

Coastal Carolina Bancshares, Inc.
and Subsidiary

Report on Consolidated Financial Statements

For the years ended
December 31, 2025 and 2024



Independent Auditor's Report

The Board of Directors
Coastal Carolina Bancshares, Inc. and Subsidiary
Myrtle Beach, South Carolina

Opinion

We have audited the consolidated financial statements of Coastal Carolina Bancshares, Inc. and its Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, the related consolidated statements of operations and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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



Charleston, South Carolina
March 6, 2026

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2025	2024
Assets		
Cash and non-interest-bearing due from banks	\$ 17,856,073	\$ 6,685,457
Federal funds sold	672,248	3,478,098
Interest-bearing bank deposits	197,534,527	116,393,052
Total cash and cash equivalents	216,062,848	126,556,607
Securities available-for-sale	83,274,522	93,259,682
Federal Reserve Bank stock	1,790,100	1,777,200
Federal Home Loan Bank stock	762,500	655,200
Loans held for sale	381,465	502,482
Loans receivable	944,984,830	837,330,845
Deferred loan fees, net	(142,624)	(193,163)
Allowance for credit losses	(10,237,994)	(8,560,650)
Loans receivable, net	934,604,212	828,577,032
Premises and equipment, net	14,777,336	11,938,308
Bank owned life insurance	11,972,095	11,576,718
Goodwill	2,991,535	2,991,535
Core deposit intangible	112,492	143,281
Deferred tax asset, net	4,768,574	5,255,672
Accrued interest receivable	4,606,636	3,936,927
Right of use asset - operating leases	1,124,327	1,641,728
Other assets	1,777,929	1,497,741
Total assets	\$ 1,279,006,571	\$ 1,090,310,113
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Non-interest-bearing demand	\$ 204,083,390	\$ 163,288,388
Interest checking	187,891,886	256,676,441
Money market	543,677,798	390,695,017
Savings	17,284,888	18,345,155
Certificates of deposit	194,133,975	159,832,565
Total deposits	1,147,071,937	988,837,566
Subordinated debentures	22,000,000	20,000,000
Operating lease liability	1,195,911	1,733,076
Accrued expenses and other liabilities	5,706,288	4,430,824
Total liabilities	1,175,974,136	1,015,001,466
Commitments and contingencies (Note 18)		
Shareholders' Equity		
Preferred stock, \$.01 par value, 10,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$.01 par value, 50,000,000 shares authorized, 7,583,497 and 6,330,198 issued and outstanding at December 31, 2025 and December 31, 2024, respectively	75,835	63,302
Additional paid-in capital	62,751,857	48,186,418
Unearned compensation, nonvested restricted stock	(603,749)	(542,830)
Retained earnings	44,958,964	34,023,550
Accumulated other comprehensive loss	(4,150,472)	(6,421,793)
Total shareholders' equity	103,032,435	75,308,647
Total liabilities and shareholders' equity	\$ 1,279,006,571	\$ 1,090,310,113

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	For the Years Ended December 31,	
	2025	2024
Interest income		
Loans, including fees	\$ 53,786,258	\$ 46,288,729
Federal funds sold and interest-bearing bank deposits	5,896,293	5,051,318
Securities	2,675,642	2,655,956
Federal Reserve Bank & Federal Home Loan Bank stock dividend	156,007	185,237
Total interest income	62,514,200	54,181,240
Interest expense		
Deposits:		
Interest checking	1,739,352	1,994,418
Money market and savings	14,199,369	13,131,597
Certificates of deposit	6,910,890	6,752,239
Other borrowings	1,258,765	1,102,887
Total interest expense	24,108,376	22,981,141
Net interest income before provision for credit losses	38,405,824	31,200,099
Provision for credit losses	1,730,000	700,023
Net interest income after provision for credit losses	36,675,824	30,500,076
Noninterest income		
Service charges on deposits	474,725	381,053
Securities loss	(31)	(17)
Gain on sale of loans	339,530	376,182
ATM, debit, and merchant fees	936,087	846,329
Bank-owned life insurance	395,377	377,959
Other	369,137	606,789
Total noninterest income	2,514,825	2,588,295
Noninterest expense		
Salaries and employee benefits	16,184,291	14,085,103
Data processing	2,805,918	2,664,934
Professional services	690,774	555,492
Occupancy and equipment	2,368,596	2,209,706
Marketing and business development	923,974	797,478
Shareholder relations	75,240	79,279
Postage and supplies	204,132	170,142
Corporate insurance	49,672	38,892
Telecommunications	152,477	149,648
FDIC insurance and regulatory assessments	843,298	827,297
Other	1,013,717	842,556
Total noninterest expense	25,312,089	22,420,527
Income before income taxes	13,878,560	10,667,844
Income tax expense related to ordinary operations	2,943,146	2,161,133
Net income	\$ 10,935,414	\$ 8,506,711
Other comprehensive income:		
Net change in unrealized income on securities available-for-sale	\$ 3,010,566	\$ 235,510
Tax effect	(739,245)	(57,829)
Total other comprehensive income	2,271,321	\$ 177,681
Comprehensive income	\$ 13,206,735	\$ 8,684,392
Earnings per share		
Basic earnings per share	\$ 1.73	\$ 1.37
Diluted earnings per share	\$ 1.71	\$ 1.36
Average shares outstanding - basic	6,325,040	6,223,548
Average shares outstanding - diluted	6,388,691	6,270,505

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years Ended December 31, 2025 and 2024

	Common Stock		Additional Paid-in Capital	Unearned Compensation Nonvested	Retained Earnings	Accumulated Other Comprehensive	Total Shareholders' Equity
	Shares	Amount		Restricted Stock		Income (Loss)	
December 31, 2023	6,293,448	\$ 62,934	\$ 47,828,339	\$ (677,263)	\$ 25,516,839	\$ (6,599,474)	\$ 66,131,375
Net income	-	-	-	-	8,506,711	-	8,506,711
Other comprehensive income	-	-	-	-	-	177,681	177,681
Stock option exercise	4,714	47	28,217	-	-	-	28,264
Restricted stock	32,036	321	329,862	134,433	-	-	464,616
December 31, 2024	6,330,198	\$ 63,302	\$ 48,186,418	\$ (542,830)	\$ 34,023,550	\$ (6,421,793)	\$ 75,308,647
December 31, 2024	6,330,198	\$ 63,302	\$ 48,186,418	\$ (542,830)	\$ 34,023,550	\$ (6,421,793)	\$ 75,308,647
Net income	-	-	-	-	10,935,414	-	10,935,414
Other comprehensive income	-	-	-	-	-	2,271,321	2,271,321
Common stock issuance	1,200,000	12,000	14,031,275	-	-	-	14,043,275
Stock option exercise	12,799	128	75,344	-	-	-	75,472
Restricted stock	40,500	405	458,820	(60,919)	-	-	398,306
December 31, 2025	7,583,497	\$ 75,835	\$ 62,751,857	\$ (603,749)	\$ 44,958,964	\$ (4,150,472)	\$ 103,032,435

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended	
	December 31,	
	2025	2024
Operating activities		
Net income	\$ 10,935,414	\$ 8,506,711
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	1,730,000	700,023
Amortization of intangible assets	30,789	38,018
Gain on the sale of loans held for sale	(339,530)	(376,182)
Origination of loans held for sale, net	(17,017,036)	(16,277,271)
Proceeds from sale of loans held for sale	17,477,583	16,719,530
Premium amortization and discount accretion on securities, net	298,703	351,465
Depreciation and amortization expense	525,300	563,663
Securities loss	31	17
Stock-based compensation expense	398,306	464,616
Increase in accrued interest receivable	(669,709)	(434,470)
Increase in accrued interest payable	393,010	35,671
Decrease in deferred tax asset	(252,147)	(160,568)
Increase in cash surrender value of life insurance	(395,377)	(377,959)
Increase in other assets	(280,188)	(179,119)
Increase in other liabilities	882,454	920,735
Change in right of use lease asset and liability	(19,764)	(8,989)
Net cash used in operating activities	13,697,839	10,485,891
Investing activities		
Net increase in loans	(107,757,180)	(73,723,648)
Purchases of securities available for sale	(5,850,861)	(4,916,976)
Proceeds from sales, calls, and paydowns of securities available for sale	18,547,853	11,700,942
Purchases of Federal Reserve Bank stock	(12,900)	(13,500)
Redemptions (purchases) of Federal Home Loan Bank stock	(107,300)	728,800
Purchases of premises and equipment	(3,364,328)	(836,461)
Net cash used in operating activities	(98,544,716)	(67,060,843)
Financing activities		
Net increase in demand deposits, interest-bearing transaction accounts and savings accounts	123,932,961	152,076,780
Net increase in certificates of deposit	34,301,410	8,411,049
Net proceeds from the issuance of subordinated debentures	2,000,000	-
Net increase in Federal Home Loan Bank borrowing	-	(17,000,000)
Proceeds from issuance of stock	14,043,275	-
Proceeds of exercise of stock options	75,472	28,264
Net cash used in operating activities	174,353,118	143,516,093
Net increase in cash and cash equivalents	89,506,241	86,941,141
Cash and cash equivalents, beginning of year	126,556,607	39,615,466
Cash and cash equivalents, end of year	\$ 216,062,848	\$ 126,556,607
Supplemental disclosures of cash flow information		
Cash paid for:		
Interest	\$ 23,715,367	\$ 22,945,470
Income taxes	\$ 3,385,000	\$ 1,938,000
Change in unrealized gains on securities	\$ 3,010,566	\$ 235,510

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – On February 28, 2008, Coastal Carolina Bancshares, Inc. (the “Company”) was incorporated to act as the holding company for Coastal Carolina National Bank (the “Bank”). The Bank began banking operations with one branch in Myrtle Beach, South Carolina on June 8, 2009. The bank subsequently established a branch in Garden City, South Carolina in 2013, and established a third branch in North Myrtle Beach, South Carolina in 2015.

On October 8, 2016, Coastal Carolina National Bank merged with state-chartered commercial bank VistaBank, headquartered in Aiken, South Carolina. VistaBank operated three branches located across South Carolina in Conway, Columbia, and Aiken. All three locations continue operations post merger as Coastal Carolina National Bank locations.

