

Southeastern Banking Corporation

# 2025 Consolidated Financial Statements

Darien, Georgia



**SOUTHEASTERN BANKING CORPORATION  
AND SUBSIDIARY**

**2025 CONSOLIDATED FINANCIAL STATEMENTS**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Southeastern Banking Corporation and Subsidiaries  
Darien, Georgia**

### **Opinion**

We have audited the accompanying consolidated financial statements of Southeastern Banking Corporation and its Subsidiary (the "Company"), which comprise the consolidated statements of condition as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income (loss), shareholders' equity, and cash flows for the years in the three year period ended December 31, 2025, 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 the Company as of December 31, 2025 and 2024, and the results of their operations and their cash flows for the years in the three-year period ended December 31, 2025 in accordance with generally accepted accounting principles in the United States of America ("GAAP").

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, 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 the Company'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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Southeastern Banking Corporation and its 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 Southeastern Banking Corporation and its 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.

*Mauldin & Jenkins, LLC*

Albany, Georgia  
March 13, 2026



**SOUTHEASTERN BANKING CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CONDITION**  
**YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
<b>ASSETS</b>		
Cash and due from banks	\$ 5,900,942	\$ 6,010,733
Interest-bearing deposits in other banks	66,861,539	55,129,711
Federal funds sold	3,003,961	3,697,126
Cash and cash equivalents	75,766,442	64,837,570
Investment securities:		
Available for sale, at fair value (amortized cost of \$76,995,203 and \$98,938,261)	69,235,965	86,237,068
Held to maturity, net of allowance for credit losses of \$20,827 and \$14,827 (fair value of \$36,719,885 and \$35,631,568)	40,228,945	41,086,619
Loans, gross	415,404,414	386,095,466
Unearned income	(29,181)	(31,341)
Allowance for credit losses	(8,905,712)	(8,165,060)
Net loans	406,469,521	377,899,065
Premises and equipment, net	12,949,548	11,414,736
Bank-owned life insurance, at cash surrender value	13,362,363	12,906,391
Other real estate	39,900	49,800
Deferred tax assets, net	3,584,821	4,765,243
Other assets	3,252,629	2,762,724
Total assets	\$ 624,890,134	\$ 601,959,216
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Noninterest-bearing demand deposits	\$ 149,424,082	\$ 147,935,891
Interest-bearing demand, savings, and time deposits	386,271,836	374,808,133
Total deposits	535,695,918	522,744,024
Allowance for credit losses on off-balance sheet credit exposures	829,583	779,583
Other liabilities	2,609,750	3,872,633
Total liabilities	539,135,251	527,396,240
Shareholders' equity		
Common stock, \$1.25 par value	4,475,996	4,475,996
Additional paid-in-capital	985,148	855,429
Retained earnings	94,301,751	87,128,054
Treasury stock, at cost	(7,904,349)	(7,899,620)
Accumulated other comprehensive loss	(6,103,663)	(9,996,883)
Total shareholders' equity	85,754,883	74,562,976
Total liabilities and shareholders' equity	\$ 624,890,134	\$ 601,959,216
Common shares authorized	10,000,000	10,000,000
Common shares issued	3,580,797	3,580,797
Common shares outstanding	3,179,638	3,179,878
Treasury shares	401,159	400,919

See accompanying notes to consolidated financial statements.

**SOUTHEASTERN BANKING CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**YEARS ENDED DECEMBER 31, 2025, 2024, AND 2023**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<b>Interest income:</b>			
Interest and fees on loans	\$ 27,277,593	\$ 24,362,703	\$ 19,378,723
Interest on investment securities:			
Taxable	2,753,305	4,173,335	4,845,907
Tax-exempt	415,206	468,023	484,598
Other interest income	<u>1,637,170</u>	<u>1,360,213</u>	<u>2,607,060</u>
Total interest income	<u>32,083,274</u>	<u>30,364,274</u>	<u>27,316,288</u>
<b>Interest expense:</b>			
Interest on deposits	4,655,101	3,469,306	1,593,142
Other interest expense	8	152,114	9
Total interest expense	<u>4,655,109</u>	<u>3,621,420</u>	<u>1,593,151</u>
Net interest income	<u>27,428,165</u>	<u>26,742,854</u>	<u>25,723,137</u>
<b>Provision for (recovery of) credit losses:</b>			
Investment securities held to maturity	6,000	6,900	-
Loans	810,000	510,000	(60,000)
Off-balance sheet credit exposures	50,000	(175,000)	60,000
Total provision for credit losses	<u>866,000</u>	<u>341,900</u>	<u>-</u>
Net interest income after provision for credit losses	<u>26,562,165</u>	<u>26,400,954</u>	<u>25,723,137</u>
<b>Noninterest income:</b>			
Service charges on deposit accounts	863,612	839,222	931,843
Net gain on sales of assets	13,878	8,113	1,262,311
Other noninterest income	<u>2,599,075</u>	<u>2,607,030</u>	<u>2,623,103</u>
Total noninterest income	<u>3,476,565</u>	<u>3,454,365</u>	<u>4,817,257</u>
<b>Noninterest expense:</b>			
Salaries and employee benefits	10,668,457	10,117,378	9,651,134
Occupancy and equipment expense, net	3,457,682	3,319,735	3,501,355
Net loss on sales of investment securities	287,815	155,365	1,024,487
Other noninterest expense	<u>2,959,173</u>	<u>2,737,684</u>	<u>2,920,572</u>
Total noninterest expense	<u>17,373,127</u>	<u>16,330,162</u>	<u>17,097,548</u>
Income before income tax expense	12,665,603	13,525,157	13,442,846
Income tax expense	<u>2,789,063</u>	<u>2,889,557</u>	<u>2,854,580</u>
Net income	<u>\$ 9,876,540</u>	<u>\$ 10,635,600</u>	<u>\$ 10,588,266</u>
<b>Basic and diluted earnings per common share</b>	<u>\$ 3.11</u>	<u>\$ 3.37</u>	<u>\$ 3.36</u>
<b>Weighted average common and diluted shares outstanding</b>	<u>3,179,846</u>	<u>3,157,455</u>	<u>3,150,878</u>

See accompanying notes to consolidated financial statements.

**SOUTHEASTERN BANKING CORPORATION AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2025, 2024, AND 2023**

	<b>2025</b>	2024	2023
Net income	<b><u>\$ 9,876,540</u></b>	<u>\$ 10,635,600</u>	<u>\$ 10,588,266</u>
Other comprehensive income (loss):			
Unrealized holding gains (losses) on investment securities available for sale arising during the year, net of tax (benefit) of \$977,370; (\$114,637); and \$521,701	3,676,771	(419,677)	1,962,592
Reclassification adjustment for net loss on sales of investment securities included in net income, net of tax benefit of \$60,442; \$32,627, and \$215,142	227,373	122,738	809,345
Amortization of unrealized holding gains on available for sale investment securities transferred to held to maturity as an adjustment of yield on interest income, net of tax of \$2,904; \$4,567; and \$3,516	<b>(10,924)</b>	(17,179)	(13,227)
Total other comprehensive income (loss)	<b><u>3,893,220</u></b>	<u>(314,118)</u>	<u>2,758,710</u>
Comprehensive income	<b><u>\$ 13,769,760</u></b>	<u>\$ 10,321,482</u>	<u>\$ 13,346,976</u>

See accompanying notes to consolidated financial statements.

**SOUTHEASTERN BANKING CORPORATION AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023**

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
	Shares Outstanding	Par Value					
<b>Balance, December 31, 2022</b>	3,150,878	\$ 4,475,996	\$ 1,395,620	\$ 74,716,120	\$ (8,471,029)	\$ (12,441,475)	\$ 59,675,232
Cumulative change in accounting principle (Note 1)	-	-	-	(994,461)	-	-	(994,461)
<b>Balance, January 1, 2023</b> (as adjusted for change in accounting principle)	3,150,878	4,475,996	1,395,620	73,721,659	(8,471,029)	(12,441,475)	58,680,771
Net income	-	-	-	10,588,266	-	-	10,588,266
Other comprehensive income	-	-	-	-	-	2,758,710	2,758,710
Dividends paid, \$0.70 per share	-	-	-	(2,205,615)	-	-	(2,205,615)
<b>Balance, December 31, 2023</b>	3,150,878	\$ 4,475,996	\$ 1,395,620	\$ 82,104,310	\$ (8,471,029)	\$ (9,682,765)	\$ 69,822,132
Net income	-	-	-	10,635,600	-	-	10,635,600
Issuance of restricted stock	29,000	-	(571,409)	-	571,409	-	-
Stock-based compensation expense	-	-	31,218	-	-	-	31,218
Other comprehensive loss	-	-	-	-	-	(314,118)	(314,118)
Dividends paid, \$1.77 per share	-	-	-	(5,611,856)	-	-	(5,611,856)
<b>Balance, December 31, 2024</b>	3,179,878	\$ 4,475,996	\$ 855,429	\$ 87,128,054	\$ (7,899,620)	\$ (9,996,883)	\$ 74,562,976
Net income	-	-	-	9,876,540	-	-	9,876,540
Stock-based compensation expense	-	-	124,990	-	-	-	124,990
Forfeiture of restricted stock	(240)	-	4,729	-	(4,729)	-	-
Other comprehensive income	-	-	-	-	-	3,893,220	3,893,220
Dividends paid, \$0.85 per share	-	-	-	(2,702,843)	-	-	(2,702,843)
<b>Balance, December 31, 2025</b>	<b>3,179,638</b>	<b>4,475,996</b>	<b>985,148</b>	<b>94,301,751</b>	<b>(7,904,349)</b>	<b>(6,103,663)</b>	<b>85,754,883</b>

See accompanying notes to consolidated financial statements.

**SOUTHEASTERN BANKING CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2025, 2024, AND 2023**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 9,876,540	\$ 10,635,600	\$ 10,588,266
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion, net	1,177,669	1,059,554	1,175,907
Provision for credit losses	866,000	341,900	-
Provision for deferred taxes	145,515	(120,410)	178,003
Stock-based compensation expense	124,990	31,218	-
Net loss on sales of investment securities	287,815	155,365	1,024,487
Increase in cash surrender value of bank-owned life insurance	(455,972)	(426,838)	(388,708)
Net gain on sales of assets	(13,878)	(8,113)	(1,262,311)
(Increase) decrease in interest receivable	(145,228)	259,554	(273,531)
(Decrease) increase in interest payable	(39,814)	172,854	70,366
(Increase) decrease in taxes receivable	(310,179)	2,047	56,080
(Decrease) increase in taxes payable	(1,139,273)	1,077,430	(95,779)
Net (increase) decrease in other assets	(55,590)	(75,912)	114,392
Net (decrease) increase in other liabilities	(83,796)	473,564	428,820
Net cash provided by operating activities	<u>10,234,799</u>	<u>13,577,813</u>	<u>11,615,992</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investment securities available for sale	-	-	(9,053,173)
Purchase of investment securities held to maturity	-	(1,106,738)	-
Proceeds from sales of investment securities	9,595,785	22,496,439	7,230,000
Proceeds from maturities, calls, and paydowns of investment securities available for sale	11,969,214	26,657,793	15,926,401
Proceeds from maturities, calls, and paydowns of investment securities held to maturity	545,576	289,035	1,947,490
Net increase in loans	(29,484,515)	(37,681,112)	(20,829,015)
Net redemption (purchase) of restricted equity securities	9,400	35,700	(148,400)
Capital expenditures	(2,334,295)	(1,903,642)	(1,043,611)
Proceeds from sales of assets	143,857	30,114	1,411,361
Net cash (used in) provided by investing activities	<u>(9,554,978)</u>	<u>8,817,589</u>	<u>(4,558,947)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net increase (decrease) in deposits	12,951,894	(21,767,613)	(66,085,032)
Proceeds from Federal Home Loan Bank advances	-	47,500,000	-
Repayments of Federal Home Loan Bank advances	-	(47,500,000)	-
Dividends paid on common stock	(2,702,843)	(5,611,856)	(2,205,615)
Net cash provided by (used in) financing activities	<u>10,249,051</u>	<u>(27,379,469)</u>	<u>(68,290,647)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>10,928,872</b>	<b>(4,984,067)</b>	<b>(61,233,602)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>64,837,570</b>	<b>69,821,637</b>	<b>131,055,239</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 75,766,442</b>	<b>\$ 64,837,570</b>	<b>\$ 69,821,637</b>

