

**OCONEE FINANCIAL
CORPORATION
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2025

**OCONEE FINANCIAL CORPORATION
AND SUBSIDIARY**

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Independent Auditor's Report

**To the Board of Directors and Stockholders
Oconee Financial Corporation
Watkinsville, Georgia**

Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oconee Financial Corporation as of December 31, 2025 and 2024, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Oconee Financial Corporation and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Atlanta, Georgia
March 27, 2026

Mauldin & Jenkins, LLC

OCONEE FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2025 AND 2024

<u>Assets</u>	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 76,069,901	\$ 58,478,454
Investment securities available for sale	144,882,895	139,228,148
Federal Home Loan Bank stock	923,000	893,974
Loans held for sale	1,925,074	2,109,500
Loans, net	475,032,666	404,178,054
Premises and equipment, net	11,316,072	10,653,530
Accrued interest receivable and other assets	24,009,015	24,490,556
	734,158,623	640,032,216
Total assets	\$ 734,158,623	\$ 640,032,216
<u>Liabilities and Stockholders' Equity</u>		
Liabilities:		
Deposits:		
Demand	\$ 122,892,288	\$ 118,365,300
Interest-bearing demand	351,270,589	285,884,829
Savings	66,716,900	72,310,279
Time	99,434,264	89,180,382
Total deposits	640,314,041	565,740,790
Federal Home Loan Bank Advances	10,000,000	10,000,000
Subordinated notes	19,558,168	9,366,290
Accrued interest payable and other liabilities	8,031,473	6,680,716
Total liabilities	677,903,682	591,787,796
Stockholders' equity:		
Common stock, par value \$2, authorized 1,500,000 shares, 1,050,924 and 1,048,538 shares issued, respectively	2,101,848	2,097,076
Restricted stock, 2,275 and 2,410 shares, respectively	(53,020)	(56,404)
Additional paid-in capital	7,231,766	7,050,073
Retained earnings	52,322,045	47,789,446
Accumulated other comprehensive income (loss)	(5,347,698)	(8,635,771)
Total stockholders' equity	56,254,941	48,244,420
Total liabilities and stockholders' equity	\$ 734,158,623	\$ 640,032,216

See Notes to Consolidated Financial Statements.

OCONEE FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Interest income:		
Interest and fees on loans	\$ 30,424,920	\$ 23,762,257
Interest and dividends on securities:		
U.S. Treasury securities	455,043	621,743
U.S. Government agencies	55,752	54,800
Mortgage-backed securities	3,519,809	3,378,136
State, county, and municipal	620,252	755,791
Corporate	358,245	379,063
Derivative contracts	680,569	1,817,565
Other	1,620,328	2,262,442
Total interest income	37,734,918	33,031,797
Interest expense:		
Interest-bearing demand deposits	5,602,131	5,414,723
Savings deposits	152,133	214,918
Time deposits	3,710,776	3,163,494
Other borrowed funds	1,788,634	1,086,516
Total interest expense	11,253,674	9,879,651
Net interest income	26,481,244	23,152,146
Provision for loan losses	1,576,759	912,187
Net interest income after provision for loan losses	24,904,485	22,239,959
Other income:		
Service charges	675,364	738,289
Gain (loss) on sale of securities	(60,958)	(550,250)
Gain (loss) on sale and disposal of fixed assets	(137,770)	(16,377)
Mortgage origination income	1,929,768	1,374,019
Gain on sale of loans	1,114,649	1,228,724
Miscellaneous	2,786,661	2,252,637
Total other income	6,307,714	5,027,042
Other expenses:		
Salaries and employee benefits	15,047,318	13,146,435
Occupancy	1,834,835	1,529,708
Other operating	7,350,153	6,501,155
Total other expenses	24,232,306	21,177,298
Income before income tax	6,979,893	6,089,703
Income tax	1,348,413	1,160,524
Net income	\$ 5,631,480	\$ 4,929,179
Net income per share	\$ 5.38	\$ 4.71

See Notes to Consolidated Financial Statements.

OCONEE FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Net income	<u>\$ 5,631,480</u>	<u>\$ 4,929,179</u>
Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) on derivative financial instruments:		
Holding gains (losses) arising during period, net of tax (benefit) expense of \$(392,427) and \$209,704, respectively	(1,161,426)	619,165
Reclassification adjustment for amortization and derivative remeasurement losses included in net income, net of tax benefit of \$18,266 and \$32,317, respectively	53,933	95,418
Unrealized gains on securities available for sale:		
Holding gains arising during period, net of tax expense of \$1,653,210 and \$287,744, respectively	4,350,030	849,583
Reclassification adjustment for losses included in net income, net of tax benefit of \$15,422 and \$139,213, respectively	<u>45,536</u>	<u>411,037</u>
Total other comprehensive income	<u>3,288,073</u>	<u>1,975,203</u>
Comprehensive income	<u>\$ 8,919,553</u>	<u>\$ 6,904,382</u>

See Notes to Consolidated Financial Statements.

OCONEE FINANCIAL CORPORATION AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	Common Stock	Unvested Restricted Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, December 31, 2023	\$ 2,096,560	\$ (71,214)	\$ 7,042,299	\$ 43,853,919	\$ (10,610,974)	\$ 42,310,590
Change in net unrealized income (loss) on investment securities available for sale and derivatives, net of tax	-	-	-	-	1,975,203	1,975,203
Issuance of restricted stock grant	1,500	(23,565)	22,065	-	-	-
Forfeiture of restricted stock grant	(356)	5,352	(4,996)	-	-	-
Repurchase and retirement of common stock	(628)	-	(9,295)	-	-	(9,923)
Stock based compensation expense	-	33,023	-	-	-	33,023
Dividends paid (\$0.95 per share)	-	-	-	(993,652)	-	(993,652)
Net income	-	-	-	4,929,179	-	4,929,179
Balance, December 31, 2024	<u>2,097,076</u>	<u>(56,404)</u>	<u>7,050,073</u>	<u>47,789,446</u>	<u>(8,635,771)</u>	<u>48,244,420</u>
Change in net unrealized income (loss) on investment securities available for sale and derivatives, net of tax	-	-	-	-	3,288,073	3,288,073
Issuance of restricted stock grant	1,500	(29,153)	27,653	-	-	-
Vesting of restricted stock units	5,004	-	(5,004)	-	-	-
Repurchase and retirement of common stock	(1,732)	-	(36,334)	-	-	(38,066)
Stock based compensation expense	-	32,537	195,378	-	-	227,915
Dividends paid (\$1.05 per share)	-	-	-	(1,098,881)	-	(1,098,881)
Net income	-	-	-	5,631,480	-	5,631,480
Balance, December 31, 2025	<u>\$ 2,101,848</u>	<u>\$ (53,020)</u>	<u>\$ 7,231,766</u>	<u>\$ 52,322,045</u>	<u>\$ (5,347,698)</u>	<u>\$ 56,254,941</u>

See Notes to Consolidated Financial Statements.

OCONEE FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
OPERATING ACTIVITIES		
Net income	\$ 5,631,480	\$ 4,929,179
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	713,534	1,367,462
Provision for credit losses	1,576,759	912,187
Proceeds from sales of mortgage loans held for sale	70,872,215	46,679,726
Originations of mortgage loans held for sale	(70,687,789)	(48,272,476)
Deferred income tax benefit	(320,971)	(188,067)
Loss on extinguishment of debt	115,749	-
Loss on sale of investment securities, net	60,958	550,250
Loss on sale and disposal of fixed assets	137,770	16,377
Gain on sale of loans	(1,114,649)	(1,228,724)
Stock compensation expense	227,915	33,023
Gain on payout of bank-owned life insurance	(344,772)	(424,419)
Increase in bank owned life insurance	(362,046)	(357,401)
Change in:		
Accrued interest receivable and other assets	(1,208,523)	400,440
Accrued interest payable and other liabilities	774,285	662,584
Net cash provided by operating activities	6,071,915	5,080,141
INVESTING ACTIVITIES		
Purchase of investment securities available for sale	(16,947,755)	(17,191,573)
Proceeds from calls and maturities of investment securities available for sale	11,217,907	10,605,042
Proceeds from sales of investment securities available for sale	6,234,001	27,678,755
Purchase of Federal Home Loan Bank stock	(3,503,200)	(1,679,700)
Redemption of Federal Home Loan Bank stock	3,474,174	1,235,000
Net change in loans	(70,774,110)	(61,790,056)
Purchases of premises and equipment	(1,223,077)	(1,024,821)
Proceeds from sales of fixed assets	2,700	-
Purchase of bank-owned life insurance	(1,100,000)	-
Proceeds from payout of bank-owned life insurance	764,840	802,457
Net cash used in investing activities	(71,854,520)	(41,364,896)
FINANCING ACTIVITIES		
Net change in deposits	74,492,426	33,671,920
Repayment of Federal Home Loan Bank advances	(77,000,000)	(46,000,000)
Issuance of Federal Home Loan Bank advances	77,000,000	55,000,000
Repayment of subordinated notes	(9,500,000)	-
Issuance of subordinated notes	20,000,000	-
Debt issuance costs	(481,427)	-
Repurchase and retirement of common stock	(38,066)	(9,923)
Dividends paid	(1,098,881)	(993,652)
Net cash provided by financing activities	83,374,052	41,668,345
Net increase in cash and cash equivalents	17,591,447	5,383,590
Cash and cash equivalents at beginning of year	58,478,454	53,094,864
Cash and cash equivalents at end of year	\$ 76,069,901	\$ 58,478,454
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ 10,615,073	\$ 9,736,575
Income taxes	\$ 1,851,825	\$ 1,512,001

See Notes to Consolidated Financial Statements.

OCONEE FINANCIAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Oconee Financial Corporation (“OFC”) received regulatory approval to operate as a bank holding company on October 13, 1998 and began operations effective January 1, 1999. OFC is primarily regulated by the Federal Reserve Bank and serves as the one-bank holding company for Oconee State Bank.

Oconee State Bank (the “Bank”) commenced business in 1960 upon receipt of its banking charter from the Georgia Department of Banking and Finance (the “DBF”). The Bank is primarily regulated by the DBF and the Federal Deposit Insurance Corporation and undergoes periodic examinations by these regulatory agencies. The Bank provides a full range of commercial and consumer banking services primarily in Oconee, Clarke, Gwinnett, Elbert, Bibb and Bulloch counties in Georgia and in Washington county in Tennessee.

Principles of Consolidation

The consolidated financial statements include the financial statements of Oconee Financial Corporation and its wholly owned subsidiary, Oconee State Bank (collectively called the “Company”). All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation and Accounting Estimates

The accounting principles followed by the Company, and the methods of applying these principles, conform with accounting principles generally accepted in the United States of America (“GAAP”) and with general practices in the banking industry. In preparing the financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ significantly from these estimates. Material estimates common to the banking industry that are particularly susceptible to significant change in the near term include, but are not limited to, the determination of the allowance for credit losses, deferred taxes, fair value of financial instruments, and credit losses on securities.

The Company has evaluated all transactions, events, and circumstances for consideration or disclosure through March 27, 2026, the date these financial statements were available to be issued, and has reflected or disclosed those items within the consolidated financial statements and related footnotes as deemed appropriate.

Cash, Due from Banks and Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks. Included in cash and due from banks are interest-bearing deposits at other banks of \$72,796,471 and \$56,053,220 at December 31, 2025 and 2024, respectively. Net cash flows are reported for loans and deposits.