In June 2017, the Bank opened a Loan Production Office in Greenville, South Carolina. The Loan Production Office was closed, and the Bank established a full-service branch in Greenville, South Carolina in May 2018.

In October 2019, the Bank opened a Loan Production Office in Spartanburg, South Carolina. The Loan Production Office was closed, and the Bank established a full-service branch in Spartanburg, South Carolina in March 2023.

In June 2024 the Bank opened a full-service branch location in Orangeburg, South Carolina, and in November 2024 the Bank opened a full-service branch location in Ocean Isle Beach, North Carolina. In November 2025 the Bank transitioned from its temporary branch location in Orangeburg to a permanent branch, while Ocean Isle Beach continues to operate from a temporary branch location as the Bank establishes more permanent space.

In October 2025, the Bank opened a Loan Production Office in Wilmington, North Carolina.

The principal business activity of the Bank is to provide banking services to domestic markets, principally in Horry County, Richland County, Aiken County, Greenville County, Spartanburg County, and Orangeburg County, South Carolina. The Bank also provides banking services in Brunswick County and New Hanover County, North Carolina. The Bank is a nationally chartered commercial bank, and its deposits are insured by the Federal Deposit Insurance Corporation.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States.

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its subsidiary. Significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense 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, fair value of securities, the valuation of deferred tax assets, and the estimated useful lives and methods for depreciating premises and equipment. Management believes that the allowance for credit losses on loans is adequate. While management uses available information to recognize losses on loans, future additions to the allowances may be necessary based on changes in local economic conditions.

In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company’s allowance for losses on loans. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the allowance for losses on loans may change materially in the near term.

Cash and Cash Equivalents – For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks, federal funds sold, and interest-bearing bank deposits. Generally, federal funds sold are for one-day periods.

Concentrations of Credit Risk – Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of loans receivable, investment securities, federal funds sold, and amounts due from banks.

The Company's loan portfolio consists of loans to individuals and businesses for various personal and commercial purposes primarily in our respective markets. The Company could be subject to increased credit risk should economic conditions change over the course of the loan lives. However, these loans are underwritten and monitored to manage the associated risks. Additionally, the Company monitors potential concentrations of loans to particular borrowers or groups of borrowers, industries and geographic regions, management monitors exposure to credit risk from concentrations of lending products and practices such as loans that subject borrowers to substantial payment increases (e.g., principal deferral periods, loans with initial interest-only periods, etc.), and loans with high loan-to-value ratios. Concentrations of credit risk are measured as a percentage of Tier 1 capital plus the allowance for credit losses. Management is not aware of any concentrations of loans to classes of borrowers or industries that could be affected by economic conditions, except construction and land development and commercial real estate.

The Company's investment portfolio consists principally of obligations of the United States Government, its agencies and municipalities. In the opinion of management, there is no concentration of credit risk in its investment portfolio.

The Company places its deposits and correspondent accounts with and sells its federal funds to high-quality institutions.

Investment Securities – All debt securities are classified as available-for-sale and recorded at fair value with unrealized gains and losses excluded from earnings and reported in other comprehensive income, net of the related deferred tax effect. The Company intends to hold available-for-sale securities for an indefinite period of time but may sell them prior to maturity in response to changes in interest rates, changes in repayment risk, changes in the liquidity needs of the Bank, and other factors. Purchase premiums and discounts are recognized in interest income using methods approximating the interest method over the terms of the securities.

Nonmarketable debt and equity securities without a readily determinable fair value are reported at cost. As of December 31, 2025, nonmarketable debt and equity securities include the Company's investment in Federal Reserve Bank stock, Federal Home Loan Bank stock, Community Bankers Bank Stock, and Dunes Club Stock.

Allowance for Credit Losses on Available-for-Sale Securities – For available-for-sale securities, management evaluates all investments in an unrealized loss position on a quarterly basis, or more frequently when economic or market conditions warrant such evaluation.

If the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value and the entire loss is recorded in earnings.

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

Changes in the allowance for credit loss are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit loss when management believes an available-for-sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. As of December 31, 2025 and December 31, 2024, there was no allowance for credit loss related to the available-for-sale securities portfolio.

Accrued interest receivable on available-for-sale securities totaled \$586,674 at December 31, 2025 and \$659,030 at December 31, 2024, and was excluded from the estimate of credit losses.

Realized gains and losses for securities are determined on the basis of cost of each specific security sold, and are included in earnings on the settlement date.

Loans and Loans Held for Sale – With the exception of purchased loans that are recorded at fair value on the date of acquisition and certain loans held for sale, loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balance adjusted for any charge-offs, the allowance for credit losses, deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Loans held for sale are carried at the lower of the carrying amount or fair value applied on an aggregate basis. Fair value is measured based on purchase commitments, bids received from potential purchasers, quoted prices for the same or similar loans, or prices of recent sales or securitizations.

Conforming fixed-rate residential mortgage loans are typically classified as held for sale upon origination based upon management's intent to generally sell all of the production of these loans. Other types of loans may either be held for investment purposes, sold, or securitized. Loans originated for the held for investment loan portfolio that are subsequently transferred to held for sale based on management's decision to sell are transferred at the lower of cost or fair value. Write-downs of the loans' carrying value attributable to credit quality are charged to the allowance for credit losses while write-downs attributable to interest rates are charged to noninterest income. As of December 31, 2025 and 2024, the Company had \$381,465 and \$502,482, respectively, in loans held for sale. Loan fees are recognized when earned for loans originated with the intent to sell.

Interest income is recognized on an accrual basis. A portion of loan origination fees and certain direct costs are recognized initially when the loan closes based on an estimate of the time spent by employees to originate the loan. The remaining amounts and unearned discounts are deferred and amortized into interest income as an adjustment to the yield over the term of the loan. Loan commitment fees are generally deferred and amortized into fee income on a straight-line basis over the commitment period. Other credit-related fees, including letter and line of credit fees are recognized as fee income when earned. The determination to discontinue the accrual of interest is based on a review of each loan. Generally, accrual of interest is discontinued on loans 90 days past due or when deemed not collectible in full as to principal or interest unless in management's opinion collection of both principal and interest is assured by way of collateralization, guarantees or other security and the loan is in the process of collection. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received. Loans are returned to accrual status when management determines, based on an evaluation of the underlying collateral together with the borrower's payment record and financial condition, that the borrower has the ability and intent to meet the contractual obligations of the loan agreement. When the ultimate collectability of the principal balance of an impaired loan is in doubt, all cash receipts are applied to principal. Once the recorded principal balance has been reduced to zero, future cash receipts are recorded as recoveries of any amounts previously charged off, and then to interest income to the extent any interest has been foregone.

Allowance for Credit Losses – Loans – The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the collectability of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Accrued interest receivable is excluded from the estimate of credit losses.

The allowance for credit losses represents management's estimate of lifetime credit losses inherent in loans as of the balance sheet date. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

The Company measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. Generally, collectively assessed loans are grouped by call report code and then by risk grade grouping. Risk grade is grouped within each call report code by pass, special mention, substandard, and doubtful.

The Company has elected a non-discounted cash flow methodology with probability of default ("PD") and loss given default ("LGD") for all call report code cohorts ("cohorts"). The PD calculation looks at the historical loan portfolio at particular points in time (each month during the lookback period) to determine the probability that loans in a certain cohort will default over the next 12-month period. A default is defined as a loan that has moved to past due 90 days and greater, non-accrual status, or experienced a charge-off during the period. Currently, the Company's historical data is insufficient due to a minimal amount of default activity or zero defaults, therefore, management uses index PDs comprised of rates derived from the PD experience of other community banks in place of the Company's historical PDs.

The LGD calculation looks at actual losses (net charge-offs) experienced over the entire lookback period for each cohort of loans. The aggregate loss amount is divided by the exposure at default to determine an LGD rate. All defaults (non-accrual, charge-off, or greater than 90 days past due) occurring during the lookback period are included in the denominator, whether a loss occurred or not and exposure at default is determined by the loan balance immediately preceding the default event (i.e., non-accrual or charge-off). Due to very limited charge-off history, management uses index LGDs comprised of rates derived from the LGD experience of other community banks in place of the Company's historical LGDs.

The Company utilizes reasonable and supportable forecasts of future economic conditions when estimating the allowance for credit losses on loans. The calculation includes a 12-month PD forecast based on the peer index regression model comparing peer defaults to the national unemployment rate. After the forecast period, PD rates revert on a straight-line basis back to long-term historical average rates over a 12-month period.

The Company recognizes that all significant factors that affect the collectability of the loan portfolio must be considered to determine the estimated credit losses as of the evaluation date. Furthermore, the methodology, in and of itself and even when selectively adjusted by comparison to market and peer data, does not provide a sufficient basis to determine the estimated credit losses. The Company adjusts the modeled historical losses by qualitative adjustments to incorporate all significant risks to form a sufficient basis to estimate the credit losses. These qualitative adjustments may increase or reduce reserve levels and include adjustments for lending management experience, loan review and audit results, asset quality and portfolio trends, loan portfolio growth and concentrations, trends in underlying collateral, as well as external factors and economic conditions not already captured.

Loans that do not share risk characteristics are evaluated on an individual basis. Generally, this population includes loan relationships exceeding \$500,000 and on non-accrual status, however, they can also include any loan that does not share risk characteristics with its respective pool. When management determines that foreclosure is probable and the borrower is experiencing financial difficulty, the expected credit losses are based on the fair value of collateral at the reporting date unadjusted for selling costs as appropriate. When the expected source of repayment is from a source other than the underlying collateral, impairment will generally be measured based upon the present value of expected proceeds discounted at the contractual interest rate.

Accrued interest receivable on loans totaled \$3,863,802 at December 31, 2025 and \$3,189,754 at December 31, 2024, and was excluded from the estimate of credit losses.

Allowance for Credit Losses – Unfunded Commitments – 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 Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. 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 cancelable, through a charge to provision for unfunded commitments in the Company's income statements. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan cohort at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur as well as any third-party guarantees. The allowance for unfunded commitments is included in other liabilities on the Company's consolidated balance sheets.