**SOUTHEASTERN BANKING CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2025, 2024, AND 2023**

	<b>2025</b>	2024	2023
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>			
Cash paid during the period for:			
Interest	<u>\$ 4,694,923</u>	<u>\$ 3,448,566</u>	<u>\$ 1,522,785</u>
Income taxes	<u>\$ 4,523,860</u>	<u>\$ 1,786,633</u>	<u>\$ 2,949,191</u>
<b>NONCASH INVESTING AND FINANCING TRANSACTIONS</b>			
Change in unrealized gains (losses) on investment securities available for sale	<u>\$ 4,941,955</u>	<u>\$ (375,874)</u>	<u>\$ 3,508,781</u>
Property acquired through foreclosure or repossession	<u>\$ 108,559</u>	<u>\$ 34,190</u>	<u>\$ 12,000</u>
Loans made in connection with sales of assets	<u>\$ 4,500</u>	<u>\$ -</u>	<u>\$ 144,741</u>

**See accompanying notes to consolidated financial statements.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Business

Southeastern Banking Corporation (the “Company”) is a bank holding company whose business is conducted primarily by its wholly-owned commercial bank subsidiary, Southeastern Bank (the “Bank”). The Bank was founded in 1888 in Darien, McIntosh County, Georgia. Through the Bank, the Company offers a broad range of commercial and consumer banking products and services to customers located primarily in the local market areas listed below. The Company and the Bank are subject to the regulations of various federal and state agencies and are periodically examined by those regulatory agencies. The Bank’s deposits are insured up to certain limits by the Federal Deposit Insurance Corporation (“FDIC”). The following is a listing of the Bank’s offices as of December 31, 2025:

#### **Banking Locations - Number of Branch Offices**

##### **Georgia:**

McIntosh County	2
Brantley County	1
Bryan County	1
Camden County	1
Charlton County	1
Glynn County	2

##### **Florida:**

Nassau County	2
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During August 2020, the Bank formed a wholly-owned subsidiary called SEB Real Estate Holdings, LLC to own certain parcels of other real estate for the Bank. The final property held by this entity was sold during 2023 and the subsidiary was dissolved in November 2023. The financial condition and results of operations for this limited liability corporation were reported on a consolidated basis with the Bank for regulatory and financial reporting purposes.

#### Basis of Presentation and Accounting Estimates

The consolidated financial statements include the accounts of the Company and its subsidiary. Significant intercompany transactions and balances are eliminated in consolidation.

In preparing the consolidated financial statements in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowances for credit losses (“ACL”), the valuation of other real estate, the valuation of deferred taxes, and fair value measurements.

Determinations related to the adequacy of allowances for credit losses are based on estimates which are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans and unfunded loan commitments, management obtains independent appraisals for significant collateral.

The Company’s loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Company has a diversified loan portfolio, a substantial portion of its borrowers’ ability to honor their contracts is dependent on local economic conditions.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of change that is reasonably possible cannot be estimated.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company has evaluated all transactions, events, and circumstances for consideration or disclosure through March 13, 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 and Cash Equivalents and Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash items in process of collection, balances due from banks, interest-bearing deposits in other banks, and federal funds sold. Cash flows from loans and deposits are reported net. At various times throughout the year, cash balances held at correspondent banks may exceed federally insured limits. The correspondent banks are monitored on an ongoing basis for creditworthiness.

Interest-bearing deposits in other banks and federal funds sold are overnight funds or funds which mature within one year and are carried at cost.

#### Investment Securities

The Company's investment portfolio is comprised of debt securities issued by a federal, state or local government, a governmental agency or municipal authority, or a U.S. corporation. All debt securities are classified as available for sale or held to maturity. Held to maturity securities are those securities for which the Company has the ability and positive intent to hold until maturity. All other debt securities are classified as available for sale.

Available for sale securities are carried at fair value. Unrealized holding gains and losses, net of the related deferred tax effect, on available for sale securities are excluded from earnings and are reported in other comprehensive income as a separate component of shareholders' equity until realized. Held to maturity securities are carried at amortized cost. Transfers of debt securities into the held to maturity classification from the available for sale classification are made at fair value on the date of transfer. The unrealized holding gain or loss on the date of transfer is retained in the separate component of stockholders' equity and in the carrying value of the held to maturity securities. Such amounts are amortized over the remaining contractual lives of the securities by the interest method.

Interest income includes amortization of any purchase premium as well as accretion of any discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on any callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method. 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. 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, 2024 and 2023. Accrued interest receivable on debt securities totaled \$510,379 and \$600,077 as of December 31, 2025 and 2024, respectively, and is included in other assets on the consolidated statements of condition.

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

The Company uses a systematic methodology to determine its ACL for debt securities held to maturity considering the effects of past events, current conditions, and reasonable and supportable forecasts on the collectability of the portfolio. The ACL is a valuation account that is deducted from the amortized cost basis to present the net amount expected to be collected on the held to maturity portfolio. The Company monitors the ACL on its held to maturity portfolio on a quarterly basis for adjustment. As of December 31, 2025 and 2024, the Company had \$40,249,772 and \$41,101,446 held to maturity securities, respectively, with a related ACL of \$20,827 and \$14,827, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Restricted Equity Securities

As a member of the Federal Home Loan Bank of Atlanta (the “FHLB”), the Company is required to maintain an investment in capital stock of the FHLB. Based on the restrictive redemption provisions of the FHLB, the stock has no quoted market value and is carried at cost and included in other assets. The Company periodically reviews this restricted equity security for impairment, and it did not consider this investment to be impaired at December 31, 2025 and 2024. The carrying amount of FHLB stock included in other assets was \$421,900 and \$431,300 as of December 31, 2025 and 2024, respectively.

#### Loans

The Company’s loan portfolio is comprised of commercial loans, consumer loans, real estate loans, and municipal loans. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances, net of unearned income and the allowance for credit losses. Interest income is accrued on the outstanding principal balance, except on loans classified as nonaccrual. The accrual of interest on loans is discontinued when, in management's opinion, the borrower may not be able to meet payments as they become due, unless the loan is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not collected on loans that are placed on nonaccrual status or charged-off is reversed against interest income or charged to the allowance for credit losses, unless management believes that the accrued interest is recoverable through the liquidation of collateral. Interest income on nonaccrual loans is subsequently recognized only to the extent cash payments are received until the loan is returned to accrual status. However, cash receipts on nonaccrual loans are generally applied first to outstanding principal balances and secondly to interest. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Accounting principles normally require loan origination fees and certain direct loan origination costs to be capitalized and recognized as an adjustment to the yields on the related loans over their estimated lives. As the net amount of loan origination fees for the year ended December 31, 2025 were not significant, no additional amounts were capitalized or deferred. For the years ended December 31, 2025, 2024, and 2023, loan fees generated in relation to the Paycheck Protection Program or (“PPP”) were deferred and recognized over the life of the loan or to the date of repayment. The loans and the associated fees from PPP are discussed in Note 4.

The Company has a number of documented loan policies and procedures that set forth the approval and monitoring process for the lending function. Adherence to these policies and procedures is monitored by management and the Company’s Board of Directors. Credit administration personnel monitor, and if necessary, adjust the risk ratings, or grades, assigned to loans via periodic review. Loss mitigation is a priority for credit administration and in that capacity, credit administration personnel order and approve external appraisals for real estate collateral and monitor loan maturities to ensure updated appraisals and other pertinent documentation are obtained. In addition, the Company contracts with an independent third party for loan review; underlying results and recommendations, including any recommendations on risk ratings for specific credits, are reviewed by senior management, credit administration staff, and a committee of the Board of Directors.

In compliance with loan policy, lending staff are given lending limits based on their knowledge and experience. The loan quality, or risk, ratings assigned to loans are used by management to monitor the credit quality of the overall portfolio and loans of lending personnel. Depending on the amount and the borrower, loan requests exceeding an officer’s lending authority are reviewed by a senior credit officer, a committee of the Board of Directors, or the Board of Directors.

#### Allowance for Credit Losses – Loans

Under the current expected credit loss model, the ACL on loans is a valuation allowance estimated at each balance sheet date in accordance with U.S. 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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statements of condition and totaled \$1,406,777 and \$1,154,051 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.

#### 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

Loan 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.

#### **Loan Commitments and Financial Instruments**

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Company records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable, through a charge to provision for unfunded commitments in the Company's 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 other liabilities on the Company's consolidated balance sheets.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost less accumulated depreciation and amortization computed principally by the straight-line method over the estimated useful lives of the assets, ranging from 7-40 years for buildings and improvements, and 3-7 years for furniture, fixtures and equipment. Projects-in-progress typically includes in-process branch expansion, branch renovation and software projects. Generally, furniture, fixtures and equipment with a per-unit cost of less than \$1,000 are not capitalized but expensed as incurred. Maintenance and repairs are also expensed as incurred, while improvements that extend the useful life of an asset are capitalized and depreciated over the asset's remaining useful life.

Long-lived assets, including certain fixed assets, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Impairment, if any, is recognized through a valuation allowance with a corresponding charge recorded in earnings. The Company did not consider any of its premises and equipment to be impaired at December 31, 2025 or 2024.

#### Bank-Owned Life Insurance

Bank-owned life insurance represents life insurance on the lives of certain employees who have provided positive consent allowing the Company to act as beneficiary of such policies. These policies are recorded at their cash surrender value, or the amount that can be realized upon surrender of the policy. Income from these policies and changes in the cash surrender value are recorded in noninterest income.

#### Other Real Estate

Other real estate primarily comprises commercial or residential real estate properties acquired in satisfaction of a loan. Such foreclosed real estate, which is held for sale, is initially recorded at the asset's fair value at the date of foreclosure, less estimated selling costs. Any write-down to fair value at foreclosure is charged to the allowance for credit losses. Fair values are estimated based primarily on appraisals and other market information. Costs associated with improvements are capitalized, while holding costs and subsequent write-downs in value are included in noninterest expense. Gains or losses from sales or other dispositions of these assets are recorded in noninterest income. At times, other real estate has also included former branch offices and land previously held for branch expansion.

#### Revenue Recognition

A description of the Company's significant revenue recognition policies related to noninterest income follows:

Service charges on deposit accounts revenue is earned through cash management, account maintenance, statement rendering, stop payment charges and other deposit-related services, including overdraft, non-sufficient funds, and other deposit-related fees. 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.

Net gains on sales of assets primarily relates to sales of other real estate usually acquired through foreclosure in satisfaction of a loan. 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.

Bank card and credit card fees consist primarily of interchange fees from consumer and commercial credit and debit cards processed by card association networks, as well as merchant discounts, and other card-related services. 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

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other noninterest income includes both transaction-based fees and account maintenance fees. Transaction based fees, which include wire transfer fees, non-customer automated teller machine fees, check order sales revenue, check cashing fees and cashier check fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. This category also includes safe deposit box rental fees that are recognized over time, on a monthly basis, as the Company's performance obligation for services is satisfied.

#### Stock-Based Compensation

Compensation cost is recognized for restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. Compensation cost is recognized over the requisite 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. The Company's accounting policy is to recognize forfeitures as they occur.

#### Income Taxes

The Company files a consolidated federal income tax return with its subsidiary and files state income tax returns on both a consolidated and separate entity basis based on taxable presence. The Company accounts for income taxes in accordance with accounting guidance which results in two components of income tax expense – current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of enacted tax law to taxable income or conversely, the excess of deductions over revenues. The Company determines deferred income tax using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of temporary differences between book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more-likely-than-not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term "more-likely-than-not" means a likelihood of more than 50 percent; the terms "examined" and "upon examination" also includes 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. Deferred tax assets may be reduced by deferred tax liabilities and a valuation allowance if, based on the weight of evidence available, it is more-likely-than-not that some portion or all of a deferred tax asset will not be realized. The presence of cumulative losses in recent years, or a significant loss in a single year, is considered significant negative evidence, rendering reliance on future taxable income to fully realize a deferred tax asset difficult. Judgment is necessarily involved in making this assessment. Changes in judgment about the realization of deferred tax assets and hence, the valuation allowance, in future years is recorded through income tax expense.

#### Basic and Diluted Earnings Per Common Share

Basic earnings per common share represents the net income for the period divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share reflects additional potential common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. There were no dilutive potential common shares outstanding during the years ended December 31, 2025, 2024, and 2023.