Investment Securities

All securities are classified as available for sale and are recorded at fair value. Unrealized holding gains and losses, net of related tax effect on securities available for sale, are excluded from operations and are reported as a separate component of stockholders’ equity until realized. Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to the yield. Realized gains and losses for securities classified as available for sale are included in earnings on the trade date and are derived using the specific identification method for determining the cost of securities sold.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Securities (Continued)

The Company has made a policy election to exclude accrued interest from the amortized cost basis of debt securities and report accrued interest in other assets in the consolidated balance sheets. Accrued interest receivable on debt securities totaled \$636,538 and \$663,345 as of December 31, 2025 and 2024, respectively. A debt security is placed on nonaccrual status at the time any principal or interest payments become more than 90 days delinquent or if full collection of interest or principal becomes uncertain. Accrued interest for a security placed on nonaccrual is reversed against interest income. There was no accrued interest related to debt securities reversed against interest income for the years ended December 31, 2025 and 2024.

The Company evaluates available for sale securities in an unrealized loss position to determine if a credit-related loss exists. The Company first evaluates whether it intends to sell or more likely than not will be required to sell the security before recovering its amortized cost basis. If this condition exists, the entire amount of unrealized loss is recognized in earnings with a corresponding adjustment to the security's amortized cost basis. If this condition does not exist, the Company evaluates whether the decline in fair value is attributable to credit or resulted from other factors. If a credit-related loss exists, the Company recognizes an allowance for credit losses ("ACL"), limited to the amount by which the amortized cost basis exceeds the fair value. Any loss not recognized through an ACL is recognized in other comprehensive income (loss), net of tax, as a non credit-related loss.

Federal Home Loan Bank Stock

The Company is required to maintain an investment in capital stock of the Federal Home Loan Bank of Atlanta (FHLB). Based on redemption provisions of the entity, the stock has no quoted market value and is carried at cost. At its discretion, the FHLB may declare dividends on the stock. Management reviews for impairment based on the ultimate recoverability of the cost basis in this stock.

Loans Held for Sale

Loans held for sale are carried at the lower of cost or market value. At December 31, 2025 and 2024, the carrying amount of mortgage loans held for sale approximates the market value. Loans held for sale consist of mortgage loans that have commitments to be sold to third-party investors upon closing on a best-efforts basis.

Loans

Loans are stated at the principal amount outstanding, less net deferred origination fees or costs and the allowance for loan losses. Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. The Company analyzes its direct costs associated with the origination of different types of loans. Any fees collected that are greater than the costs calculated by the Company are recognized as income over the life of the loan as opposed to the time of origination.

Accrual of interest is discontinued on a loan when management believes, after considering economic conditions and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful. Interest previously accrued but not collected is reversed against current period earnings, and interest is recognized on a cash basis or cost recovery method when such loans are placed on nonaccrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Past due status is based on the contractual terms of the loans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Loans

Under the current expected credit loss model, the allowance for credit losses on loans is a valuation allowance estimated at each balance sheet date in accordance with GAAP that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans.

The Company estimates the ACL on loans based on the underlying loans' amortized cost basis, which is the amount at which the financing receivable is originated or acquired, adjusted for applicable accretion or amortization of premium, discount, and net deferred fees or costs, collection of cash, and charge-offs. In the event that collection of principal becomes uncertain, the Company has policies in place to reverse accrued interest in a timely manner. Therefore, the Company has made a policy election to exclude accrued interest from the measurement of ACL. Accrued interest receivable on loans is reported in other assets on the consolidated balance sheets and totaled \$1,587,049 and \$1,176,538 at December 31, 2025 and 2024, respectively.

Expected credit losses are reflected in the allowance for credit losses through a charge to provision for credit losses. The Company measures expected credit losses of loans on a collective (pool) basis, when the loans share similar risk characteristics. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

The Company's methodologies for estimating the ACL consider available relevant information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. The methodologies apply historical loss information, adjusted for asset-specific characteristics, economic conditions at the measurement date, and forecasts about future economic conditions over a period that has been determined to be reasonable and supportable, to the identified pools of loans with similar risk characteristics for which the historical loss experience was observed.

Discounted Cash Flow Method

The Company uses the discounted cash flow (DCF) method to estimate expected credit losses for its pooled loans. For each of the loan segments, the Company generates cash flow projections at the loan level wherein payment expectations are adjusted for estimated prepayment speed, curtailments, time to recovery, probability of default, and loss given default. The modeling of expected prepayment speeds and curtailment rates are based on historical internal data. The prepayment speeds additionally utilize a forward-looking third-party prepayment model, which considers current conditions and reasonable and supportable forecasts of future economic conditions.

For the Company's DCF models, management has determined that four quarters represent a reasonable and supportable forecast period and reverts to a historical loss rate over four quarters on a straight-line basis. Management leverages economic projections comprising multiple weighted scenarios from a reputable and independent third party to inform its macroeconomic variable forecasts over the four-quarter forecast period.

The combination of adjustments for credit expectations (default and loss) and timing expectations (prepayment, curtailment, and time to recovery) produces an expected cash flow stream at the loan level. Loan effective yield is calculated, net of the impacts of prepayment assumptions, and the loan expected cash flows are then discounted at that effective yield to produce a loan-level net present value of expected cash flows ("NPV"). An ACL is established for the difference between the loan's NPV and amortized cost basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Loans (Continued)

Individually Evaluated Assets

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

Charge-Offs and Recoveries

Credit losses are charged against the allowance when management believes the collection of a loan's principal is unlikely. Subsequent recoveries are credited to the allowance. If the loan is collateral dependent, the loss is more easily identified and is charged-off when it is identified, usually based upon receipt of an appraisal. However, when a loan has guarantor support, and the guarantor demonstrates willingness and capacity to support the debt, the Company may carry the estimated loss as a reserve against the loan while collection efforts with the guarantor are pursued. If, after collection efforts with the guarantor are complete, the deficiency is still considered uncollectible, the loss is charged-off and any further collections are treated as recoveries.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter period of the useful life of the asset or the lease term. When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is reflected in operations for the period. The cost of maintenance and repairs which do not improve or extend the useful life of the respective assets is charged to earnings as incurred, whereas significant improvements are capitalized. The ranges of estimated useful lives for premises and equipment are generally as follows:

Buildings and improvements	5-40 years
Furniture and equipment	3-10 years

Advertising Costs

Advertising costs are expensed as incurred and totaled \$141,096 and \$174,129 for the years ended December 31, 2025 and 2024, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Real Estate Owned

Properties acquired through foreclosure are carried at the lower of cost or fair value less estimated costs to dispose. Accounting guidance defines fair value as the amount that is expected to be received in a current sale between a willing buyer and seller other than in a forced or liquidation sale. Fair values at foreclosure are based on appraisals. Losses arising from the acquisition of foreclosed properties are charged against the allowance for loan losses. Subsequent write-downs are provided by a charge to operations in the period in which the need arises. At December 31, 2025 and 2024, there was no other real estate owned.

Business Combinations

The Company accounts for business combinations under the acquisition method of accounting in accordance with Accounting Standards Codification (“ASC”) 805, *Business Combinations*. The Company recognizes the full fair value of the assets acquired and liabilities assumed and immediately expenses transaction costs. There is no separate recognition of the acquired allowance for credit losses on the acquirer’s balance sheet as credit-related factors are incorporated directly into the fair value of the net tangible and intangible assets acquired. If the amount of consideration exceeds the fair value of assets purchased less the fair value of liabilities assumed, goodwill is recorded. Alternatively, if the amount by which the fair value of assets purchased exceeds the fair value of liabilities assumed and consideration paid, a gain (“bargain purchase gain”) is recorded. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available. Results of operations of the acquired business are included in the statements of income from the effective date of the acquisition.

Core Deposit Intangible

The core deposit intangible consists of core deposit premiums acquired in connection with business combinations and is based on the established value of acquired customer deposits. The core deposit premium is initially recognized based on a valuation performed as of the consummation date and is amortized over the remaining estimated useful life of ten years. Amortization periods are reviewed annually. The gross amount of the core deposit intangible as of December 31, 2025 and 2024 was \$1,007,012 and \$1,007,012, respectively. The carrying amount of the core deposit intangible, net of amortization, was \$763,651 and \$864,352 at December 31, 2025 and 2024, respectively. At December 31, 2025, the estimated amortization expense of the core deposit intangible is as follows:

2026	\$	100,701
2027		100,701
2028		100,701
2029		100,701
2030		100,701
Thereafter		260,146
	\$	<u>763,651</u>

Transfers of Financial Assets

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock Compensation Plans

Stock compensation accounting guidance requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements. That cost is measured based on the grant date fair value of the equity or liability instruments issued. The stock compensation accounting guidance covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans.

The stock compensation accounting guidance requires that compensation cost for all stock awards be calculated and recognized over the employees' service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire 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 for restricted stock awards and stock grants.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Additionally, the recognition of future tax benefits, such as net operating loss carryforwards, is required to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more likely than not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of the Company's assets and liabilities result in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such assets is required. A valuation allowance is provided for the portion of 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. No valuation allowance was recorded as of December 31, 2025 and 2024.

In assessing the realizability of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unfunded Commitments (Continued)

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 credit losses in the Company's consolidated statements of income. The ACL on off-balance sheet credit exposures is estimated by loan segment 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, and is included in accrued interest payable and other liabilities on the Company's consolidated balance sheets.

Mortgage Origination Income

Mortgage origination income represents net gains from the sale of mortgage loans and fees received from borrowers related to the Company's origination of single-family residential mortgage loans.

Net Income Per Share

Net income per common share is based on the weighted-average number of common shares outstanding during the year, while the effects of potential common shares outstanding during the period are included in diluted earnings per share. Net income per share is calculated using the weighted-average shares outstanding during the year of 1,046,418 and 1,045,973 for 2025 and 2024, respectively. Potential common shares outstanding related to restricted stock and restricted stock units totaled 14,773 and 2,410 shares as of December 31, 2025 and 2024, respectively. For the years ended December 31, 2025 and 2024, these shares had an insignificant impact on weighted-average shares outstanding.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities and derivative financial instruments, are reported as a separate component of the equity section of the balance sheet, such items, along with the net income, are components of comprehensive income.

Revenue Recognition

The Company accounts for revenue in accordance with applicable revenue recognition accounting guidance, including *Accounting Standards Codification* Topic 606 ("ASC 606"), which: (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as other real estate owned. Most of the Company's revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as loans, letters of credit, and investment securities, as these activities are subject to other GAAP discussed elsewhere within the disclosures. The Company's services that fall within the scope of ASC 606 are presented within other income and are recognized as revenue as the Company satisfies its obligation to the customer. Services within the scope of ASC 606 primarily include service charges on deposits, gains on sale of fixed assets, and other service charges and fees such as ATM and interchange fees and commissions on investment sales. Refer to Note 16 for further discussion on the Company's accounting policies for revenue sources within the scope of ASC 606.

Reclassifications

Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 classifications, with no impact on consolidated total assets, total equity, or net income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Instruments and Hedging Activities

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

In carrying out this part of its interest rate risk management strategy, the Company occasionally uses interest rate derivative contracts. The primary types of derivative contracts used by the Company to manage interest rate risk are interest rate floors. Interest rate floors generally involve the hedging of the risk of changes in the Company's cash flows attributable to changes in a contractually specified interest rate, below the strike rate of the floor, on an amount of the Company's variable-rate assets equal to the common notional floor principal amount and maturity date. Cash flows related to floating-rate assets and liabilities will fluctuate with changes in an underlying rate index. When effectively hedged, the increases or decreases in cash flows related to the floating rate asset or liability will generally be offset by changes in cash flows of the derivative instrument designated as a hedge.

