (“cash flow hedge”), or (3) derivatives not designated as accounting hedges.

The Company recognizes the fair value of derivatives as assets or liabilities in the financial statements. The accounting for the changes in the fair value of a derivative depends on the intended use of the derivative instrument at inception for derivatives designated in highly effective hedges. The change in fair value of instruments used as fair value hedges is accounted for in the net income of the period simultaneous with accounting for the fair value change of the item being hedged attributable to the risk being hedged. The change in fair value of the effective portion of cash flow hedges is accounted for in other comprehensive income rather than net income and then reclassified to net income when the hedged transaction occurs. Changes in fair value of derivative instruments that are not designated as a hedge are accounted for in the net income of the period of the change.

In carrying out this part of its interest rate risk management strategy, management uses derivatives, primarily interest rate swaps. Interest rate swaps generally involve the exchange of fixed- and variable-rate interest payments between two parties, based on a common notional principal amount and maturity date.

The Company currently uses the “long-haul method” to assess hedge effectiveness. Management documents, both at inception and over the life of the hedge, at least quarterly, its analysis of actual and expected hedge effectiveness. This analysis includes techniques such as regression analysis and hypothetical derivatives, as appropriate, to demonstrate that the hedge has been, and is expected to be, highly effective in offsetting corresponding changes in the fair value or cash flows of the hedged item.

If the hedge ceases to be highly effective, the Company discontinues hedge accounting and recognizes the changes in fair value in current period earnings. If a derivative that qualifies as a fair value or cash flow hedge is terminated or the designation removed, the then unrealized gain or loss is recognized into income over the life of the hedged item (fair value hedge) or over the time when the hedged item was forecasted to impact earnings (cash flow hedge). Immediate recognition in earnings is required upon sale or extinguishment of the hedged item (fair value hedge) or if it is probable that the hedged cash flows will not occur (cash flow hedge).

By using derivative instruments, the Company is exposed to credit and market risk. When the fair value of a derivative contract is positive, this situation generally indicates that the counterparty is obligated to pay the Company, and, therefore, creates a repayment risk. When the fair value of a derivative contract is negative, the Company is obligated to pay the counterparty and, therefore, has no repayment risk. The Company minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties that are reviewed periodically by management. The Company also requires counterparties to pledge cash as collateral to cover the net exposure. All newly eligible derivatives entered into are cleared through a central clearinghouse, which reduces counterparty exposure.

Earnings Per Common Share

Basic earnings per common share (EPS) is computed by dividing net income by the weighted-average number of common shares outstanding for the year, less the average number of non-vested restricted stock awards. Diluted EPS reflects the potential dilution from the issuance of additional shares of common stock caused by the exercise of stock options and restricted stock awards.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters at December 31, 2025 or 2024 that will have a material effect on the financial statements.

Comprehensive Income

Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. It includes all changes in equity except those resulting from investments by shareholders and distributions to shareholders. Comprehensive income includes net income and certain elements of “other comprehensive income (loss)” such as accounting for cash flow hedges and accounting for certain investments in debt securities.

Share-Based Compensation

The Company recognizes the cost of employee services received in exchange for an award of equity instruments in the financial statements over the period the employee is required to perform the services in exchange for the award (presumptively the vesting period). The Company measures the cost of employee services received in exchange for an award based on the grant date fair value of the award. Forfeitures are accounted for as they occur.

Fair Value of Financial Instruments

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

Reclassifications

Certain prior year amounts may be reclassified to conform to the current year presentation. There were no reclassifications of prior year amounts in the current year.

3. New Accounting Pronouncements

In December 2023, the FASB issued ASU No. 2023-09, “*Income Taxes (Topic 740): Improvements to Income Tax Disclosures.*” ASU 2023-09 requires public business entities to disclose in their rate reconciliation table additional categories of information about federal, state and foreign income taxes and to provide more details about the reconciling items in some categories if items meet a quantitative threshold. ASU 2023-09 also requires all entities to disclose income taxes paid, net of refunds, disaggregated by federal, state, and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative threshold, among other things. The guidance is effective for the Company for fiscal years beginning after December 15, 2025, though early adoption is permitted. The Company is assessing ASU 2023-09, and its adoption is not expected to have a significant impact on the consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, “*Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses,*” to provide more decision-useful information about an entity’s expenses by requiring entities to disclose additional detail on expenses reported in income statements. Under ASU 2024-03, entities will provide detailed disclosures in interim and annual periods of specified categories underlying certain expense captions. The guidance is effective for the Company for fiscal years beginning after December 15, 2027, though early adoption is permitted. The Company is assessing the impact ASU 2024-03 will have on the consolidated financial statements.

4. Investment Securities

The amortized cost and estimated fair values of investment securities available for sale are as follows:

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2025				
Agency MBS/CMO	\$ 12,523	\$ —	\$ (1,302)	\$ 11,221
Agency multifamily (non-guaranteed)	6,241	—	(374)	5,867
Agency floating rate	10,955	39	(15)	10,979
Non-agency MBS/CMO	40,729	5	(7,299)	33,435
Corporate securities	17,511	131	(763)	16,879
Municipal securities	32,494	—	(5,428)	27,066
Business development companies.	3,751	—	(86)	3,665
Total securities	<u>\$ 124,204</u>	<u>\$ 175</u>	<u>\$ (15,267)</u>	<u>\$ 109,112</u>
December 31, 2024				
Agency MBS/CMO	\$ 13,520	\$ —	\$ (1,960)	\$ 11,560
Agency multifamily (non-guaranteed)	7,831	—	(750)	7,081
Agency floating rate	6,640	27	(8)	6,659
Non-agency MBS/CMO	43,897	—	(8,566)	35,331
Corporate securities	24,680	—	(1,860)	22,820
Municipal securities	33,156	—	(7,169)	25,987
Business development companies.	3,758	—	(236)	3,522
Total securities	<u>\$ 133,482</u>	<u>\$ 27</u>	<u>\$ (20,549)</u>	<u>\$ 112,960</u>

The amortized cost and estimated fair value of debt securities available for sale as of December 31, 2025, by contractual maturity, are shown below. Actual maturities and principal payments on mortgage-backed securities will differ from contractual maturities because of scheduled principal payments and borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(dollars in thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less.	\$ 4,251	\$ 4,174
Due after one year through five years	10,997	10,702
Due after five years through ten years	20,558	17,932
Due after ten years	17,950	14,802
	<u>53,756</u>	<u>47,610</u>
Mortgage-backed securities	59,493	50,523
Agency floating rate	10,955	10,979
Total securities	<u>\$ 124,204</u>	<u>\$ 109,112</u>

Investments with market values of approximately \$85.5 million and \$83.7 million as of December 31, 2025 and 2024, respectively, were pledged to secure public and private deposits and as collateral for potential borrowings with the Federal Reserve.

The fair value and unrealized losses of securities available for sale with temporary impairment as of December 31, 2025 and 2024 is shown below:

	Less Than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(dollars in thousands)						
December 31, 2025						
Agency MBS/CMO	\$ —	\$ —	\$ 11,149	\$ (1,302)	\$ 11,149	\$ (1,302)
Agency multifamily (non-guaranteed)	—	—	5,867	(374)	5,867	(374)
Agency floating rate	5,175	(15)	—	—	5,175	(15)
Non-agency MBS/CMO	42	—	31,919	(7,299)	31,961	(7,299)
Corporate securities	—	—	13,810	(763)	13,810	(763)
Municipal securities	—	—	27,066	(5,428)	27,066	(5,428)
Business development companies	—	—	3,665	(86)	3,665	(86)
Total Securities	<u>\$ 5,217</u>	<u>\$ (15)</u>	<u>\$ 93,476</u>	<u>\$ (15,252)</u>	<u>\$ 98,693</u>	<u>\$ (15,267)</u>
December 31, 2024						
Agency MBS/CMO	\$ —	\$ —	\$ 11,559	\$ (1,960)	\$ 11,559	\$ (1,960)
Agency multifamily (non-guaranteed)	—	—	7,081	(750)	7,081	(750)
Agency floating rate	2,422	(8)	—	—	2,422	(8)
Non-agency MBS/CMO	915	(3)	34,416	(8,563)	35,331	(8,566)
Corporate securities	943	(57)	19,848	(1,803)	20,791	(1,860)
Municipal securities	—	—	25,987	(7,169)	25,987	(7,169)
Business development companies	—	—	3,522	(236)	3,522	(236)
Total Securities	<u>\$ 4,280</u>	<u>\$ (68)</u>	<u>\$ 102,413</u>	<u>\$ (20,481)</u>	<u>\$ 106,693</u>	<u>\$ (20,549)</u>

The number of securities with unrealized losses as of December 31, 2025 and 2024 were as follows:

	2025	2024
Agency MBS/CMO	16	18
Agency multifamily (non-guaranteed)	4	5
Agency floating rate	3	1
Non-agency MBS/CMO	31	33
Corporate securities	14	21
Municipal securities	38	39
Business development companies	6	6
Total	<u>112</u>	<u>123</u>

Management believes that all of the unrealized losses as of December 31, 2025 and 2024 are recoverable based upon review of the issuers and the nature of the securities. The impairment is due primarily to changes in the short-and long-term interest rate environment since the purchase of the securities and is not related to credit issues of the issuer. The Company has sufficient cash and borrowing sources to provide sufficient liquidity to hold the securities until maturity or recovery of the impairment. Since the Company does not intend to sell any of the investments before recovery of its amortized cost basis and has the ability and intent to hold these investments to maturity, there is currently no allowance for credit losses recorded against any securities in the Company's available-for-sale securities portfolio at December 31, 2025.