#### 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, are reported as a separate component of the equity section of the statements of condition, such items, along with net income, are components of comprehensive income.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Transfers of Financial Assets

Transfers of financial assets, including loan participations, 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.

#### Advertising Costs

Advertising costs are expensed as incurred.

#### Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 18. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

#### Adoption of New Accounting Standards

On January 1, 2025, the Company adopted ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which was issued to enhance the transparency and decision usefulness of income tax disclosures. The amendments in this Update require expanded annual disclosures including an income tax rate reconciliation and information about income taxes paid. The adoption of this standard did not have a material effect on the Company's operating results or financial condition.

#### Recent Accounting Pronouncements

The following Accounting Standards Update ("ASU") issued by the Financial Accounting Standards Board ("FASB") will be implemented effective January 1, 2026 or later:

ASU 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40); Disaggregation of Income Statement Expenses. This Update was issued by FASB during November 2024 and requires additional footnote disclosure of income statement expense line items related to purchases of inventory, employee compensation, depreciation and amortization. The Update is effective for annual reporting periods beginning after December 15, 2026. The adoption of this standard will impact disclosures but is not expected to have a material effect on the Company's operating results or financial condition.

### NOTE 2. RESTRICTIONS ON CASH AND BALANCES DUE FROM BANKS

The Bank is normally required to maintain reserve balances in cash or on deposit with correspondent banks and the Federal Reserve Bank of Atlanta, based on a percentage of deposits. Effective March 26, 2020, The Board of Governors of the Federal Reserve System reduced the reserve requirement to zero percent. This requirement remained in effect through year-end December 31, 2025. The Bank had a total of \$62,283,018 and \$52,731,334 in balances on deposit at the Federal Reserve Bank of Atlanta at December 31, 2025 and 2024, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3. INVESTMENT SECURITIES**

The following table summarizes the amortized cost, fair value, and allowance for credit losses of securities available for sale and securities held to maturity at December 31, 2025 and 2024 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) and gross unrecognized gains and losses:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Allowance for Credit Losses</u>	<u>Fair Value</u>
<i>December 31, 2025</i>					
<b>Available for sale:</b>					
U. S. Government and agency securities	\$ 12,716,549	\$ 1,951	\$ 648,131	\$ -	\$ 12,070,369
Agency residential mortgage-backed securities	62,027,939	-	7,010,097	-	55,017,842
Obligations of states and political subdivisions	2,058,659	-	102,961	-	1,955,698
Corporate debt obligations	192,056	-	-	-	192,056
<b>Total available for sale</b>	<u>\$ 76,995,203</u>	<u>\$ 1,951</u>	<u>\$ 7,761,189</u>	<u>\$ -</u>	<u>\$ 69,235,965</u>
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Allowance for Credit Losses</u>
<b>Held to maturity:</b>					
Agency residential mortgage-backed securities	\$ 4,882,504	\$ -	\$ 314,943	\$ 4,567,561	\$ -
Obligations of states and political subdivisions	35,367,268	20,915	3,235,859	32,152,324	20,827
<b>Total held to maturity</b>	<u>\$ 40,249,772</u>	<u>\$ 20,915</u>	<u>\$ 3,550,802</u>	<u>\$ 36,719,885</u>	<u>\$ 20,827</u>
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Allowance for Credit Losses</u>	<u>Fair Value</u>
<i>December 31, 2024</i>					
<b>Available for sale:</b>					
U. S. Government and agency securities	\$ 16,466,115	\$ 3,504	\$ 1,192,692	\$ -	\$ 15,276,927
Agency residential mortgage-backed securities	79,182,397	-	11,258,249	-	67,924,148
Obligations of states and political subdivisions	3,121,381	-	253,756	-	2,867,625
Corporate debt obligations	168,368	-	-	-	168,368
<b>Total available for sale</b>	<u>\$ 98,938,261</u>	<u>\$ 3,504</u>	<u>\$ 12,704,697</u>	<u>\$ -</u>	<u>\$ 86,237,068</u>
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Allowance for Credit Losses</u>
<b>Held to maturity:</b>					
Agency residential mortgage-backed securities	\$ 5,431,405	\$ -	\$ 519,628	\$ 4,911,777	\$ -
Obligations of states and political subdivisions	35,670,041	-	4,950,250	30,719,791	14,827
<b>Total held to maturity</b>	<u>\$ 41,101,446</u>	<u>\$ -</u>	<u>\$ 5,469,878</u>	<u>\$ 35,631,568</u>	<u>\$ 14,827</u>

Activity in the allowance for credit losses on securities held to maturity during the years ended December 31, 2025 and 2024 consisted solely of provision for credit losses in the amount of \$6,000 and \$6,900, respectively. The only activity in the allowance for credit losses for securities held to maturity during the year ended December 31, 2023 was the \$7,927 increase recorded in relation to the adoption of ASC 326.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3. INVESTMENT SECURITIES (Continued)**

Securities with a carrying value of \$86,519,395 and \$93,624,257 at December 31, 2025 and 2024, respectively, were pledged to secure public deposits and certain borrowing arrangements.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2025 are shown in the table below. In some cases, issuers may have the right to call or prepay obligations without call or prepayment penalties prior to the contractual maturity date. Mortgage-backed securities and U.S. Small Business Administration (“SBA”) securities (included in U.S. Government and agency securities) are shown separately from other debt securities due to customary prepayment features which cause average lives to differ significantly from contractual maturities.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	\$ -	\$ -	\$ -	\$ -
Due from one to five years	2,058,659	1,955,698	3,885,172	3,587,726
Due from five to ten years	-	-	27,738,033	25,259,177
Due after ten years	192,056	192,056	3,744,063	3,305,421
	<u>2,250,715</u>	<u>2,147,754</u>	<u>35,367,268</u>	<u>32,152,324</u>
Agency residential mortgage-backed securities	62,027,939	55,017,842	4,882,504	4,567,561
SBA securities	12,716,549	12,070,369	-	-
Total investment securities	<u>\$ 76,995,203</u>	<u>\$ 69,235,965</u>	<u>\$ 40,249,772</u>	<u>\$ 36,719,885</u>

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

	Less Than Twelve Months		Over Twelve Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>December 31, 2025</i>						
Available for sale:						
U. S. Government and agency securities	\$ 1,657,050	\$ 18,512	\$ 9,667,876	\$ 629,619	\$ 11,324,926	\$ 648,131
Agency residential mortgage-backed securities	-	-	55,017,842	7,010,097	55,017,842	7,010,097
Obligations of states and political subdivisions	-	-	1,955,698	102,961	1,955,698	102,961
Total available for sale	<u>\$ 1,657,050</u>	<u>\$ 18,512</u>	<u>\$ 66,641,416</u>	<u>\$ 7,742,677</u>	<u>\$ 68,298,466</u>	<u>\$ 7,761,189</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3. INVESTMENT SECURITIES (Continued)**

	Less Than Twelve Months		Over Twelve Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>December 31, 2024</i>						
Available for sale:						
U. S. Government and agency securities	\$ 1,056,401	\$ 4,112	\$ 12,185,302	\$ 1,188,580	\$ 13,241,703	\$ 1,192,692
Agency residential mortgage-backed securities	653	3	67,923,495	11,258,246	67,924,148	11,258,249
Obligations of states and political subdivisions	-	-	2,867,625	253,756	2,867,625	253,756
Total available for sale	<u>\$ 1,057,054</u>	<u>\$ 4,115</u>	<u>\$ 82,976,422</u>	<u>\$ 12,700,582</u>	<u>\$ 84,033,476</u>	<u>\$ 12,704,697</u>

Management evaluates the Company's debt securities available for sale at least annually, and more frequently when economic or market conditions warrant. At December 31, 2025, the Company's available for sale portfolio consisted of 92 securities, 90 of which were in an unrealized loss position.

The Company does not intend to sell investment securities in an unrealized loss position prior to the recovery of the unrealized loss, which may not be until maturity, and has the ability and intent to hold those securities for that period of time. Additionally, the Company is not currently aware of any circumstances which will require it to sell any of the securities that are in an unrealized loss position prior to the respective securities' recovery of all such unrealized losses. Substantially all of the unrealized losses on the securities portfolio were the result of changes in market interest rates compared to the date the securities were acquired rather than the credit quality of the issuers or underlying loans. U.S. Treasury and agency securities and agency mortgage-backed securities are issued, guaranteed or otherwise supported by the United States government, an agency of the United States government, or a government sponsored enterprise or state and local municipalities.

Gains and losses on sales of investment securities for the years ended December 31, 2025, 2024, and 2023 consist of the following:

	2025	2024	2023
Years Ended December 31,			
Gross realized gains	\$ -	\$ 47,317	\$ -
Gross realized losses	<u>(287,815)</u>	<u>(202,682)</u>	<u>(1,024,487)</u>
Net realized loss	<u>\$ (287,815)</u>	<u>\$ (155,365)</u>	<u>\$ (1,024,487)</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 3. INVESTMENT SECURITIES (Continued)

#### Credit Quality Indicators

The Company monitors the credit quality of debt securities held to maturity through the use of credit ratings. The Company monitors the credit rating on at least a quarterly basis. Historical losses by credit quality rating are utilized in estimating the ACL related to held to maturity securities. The following table summarizes the amortized cost of debt securities held to maturity at December 31, 2025 and 2024, aggregated by credit quality indicator.

	Held to Maturity			
	2025		2024	
	Agency residential mortgage-backed securities	Obligations of states and political subdivisions	Agency residential mortgage-backed securities	Obligations of states and political subdivisions
AAA/AA/A	\$ -	\$ 34,350,268	\$ -	\$ 34,554,092
BBB/BB/B	-	1,017,000	-	1,115,949
Unrated	4,882,504	-	5,431,405	-
Total	\$ 4,882,504	\$ 35,367,268	\$ 5,431,405	\$ 35,670,041

There were no held to maturity bonds past due or on nonaccrual status as of December 31, 2025 and 2024.

### NOTE 4. LOANS AND ALLOWANCE FOR CREDIT LOSSES

The composition of the loan portfolio at December 31, 2025 and 2024 follows.

	2025	2024
Commercial real estate:		
Construction and development	\$ 55,441,768	\$ 45,667,748
Owner-occupied	55,663,291	47,484,940
Non owner-occupied	65,186,806	67,855,737
Residential real estate - mortgage	172,407,441	151,209,509
Other commercial, financial, and agricultural	54,354,191	63,475,746
Consumer	12,350,917	10,401,786
Loans, gross	415,404,414	386,095,466
Unearned income	(29,181)	(31,341)
Allowance for credit losses	(8,905,712)	(8,165,060)
Net loans	\$ 406,469,521	\$ 377,899,065

In accordance with U.S. GAAP, the loan portfolio is disaggregated into four segments and further disaggregated into classes for certain disclosures. A portfolio segment is defined as the level in which an entity develops and documents a systematic method for determining its allowance for credit losses. The segments used in the portfolio include commercial real estate; residential real estate – mortgage; other commercial, financial, agricultural; and consumer. Commercial real estate has been divided into three classes, including construction and development, owner-occupied, and non-owner occupied credits. All land and lot development loans have been included in the construction and development class, regardless of whether the underlying real estate is zoned commercial or residential. This classification of construction and development loans corresponds with definitions used by banking regulators for examination and other purposes.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The Paycheck Protection Program or (“PPP”), established by the CARES Act, was implemented by the Small Business Administration (“SBA”) with support from the Department of the Treasury in the first quarter of 2020. This program was created in an attempt to provide small businesses with funds to keep their workforce employed during the coronavirus pandemic, with related loans only disbursed during 2021 and 2020. The Bank participated in the program and generated approximately \$14,717,000 and \$28,718,000 in PPP loans to customers during 2021 and 2020, respectively. At December 31, 2025 the Bank had no outstanding balances remaining in the loan portfolio. At December 31, 2024, the bank had \$407 in PPP loans. These loans were included with other commercial, financial, and agricultural loans in the table above. These loans carry a 1.00% interest rate and have a maturity of five years. PPP loans are also fully backed by the SBA. The Bank recognized \$9, \$2, and \$60 in interest income during the years ended December 31, 2025, 2024, and 2023, respectively. PPP loan fee income of \$584, \$500, and \$500 during the years ended December 31, 2025, 2024, and 2023, respectively. At December 31, 2025 the Bank had no deferred loan fees associated with PPP loans. At December 31, 2024 the Bank had \$584 in deferred loan fees associated with PPP loans included in unearned income in the table above.