Interest rate swaps generally involve the hedging of risk of changes in the fair value of certain fixed rate assets and liabilities attributable to changes in the benchmark interest rate component of those fixed rate assets and liabilities, on an amount equal to the notional swap amount and maturity date. When effectively hedged, the increases or decreases in fair value related to the fixed rate assets and liabilities will generally be offset by changes in the fair value of the interest rate swap.

By using derivative instruments, the Company is exposed to credit and market risk. If the counterparty fails to perform, credit risk is equal to the fair value gain in the derivative. When the fair value of a derivative contract is positive, this situation generally indicates that the counterparty is obligated to pay the Company and, therefore, creates a repayment risk for the Company. When the fair value of a derivative contract is negative, the Company is obligated to pay the counterparty and, therefore, has no repayment risk. The Company minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties that are reviewed periodically by the Company. The Company's derivative activities are monitored by its asset/liability management committee as part of that committee's oversight of the Company's asset/liability and treasury functions.

The Company recognizes the fair value of derivatives as assets or liabilities in the financial statements. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative instrument at inception. The change in fair value of the effective portion of cash flow hedges is accounted for in other comprehensive income (loss) rather than net income. For fair value hedges, changes in the fair value of the hedged asset or liability and changes in the fair value of the derivative instrument are both accounted for in net income for the period of the change. Changes in the fair value of derivative instruments that are not intended as a hedge are accounted for in the net income of the period of the change.

When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the derivative will continue to be carried on the balance sheet at its fair value, and gains or losses that were accumulated in other comprehensive income (loss) will be recognized immediately in earnings. In those situations where the hedge is redesignated or discontinued and the variability of the future cash flows will occur as expected, gains and losses that are accumulated in other comprehensive income (loss) will continue to be reclassified from accumulated other comprehensive income (loss) to earnings as the interest payments affect earnings over the period of the original hedging relationship. In all other situations in which hedge accounting is discontinued, the derivative will be carried at its fair value on the balance sheet, with subsequent changes in its fair value recognized in current period earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. INVESTMENT SECURITIES

Investment securities available for sale at December 31, 2025 and 2024 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2025:				
U.S. Treasury	\$ 34,129,947	\$ -	\$ (1,758,463)	\$ 32,371,484
U.S. Agency	3,264,836	-	(264,898)	2,999,938
Corporate securities	4,500,000	-	(133,874)	4,366,126
Mortgage-backed securities	68,635,898	670,062	(1,603,233)	67,702,727
Asset-backed Securities	9,186,665	-	(101,648)	9,085,017
State, county, and municipal	31,885,026	1,236	(3,528,659)	28,357,603
	<u>\$ 151,602,372</u>	<u>\$ 671,298</u>	<u>\$ (7,390,775)</u>	<u>\$ 144,882,895</u>
December 31, 2024:				
U.S. Treasury	\$ 34,165,529	\$ -	\$ (3,352,384)	\$ 30,813,145
U.S. Agency	3,209,084	-	(445,496)	2,763,588
Corporate securities	8,000,000	-	(654,487)	7,345,513
Mortgage-backed securities	64,093,255	-	(3,028,112)	61,065,143
Asset-backed Securities	9,959,545	15,672	(145,572)	9,829,645
State, county, and municipal	32,584,410	1,181	(5,174,477)	27,411,114
	<u>\$ 152,011,823</u>	<u>\$ 16,853</u>	<u>\$ (12,800,528)</u>	<u>\$ 139,228,148</u>

The amortized cost and fair value of investment securities as of December 31, 2025 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ -	\$ -
Due from one to five years	44,161,200	41,744,957
Due from five to ten years	20,359,452	18,758,429
Due after ten years	9,259,157	7,591,765
Mortgage-backed and asset-backed securities	77,822,563	76,787,744
	<u>\$ 151,602,372</u>	<u>\$ 144,882,895</u>

Gains and losses on sales of securities consist of the following:

	Years Ended December 31,	
	2025	2024
Gross gains realized	\$ 86,584	\$ 39,724
Gross losses realized	(147,542)	(589,974)
Net loss realized	<u>\$ (60,958)</u>	<u>\$ (550,250)</u>

Securities with a carrying value of approximately \$19,314,000 and \$16,288,000 at December 31, 2025 and 2024, respectively, were pledged to secure public deposits and for other purposes as required by law.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. INVESTMENT SECURITIES (Continued)

Unrealized Losses of Securities

Unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2025 and 2024, are summarized as follows:

	Less Than Twelve Months		Over Twelve Months		Total Unrealized Losses
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	
December 31, 2025:					
U.S. Treasury	\$ -	\$ -	\$ (1,758,463)	\$ 32,371,484	\$ (1,758,463)
U.S. Agency	-	-	(264,898)	2,999,938	(264,898)
Corporate securities	(5,625)	494,375	(128,249)	3,871,751	(133,874)
Mortgage-backed securities	-	-	(1,603,233)	36,252,977	(1,603,233)
Asset-backed securities	(8,549)	1,710,152	(93,099)	7,374,865	(101,648)
State, county, municipal	-	-	(3,528,659)	27,569,124	(3,528,659)
Total	\$ (14,174)	\$ 2,204,527	\$ (7,376,601)	\$ 110,440,139	\$ (7,390,775)
December 31, 2024:					
U.S. Treasury	\$ -	\$ -	\$ (3,352,384)	\$ 30,813,145	\$ (3,352,384)
U.S. Agency	-	-	(445,496)	2,763,588	(445,496)
Corporate securities	-	-	(654,487)	7,345,513	(654,487)
Mortgage-backed securities	(83,255)	6,615,241	(2,944,857)	44,016,883	(3,028,112)
Asset-backed securities	-	-	(145,572)	7,326,829	(145,572)
State, county, municipal	-	-	(5,174,477)	26,418,306	(5,174,477)
Total	\$ (83,255)	\$ 6,615,241	\$ (12,717,273)	\$ 118,684,264	\$ (12,800,528)

As of December 31, 2025, the Company's available for sale security portfolio consisted of 105 securities, 90 of which were in an unrealized loss position. At December 31, 2025, the Company held 9 U.S. Treasury securities, one U.S. agency security, 8 corporate securities, 36 mortgage-backed securities, 9 asset-backed securities, and 27 state, county, and municipal securities that were in an unrealized loss position.

As of December 31, 2025 and 2024, no ACL has been recognized on available for sale securities in an unrealized loss position as management does not believe any of the securities are impaired due to reasons of credit quality. This is based upon an analysis of the underlying risk characteristics, including credit ratings, and other qualitative factors related to available for sale securities and in consideration of historical credit loss experience and internal forecasts. The issuers of these securities continue to make timely principal and interest payments under the contractual terms of the securities. Furthermore, the Company does not have the intent to sell any of the securities classified as available for sale in the table above and believes that it is more likely than not that they will not have to sell any such securities before a recovery of cost. The unrealized losses are due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. LOANS

Portfolio Segmentation

The composition of loans, excluding loans held for sale, is summarized as follows:

	December 31,	
	2025	2024
Real estate:		
1-4 family construction	\$ 3,312,449	\$ 1,533,506
Other construction and land development	35,226,369	12,123,528
Farmland	2,949,954	5,791,871
1-4 family revolving	29,471,502	22,275,797
1-4 family closed-end	85,413,361	75,935,643
Multifamily	28,531,093	23,056,703
Commercial owner-occupied	150,584,698	145,698,651
Commercial non-owner occupied	119,582,165	98,537,187
Commercial, financial, and agricultural	25,389,891	23,105,468
Consumer	2,379,723	2,689,546
Total	482,841,205	410,747,900
Deferred fees and costs, net	(1,279,162)	(1,145,429)
Less allowance for credit losses	(6,529,377)	(5,424,417)
Net loans	\$ 475,032,666	\$ 404,178,054

The Company grants loans and extensions of credit primarily to individuals and a variety of firms and corporations located in certain Georgia counties, primarily Oconee, Clarke, Gwinnett, Bibb, Bulloch and Elbert Counties and in Washington County in Tennessee. Although the Company has a diversified loan portfolio, a substantial portion of the loan portfolio is collateralized by improved and unimproved real estate and is dependent upon the real estate market in the Company's primary market area. Included in loans above are \$82,380,384 and \$53,564,872 of interest only loans at December 31, 2025 and 2024, respectively. For the majority of these loans, interest is due monthly with principal due at maturity.

The loan portfolio was disaggregated into segments and then further disaggregated into classes for certain disclosures. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. There are three loan portfolio segments that include real estate, commercial, financial, and agricultural, and consumer. A class is generally determined based on the initial measurement attribute, risk characteristic of the loan, and an entity's method for monitoring and assessing credit risk. Classes within the real estate portfolio segment include 1-4 family construction, other construction and land, farmland, 1-4 family revolving credit, 1-4 family closed-end, multifamily, commercial owner-occupied and commercial nonowner occupied. The commercial, financial, and agricultural segment and consumer segment have not been further disaggregated into classes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. LOANS (Continued)

Portfolio Segmentation (Continued)

The following describe risk characteristics relevant to each of the portfolio segments and classes:

Real Estate - As discussed below, the Company offers various types of real estate mortgage loan products. The majority of loans within this portfolio segment are particularly sensitive to the valuation of real estate:

- 1-4 family construction loans include: (1) consumer loans for construction of their primary residence and (2) commercial loans to builders for construction of homes being built under contract for a consumer or for speculative homes. These loans are repaid primarily by: (1) refinancing into a permanent mortgage upon completion in the case of loans to consumers and (2) sale of the property in the case of loans to builders. Residential real estate loans are made based on the appraised value of the underlying collateral, in addition to the borrower's ability to service the debt. Adverse economic conditions may impact the borrower's financial status and thus affect their ability to repay the debt. In addition, the value of the collateral may be adversely affected by declining real estate values, which would have an effect on the credit quality of this loan segment.
- Other construction and land development include: (1) construction of owner-occupied commercial real estate, (2) construction of non-owner occupied commercial real estate, (3) land development loans to convert raw land into residential or commercial lots, (4) lot or land loans to consumers for future development into primary residences, (5) lot or land loans to businesses for future development into commercial buildings, and (6) lot loans to builders or investors for future development into improved properties for sale. These loans are repaid by: (1 and 2) upon completion of construction, conversion of the construction loan into an Owner-Occupied or Non-Owner Occupied, non-construction loan with an amortizing payment structure with the Company; (3, 4, 5, and 6) through an amortizing payment structure. All of these loans are made based on appraised values of the underlying collateral, in addition to the borrower's ability to service the debt. Adverse economic conditions may impact the borrower's financial status and thus their ability to repay the debt. In addition, the value of the collateral may be adversely affected by declining real estate values, which would have an effect on the credit quality of this loan segment.
- Farmland loans in this segment are made to agricultural businesses. These loans are secured by the farm real estate and repayment is expected from the cash flows of the business. A weakened demand for the specific agricultural product being produced or a weakened economy and resultant generalized decreased consumer and/or business spending will have an effect on the credit quality of this loan segment.
- 1-4 family revolving credit loans are secured by the borrower's primary residence and are repaid by the borrower's recurring income. The borrower's income can be adversely impacted by a downturn in the economy as evidenced by increased unemployment or declining wages. In addition, the value of the collateral may be adversely affected by declining real estate values, which would have an effect on the credit quality of this loan segment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. LOANS (Continued)

Portfolio Segmentation (Continued)

- Multifamily loans are to real estate investors for 5+ unit rental properties. These loans are repaid by rental income received by the borrower for the property held as collateral. Rental incomes are adversely impacted by oversupply of rental properties within a market and by a downturn in the economy as evidenced by increased rental property vacancies or reduced rents. In addition, the value of the collateral may be adversely affected by declining real estate values, which would have an effect on the credit quality of this loan segment.
- Commercial owner-occupied loans finance commercial properties where the real estate and the business occupying the real estate have common ownership. Repayment of these loans comes from the net operating income of the business occupying the property. Credit risk is affected by declining market real estate values and adverse economic conditions impacting the borrower's financial status and ability to repay the debt, all of which would have an effect on the credit quality of this loan segment.
- Commercial non-owner occupied loans finance commercial properties owned by real estate investors and repaid by the rental income generated by the property. Credit risk is affected by declining market real estate values, adverse economic conditions impacting the vacancy levels and rental rates of these properties, and borrower's overall financial status and ability to repay the debt, all of which would have an effect on the credit quality of this loan segment.