Sales of securities available for sale for the years ended December 31, 2025 and 2024 were as follows:

(dollars in thousands)	<u>2025</u>	<u>2024</u>
Proceeds from sales.	\$ 4,276	\$ 9,758
Gross gains realized	—	71
Gross losses realized.	160	2

5. Equity Securities

Equity securities measured at fair value as of December 31, 2025 and 2024 are summarized as follows:

(dollars in thousands)	<u>2025</u>	<u>2024</u>
Preferred stocks.	\$ 780	\$ 780
Bond mutual funds	2,014	1,915
Equity securities	<u>\$ 2,794</u>	<u>\$ 2,695</u>

6. Premises Held for Sale

As of December 31, 2025, premises held for sale consisted of 2.23 acres of land originally acquired for future expansion, but no longer intended for use, for \$3.8 million. As of December 31, 2025, the land is under agreement to sell for \$4.0 million.

7. Loans

Loans, net of deferred loan fees and costs, consist of the following as of December 31, 2025 and 2024:

(dollars in thousands)	2025	2024
Secured by real estate:		
Construction/development/land	\$ 63,915	\$ 74,853
Farmland	11,874	4,513
Residential	490,173	499,821
Junior mortgage	9,404	8,221
Multifamily	122,671	114,434
Commercial—owner occupied	263,722	252,614
Commercial—nonowner occupied	403,859	381,045
Total commercial loans	<u>1,365,618</u>	<u>1,335,501</u>
Non-real estate loans:		
Commercial—other	111,623	115,541
Consumer loans	13,117	12,065
Total non-real estate loans	<u>124,740</u>	<u>127,606</u>
Total gross loans, net of deferred fees and costs	1,490,358	1,463,107
Less: Allowance for credit losses	<u>11,625</u>	<u>11,550</u>
Loans, net	<u>\$ 1,478,733</u>	<u>\$ 1,451,557</u>

The Company had Paycheck Protection Program (PPP) loan balances of \$24 thousand and \$83 thousand as of December 31, 2025 and 2024, respectively.

The Company had net deferred loan fees for all loans of \$1.0 million and \$780 thousand as of December 31, 2025 and 2024, respectively.

The Company had pledged \$650.7 million and \$582.7 million of loans to secure advances from the Federal Home Loan Bank and \$59.1 million and \$88.1 million pledged to secure advances from the Federal Reserve Bank as of December 31, 2025 and 2024, respectively.

8. Allowance for Credit Losses and Credit Quality

The following tables summarize the activity related to the allowance for credit losses for the years ended December 31, 2025 and 2024, under the CECL methodology.

In addition to the allowance for credit losses on loans presented below, the Company maintains an allowance for unfunded commitments exposures. The allowance for unfunded commitments credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans. The allowance for credit losses for unfunded loan commitments is separately classified on the balance sheet within Other Liabilities.

(dollars in thousands)	2025				
	Beginning Balance	Provision (Recovery)	(Charge-offs)	Recoveries	Ending Balance
Construction/development/land	\$ 2,101	\$ (680)	\$ (157)	\$ 2	\$ 1,266
Farmland	24	72	—	—	96
Residential	3,027	1,961	—	—	4,988
Junior mortgage	148	(113)	—	—	35
Multifamily	820	(120)	—	—	700
Commercial—owner occupied	1,662	(40)	—	—	1,622
Commercial—nonowner occupied	2,605	(924)	—	—	1,681
Commercial—other	970	55	(27)	37	1,035
Consumer loans	193	23	(48)	34	202
Total	<u>\$ 11,550</u>	<u>\$ 234</u>	<u>\$ (232)</u>	<u>\$ 73</u>	<u>\$ 11,625</u>
Unfunded commitments	\$ 823	\$ 511	\$ —	\$ —	\$ 1,334

(dollars in thousands)	2024				
	Beginning Balance	Provision (Recovery)	(Charge-offs)	Recoveries	Ending Balance
Construction/development/land	\$ 2,600	\$ (501)	\$ —	\$ 2	\$ 2,101
Farmland	66	(271)	—	229	24
Residential	3,106	(79)	—	—	3,027
Junior mortgage	92	56	—	—	148
Multifamily	1,002	(182)	—	—	820
Commercial—owner occupied	1,708	(46)	—	—	1,662
Commercial—nonowner occupied	2,364	241	—	—	2,605
Commercial—other	1,861	(969)	—	78	970
Consumer loans	235	20	(95)	33	193
Total	<u>\$ 13,034</u>	<u>\$ (1,731)</u>	<u>\$ (95)</u>	<u>\$ 342</u>	<u>\$ 11,550</u>
Unfunded commitments	\$ 862	\$ (39)	\$ —	\$ —	\$ 823

Collateral dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. The Company reviews individually evaluated loans for designation as collateral dependent loans, as well as other loans that management of the Company designates as having higher risk. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses.

The following tables provide a breakdown between loans identified as collateral dependent assets (“CDAs”) and non-CDAs, by type and securing collateral, as well as collateral coverage for those loans at December 31, 2025 and 2024:

2025						
(dollars in thousands)	Type and Extent of Collateral Securing CDAs					Total
	Residential Property	Investment Property	Commercial Property	Business Assets	Non-CDAs	
Construction/development/land	\$ —	\$ —	\$ —	\$ —	\$ 63,915	\$ 63,915
Farmland	—	—	—	—	11,874	11,874
Residential	3,224	—	—	—	486,949	490,173
Junior mortgage	—	—	—	—	9,404	9,404
Multifamily	506	—	—	—	122,165	122,671
Commercial—owner occupied	—	—	—	—	263,722	263,722
Commercial—nonowner occupied	—	—	2,263	—	401,596	403,859
Commercial—other	—	—	—	—	111,623	111,623
Consumer loans	—	—	—	—	13,117	13,117
Total	\$ 3,730	\$ —	\$ 2,263	\$ —	\$ 1,484,365	\$ 1,490,358
Total collateral value	\$ 5,149	\$ —	\$ 2,218	\$ —		

2024						
(dollars in thousands)	Type and Extent of Collateral Securing CDAs					Total
	Residential Property	Investment Property	Commercial Property	Business Assets	Non-CDAs	
Construction/development/land	\$ 493	\$ —	\$ —	\$ —	\$ 74,360	\$ 74,853
Farmland	—	—	—	—	4,513	4,513
Residential	890	—	—	—	498,931	499,821
Junior mortgage	—	—	—	—	8,221	8,221
Multifamily	—	—	—	—	114,434	114,434
Commercial—owner occupied	—	—	—	—	252,614	252,614
Commercial—nonowner occupied	—	—	—	—	381,045	381,045
Commercial—other	—	—	—	—	115,541	115,541
Consumer loans	—	—	—	—	12,065	12,065
Total	\$ 1,383	\$ —	\$ —	\$ —	\$ 1,461,724	\$ 1,463,107
Total collateral value	\$ 1,140	\$ —	\$ —	\$ —		

Under CECL, for collateral dependent loans, the Company has adopted the practical expedient to measure the allowance for credit losses based on the fair value of collateral. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan’s collateral, which is adjusted for liquidation costs/discounts, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

The Company utilizes a risk grading matrix to assign a risk grade to each of its loans. A description of the general characteristics of the risk grades is as follows:

- Pass—This grade includes loans to borrowers of acceptable credit quality and risk. The Company further differentiates within this grade based upon borrower characteristics, which include: capital strength, earnings stability, leverage, and industry.
- Special Mention—This grade includes loans that require more than a normal degree of supervision and attention. These loans have all the characteristics of an adequate asset, but due to being adversely affected by economic or financial conditions have a potential weakness that deserves management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan.
- Substandard—This grade includes loans that have well defined weaknesses, which make payment default or principal exposure possible, but not yet certain. Such loans are apt to be dependent upon collateral liquidation, a secondary source of repayment or an event outside of the normal course of business to meet the repayment terms.
- Doubtful—These loans have all the weaknesses inherent in a “substandard” loan with the added factor that the weaknesses are so severe that collection or liquidation in full, on the basis of current existing facts, conditions and values, is extremely unlikely, but because of certain specific pending factors, the amount of loss cannot yet be determined.
- Loss—This grade includes loans that are to be charged-off or charged-down when payment is acknowledged to be uncertain or when the timing or value of payments cannot be determined. “Loss” is not intended to imply that the asset has no recovery or salvage value, but simply that it is not practical or desirable to defer writing off all or some portion of the loan, even though partial recovery may be affected in the future.

The following tables present the credit risk profile by risk grade for loans by origination year as of December 31, 2025 and 2024:

(dollars in thousands)	2025							
	Term Loans by Origination Year						Revolving Loans	Total
	2025	2024	2023	2022	2021	Prior		
Construction/development/land								
Risk Rating								
Pass	\$ 21,893	\$ 17,811	\$ 4,229	\$ 13,283	\$ 2,824	\$ 2,123	\$ 1,752	\$ 63,915
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total construction/development/land	<u>21,893</u>	<u>17,811</u>	<u>4,229</u>	<u>13,283</u>	<u>2,824</u>	<u>2,123</u>	<u>1,752</u>	<u>63,915</u>
Current period gross charge-offs	—	—	—	—	—	(157)	—	(157)
Farmland								
Risk Rating								
Pass	7,549	—	—	459	1,352	833	1,681	11,874
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total farmland	<u>7,549</u>	<u>—</u>	<u>—</u>	<u>459</u>	<u>1,352</u>	<u>833</u>	<u>1,681</u>	<u>11,874</u>
Current period gross charge-offs	—	—	—	—	—	—	—	—
Residential								
Risk Rating								
Pass	45,662	30,131	38,164	158,943	90,474	56,803	66,172	486,349
Special Mention	—	—	—	—	—	—	600	600
Substandard	—	300	428	2,496	—	—	—	3,224
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total residential	<u>45,662</u>	<u>30,431</u>	<u>38,592</u>	<u>161,439</u>	<u>90,474</u>	<u>56,803</u>	<u>66,772</u>	<u>490,173</u>
Current period gross charge-offs	—	—	—	—	—	—	—	—
Junior mortgage								
Risk Rating								
Pass	1,879	4,745	1,733	447	71	352	177	9,404
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total junior mortgage	<u>1,879</u>	<u>4,745</u>	<u>1,733</u>	<u>447</u>	<u>71</u>	<u>352</u>	<u>177</u>	<u>9,404</u>
Current period gross charge-offs	—	—	—	—	—	—	—	—
Multifamily								
Risk Rating								
Pass	9,791	6,080	34,405	26,518	24,344	19,194	1,631	121,963
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	506	202	—	708
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total multifamily	<u>9,791</u>	<u>6,080</u>	<u>34,405</u>	<u>26,518</u>	<u>24,850</u>	<u>19,396</u>	<u>1,631</u>	<u>122,671</u>
Current period gross charge-offs	—	—	—	—	—	—	—	—