#### Related Party Loans

In the ordinary course of business, the Bank extends credit to directors, emeritus directors, executive officers and principal stockholders of the Company and its subsidiary. These loans are made on substantially the same terms, including interest rates and collateral, and follow credit-underwriting procedures that are no less stringent than those prevailing at the same time for comparable transactions with other persons not related to, or affiliated with, the Company or its subsidiary. Changes in related party loans for the years ended December 31, 2025 and 2024 follows.

	2025	2024
Balance, beginning of year	\$ 489,831	\$ 364,143
Advances	125,985	248,569
Repayments	(324,146)	(122,881)
Balance, end of year	\$ 291,670	\$ 489,831

#### Past Due and Nonaccrual Loans

In accordance with bank regulatory guidance, a loan is placed on nonaccrual status if: 1) it is maintained on a cash basis because of deterioration in the financial condition of the borrower; 2) payment in full of principal or interest is not expected; or 3) principal or interest has been in default for a period of 90 days or more unless the loan is both well secured and in the process of collection.

The following tables provide a summary of current, accruing past due, and non-accrual loans by portfolio class as of December 31, 2025 and 2024.

	Past Due Status (Accruing Loans)				Nonaccrual with an ACL	Nonaccrual without an ACL	Total
	Current	30-89 Days	90+ Days	Total Past Due			
<b>December 31, 2025</b>							
<b>Comm. real estate:</b>							
<b>Construction and development</b>	\$ 54,919,272	\$ 442,503	\$ -	\$ 442,503	\$ 2,061	\$ 77,932	\$ 55,441,768
<b>Owner-occupied</b>	55,495,924	167,367	-	167,367	-	-	55,663,291
<b>Non owner-occupied</b>	65,110,954	41,468	-	41,468	34,384	-	65,186,806
<b>Res. Real estate-Mtg.</b>	171,427,534	551,552	-	551,552	41,300	387,055	172,407,441
<b>Other Com, financial, and agricultural</b>	53,333,769	314,589	-	314,589	608,615	97,218	54,354,191
<b>Consumer</b>	12,081,570	228,311	425	228,736	3,965	36,646	12,350,917
<b>Total</b>	\$ 412,369,023	\$ 1,745,790	\$ 425	\$ 1,746,215	\$ 690,325	\$ 598,851	\$ 415,404,414

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

	Past Due Status (Accruing Loans)						Total
	Current	30-89 Days	90+ Days	Total Past Due	Nonaccrual with an ACL	Nonaccrual without an ACL	
December 31, 2024							
Comm. real estate:							
Construction and development	\$ 45,526,711	\$ 16,032	\$ -	\$ 16,032	\$ 3,028	\$ 121,977	\$ 45,667,748
Owner-occupied	47,311,094	173,846	-	173,846	-	-	47,484,940
Non owner-occupied	67,821,434	-	-	-	34,303	-	67,855,737
Res. Real estate-Mtg.	150,357,405	565,555	-	565,555	100,181	186,368	151,209,509
Other Com, financial, and agricultural	62,866,685	219,583	-	219,583	365,188	24,290	63,475,746
Consumer	10,082,263	259,356	11,041	270,397	13,215	35,911	10,401,786
<b>Total</b>	<b>\$ 383,965,592</b>	<b>\$ 1,234,372</b>	<b>\$ 11,041</b>	<b>\$ 1,245,413</b>	<b>\$ 515,915</b>	<b>\$ 368,546</b>	<b>\$ 386,095,466</b>

The gross amount of interest income that would have been recorded on nonaccrual loans if all such loans had been accruing interest at their contractual rates approximated \$283,567, \$207,532, and \$148,268 in 2025, 2024, and 2023, respectively. Cash basis interest income actually recognized on nonaccrual loans during the years ended December 31, 2025, 2024, and 2023 totaled approximately \$145,060, \$246,749, and \$169,431, respectively. The average balance of loans on nonaccrual status during the years ended December 31, 2025, 2024, and 2023 approximated \$1,053,373, \$913,367, and \$724,998, respectively.

#### Credit Quality Indicators

Internal risk-ratings, or grades, are assigned to each loan at origination (and renewal as applicable) based on an analysis of the financial strength, collateral, and other credit attributes underlying each loan. Subsequent to origination (and renewal), management periodically analyzes the resulting ratings, as well as other external statistics and factors such as delinquency, to track the migration performance of the portfolio balances. Loans with a risk-rating of Special Mention (Grade 5) or worse and a balance of \$100,000 or more are reviewed at least annually for grading accuracy. The rating methodology complies with the asset classification system promulgated by the federal banking agencies.

Loan grades range from one to eight, with one-graded loans having the least credit risk. The loan grades are defined as follows:

#### **Pass (Grades 1 -4)**

Loans included in or migrating towards a “pass” grade of one to four carry the lowest risk of loss. Such loans are well-protected by the current net worth and paying capacity of the obligor (or guarantors, if any) or by the fair value, less selling costs, of underlying collateral.

#### **Special Mention (Grade 5)**

Loans in this category have potential weaknesses requiring additional monitoring. These loans are not adversely classified and do not currently have sufficient risk to warrant adverse classification. Substantially all special mention loans are performing.

#### **Substandard (Grade 6)**

These loans are inadequately supported by the current worth and paying capacity of the obligor or collateral pledged, if any. A distinct possibility of loss exists if the underlying deficiencies are not corrected. At December 31, 2025 and 2024, all nonaccrual loans were graded substandard.

#### **Doubtful (Grade 7)**

These loans have all the weaknesses of a substandard loan with the added detriment that full collection or liquidation is highly questionable and improbable on the basis of currently known facts, conditions, and values.

#### **Loss (Grade 8)**

These loans are deemed uncollectable and have, at best, nominal value. Maintaining these loans on the books, without establishment of specific valuation allowances, is not warranted.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

Loans considered doubtful or loss are normally charged-off upon such determination and hence, no balances apply to these categories.

A summary of the loan portfolio by loan risk grade at December 31, 2025 and 2024 follows.

	<u>Pass (1 – 4)</u>	<u>Special Mention (5)</u>	<u>Substandard (6)</u>	<u>Doubtful (7)</u>	<u>Loss (8)</u>	<u>Total</u>
<b>December 31, 2025</b>						
<b>Commercial real estate:</b>						
Construction and development	\$ 54,763,594	\$ 537,625	\$ 140,549	\$ -	\$ -	\$ 55,441,768
Owner-occupied	55,568,047	-	95,244	-	-	55,663,291
Non owner-occupied	65,114,328	-	72,478	-	-	65,186,806
Residential real estate - mortgage	171,582,060	5,384	819,997	-	-	172,407,441
Other commercial, financial, and agricultural	53,610,161	-	744,030	-	-	54,354,191
Consumer	12,272,730	11,667	66,520	-	-	12,350,917
Loans, gross	<u>\$ 412,910,920</u>	<u>\$ 554,676</u>	<u>\$ 1,938,818</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 415,404,414</u>

December 31, 2024

Commercial real estate:

Construction and development	\$ 45,436,734	\$ 40,099	\$ 190,915	\$ -	\$ -	\$ 45,667,748
Owner-occupied	47,206,704	-	278,236	-	-	47,484,940
Non owner-occupied	67,821,434	-	34,303	-	-	67,855,737
Residential real estate - mortgage	150,371,014	36,102	802,393	-	-	151,209,509
Other commercial, financial, and agricultural	63,030,252	7,094	438,400	-	-	63,475,746
Consumer	10,310,016	4,743	87,027	-	-	10,401,786
Loans, gross	<u>\$ 384,176,154</u>	<u>\$ 88,038</u>	<u>\$ 1,831,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 386,095,466</u>

**Credit Risk Management**

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

**Term Loans Amortized Cost Basis by Origination Year**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>Prior</u>	<u>Revolving Loans Amortized Cost Basis</u>	<u>Total</u>
<b>As of December 31, 2025</b>						
<b>Construction and Development</b>						
Risk rating						
Pass	\$ 32,325,766	\$ 14,533,261	\$ 4,470,534	\$ 590,072	\$ 2,843,961	\$ 54,763,594
Special mention	502,151	35,474	-	-	-	537,625
Substandard	-	90,950	-	49,599	-	140,549
Doubtful	-	-	-	-	-	-
Total	<u>\$ 32,827,917</u>	<u>\$ 14,659,685</u>	<u>\$ 4,470,534</u>	<u>\$ 639,671</u>	<u>\$ 2,843,961</u>	<u>\$ 55,441,768</u>
<b>Construction and Development</b>						
Current period gross write-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Term Loans Amortized Cost Basis by Origination Year						
	2025	2024	2023	Prior	Revolving Loans Amortized Cost Basis	Total
<b>As of December 31, 2025</b>						
<b>Owner-occupied</b>						
<b>Risk rating</b>						
Pass	\$ 14,727,955	\$ 15,559,669	\$ 2,911,680	\$ 21,184,757	\$ 1,183,986	\$ 55,568,047
Special mention	-	-	-	-	-	-
Substandard	-	-	-	95,244	-	95,244
Doubtful	-	-	-	-	-	-
<b>Total</b>	<b>\$ 14,727,955</b>	<b>\$ 15,559,669</b>	<b>\$ 2,911,680</b>	<b>\$ 21,280,001</b>	<b>\$ 1,183,986</b>	<b>\$ 55,663,291</b>
<b>Owner-occupied</b>						
<b>Current period</b>						
gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>As of December 31, 2025</b>						
<b>Non Owner-occupied</b>						
<b>Risk rating</b>						
Pass	\$ 18,320,422	\$ 21,020,628	\$ 6,744,821	\$ 17,428,357	\$ 1,600,100	\$ 65,114,328
Special mention	-	-	-	-	-	-
Substandard	38,094	-	-	34,384	-	72,478
Doubtful	-	-	-	-	-	-
<b>Total</b>	<b>\$ 18,358,516</b>	<b>\$ 21,020,628</b>	<b>\$ 6,744,821</b>	<b>\$ 17,462,741</b>	<b>\$ 1,600,100</b>	<b>\$ 65,186,806</b>
<b>Non Owner-occupied</b>						
<b>Current period</b>						
gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>As of December 31, 2025</b>						
<b>Residential real estate-mortgage</b>						
<b>Risk rating</b>						
Pass	\$ 48,107,153	\$ 30,505,356	\$ 23,029,150	\$ 53,456,113	\$ 16,484,288	\$ 171,582,060
Special mention	-	-	-	-	5,384	5,384
Substandard	149,530	63,563	123,272	304,640	178,992	819,997
Doubtful	-	-	-	-	-	-
<b>Total</b>	<b>\$ 48,256,683</b>	<b>\$ 30,568,919</b>	<b>\$ 23,152,422</b>	<b>\$ 53,760,753</b>	<b>\$ 16,668,664</b>	<b>\$ 172,407,441</b>
<b>Residential real estate-mortgage</b>						
<b>Current period</b>						
gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>As of December 31, 2025</b>						
<b>Commercial, financial, agricultural</b>						
<b>Risk rating</b>						
Pass	\$ 16,018,082	\$ 10,195,984	\$ 8,710,926	\$ 11,071,540	\$ 7,613,629	\$ 53,610,161
Special mention	-	-	-	-	-	-
Substandard	-	501,379	93,449	149,202	-	744,030
Doubtful	-	-	-	-	-	-
<b>Total</b>	<b>\$ 16,018,082</b>	<b>\$ 10,697,363</b>	<b>\$ 8,804,375</b>	<b>\$ 11,220,742</b>	<b>\$ 7,613,629</b>	<b>\$ 54,354,191</b>
<b>Commercial, financial, agricultural</b>						
<b>Current period</b>						
gross write-offs	\$ -	\$ 17,370	\$ 23,787	\$ 33,126	\$ -	\$ 74,283

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

**Term Loans Amortized Cost Basis by Origination Year**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>Prior</u>	<u>Revolving Loans Amortized Cost Basis</u>	<u>Total</u>
<b>As of December 31, 2025</b>						
<b>Consumer</b>						
<b>Risk rating</b>						
Pass	\$ 7,520,776	\$ 3,022,413	\$ 1,063,455	\$ 569,594	\$ 96,492	\$ 12,272,730
Special mention	11,667	-	-	-	-	11,667
Substandard	10,004	22,088	8,110	26,215	103	66,520
Doubtful	-	-	-	-	-	-
<b>Total</b>	<u>\$ 7,542,447</u>	<u>\$ 3,044,501</u>	<u>\$ 1,071,565</u>	<u>\$ 595,809</u>	<u>\$ 96,595</u>	<u>\$ 12,350,917</u>
<b>Consumer</b>						
<b>Current period</b>						
<b>gross write-offs</b>	<u>\$ 11,983</u>	<u>\$ 125,760</u>	<u>\$ 49,291</u>	<u>\$ 565</u>	<u>\$ 2,463</u>	<u>\$ 190,062</u>