Commercial, Financial and Agricultural - Loans in this segment are made to businesses. Generally, these loans are secured by assets of the business and repayment is expected from the cash flows of the business. A weakened economy and resultant decreased consumer and/or business spending will have an effect on the credit quality in this loan segment.

Consumer - Loans in this segment may be either secured or unsecured and repayment is dependent on the credit quality of the individual borrower and, if applicable, sale of the collateral securing the loan (such as automobile, mobile home, etc.). Therefore, the overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality of this loan segment.

Credit Risk Management

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 loans individually by classifying the loans as to credit risk. All loans are analyzed at origination and assigned a risk category. In addition, on an annual basis, management performs an analysis on loans with an outstanding balance greater than specified limits and nonhomogeneous loans, such as commercial and commercial real estate loans. The Company uses the following definitions for risk ratings:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. LOANS (Continued)

Credit Risk Management (Continued)

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

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

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The Company had no loans classified as doubtful as of December 31, 2025 and 2024.

Loans not meeting the criteria above that are analyzed as part of the above-described process are considered to be pass-rated loans.

The following tables present the amortized cost basis of loans by loan class, risk category and origination year, and the current year gross write-off by loan segment and origination year, based on the analysis performed as of December 31, 2025 and 2024.

	Term Loans Amortized Cost Basis by Origination Year					Prior	Revolving Loans	Total
	2025	2024	2023	2022	2021			
As of December 31, 2025								
Real Estate:								
1-4 family construction								
Pass	\$ 2,194,865	\$ 1,116,000	\$ -	\$ -	\$ -	\$ -	\$ 1,584	\$ 3,312,449
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total 1-4 family construction	\$ 2,194,865	\$ 1,116,000	\$ -	\$ -	\$ -	\$ -	\$ 1,584	\$ 3,312,449
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other construction and development								
Pass	\$ 20,392,680	\$ 3,510,860	\$ 8,148,291	\$ -	\$ 337,667	\$ 56,932	\$ 2,779,939	\$ 35,226,369
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total other construction and development	\$ 20,392,680	\$ 3,510,860	\$ 8,148,291	\$ -	\$ 337,667	\$ 56,932	\$ 2,779,939	\$ 35,226,369
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Farmland								
Pass	\$ -	\$ -	\$ 126,583	\$ 1,184,795	\$ 1,390,764	\$ 247,057	\$ 755	\$ 2,949,954
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total farmland	\$ -	\$ -	\$ 126,583	\$ 1,184,795	\$ 1,390,764	\$ 247,057	\$ 755	\$ 2,949,954
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1-4 family revolving								
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,736,565	\$ 28,736,565
Special Mention	-	-	-	-	-	-	375,602	375,602
Substandard	-	-	-	-	-	-	359,335	359,335
Total 1-4 family revolving	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,471,502	\$ 29,471,502
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1-4 family closed-end								
Pass	\$ 22,828,837	\$ 17,419,197	\$ 6,677,228	\$ 8,583,266	\$ 10,459,940	\$ 17,641,380	\$ 1,089,524	\$ 84,699,372
Special Mention	-	-	-	120,385	-	337,811	-	458,196
Substandard	-	-	-	165,689	-	90,104	-	255,793
Total 1-4 family closed-end	\$ 22,828,837	\$ 17,419,197	\$ 6,677,228	\$ 8,869,340	\$ 10,459,940	\$ 18,069,295	\$ 1,089,524	\$ 85,413,361
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. LOANS (Continued)

Credit Risk Management (Continued)

	Term Loans Amortized Cost Basis by Origination Year					Prior	Revolving Loans	Total
	2025	2024	2023	2022	2021			
As of December 31, 2025 (continued)								
Real Estate:								
Multifamily								
Pass	\$ 5,755,742	\$ 8,103,266	\$ -	\$ 10,681,715	\$ 1,401,248	\$ 2,111,517	\$ 477,605	\$ 28,531,093
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total multifamily	<u>\$ 5,755,742</u>	<u>\$ 8,103,266</u>	<u>\$ -</u>	<u>\$ 10,681,715</u>	<u>\$ 1,401,248</u>	<u>\$ 2,111,517</u>	<u>\$ 477,605</u>	<u>\$ 28,531,093</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commercial owner-occupied								
Pass	\$ 23,887,502	\$ 31,908,467	\$ 20,969,071	\$ 11,791,267	\$ 18,674,917	\$ 36,994,633	\$ 2,260,200	\$ 146,486,057
Special Mention	295,518	-	-	-	-	944,049	49,676	1,289,243
Substandard	1,216,475	1,115,625	-	-	-	477,298	-	2,809,398
Total commercial owner-occupied	<u>\$ 25,399,495</u>	<u>\$ 33,024,092</u>	<u>\$ 20,969,071</u>	<u>\$ 11,791,267</u>	<u>\$ 18,674,917</u>	<u>\$ 38,415,980</u>	<u>\$ 2,309,876</u>	<u>\$ 150,584,698</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commercial nonowner occupied								
Pass	\$ 22,515,869	\$ 11,908,634	\$ 8,470,016	\$ 13,123,265	\$ 23,693,011	\$ 33,398,477	\$ 398,372	\$ 113,507,644
Special Mention	-	-	-	-	-	1,317,937	-	1,317,937
Substandard	-	-	-	-	-	4,756,584	-	4,756,584
Total commercial nonowner occupied	<u>\$ 22,515,869</u>	<u>\$ 11,908,634</u>	<u>\$ 8,470,016</u>	<u>\$ 13,123,265</u>	<u>\$ 23,693,011</u>	<u>\$ 39,472,998</u>	<u>\$ 398,372</u>	<u>\$ 119,582,165</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commercial, financial, and agricultural								
Pass	\$ 9,317,418	\$ 4,544,472	\$ 3,469,664	\$ 586,040	\$ 1,835,908	\$ 743,992	\$ 4,197,573	\$ 24,695,067
Special Mention	-	-	-	-	-	-	-	-
Substandard	10,819	193,789	378,357	-	-	111,859	-	694,824
Total commercial, financial and agricultural	<u>\$ 9,328,237</u>	<u>\$ 4,738,261</u>	<u>\$ 3,848,021</u>	<u>\$ 586,040</u>	<u>\$ 1,835,908</u>	<u>\$ 855,851</u>	<u>\$ 4,197,573</u>	<u>\$ 25,389,891</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ 96,245</u>	<u>\$ 246,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 342,515</u>
Consumer								
Pass	\$ 799,929	\$ 463,090	\$ 249,722	\$ 15,376	\$ 196,058	\$ 102,095	\$ 553,453	\$ 2,379,723
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total consumer	<u>\$ 799,929</u>	<u>\$ 463,090</u>	<u>\$ 249,722</u>	<u>\$ 15,376</u>	<u>\$ 196,058</u>	<u>\$ 102,095</u>	<u>\$ 553,453</u>	<u>\$ 2,379,723</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,646</u>	<u>\$ 27,219</u>
Total Loans								
Pass	\$ 107,692,842	\$ 78,973,986	\$ 48,110,575	\$ 45,965,724	\$ 57,989,513	\$ 91,296,083	\$ 40,495,570	\$ 470,524,293
Special Mention	295,518	-	-	120,385	-	2,599,797	425,278	3,440,978
Substandard	1,227,294	1,309,414	378,357	165,689	-	5,435,845	359,335	8,875,934
Total loans	<u>\$ 109,215,654</u>	<u>\$ 80,283,400</u>	<u>\$ 48,488,932</u>	<u>\$ 46,251,798</u>	<u>\$ 57,989,513</u>	<u>\$ 99,331,725</u>	<u>\$ 41,280,183</u>	<u>\$ 482,841,205</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ 96,245</u>	<u>\$ 246,270</u>	<u>\$ 7,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,646</u>	<u>\$ 369,734</u>

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans	Total
	2024	2023	2022	2021	Prior		
As of December 31, 2024							
Real Estate:							
1-4 family construction							
Pass	\$ 1,223,906	\$ 309,600	\$ -	\$ -	\$ -	\$ -	\$ 1,533,506
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Total 1-4 family construction	<u>\$ 1,223,906</u>	<u>\$ 309,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,533,506</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other construction and land development							
Pass	\$ 4,342,601	\$ 793,707	\$ 3,604,461	\$ 2,860,631	\$ 114,132	\$ 407,996	\$ 12,123,528
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Total other construction and land development	<u>\$ 4,342,601</u>	<u>\$ 793,707</u>	<u>\$ 3,604,461</u>	<u>\$ 2,860,631</u>	<u>\$ 114,132</u>	<u>\$ 407,996</u>	<u>\$ 12,123,528</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. LOANS (Continued)

Credit Risk Management (Continued)