		2025							
		Term Loans by Origination Year					Revolving	Total	
(dollars in thousands)		2025	2024	2023	2022	2021	Prior	Loans	Total
Commercial—owner occupied									
Risk Rating									
Pass	25,672	16,285	29,277	58,909	30,055	88,588	14,936	263,722	
Special Mention	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	—	—	
Doubtful	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	
Total commercial—owner occupied	<u>25,672</u>	<u>16,285</u>	<u>29,277</u>	<u>58,909</u>	<u>30,055</u>	<u>88,588</u>	<u>14,936</u>	<u>263,722</u>	
Current period gross charge-offs	—	—	—	—	—	—	—	—	
Commercial—nonowner occupied									
Risk Rating									
Pass	44,199	27,233	46,041	124,895	36,910	109,961	12,357	401,596	
Special Mention	—	—	—	—	—	—	—	—	
Substandard	—	—	—	2,263	—	—	—	2,263	
Doubtful	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	
Total commercial—nonowner occupied	<u>44,199</u>	<u>27,233</u>	<u>46,041</u>	<u>127,158</u>	<u>36,910</u>	<u>109,961</u>	<u>12,357</u>	<u>403,859</u>	
Current period gross charge-offs	—	—	—	—	—	—	—	—	
Commercial—other									
Risk Rating									
Pass	12,058	10,378	4,257	13,943	20,443	12,908	33,547	107,534	
Special Mention	—	—	1,677	—	—	—	2,151	3,828	
Substandard	—	—	—	195	—	66	—	261	
Doubtful	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	
Total commercial—other	<u>12,058</u>	<u>10,378</u>	<u>5,934</u>	<u>14,138</u>	<u>20,443</u>	<u>12,974</u>	<u>35,698</u>	<u>111,623</u>	
Current period gross charge-offs	—	—	—	—	—	(27)	—	(27)	
Consumer loans									
Risk Rating									
Pass	1,901	3,201	209	431	189	477	6,688	13,096	
Special Mention	21	—	—	—	—	—	—	21	
Substandard	—	—	—	—	—	—	—	—	
Doubtful	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	
Total consumer loans	<u>1,922</u>	<u>3,201</u>	<u>209</u>	<u>431</u>	<u>189</u>	<u>477</u>	<u>6,688</u>	<u>13,117</u>	
Current period gross charge-offs	—	(4)	—	(4)	—	—	(40)	(48)	
Total loans									
Risk Rating									
Pass	170,604	115,864	158,315	397,828	206,662	291,239	138,941	1,479,453	
Special Mention	21	—	1,677	—	—	—	2,751	4,449	
Substandard	—	300	428	4,954	506	268	—	6,456	
Doubtful	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	
Total loans	<u>\$ 170,625</u>	<u>\$ 116,164</u>	<u>\$ 160,420</u>	<u>\$ 402,782</u>	<u>\$ 207,168</u>	<u>\$ 291,507</u>	<u>\$ 141,692</u>	<u>\$ 1,490,358</u>	
Total current period gross charge-offs	\$ —	\$ (4)	\$ —	\$ (4)	\$ —	\$ (184)	\$ (40)	\$ (232)	

2024

(dollars in thousands)	Term Loans by Origination Year						Revolving Loans	Total
	2024	2023	2022	2021	2020	Prior		
Construction/development/land								
Risk Rating								
Pass	\$ 15,016	\$ 14,329	\$ 38,577	\$ 3,407	\$ 2,108	\$ 782	\$ 141	\$ 74,360
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	493	—	493
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total construction/development/land	<u>15,016</u>	<u>14,329</u>	<u>38,577</u>	<u>3,407</u>	<u>2,108</u>	<u>1,275</u>	<u>141</u>	<u>74,853</u>
Current period gross charge-offs	—	—	—	—	—	—	—	—
Farmland								
Risk Rating								
Pass	1,320	—	791	1,410	—	942	50	4,513
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total farmland	<u>1,320</u>	<u>—</u>	<u>791</u>	<u>1,410</u>	<u>—</u>	<u>942</u>	<u>50</u>	<u>4,513</u>
Current period gross charge-offs	—	—	—	—	—	—	—	—
Residential								
Risk Rating								
Pass	36,557	48,169	182,008	99,686	30,642	42,057	59,260	498,379
Special Mention	—	—	—	—	—	—	552	552
Substandard	—	—	688	—	—	—	202	890
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total residential	<u>36,557</u>	<u>48,169</u>	<u>182,696</u>	<u>99,686</u>	<u>30,642</u>	<u>42,057</u>	<u>60,014</u>	<u>499,821</u>
Current period gross charge-offs	—	—	—	—	—	—	—	—
Junior mortgage								
Risk Rating								
Pass	5,296	1,630	588	81	235	212	179	8,221
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total junior mortgage	<u>5,296</u>	<u>1,630</u>	<u>588</u>	<u>81</u>	<u>235</u>	<u>212</u>	<u>179</u>	<u>8,221</u>
Current period gross charge-offs	—	—	—	—	—	—	—	—
Multifamily								
Risk Rating								
Pass	7,305	31,456	26,611	26,010	10,218	10,590	2,244	114,434
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total multifamily	<u>7,305</u>	<u>31,456</u>	<u>26,611</u>	<u>26,010</u>	<u>10,218</u>	<u>10,590</u>	<u>2,244</u>	<u>114,434</u>
Current period gross charge-offs	—	—	—	—	—	—	—	—

2024

(dollars in thousands)	Term Loans by Origination Year						Revolving Loans	Total
	2024	2023	2022	2021	2020	Prior		
Commercial—owner occupied								
Risk Rating								
Pass	16,250	31,070	64,587	32,353	31,206	61,110	16,038	252,614
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total commercial—owner occupied	<u>16,250</u>	<u>31,070</u>	<u>64,587</u>	<u>32,353</u>	<u>31,206</u>	<u>61,110</u>	<u>16,038</u>	<u>252,614</u>
Current period gross charge-offs	—	—	—	—	—	—	—	—
Commercial—nonowner occupied								
Risk Rating								
Pass	22,711	53,292	120,511	45,710	8,616	119,515	10,690	381,045
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total commercial—nonowner occupied	<u>22,711</u>	<u>53,292</u>	<u>120,511</u>	<u>45,710</u>	<u>8,616</u>	<u>119,515</u>	<u>10,690</u>	<u>381,045</u>
Current period gross charge-offs	—	—	—	—	—	—	—	—
Commercial—other								
Risk Rating								
Pass	15,082	9,713	16,492	25,672	10,349	6,702	29,463	113,473
Special Mention	—	—	—	—	121	—	1,947	2,068
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total commercial—other	<u>15,082</u>	<u>9,713</u>	<u>16,492</u>	<u>25,672</u>	<u>10,470</u>	<u>6,702</u>	<u>31,410</u>	<u>115,541</u>
Current period gross charge-offs	—	—	—	—	—	—	—	—
Consumer loans								
Risk Rating								
Pass	3,666	255	726	282	118	435	6,549	12,031
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	34	—	—	—	—	—	34
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total consumer loans	<u>3,666</u>	<u>289</u>	<u>726</u>	<u>282</u>	<u>118</u>	<u>435</u>	<u>6,549</u>	<u>12,065</u>
Current period gross charge-offs	(5)	—	(21)	—	—	—	(69)	(95)
Total loans								
Risk Rating								
Pass	123,203	189,914	450,891	234,611	93,492	242,345	124,614	1,459,070
Special Mention	—	—	—	—	121	—	2,499	2,620
Substandard	—	34	688	—	—	493	202	1,417
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total loans	<u>\$ 123,203</u>	<u>\$ 189,948</u>	<u>\$ 451,579</u>	<u>\$ 234,611</u>	<u>\$ 93,613</u>	<u>\$ 242,838</u>	<u>\$ 127,315</u>	<u>\$ 1,463,107</u>
Total Current period gross charge-offs	<u>\$ (5)</u>	<u>\$ —</u>	<u>\$ (21)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (69)</u>	<u>\$ (95)</u>

The following tables detail the Company's recorded investment in loans related to each segment in the allowance for credit losses by portfolio segment and disaggregated on the basis of the Company's impairment methodology at December 31, 2025 and 2024:

	2025					
	Loans Individually Evaluated for Impairment	Allowance for Loans Individually Evaluated	Loans Collectively Evaluated for Impairment	Allowance for Loans Collectively Evaluated	Total Loans Evaluated for Impairment	Total Allowance for Loans Evaluated
(dollars in thousands)						
Secured by real estate:						
Construction/development/land	\$ —	\$ —	\$ 63,915	\$ 1,266	\$ 63,915	\$ 1,266
Farmland	—	—	11,874	96	11,874	96
Residential	3,224	—	486,949	4,988	490,173	4,988
Junior mortgage	—	—	9,404	35	9,404	35
Multifamily	506	—	122,165	700	122,671	700
Commercial—owner occupied	—	—	263,722	1,622	263,722	1,622
Commercial—nonowner occupied	2,263	44	401,596	1,637	403,859	1,681
Total	5,993	44	1,359,625	10,344	1,365,618	10,388
Non-real estate loans:						
Commercial—other	—	—	111,623	1,035	111,623	1,035
Consumer loans	—	—	13,117	202	13,117	202
Total	—	—	124,740	1,237	124,740	1,237
Total loans	\$ 5,993	\$ 44	\$ 1,484,365	\$ 11,581	\$ 1,490,358	\$ 11,625

