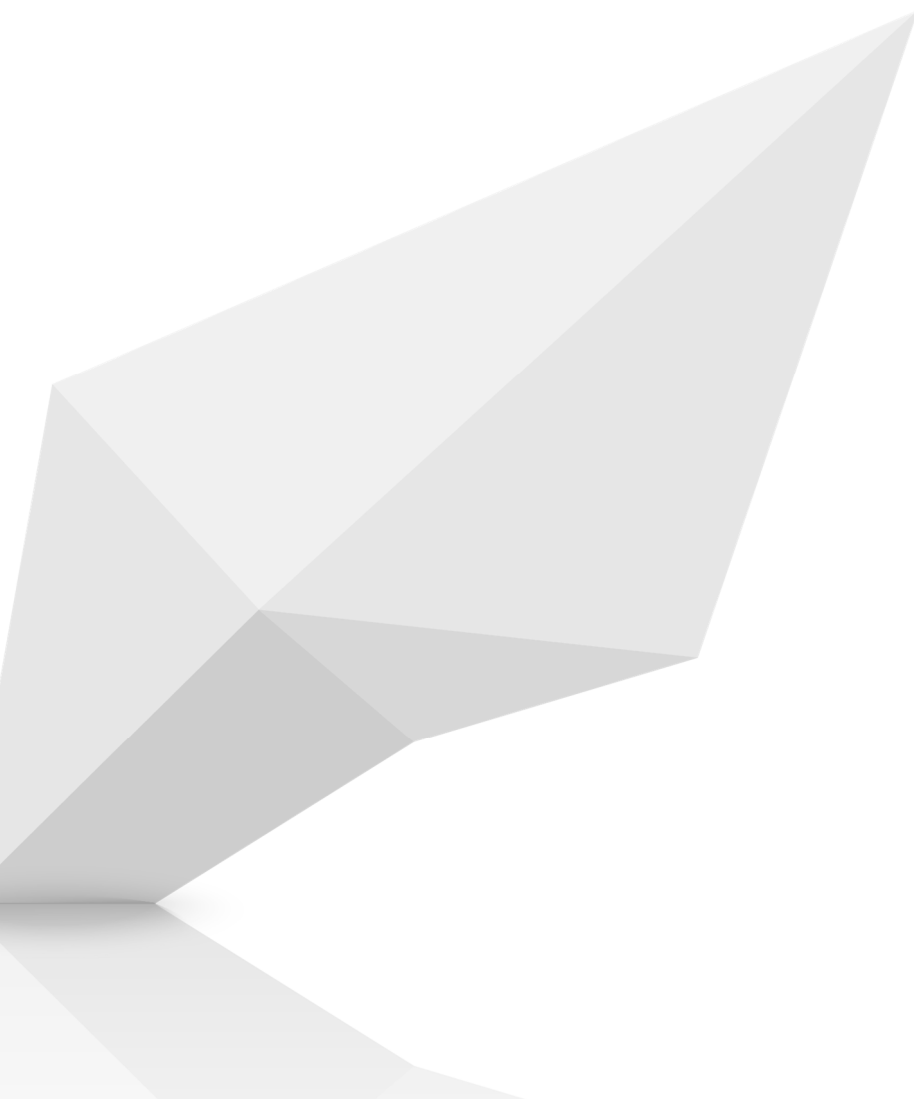


# Southpoint Bancshares, Inc. and Subsidiary

Consolidated Financial Statements

Years Ended December 31, 2025 and 2024



# INDEX

## INDEPENDENT AUDITORS' REPORT

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
SouthPoint Bancshares, Inc.  
Birmingham, Alabama**

### ***Opinion***

We have audited the accompanying consolidated financial statements of **SouthPoint Bancshares, Inc. and Subsidiary**, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

### ***Basis for Opinion***

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 SouthPoint Bancshares, Inc, and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

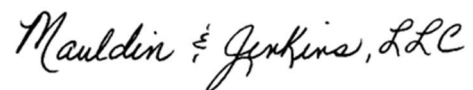
***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgement 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 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 SouthPoint Bancshares, Inc, and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SouthPoint Bancshares, Inc, and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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