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans	Total
	2024	2023	2022	2021	Prior		
As of December 31, 2024 (continued)							
Real Estate:							
Farmland							
Pass	\$ -	\$ 1,432,555	\$ 1,274,863	\$ 1,531,524	\$ 1,390,979	\$ 161,950	\$ 5,791,871
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Total farmland	<u>\$ -</u>	<u>\$ 1,432,555</u>	<u>\$ 1,274,863</u>	<u>\$ 1,531,524</u>	<u>\$ 1,390,979</u>	<u>\$ 161,950</u>	<u>\$ 5,791,871</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
1-4 family revolving							
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,106,075	\$ 22,106,075
Special Mention	-	-	-	-	-	169,722	169,722
Substandard	-	-	-	-	-	-	-
Total 1-4 family revolving	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,275,797</u>	<u>\$ 22,275,797</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
1-4 family closed-end							
Pass	\$ 21,613,591	\$ 7,617,266	\$ 12,384,012	\$ 9,468,680	\$ 22,823,232	\$ 1,217,612	\$ 75,124,393
Special Mention	-	-	295,677	-	350,802	-	646,479
Substandard	-	-	-	-	164,771	-	164,771
Total 1-4 family closed-end	<u>\$ 21,613,591</u>	<u>\$ 7,617,266</u>	<u>\$ 12,679,689</u>	<u>\$ 9,468,680</u>	<u>\$ 23,338,805</u>	<u>\$ 1,217,612</u>	<u>\$ 75,935,643</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Multifamily							
Pass	\$ 8,299,354	\$ -	\$ 1,448,815	\$ 11,009,390	\$ 2,299,144	\$ -	\$ 23,056,703
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Total multifamily	<u>\$ 8,299,354</u>	<u>\$ -</u>	<u>\$ 1,448,815</u>	<u>\$ 11,009,390</u>	<u>\$ 2,299,144</u>	<u>\$ -</u>	<u>\$ 23,056,703</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commercial owner-occupied							
Pass	\$ 26,455,818	\$ 24,599,548	\$ 20,505,894	\$ 12,998,102	\$ 55,920,945	\$ 3,996,429	\$ 144,476,736
Special Mention	-	-	-	-	-	1,221,915	1,221,915
Substandard	-	-	-	-	-	-	-
Total commercial owner-occupied	<u>\$ 26,455,818</u>	<u>\$ 24,599,548</u>	<u>\$ 20,505,894</u>	<u>\$ 12,998,102</u>	<u>\$ 55,920,945</u>	<u>\$ 5,218,344</u>	<u>\$ 145,698,651</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commercial nonowner occupied							
Pass	\$ 9,366,333	\$ 11,182,574	\$ 19,673,824	\$ 13,889,948	\$ 36,342,657	\$ 1,937,779	\$ 92,393,115
Special Mention	-	-	-	-	1,354,062	-	1,354,062
Substandard	-	-	-	-	4,790,010	-	4,790,010
Total commercial nonowner occupied	<u>\$ 9,366,333</u>	<u>\$ 11,182,574</u>	<u>\$ 19,673,824</u>	<u>\$ 13,889,948</u>	<u>\$ 42,486,729</u>	<u>\$ 1,937,779</u>	<u>\$ 98,537,187</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commercial, financial, and agricultural							
Pass	\$ 7,561,069	\$ 7,831,085	\$ 2,936,300	\$ 1,041,749	\$ 1,118,376	\$ 2,019,697	\$ 22,508,276
Special Mention	-	-	218,829	-	89,431	-	308,260
Substandard	-	233,391	-	-	55,541	-	288,932
Total commercial, financial, and agricultural	<u>\$ 7,561,069</u>	<u>\$ 8,064,476</u>	<u>\$ 3,155,129</u>	<u>\$ 1,041,749</u>	<u>\$ 1,263,348</u>	<u>\$ 2,019,697</u>	<u>\$ 23,105,468</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,540</u>
Consumer							
Pass	\$ 872,412	\$ 625,035	\$ 349,570	\$ 63,988	\$ 207,707	\$ 562,911	\$ 2,681,623
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	7,923	-	-	-	7,923
Total consumer	<u>\$ 872,412</u>	<u>\$ 625,035</u>	<u>\$ 357,493</u>	<u>\$ 63,988</u>	<u>\$ 207,707</u>	<u>\$ 562,911</u>	<u>\$ 2,689,546</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ 2,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,217</u>	<u>\$ 7,321</u>
Total							
Pass	\$ 79,735,084	\$ 54,391,370	\$ 62,177,739	\$ 52,864,012	\$ 120,217,172	\$ 32,410,449	\$ 401,795,826
Special Mention	-	-	514,506	-	1,794,295	1,391,637	3,700,438
Substandard	-	233,391	7,923	-	5,010,322	-	5,251,636
Total loans	<u>\$ 79,735,084</u>	<u>\$ 54,624,761</u>	<u>\$ 62,700,168</u>	<u>\$ 52,864,012</u>	<u>\$ 127,021,789</u>	<u>\$ 33,802,086</u>	<u>\$ 410,747,900</u>
Current period gross write-offs	<u>\$ -</u>	<u>\$ 2,104</u>	<u>\$ 76,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,217</u>	<u>\$ 83,861</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. LOANS (Continued)

Nonaccrual and Past Due Loans

A loan is placed on nonaccrual status when, in management's judgment, the collection of the interest income appears doubtful. Interest receivable that has been accrued and is subsequently determined to have doubtful collectability is charged to interest income. The Company's loan policy states that a nonaccrual loan may be returned to accrual status when: (i) none of its principal and interest is due and unpaid, and the Company expects repayment of the remaining contractual principal and interest, or (ii) it otherwise becomes well secured and in the process of collection. Restoration to accrual status on any given loan must be supported by a well-documented credit evaluation of the borrower's financial condition and the prospects for full repayment. There was no interest income recognized on nonaccrual loans during the year ended December 31, 2025 and 2024. Past due loans are accruing loans whose principal or interest is past due 30 days or more.

The following tables provide a summary of current, accruing past due, and nonaccrual loans by portfolio class as of December 31, 2025 and 2024. Nonaccrual loans are disaggregated based on whether an allowance for credit losses has been recorded.

	<u>Past Due Status (Accruing Loans)</u>				Nonaccrual With an ACL	Nonaccrual Without an ACL	Total
	Current	30-89 Days	90+ Days	Total Past Due			
December 31, 2025:							
Real estate:							
1-4 family construction	\$ 3,312,449	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,312,449
Other construction and land development	35,226,369	-	-	-	-	-	35,226,369
Farmland	2,947,382	2,572	-	2,572	-	-	2,949,954
1-4 family revolving	28,933,658	178,509	-	178,509	359,335	-	29,471,502
1-4 family closed-end	85,031,094	368,465	-	368,465	13,802	-	85,413,361
Multifamily	28,531,093	-	-	-	-	-	28,531,093
Commercial owner- occupied	145,568,169	4,283,810	-	4,283,810	732,719	-	150,584,698
Commercial nonowner occupied	113,977,343	848,238	-	848,238	4,756,584	-	119,582,165
Commercial, financial, and agricultural	24,935,456	61,290	-	61,290	393,145	-	25,389,891
Consumer	2,345,820	33,903	-	33,903	-	-	2,379,723
Total	\$ 470,808,833	\$ 5,776,787	\$ -	\$ 5,776,787	\$ 6,255,585	\$ -	\$ 482,841,205
December 31, 2024:							
Real estate:							
1-4 family construction	\$ 1,533,506	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,533,506
Other construction and land development	12,123,528	-	-	-	-	-	12,123,528
Farmland	5,791,871	-	-	-	-	-	5,791,871
1-4 family revolving	22,105,131	170,666	-	170,666	-	-	22,275,797
1-4 family closed-end	75,385,130	385,742	-	385,742	164,771	-	75,935,643
Multifamily	23,056,703	-	-	-	-	-	23,056,703
Commercial owner- occupied	145,436,727	261,924	-	261,924	-	-	145,698,651
Commercial nonowner occupied	93,747,177	-	-	-	4,790,010	-	98,537,187
Commercial, financial, and agricultural	22,403,939	645,988	-	645,988	55,541	-	23,105,468
Consumer	2,681,624	-	-	-	7,922	-	2,689,546
Total	\$ 404,265,336	\$ 1,464,320	\$ -	\$ 1,464,320	\$ 5,018,244	\$ -	\$ 410,747,900

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. LOANS (Continued)

Allowance for Credit Losses

The allowance for credit losses represents an allowance for expected losses over the remaining contractual life of the assets. The contractual term does not consider extensions, renewals or modifications. The Company segregates the loan portfolio by type of loan and utilizes this segregation in evaluating exposure to risks within the portfolio.

The following tables detail activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2025 and 2024. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

December 31, 2025:	Real Estate	Commercial, Financial, and Agricultural	Consumer	Unallocated	Total
Allowance for credit losses for loans:					
Balance, beginning of year	\$ 3,335,300	\$ 641,518	\$ 23,241	\$ 1,424,358	\$ 5,424,417
Provision (reallocation)	1,691,159	565,952	27,699	(814,903)	1,469,907
Loans charged off	-	(342,515)	(27,219)	-	(369,734)
Recoveries	-	-	4,787	-	4,787
Ending Balance	\$ 5,026,459	\$ 864,955	\$ 28,508	\$ 609,455	\$ 6,529,377
December 31, 2024:					
Allowance for credit losses for loans:					
Balance, beginning of year	\$ 2,410,362	\$ 635,248	\$ 19,984	\$ 1,534,687	\$ 4,600,281
Provision (reallocation)	924,938	82,810	8,142	(110,329)	905,561
Loans charged off	-	(76,540)	(7,321)	-	(83,861)
Recoveries	-	-	2,436	-	2,436
Ending Balance	\$ 3,335,300	\$ 641,518	\$ 23,241	\$ 1,424,358	\$ 5,424,417

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. LOANS (Continued)

Collateral Dependent Loans

Collateral dependent loans are loans where repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty. If the Company determines that foreclosure is probable, these loans are written down to the lower of cost or collateral value less estimated costs to sell. When repayment is expected to be from the operation of the collateral, the allowance for credit losses is calculated as the amount by which the amortized cost basis of the financial asset exceeds the present value of expected cash flows from the operation of the collateral. The Company may, in the alternative, measure the allowance for credit losses as the amount by which the amortized cost basis of the financial asset exceeded the estimated fair value of the collateral. The following tables present an analysis of individually evaluated collateral dependent loans and the related allowance for credit losses at December 31, 2025 and 2024:

	Recorded Investment	Related Allowance
December 31, 2025:		
Real estate		
Commercial non-owner occupied	<u>\$ 4,756,584</u>	<u>\$ 193,200</u>
Total	<u><u>\$ 4,756,584</u></u>	<u><u>\$ 193,200</u></u>
December 31, 2024:		
Real estate		
Commercial non-owner occupied	<u>\$ 4,790,010</u>	<u>\$ 141,658</u>
Total	<u><u>\$ 4,790,010</u></u>	<u><u>\$ 141,658</u></u>

For the years ended December 31, 2025 and 2024, the loans reported in the above tables as commercial non-owner occupied were secured by hotel/motel properties.

Modifications to Borrowers Experiencing Financial Difficulty

The Company periodically provides modifications to borrowers experiencing financial difficulty. These modifications include payment deferrals, term extensions, interest rate reductions, principal forgiveness or combinations of modification types. The determination of whether the borrower is experiencing financial difficulty is made on the date of the modification. When principal forgiveness is provided, the amount of principal forgiveness is charged off against the allowance for credit losses with a corresponding reduction in the amortized cost basis of the loan. A modified loan is tracked for at least 12 months following the modifications granted.

There were no loans modified to borrowers experiencing financial difficulty during the year ended December 31, 2025 and 2024. The Company has no unfunded commitments to borrowers experiencing financial difficulty for which the Company has modified their loans as of December 31, 2025 and 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	December 31,	
	2024	2024
Land	\$ 794,360	\$ 794,360
Buildings and improvements	8,750,994	8,024,095
Furniture and equipment	4,277,063	4,543,947
Construction in process	7,624	205,882
Right-of-use asset	3,227,201	2,580,243
	17,057,242	16,148,527
Less accumulated depreciation	(5,159,014)	(5,168,046)
Less accumulated amortization on right-of-use asset	(582,156)	(326,951)
	\$ 11,316,072	\$ 10,653,530

Depreciation expense was \$811,818 and \$722,943 for the years ended December 31, 2025 and 2024, respectively.

Leases

The Company leases a location under a lease obligation which provided that the Company paid a monthly rental of \$8,508 until September 30, 2025, at which time the monthly rental increased to \$8,721 and will continue to increase 2.5% at each anniversary date. The lease expires April 30, 2028. The lease also contains an abatement of \$56,056 which was applied to the first 26 months of the lease. The Company has evaluated the lease and determined it to be an operating lease. The right-of-use asset and lease liability were measured and recorded with an assumed discount rate of approximately 1.50%, the Company's incremental borrowing rate at the date of adoption over the life of the initial terms of the lease. The lease agreement contains two renewal options for an additional five years each, but the renewal options are not considered in the right-of-use asset due to the uncertainty of renewal.

The Company entered into a lease in November 2022 for a branch location that opened in 2023. The rental payments commenced on June 1, 2023. The lease will expire on March 31, 2028. Under the lease obligation, the Company pays a monthly rental of \$3,315 until March 31, 2026, at which time the monthly rental increases to \$3,381 and will continue to increase 2.0% at each anniversary date. The Company has evaluated the lease and determined it to be an operating lease. The right-of-use and lease liability were measured and recorded with an assumed discount rate of approximately 4.40%, the Company's incremental borrowing rate at the date of adoption over the life of the terms of the lease. The lease agreement does not include rental options.