	2024					
	Loans Individually Evaluated for Impairment	Allowance for Loans Individually Evaluated	Loans Collectively Evaluated for Impairment	Allowance for Loans Collectively Evaluated	Total Loans Evaluated for Impairment	Total Allowance for Loans Evaluated
(dollars in thousands)						
Secured by real estate:						
Construction/development/land	\$ 493	\$ 277	\$ 74,360	\$ 1,824	\$ 74,853	\$ 2,101
Farmland	—	—	4,513	24	4,513	24
Residential	890	220	498,931	2,807	499,821	3,027
Junior mortgage	—	—	8,221	148	8,221	148
Multifamily	—	—	114,434	820	114,434	820
Commercial—owner occupied	—	—	252,614	1,662	252,614	1,662
Commercial—nonowner occupied	—	—	381,045	2,605	381,045	2,605
Total	1,383	497	1,334,118	9,890	1,335,501	10,387
Non-real estate loans:						
Commercial—other	—	—	115,541	970	115,541	970
Consumer loans	—	—	12,065	193	12,065	193
Total	—	—	127,606	1,163	127,606	1,163
Total loans	\$ 1,383	\$ 497	\$ 1,461,724	\$ 11,053	\$ 1,463,107	\$ 11,550

The following tables present an aging of the recorded investment in past due and nonaccrual loans, by loan class, as of December 31, 2025 and 2024. All nonaccrual loans are loans that have been delinquent for 90 days or more. There were no loans past due 90 days and still accruing interest at December 31, 2025 and 2024.

(dollars in thousands)	2025						
	30-59 Days	60-89 Days	90 + Days	Total Past Due	Current Loans	Total Loans	Non- Accrual Loans
Construction/ development/land	\$ —	\$ —	\$ —	\$ —	\$ 63,915	\$ 63,915	\$ —
Farmland	—	—	—	—	11,874	11,874	—
Residential.	7	—	3,224	3,231	486,942	490,173	3,224
Junior mortgage	—	—	—	—	9,404	9,404	—
Multifamily	—	—	506	506	122,165	122,671	506
Commercial—owner occupied	—	—	—	—	261,459	261,459	—
Commercial—nonowner occupied	—	—	2,263	2,263	403,859	406,122	2,263
Commercial—other.	—	—	66	66	111,557	111,623	66
Consumer loans.	27	—	—	27	13,090	13,117	—
Total loans.	\$ 34	\$ —	\$ 6,059	\$ 6,093	\$ 1,484,265	\$ 1,490,358	\$ 6,059

(dollars in thousands)	2024						
	30-59 Days	60-89 Days	90 + Days	Total Past Due	Current Loans	Total Loans	Non- Accrual Loans
Construction/ development/land	\$ —	\$ —	\$ 493	\$ 493	\$ 74,360	\$ 74,853	\$ 493
Farmland	—	—	—	—	4,513	4,513	—
Residential.	363	—	890	1,253	498,568	499,821	890
Junior mortgage	—	—	—	—	8,221	8,221	—
Multifamily	—	—	—	—	114,434	114,434	—
Commercial—owner occupied	—	—	—	—	252,614	252,614	—
Commercial—nonowner occupied	—	—	—	—	381,045	381,045	—
Commercial—other.	—	—	—	—	115,541	115,541	—
Consumer loans.	13	4	—	17	12,048	12,065	—
Total loans.	\$ 376	\$ 4	\$ 1,383	\$ 1,763	\$ 1,461,344	\$ 1,463,107	\$ 1,383

The following table presents recorded investment in loans on nonaccrual status, by class, as of December 31, 2025 and 2024. It also includes interest income recognized on nonaccrual loans for the year ended December 31, 2025.

(dollars in thousands)	Nonaccruals		90 Days or More & Still Accruing as of December 31, 2025	Nonaccrual With No Specific Reserve as of December 31, 2025	Interest Income Recognized for the year ended December 31, 2025
	December 31, 2025	December 31, 2024			
Construction/development/land	\$ —	\$ 493	\$ —	\$ —	\$ —
Farmland	—	—	—	—	—
Residential	3,224	890	—	3,224	181
Junior mortgage	—	—	—	—	—
Multifamily	506	—	—	506	8
Commercial—owner occupied	—	—	—	—	7
Commercial—nonowner occupied	2,263	—	—	—	379
Commercial—other	66	—	—	66	—
Consumer loans	—	—	—	—	—
Total loans	<u>\$ 6,059</u>	<u>\$ 1,383</u>	<u>\$ —</u>	<u>\$ 3,796</u>	<u>\$ 575</u>

The starting point for the estimate of the ACL is historical loss information, which includes losses from modifications of loans to borrowers experiencing financial difficulty. As a result, the effect of most modifications made to borrowers experiencing financial difficulty is already included in the ACL and a change to the ACL is generally not recorded upon modification. When principal forgiveness is provided, however, the amount of forgiveness is charged off against the ACL.

A loan modification generally occurs when a borrower is experiencing financial difficulty and the Company grants a concession to provide the borrower relief from one or more of the contractual loan conditions. Concessions that the Company might consider include the allowance of interest-only payments on a temporary basis, the reduction of interest rates, the extension of the loan term, the forgiveness of principal, or a combination of these. The Company did not have any loan modifications for the year ended December 31, 2025. The Company had the following loan modifications for the year ended December 31, 2024:

(dollars in thousands)	2024		
	Payment Delay	Term Extension	Total
Construction/development/land	\$ —	\$ —	\$ —
Farmland	—	—	—
Residential	594	—	594
Junior mortgage	—	—	—
Multifamily	—	—	—
Commercial—owner occupied	—	—	—
Commercial—nonowner occupied	—	—	—
Commercial—other	—	2	2
Consumer loans	6	—	6
Total loans	<u>\$ 600</u>	<u>\$ 2</u>	<u>\$ 602</u>

9. Concentrations of Credit Risk

A substantial portion of the Company's loan portfolio is represented by loans in middle and eastern Tennessee. The capacity and willingness of the Company's debtors to honor their contractual obligations is dependent upon general economic conditions and the health of the real estate market within its general lending area. The majority of the Company's loans, commitments, and lines of credit have been granted to customers in its primary market area and substantially all of these instruments are collateralized by real estate or other assets.

The Company, as a matter of policy, does not extend credit to any single borrower or group of related borrowers in excess of its legal lending limit, which was \$44.5 million at December 31, 2025, and \$44.3 million at December 31, 2024.

The Company's loans were concentrated in the following categories as of December 31, 2025 and 2024:

	2025	2024
Real estate loans:		
Construction/development/land	4.3%	5.1%
Farmland	0.8%	0.3%
Residential	32.9%	34.2%
Junior mortgage	0.6%	0.6%
Multifamily	8.2%	7.8%
Commercial—owner occupied	17.7%	17.3%
Commercial—nonowner occupied:		
Hotels	6.9%	6.1%
Retail	5.6%	5.4%
Office	5.8%	4.0%
Marina	1.5%	2.1%
Campground	1.5%	1.7%
Warehouse	1.4%	1.5%
Mini-storage	1.1%	1.5%
Vacation Rentals	1.7%	1.3%
Car Wash	0.3%	1.2%
Entertainment	0.5%	0.6%
Restaurant	0.3%	0.3%
Other	0.5%	0.3%
Commercial—other	7.5%	7.9%
Consumer loans	0.9%	0.8%
	<u>100.0%</u>	<u>100.0%</u>

10. Premises and Equipment

Premises and equipment are summarized as follows as of December 31, 2025 and 2024:

(dollars in thousands)	2025	2024
Land and improvements	\$ 9,449	\$ 9,449
Computer software	884	741
Buildings and leasehold improvements	50,634	50,507
Parking lot improvements	17	17
Furniture, fixtures and equipment	7,385	7,336
Construction in progress	9	—
	<u>68,378</u>	<u>68,050</u>
Less accumulated depreciation	<u>(9,128)</u>	<u>(6,835)</u>
Total premises and equipment, net	<u>\$ 59,250</u>	<u>\$ 61,215</u>

Depreciation expense was \$2.3 million and \$1.9 million for the years ended December 31, 2025 and 2024, respectively.

11. Real Estate Owned

Real estate owned is summarized as follows as of December 31, 2025 and 2024:

(dollars in thousands)	2025	2024
Real estate owned, gross	\$ 3,103	\$ 2,572
Less: Valuation allowance	—	—
Real estate owned, net	<u>\$ 3,103</u>	<u>\$ 2,572</u>

As of December 31, 2025, real estate owned, net of the allowance, was comprised of \$2.8 million in residential real estate loans and \$315 thousand in commercial owner-occupied loans. As of December 31, 2024, real estate owned, net of the allowance, was comprised of \$2.6 million in residential real estate loans. There was no activity in the valuation allowance for real estate owned for the years ended December 31, 2025 and 2024.

There were no loans in the process of foreclosure as of December 31, 2025. As of December 31, 2024, \$1.1 million in residential real estate loans and \$308 thousand in construction/development/land loans were in the process of foreclosure.

12. Bank Owned Life Insurance

The following summarizes bank owned life insurance as of December 31:

(dollars in thousands)	2025	2024
General account	\$ 9,303	\$ 9,096
Hybrid	1,112	1,094
	<u>\$ 10,415</u>	<u>\$ 10,190</u>

The Company has 31 different policies, which are invested with three different insurance carriers, two of which have S&P ratings of AA+ and one carrier which has a Moody's rating of A2 as of December 31, 2025.

13. Derivatives and Hedging

In April 2025, the Company entered into an interest rate swap designated as a cash flow hedge to manage exposure to changes in interest rates on certain wholesale deposits. Interest rate swaps designated as cash flow hedges involve the payment of a fixed-rate amount to a counterparty in exchange for receiving variable-rate payments over the life of the agreements without exchange of the underlying notional amount. Gains and losses related to changes in fair value are recorded in accumulated other comprehensive income and reclassified into earnings as a reduction of interest expense in the periods the hedged forecasted transactions occur, in accordance with cash flow hedge accounting. The Company estimates that approximately \$60 thousand will be reclassified as a decrease in interest expense within the next 12 months.