**Term Loans Amortized Cost Basis by Origination Year**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Prior</u>	<u>Revolving Loans Amortized Cost Basis</u>	<u>Total</u>
<b>As of December 31, 2024</b>						
<b>Construction and Development</b>						
<b>Risk rating</b>						
Pass	\$ 29,289,376	\$ 10,361,763	\$ 2,694,353	\$ 1,738,349	\$ 1,352,893	\$ 45,436,734
Special mention	40,099	-	-	-	-	40,099
Substandard	103,451	-	8,841	78,623	-	190,915
Doubtful	-	-	-	-	-	-
<b>Total</b>	<u>\$ 29,432,926</u>	<u>\$ 10,361,763</u>	<u>\$ 2,703,194</u>	<u>\$ 1,816,972</u>	<u>\$ 1,352,893</u>	<u>\$ 45,667,748</u>
<b>Construction and Development</b>						
<b>Current period</b>						
<b>gross write-offs</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,378</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

<b>Term Loans Amortized Cost Basis by Origination Year</b>						
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Prior</u>	<u>Revolving Loans Amortized Cost Basis</u>	<u>Total</u>
<b>As of December 31, 2024</b>						
Owner-occupied						
Risk rating						
Pass	\$ 18,066,193	\$ 3,581,308	\$ 11,600,302	\$ 12,970,554	\$ 988,347	\$ 47,206,704
Special mention	-	-	-	-	-	-
Substandard	138,598	-	139,638	-	-	278,236
Doubtful	-	-	-	-	-	-
Total	<u>\$ 18,204,791</u>	<u>\$ 3,581,308</u>	<u>\$ 11,739,940</u>	<u>\$ 12,970,554</u>	<u>\$ 988,347</u>	<u>\$ 47,484,940</u>
Owner-occupied						
Current period						
gross write-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>As of December 31, 2024</b>						
Non Owner-occupied						
Risk rating						
Pass	\$ 29,056,431	\$ 9,276,892	\$ 15,897,074	\$ 12,865,190	\$ 725,847	\$ 67,821,434
Special mention	-	-	-	-	-	-
Substandard	-	-	-	34,303	-	34,303
Doubtful	-	-	-	-	-	-
Total	<u>\$ 29,056,431</u>	<u>\$ 9,276,892</u>	<u>\$ 15,897,074</u>	<u>\$ 12,899,493</u>	<u>\$ 725,847</u>	<u>\$ 67,855,737</u>
Non Owner-occupied						
Current period						
gross write-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>As of December 31, 2024</b>						
Residential real estate-mortgage						
Risk rating						
Pass	\$ 37,538,873	\$ 28,042,110	\$ 25,346,958	\$ 46,191,048	\$ 13,252,025	\$ 150,371,014
Special mention	20,878	5,178	3,924	-	6,122	36,102
Substandard	50,685	-	53,132	689,224	9,352	802,393
Doubtful	-	-	-	-	-	-
Total	<u>\$ 37,610,436</u>	<u>\$ 28,047,288</u>	<u>\$ 25,404,014</u>	<u>\$ 46,880,272</u>	<u>\$ 13,267,499</u>	<u>\$ 151,209,509</u>
Residential real estate-mortgage						
Current period						
gross write-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>As of December 31, 2024</b>						
Commercial, financial, agricultural						
Risk rating						
Pass	\$ 15,475,583	\$ 14,908,580	\$ 12,564,895	\$ 9,322,891	\$ 10,758,303	\$ 63,030,252
Special mention	-	7,094	-	-	-	7,094
Substandard	72,477	124,210	135,820	105,893	-	438,400
Doubtful	-	-	-	-	-	-
Total	<u>\$ 15,548,060</u>	<u>\$ 15,039,884</u>	<u>\$ 12,700,715</u>	<u>\$ 9,428,784</u>	<u>\$ 10,758,303</u>	<u>\$ 63,475,746</u>
Commercial, financial, agricultural						
Current period						
gross write-offs	<u>\$ 63,009</u>	<u>\$ 62,681</u>	<u>\$ 1,177</u>	<u>\$ 29,626</u>	<u>\$ -</u>	<u>\$ 156,493</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

**Term Loans Amortized Cost Basis by Origination Year**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Prior</u>	<u>Revolving Loans Amortized Cost Basis</u>	<u>Total</u>
<b>As of December 31, 2024</b>						
Consumer						
Risk rating						
Pass	\$ 6,160,627	\$ 2,533,381	\$ 859,198	\$ 638,118	\$ 118,692	\$ 10,310,016
Special mention	4,743	-	-	-	-	4,743
Substandard	13,615	7,205	7,195	58,652	360	87,027
Doubtful	-	-	-	-	-	-
Total	<u>\$ 6,178,985</u>	<u>\$ 2,540,586</u>	<u>\$ 866,393</u>	<u>\$ 696,770</u>	<u>\$ 119,052</u>	<u>\$ 10,401,786</u>
Consumer						
Current period gross write-offs	<u>\$ 5,821</u>	<u>\$ 29,521</u>	<u>\$ 15,870</u>	<u>\$ 27,609</u>	<u>\$ -</u>	<u>\$ 78,821</u>

**Collateral-Dependent Loans**

We classify a loan as collateral-dependent when our borrower is experiencing financial difficulty, and we expect repayment to be provided substantially through the operation or sale of collateral. Our commercial loans have collateral that is comprised of real estate and business assets. Our consumer loans have collateral that is substantially comprised of residential real estate.

There were no significant changes in the extent to which collateral secures our collateral-dependent loans during the years ended December 31, 2025 and 2024.

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

	<u>Balance</u>	<u>Allowance for Credit Losses</u>
<b>December 31, 2025</b>		
<b>Commercial real estate:</b>		
Construction and development	\$ 79,993	\$ 62
Owner-occupied	95,245	48,444
Non owner-occupied	34,384	19,384
Residential real estate - mortgage	428,354	41,300
Other commercial, financial, and agricultural	976,233	355,543
Consumer	63,855	8,522
Total	<u>\$ 1,678,064</u>	<u>\$ 473,255</u>
<b>December 31, 2024</b>		
<b>Commercial real estate:</b>		
Construction and development	\$ 151,861	\$ 26,947
Owner-occupied	138,598	73,798
Non owner-occupied	34,303	19,303
Residential real estate - mortgage	653,373	251,305
Other commercial, financial, and agricultural	389,478	279,588
Consumer	65,708	7,842
Total	<u>\$ 1,433,321</u>	<u>\$ 658,783</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

**Allowance for Credit Losses**

Changes in the allowance for credit losses for the years ended December 31, 2025, 2024 and 2023 are summarized by loan segment below:

	Commercial Real Estate	Residential Real Estate	Other Commercial, Financial, and Agricultural	Consumer	Unallocated	Total
<i>As of and for the year ended December 31, 2025</i>						
<b>Allowance for credit losses:</b>						
Balance, beginning of year	\$ 3,093,794	\$ 3,056,279	\$ 1,672,042	\$ 148,651	\$ 194,294	\$ 8,165,060
Provision for (recovery of) credit losses	266,750	288,214	202,133	140,287	(87,384)	810,000
Charge-offs	-	-	(74,283)	(190,062)	-	(264,345)
Recoveries	102,748	6,300	42,096	43,853	-	194,997
Ending balance	<u>\$ 3,463,292</u>	<u>\$ 3,350,793</u>	<u>\$ 1,841,988</u>	<u>\$ 142,729</u>	<u>\$ 106,910</u>	<u>\$ 8,905,712</u>
<i>As of and for the year ended December 31, 2024</i>						
<b>Allowance for credit losses:</b>						
Balance, beginning of year	\$ 2,785,190	\$ 2,739,609	\$ 1,760,536	\$ 122,429	\$ 153,420	\$ 7,561,184
Provision for credit losses	287,221	35,479	60,105	86,321	40,874	510,000
Charge-offs	(2,378)	-	(156,493)	(78,821)	-	(237,692)
Recoveries	23,761	281,191	7,894	18,722	-	331,568
Ending balance	<u>\$ 3,093,794</u>	<u>\$ 3,056,279</u>	<u>\$ 1,672,042</u>	<u>\$ 148,651</u>	<u>\$ 194,294</u>	<u>\$ 8,165,060</u>
<i>As of and for the year ended December 31, 2023</i>						
<b>Allowance for credit losses:</b>						
Balance, beginning of year	\$ 2,927,130	\$ 2,267,647	\$ 1,604,172	\$ 100,201	\$ 340,130	\$ 7,239,280
Cumulative change in accounting principle	-	-	-	-	356,301	356,301
Provision for (recovery of) credit losses	(249,555)	459,564	176,684	96,318	(543,011)	(60,000)
Charge-offs	(15,880)	(1,327)	(27,142)	(93,890)	-	(138,239)
Recoveries	123,495	13,725	6,822	19,800	-	163,842
Ending balance	<u>\$ 2,785,190</u>	<u>\$ 2,739,609</u>	<u>\$ 1,760,536</u>	<u>\$ 122,429</u>	<u>\$ 153,420</u>	<u>\$ 7,561,184</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

Changes in the allowance for credit losses for the years ended December 31, 2025, 2024, and 2023 for the major classes within the commercial real estate loan segment are summarized below:

	<u>Construction and Development</u>	<u>Owner- Occupied</u>	<u>Non Owner- Occupied</u>	<u>Total Commercial Real Estate</u>
<i>As of and for the year ended December 31, 2025</i>				
<u>Allowance for credit losses:</u>				
Balance, beginning of year	\$ 1,019,785	\$ 800,009	\$ 1,274,000	\$ 3,093,794
Provision for (recovery of) credit losses	158,020	125,450	(16,720)	266,750
Charge-offs	-	-	-	-
Recoveries	102,748	-	-	102,748
Ending balance	<u>\$ 1,280,553</u>	<u>\$ 925,459</u>	<u>\$ 1,257,280</u>	<u>\$ 3,463,292</u>
<i>As of and for the year ended December 31, 2024</i>				
<u>Allowance for credit losses:</u>				
Balance, beginning of year	\$ 1,119,061	\$ 764,320	\$ 901,809	\$ 2,785,190
Provision for (recovery of) credit losses	(120,659)	35,689	372,191	287,221
Charge-offs	(2,378)	-	-	(2,378)
Recoveries	23,761	-	-	23,761
Ending balance	<u>\$ 1,019,785</u>	<u>\$ 800,009</u>	<u>\$ 1,274,000</u>	<u>\$ 3,093,794</u>
<i>As of and for the year ended December 31, 2023</i>				
<u>Allowance for credit losses:</u>				
Balance, beginning of year	\$ 1,566,138	\$ 679,949	\$ 681,043	\$ 2,927,130
Provision for (recovery of) credit losses	(452,089)	(18,232)	220,766	(249,555)
Charge-offs	(15,880)	-	-	(15,880)
Recoveries	20,892	102,603	-	123,495
Ending balance	<u>\$ 1,119,061</u>	<u>\$ 764,320</u>	<u>\$ 901,809</u>	<u>\$ 2,785,190</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 5. PREMISES AND EQUIPMENT

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

	2025	2024
Land	\$ 4,470,682	\$ 4,470,682
Buildings and improvements	12,743,528	11,939,728
Furniture and equipment	5,452,801	5,215,990
Projects-in-progress	1,069,853	80,060
	23,736,864	21,706,460
Accumulated depreciation and amortization	(10,787,316)	(10,291,724)
Premises and equipment, net	\$ 12,949,548	\$ 11,414,736

At December 31, 2025, the remaining contractual obligations related to projects-in-progress totaled approximately \$946,000.

Depreciation and amortization expense amounted to \$795,155, \$741,129, and \$726,648 for the years ended December 31, 2025, 2024, and 2023, respectively.

At December 31, 2025 and 2024, the Company owned all its facilities and equipment. The Company had no financing leases as of December 31, 2025 or 2024.

### NOTE 6. OTHER REAL ESTATE

A summary of other real estate owned as of December 31, 2025 and 2024 follows.