The Company entered into a lease in August 2024 for a loan production office that opened in April 2025. The rental payments commenced on October 1, 2024. The lease will expire on September 30, 2029. Under the lease obligation, the Company paid a monthly rental of \$3,291 until September 30, 2025, at which time the monthly rental increased to \$3,440 and will continue to increase one dollar per square footage at each anniversary date. The lease also calls for monthly reimbursement expenses estimated at \$734 per month, to be trued up at the end of each year. The Company has evaluated the lease and determined it to be an operating lease. The right-of-use and lease liability were measured and recorded with an assumed discount rate of approximately 4.30%, the Company's incremental borrowing rate at the commencement date, over the life of the terms of the lease. The lease agreement contains two renewal options for an additional five years each. The Company has included one renewal option in the right-of-use asset evaluation due to the likelihood of renewal.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. PREMISES AND EQUIPMENT (Continued)

Leases (Continued)

The Company entered into a lease in November 2024 for a loan production office that opened in October 2025. The rental payments commenced on June 1, 2025. The lease will expire May 31, 2032. Under the lease obligation, the Company pays a monthly rental of \$10,354 until May 31, 2026, at which time the monthly rental increases to \$10,668 and will continue to increase approximately one dollar per square footage at each anniversary date. The lease also calls for monthly reimbursement expenses at \$2,039 per month, to be trued up at the end of each year. The Company has evaluated the lease and determined it to be an operating lease. The right-of-use and lease liability were measured and recorded with an assumed discount rate of approximately 4.85%, the Company's incremental borrowing rate at the commencement date, over the life of the terms of the lease. The lease agreement contains one renewal option for an additional five years each. The Company has included the renewal option in the right-of-use asset evaluation due to the likelihood of renewal.

The Company entered into a new lease obligation in May 2025 for an existing branch location which provided that the Company pay a monthly rental of \$6,025 until April 30, 2026, at which time the monthly rental increases to \$6,146 and will continue to increase by an annual percentage change of the National Consumer Price Index at each anniversary date. The lease also calls for monthly reimbursement expenses estimated at \$1,729 per month, to be trued up at the end of each year. The Company has evaluated the lease and determined it to be an operating lease. The right-of-use and lease liability were measured and recorded with an assumed discount rate of approximately 4.48%, the Company's incremental borrowing rate at the commencement date, over the life of the terms of the lease. The lease agreement matures on April 30, 2030 and contains two renewal options for an additional five years each. The Company has included one renewal option in the right-of-use asset evaluation due to the likelihood of renewal.

The right-of-use asset for all leases, included within premises and equipment on the balance sheet, was \$2,645,045 and \$2,253,292 net of amortization as of December 31, 2025 and 2024, respectively. The Company's lease liability, included within accrued interest payable and other liabilities on the balance sheet, was \$2,645,045 and \$2,253,292 as of December 31, 2025 and 2024, respectively. The weighted-average discount rate used to calculate operating lease liability was 4.42% and 4.12% at December 31, 2025 and 2024, respectively. The remaining weighted-average lease term was 9.4 years and 9.6 years at December 31, 2025 and 2024, respectively.

Future undiscounted lease payments on non-cancelable operating leases, excluding any renewal options, are summarized as follows:

2026	\$	387,168
2027		397,694
2028		302,750
2029		263,810
2030		273,011
Thereafter		1,574,874
	\$	<u>3,199,307</u>

The amount of imputed interest on outstanding lease payments was insignificant as of December 31, 2025 and 2024. Total rental expense for the years ended December 31, 2025 and 2024 was \$375,084 and \$239,531, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. ACCRUED INTEREST RECEIVABLE AND OTHER ASSETS

Accrued interest receivable and other assets are summarized as follows:

	December 31,	
	2025	2024
Accrued interest receivable	\$ 2,442,742	\$ 2,307,168
Bank-owned life insurance	14,258,646	13,216,669
Deferred income tax assets, net	3,638,630	4,612,131
Core deposit intangible, net	763,651	864,352
Other assets	2,905,346	3,490,236
	\$ 24,009,015	\$ 24,490,556

NOTE 6. DEPOSITS

The aggregate amounts of certificates of deposit, each with a minimum denomination of \$250,000, were approximately \$33,011,000 and \$24,975,000 at December 31, 2025 and 2024, respectively. The Company had brokered deposits of \$10,226,000 and \$10,019,000 at December 31, 2025 and 2024, respectively.

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

2026	\$ 89,530,327
2027	5,721,501
2028	1,381,211
2029	1,329,755
2030	1,471,470
	\$ 99,434,264

At December 31, 2025 and 2024, the Company had concentrations of deposits with two municipal customers totaling \$61,330,976 and \$87,853,013, respectively. Overdraft demand deposits reclassified to loans totaled \$19,833 and \$16,043 at December 31, 2025 and 2024, respectively.

The Company had Insured Cash Sweep (ICS) deposits through Promontory/IntraFI Network of approximately \$124,800,000 and \$113,355,000 at December 31, 2025 and 2024, respectively. The Company's ICS reciprocal deposits primarily consist of municipal deposits, which are fully insured through this program.

NOTE 7. INCOME TAXES

The components of income tax in the statements of income are as follows:

	December 31,	
	2025	2024
Current income tax expense	\$ 1,669,384	\$ 1,348,591
Deferred income tax benefit	(320,971)	(188,067)
Total income tax	\$ 1,348,413	\$ 1,160,524

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. INCOME TAXES (Continued)

The differences between income tax and the amount computed by applying the statutory federal income tax rate to income before income tax are as follows:

	December 31,	
	2025	2024
Income tax at statutory rates	\$ 1,465,778	\$ 1,278,838
Add (deduct):		
Tax-exempt interest income	(17,847)	(18,916)
State taxes, net of federal effect	(28,811)	42,585
Merger expenses	-	2,907
Bank-owned life insurance income	(148,432)	(164,182)
Other	77,725	19,292
	\$ 1,348,413	\$ 1,160,524

The following summarizes the sources and expected tax consequences of future taxable deductions (income) which comprise the net deferred tax asset. The net deferred tax asset is a component of accrued interest receivable and other assets at December 31, 2025 and 2024.

	December 31,	
	2025	2024
Deferred income tax assets:		
Allowance for credit losses on loans	\$ 1,624,509	\$ 1,357,732
Unrealized losses on investment securities available for sale	1,565,638	3,234,270
Unrealized losses on derivative financial instruments, net	64,723	-
Deferred compensation	516,855	395,652
Net operating loss carry forwards	150,947	182,862
Allowance for credit losses on unfunded commitments	73,629	47,328
Purchase accounting adjustments	281,937	299,640
Other	8,217	10,578
Total gross deferred income tax assets	4,286,455	5,528,062
Deferred income tax liabilities:		
Unrealized gains on derivative financial instruments, net	-	(309,437)
Premises and equipment	(647,825)	(606,494)
Total gross deferred income tax liabilities	(647,825)	(915,931)
Net deferred income tax asset	\$ 3,638,630	\$ 4,612,131

The federal income tax returns of the Company for 2024, 2023, and 2022 are subject to examination by the IRS, generally for three years after being filed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. RELATED-PARTY TRANSACTIONS

The Company conducts transactions with directors and executive officers, including companies in which they have beneficial interests, in the normal course of business. It is the policy of the Company that loan transactions with directors and officers are made on substantially the same terms as those prevailing at the time made for comparable loans to other persons. The following is a summary of activity for related-party loans:

	December 31,	
	2025	2024
Beginning balance	\$ 3,005,931	\$ 4,041,005
Advances	605,031	2,259,436
Repayments	(171,518)	(3,294,510)
Changes in related parties	(2,600,746)	-
Ending balance	\$ 838,698	\$ 3,005,931

NOTE 9. SUBORDINATED NOTES

On August 15, 2025, the Company issued subordinated notes payable for \$20,000,000. The notes mature on August 15, 2035, with interest payments due on February 15 and August 15 of each year at a fixed rate of 7.50% until August 15, 2030. Subsequent to August 15, 2030, and until maturity, interest payments are due quarterly beginning November 15, 2030 but at a variable rate of three-month SOFR plus four hundred seven basis points resetting each quarter. The notes can be redeemed by the Company, in whole or in part, on or after the fifth anniversary of the note agreements. Debt issuance costs of \$481,427 were incurred and capitalized by the Company and are being amortized into interest expense over the life of the notes on a straight-line basis.

On August 7, 2020, the Company issued subordinated notes payable for \$10,000,000. Upon merger with Elberton Federal in 2023, \$500,000 of subordinated notes payable to Elberton Federal were retired. The balance of Company issued subordinated notes payable at December 31, 2024 was \$9,500,000. The notes were to mature on August 7, 2030, with interest payments due on March 28, June 28, September 28, and December 28 of each year at a fixed rate of 6.00% until August 7, 2025. Subsequent to August 7, 2025, and until maturity, interest payments were to be due on the same payment schedule but at a variable rate of three-month SOFR plus five hundred ninety-six basis points resetting each quarter. Debt issuance costs of \$239,163 were incurred and capitalized by the Company and were being amortized into interest expense over the life of the notes on a straight-line basis. The remaining notes were redeemed by the Company on September 29, 2025. The Company incurred a \$115,749 loss on extinguishment of debt for the remaining unamortized debt issuance cost.

The net carrying value of the subordinated notes payable was \$19,558,168 and \$9,366,290 at December 31, 2025 and 2024, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. FEDERAL HOME LOAN BANK ADVANCES AND AVAILABLE LINES OF CREDIT

The Company is approved to borrow from the Federal Home Loan Bank of Atlanta. As of December 31, 2025, the Company had pledged loans totaling approximately \$161,411,000 and had an available credit line of approximately \$206,696,000. There were borrowings of \$10,000,000 outstanding under this line at December 31, 2025 and 2024, respectively. The outstanding advance at December 31, 2025 and 2024 bears interest at a rate of 3.895% and matures on July 19, 2027.

The Company is approved to borrow from the Federal Reserve Bank discount window program. As of December 31, 2025, the Company has not pledged any loans or securities but would be required to if they wished to borrow using this program. There were no borrowings outstanding under this program at December 31, 2025 and 2024.

The Company had \$12,000,000 available for the purchase of overnight federal funds from two correspondent financial institutions as of December 31, 2025 and 2024. There were no amounts outstanding under these lines as of December 31, 2025 and 2024.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Loan Commitments

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheets. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. In most cases, the Company does require collateral or other security to support financial instruments with credit risk.

Outstanding commitments as of December 31, 2025 and 2024 are presented in the following table:

	Contractual Amount	
	2025	2024
	(in thousands)	
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	\$ 60,546	\$ 54,299
Standby letters of credit	1,365	2,150
	\$ 61,911	\$ 56,449

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. COMMITMENTS AND CONTINGENCIES (Continued)

Loan Commitments (Continued)

Standby letters of credit written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to businesses in the Company's delineated trade area. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds real estate, equipment, automobiles, and customer deposits as collateral supporting those commitments for which collateral is deemed necessary.

The Company maintains an allowance for unfunded commitments such as unfunded balances for existing lines of credit, commitments to extend future credit, and standby letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable. The allowance for unfunded commitments 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 commitments is separately classified on the consolidated balance sheets within other liabilities.

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

	December 31,	
	2025	2024
Beginning balance	\$ 189,084	\$ 182,458
Provision	106,852	6,626
Ending balance	\$ 295,936	\$ 189,084

Contingencies

In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material effect on the Company's financial statements.