In August 2024 and October 2023, the Company entered into fixed portfolio-layer-method fair value interest rate swaps, designated as hedging instruments, to manage exposure to the changes in fair value of the hedged pools of fixed rate mortgage and commercial loans attributable to changes in the benchmark interest rate. The interest rate swaps involve the payment of a fixed-rate amount to a counterparty in exchange for receiving variable-rate payments over the life of the agreements, without the exchange of the underlying notional amounts. Adjustments are made to record the interest rate swaps and hedged loans at fair value on the consolidated balance sheet, with changes in fair value recognized in loan interest income.

In March 2020, the Company entered into an interest rate swap designated as a cash flow hedge. The notional amount of this 5-year swap was \$50 million at the time the transaction was entered into. The Company cancelled this derivative transaction effective September 2021. The remaining amount reported in accumulated other comprehensive income related to this derivative was fully reclassified to interest expense by December 31, 2025.

The following tables summarize the Company's outstanding derivative instruments as of December 31, 2025 and 2024:

(dollars in thousands)		2025				
Instrument	Notional	Balance Sheet Location	Fair Value Asset/(Liability)	Payment Provision	Life of Contract	
Derivatives designated as hedging instruments:						
Fair value hedge of loans	\$ 150,000	Other liabilities	\$ (1,496)	Pay 4.6940% Receive monthly SOFR	3 years	
Fair value hedge of loans	75,000	Other liabilities	(103)	Pay 3.7125% Receive monthly SOFR	2 years	
Cash flow hedge of deposits. . .	35,000	Other liabilities	(53)	Pay 3.6475% Receive monthly SOFR	1.5 years	
Total	\$ 260,000		\$ (1,652)			

(dollars in thousands)		2024				
Instrument	Notional	Balance Sheet Location	Fair Value Asset/(Liability)	Payment Provision	Life of Contract	
Derivatives designated as hedging instruments:						
Fair value hedge of loans	\$ 150,000	Other liabilities	\$ (1,733)	Pay 4.6940% Receive monthly SOFR	3 years	
Fair value hedge of loans	75,000	Other liabilities	442	Pay 3.7125% Receive monthly SOFR	2 years	
Total	\$ 225,000		\$ (1,291)			

The following tables summarize information on the portfolio of loans hedged in the fair value hedging relationships described above as of December 31, 2025 and 2024:

(dollars in thousands)	2025		
	Carrying Amount of Pool	Hedge Accounting Basis Adjustment	Hedged Portfolio Layer
Loans ⁽¹⁾	\$ 832,521	\$ 1,599	\$ 225,000

(dollars in thousands)	2024		
	Carrying Amount of Pool	Hedge Accounting Basis Adjustment	Hedged Portfolio Layer
Loans ⁽¹⁾	\$ 937,986	\$ 1,291	\$ 225,000

(1) Carrying amount for the closed portfolio of loans used to designate hedging relationship reflects amortized cost.

Included in Other Assets on the consolidated balance sheet as of December 31, 2025 and 2024 is \$2.1 million and \$2.0 million, respectively, of cash collateral provided to the interest rate swap counterparty as collateral for the fair value of the hedging instruments.

The following table summarizes the effect of the derivatives and hedging relationships on the consolidated statements of income for the years ended December 31, 2025 and 2024:

(dollars in thousands)	Affected	2025	2024
	Income Statement Line Item		
Fair value hedge of loans:			
Gain recognized on hedged loans		\$ 1,599	\$ 1,291
Loss recognized on derivative		(1,599)	(1,291)
Cash settlement received (paid) from hedging instrument		(176)	1,171
Net gain (loss) recognized	Interest income on loans	\$ (176)	\$ 1,171
Cash flow hedge of deposits:			
Amounts reclassified from accumulated other comprehensive income into income	Interest expense on deposits	\$ 133	—
Cash flow hedge of debt:			
Amounts reclassified from accumulated other comprehensive income into income	Interest expense on debt	\$ 12	\$ 47

14. Operating Leases

The Company's operating leases primarily include office space and land. The following tables present supplemental balance sheet information related to operating leases as of December 31, 2025 and 2024. Right-of-use assets are included in Other Assets and lease liabilities are included in Other Liabilities.

(dollars in thousands)	<u>2025</u>	<u>2024</u>
ROU Assets	\$ 1,090	\$ 1,315
Lease Liabilities	1,170	1,387
Weighted-average remaining lease terms	29.48	41.85
Weighted-average discount rate	3.54%	3.51%

Rent expense for 2025 and 2024 was approximately \$195 thousand and \$304 thousand, respectively.

The following schedule summarizes aggregate future minimum lease payments under these operating leases at December 31, 2025:

(dollars in thousands)	
2026	\$ 266
2027	219
2028	196
2029	162
2030	57
Thereafter	<u>395</u>
	1,295
Effect of discounting	<u>(125)</u>
	<u>\$ 1,170</u>

The Company leases certain owned office space to third parties under operating lease arrangements with typical terms of five years and no renewal options deemed reasonably certain. Lease income consists of fixed monthly rentals. Rent income recognized during the year ended December 31, 2025 was \$36 thousand. There was no rent income recognized in 2024.

The following schedule summarizes aggregate future minimum lease payments expected to be received under noncancelable operating leases at December 31, 2025:

(dollars in thousands)	
2026	\$ 174
2027	179
2028	185
2029	190
2030	<u>146</u>
	<u>\$ 874</u>

The Company does not record a right-of-use asset or lease liability as lessor for these operating leases. Lease receivables related to straight-line rent recognition were immaterial at year-end.

15. Deposits

A summary of deposits as of December 31, 2025 and 2024 is as follows:

(dollars in thousands)	<u>2025</u>	<u>2024</u>
Demand deposits:		
Noninterest—bearing accounts.....	\$ 231,568	\$ 248,298
NOW and MMDA accounts.....	500,393	431,629
Savings accounts.....	<u>177,001</u>	<u>189,246</u>
Total demand deposits.....	<u>908,962</u>	869,173
Time deposits:		
Less than \$250,000.....	289,680	295,640
\$250,000 or more.....	<u>346,336</u>	<u>361,901</u>
Total time deposits.....	<u>636,016</u>	657,541
Total deposits.....	<u>\$ 1,544,978</u>	<u>\$ 1,526,714</u>

Included in interest-bearing demand deposits above are non-customer treasury deposits of \$146.8 million and \$112.9 million as of December 31, 2025 and 2024, respectively. Included in time deposits above are brokered deposits of \$183.1 million and \$210.3 million as of December 31, 2025 and 2024, respectively.

The time deposits by contractual maturities as of December 31, 2025 are as follows:

(dollars in thousands)	<u>Non-Brokered Deposits</u>	<u>Listing Service Deposits</u>	<u>Brokered Deposits</u>	<u>Total Time Deposits</u>
2026.....	\$ 333,953	\$ 69,265	\$ 138,912	\$ 542,130
2027.....	40,532	7,684	44,201	92,417
2028.....	1,224	—	—	1,224
2029.....	210	—	—	210
2030.....	35	—	—	35
	<u>\$ 375,954</u>	<u>\$ 76,949</u>	<u>\$ 183,113</u>	<u>\$ 636,016</u>

16. Federal Home Loan Bank Advances

The Company has total credit availability with the FHLB of up to 40% of assets, subject to the availability of qualified collateral. As collateral for these borrowings, the Company pledges certain investment securities, its FHLB stock, and its entire loan portfolio of qualifying mortgages (as defined) under a blanket collateral agreement with the FHLB. At December 31, 2025, the Company had unused borrowing capacity with the FHLB of \$398.5 million based on collateral pledged at that date.

FHLB advances consisted of the following (dollars in thousands):

December 31, 2025				
Maturity Date	Term	Rate Type	Rate	Balance
January 7, 2026	One-week	Fixed	3.69%	\$ 20,000
March 16, 2026	Three-month	Variable	3.89%	20,000
November 5, 2026	Twenty-four-month	Fixed	4.38%	10,000
			<u>3.91%</u>	<u>\$ 50,000</u>

December 31, 2024				
Maturity Date	Term	Rate Type	Rate	Balance
January 2, 2025	Four-month	Fixed	4.70%	\$ 25,000
August 26, 2025	Twelve-month	Fixed	4.53%	15,000
November 5, 2026	Twenty-four-month	Fixed	4.38%	10,000
			<u>4.59%</u>	<u>\$ 50,000</u>

17. Federal Reserve Bank Borrowings

The Company also maintained approximately \$99.1 million and \$126.1 million in borrowing capacity with the FRB discount window as of December 31, 2025 and 2024, respectively. The Company had no FRB discount window borrowings outstanding at December 31, 2025 and 2024.

There was no interest expense associated with FRB borrowings for the years ended December 31, 2025 and 2024.

18. Other Short-Term Borrowings

The Bank has various secured and unsecured lines of credit available with financial institutions that approximate \$13.5 million. There were no outstanding borrowings on these lines as of December 31, 2025 or 2024. These short-term borrowings mature daily.

There was no interest expense associated with other short-term borrowings for the years ended December 31, 2025 and 2024.

19. Senior Note Payable

On July 31, 2017, the Company entered into a senior revolving note with a financial institution. The note was originally issued with a maximum principal amount of \$10.0 million and a maturity date of July 2022. The note has since been amended to increase the maximum principal amount to \$25.0 million and extend the maturity date to July 15, 2027, with outstanding principal being due upon maturity. The note has an interest rate of Prime Rate (6.75% as of December 31, 2025) in effect minus 0.50% with a floor of 5.00%. As of December 31, 2025 and 2024, the outstanding balance was \$18.0 million and \$14.0 million, respectively, and the amount of unamortized debt issuance costs netted against the line was immaterial.