Other Real Estate Owned – Real estate properties acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at fair value less estimated selling costs at the date of foreclosure establishing a new cost basis. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of carrying amount or fair value less estimated costs to sell. As of December 31, 2025 and December 31, 2024, the bank had no other real estate owned.

Premises and Equipment – Premises and equipment are stated at cost, less accumulated depreciation. Depreciation and amortization of premises and equipment are computed using the straight-line method over the assets' estimated useful lives. Useful lives range from three to ten years for software, furniture and equipment, computer equipment, and automobile, and over the shorter of the estimated useful lives or the term of the lease for leasehold improvements. Leasehold improvements are amortized over the term of the lease. The cost of assets sold or otherwise disposed of and the related allowance for depreciation is eliminated from the accounts and the resulting gains or losses are reflected in the income statement when incurred. Maintenance and repairs are charged to current expense. The costs of major renewals and improvements are capitalized based upon the Company's policy.

Goodwill and Intangible Assets – Goodwill represents the cost in excess of fair value of net assets acquired (including identifiable intangibles) in purchase transactions. Core deposit intangible assets represent premiums paid for acquisitions of core deposits (core deposit intangibles). Core deposit intangibles are being amortized over their estimated useful life. Goodwill and identifiable intangible assets are reviewed for impairment annually or whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of identifiable intangible assets is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset. The Company's evaluation considers various components, to include economic conditions, industry considerations, and financial performance as well as other information. No impairment losses have been recorded as a result of the Company's analysis during the year ended December 31, 2025 and December 31, 2024.

Bank Owned Life Insurance – The carrying value of bank owned life insurance represents the cash value of policies on certain current and former officers of the Company.

Stock-based Compensation – The Company accounts for stock-based compensation to employees as outlined in the accounting standards. The cost of employee services received in exchange for an award of equity instruments is based on the grant-date fair

value of the award. A Black-Scholes model is used to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used to estimate the fair value of restricted stock. Compensation cost is recognized over the required service period, generally defined as the vesting period for stock option awards and the restriction period for restricted stock awards. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. Compensation expense is recognized net of awards expected to be forfeited.

Income Taxes – Deferred tax assets and liabilities will be recognized for the future tax benefits or consequences attributable to differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. The effect on deferred tax assets and liabilities of a change in tax rates will be recognized in income in the period that includes the enactment date. Management's determination of the realization of deferred tax assets is based upon management's judgment of various future events, including the timing, nature, and amount of future income.

An evaluation of the probability of being able to realize the future benefits indicated by any such deferred tax asset is required. A valuation allowance is provided for the deferred tax asset when it is more likely than not that some portion or all of the deferred tax asset will not be realized. In assessing the realizability of the deferred tax assets, management will consider the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies. As of December 31, 2025 and December 31, 2024, management concluded that only a small valuation allowance was necessary.

Comprehensive Income – Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. However, certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the shareholders' equity section of the balance sheet. Such items, along with net income, are components of comprehensive income.

Earnings Per Share – Basic earnings per share is computed by dividing net earnings by the weighted average number of shares of common stock outstanding. Diluted earnings per share are computed by dividing net income by the sum of the weighted average number of shares of common stock outstanding and potential common shares. Potential common shares consist of stock options, restricted stock, and warrants.

Off Balance Sheet Financial Instruments – In the ordinary course of business, the Company enters into off balance sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable.

Risks and Uncertainties – In the normal course of its business, the Company encounters two significant types of risks: economic and regulatory. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different speeds, or on different basis, than its interest-earning assets. Credit risk is the risk of default on the Company's loan portfolio that results from a borrower's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of collateral underlying loans receivable and the valuation of real estate held by the Company.

The Company is subject to the regulations of various governmental agencies. These regulations can and do change significantly from period to period. The Company also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required loss allowances and operating restrictions from the regulators' judgments based on information available to them at the time of their examination.

Liabilities for Representations and Warranties – The Company is exposed to certain liabilities under representations and warranties made to purchasers of mortgage loans and servicing rights that require indemnification or repurchase of loans. At the time it issues a guarantee, the Company incurs a liability for the fair value of obligations assumed under the guarantee.

The liability for representations and warranties provided to purchasers of its mortgage loans and servicing rights creates the need for a contingency reserve. This reserve is maintained at a level considered appropriate by management to provide adequately for known and inherent losses. The reserve is based upon a continuing review of past loss experience, estimates and assumptions of risk elements and future economic conditions. Additions to the reserve would be recorded in other expenses.

Management's judgment about the adequacy of the reserve is based upon a number of assumptions about future events which it believes to be reasonable but which may or may not be accurate. There is no assurance that additional increases in the reserve will not be required. The Company may, from time-to-time, be required to repurchase loans previously sold to investors due to loan nonperformance. At December 31, 2025 and 2024, the Company had no general reserve recorded for potential indemnifications to other third-party purchasers based on management's analysis.

Recent Accounting Pronouncements – The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Company:

The Company adopted Accounting Standards Update 2023-09 “Income Taxes (Topic 740): Improvements to Income Tax Disclosures” on January 1, 2025. This amendment required the disclosure of additional information in specified categories with respect to the reconciliation of the effective tax rate to the statutory rate (the rate reconciliation) for federal, state, and foreign income taxes. It also requires greater detail about individual reconciling items in the rate reconciliation to the extent the impact of those items exceeds a specified threshold. Adoption of the amendment did not have a material change on the consolidated financial statements.

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

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

In November 2024, the FASB made amendments to ASU, 2024-03, Income Statement—Reporting Comprehensive Income topic of the ASC, to require enhanced disaggregation of income statement expenses. The update focuses on improving transparency by requiring entities to disclose significant natural expense categories within functional expense line items, such as employee compensation, depreciation, amortization, and inventory costs. These amendments are intended to provide more consistent and decision-useful information to financial statement users.

The amendments in this update are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments should be applied either prospectively to financial statements issued for reporting periods after the effective date of this update or retrospectively to any or all prior periods presented in the financial statements. The Company does not expect these amendments to have a material effect on the financial statements.

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

NOTE 2 – CASH AND CASH EQUIVALENTS

As of December 31, 2025, cash and cash equivalents totaled \$216,062,848 and consisted of \$17,856,073 in cash and non-interest-bearing deposits with other banks, \$197,534,527 in interest-bearing deposits with other banks, and \$672,248 in federal funds sold. Interest-bearing deposits in other banks included \$194,018,640 at the Federal Reserve Bank, and \$122,127 at the Federal Home Loan Bank.

As of December 31, 2024, cash and cash equivalents totaled \$126,556,607 and consisted of \$6,685,457 in cash and non-interest-bearing deposits with other banks, \$116,393,052 in interest-bearing deposits with other banks, and \$3,478,098 in federal funds sold. Interest-bearing deposits in other banks included \$111,120,450 at the Federal Reserve Bank, and \$178,201 at the Federal Home Loan Bank.

These balances allow the Company to meet liquidity requirements and provide temporary holdings until the funds can be otherwise deployed or invested.

NOTE 3 – SECURITIES

The fair value of the Company’s securities available-for-sale totaled \$83,274,522 and \$93,259,682 as of December 31, 2025 and 2024, respectively. At December 31, 2025, the Company’s securities consisted of Small Business Administration bonds, city and county issued municipal bonds, corporate subordinated debt securities, mortgage-backed securities and collateralized mortgage obligations issued by the Federal National Mortgage Association (“FNMA”), the Federal Home Loan Mortgage Corporation (“FHLMC”), and the Government National Mortgage Association (“GNMA”). At December 31, 2024, the Company’s securities also included Treasury securities.

The Company uses the following significant inputs to determine if an allowance for credit loss is necessary.

Small Business Administration (SBA) bonds – The Company holds SBA-guaranteed securities that carry an explicit US government guarantee, resulting in minimal credit exposure.

Mortgage-backed securities (MBSs) - Agency MBS issued or guaranteed by GNMA, FNMA, or FHLMC exhibit historically low credit loss experience and continue to demonstrate strong credit performance.

Collateralized mortgage obligations (CMOs) – The Company's CMO holdings are agency-backed and therefore benefit from the same credit support and low risk characteristics as other U.S. agency mortgage securities.

Municipal bonds - The Company's municipal bond portfolio consists of issuers with strong credit ratings and no observed adverse changes in credit quality.

Corporate debt securities – Corporate debt holdings maintained stable credit ratings, positive issuer outlooks, and no indicators of expected nonpayment as of the reporting date.

There is no allowance for credit losses for the Company's securities available-for-sale as of December 31, 2025 and December 31, 2024.

The amortized cost and estimated fair values of investment securities are summarized below:

	December 31, 2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Small Business Administration (SBA) bonds	\$ 6,435,498	\$ 13,641	\$ (369,892)	\$ 6,079,247
Mortgage-backed securities (MBSs)	17,045,114	57,711	(1,255,831)	15,846,994
Collateralized mortgage obligations (CMOs)	16,453,893	110,544	(503,978)	16,060,459
Municipal bonds	46,841,336	4,148	(3,552,629)	43,292,855
Corporate debt securities	2,000,000	-	(5,033)	1,994,967
Total securities available-for-sale	\$ 88,775,841	\$ 186,044	\$ (5,687,363)	\$ 83,274,522

	December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Treasury securities	\$ 12,000,927	\$ -	\$ (31,207)	\$ 11,969,720
Small Business Administration (SBA) bonds	6,970,956	12,013	(601,178)	6,381,791
Mortgage-backed securities (MBSs)	17,167,233	-	(1,885,808)	15,281,425
Collateralized mortgage obligations (CMOs)	14,592,575	2,839	(887,460)	13,707,954
Municipal bonds	48,789,876	-	(5,100,387)	43,689,489
Corporate debt securities	2,250,000	-	(20,697)	2,229,303
Total securities available-for-sale	\$ 101,771,567	\$ 14,852	\$ (8,526,737)	\$ 93,259,682

The contractual maturity distribution of the Company's securities portfolio at December 31, 2025 is summarized below. Actual maturities may differ from contractual maturities shown below since issuers may have the right to pre-pay these obligations without pre-payment penalties.