NOTE 12. EMPLOYEE BENEFIT PLANS AND STOCK-BASED COMPENSATION

Defined Contribution Plan

The Company has a defined contribution plan which is available to substantially all employees subject to certain age and service requirements. According to the plan document, the Company makes safe harbor matching contributions to the plan. For the years ended December 31, 2025 and 2024, there was \$385,209 and \$360,925 charged to expense, respectively, for employer matching contributions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. EMPLOYEE BENEFIT PLANS AND STOCK-BASED COMPENSATION (Continued)

Deferred Compensation Plan

The Company has various deferred compensation plans providing for death and retirement benefits for certain key officers. The estimated amounts to be paid under the compensation plans have been funded through the purchase of life insurance policies on certain officers. In 2025 and 2024, these policies earned \$362,046 and \$357,401, respectively. In 2025, the Company had a gain of \$344,772 from the payout of two life insurance policies, which was recognized in miscellaneous income. In 2024, the Company had a gain of \$424,419 from the payout of one life insurance policy, which was recognized in miscellaneous income. In 2025 and 2024, the Company expensed \$391,151 and \$363,028, respectively, for deferred compensation related to these plans.

Accrued deferred compensation of \$1,930,211 and \$1,539,060 is included in accrued interest payable and other liabilities as of December 31, 2025 and 2024, respectively. Cash surrender values of \$14,258,646 and \$13,216,669 on the insurance policies as of December 31, 2025 and 2024, respectively, are included in accrued interest receivable and other assets.

Restricted Stock

During 2025 and 2024, the Company granted 750 shares each of restricted stock which vest over four years from the grant dates. The fair market value of the stock on the grant dates was \$38.87 and \$31.42 per share, respectively. The Company recognized \$32,537 and \$32,480 of stock-based compensation expense related to these grants during 2025 and 2024, respectively. As of December 31, 2025, there was \$52,984 of total unrecognized compensation cost related to these restricted stock grants which is expected to be recognized over the remaining vesting period.

Restricted Stock Units (“RSU”)

In December 2024, the Company granted 7,500 in performance RSUs and 7,500 in time-vested RSUs to certain key employees. The performance RSU grants contain a three-year performance period and a time-vested requirement over approximately the same period of performance. The performance RSUs contain specific performance goals with a threshold and target performance. The time-vested RSUs vest over a three year period from the grant date. The fair market value of the RSUs established at the time of the grant was \$39.06. The Company recognizes expense on a straight-line basis typically over the performance or time-vesting periods based upon the probable performance target, as applicable, that will be met. The Company recognized \$195,378 of stock-based compensation expense related to these grants during 2025.

In December 2025, the Company additionally granted 2,764 in performance RSUs and 2,759 in time-vested RSUs to certain key employees. The performance RSU grants contain a three-year performance period and a time-vested requirement over approximately the same period of performance. The performance RSUs contain specific performance goals with a threshold and target performance. The time-vested RSUs vest over a three year period from the grant date. The fair market value of the RSUs established at the time of the grant was \$46.02. The Company recognizes expense on a straight-line basis typically over the performance or time-vesting periods based upon the probable performance target, as applicable, that will be met. No stock-based compensation expense related to these grants was recognized during 2025.

As of December 31, 2025, there was \$644,690 of total unrecognized compensation cost related to RSUs to be recognized over the remaining vesting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. PROFIT SHARING PLAN AND STOCK-BASED COMPENSATION (Continued)

Stock Options

As part of the Elberton transaction, stock options were issued to certain Elberton directors in 2023. Option prices and terms are determined by a committee appointed by the Board of Directors.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the weighted-average assumptions listed in the table below. Expected volatility is a calculated value based on expected volatility of similar entities. The expected term of options granted is based on the short-cut method and represents the period of time that the options granted are expected to be outstanding. Expected dividends are based on dividend trends and the market price of the Company's stock at grant. Historical data is used to estimate option exercises and employee terminations within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

There were no stock options issued in 2025 and in 2024.

Other pertinent information related to stock options is as follows:

	Year Ended December 31,			
	2025		2024	
	Number	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price
Options outstanding, beginning of year	2,384	\$ 30.00	2,980	\$ 30.00
Granted	-	-	-	-
Forfeited	-	-	(596)	30.00
Exercised	-	-	-	-
Options outstanding, end of year	2,384	\$ 30.00	2,384	\$ 30.00
Exercisable, end of year	1,043	\$ 30.00	-	\$ -
Weighted-average remaining contractual life	2.6 years		3.6 years	

Expense recognized on stock options totaled \$7,032 and \$8,383 for the year ended December 31, 2025 and 2024, respectively. At December 31, 2025, unrecognized compensation cost related to stock-based payments totaled \$18,165, which will be expensed over a weighted-average of 2.6 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total capital, Tier 1 capital, and common equity Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. In addition, the Bank is subject to an institution-specific capital buffer which must exceed 2.50% to avoid limitations on distributions and discretionary bonus payments. The Bank's capital conservation buffer at December 31, 2025 was 6.7469%. Management believes, as of December 31, 2025 and 2024, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2025, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

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

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
As of December 31, 2025:						
Total Capital to Risk Weighted Assets	\$ 76,732	14.75%	\$ 41,626	8.00%	\$ 52,033	10.00%
Tier 1 Capital to Risk Weighted Assets	\$ 70,224	13.50%	\$ 31,220	6.00%	\$ 41,626	8.00%
Common Equity Tier 1 Capital to Risk Weighted Assets	\$ 70,224	13.50%	\$ 23,415	4.50%	\$ 33,821	6.50%
Tier 1 Capital to Average Assets	\$ 70,224	9.53%	\$ 29,481	4.00%	\$ 36,851	5.00%
As of December 31, 2024:						
Total Capital to Risk Weighted Assets	\$ 65,275	14.25%	\$ 36,648	8.00%	\$ 45,810	10.00%
Tier 1 Capital to Risk Weighted Assets	\$ 59,661	13.02%	\$ 27,486	6.00%	\$ 36,648	8.00%
Common Equity Tier 1 Capital to Risk Weighted Assets	\$ 59,661	13.02%	\$ 20,614	4.50%	\$ 29,776	6.50%
Tier 1 Capital to Average Assets	\$ 59,661	9.24%	\$ 25,830	4.00%	\$ 32,288	5.00%

NOTE 14. STOCKHOLDERS' EQUITY

Dividends paid by the Bank are the primary source of funds available to the Company for payment of dividends to its stockholders and for other working capital needs. Banking regulations limit the amount of dividends that may be paid without prior approval of the regulatory authorities. These restrictions are based on the level of regulatory classified assets, the prior year's net earnings, the ratio of equity capital to total assets, and other specific regulatory restrictions. At December 31, 2025, approximately \$3,297,000 of retained earnings was available for dividend declaration without regulatory approval.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. FAIR VALUE DISCLOSURES

Fair Value Measurements

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities 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 impaired loans and foreclosed property.

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 fair value. These levels are:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls, is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. FAIR VALUE DISCLOSURES (Continued)

Fair Value Hierarchy (Continued)

The following methods and assumptions were used by the Company in estimating fair value for assets and liabilities measured at fair value on either a recurring or nonrecurring basis:

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

Derivative Financial Instruments: Derivative financial instruments are used to manage interest rate risk. The valuation of these instruments is determined using widely accepted techniques including discounted cash flow analysis on the expected cash flows of the derivatives. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair value of the derivatives is determined using the market standard methodology of netting the discounted future fixed cash receipts and the discounted expected variable cash payments. The variable cash payments are based on an expectation of future interest rates (forward curves derived from observable market interest rate curves). The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting any applicable credit enhancements such as collateral postings, thresholds, mutual puts and guarantees. Although the Company has determined that the majority of the inputs used to value its derivative fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself or the counterparty. However, as of December 31, 2025 and 2024, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustment is not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuation in its entirety is classified in Level 2 of the fair value hierarchy.

Collateral Dependent and Individually Evaluated Loans: Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement individually evaluated for ACL purposes. Once a loan is identified as individually evaluated, management measures its impairment. The fair value can be estimated using one of several methods, including collateral value, market value of similar debt, and discounted cash flows. Those individually evaluated loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At December 31, 2025 and 2024, substantially all of the individually evaluated loans were evaluated based on the fair value of the collateral. Loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price, the Company records the collateral dependent loan as nonrecurring Level 2. When an appraised value is used, or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the collateral dependent loan as nonrecurring Level 3.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. FAIR VALUE DISCLOSURES (Continued)

Fair Value Hierarchy (Continued)

The tables below present the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2025 and 2024, aggregated by the level in the fair value hierarchy within which those measurements fall.

Assets:	Fair Value Measurements at December 31, 2025			Total
	Level 1	Level 2	Level 3	
Available for sale securities:	(In thousands)			
U.S. Treasury	\$ 32,371	\$ -	\$ -	\$ 32,371
U.S. agency	-	3,000	-	3,000
Corporate securities	-	4,366	-	4,366
Mortgage-backed securities	-	67,703	-	67,703
Asset-backed securities	-	9,085	-	9,085
State, county, and municipal	-	28,358	-	28,358
Total	\$ 32,371	\$ 112,512	\$ -	\$ 144,883
Liabilities:				
Derivative financial instruments:				
Securities	\$ -	\$ 176	\$ -	\$ 176
Total	\$ -	\$ 176	\$ -	\$ 176

Assets:	Fair Value Measurements at December 31, 2024			Total
	Level 1	Level 2	Level 3	
Available for sale securities:	(In thousands)			
U.S. Treasury	\$ 30,813	\$ -	\$ -	\$ 30,813
U.S. agency	-	2,764	-	2,764
Corporate securities	-	7,346	-	7,346
Mortgage-backed securities	-	61,065	-	61,065
Asset-backed securities	-	9,830	-	9,830
State, county, and municipal	-	27,411	-	27,411
Derivative financial instruments:				
Securities and interest-bearing deposits in other banks	-	1,342	-	1,342
Loans (a)	-	94	-	94
Total	\$ 30,813	\$ 109,852	\$ -	\$ 140,665

(a) The fair value of the loan derivative financial instrument is included within loans, net on the balance sheets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. FAIR VALUE DISCLOSURES (Continued)

Fair Value Hierarchy (Continued)

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis. These include assets that are measured at the lower of cost or fair value. The tables below present the Company's assets measured at fair value on a nonrecurring basis as of December 31, 2025 and 2024, aggregated by the level in the fair value hierarchy within which those measurements fall.

	Level 1		Level 2		Level 3		Total
	(In thousands)						
December 31, 2025							
Collateral dependent loans	\$ -		\$ -		\$ 4,563		\$ 4,563
December 31, 2024							
Collateral dependent loans	\$ -		\$ -		\$ 4,648		\$ 4,648

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

Cash and Cash Equivalents: The carrying amounts of cash and short-term instruments approximate fair values based on the short-term nature of the assets.

Investment Securities Available for Sale: Securities available for sale are carried at fair value using the methods and assumptions described above.

Federal Home Loan Bank Stock: The carrying amount of Federal Home Loan Bank stock with no readily determinable fair value approximates fair value.

Loans and Loans Held for Sale: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair value for fixed rate loans is estimated using discounted cash flow analyses, using market interest rates for comparable loans. Fair values for nonperforming loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable. Loans held for sale are carried at the lower of cost or market value and the carrying amount approximates the market value.

Derivative Financial Instruments: The fair value of derivative financial instruments is estimated using pricing models of derivatives with similar characteristics or discounted cash flow models where future floating cash flows are projected and discounted back.

Deposits: The fair values disclosed for demand deposits (for example, interest and noninterest checking, savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates on comparable instruments to a schedule of aggregated expected monthly maturities on time deposits.