	2025	2024
Land developed for construction and other land	\$ 39,900	\$ 49,800
Residential real estate	-	-
Total real estate acquired in satisfaction of a loan	39,900	49,800
Land previously held for future expansion	-	-
Total other real estate	\$ 39,900	\$ 49,800

At December 31, 2025, there were no residential real estate loans in the process of foreclosure.

The net gain on sales transactions, valuation write-downs, rental income, and other noninterest expenses related to other real estate owned included in net income for the years ended December 31, 2025, 2024, and 2023 follows.

	2025	2024	2023
Years ended December 31,			
Net gain on sales of other real estate	\$ 2,588	\$ -	\$ 1,089,627
Other noninterest expense related to owning other real estate	(479)	(2,618)	(25,286)
Net pre-tax impact on net income from other real estate owned	\$ 2,109	\$ (2,618)	\$ 1,064,341

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 7. DEPOSITS

Interest-bearing deposits as of December 31, 2025 and 2024 are summarized as follows:

	2025	2024
Interest-bearing demand (NOW and money market)	\$ 238,910,971	\$ 225,089,455
Savings	103,667,486	98,398,610
Time less than or equal to \$250,000	33,794,215	39,059,340
Time over \$250,000	9,899,164	12,260,728
Total interest-bearing deposits	\$ 386,271,836	\$ 374,808,133

The Company had no brokered, internet, or other out-of-market deposits as of December 31, 2025 or 2024.

Overdraft demand and savings deposits reclassified to loans totaled \$143,536 and \$223,333 at December 31, 2025 and 2024, respectively.

The total public funds on deposit at December 31, 2025 and 2024 were approximately \$69,569,000 and \$71,353,000, respectively.

Interest expense on deposits for the years ended December 31, 2025, 2024, and 2023 follows.

	2025	2024	2023
<i>Years ended December 31,</i>			
Interest-bearing demand (NOW and money market)	\$ 2,492,167	\$ 1,837,907	\$ 709,060
Savings	808,808	747,994	676,083
Time less than or equal to \$250,000	934,620	776,047	194,226
Time over \$250,000	419,506	107,358	13,773
Total interest expense on deposits	\$ 4,655,101	\$ 3,469,306	\$ 1,593,142

The scheduled maturities of time deposits as of December 31, 2025 were as follows:

<i>Years ending December 31,</i>	
2026	\$ 37,397,767
2027	3,081,524
2028	1,146,763
2029	1,052,462
2030	1,014,863
Total time deposits	\$ 43,693,379

The Company is a member of the IntraFi Network. IntraFi is a provider of FDIC insured deposit sweep services through Insured Cash Sweep “ICS” and Certificate of Deposit Account Registry Service “CDARS”. ICS provides bank customers access to multi-million dollar FDIC insurance on funds in demand deposit or money market accounts. CDARS offers this same multi-million dollar FDIC insurance on funds in certificates of deposit. At December 31, 2025 and 2024, a total of \$97,486,616 and \$72,087,694, respectively, in customer funds were placed on deposit in ICS and CDARS accounts. For depositor funds placed into the network, the Company may either utilize the one-way sell option in which customer deposits are placed off balance sheet and into the network or the reciprocal option in which an equal amount of funds are returned to the Company in increments below the FDIC insurance threshold. At December 31, 2025 and 2024, the Bank included reciprocal deposits in interest-bearing deposits on the balance sheet totaling \$63,229,655 and \$57,169,599, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 8. INCOME TAXES

The Company's income before taxes was derived solely from sources within the United States of America. The components of income tax expense for the years ended December 31, 2025, 2024, and 2023 follow.

	2025	2024	2023
Current			
Federal	\$ 2,398,863	\$ 2,809,579	\$ 2,365,107
State	244,685	200,388	311,470
Deferred			
Federal	145,515	(120,410)	178,003
State	-	-	-
Total income tax expense	\$ 2,789,063	\$ 2,889,557	\$ 2,854,580

The Company's income tax expense differs from the amounts computed by applying the federal income tax statutory rates to the income before income tax expense. A reconciliation of the differences for the year ended December 31, 2025 follows.

	Amount	Percent
Tax at statutory rate	\$ 2,659,777	21.0%
Increase (decrease) resulting from:		
Prior year deferred tax accrual differences	139,901	1.1%
Tax exempt income, net	(122,185)	(1.0%)
Earnings on bank-owned life insurance	(95,754)	(0.8%)
State tax expense	244,685	1.9%
Other items, net	(37,361)	(0.3%)
Income tax expense	\$ 2,789,063	22.0%

The effective tax rate differs from the U.S. federal statutory tax rate primarily due to state income taxes related to the Company's activities in the states of Georgia and Florida, with the state taxes offset by certain tax credits in each state. Prior year deferred tax accrual differences are largely due to differences in tax depreciation amounts between quarterly estimates and annual totals. Tax exempt income is derived primarily from interest on municipal loans and tax exempt federal and municipal bonds.

Income taxes paid during the year ended December 31, 2025 included \$4,327,616 in federal income tax, \$145,870 in Georgia income tax and \$50,374 in Florida income tax.

The components of the net deferred tax asset at December 31, 2025 and 2024 follow.

	2025	2024
Deferred tax assets (liabilities):		
Allowances for credit losses	\$ 2,048,786	\$ 1,881,489
Nonaccrual loan interest	105,455	109,825
Unrealized loss on securities available for sale	1,629,440	2,667,251
Unrealized gain on transfer of securities from available for sale to held to maturity	(6,946)	(9,850)
Premises and equipment, net	(451,750)	(157,229)
Other	259,836	273,757
Net deferred tax asset	\$ 3,584,821	\$ 4,765,243

No deferred tax assets have been recorded for state tax benefits.

The federal income tax returns of the Company for 2025, 2024, and 2023 are subject to examination by the Internal Revenue Service, generally for three years following the filing of the returns.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 9. EMPLOYEE BENEFIT PLAN

The Company provides a 401(k) plan for qualified employees. The 401(k) plan allows participants to defer a portion of their compensation and provides that the Company may match a portion of the participants' deferred compensation. This discretionary matching percentage was 6% in 2025, 2024, and 2023. The plan also provides for non-elective and discretionary profit sharing contributions to be made by the Company at the sole discretion of the Board of Directors to plan participants based on compensation and years of service. Employees immediately vest the employer matching contributions, and the employer profit sharing contributions vest over a five-year period after the employee reaches two years of service. Aggregate expense under the plan charged to salaries and employee benefits expense during 2025, 2024, and 2023 amounted to \$496,004, \$494,881, and \$478,108, respectively.

### NOTE 10. STOCK-BASED COMPENSATION

The Company awards restricted shares of the Company's common stock to various Bank employees with a grant price equal to the market price of the Company's common stock on the grant date. The restricted shares vest in equal installments over five years, subject to continued service through each applicable vesting date, or earlier upon the occurrence of a change in control. With the restricted stock, there will be no cash consideration to the Company for the shares. The employees will have voting rights to all awarded shares upon grant. Dividends paid on unvested shares will be held in escrow and released to the employees in accordance with the vesting schedule.

During the year ended December 31, 2025, no shares were awarded, 5,800 shares vested and 240 shares were forfeited. During the year ended December 31, 2024, a total of 29,000 shares of restricted stock were awarded with none vested or forfeited during the year. There were no restricted shares outstanding at December 31, 2023 or activity during 2023. Unvested shares totaled 22,960 and 29,000 as of December 31, 2025 and 2024, respectively. Compensation expense recognized for the years ended December 31, 2025 and 2024 was \$124,990 and \$31,218, respectively. Total compensation expense unrecognized for the restricted shares as of December 31, 2025 was \$463,435, which is expected to be recognized over a weighted average period of 3.8 years.

### NOTE 11. POSTRETIREMENT BENEFITS

During 2021, the Bank established an unfunded supplemental retirement plan for the benefit of certain senior officers. Under the plan, upon their retirement, death or disability, each officer, or their beneficiary, shall receive from the Bank a separately defined benefit amount for a period of up to ten years. A liability is accrued for the net present value of these obligations. Amounts expensed during the years ended December 31, 2025, 2024 and 2023 were \$205,800, \$192,199, and \$179,040, respectively. A deferred compensation liability of \$898,478 and \$730,178 was recorded as of December 31, 2025 and 2024, respectively, and is included in other liabilities.

### NOTE 12. TREASURY STOCK

Initial authorizations permitted the purchase of up to \$15,000,000 in treasury stock, but the Company suspended the treasury stock purchase program in 2010. From the time of the program's inception in 2000 to the date of its suspension in 2010, the treasury stock purchase program reduced the Company's outstanding stock from 3,580,797 shares to 3,129,388 shares. The remaining amount available for purchase of stock under the program is \$6,105,539. However, the Company has not elected to resume stock purchases. For the year ended December 31, 2025, 240 restricted shares were forfeited and returned to treasury stock. For the year ended December 31, 2024, the Company issued 29,000 shares of treasury stock in conjunction with restricted stock awards described in Note 10. For the year ended December 31, 2023, the Company did not issue any shares of treasury stock.

### NOTE 13. EARNINGS PER COMMON SHARE

The components used to calculate basic and diluted earnings per common share for the years ended December 31, 2025, 2024, and 2023 follows.

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Basic and diluted earnings per share:			
Net income	\$ <u>9,876,540</u>	\$ <u>10,635,600</u>	\$ <u>10,588,266</u>
Weighted average common shares outstanding	<u>3,179,846</u>	<u>3,157,455</u>	<u>3,150,878</u>
Basic and diluted earnings per common share	<u>\$ <u>3.11</u></u>	<u>\$ <u>3.37</u></u>	<u>\$ <u>3.36</u></u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 14. NONINTEREST INCOME AND EXPENSE

Other noninterest income for the years ended December 31, 2025, 2024, and 2023 follows.

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Commissions, insurance products	\$ 22,128	\$ 25,922	\$ 22,945
Mortgage origination fees	288,258	278,259	309,462
Bank card and credit card fees	1,361,626	1,310,577	1,276,519
Earnings on bank-owned life insurance	455,972	426,838	388,708
Other noninterest income	471,091	565,434	625,469
Total other noninterest income	<u>\$ 2,599,075</u>	<u>\$ 2,607,030</u>	<u>\$ 2,623,103</u>

Other noninterest expense for the years ended December 31, 2025, 2024, and 2023 follows.

	<u>2025</u>	<u>2024</u>	<u>2023</u>
FDIC insurance	\$ 264,810	\$ 263,386	\$ 276,252
Legal, accounting, and consulting fees	425,947	429,969	468,472
Taxes and insurance expense	243,023	223,832	208,084
Director and committee fees	133,125	111,025	110,400
Advertising, marketing, and supplies	449,327	397,444	454,673
Postage and courier expense	131,037	113,038	205,396
Bank card and credit card fees	794,807	739,306	672,835
Service charges and fees	83,940	76,692	68,451
Other real estate and repossessed asset expense	479	2,618	25,286
Other operational losses (including card losses)	73,178	61,286	54,575
Other noninterest expense	359,500	319,088	376,148
Total other noninterest expense	<u>\$ 2,959,173</u>	<u>\$ 2,737,684</u>	<u>\$ 2,920,572</u>

### NOTE 15. COMMITMENTS AND CONTINGENT LIABILITIES

#### 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. Such commitments involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amount recognized in the statements of condition. The majority of commitments to extend credit and standby letters of credit are variable rate instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments. A summary of the Company's commitments as of December 31, 2025 and 2024 follows.

	<u>2025</u>	<u>2024</u>
Commitments to extend credit	\$ 56,918,188	\$ 57,427,248
Standby letters of credit	1,732,177	1,652,365
Total unfunded commitments	<u>\$ 58,650,365</u>	<u>\$ 59,079,613</u>

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. Since many of the commitments expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the customer.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 15. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. Collateral is required when deemed necessary.

The Company maintains an allowance for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable. The allowance for off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans. The allowance for credit losses for unfunded commitments is separately classified on the balance sheet.

The following table presents the balance and activity in the allowance for credit losses for off-balance sheet credit exposures for the years ended December 31, 2025 and 2024.