Birmingham, Alabama  
April 13, 2026

# SouthPoint Bancshares, Inc

## Consolidated Balance Sheets

<i>As of December 31, 2025 and 2024</i>	<b>2025</b>	<b>2024</b>
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS:		
Cash and due from banks	\$ 13,181,533	\$ 10,761,392
Interest-bearing deposits in other banks	224,975,466	120,017,782
Federal funds sold	10,000,000	-
<b>Total cash and cash equivalents</b>	<b>248,156,999</b>	<b>130,779,174</b>
Securities available for sale (amortized cost of \$67,721,604 and \$69,859,578 at December 31, 2025 and 2024, respectively)	58,188,933	58,848,765
Restricted equity securities	1,598,585	1,509,585
Loans held for sale	2,447,491	4,600,999
Loans, net of allowance for credit losses of \$27,618,835 and \$13,359,185 at December 31, 2025 and 2024, respectively	1,169,452,268	1,479,299,673
Accrued interest receivable	5,127,042	8,044,119
Premises and equipment, net	25,981,177	24,189,769
Intangible assets	1,605,600	1,873,200
Goodwill	13,012,797	12,639,390
Other real estate	1,572,936	5,708,180
Bank-owned life insurance	13,694,237	12,967,022
Deferred tax assets	13,670,080	15,211,379
Investment in low income housing tax credits	2,028,423	2,471,295
Other assets	7,359,985	3,432,775
<b>TOTAL ASSETS</b>	<b>\$ 1,563,896,553</b>	<b>\$ 1,761,575,325</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
DEPOSITS:		
Interest-bearing	\$ 1,333,876,101	\$ 1,520,365,761
Noninterest-bearing	101,829,390	104,314,600
<b>Total deposits</b>	<b>1,435,705,491</b>	<b>1,624,680,361</b>
Subordinated debentures	33,803,632	33,650,269
Accrued expense and other liabilities	10,015,227	10,543,284
<b>Total liabilities</b>	<b>1,479,524,350</b>	<b>1,668,873,914</b>
SHAREHOLDERS' EQUITY:		
Preferred stock, \$1 par value: 10,010,000 shares authorized; none issued or outstanding	-	-
Common stock, \$1 par value: 10,000,000 shares authorized; 3,068,047 and 3,006,146 shares issued at December 31, 2025 and 2024, respectively, and 2,970,785 and 2,902,065 shares outstanding at December 31, 2025 and 2024, respectively	3,068,047	3,006,146
Additional paid-in capital	51,285,276	50,475,839
Retained earnings	38,679,409	49,126,856
Accumulated other comprehensive loss	(7,530,810)	(8,698,542)
Treasury stock, 97,262 and 104,081 shares at cost at December 31, 2025 and 2024, respectively	(1,129,719)	(1,208,888)
<b>Total shareholders' equity</b>	<b>84,372,203</b>	<b>92,701,411</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,563,896,553</b>	<b>\$ 1,761,575,325</b>

See accompanying notes to consolidated financial statements.