	Available-For-Sale	
	Amortized Cost	Fair Value
Due within one year	\$ 4,039,226	\$ 4,031,928
Due after one year but within five years	16,638,923	16,127,937
Due after five years but within ten years	17,238,669	16,147,519
Due after ten years	50,859,023	46,967,138
Total	\$ 88,775,841	\$ 83,274,522

At December 31, 2025 and 2024, the Company also owned Federal Reserve Bank ("FRB") stock with a cost of \$1,790,100 and \$1,777,200, respectively, with a yield of 6.0% in 2025 and 2024. The amount of FRB stock required to be held is based on the Company's shareholders' equity. As shareholders' equity increases due to earnings, the amount of FRB stock may also increase quarterly.

At December 31, 2025 and 2024, the Company owned \$762,500 and \$655,200 in Federal Home Loan Bank ("FHLB") stock. Stock ownership is a requirement of membership. The amount of FHLB stock required to be held is based on total assets and amount of outstanding advances with the FHLB. Therefore, stock ownership levels with the FHLB are subject to change.

Securities pledged to secure public deposits and borrowings had amortized carrying costs of \$23,873,345 and market value of \$22,402,733 at December 31, 2025. At December 31, 2024, securities pledged to secure public deposits and borrowings had amortized carrying costs of \$27,259,144 and market value of \$24,923,870.

During the year ended December 31, 2025, the Company received proceeds of \$310,000 for partial calls and one full call of securities with a gross realized loss of \$31. During the year ended December 31, 2024, the Company received proceeds of \$35,000 for partial calls of securities with a gross realized loss of \$17.

The following table shows the gross unrealized losses and estimated fair value of available-for-sale securities for which an allowance for credit losses has not been recorded aggregated by category and length of time that securities have been in a continuous loss position at December 31, 2025:

	December 31, 2025					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Small Business Administration (SBA) bonds	\$ 60,260	\$ (314)	\$ 4,293,861	\$ (369,578)	\$ 4,354,121	\$ (369,892)
Mortgage-backed securities (MBSs)	989,210	(3,027)	10,176,084	(1,252,804)	11,165,294	(1,255,831)
Collateralized mortgage obligations (CMOs)	2,736,250	(617)	8,060,045	(503,361)	10,796,295	(503,978)
Municipal bonds	-	-	42,635,653	(3,552,629)	42,635,653	(3,552,629)
Corporate debt securities	244,968	(5,033)	-	-	244,968	(5,033)
Total	\$ 4,030,688	\$ (8,991)	\$ 65,165,643	\$ (5,678,372)	\$ 69,196,331	\$ (5,687,363)

	December 31, 2024					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Treasury securities	\$ -	\$ -	\$ 11,969,720	\$ (31,207)	\$ 11,969,720	\$ (31,207)
Small Business Administration (SBA) bonds	1,450,628	(35,614)	4,455,951	(565,565)	5,906,579	(601,179)
Mortgage-backed securities (MBSs)	3,338,404	(87,331)	11,943,021	(1,798,476)	15,281,425	(1,885,807)
Collateralized mortgage obligations (CMOs)	-	-	9,758,911	(887,460)	9,758,911	(887,460)
Municipal bonds	1,668,079	(34,200)	41,998,355	(5,066,187)	43,666,434	(5,100,387)
Corporate debt securities	-	-	479,302	(20,697)	479,302	(20,697)
Total	\$ 6,457,111	\$ (157,145)	\$ 80,605,260	\$ (8,369,592)	\$ 87,062,371	\$ (8,526,737)

Unrealized losses on available-for-sale securities have not been recognized into income because the issuer(s) bonds are of high credit quality, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuer(s) continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bond(s) approach maturity.

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

The following is a summary of the major categories of total loans outstanding:

	December 31,	
	2025	2024
Construction and land development	\$ 63,223,697	\$ 54,735,363
Real estate - residential	334,225,736	295,252,705
Real estate - non-residential	420,323,514	376,062,472
Commercial and industrial	87,638,535	82,196,305
Consumer and other	39,573,348	29,084,000
Gross loans	944,984,830	837,330,845
Allowance for credit losses	(10,237,994)	(8,560,650)
Deferred loan fees, net	(142,624)	(193,163)
Total loans, net	\$ 934,604,212	\$ 828,577,032

The Company's major categories of loans carry unique risk characteristics.

Construction and land development - These loans generally carry greater uncertainty because repayment often depends on the successful completion and marketability of a project. They also tend to be sensitive to broader economic conditions and local real estate activity.

Real estate – residential - Residential real estate loans are influenced by borrower credit profiles and trends in local housing markets. Their performance can vary with employment levels, interest rates, and general economic conditions.

Real estate – non-residential - Non-residential real estate loans are affected by commercial property demand, tenant stability, and business related economic factors. Cash flow performance of the underlying property is a key driver of risk.

Commercial and industrial - Non-residential real estate loans are affected by commercial property demand, tenant stability, and business related economic factors. Cash flow performance of the underlying property is a key driver of risk.

Consumer and other - Consumer loans are driven by borrower credit behavior, personal income stability, and sensitivity to changing economic conditions. Patterns of delinquency and overall household financial stress play a significant role in their risk characteristics.

Risk Ratings

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes all commercial loans individually and assigns each loan a risk rating. This analysis is performed at origination by the relationship manager and credit department personnel. On at least an annual basis, an independent party performs a formal credit risk review of a sample of the loan portfolio. Among other things, this review assesses the appropriateness of the loan's risk rating. The Company uses the following definitions for risk ratings:

Pass – Loans in this category are considered to have a low probability of default and do not meet the criteria of the risk categories below.

Special Mention – A special mention asset possesses deficiencies or potential weaknesses deserving of management's attention. If uncorrected, such weaknesses or deficiencies may expose the Company to an increased risk of loss in the future.

Substandard – A substandard asset is inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified substandard.

Doubtful – A doubtful asset has weaknesses that make collection or liquidation in full, on the basis of existing facts, conditions, and values, highly questionable and improbable. The probability of loss is extremely high, but certain important and reasonable specific pending factors which may work to the advantage and strengthening of the asset exist, therefore, its classification as an estimated loss is deferred until a more exact status may be determined. Pending factors include proposed merger, acquisition or liquidation procedures, capital injection, perfecting liens on additional collateral, and refinancing plans.

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

	2021	2022	2023	2024	2025	Prior	Revolving	Total
Construction and land development								
Pass	\$ 623,186	\$ 6,249,808	\$ 1,910,416	\$ 10,621,300	\$ 33,788,952	\$ 630,956	\$ 9,308,865	\$ 63,133,483
Total construction and land development	623,186	6,249,808	1,910,416	10,621,300	33,788,952	630,956	9,308,865	63,133,483
Current period gross write-offs	-	-	-	-	-	-	-	-
Real estate - residential								
Pass	39,175,431	75,690,237	41,192,595	56,443,327	59,795,572	24,891,976	37,058,724	334,247,862
Total real estate - residential	39,175,431	75,690,237	41,192,595	56,443,327	59,795,572	24,891,976	37,058,724	334,247,862
Current period gross write-offs	-	-	-	-	-	-	-	-
Real estate - non-residential								
Pass	62,286,935	104,450,448	47,721,582	46,599,051	61,957,104	86,453,171	9,618,944	419,087,235
Special Mention	66,405	141,683	-	-	-	-	-	208,088
Substandard	-	-	-	-	-	787,975	-	787,975
Total real estate - non-residential	62,353,340	104,592,131	47,721,582	46,599,051	61,957,104	87,241,146	9,618,944	420,083,298
Current period gross write-offs	-	-	-	-	-	-	-	-
Commercial and industrial								
Pass	6,273,261	13,676,679	7,926,268	13,493,701	17,970,223	2,137,478	23,090,876	84,568,486
Special Mention	-	-	-	-	1,705,293	-	1,200,000	2,905,293
Substandard	-	109,897	-	258,247	-	-	-	368,144
Total commercial and industrial	6,273,261	13,786,576	7,926,268	13,751,948	19,675,516	2,137,478	24,290,876	87,841,923
Current period gross write-offs	-	-	-	-	-	-	-	-
Consumer and other								
Pass	2,898,084	3,126,185	4,410,496	11,264,185	14,850,915	2,906,720	79,055	39,535,640
Total consumer and other	2,898,084	3,126,185	4,410,496	11,264,185	14,850,915	2,906,720	79,055	39,535,640
Current period gross write-offs	-	2,417	-	-	-	-	-	2,417

The following table presents the Company's recorded investment in loans, net of deferred fees, by credit quality indicators by year of origination as of December 31, 2024:

	2020	2021	2022	2023	2024	Prior	Revolving	Total
Construction and land development								
Pass	\$ -	\$ 2,410,865	\$ 14,826,003	\$ 8,800,263	\$ 17,796,768	\$ 800,424	\$ 10,061,218	\$ 54,695,541
Total construction and land development	-	2,410,865	14,826,003	8,800,263	17,796,768	800,424	10,061,218	54,695,541
Current period gross write-offs	-	-	-	-	-	-	-	-
Real estate - residential								
Pass	10,887,444	47,212,958	86,023,755	46,735,878	58,343,112	19,580,704	26,483,813	295,267,664
Total real estate - residential	10,887,444	47,212,958	86,023,755	46,735,878	58,343,112	19,580,704	26,483,813	295,267,664
Current period gross write-offs	-	-	-	-	-	-	-	-
Real estate - non-residential								
Pass	18,041,950	69,954,087	112,810,114	42,795,864	46,005,420	80,925,371	4,099,831	374,632,637
Special Mention	-	-	-	-	-	60,746	-	60,746
Substandard	-	-	-	-	-	1,092,675	-	1,092,675
Total real estate - non-residential	18,041,950	69,954,087	112,810,114	42,795,864	46,005,420	82,078,792	4,099,831	375,786,058
Current period gross write-offs	-	-	-	-	-	-	-	-
Commercial and industrial								
Pass	1,433,590	7,285,853	18,521,517	12,539,636	16,889,988	3,714,467	21,954,601	82,339,652
Total commercial and industrial	1,433,590	7,285,853	18,521,517	12,539,636	16,889,988	3,714,467	21,954,601	82,339,652
Current period gross write-offs	-	-	-	-	-	-	-	-
Consumer and other								
Pass	1,258,243	3,487,485	3,868,342	5,063,839	12,628,489	2,695,952	46,417	29,048,767
Total consumer and other	1,258,243	3,487,485	3,868,342	5,063,839	12,628,489	2,695,952	46,417	29,048,767
Current period gross write-offs	-	-	-	6,502	-	-	-	6,502

Nonaccrual and Past Due Loans

Generally, the first indication of the non-performance of a loan is a missed payment. Thus, one of the adverse indicators used in monitoring the credit quality of a loan is the past due status of the loan payments. As of December 31, 2025, there were four loans past due totaling \$412,433. There was one loan totaling \$109,307 past due as of December 31, 2024. The Company did not have any loans past due 90 days and still accruing as of December 31, 2025 and 2024.