	December 31,	
	2025	2024
<b>Allowance for Credit Losses – Unfunded Commitments</b>		
<b>Beginning balance</b>	\$ 779,583	\$ 954,583
Provision for (recovery of) credit losses, unfunded loan commitments	50,000	(175,000)
<b>Ending balance</b>	<b>\$ 829,583</b>	<b>\$ 779,583</b>

#### Public Deposits

The Company holds public deposits for local municipalities and agencies in Georgia and Florida. Both states have laws requiring banks to collateralize public deposits in excess of FDIC insurance limits. The amount of collateral required varies by state and may also vary by bank within each state depending on that state's risk assessment process. In Florida, the state also requires a cross-guarantee among all banks participating in their public depository program. The state of Florida uses a pooled collateral method, whereby the collateral of a defaulting bank is liquidated to the extent necessary to recover the loss of any public deposits not insured by the FDIC or assumed by an acquiring institution. To the extent the collateral is insufficient, the remaining public deposit balances at the defaulting bank are recovered through an assessment on all other banks participating in the Florida public depository program. The exposure to the Company for this guarantee depends on multiple factors, including the amount of public funds held by the Company and other banks in Florida and the amount of collateral coverage associated with a defaulting bank. The state of Florida requires monthly reporting to monitor each participating bank's deposit and collateral positions. To date, the Company has not had to pay a claim under this guarantee. Management does not believe this guarantee represents a material exposure to the Company.

#### Other Commitments and Guarantees

In the normal course of business, the Company and its subsidiary enter into indemnification agreements and provide standard representations and warranties in connection with numerous transactions. The extent of the Company's obligations under these agreements depends upon the occurrence of future events; therefore, the Company's potential future liability under these arrangements is not determinable.

In the normal course of business, the Company and its subsidiary may enter into certain contractual obligations for lease agreements, capital expenditures and service contracts. At December 31, 2025, the Company had contractual commitments for core processing and other technology services, including software and hardware maintenance and data line communications requiring annual payments of approximately \$974,000. The commitments include stipulations for periodic pricing adjustments and extend through August 2031.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 15. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

#### Off-Balance Sheet Derivative Financial Instruments

The Company has not invested in off-balance sheet derivative financial instruments such as swaps, options or forward rate contracts.

#### Contingencies

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

### NOTE 16. CONCENTRATIONS OF CREDIT

The Company originates commercial, agricultural, residential and consumer loans to customers primarily in markets served by the Company. The ability of the majority of the Company's customers to honor their contractual obligations is dependent on the local economies and the real estate markets in the geographical areas served by the Company. Per state law, the Company cannot extend credit to any single borrower or group of related borrowers in excess of 25% of the Bank's statutory capital base, or approximately \$22,600,000. However, as a matter of policy, the Company does not extend credit in excess of \$12,500,000 to any single borrower or group of related borrowers.

As of December 31, 2025, approximately 84% of the Company's loan portfolio was concentrated in loans secured by real estate. A substantial portion of these loans are in the Company's primary market areas. In addition, the Company's foreclosed assets are located in those same markets. Accordingly, the ultimate collectability of the Company's loan portfolio and the recovery of the carrying amount of foreclosed assets are susceptible to changes in market conditions in the Company's market areas. The other significant concentrations of credit by loan segment are set forth in Note 4.

### NOTE 17. REGULATORY MATTERS

The primary source of funds available to the Company to pay stockholder dividends and other expenses is dividends from its subsidiary bank. Bank regulatory authorities impose restrictions on the amounts of dividends that may be paid by the subsidiary bank. Further restrictions could result from a review by regulatory authorities of the Bank's capital adequacy, which is the relationship between its capital and its assets, deposits, and other such ratios. At December 31, 2025, the Bank could declare dividends of approximately \$4,910,000 without prior approval of the regulators.

The Bank is also 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 Bank's 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 their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 17. REGULATORY MATTERS (Continued)

On September 17, 2019, the federal banking agencies issued a final rule providing simplified capital requirements for certain community banking organizations (banks and holding companies) with less than \$10 billion in total consolidated assets, implementing provisions of The Economic Growth, Regulatory Relief, and Consumer Protection Act (“EGRRCPA”). Under the rule, a qualifying community banking organization would be eligible to elect the community bank leverage ratio (“CBLR”) framework, or continue to measure capital under the existing Basel III requirements. The new rule became effective beginning January 1, 2020, and qualifying community banking organizations could elect to opt into the new community bank leverage ratio (“CBLR”) in their call report beginning in the first quarter of 2020. A banking organization meets the definition of a qualifying community banking organization (“QCBO”) if the organization has:

- a leverage ratio of greater than 9%;
- total consolidated assets of less than \$10 billion;
- total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancellable commitments) of 25% or less of total consolidated assets; and
- total trading assets plus trading liabilities of 5% or less of total consolidated assets.

A banking organization that opts into the CBLR framework and meets the QCBO definition, including maintaining a leverage ratio in excess of 9%, is considered to be well capitalized.

On April 6, 2020, the federal banking regulators, implementing the applicable provisions of the CARES Act, issued rules which modified the CBLR framework so that: (i) beginning in the second quarter 2020 and until the end of the year, a banking organization that has a leverage ratio of 8% or greater and meets certain other criteria may elect to use the CBLR framework; and (ii) community banking organizations will have until January 1, 2022, before the CBLR requirement is reestablished at greater than 9%. Under the rules, the minimum CBLR is 8% beginning in the second quarter and for the remainder of calendar year 2020, 8.5% for calendar year 2021, and 9% thereafter. The numerator of the CBLR is Tier 1 capital, as calculated under present rules. The denominator of the CBLR is the Bank’s average assets, calculated in accordance with the call report instructions less assets deducted from Tier 1 capital.

The Bank qualified for, and adopted, the CBLR framework for each quarterly period during 2025 and 2024.

Management believes, as of December 31, 2025 and 2024 that the Bank meets all capital adequacy requirements to which it is subject, and 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		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
(Dollars in Thousands)				
<i>December 31, 2025:</i>				
<b>Tier 1 Capital to Average Assets</b>	<b>\$ 80,603</b>	<b>13.10%</b>	<b>\$ 55,396</b>	<b>9.00%</b>
<i>December 31, 2024:</i>				
Tier 1 Capital to Average Assets	\$ 76,445	12.65%	\$ 54,386	9.00%

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 18. FAIR VALUE

#### Determination of Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and for disclosure purposes. Accounting guidance on fair value measurements and disclosures specifies that 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 defined using quoted market prices, but in many instances, quoted market prices for the Company's various financial instruments may not be available. Under these circumstances, fair values are estimated using present value or other valuation techniques. Those techniques are significantly affected by the underlying assumptions, including the discount rate and estimates of future cash flows; accordingly, the resulting fair value estimate may not be realized in an immediate settlement of the instrument.

Recent fair value guidance clarifies that exit prices based on orderly transactions between market participants under current market conditions, not forced liquidations or distressed sales, should be the basis for determining fair value. If the volume and level of activity for the asset or liability has declined significantly, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In this instance, determining the price at which willing market participants would transact depends on the various facts and circumstances and requires significant judgment. The resulting fair value is a reasonable point within the determined range that best indicates fair value under current conditions.

#### Fair Value Hierarchy

In accordance with accounting guidance, the Company groups its financial assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities trade and the reliability of the assumptions used to determine fair value:

##### Level 1

Valuation is based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Level 1 assets and liabilities generally include debt and equity securities that are traded on an active exchange. Valuations are obtained from readily available pricing sources for market transactions involving such assets or liabilities.

##### Level 2

Valuation is based on inputs other than Level 1 prices that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability. Level 2 inputs may incorporate interest rates and yield curves that are observable at commonly quoted intervals, volatilities, prepayment speeds, credit risks, and default rates.

##### Level 3

Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments whose valuation requires significant management judgment or estimation. Level 3 valuation also includes observable inputs for single dealer nonbinding quotes not corroborated by observable market data.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Risk premiums that a market participant would require must be considered.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 18. FAIR VALUE (Continued)**

**Assets Measured at Fair Value on a Recurring Basis**

Fair value is the primary basis of accounting for investment securities available for sale. The Company does not currently measure any other assets or liabilities at fair value on a recurring basis. When quoted market prices for identical securities are available in an active market, these securities are classified within Level 1 of the valuation hierarchy. Level 1 securities may include highly liquid government bonds valued based upon a market quote or exchange-traded equities, if valued using quoted market prices. If quoted market prices for identical securities are not available, then fair values are estimated using matrix models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2, include U.S. Government-sponsored enterprise securities, agency mortgage-backed securities, obligations of states and political subdivisions, and certain corporate debt obligations. Due to limited activity and less transparency regarding input factors, one corporate debt obligation was classified in Level 3 at December 31, 2025 and 2024.

Securities measured at fair value on a recurring basis are presented as follows.

	<u>Fair Value Measurements Using</u>			<u>Total Carrying Value</u>
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
<i>December 31, 2025</i>				
<b>Investment securities available for sale:</b>				
U. S. Government and agency securities	\$ -	\$ 12,070,369	\$ -	\$ 12,070,369
Agency residential mortgage-backed securities	-	55,017,842	-	55,017,842
Obligations of states and political subdivisions	-	1,955,698	-	1,955,698
Corporate debt obligations	-	-	192,056	192,056
<b>Total investment securities</b>	<u>\$ -</u>	<u>\$ 69,043,909</u>	<u>\$ 192,056</u>	<u>\$ 69,235,965</u>
<i>December 31, 2024</i>				
Investment securities available for sale:				
U. S. Government and agency securities	\$ -	\$ 15,276,927	\$ -	\$ 15,276,927
Agency residential mortgage-backed securities	-	67,924,148	-	67,924,148
Obligations of states and political subdivisions	-	2,867,625	-	2,867,625
Corporate debt obligations	-	-	168,368	168,368
<b>Total investment securities</b>	<u>\$ -</u>	<u>\$ 86,068,700</u>	<u>\$ 168,368</u>	<u>\$ 86,237,068</u>

The corporate debt obligation measured at fair value using Level 3 inputs at December 31, 2025 and 2024 was comprised of one trust preferred security, for which there is currently no active market. This security is an issue of a bank/bank holding company domiciled in the southeastern United States. See Note 3 for more information concerning this bond. No transfers or activity involving securities occurred within the Level 3 category during 2025 or 2024. Should transparency in input factors diminish, additional obligations could be classified as Level 3 assets in the future. No transfers were made between Level 1 and 2 assets measured at fair value on a recurring basis during 2025 or 2024.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 18. FAIR VALUE (Continued)

#### **Assets Measured at Fair Value on a Nonrecurring Basis**

Certain instruments are measured at fair value on a nonrecurring basis; in other words, these instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances – for example, when evidence of impairment exists. Such instruments include collateral-dependent loans and other real estate. Loans are considered to be collateral-dependent when full payment under the original loan terms is not expected. Collateral-dependent loans are carried at the lesser of the recorded investment in the loan or the fair value of collateral. When management believes the uncollectability of all or any portion of a loan is confirmed, a loss is charged against the allowance. Any necessary increase to the allowance resulting from collateral-dependent loans is recorded as a component of the provision for credit losses.

#### ***Collateral-Dependent Loans***

Loans are considered collateral-dependent when, based on current information and events, it is probable that the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Collateral-dependent loans can be measured based on the present value of expected payments using the loan's original effective rate as the discount rate, the loan's observable market price, or the fair value of the collateral less estimated selling costs if the loan is collateral dependent.

The fair value of collateral-dependent loans were primarily measured based on the value of the collateral securing these loans. Collateral-dependent, impaired loans are classified within Level 2 and Level 3 of the fair value hierarchy. Loans classified within Level 2 have current appraisals, within the past twelve months, that meet the Bank's loan policy guidelines. The remaining impaired loans are classified within level 3. Collateral may be real estate and/or business assets including equipment, inventory, and/or accounts receivable. The Company determines the value of the collateral based on independent appraisals performed by qualified licensed appraisers. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Appraised values are discounted for estimated costs to sell and may be discounted further based on management's historical knowledge, changes in market conditions from the date of the most recent appraisal, and/or management's expertise and knowledge of the customer and the customer's business. Such discounts by management are subjective and are typically significant unobservable inputs for determining fair value. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors discussed above.