# SouthPoint Bancshares, Inc

## Consolidated Statements of Operations

<i>Years Ended December 31, 2025 and 2024</i>	<b>2025</b>	<b>2024</b>
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$ 93,748,933	\$ 109,954,653
Interest on investment securities	2,400,165	1,397,440
Interest on deposits in banks and other	6,872,407	4,322,356
<b>Total interest income</b>	<b>103,021,505</b>	<b>115,674,449</b>
<b>INTEREST EXPENSE</b>		
Interest expense on deposits	52,861,581	56,360,482
Interest on borrowed funds	1,656,946	5,604,088
<b>Total interest expense</b>	<b>54,518,527</b>	<b>61,964,570</b>
<b>NET INTEREST INCOME</b>	<b>48,502,978</b>	<b>53,709,879</b>
Provision for credit losses	37,120,402	41,400,000
<b>NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES</b>	<b>11,382,576</b>	<b>12,309,879</b>
<b>NONINTEREST INCOME</b>		
Service charges, fees and commissions	2,802,336	3,004,126
Mortgage origination and servicing-release premium fees	5,772,060	5,356,879
Net loss on securities available for sale	(946)	(1,471)
Other income	2,748,830	335,484
<b>Total noninterest income</b>	<b>11,322,280</b>	<b>8,695,018</b>
<b>NONINTEREST EXPENSES</b>		
Salaries and employee benefits	17,941,777	17,476,556
Data processing expenses	3,814,465	4,153,628
Net occupancy expenses	1,490,921	1,490,125
Professional fees	2,441,531	927,925
Other operating expenses	10,489,081	10,019,308
<b>Total noninterest expenses</b>	<b>36,177,775</b>	<b>34,067,542</b>
<b>LOSS BEFORE INCOME BENEFIT</b>	<b>(13,472,919)</b>	<b>(13,062,645)</b>
<b>INCOME TAX BENEFIT</b>	<b>(3,025,472)</b>	<b>(3,707,628)</b>
<b>NET LOSS</b>	<b>\$ (10,447,447)</b>	<b>\$ (9,355,017)</b>

See accompanying notes to consolidated financial statements.

# SouthPoint Bancshares, Inc

## Consolidated Statements of Comprehensive Loss

<i>Years Ended December 31, 2025 and 2024</i>	<b>2025</b>	<b>2024</b>
<b>NET LOSS</b>	\$ (10,447,447)	\$ (9,355,017)
<b>Other comprehensive income (loss):</b>		
Unrealized gain (loss) arising during the period on securities available for sale, net of tax benefit (expense) of \$310,210 in 2025 and (\$407,056) in 2024	1,166,985	(1,531,303)
Reclassification adjustment for net losses realized in net loss, net of tax benefit of \$199 in 2025 and \$309 in 2024	747	1,162
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>1,167,732</b>	<b>(1,530,141)</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>\$ (9,279,715)</b>	<b>\$ (10,885,158)</b>

See accompanying notes to consolidated financial statements.

## SouthPoint Bancshares, Inc

### Consolidated Statements of Shareholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
<b>Balances at January 1, 2024</b>	\$ 3,001,946	\$ 50,184,371	\$ 58,481,873	\$ (7,168,401)	\$ (1,298,009)	\$ 103,201,780
Net loss	-	-	(9,355,017)	-	-	(9,355,017)
Other comprehensive loss	-	-	-	(1,530,141)	-	(1,530,141)
Restricted stock awards	4,200	119,700	-	-	-	123,900
Treasury stock issued to KSOP	-	171,768	-	-	89,121	260,889
<b>Balances at December 31, 2024</b>	3,006,146	50,475,839	49,126,856	(8,698,542)	(1,208,888)	92,701,411
Net loss	-	-	(10,447,447)	-	-	(10,447,447)
Other comprehensive income	-	-	-	1,167,732	-	1,167,732
Exercised stock options	57,001	536,949	-	-	-	593,950
Restricted stock awards	4,900	104,125	-	-	-	109,025
Treasury stock issued to KSOP	-	168,363	-	-	79,169	247,532
<b>Balances at December 31, 2025</b>	\$ 3,068,047	\$ 51,285,276	\$ 38,679,409	\$ (7,530,810)	\$ (1,129,719)	\$ 84,372,203

See accompanying notes to consolidated financial statements.