Additionally, a loan will be placed on nonaccrual status when it becomes 90 days past due as to principal or interest, or when management believes, after considering economic and business conditions and collection efforts, that the borrower's financial condition is such that collection of the loan is doubtful. When a loan is placed on non-accrual, all previously accrued interest that has not been received is reversed against current income. The recognition of interest on a non-accrual loan is placed on a cash basis and can be recognized when and if a payment is received. Generally, payments received on non-accrual loans are applied directly to principal.

The Company had no loans in nonaccrual status as of December 31, 2025 and 2024.

Below are tables that present the past due and non-accrual status of loans receivable as of December 31, 2025 and 2024:

December 31, 2025

	30 - 59 Days Past Due	60 - 89 Days Past Due	Nonaccrual	Current and Accruing	Total Loans	Past Due > 90 Days and Accruing
Construction and land development	\$ -	\$ -	\$ -	\$ 63,223,697	\$ 63,223,697	\$ -
Real estate - residential	204,392	-	-	334,021,344	334,225,736	-
Real estate - non-residential	-	208,041	-	420,115,473	420,323,514	-
Commercial and industrial	-	-	-	87,638,535	87,638,535	-
Consumer and other	-	-	-	39,573,348	39,573,348	-
Total	\$ 204,392	\$ 208,041	\$ -	\$ 944,572,397	\$ 944,984,830	\$ -

December 31, 2024

	30 - 59 Days Past Due	60 - 89 Days Past Due	Nonaccrual	Current and Accruing	Total Loans	Past Due > 90 Days and Accruing
Construction and land development	\$ -	\$ -	\$ -	\$ 54,735,363	\$ 54,735,363	\$ -
Real estate - residential	-	-	-	295,252,705	295,252,705	-
Real estate - non-residential	-	-	-	376,062,472	376,062,472	-
Commercial and industrial	109,307	-	-	82,086,998	82,196,305	-
Consumer and other	-	-	-	29,084,000	29,084,000	-
Total	\$ 109,307	\$ -	\$ -	\$ 837,221,538	\$ 837,330,845	\$ -

Allowance for Credit Losses

The adequacy of the allowance for credit losses is reviewed on an ongoing basis. The amount of the allowance is adjusted to reflect changing circumstances. Recognized losses are charged to the allowance and recoveries are added back to the allowance. As of December 31, 2025, management considers the allowance for credit losses to be adequate to meet presently known and inherent losses in the loan portfolio. The underlying assumptions used in the analysis may be impacted in future periods by changes in economic conditions, the impact of changing regulations, and the discovery of new information with respect to borrowers not previously known to management. Thus, there can be no assurance that charge-offs in future periods will not exceed the allowance for credit losses or that additional increases in the allowance for credit losses will not be required.

Below are the tables that summarize the activity related to the allowance for credit losses for the year ended December 31, 2025 and 2024:

December 31, 2025						
	Construction and Land Development	Real Estate Residential	Real Estate - Non-Residential	Commercial and Industrial	Consumer and Other	Total
Balance December 31, 2024	\$ 589,659	\$ 2,104,784	\$ 4,184,260	\$ 1,219,657	\$ 462,290	\$ 8,560,650
Charge-offs	-	-	-	-	(2,417)	(2,417)
Recoveries	-	-	-	-	-	-
Provision for credit losses	130,774	441,978	728,865	104,143	274,001	1,679,761
Balance December 31, 2025	\$ 720,433	\$ 2,546,762	\$ 4,913,125	\$ 1,323,800	\$ 733,874	\$ 10,237,994

December 31, 2024						
	Construction and Land Development	Real Estate Residential	Real Estate - Non-Residential	Commercial and Industrial	Consumer and Other	Total
Balance December 31, 2023	\$ 742,856	\$ 1,804,556	\$ 3,942,020	\$ 1,002,752	\$ 306,857	\$ 7,799,041
Charge-offs	-	-	-	-	(6,502)	(6,502)
Recoveries	-	-	-	47,239	-	47,239
Provision for credit losses	(153,197)	300,228	242,240	169,666	161,935	720,872
Balance December 31, 2024	\$ 589,659	\$ 2,104,784	\$ 4,184,260	\$ 1,219,657	\$ 462,290	\$ 8,560,650

The Company did not enter into any modifications of loans to borrowers experiencing financial difficulty during the years ended December 31, 2025 and December 31, 2024, respectively.

Unfunded Commitments

The Company maintains an allowance for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable (i.e., commitment cannot be cancelled at any time). The allowance for off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a 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 of \$436,500 at December 31, 2025 and \$386,261 at December 31, 2024, is separately classified on the balance sheet within Other Liabilities.

The following table presents the balance and activity in the allowance for credit losses for unfunded loan commitments for the year ended December 31, 2025 and 2024:

Balance December 31, 2024	Total Allowance for Credit Losses - Unfunded Commitments	\$ 386,261
Provision for unfunded commitments		50,239
Balance December 31, 2025		\$ 436,500
Balance December 31, 2023	Total Allowance for Credit Losses - Unfunded Commitments	\$ 407,110
Recovery of unfunded commitments		(20,849)
Balance December 31, 2024		\$ 386,261

NOTE 5 – PREMISES AND EQUIPMENT

The composition of premises and equipment is summarized as follows:

	December 31,	
	2025	2024
Land	\$ 4,597,723	\$ 3,665,939
Buildings	10,516,191	8,089,662
Furniture, fixtures, and equipment	2,498,025	2,336,353
Computers and software	1,566,784	1,542,600
Automobiles	100,219	100,219
Leasehold improvements	1,718,840	1,709,225
Construction and FF&E in process	72,510	261,966
Total premises and equipment	21,070,292	17,705,964
Accumulated depreciation and amortization	(6,292,956)	(5,767,656)
Premises and equipment, net	\$ 14,777,336	\$ 11,938,308

Depreciation and amortization expense for the years ended December 31, 2025 and 2024 was \$525,300 and \$563,663, respectively.

NOTE 6 – GOODWILL AND CORE DEPOSIT INTANGIBLE

The following table presents information about our intangible assets at December 31, 2025 and 2024:

	2025			2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Indefinite lived intangible asset:						
Goodwill	\$ 2,991,535	\$ -	\$ 2,991,535	\$ 2,991,535	\$ -	\$ 2,991,535
Finite lived intangible asset:						
Core deposit intangible	\$ 805,000	\$ 692,508	\$ 112,492	\$ 805,000	\$ 661,719	\$ 143,281

Based on the core deposit intangibles as of December 31, 2025, the following table presents the aggregate amortization expense for each of the five succeeding years ending December 31:

2026	\$ 24,874
2027	19,954
2028	16,028
2029	12,849
2030	10,256
Thereafter	28,531
Total expected amortization	\$ 112,492

Amortization expense of \$30,789 and \$38,018 related to the core deposit intangibles was recognized in 2025 and 2024, respectively, and included in other non-interest expense.

Goodwill totaled \$2,991,535 for the years ended December 31, 2025 and 2024. Goodwill is reviewed for impairment annually in accordance with generally accepted accounting principles. The Company's evaluation considers various components, to include economic conditions, industry considerations, and financial performance as well as other information.

As of December 31, 2025 and 2024, management determined that no impairment existed on the goodwill.

NOTE 7 – LEASES

Effective January 1, 2019, the Company adopted ASC 842 “Leases”. Currently, the Company has operating leases on six of its facilities that are accounted for under this standard. During the twelve-month period ended December 31, 2025, the Company made cash payments in the amount of \$619,930 for operating leases and the lease liability was reduced by \$537,165 including the impacts from new leases and lease extensions. The weighted average remaining lease term used in calculating the right-of-use asset and lease liability as of December 31, 2025 is 1.86 years and the weighted average discount rate used is 2.97%. Total lease expense recognized during the twelve-month period ended December 31, 2025 and 2024 amounted to \$683,591 and \$617,809, respectively. The following table shows future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2025 are as follows:

2026	\$ 676,579
2027	522,582
2028	32,783
Total undiscounted lease payments	<u>1,231,944</u>
Less effect of discounting.	(36,033)
Present value of estimated lease payments (lease liability)	<u>\$ 1,195,911</u>

NOTE 8 – DEPOSITS

The composition of deposits is summarized as follows:

	December 31, 2025	Percentage of Total	December 31, 2024	Percentage of Total
Non-interest-bearing demand	\$ 204,083,390	17.8 %	\$ 163,288,388	16.5 %
Interest checking	187,891,886	16.4	256,676,441	25.9
Money market	543,677,798	47.4	390,695,017	39.5
Savings	17,284,888	1.5	18,345,155	1.9
Certificates of deposit	194,133,975	16.9	159,832,565	16.2
Total deposits	<u>\$ 1,147,071,937</u>	100.0 %	<u>\$ 988,837,566</u>	100.0 %

Time deposits that meet or exceed the FDIC insurance limit of \$250,000 at year end 2025 and 2024 were \$51,483,151 and \$46,108,219, respectively.

At December 31, 2025, the scheduled maturities of all certificates of deposit are as follows:

Maturing in:	
2026	\$ 185,372,902
2027	8,399,769
2028	286,485
2029	74,819
Total certificates of deposit	<u>\$ 194,133,975</u>

The Company had \$24,500,000 outstanding in brokered certificates of deposit as of December 31, 2025. These brokered certificates of deposit range in terms from one to two years. Each issuance with a maturity greater than one year is callable at the Company’s option after three months. The Company had \$6,584,000 outstanding in brokered certificates of deposit outstanding as of December 31, 2024.