Federal Home Loan Bank Advances: Current market rates for debt with similar terms and remaining maturities are used to estimate fair value of existing debt. Fair value of long-term debt is based on quoted market prices or dealer quotes for the identical liability when traded as an asset in an active market. If a quoted market price is not available, an expected present value technique is used to estimate fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. FAIR VALUE DISCLOSURES (Continued)

Fair Value of Financial Instruments (Continued)

Subordinated Notes: The carrying amount of subordinated notes approximates fair value based on interest rates for comparable instruments with similar maturities.

Accrued Interest: The carrying amounts of accrued interest approximate fair value.

Off-Balance Sheet Credit-Related Instruments: Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

The carrying amount and estimated fair value of the Company's financial instruments at December 31, 2025 and 2024 were as follows (in thousands):

December 31, 2025	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	\$ 76,070	\$ 76,070
Investment securities available for sale	144,883	144,883
Federal Home Loan Bank stock	923	923
Loans held for sale	1,925	1,925
Loans, net	475,033	474,460
Accrued interest receivable	2,443	2,443
Financial liabilities:		
Deposits	640,314	640,182
Federal Home Loan Bank advances	10,000	10,045
Subordinated notes	19,558	19,558
Derivative financial instruments	176	176
Accrued interest payable	684	684
December 31, 2024	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	\$ 58,478	\$ 58,478
Investment securities available for sale	139,228	139,228
Federal Home Loan Bank stock	894	894
Loans held for sale	2,110	2,110
Loans, net	404,178	399,516
Accrued interest receivable	2,307	2,307
Derivative financial instrument	1,342	1,342
Financial liabilities:		
Deposits	565,741	565,251
Federal Home Loan Bank advances	10,000	9,861
Subordinated notes	9,366	9,366
Accrued interest payable	612	612

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16. REVENUE FROM CONTRACTS WITH CUSTOMERS

Substantially all of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within service charges, gain (loss) on sale and disposal of fixed assets and miscellaneous income on the statements of income. The following table presents the Company's sources of revenue from contracts with customers for the years ended December 31, 2025 and 2024.

	2025	2024
Service charges	\$ 675,364	\$ 738,289
Gain (loss) on sale and disposal of fixed assets	(137,770)	(16,377)
Miscellaneous:		
Interchange fee income	1,082,849	970,190
Commissions on investment sales	159,812	151,479
ATM fee income	121,302	57,940
Income from bank-owned life insurance (a)	706,818	782,190
Other (a)	715,880	290,838
	\$ 3,324,255	\$ 2,974,549

(a) Outside the scope of ASC 606

Service charges: Revenue from service charges relates primarily to deposit accounts and is earned through cash management, overdraft, non-sufficient funds, and other deposit-related services. Revenue is recognized for these services either over time, corresponding with deposit accounts' monthly cycle, or at a point in time for transaction-related services and fees. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

Gain (loss) on sales and disposal of fixed assets: The Company records a gain or loss from the sale of assets when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of assets to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer.

Miscellaneous: Miscellaneous primarily includes revenues generated from commissions on investment sales, ATM fees, and interchange fees from consumer credit and debit cards. Commissions on investment sales and ATM fees are recognized concurrently with the delivery of service on a daily basis as transactions occur. Interchange rates are generally set by the credit card associations and based on purchase volumes and other factors. Interchange fees and merchant discounts are recognized concurrently with the delivery of service on a daily basis as transactions occur. Payment is typically received immediately or in the following month.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages interest rate risk primarily by managing the amount, sources, and duration of its investment securities portfolio and debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures 1) that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts and 2) that arise from changes in the fair value of certain fixed rate assets and liabilities, as the value of both exposures are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of its known or expected cash receipts and its known or expected cash payments, as well as managing changes in fair value of certain fixed rate assets and liabilities.

Cash Flow Hedges

One of the Company's objectives in using interest rate derivatives is to add stability to interest income and expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate floors as a part of its interest rate risk management strategy. The Company does not use derivatives for speculative purposes. Derivatives not designated as hedges are used to manage the Company's exposure to interest rate movements but do not meet the strict hedge accounting rules under GAAP.

During 2022, the Company entered into an interest rate floor designated as a cash flow hedge that involves the hedging of the risk of changes in the cash flows attributable to changes in a contractually specified interest rate, below the strike rate of the floor, on an amount of the Company's variable-rate assets equal to the then-outstanding notional floor. The objective of the floor was to lock in a floor strike rate at 2.75%. The interest rate floor contract has a notional amount of \$25 million and is hedging the variable rate on the reserve balances with two of the Company's interest-bearing deposits in other banks. The interest rate floor became effective on August 5, 2023 and had a maturity date of August 5, 2025. If the rate on these assets fell below 2.75% on a rate reset date during the period from the effective date to the maturity date, the Company's counterparty would have paid the Company the amount equal to the floor notional amount multiplied by the difference in strike price and new floor index rate. The Company was required to hold \$25 million in interest-bearing deposits in other banks as of the effective date of the contract in order to use hedge accounting on the interest rate floor.

The Company amortized the interest rate floor over the life of the contract and recognized \$88,422 and \$149,136 of amortization expense from the interest rate floor contract during the years ended December 31, 2025 and 2024, respectively, that was recognized in interest income. At December 31, 2024, the estimated fair value of the interest rate floor contract accounted for as a cash flow hedge was \$1,098. The fair value of the floor was recorded in other assets on the consolidated balance sheets as of December 31, 2024. The fair value of the interest rate floor had no effect on net income for 2024, and the unrealized loss of \$61,501, net of tax, was recorded in other comprehensive income for 2024. No hedge ineffectiveness from the cash flow hedge was recognized in net income for the years ended December 31, 2025 and 2024. The interest rate floor contract matured on August 5, 2025.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

Fair Value Hedges - Loans

During 2024, the Company entered into two interest rate swaps designated as fair value hedges that involve hedging the risk of changes in the fair value of fixed rate loans for changes in the benchmark interest rate component in those loans. The objective of the interest rate swaps was to reduce the interest rate risk of those loans being hedged due to changes in the interest rate affecting the value of those loans. These fair value hedges convert the loans being hedged from fixed rate to synthetic floating rate loan. The first interest rate swap had a notional amount of \$29,500,000 with an effective date of March 5, 2024, and a maturity date of March 31, 2029. The second interest rate swap had a notional amount of \$20,500,000 with an effective date from March 5, 2024 to March 31, 2027. The company was required to maintain a pre-specified amount of loans which are expected to be outstanding over the term of the interest rate swaps in order to use hedge accounting for the interest rate swaps.

On January 8, 2025, the Company terminated the two interest rate swaps that were designated as fair value hedges that involved hedging the risk of changes in the fair value of fixed rate loans. The Company recognized a swap termination penalty of \$34,500 into interest income.

The difference between changes in the fair value of the loans being hedged and the fair value of the interest rate swaps was recognized in interest income. The amount of this difference recognized for the years ended December 31, 2025 and 2024 was a loss of \$1,965 and \$1,183, respectively. The Company recognized in interest income the net difference between the contractual fixed rate payments being made to the counterparty and the floating rate received from the counterparty. For the years ended December 31, 2025 and 2024, the amount of interest income from the interest rate swaps was \$3,147 and \$436,349, respectively. At December 31, 2024, the estimated fair value of the interest rate swaps was \$94,445. The fair value of the interest rate swap agreements was recorded in loans on the balance sheet as of December 31, 2024.

Fair Value Hedges - Investments

During 2023, the Company entered into two interest rate swaps designated as fair value hedges that involve hedging the risk of changes in the fair value of fixed rate securities for changes in the benchmark interest rate component in those securities. The objective of the interest rate swaps was to eliminate the effect of changes in the fair value of those securities being hedged due to changes in the interest rate affecting the value of those securities. These fair value hedges convert the securities being hedged from fixed rate to synthetic floating rate securities. The first interest rate swap has a notional amount of \$12,500,000 with an effective date of April 13, 2023, and a maturity date of April 1, 2028. The second interest rate swap has a notional amount of \$62,500,000 with an effective date from April 13, 2023, and a maturity date of February 29, 2028. The company is required to maintain a pre-specified amount of securities which are expected to be outstanding over the term of the interest rate swaps in order to use hedge accounting for the interest rate swaps.

The difference between changes in the fair value of the securities being hedged and the fair value of the interest rate swaps is recognized in interest income. The amount of this difference recognized for the years ended December 31, 2025 and 2024, was \$52,687 and \$21,400, respectively. The Company recognizes in interest income the net difference between the contractual fixed rate payments being made to the counterparty and the floating rate received from the counterparty. For the years ended December 31, 2025 and 2024, the amount of interest income from the interest rate swaps was \$661,199 and \$1,360,999, respectively. At December 31, 2025 and 2024, the estimated fair value of the interest rate swaps was \$(175,516) and \$1,340,775, respectively. The fair value of the interest rate swap agreements was recorded in other liabilities as of December 31, 2025 and in other assets on the balance sheet as of December 31, 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18. OCONEE FINANCIAL CORPORATION (PARENT COMPANY ONLY) FINANCIAL INFORMATION

CONDENSED BALANCE SHEETS

	December 31,	
	2025	2024
Assets		
Cash	\$ 9,316,738	\$ 4,703,334
Investment in subsidiary	66,784,268	52,773,289
Other assets	278,770	134,087
Total assets	\$ 76,379,776	\$ 57,610,710
Liabilities and Stockholders' Equity		
Accrued interest payable and other liabilities	\$ 566,667	\$ -
Subordinated notes	19,558,168	9,366,290
Stockholders' equity	56,254,941	48,244,420
Total liabilities and stockholders' equity	\$ 76,379,776	\$ 57,610,710

CONDENSED STATEMENTS OF INCOME

	Years Ended December 31,	
	2025	2024
Other income	\$ 18,000	\$ 17,400
Dividend income	1,100,000	993,000
	1,118,000	1,010,400
Interest expense	1,106,107	593,948
Loss on extinguishment of debt	115,749	-
Other expenses	81,516	90,129
	1,303,372	684,077
Income (loss) before income tax benefits and equity in undistributed income of subsidiary	(185,372)	326,323
Income tax benefits	(321,861)	(166,512)
Income before equity in undistributed income of subsidiary	136,489	492,835
Equity in undistributed income of subsidiary	5,494,991	4,436,344
Net income	\$ 5,631,480	\$ 4,929,179

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18. OCONEE FINANCIAL CORPORATION (PARENT COMPANY ONLY) FINANCIAL INFORMATION (Continued)

CONDENSED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2025	2024
OPERATING ACTIVITIES		
Net income	\$ 5,631,480	\$ 4,929,179
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	57,557	23,946
Loss on extinguishment of debt	115,749	-
Equity in undistributed income of subsidiary	(5,494,991)	(4,436,344)
Change in:		
Other assets	(144,683)	(12,513)
Accrued interest payable and other liabilities	566,667	(193,451)
Net cash provided by operating activities	731,778	310,817
INVESTING ACTIVITIES		
Investment in subsidiary bank	(5,000,000)	-
Net cash used in investing activities	(5,000,000)	-
FINANCING ACTIVITIES		
Dividends paid	(1,098,881)	(993,652)
Issuance of subordinated notes	20,000,000	-
Debt issuance costs	(481,427)	-
Repayment of subordinated debt	(9,500,000)	-
Repurchase and retirement of common stock	(38,066)	(9,923)
Net cash provided by (used in) financing activities	8,881,626	(1,003,575)
Net increase (decrease) in cash	4,613,404	(692,758)
Cash at beginning of year	4,703,334	5,396,092
Cash at end of year	\$ 9,316,738	\$ 4,703,334