# SouthPoint Bancshares, Inc

## Consolidated Statements of Cash Flows

Years Ended December 31, 2025 and 2024	2025	2024
Increase in cash and cash equivalents:		
<b>Cash flows from operating activities:</b>		
Net loss	\$ (10,447,447)	\$ (9,355,017)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,199,384	1,345,408
Proceeds from sale of loans held for sale	93,748,934	121,020,546
Origination of loans held for sale	(91,652,320)	(123,674,836)
Fair value change in loans held for sale	56,894	(80,341)
Provision for credit losses	37,120,402	41,908,639
Net realized loss on securities available for sale	946	1,471
Realized (gains) losses on sales and writedowns of other real estate (Accretion) amortization of premiums and discounts on securities available for sale, net	(368,287)	21,091
Amortization of debt issuance costs	(27,048)	164,129
Amortization of low income housing tax credits, core deposit intangible and other	153,363	153,363
Restricted stock awards on equity	369,993	271,661
KSOP share awards	109,025	123,900
Deferred tax provision (benefit)	247,532	260,889
Increase in cash surrender value of life insurance	1,230,889	(9,127,650)
Change in accrued interest receivable	(316,963)	(306,531)
Change in other assets	2,917,077	89,678
Change in accrued expenses and other liabilities	(4,300,617)	(666,322)
Change in accrued expenses and other liabilities	(848,459)	(6,301,637)
Net cash provided by operating activities	29,193,298	15,848,441
<b>Cash flows from investing activities:</b>		
Purchases of premises and equipment	(2,990,792)	(2,109,365)
Net change in loans	276,812,904	(62,149,706)
Paydowns, calls, and maturities of securities available for sale	2,164,076	1,134,397
Purchase of securities available for sale	-	(27,223,720)
Purchase of restricted equity securities	(89,000)	(230,000)
Net proceeds from disposition of other real estate	1,078,511	3,037
Purchase of bank owned life insurance	(410,252)	(410,253)
Net cash provided (used) by investing activities	276,565,447	(90,985,610)

# SouthPoint Bancshares, Inc

## Consolidated Statements of Cash Flows (Continued)

Years Ended December 31, 2025 and 2024	2025	2024
<b>Cash flows from financing activities:</b>		
Net change in deposits	(188,974,870)	246,718,719
Repayments of other borrowings	-	(165,000,000)
Advances of other borrowings	-	40,000,000
Decrease in line of credit	-	(3,000,000)
Exercised stock options	593,950	-
<b>Net cash provided (used) by financing activities</b>	<b>(188,380,920)</b>	<b>118,718,719</b>
Net increase in cash and cash equivalents	\$ 117,377,825	\$ 43,581,550
Cash and cash equivalents at beginning of year	130,779,174	87,197,624
<b>Cash and cash equivalents at end of year</b>	<b>\$ 248,156,999</b>	<b>\$ 130,779,174</b>
<b>Supplemental cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 54,914,173	\$ 61,612,898
Income taxes	-	10,147,400
<b>NONCASH TRANSACTIONS:</b>		
Treasury stock awards	-	123,900
Treasury stock issued to ESOP	247,532	260,889
Loans transferred to other real estate	7,598,299	5,602,680
Right-of-use assets obtained in exchange for new lease liabilities	-	152,892
Internally financed sales of other real estate	11,023,319	-

See accompanying notes to consolidated financial statements.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### Note 1: Organization

SouthPoint Bancshares, Inc. (the Company), an Alabama corporation, operates primarily in the domestic commercial banking industry. The Company's subsidiary, SouthPoint Bank (the Bank), was formed and incorporated in 2005 as a state-chartered bank under the Code of Alabama, as amended. The Bank provides full-service banking to customers primarily located in central Alabama. The Bank is subject to regulation by the State of Alabama Banking Department and the Federal Deposit Insurance Corporation (FDIC). The Bank operates from its eleven branch locations in central Alabama, and five loan production offices located throughout the State of Alabama. SPB Properties, LLC holds certain assets of the Bank and is a wholly-owned subsidiary of the Bank.

### Note 2: Summary of Significant Accounting Policies

#### Basis of Consolidation

The consolidated financial statements include the accounts of the Company and the Bank, and its wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated. Unless otherwise indicated herein, the financial results of the Company refer to the Company and the Bank and its subsidiary on a consolidated basis. The consolidated financial statements of the Company are presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### Cash and Cash Equivalents

For the purpose of cash flows, the Company considers cash on hand and cash or cash equivalents on deposit with other banks, due from banks, and federal funds sold to be cash equivalents. The Company maintains various correspondent or other bank accounts, which may, at times, have balances that exceed the FDIC insurance coverage. Cash exceeded FDIC insurance coverage at December 31, 2025 and 2024. The Company has not and does not expect to incur losses with these bank accounts.