At December 31, 2025, the Company had no deposit relationships that exceeded 5% of total deposits. At December 31, 2024, the Company had one deposit relationship which comprised approximately 7.5% of total deposits and another that comprised approximately 5.1% of total deposits.

NOTE 9 – RELATED PARTY TRANSACTIONS

Certain parties (principally certain directors and executive officers of the Company, their immediate families and business interests) are loan customers of and have other transactions in the normal course of business with the Company. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than the normal risk of collectability. Related party loans totaled \$5,464,074 and \$5,740,821 as of December 31, 2025 and 2024, respectively.

	2025	2024
Balance beginning of year	\$ 5,740,821	\$ 5,593,422
New loans	75,075	458,616
Repayments	(351,822)	(311,217)
Balance end of year	\$ 5,464,074	\$ 5,740,821

Deposits from directors and executive officers and their related interests totaled \$15,359,158 and \$13,742,697 at December 31, 2025 and 2024, respectively.

NOTE 10 – ADVANCES FROM FEDERAL HOME LOAN BANK

The Company had no advances outstanding from the Federal Home Loan Bank as of December 31, 2025 and December 31, 2024.

The total borrowing capacity at the Federal Home Loan Bank as of December 31, 2025 was \$101,133,769. Loans pledged to the Federal Home Loan Bank as of December 31, 2025 totaled \$161,383,892.

NOTE 11 – SUBORDINATED DEBENTURES

On April 24, 2020, the Company entered into a subordinated debt agreement (“Note”) that totaled \$10 million with a 10 year maturity. The debt bears interest at a fixed rate of 5.875% per annum payable quarterly in arrears for the first five years then converts to a floating rate thereafter at Three-Month SOFR plus 5.63%. This issuance was redeemed by the Company on October 27, 2025 and the Company has no further obligation.

On March 15, 2022, the Company entered into a subordinated debt agreement that totaled \$10 million with a 10 year maturity. The debt bears interest at a fixed rate of 4.00% per annum payable quarterly in arrears for the first five years then converts to a floating rate thereafter at Three-Month SOFR plus 2.44%.

On October 27, 2025 the Company entered into a subordinated debt agreement that totaled \$12 million with a 10 year maturity. The debt bears interest at a fixed rate of 7.625% per annum payable quarterly in arrears for the first five years then converts to a floating rate thereafter at Three-Month SOFR plus 4.34%. The proceeds were used, in part, to redeem the existing subordinated debt issuance noted above in the amount of \$10 million that originated on April 24, 2020.

The Company intends to use the proceeds from these offerings for general corporate purposes, including providing capital to the Bank and supporting organic growth. Each issuance has a five-year call option which restricts the Company from prepaying the debt within the first five years after issuance. The Notes are unsecured, subordinated obligations of the Company only and are not obligations of, and are not guaranteed by, any subsidiary of the Company. The Notes rank junior in right to payment to the Company’s current and future senior indebtedness. The Notes are intended to qualify as Tier 2 capital for regulatory capital purposes for the Company. As of December 31, 2025, the Company had total outstanding subordinated debt of \$22 million.

NOTE 12 – REVENUE RECOGNITION

In accordance with Topic 606, revenues are recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation.

The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, the Company assesses the goods or services that are promised within each contract and identifies those that contain performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Deposit Service Charges - The Bank earns fees from its deposit customers for account maintenance, transaction-based and overdraft services. Account maintenance fees consist primarily of account fees and analyzed account fees charged on deposit accounts on a monthly basis. The performance obligation is satisfied and the fees are recognized on a monthly basis as the service period is completed. Transaction-based fees on deposits accounts are charged to deposit customers for specific services provided to the customer, such as non-sufficient funds fees, overdraft fees, and wire fees. The performance obligation is completed as the transaction occurs and the fees are recognized at the time each specific service is provided to the customer.

ATM, Debit, and Merchant Fees - ATM, debit, and merchant fees income represents fees earned when a debit card issued by the Bank is used. The Bank earns interchange fees from debit cardholder transactions through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The performance obligation is satisfied, and the fees are earned when the cost of the transaction is charged to the card. Certain expenses directly associated with the debit card are recorded on a net basis with the fee income.

Gains/Losses on OREO Sales - Gains/losses on the sale of OREO are included in non-interest income and are generally recognized when the performance obligation is complete. This is typically at delivery of control over the property to the buyer at the time of each real estate closing. There were no gains/losses on the sale of OREO in the years ended December 31, 2025 and 2024.

	December 31,	
	2025	2024
Service charges on deposits	\$ 474,725	\$ 381,053
Gain on sale of loans (1)	339,530	376,182
ATM, debit, and merchant fees	936,087	846,329
Bank owned life insurance (1)	395,377	377,959
Other (2)	369,106	606,772
Total noninterest income	\$ 2,514,825	\$ 2,588,295

⁽¹⁾ Not within the scope of ASC 606

⁽²⁾ No other items are within the scope of ASC 606

NOTE 13 – LINES OF CREDIT

As of December 31, 2025, the Company had unused lines of credit to purchase federal funds from correspondent banks totaling \$30,500,000. These lines of credit are available on a one to fifteen-day basis for general corporate purposes. All of the lines do not contain maturity terms and are subject to be withdrawn by the offering correspondent institution at their discretion. If borrowed upon, the lines of credit would be unsecured. The lines of credit available at December 31, 2025 were as follows:

Correspondent Bank	Commitment	Balance Outstanding
Cadence Bank	\$ 4,000,000	\$ -
South State Bank	3,000,000	-
First National Bankers Bank	20,000,000	-
The Independent Bankers Bank	3,500,000	-
Total	\$ 30,500,000	\$ -

NOTE 14 – SHAREHOLDERS’ EQUITY

As of December 31, 2025, common shares issued and outstanding totaled 7,583,497.

The Company has the authority to issue up to 50 million shares of common stock with a par value of \$.01 per share. In addition, the Company has the authority to issue up to 10 million shares of preferred stock with a par value \$.01 per share. As of December 31, 2025, and 2024, no preferred shares were issued and outstanding.

On December 19, 2025, the Company issued \$15 million in common equity at a price of \$12.50 per share to institutional and certain accredited investors. The Company intends to use the net proceeds of \$14,043,075 from the common equity issuance for general corporate purposes, including strengthening regulatory capital and supporting ongoing strategic growth initiatives. \$8 million was contributed to the Bank during the fourth quarter of 2025.

As a national bank, the Bank may not pay dividends from its capital. All dividends must be paid out of undivided profits, subject to other applicable provisions of law. Subject to certain restrictions, the directors of a national bank may declare a dividend of so much of the undivided profits of the Bank as the Directors judge to be prudent. In addition, a national bank may not declare and pay dividends in any year in excess of an amount equal to the sum of the total of the net income of the Bank for that year and the retained net income of the Bank for the preceding two years, minus the sum of any transfers required by the Office of the Comptroller of the Currency (“OCC”) and any transfers required to be made to a fund for the retirement of any preferred stock, unless the OCC approves the declaration and payment of dividends in excess of such amount.

NOTE 15 – EMPLOYEE BENEFIT PLAN

The Company has a 401(k) defined contribution plan available to all employees to participate in at their discretion. Company contributions to the plan totaled \$366,797 and \$293,934 for the years ended December 31, 2025 and 2024, respectively, recorded within salaries and employee benefits.

NOTE 16 – STOCK-BASED COMPENSATION

The Company’s 2016 Stock Option Plan for Directors was approved by the Company’s Board of Directors on December 14, 2016. Under the terms of this plan, members of the holding company board of directors may be granted incentive stock options. The Board reserved 209,000 shares of common stock for issuance under the 2016 Stock Option Plan for Directors. Through December 31, 2025, there have been 190,213 fully vested shares issued under this plan, with 18,787 shares available for future issuance.

The Company’s 2019 Stock Incentive Plan was approved by the Company’s Board of Directors on March 27, 2019. Under the terms of this plan, employees, directors, and consultants of the Company may be granted stock compensation in various forms including incentive stock options, non-statutory stock options, and restricted stock awards. The Board reserved up to 615,188 shares of common stock for issuance under the 2019 Stock Incentive Plan. Through December 31, 2025, net of forfeitures, there have been 27,500 options issued and 226,168 shares of restricted stock granted under this plan with 361,520 shares available for future issuance.

Stock Options

In 2025 and 2024, no stock options were issued, exercised, or forfeited through the Company’s 2016 Stock Option Plan for Directors.

In 2025 and 2024, there were no stock options issued or exercised through the Company’s 2019 Stock Incentive Plan.

There were 78,169 options converted from the VistaBank merger in 2016. Of that amount 33,892 remained unexercised at December 31, 2024. 12,802 options were exercised during 2025 and 21,090 were forfeited leaving no remaining options from this issuance outstanding at December 31, 2025.

The following table presents a summary of the stock option activity for the years ended December 31, 2025 and 2024.

	Options	Average Grant Date Fair Value	Average Exercise Price
Outstanding at December 31, 2023	256,329	\$ 1.20	\$ 8.71
Granted	-	-	-
Exercised	(4,716)	5.35	5.99
Forfeited	-	-	-
Outstanding at December 31, 2024	251,613	\$ 1.13	\$ 8.76
Options Exercisable as of December 31, 2024	251,613		
Outstanding at December 31, 2024	251,613	\$ 1.13	\$ 8.76
Granted	-	-	-
Exercised	(12,803)	5.35	5.89
Forfeited	(21,090)	5.35	6.55
Outstanding at December 31, 2025	217,720	\$ 0.47	\$ 9.15
Options Exercisable as of December 31, 2025	217,720		

The Company recognized stock-based compensation costs related to stock options of \$0 and \$0 for the years ended December 31, 2025 and 2024, respectively. As of December 31, 2025, there was no unrecognized compensation cost related to outstanding stock options.

Restricted Stock Awards

The following table projects a summary of the restricted stock activity for the year ended December 31, 2025 and 2024.