The Company is required by the loan agreements to comply with certain financial and affirmative covenants. The Company was in compliance with all covenants at December 31, 2025.

20. Subordinated Debt

On July 15, 2020, the Company issued \$10.0 million aggregate principal amount of 6.00% Fixed-to-Floating Rate Subordinated Notes due 2030 in a private offering to institutional accredited investors. The notes initially bore interest at a fixed rate of 6.00% per annum, payable semi-annually in arrears, and were scheduled to convert to a floating rate beginning July 15, 2025. The notes were redeemable by the Company on or after July 15, 2025, and were fully redeemed in October 2025.

21. Earnings Per Common Share

The following table sets forth the computation of basic and diluted net income per common share for the years ended December 31, 2025 and 2024:

(dollars in thousands, except share data)	<u>2025</u>	<u>2024</u>
Net income	\$ 11,187	\$ 8,923
Income per common share:		
Basic	\$ 1.78	\$ 1.42
Diluted	\$ 1.78	\$ 1.42
Weighted average common shares:		
Basic	6,269,993	6,268,048
Effect of dilutive securities:		
Stock options	—	—
Restricted stock units	18,978	9,839
Diluted	<u>6,288,971</u>	<u>6,277,887</u>

At December 31, 2025 the Company had 45,000 anti-dilutive shares outstanding of restricted stock subject to vesting requirements.

At December 31, 2024 the Company had the following anti-dilutive instruments outstanding: 30,000 shares of common stock issuable upon exercise of stock options with a weighted average exercise price of \$22.81 and 47,000 shares of restricted stock subject to vesting requirements.

22. Fair Value

Overview

Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC Topic 820 (“ASC 820”), *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs classified within Level 3 of the hierarchy).

Fair Value Hierarchy

Level 1

Valuation is based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2

Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as interest rates, yield curves observable at commonly quoted intervals, and other market-corroborated inputs.

Level 3

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

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon models that primarily use, as inputs, observable market-based parameters. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. The Company evaluates fair value measurement inputs on an ongoing basis in order to determine if there is a change of sufficient significance to warrant a transfer between levels. Transfers between levels of the fair value hierarchy are recognized on the actual date of the event or circumstances that caused the transfer, which generally coincides with the Company's valuation process.

Financial Assets and Financial Liabilities Measured on a Recurring Basis

The Company uses the following methods and assumptions in estimating the fair value of its financial assets and financial liabilities on a recurring basis:

Investment Securities Available for Sale

We obtain fair values for debt securities from a third-party pricing service, which utilizes several sources for valuing fixed-income securities. The market evaluation sources for debt securities include observable inputs rather than significant unobservable inputs and are classified as Level 2. The service provider utilizes pricing models that vary by asset class and include available trade, bid and other market information. Generally, the methodologies include broker quotes, proprietary models, vast descriptive terms and conditions databases, as well as extensive quality control programs. Also included in securities are corporate bonds which are valued using significant unobservable inputs and are classified as Level 2 or Level 3 based on market information available during the period.

Equity Securities

Equity securities represent investments in preferred stock and mutual funds which are valued by reference to inputs other than quoted prices and considered Level 2 or Level 3 based on market information available during the period.

Derivative Instruments

Interest rate swaps are valued by a third-party using significant assumptions that are observable in the market and can be corroborated by market data. The Company classifies interest rate swaps as Level 2.

Below is a table that presents information about certain assets and liabilities measured at fair value on a recurring basis as of December 31, 2025 and 2024:

(dollars in thousands)	2025			
	Fair Value Measurement Using			Total
	Level 1	Level 2	Level 3	
Assets:				
Agency MBS/CMO	\$ —	\$ 11,221	\$ —	\$ 11,221
Agency Multifamily (Non-Guaranteed)	—	5,867	—	5,867
Agency Student Loan (98% Guaranteed) . . .	—	10,979	—	10,979
Non-agency MBS/CMO	—	33,435	—	33,435
Corporate securities	—	14,016	2,863	16,879
Municipal securities	—	27,066	—	27,066
Business Development Companies	—	3,665	—	3,665
Total securities available for sale	—	106,249	2,863	109,112
Equity securities	\$ —	\$ 2,014	\$ 780	\$ 2,794
Total recurring assets at fair value	\$ —	\$ 108,263	\$ 3,643	\$ 111,906
Liabilities:				
Interest rate swaps	\$ —	\$ 1,652	\$ —	\$ 1,652
Total recurring liabilities at fair value	\$ —	\$ 1,652	\$ —	\$ 1,652
2024				
(dollars in thousands)	Fair Value Measurement Using			Total
	Level 1	Level 2	Level 3	
Assets:				
Agency MBS/CMO	\$ —	\$ 11,560	\$ —	\$ 11,560
Agency Multifamily (Non-Guaranteed)	—	7,081	—	7,081
Agency Student Loan (98% Guaranteed) . . .	—	6,659	—	6,659
Non-agency MBS/CMO	—	35,331	—	35,331
Corporate securities	—	19,941	2,879	22,820
Municipal securities	—	25,987	—	25,987
Business Development Companies	—	3,522	—	3,522
Total securities available for sale	—	110,081	2,879	112,960
Equity securities	\$ —	\$ 1,915	\$ 780	\$ 2,695
Total recurring assets at fair value	\$ —	\$ 1,11,996	\$ 3,659	\$ 115,655
Liabilities:				
Interest rate swaps	\$ —	\$ 1,291	\$ —	\$ 1,291
Total recurring liabilities at fair value	\$ —	\$ 1,291	\$ —	\$ 1,291

The following table shows a reconciliation of the beginning and ending balance for all assets measured at fair value on a recurring basis using significant unobservable inputs that are classified as Level 3 values:

(dollars in thousands)	Equity Securities	Corporate Securities	Total
December 31, 2024.....	\$ 780	\$ 2,879	\$ 3,659
Fair value adjustments included in OCI.....	—	(16)	(16)
December 31, 2025.....	<u>\$ 780</u>	<u>\$ 2,863</u>	<u>\$ 3,643</u>

Financial Assets and Financial Liabilities Measured on a Non-Recurring Basis

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value on a non-recurring basis:

Loans Held for Sale

Loans held for sale, which represent current mortgage production not yet sold, are recorded at the lower of current market prices or cost. The Company treats the loans held for sale as nonrecurring Level 2 in the event a write down were needed. Loans held for sale were carried at amortized cost as of December 31, 2025 and 2024. Interest rate lock commitments with customers and the related derivative were immaterial at December 31, 2025 and 2024, and have not been valued.

Individually Evaluated Loans

The fair value of individually evaluated loans, formerly “impaired” under incurred loss methodology, with specific allocations of the ACL is generally based on recent appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying such loans. Such adjustments result in a Level 3 classification of the inputs for determining fair value. Collateral may be valued using an appraisal, net book value per the borrower’s financial statements, or aging reports, adjusted or discounted based on management’s historical knowledge, changes in market conditions from the time of the valuation, and management’s expertise and knowledge of the client and client’s business, resulting in a Level 3 fair value classification. Individually evaluated loans are evaluated on at least a quarterly basis for additional impairment and adjusted in accordance with the loan policy.

Real Estate Owned

The Company does not record real estate owned at fair value on a recurring basis. However, when the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the real estate owned as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the real estate owned as nonrecurring Level 3.

The following table presents assets measured at fair value on a non-recurring basis as of December 31, 2025 and 2024:

(dollars in thousands)	2025		
	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Individually evaluated loans, net	\$ —	\$ —	\$ 2,219
Other real estate owned, net	—	—	3,103
Total non-recurring assets at fair value	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,322</u>

(dollars in thousands)	2024		
	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Individually evaluated loans, net	\$ —	\$ —	\$ 886
Other real estate owned, net	—	—	2,572
Total non-recurring assets at fair value	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,458</u>

The following table presents quantitative information about financial and non-financial assets measured at fair value on a non-recurring basis using Level 3 valuation inputs as of December 31, 2025 and 2024:

(dollars in thousands)	2025	
	Fair Value ⁽¹⁾	Weighted Average Appraisal Adjustment ⁽²⁾
Individually evaluated loans, net	\$ 2,219	7.92%
Other real estate owned, net	\$ 3,103	8.45%

(dollars in thousands)	2024	
	Fair Value ⁽¹⁾	Weighted Average Appraisal Adjustment ⁽²⁾
Individually evaluated loans, net	\$ 886	10.00%
Other real estate owned, net	\$ 2,572	—

(1) Fair value is generally based on appraisals of the underlying collateral.

(2) Appraisals may be adjusted by management for customized discounting criteria, estimated sales costs, and proprietary qualitative adjustments.