#### Securities Available for Sale

Securities available for sale represent those securities which the Company has designated for sale. Such securities are carried at fair value with unrealized gains and losses reported as accumulated other comprehensive income (loss), net of any related deferred taxes, in a separate component of shareholders' equity until realized. Gains or losses realized on disposition are based on the net proceeds and the adjusted carrying amount on the securities sold, using the specific identification method, and are included in noninterest income in the accompanying consolidated statements of operations.

The Company evaluates individual securities available for sale in an unrealized loss position by first determining whether the decline in fair value below the amortized cost basis of the security has resulted from a credit loss or other factors. A credit loss exists when the present value of cash flows expected to be collected from the security is less than the amortized cost basis of the security. In determining whether a credit loss exists, the Company considers the extent to which the fair value is less than the amortized cost basis, adverse conditions related to the security, the industry, or geographic areas, the payment structure of the debt security, failure of the issuer to make scheduled payments, and any changes to the rating of the security. Impairment related to credit losses is recognized through an allowance for credit losses up to the amount that fair value is less than the amortized cost basis. Changes to the allowance are recognized through earnings as a provision for (or recovery of) credit losses. Losses related to other factors are recognized in other comprehensive income (loss).

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### **Note 2: Summary of Significant Accounting Policies** (Continued)

#### **Securities Available for Sale** (Continued)

If the Company intends to sell, or it is more likely than not the Company will be required to sell, the security before recovery of its amortized cost basis, any allowance for credit losses is written off and the amortized cost basis is written down to the security's fair value at the reporting date with any incremental impairment recognized in operations.

The accrual of interest on a security available for sale is discontinued when the security becomes 90 days delinquent or whenever management believes the issuer will be unable to make payments as they become due. When securities are placed on nonaccrual status, all unpaid accrued interest is reversed against interest income. No accrued interest was written off during 2025 or 2024.

The Company excludes accrued interest receivable from the amortized cost basis of securities available for sale when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on securities available for sale totaling approximately \$459,000 and \$445,000 at December 31, 2025 and 2024, respectively, was excluded from the amortized cost basis of securities available for sale and is included in accrued interest receivable on the consolidated balance sheets.

#### **Loans**

The Company grants commercial, real estate, and consumer loans to customers. A substantial portion of the loan portfolio is represented by commercial and real estate loans throughout Alabama. Loans are stated at unpaid principal balances, less the allowance for credit losses and net deferred loan fees.

Loan origination or commitment fees are deferred and accreted using the interest method over the life of the loan. Direct loan origination costs are capitalized and amortized over the life of the loan as a reduction of the loan yield as an offset to interest and fees on loans. Amortization of deferred loan fees is discontinued if a loan is placed on nonaccrual status.

#### **Allowance for Credit Losses on Loans and Unfunded Loan Commitments**

The allowance for credit losses on loans is a valuation allowance that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the Company's loan portfolio. The allowance for credit losses on loans is established through provisions for credit losses charged against earnings. When available information confirms that specific loans, or portions thereof, are uncollectible, these amounts are charged against the allowance for credit losses on loans, and subsequent recoveries, if any, are credited to the allowance for credit losses on loans.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### Note 2: Summary of Significant Accounting Policies (Continued)

#### Allowance for Credit Losses on Loans and Unfunded Loan Commitments (Continued)

The Company uses a current expected credit loss ("CECL") model to estimate the allowance for credit losses on loans. The CECL model considers historical loss rates and other qualitative adjustments, as well as a forward-looking component that considers reasonable and supportable forecasts over the expected life of each loan. To develop the allowance for credit losses on loans estimate under the CECL model, the Company segments the loan portfolio into loan pools based on loan type and similar credit risk elements; performs an individual evaluation of certain collateral dependent and other credit-deteriorated loans; calculates the historical loss rates for the segmented loan pools; applies the loss rates over the calculated life of the collectively evaluated loan pools; adjusts for forecasted macro-level economic conditions and other anticipated changes in credit quality; and determines qualitative adjustments based on factors and conditions unique to the Company's loan portfolio.