	Shares	Weighted - Average Grant Date Fair Value
Outstanding at December 31, 2024	88,663	\$ 9.76
Granted	43,500	11.31
Vested	(49,334)	9.98
Forfeited	(3,000)	10.90
Outstanding at December 31, 2025	79,829	\$ 10.43
	Shares	Weighted - Average Grant Date Fair Value
Outstanding at December 31, 2023	93,332	\$ 10.18
Granted	46,500	9.49
Vested	(40,335)	10.27
Forfeited	(10,834)	10.25
Outstanding at December 31, 2024	88,663	\$ 9.76

The compensation expense of all restricted stock awards is recognized over the vesting period of each grant. As of December 31, 2025 and 2024, there was \$603,749 and \$542,830, respectively, of total unrecognized compensation cost related to restricted stock awards. The Company recognized restricted stock award costs of \$398,306 and \$464,616 for the years ended December 31, 2025 and 2024, respectively.

NOTE 17 – INCOME TAXES

Income tax expense (benefit) consisted of the following for the years ended December 31:

	For the Calendar Year	
	2025	2024
Current expense:		
Federal	\$ 3,176,915	\$ 2,265,677
State	18,378	56,024
Total current	3,195,293	2,321,701
Deferred income taxes	(308,476)	(205,872)
Change in valuation allowance	56,329	45,304
Income tax expense	\$ 2,943,146	\$ 2,161,133

The gross amounts of deferred tax assets and deferred tax liabilities are as follows:

	2025	2024
Deferred tax assets:		
Allowance for credit losses	\$ 2,252,027	\$ 1,890,375
Unrealized loss on securities available-for-sale	1,350,850	2,090,094
Tax credits	688,674	789,704
Net operating loss carry forward	677,972	668,525
Deferred compensation	264,500	219,024
Lease liability	252,305	366,185
Stock options and warrants	81,962	101,923
Other	2,428	2,432
Gross deferred tax assets	5,570,718	6,128,262
Valuation allowance	(309,150)	(252,821)
Net deferred tax assets	5,261,568	5,875,441
Deferred tax liabilities:		
Right-of-use asset	237,202	346,884
Capitalized loan costs and fees, net	143,484	118,057
Purchase accounting	36,094	33,197
Accumulated depreciation	25,577	20,885
Goodwill amortization	23,733	30,274
Organization and start-up expenses	-	41,978
Other	26,904	28,494
Total deferred tax liabilities	492,994	619,769
Net deferred tax asset	\$ 4,768,574	\$ 5,255,672

Deferred tax assets represent the future tax benefit of deductible differences and, if it is more likely than not that a tax asset will not be realized, a valuation allowance is required to reduce the recorded deferred tax assets to net realizable value. As of December 31, 2025, management has determined it is likely the majority of the deferred tax asset from continuing operations will be realized. The valuation allowance of \$309,150 relates to the parent company's state operating loss carryforwards for which realizability is uncertain.

The Company has federal net operating losses of \$1,772,632 as of December 31, 2025. These federal losses begin to expire in 2028. The Company has state net operating losses of \$7,739,729 for the year ended December 31, 2025. These state losses begin to expire in 2030. As a result of the VistaBank ownership change in 2016, Section 382 of the Internal Revenue Code places an annual limitation on the amount of federal net operating loss carryforwards which the Company may utilize.

A portion of VistaBank's federal net operating losses not expected to be realized as a result of Section 382 was reflected in goodwill. The Company expects the remaining Section 382 limited carryforwards to be realized within the applicable carryforward period.

The Company has generated state income tax credit carryforwards of \$871,739 that begin to expire in 2037. These carryforwards can reduce the Company's annual state income tax liability by 50 percent.

A reconciliation between the income tax expense (benefit) and the amount computed by applying the Federal statutory rate of 21% in 2025 and 2024 to income before income taxes follows:

	For the Calendar Year	
	2025	2024
Tax expense at Federal statutory rate	\$ 2,914,498	\$ 2,240,247
State income tax, net of federal income tax effect	116,795	19,294
Cash surrender value of life insurance	(83,029)	(79,371)
Tax-exempt income, net of expense disallowance	(43,570)	(34,686)
Other	38,452	15,649
Income tax expense	\$ 2,943,146	\$ 2,161,133

The Company has analyzed the tax positions taken or expected to be taken in its tax returns and concluded it has no liability related to uncertain tax positions in accordance with ASC 740-10 (Income Taxes). The Company's policy is to classify any interest or penalties recognized in accordance with ASC 740-10 as interest expense or noninterest expense, respectively.

Tax returns for 2022 and subsequent years are subject to examination by taxing authorities.

NOTE 18 – COMMITMENTS AND CONTINGENCIES

The Company is subject to claims and lawsuits which arise primarily in the ordinary course of business. Management is not aware of any legal proceedings which would have a material adverse effect on the financial position or operating results of the Company.

The Company is party to various financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit and involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated financial statements.

Commitments to extend credit are agreements to lend to a customer so long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates and may require collateral from the borrower if deemed necessary by the Company. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party up to a stipulated amount and with specified terms and conditions. Standby letters of credit are recorded as a liability by the Company at the fair value of the obligation undertaken in issuing the guarantee.

The Company uses the same credit policies in making commitments and conditional obligations as it does for instruments reflected in the consolidated financial statements. The creditworthiness of each customer is evaluated on a case-by-case basis. We evaluate each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on our credit evaluation of the borrower. Collateral varies but may include accounts receivable, inventory, property, plant and equipment, and commercial and residential real estate. We manage the credit risk on these commitments by subjecting them to normal underwriting and risk management processes.

Commitments to extend credit and standby letters of credit are not recorded as an asset or liability by the Company until the instrument is exercised. The Company had \$11,123,767 and \$7,321,946 in performance standby letters of credit at December 31, 2025 and 2024, respectively. Additional unfunded loan commitments totaled \$151,050,599 and \$121,714,896 as of December 31, 2025 and 2024, respectively.

NOTE 19 – FAIR VALUE MEASUREMENTS

US GAAP provides a framework for measuring and disclosing fair value which requires disclosures about the fair value of assets and liabilities recognized in the balance sheet, whether the measurements are made on a recurring basis (for example, available-for-sale investment securities) or on a nonrecurring basis (for example, impaired loans).

Fair value is defined as the exchange in price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. US GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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

The current accounting literature requires the disclosure of fair value information for financial instruments, whether or not they are recognized in the consolidated balance sheets, when it is practical to estimate the fair value. The guidance defines a financial instrument as cash, evidence of an ownership interest in an entity or contractual obligations, which require the exchange of cash, or other financial instruments. Certain items are specifically excluded from the disclosure requirements, including the Company's common stock, premises and equipment, accrued interest receivable and payable, and other assets and liabilities.

Fair Value Hierarchy

The Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine the fair value. These levels are:

- Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models and similar techniques.

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

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

Individually Evaluated Loans – The fair value of individually evaluated loans 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.

OREO - Foreclosed assets are adjusted to fair value upon transfer of the loans to OREO. Real estate acquired in settlement of loans is recorded initially at estimated fair value of the property less estimated selling costs at the date of foreclosure. The initial recorded value may be subsequently reduced by additional allowances, which are charges to earnings if the estimated fair value of the property less estimated selling costs declines below the initial recorded value. OREO presented as measured on a non-recurring basis includes only those properties that had changes in valuation. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral.

The following table presents the fair value of assets evaluated on a recurring basis as of December 31, 2025 and 2024 by level within the hierarchy.

	Level 1	Level 2	Level 3
December 31, 2025			
Small Business Administration (SBA) bonds	\$ -	\$ 6,079,247	\$ -
Mortgage-backed securities (MBSs)	-	15,846,994	-
Collateralized mortgage obligations (CMOs)	-	16,060,459	-
Municipal bonds	-	43,292,855	-
Corporate debt securities	-	1,994,967	-
Total	\$ -	\$ 83,274,522	\$ -
December 31, 2024			
Treasury securities	\$ 11,969,720	\$ -	\$ -
Small Business Administration (SBA) bonds	-	6,381,791	-
Mortgage-backed securities (MBSs)	-	15,281,425	-
Collateralized mortgage obligations (CMOs)	-	13,707,954	-
Municipal bonds	-	43,689,489	-
Corporate debt securities	-	2,229,303	-
Total	\$ 11,969,720	\$ 81,289,962	\$ -

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

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

Fair Value of Financial Instruments

The following tables includes the estimated fair value of the Company's financial assets and financial liabilities. The methodologies for estimating the fair value of financial assets and financial liabilities measured on a recurring and nonrecurring basis are discussed above. The methodologies for estimating the fair value for other financial assets and financial liabilities are discussed below. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgement is required to interpret market data in order to develop the estimates of fair value. Accordingly, the estimates presented below are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation techniques may have a material effect on the estimated fair value amounts at December 31, 2025.

	December 31, 2025				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	\$ 216,062,848	\$ 216,062,848	\$ 216,062,848	\$ -	\$ -
Non-marketable equity securities	2,552,600	2,552,600	2,552,600	-	-
Loans held for sale	381,465	381,465	-	381,465	-
Loans held for investment, net	934,604,212	937,921,212	-	-	937,921,212
Financial liabilities					
Demand deposits, interest-bearing transaction and savings accounts	952,937,962	952,937,962	-	-	952,937,962
Certificates of deposits	194,133,975	194,039,975	-	-	194,039,975
Subordinated debentures	22,000,000	22,000,000	-	22,000,000	-

	December 31, 2024				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	\$ 126,556,607	\$ 126,556,607	\$ 126,556,607	\$ -	\$ -
Non-marketable equity securities	2,432,400	2,432,400	2,432,400	-	-
Loans held for sale	502,482	502,482	-	502,482	-
Loans held for investment, net	828,577,032	824,130,032	-	-	824,130,032
Financial liabilities					
Demand deposits, interest-bearing transaction and savings accounts	829,005,001	829,005,001	-	829,005,001	-
Certificates of deposits	159,832,565	159,533,565	-	159,533,565	-
Subordinated debentures	20,000,000	20,000,000	-	20,000,000	-

Cash and Cash Equivalents — The carrying amounts of cash and due from banks, federal funds sold and resell agreements approximates their fair values.