Fair Value of Financial Assets and Liabilities

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

(dollars in thousands)	2025				
	Carrying Amount	Fair Value Measurements			
		Total	Level 1	Level 2	Level 3
Financial Assets:					
Cash and cash equivalents	\$ 79,927	\$ 79,927	\$ 79,927	\$ —	\$ —
Securities available for sale	109,112	109,112	—	106,249	2,863
Equity securities	2,794	2,794	—	2,014	780
Loans receivable, net	1,478,733	1,437,611	—	—	1,437,611
Accrued interest receivable	5,383	5,383	—	5,383	—
Restricted stock	3,646	3,646	—	3,646	—
Interest rate swap collateral	2,053	2,053	2,053	—	—
Financial Liabilities:					
Demand deposits	\$ 908,962	\$ 908,962	\$ —	\$ 908,962	\$ —
Time deposits	636,016	637,536	—	—	637,536
FHLB advances, net	50,000	50,075	—	50,075	—
Senior note revolving line of credit	17,996	18,000	—	18,000	—
Accrued interest payable	2,395	2,395	—	2,395	—
Interest rate swap	1,652	1,652	—	1,652	—
2024					
(dollars in thousands)	Carrying Amount	Fair Value Measurements			
		Total	Level 1	Level 2	Level 3
Financial Assets:					
Cash and cash equivalents	\$ 75,536	\$ 75,536	\$ 75,536	\$ —	\$ —
Securities available for sale	112,960	112,960	—	110,081	2,879
Equity securities	2,695	2,695	—	1,915	780
Loans receivable, net	1,451,557	1,375,145	—	—	1,375,145
Accrued interest receivable	5,587	5,587	—	5,587	—
Restricted stock	4,317	4,317	—	4,317	—
Interest rate swap collateral	1,965	1,965	1,965	—	—
Financial Liabilities:					
Demand deposits	\$ 869,173	\$ 869,173	\$ —	\$ 869,173	\$ —
Time deposits	657,541	659,279	—	—	659,279
FHLB advances, net	50,000	50,007	—	50,007	—
Senior note revolving line of credit	13,998	14,000	—	14,000	—
Subordinated debt, net	9,973	9,810	—	—	9,810
Accrued interest payable	4,435	4,435	—	4,435	—
Interest rate swap	1,291	1,291	—	1,291	—

23. Income Taxes

The components of income tax expense (benefit) are summarized as follows for the year ended December 31, 2025 and 2024:

(dollars in thousands)	2025	2024
Current		
Federal	\$ 3,422	\$ 1,790
State	(29)	(117)
Total current taxes	<u>3,393</u>	<u>1,673</u>
Deferred		
Federal	(427)	530
State	(126)	400
Total deferred taxes	<u>(553)</u>	<u>930</u>
Income tax expense	<u>\$ 2,840</u>	<u>\$ 2,603</u>

A reconciliation of actual income tax expense in the consolidated financial statements to the expected tax expense (computed by applying the statutory federal income tax rate of 21% to income before income taxes) for the years ended December 31, 2025 and 2024 is as follows:

(dollars in thousands)	2025		2024	
Federal statutory rate times financial statement pretax income	\$ 2,946	21.00%	\$ 2,420	21.00%
Effect of:				
State income taxes, net of federal income effect ⁽¹⁾	(122)	-0.87%	224	1.94%
Nontaxable or nondeductible items				
Bank-owned life insurance	(47)	-0.34%	(47)	-0.41%
Stock based compensation	15	0.11%	44	0.38%
Tax-exempt bonds	(25)	-0.18%	(25)	-0.21%
Other	98	0.70%	33	0.28%
Tax Credits				
Low income housing credits, net of amortization and related tax benefits	(30)	-0.21%	(35)	-0.31%
Other adjustments, net	5	0.03%	(11)	-0.09%
Income tax expense	<u>\$ 2,840</u>	<u>20.25%</u>	<u>\$ 2,603</u>	<u>22.59%</u>

(1) State taxes in Tennessee made up the majority (greater than 50 percent) of the tax effect in this category each year.

The tax effect of each type of temporary difference that gives rise to net deferred tax assets and liabilities is as follows as of December 31, 2025 and 2024:

(dollars in thousands)	2025	2024
Deferred tax assets relating to:		
Allowance for credit losses	\$ 3,038	\$ 3,019
Accrued incentives	398	121
Post-employment liabilities	825	798
Lease liability	306	362
Unrealized loss on AFS securities	3,944	5,363
Other	598	548
	<u>9,109</u>	<u>10,211</u>
Deferred tax liabilities relating to:		
Right of use asset	(285)	(344)
Prepays	(170)	(185)
Deferred loan fees and costs	(981)	(1,042)
Depreciation	(776)	(878)
	<u>(2,212)</u>	<u>(2,449)</u>
Deferred tax asset, net	<u>\$ 6,897</u>	<u>\$ 7,762</u>

The Company and its subsidiaries are subject to U.S federal income tax as well as income tax for the state of Tennessee. The Company is no longer subject to examination by taxing authorities for years before 2022.

The following table represents income taxes paid (net of refunds) for the two years ended December 31, 2025 and 2024:

(dollars in thousands)	2025	2024
Federal taxes paid	\$ 3,350	\$ 625
State taxes paid	<u>—</u>	<u>—</u>
Total income taxes paid	<u>\$ 3,350</u>	<u>\$ 625</u>

24. Accumulated Other Comprehensive Income

The following table summarizes the components of accumulated other comprehensive income and changes in those components as of and for the years ended December 31, 2025 and 2024:

(dollars in thousands)	Available for Sale Securities	Cash Flow Hedge	Total
Balance, December 31, 2023	\$ (16,338)	\$ 80	\$ (16,258)
Change in net unrealized holding gains on securities available for sale	1,635	—	1,635
Reclassification adjustment for net securities losses included in net income	(69)	—	(69)
Reclassification adjustment for realized gain on terminated cash flow hedge recognized in interest expense	—	(47)	(47)
Income tax benefit (expense)	(420)	12	(408)
Balance, December 31, 2024	<u>\$ (15,192)</u>	<u>\$ 45</u>	<u>\$ (15,147)</u>
Change in net unrealized holding gains on securities available for sale	5,270	—	5,270
Reclassification adjustment for net securities losses included in net income	160	—	160
Change in unrealized holding losses on cash flow hedge Reclassification adjustment for realized gain on cash flow hedge recognized in interest expense	—	80	80
Reclassification adjustment for realized gain on terminated cash flow hedge recognized in interest expense	—	(133)	(133)
Income tax benefit (expense)	(1,435)	17	(1,418)
Balance, December 31, 2025	<u>\$ (11,197)</u>	<u>\$ (3)</u>	<u>\$ (11,200)</u>

The following table shows the line items in the consolidated statements of income affected by amounts reclassified from accumulated other comprehensive income:

(dollars in thousands)	Year Ended December 31,		Income Statement Line Item Affected
	2025	2024	
Available-for-sale securities:			
Net securities gains (losses) recognized in net income	\$ (160)	\$ 69	Realized gains (losses) on investments
Income tax effect	42	(18)	Income tax expense
Reclassified out of accumulated other comprehensive loss, net of tax	<u>\$ (118)</u>	<u>\$ 51</u>	Net income
Cash flow hedge:			
Realized holding gains recognized in net income . . .	\$ 133	\$ —	Interest expense on deposits
Realized holding gains on terminated cash flow hedge recognized in net income	12	47	Interest expense on FHLB advances
Income tax effect	(38)	(12)	Income tax expense
Reclassified out of accumulated other comprehensive loss, net of tax	<u>\$ 107</u>	<u>\$ 35</u>	Net income
Total reclassified out of accumulated other comprehensive loss, net of tax	<u>\$ (11)</u>	<u>\$ 86</u>	Net income

25. Employee Benefit Plans

The Company's 401(k) profit sharing plan covers substantially all employees of the Company. There is an IRS limit on what eligible officers and employees may contribute from their annual compensation, a portion of which is tax-deferred. The Company matches employee contributions of up to 5% of employee compensation through safe harbor matching. The Company can make additional contributions at its discretion. Total plan expense for the years ended December 31, 2025 and 2024, was approximately \$394 thousand and \$406 thousand, respectively.

The Company has a compensated expense policy that allows employees to accrue paid time off for vacation, sick or other unexcused absences up to a specified number of days each year. Employees may carry forward a limited amount of unused time that may be paid back at termination. The Company maintained an accrual of \$206 thousand and \$218 thousand at December 31, 2025 and 2024 for estimated unused time-off.

26. Post-Employment Benefits

The Company accrued a liability and related compensation costs for endorsement split-dollar life insurance policies that provide a benefit to an employee that extends to postretirement periods. The Company also maintains supplemental executive retirement plans ("SERP") to provide additional retirement benefits to certain executives. Total SERP expense (benefit) for the years ended December 31, 2025 and 2024, were approximately \$191 thousand and \$(33) thousand, respectively. The discount rate used for both plans in 2025 and 2024 was 5.50%.

The following table summarizes post-employment benefit liabilities as of December 31, 2025 and 2024:

(dollars in thousands)	2025	2024
Split-dollar life insurance	\$ 213	\$ 233
SERP	3,155	3,052
Total post-employment benefit liability	<u>\$ 3,368</u>	<u>\$ 3,285</u>

The following schedule summarizes expected future payments for the SERP as of December 31, 2025:

(dollars in thousands)	
2026	\$ 88
2027	249
2028	249
2029	249
2030	249
Thereafter	4,121
	<u>\$ 5,205</u>

27. Commitments and Contingencies

Commitments to extend credit are agreements to lend to a customer as long as there is not a violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparties. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income producing commercial properties.

Standby letters of credit and written financial guarantees are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. To the extent deemed necessary, collateral of varying types and amounts is held to secure customer performance under certain of those letters of credit outstanding.

As of December 31, 2025, the Company had commitments to extend credit (including availability of lines of credit) of \$271.2 million and standby letters of credit and financial guarantees written of \$6.9 million.

The Company is subject to a variety of legal matters from time to time that arise in the ordinary course of our business. As of December 31, 2025, the Company does not believe it has material exposure to any of these matters.

28. Regulatory Capital Requirements

The Company's principal source of funds for liquidity are dividends received from the Bank and remaining debt proceeds. Banking regulations limit the amount of dividends that may be paid from the Bank without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above.

The Bank is a federally-insured state-chartered bank and is subject to the rules and regulations of the Tennessee Department of Financial Institutions and the Federal Deposit Insurance Corporation ("FDIC"). Failure to meet the minimum regulatory capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that if undertaken, could have a direct material effect on the Bank and its financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of: total risk-based capital, common equity Tier 1, Tier I capital to risk-weighted assets (as defined in the regulations), and Tier I capital to adjusted total assets (as defined). Management believes, as of December 31, 2025 and 2024, that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2025, the most recent notification from regulators categorized the Bank as *well capitalized* under the regulatory framework for prompt corrective action. To be categorized as *well capitalized* the Bank must maintain minimum (Tier I leverage, Tier I risk-based, total risk-based 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. No deduction from capital for interest-rate risk was required.