During 2025, the Company recognized losses of \$188,901 on collateral-dependent loans outstanding through the allowance for credit losses. At December 31, 2025, collateral-dependent loans with an aggregate outstanding book balance of \$1,678,064 were measured and reported net of specific allowances at a fair value of \$990,364. During 2024, the Company recognized recoveries of \$13,701 on impaired loans outstanding through the allowance for loan losses. At December 31, 2024, impaired loans with an aggregate outstanding book balance of \$1,433,321 were measured and reported net of specific allowances at a fair value of \$636,907. During 2023, the Company recognized losses of \$175,846 on impaired loans outstanding through the allowance for loan losses. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the loan impairment as a Level 2 instrument. When an appraised value is not available or management determines the fair value of the collateral is impaired beyond appraised value and no observable market price exists, the Company records the loan impairment in Level 3.

#### ***Other Real Estate***

Other real estate, consisting of properties obtained through foreclosure or in satisfaction of loans, are initially recorded at the lower of the loan's carrying amount or the fair value less estimated costs to sell upon transfer of the loans to other real estate. Subsequently, other real estate is carried at the lower of carrying value or fair value less estimated costs to sell. Fair values are generally based on third-party appraisals of the property and are classified within Level 2 and Level 3 of the fair value hierarchy. Other real estate classified within Level 2 have current third party appraisals within the past twelve months. The remaining other real estate properties are classified within Level 3. The appraisals are sometimes further discounted based on management's historical knowledge, and/or changes in market conditions from the date of the most recent appraisal, and/or management's expertise and knowledge of the customer and the customer's business. Such discounts are typically significant unobservable inputs for determining fair value. In cases where the carrying amount exceeds the fair value, less estimated costs to sell, a loss is recognized in noninterest expense.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 18. FAIR VALUE (Continued)

There were no devaluations (or write-downs) of other real estate outstanding at December 31, 2025 or 2024, or 2023.

#### *Other Assets*

Level 3 assets also include FHLB stock, which is only redeemable with the issuer at par and cannot be traded in the market; as such, no observable market data for this holding is available. The Company evaluated its holding in FHLB stock at December 31, 2025 and 2024 and determined no impairment charge was necessary. Other assets are similarly evaluated under fair value accounting on a nonrecurring basis.

The table below presents the Company's outstanding assets for which a nonrecurring change in fair value was recorded during the years ended December 31, 2025 and 2024, aggregated by the level in the fair value hierarchy within which those measurements fall. Assets reviewed for impairment such as Level 3 FHLB stock, but for which no corresponding impairment charge was recorded, are not included in these totals.

	<u>Fair Value Measurements Using</u>			<u>Net Carrying Value</u>	<u>Total Recoveries (Losses) for the Year</u>
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>		
<i>For the Year Ended December 31, 2025</i>					
<i>Assets:</i>					
Collateral-dependent loans	\$	\$	\$ 990,364	\$ 990,364	\$ (188,901)
<b>Total fair value of assets on a nonrecurring basis</b>	<b>\$</b>	<b>\$</b>	<b>\$ 990,364</b>	<b>\$ 990,364</b>	<b>\$ (188,901)</b>
<i>December 31, 2024</i>					
<i>Assets:</i>					
Collateral-dependent loans	\$ -	\$ -	\$ 636,907	\$ 636,907	\$ 13,701
<b>Total fair value of assets on a nonrecurring basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 636,907</b>	<b>\$ 636,907</b>	<b>\$ 13,701</b>

As disclosed above, the loss amount shown for collateral-dependent loans include charge-offs as well as the provision allocated for those loans during 2025 and 2024.

No transfers were made between Level 1, Level 2, and Level 3 collateral-dependent loans evaluated under fair value accounting on a nonrecurring basis during 2025 and 2024. There were no transfers for other real estate between Level 1, Level 2, and Level 3. Additionally, no nonrecurring change in fair value was recognized on any liabilities during 2025 or 2024.

#### **Quantitative Disclosures for Level 3 Fair Value Measurements**

There were changes in the fair value measurements on a recurring basis for \$192,056 and \$168,368 in trust preferred securities (only), included within available for sale securities, and recognized in the accompanying consolidated balance sheets using Level 3 inputs for the years ended December 31, 2025 and 2024. The Bank believes that it will collect all that is owed on this trust preferred bond as contracted. The difference between current book value and the new expected cash flows are being accreted into earnings over the remaining life of the bond. The fair value of this bond was increased \$1,974 per month starting in April 2021 for a total increase of \$23,688 and \$23,688 during the years ended December 31, 2025 and 2024.

For Level 3 assets measured at fair value on a non-recurring basis as of December 31, 2025 and 2024, the significant unobservable inputs used in the fair value measurements are presented below.

	<u>Carrying Amount</u>	<u>Valuation Technique</u>	<u>Significant Unobservable Input</u>
<i>December 31, 2025</i>			
Collateral-dependent loans	\$ 990,364	Appraisal	Appraisal discount (59%)
<i>December 31, 2024</i>			
Collateral-dependent loans	\$ 636,907	Appraisal	Appraisal discount (44%)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 18. FAIR VALUE (Continued)

#### Fair Value of Financial Instruments

Methodologies for estimating the fair value of financial assets and liabilities that are measured at fair value on a recurring or nonrecurring basis are discussed above. For certain other financial assets and liabilities, fair value approximates carrying value due to the nature of the financial instrument. These instruments include cash and cash equivalents, demand and other non-maturity deposits, and overnight borrowings. The following methods and assumptions were used in estimating the fair value of other financial instruments:

- Fair values for loans are estimated using present value techniques to discount cash flows of principal and interest over a specific time period at flat rates. The cash flow discount rates used are derived from the Treasury yield curve based upon the weighted average life of each loan type.
- Fair values for deposits are estimated using present value techniques to discount cash flows of principal and interest over a specific time period at flat rates. The cash flow discount rates used are derived from the Federal Home Loan Bank yield curve based upon the weighted average life of the deposit type. The intangible value of long-term relationships with depositors is not considered in estimating fair values.
- The carrying amount of accrued interest and other financial assets approximates their fair values.

The table below presents the fair value of financial assets and liabilities carried on the Company's consolidated statements of condition at December 31, 2025 and 2024, including those financial assets and liabilities that are not measured and reported at fair value on a recurring or nonrecurring basis:

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<i>December 31, 2025</i>					
<b>Financial assets:</b>					
Cash and cash equivalents	\$ 75,766,442	\$ 75,766,442	\$ -	\$ -	\$ 75,766,442
Investment securities available for sale	69,235,965	-	69,043,909	192,056	69,235,965
Investment securities held to maturity	40,228,945	-	36,719,885	-	36,719,885
Net loans	406,469,521	-	-	406,354,096	406,354,096
Accrued interest receivable	1,926,156	-	510,379	1,415,777	1,926,156
Other financial assets	421,900	-	-	421,900	421,900
<b>Financial liabilities:</b>					
Deposits	\$ 535,695,918	\$ -	\$ -	\$ 457,893,988	\$ 457,893,988
Accrued interest payable	274,002	-	-	274,002	274,002
<i>December 31, 2024</i>					
<b>Financial assets:</b>					
Cash and cash equivalents	\$ 64,837,570	\$ 64,837,570	\$ -	\$ -	\$ 64,837,570
Investment securities available for sale	86,237,068	-	86,068,700	168,368	86,237,068
Investment securities held to maturity	41,086,619	-	35,631,568	-	35,631,568
Net loans	377,899,065	-	-	380,920,691	380,920,691
Accrued interest receivable	1,780,928	-	600,077	1,180,851	1,780,928
Other financial assets	431,300	-	-	431,300	431,300
<b>Financial liabilities:</b>					
Deposits	\$ 522,744,024	\$ -	\$ -	\$ 401,200,449	\$ 401,200,449
Accrued interest payable	313,816	-	-	313,816	313,816

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 18. FAIR VALUE (Continued)

Bank premises and equipment, customer relationships, deposit base, and other information needed to compute the Company's aggregate fair value are not included in the table above. Accordingly, the fair values above are not intended to represent the underlying market value of the Company.

### NOTE 19. REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Company's revenue from contracts with customers, as delineated by U.S. GAAP, is recognized within noninterest income. The following table presents the Company's sources of noninterest income for the twelve months ended December 31, 2025, 2024, and 2023. Items outside the scope of ASC 606 are noted as such.

	2025	2024	2023
<b>Noninterest Income</b>			
Service charges on deposit accounts	\$ 863,612	\$ 839,222	\$ 931,843
Net gain on sales of assets	13,878	8,113	1,262,311
Commissions, insurance products (a)	22,128	25,922	22,945
Mortgage origination fees (a)	288,258	278,259	309,462
Bank card and credit card fees	1,361,626	1,310,577	1,276,519
Earnings on bank-owned life insurance (a)	455,972	426,838	388,707
Other noninterest income	471,091	565,434	625,470
Total	\$ 3,476,565	\$ 3,454,365	\$ 4,817,257

(a) Not within scope of U.S. GAAP related to revenue from contracts with customers.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 20. PARENT COMPANY FINANCIAL INFORMATION

The condensed, parent-only statements of condition as of December 31, 2025 and 2024 for Southeastern Banking Corporation follow.

	2025	2024
<b>ASSETS</b>		
Cash in subsidiary bank	\$ 9,767,039	\$ 8,611,541
Interest-bearing deposits in other banks	1,488,849	422
Cash and cash equivalents	11,255,888	8,611,963
Investment in subsidiary, at equity	74,498,927	65,949,943
Other assets	1,000	1,070
Total assets	\$ 85,755,815	\$ 74,562,976
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Other liabilities	\$ 932	\$ -
<b>Shareholders' Equity</b>		
Common stock	4,475,996	4,475,996
Additional paid-in capital	985,148	855,429
Retained earnings	94,301,751	87,128,054
Treasury stock, at cost	(7,904,349)	(7,899,620)
Accumulated other comprehensive loss	(6,103,663)	(9,996,883)
Total shareholders' equity	85,754,883	74,562,976
Total liabilities and shareholders' equity	\$ 85,755,815	\$ 74,562,976

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 20. PARENT COMPANY FINANCIAL INFORMATION (Continued)

The condensed, parent-only statements of income for the years ended December 31, 2025, 2024, and 2023 for Southeastern Banking Corporation follow.

	2025	2024	2023
<b>Income:</b>			
Dividends from subsidiary bank	\$ 5,289,800	\$ 5,237,000	\$ 4,521,200
Interest from subsidiary bank	77,452	79,910	25,664
Interest from interest-bearing deposits in other banks	30,988	29,492	157,896
Total income	<u>5,398,240</u>	<u>5,346,402</u>	<u>4,704,760</u>
<b>Operating expenses</b>	<u>34,211</u>	<u>31,944</u>	<u>31,328</u>
Income before income tax provision and equity in undistributed earnings of subsidiary	5,364,029	5,314,458	4,673,432
<b>Income tax provision</b>	<u>18,701</u>	<u>21,680</u>	<u>37,974</u>
Income before equity in undistributed earnings of subsidiary	5,345,328	5,292,778	4,635,458
Equity in undistributed income of subsidiary	<u>4,531,212</u>	<u>5,342,822</u>	<u>5,952,808</u>
<b>Net income</b>	<u>\$ 9,876,540</u>	<u>\$ 10,635,600</u>	<u>\$ 10,588,266</u>

The condensed, parent-only statements of cash flows for the years ended December 31, 2025, 2024, and 2023 for Southeastern Banking Corporation follow.

	2025	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 9,876,540	\$ 10,635,600	\$ 10,588,266
Adjustments to reconcile net income to net cash provided by operating activities:			
Net equity in earnings of subsidiary	(9,821,012)	(10,579,822)	(10,474,008)
Stock-based compensation expense	438	-	-
Cash dividend from subsidiary bank	5,289,800	5,237,000	4,521,200
Net decrease (increase) in other assets	70	8,449	(8,519)
Net increase (decrease) in other liabilities	932	-	(1,909)
Net cash provided by operating activities	<u>5,346,768</u>	<u>5,301,227</u>	<u>4,625,030</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid on common stock	(2,702,843)	(5,611,856)	(2,205,615)
Net cash used in financing activities	<u>(2,702,843)</u>	<u>(5,611,856)</u>	<u>(2,205,615)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,643,925</b>	<b>(310,629)</b>	<b>2,419,415</b>
<b>Cash and cash equivalents at beginning of year</b>	<u><b>8,611,963</b></u>	<u><b>8,922,592</b></u>	<u><b>6,503,177</b></u>
<b>Cash and cash equivalents at end of year</b>	<u><u><b>\$ 11,255,888</b></u></u>	<u><u><b>\$ 8,611,963</b></u></u>	<u><u><b>\$ 8,922,592</b></u></u>

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