Loans Held for Sale — Loans held for sale are carried at the lower of cost or fair value. These loans currently consist of one-to-four family residential real estate loans originated for sale to qualified third parties. Fair value is based upon the contractual price to be received from these third parties, which may be different than cost.

Loans Held for Investment, Net — Fair values are estimated for portfolios of loans with similar financial characteristics if collateral-dependent. Loans are segregated by type. The fair value of performing loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect observable market information incorporating the credit, liquidity, yield and other risks inherent in the loan. The estimate of maturity is based upon the Company's historical experience with repayments for each loan classification, modified, as required, by an estimate of the effect of the current economic and lending conditions. Fair value for significant non-performing loans is generally based upon recent external appraisals. If appraisals are not available, estimated cash flows are discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows and discounted rates are judgmentally determined using available market information and specific borrower information.

Non-Marketable Equity Securities — Non-marketable equity securities are carried at original cost basis, as cost approximates fair value and there is no ready market for such investments.

Deposits — The fair value of deposits with no stated maturity date, such as non-interest-bearing demand deposits, savings and money market and checking accounts, is based on the discounted value of estimated cash flows. The fair value of time deposits is based upon the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Advances from the Federal Home Loan Bank — The fair values of fixed rate borrowings are estimated using a discounted cash flow calculation that applies the Company's current borrowing rate from the FHLB. The carrying amount of variable rate borrowings are reasonable estimates of fair value because they can be repriced frequently.

Subordinated Debentures — The carrying value of the Company's subordinated debentures approximates the fair value since no ready market exists for the debt.

NOTE 20 – EARNINGS PER SHARE

Basic income per share is computed by dividing net income by the weighted-average number of common shares outstanding. Diluted income per share is computed by dividing net income by the weighted-average number of common shares outstanding and dilutive common share equivalents using the treasury stock method.

	For the Calendar Year	
	2025	2024
Net income to common shareholders	\$ 10,935,414	\$ 8,506,711
Weighted-average number of common shares outstanding - basic	6,325,040	6,223,548
Dilutive impact of options and nonvested restricted stock awards	63,651	46,957
Weighted-average number of common shares outstanding - diluted	6,388,691	6,270,505
Earnings per share - basic	\$ 1.73	\$ 1.37
Earnings per share - diluted	\$ 1.71	\$ 1.36

At December 31, 2025, 2,869 shares were considered antidilutive and thus excluded from the dilutive shares calculation above. There were no antidilutive shares as of December 31, 2024.

NOTE 21 – REGULATORY MATTERS

Coastal Carolina Bancshares, Inc. and Coastal Carolina National Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct adverse material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of the Company and Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company and Bank's capital amounts and classifications 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 Company and Bank to maintain minimum ratios (set forth in the table below) of Tier 1, Common Equity Tier 1 (CET1), and total capital as a percentage of assets and off-balance-sheet exposures, adjusted for risk-weights ranging from 0% to 150%. Tier 1 capital of the Company and Bank consists of common stockholders' equity, excluding the unrealized gain or loss on securities available for sale, minus certain intangible assets, while CET1 is comprised of Tier 1 capital, adjusted for certain regulatory deductions and limitations. Tier 2 capital consists of the allowance for credit losses subject to certain limitations. Total capital for purposes of computing the capital ratios consists of the sum of Tier 1 and Tier 2 capital.

The Company and Bank are also required to maintain capital at a minimum level based on total assets, which is known as the leverage ratio. Only the strongest banks are allowed to maintain capital at the minimum requirement of 3%. All others are subject to maintaining ratios 1% to 2% above the minimum.

Effective March 31, 2015, quantitative measures established by applicable regulatory standards, including the newly implemented Basel III revised capital adequacy standards and relevant provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd Frank Act"), require the Bank to maintain (i) a minimum ratio of Tier 1 capital to average total assets, after certain adjustments, of 4.00%, (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of 6.00%, (iii) a minimum ratio of total-capital to risk-weighted assets of 8.00% and (iv) a minimum ratio of CET1 to risk-weighted assets of 4.50%. A "well-capitalized" institution must generally maintain capital ratios 2% higher than the minimum guidelines.

In order to avoid restrictions on capital distributions or discretionary bonus payments to executives, the Company and Bank is also required to maintain a "capital conservation buffer" in addition to its minimum risk-based capital requirements. This buffer consists solely of CET1, but the buffer applies to all three risk-based measurements (CET1, Tier 1 and total capital). The capital conservation buffer was phased in incrementally over time, beginning January 1, 2016 and becoming fully effective on January 1, 2019, and ultimately consists of an additional amount of Tier 1 capital equal to 2.5% of risk-weighted assets.

The following table summarizes the capital amounts and ratios of the Company and the Bank and the regulatory minimum requirements at December 31, 2025 and 2024:

December 31, 2025	Actual		For Capital Adequacy Purposes		To be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>(Dollars in thousands)</i>						
Coastal Carolina Bancshares, Inc.						
CET1 capital (to risk weighted assets)	\$ 103,617	11.40%	\$ 40,908	4.5%	\$ N/A	N/A
Tier 1 capital (to risk weighted assets)	103,617	11.40%	54,544	6.0%	N/A	N/A
Total capital (to risk weighted assets)	114,068	12.55%	72,725	8.0%	N/A	N/A
Tier 1 capital (to total average assets)	103,617	8.46%	49,016	4.0%	N/A	N/A
Coastal Carolina National Bank						
CET1 capital (to risk weighted assets)	116,004	12.77%	40,871	4.5%	59,036	6.5%
Tier 1 capital (to risk weighted assets)	116,004	12.77%	54,495	6.0%	72,660	8.0%
Total capital (to risk weighted assets)	126,455	13.92%	72,660	8.0%	90,825	10.0%
Tier 1 capital (to total average assets)	116,004	9.50%	48,857	4.0%	61,072	5.0%
December 31, 2024						
Coastal Carolina Bancshares, Inc.						
CET1 capital (to risk weighted assets)	\$ 78,186	9.68%	\$ 36,358	4.5%	\$ N/A	N/A
Tier 1 capital (to risk weighted assets)	78,186	9.68%	48,477	6.0%	N/A	N/A
Total capital (to risk weighted assets)	86,686	10.73%	64,636	8.0%	N/A	N/A
Tier 1 capital (to total average assets)	78,186	7.17%	43,611	4.0%	N/A	N/A
Coastal Carolina National Bank						
CET1 capital (to risk weighted assets)	95,565	11.84%	36,237	4.5%	52,473	6.5%
Tier 1 capital (to risk weighted assets)	95,565	11.84%	48,437	6.0%	64,582	8.0%
Total capital (to risk weighted assets)	104,065	12.89%	64,582	8.0%	80,728	10.0%
Tier 1 capital (to total average assets)	95,565	8.79%	43,494	4.0%	54,367	5.0%

NOTE 22 – CONDENSED FINANCIAL INFORMATION ON COASTAL CAROLINA BANCSHARES, INC. (PARENT COMPANY ONLY)

The Parent Company's condensed balance sheets and related condensed statements of operations and cash flows are as follows:

CONDENSED BALANCE SHEETS

	December 31	
	2025	2024
Assets		
Cash and non-interest-bearing due from banks	\$ 8,511,241	\$ 1,695,051
Interest-bearing bank deposits	657,957	629,557
Investment in bank subsidiary	115,419,324	92,687,692
Other assets	679,516	549,861
Total assets	\$ 125,268,038	\$ 95,562,161
Liabilities and Shareholders' Equity		
Liabilities		
Other borrowings	\$ 22,000,000	\$ 20,000,000
Accrued expenses and other liabilities	235,603	253,514
Total liabilities	22,235,603	20,253,514
Shareholders' Equity		
Preferred stock	-	-
Common stock	75,835	63,302
Additional paid-in capital	62,751,857	48,186,418
Unearned compensation, nonvested restricted stock	(603,749)	(542,830)
Retained earnings	44,958,964	34,023,550
Accumulated other comprehensive loss	(4,150,472)	(6,421,793)
Total shareholders' equity	103,032,435	75,308,647
Total liabilities and shareholders' equity	\$ 125,268,038	\$ 95,562,161

CONDENSED STATEMENTS OF OPERATIONS

	For the Calendar Year	
	2025	2024
Interest income		
Interest-bearing bank deposits	\$ 28,400	\$ 32,850
Total interest income	28,400	32,850
Interest expense		
Other borrowings	1,258,689	987,500
Total interest expense	1,258,689	987,500
Net interest income	(1,230,289)	(954,650)
Noninterest expense		
Professional services	119,333	112,904
Other	76,442	79,376
Total noninterest expense	195,775	192,280
Net loss before equity in earnings of bank subsidiary	(1,426,064)	(1,146,930)
Equity in earnings of bank subsidiary	12,062,005	9,412,776
Income tax benefit	(299,473)	(240,865)
Net income	\$ 10,935,414	\$ 8,506,711

CONDENSED STATEMENTS OF CASH FLOWS

	For the Calendar Year	
	2025	2024
Operating activities		
Net income	\$ 10,935,414	\$ 8,506,711
Adjustments to reconcile net income to net cash used in operating activities:		
Equity in earnings of bank subsidiary	(12,062,005)	(9,412,776)
Decrease (increase) in accrued interest receivable and other assets	(129,655)	63,570
Increase (decrease) in other liabilities	(17,911)	1,564
Net cash used in operating activities	(1,274,157)	(840,931)
Financing activities		
Proceeds from other borrowings	2,000,000	-
Proceeds from issuance of stock	14,043,275	-
Proceeds from exercise of stock options	75,472	28,264
Contribution to investment in bank	(8,000,000)	-
Net cash provided by financing activities	8,118,747	28,264
Net increase (decrease) in cash and cash equivalents	6,844,590	(812,667)
Cash and cash equivalents, beginning of year	2,324,608	3,137,275
Cash and cash equivalents, end of year	9,169,198	2,324,608
Noncash investing activities:		
Stock-based compensation expensed at bank subsidiary	\$ 398,306	\$ 464,616

NOTE 23 – SUBSEQUENT EVENTS

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

Management has reviewed events occurring through March 6, 2026, the date the consolidated financial statements were available to be issued, and no subsequent events occurred requiring accrual.