Regulatory capital regulations require that regulated financial institutions hold a capital conservation buffer of an additional 2.5%. The Bank is in compliance with the capital ratios considering the capital conservation buffer.

The Bank's actual and required capital amounts and ratios are as follows:

(dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	As of December 31, 2025:					
Total risk—based capital						
(to risk—weighted assets)	\$ 178,086	12.0%	\$ 119,216	8.0%	\$ 149,020	10.0%
Tier I risk—based capital						
(to risk—weighted assets)	\$ 165,126	11.1%	\$ 89,412	6.0%	\$ 119,216	8.0%
Tier I leverage capital						
(to adjusted total assets)	\$ 165,126	9.2%	\$ 71,996	4.0%	\$ 89,995	5.0%
Tier I minimum common equity risk—based capital						
(to risk—weighted assets)	\$ 165,126	11.1%	\$ 67,059	4.5%	\$ 96,863	6.5%

(dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	As of December 31, 2024:					
Total risk—based capital						
(to risk—weighted assets)	\$ 177,171	12.3%	\$ 115,283	8.0%	\$ 144,104	10.0%
Tier I risk—based capital						
(to risk—weighted assets)	\$ 164,796	11.4%	\$ 86,462	6.0%	\$ 115,283	8.0%
Tier I leverage capital						
(to adjusted total assets)	\$ 164,796	9.3%	\$ 70,787	4.0%	\$ 88,484	5.0%
Tier I minimum common equity risk—based capital						
(to risk—weighted assets)	\$ 164,796	11.4%	\$ 64,847	4.5%	\$ 93,668	6.5%

The Company's actual and required capital amounts and ratios are as follows (dollars in thousands):

(dollars in thousands)	Actual		For Capital Adequacy Purposes	
	Amount	Ratio	Amount	Ratio
As of December 31, 2025:				
Total risk—based capital (to risk—weighted assets)	\$ 169,734	11.4%	\$ 119,216	8.0%
Tier I risk—based capital (to risk—weighted assets)	\$ 156,774	10.5%	\$ 89,412	6.0%
Tier I leverage capital (to adjusted total assets)	\$ 156,774	8.7%	\$ 71,996	4.0%
Tier I minimum common equity risk—based capital (to risk—weighted assets)	\$ 156,774	10.5%	\$ 67,059	4.5%

(dollars in thousands)	Actual		For Capital Adequacy Purposes	
	Amount	Ratio	Amount	Ratio
As of December 31, 2024:				
Total risk—based capital (to risk—weighted assets)	\$ 169,804	11.8%	\$ 115,283	8.0%
Tier I risk—based capital (to risk—weighted assets)	\$ 147,458	10.2%	\$ 86,462	6.0%
Tier I leverage capital (to adjusted total assets)	\$ 147,458	8.3%	\$ 70,786	4.0%
Tier I minimum common equity risk—based capital (to risk—weighted assets)	\$ 147,458	10.2%	\$ 64,847	4.5%

29. Stock Based Compensation

The Company's Stock Compensation Plan (the Plan), which is shareholder-approved, permits the granting of up to a combined 400,000 stock options and shares of restricted stock. Options are granted with an exercise price equal to the market price of the Company's stock at the date of the grant. Awards generally vest over four or five years and have ten-year contractual terms.

A summary of activity is shown below:

(dollars in thousands, except share data)	Restricted Shares		Stock Options			
	Shares	Weighted-Average Grant Date Fair Value	Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2023 . . .	103,055	\$ 26.05	30,000	\$ 22.81	6.17	\$ —
Granted	52,823	19.55	—	—	—	—
Vested/Exercised	(42,235)	24.30	—	—	—	—
Forfeited	(7,660)	24.31	—	—	—	—
Outstanding at December 31, 2024 . . .	105,983	23.64	30,000	22.81	5.17	\$ —
Granted	58,816	22.37	—	—	—	—
Vested/Exercised	(37,996)	24.68	(30,000)	22.81	—	—
Forfeited	(9,836)	25.17	—	—	—	—
Outstanding at December 31, 2025 . . .	116,967	\$ 22.53	—	—	—	—
Vested and exercisable at December 31, 2025	—	\$ —	—	\$ —	—	\$ —

There were no stock options awarded in 2025 or 2024.

For the years ended December 31, 2025 and 2024, expense recognized for the vesting of stock option grants was approximately \$10 thousand and \$60 thousand, respectively. The Company has no remaining unvested stock-based compensation related to stock options as of December 31, 2025.

Restricted stock is issued to certain officers and directors on a discretionary basis. Compensation expense is recognized over the vesting period of the awards based on the fair value of the stock at issue date. The fair value of the restricted stock was determined using the market price on the day of issuance. Restricted stock vests over single or multiple year periods.

The following table outlines the restricted shares issued and expense recognized for the years ended December 31, 2025 and 2024 (dollars in thousands, except share data):

	Shares Issued				Expense Recognized
	1 Yr Term	4 Yr Term	5 Yr Term	Total	
2025.....	9,000	3,869	45,947	58,816	\$ 933
2024.....	1,130	—	51,693	52,823	\$ 1,036

The unearned compensation for these awards is approximately \$2.2 million to be expensed over a 1.9-year weighted average period as of December 31, 2025.

The Company uses authorized but unissued shares to meet the Plan's needs.

30. Related Party Transactions

The Company has entered into lending transactions with certain directors and executive officers. Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

Loans to related parties were as follows:

(dollars in thousands)	Balances
Balance January 1, 2024.....	\$ 10,466
New loans/Increases.....	699
Repayments.....	(1,449)
Ending Balance, December 31, 2024.....	9,716
New loans/Increases.....	1,608
Repayments.....	(799)
Ending Balance, December 31, 2025.....	\$ 10,525

Credit cards issued to related parties were as follows:

(dollars in thousands)	Credit Limit	Balances
Balance, December 31, 2025.....	\$ 400	\$ 35
Balance, December 31, 2024.....	\$ 385	\$ 28

Deposits from executive officers, directors, and their affiliates at December 31, 2025 and 2024, were approximately \$22.6 million and \$22.9 million, respectively.

31. Condensed Financial Information of Mountain Commerce Bancorp, Inc. - Parent Company Only

The following are the condensed Parent Company Only financial statements as of December 31, 2025 and 2024:

Condensed Balance Sheets		
(dollars in thousands)	2025	2024
Assets		
Cash and cash equivalents	\$ 8,519	\$ 6,014
Investment in subsidiary	153,968	149,691
Other investments	1,198	928
Other assets	27	235
Total Assets	<u>\$ 163,712</u>	<u>\$ 156,868</u>
Liabilities and Stockholders' Equity		
Senior note payable	\$ 17,996	\$ 13,998
Subordinated debt, net	—	9,973
Other liabilities	100	544
Total Liabilities	<u>18,096</u>	<u>24,515</u>
Stockholders' equity:		
Common stock	\$ 64	\$ 64
Additional paid—in capital	65,996	66,208
Retained earnings	90,756	81,228
Accumulated other comprehensive loss	<u>(11,200)</u>	<u>(15,147)</u>
Total Stockholders' Equity	<u>145,616</u>	<u>132,353</u>
Total Liabilities and Stockholders' Equity	<u>\$ 163,712</u>	<u>\$ 156,868</u>
Condensed Statements of Income		
(dollars in thousands)	2025	2024
Equity income of subsidiary	\$ 12,977	\$ 10,554
Total income	12,977	10,554
Interest expense	(1,440)	(2,085)
Other noninterest expense	<u>(637)</u>	<u>(124)</u>
Total Expense	<u>(2,077)</u>	<u>(2,209)</u>
Income before income taxes	10,900	8,345
Income tax benefit	<u>287</u>	<u>578</u>
Net Income	<u>\$ 11,187</u>	<u>\$ 8,923</u>

Condensed Statements of Cash Flows

(dollars in thousands)	<u>2025</u>	<u>2024</u>
Operating activities:		
Net income	\$ 11,187	\$ 8,923
Adjustments to reconcile net income to net cash used by operating activities:		
Undistributed income of subsidiary	(12,977)	(10,554)
Amortization of debt issuance costs	30	59
Net change in other operating assets and liabilities	(236)	(196)
Net cash used by operating activities	<u>(1,996)</u>	<u>(1,768)</u>
Investing activities:		
Purchase of other investment	(270)	(240)
Transactions with bank subsidiary	13,589	9,640
Net cash provided by (used in) investing activities	<u>13,319</u>	<u>9,400</u>
Financing activities:		
Proceeds from issuance of common stock	—	—
Repurchase of common stock	(1,154)	(94)
Proceeds from (repayment of) senior debt	4,000	(6,000)
Repayment of subordinated debt	(10,000)	—
Payment of debt issuance costs	(5)	(6)
Payment of dividends	(1,659)	(1,469)
Net cash provided by (used in) financing activities	<u>(8,818)</u>	<u>(7,569)</u>
Increase in cash and cash equivalents	2,505	63
Cash and cash equivalents, beginning	<u>6,014</u>	<u>5,951</u>
Cash and cash equivalents, ending	<u>\$ 8,519</u>	<u>\$ 6,014</u>

32. Segment Information

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

Accounting policies for segments are the same as those described in Note 2. Segment performance is evaluated using consolidated net income. See the Consolidated Statements of Income beginning on page 5.

33. Subsequent Events

On December 7, 2025, the Company entered into a definitive agreement to be acquired by Home Bancshares, Inc., a publicly traded financial institution. Under the terms of the agreement, shareholders of the Company will receive 0.850 shares of Home BancShares stock for each share of the Company's common stock. The transaction is subject to customary closing conditions, including approval by the Company's shareholders and applicable banking regulators.

The acquisition is expected to close in the first half of 2026. Because the transaction has not yet closed as of December 31, 2025, the conditions giving rise to the event did not exist at year-end, and therefore, no adjustments have been made to the December 31, 2025 financial statements.

The Company has evaluated subsequent events through March 20, 2026, the date these consolidated financial statements were available to be issued.