Under the CECL model, loans that do not share similar risk characteristics with loans in their respective pools are individually evaluated for expected credit losses and are excluded from the collectively evaluated loan credit loss estimates. Management individually evaluates nonaccrual loans and other loans with evidence of credit deterioration. For loans individually evaluated, a specific reserve is estimated based on either the fair value of collateral or the discounted value of expected future cash flows.

A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the fair value of the collateral as of the date of the consolidated balance sheet, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral.

The following describes the types of collateral that secure collateral dependent loans:

- Commercial, financial, and agricultural loans considered collateral dependent are primarily secured by accounts receivable, inventory and equipment.
- Real estate construction loans are primarily secured by residential and commercial properties, which are under construction and/or redevelopment, and by raw land.
- Real estate mortgage loans are primarily secured by first liens on residential and commercial real estate.

Management evaluates all collectively evaluated loans using the discounted cash flow methodology. The discounted cash flow methodology uses loan level attributes (such as interest rates and maturity dates), as well as pool level inputs (such as prepayment rates and probability of default and loss given default rates), to estimate credit losses over the contractual term of each collectively evaluated loan. Expected credit losses are determined by comparing the loan's amortized cost with the expected future principal and interest cash flows. Individual loan level results are aggregated for collectively evaluated loans and are then adjusted for qualitative factors deemed appropriate by management.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### **Note 2: Summary of Significant Accounting Policies** (Continued)

#### **Allowance for Credit Losses on Loans and Unfunded Loan Commitments** (Continued)

Management has elected to utilize the Company's historical loss data with a three-year lookback period for the probability of default and loss given default historical rate calculations required for the discounted cash flow methodology. Probability of default rates are then forecasted over a 24-month period using a regression model based on national unemployment rate and 10-year treasury yield forecasts obtained from Fannie Mae. Management has elected to use a straight-line reversion method for a 12-month period subsequent to the 24-month forecast period for probability of default rates.

The quantitative analysis described above is supplemented with other qualitative factors based on the risks present for each collectively evaluated loan pool. These qualitative factors include: effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; industry conditions; and effects of changes in credit concentrations.

The Company excludes accrued interest receivable from the amortized cost basis of loans when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on loans totaling approximately \$4,668,000 and \$7,599,000 at December 31, 2025 and 2024, respectively, was excluded from the amortized cost basis of loans and is included in accrued interest receivable on the consolidated balance sheets.

In addition to the allowance for credit losses on loans, the Company estimates a reserve for unfunded loan commitments at a level that management believes is adequate to absorb estimated probable credit losses over the contractual terms of the Company's noncancellable loan commitments. The reserve for unfunded commitments, recorded in accrued expense and other liabilities on the accompanying balance sheets, is established through provisions for credit losses charged against earnings. At December 31, 2025 and 2024, the recorded reserve for unfunded loan commitments totaled approximately \$829,000 and \$509,000, respectively.

Unfunded loan commitments are segmented into the same pools used for estimating the allowance for credit losses on loans. Estimated credit losses on unfunded loan commitments are based on the same methodology, inputs, and assumptions used to estimate credit losses on collectively evaluated loans, adjusted for estimated funding probabilities. The estimated funding probabilities represent management's estimate of the amount of the current unfunded loan commitment that will be funded over the remaining contractual life of the commitment and is based on historical data.

The Company may modify loans to borrowers experiencing financial difficulty and grant certain concessions that include principal forgiveness, a term extension, an other-than-insignificant payment delay, an interest rate reduction, or a combination of these concessions. An assessment of whether the borrower is experiencing financial difficulty is made at the time of the loan modification.

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### **Note 2: Summary of Significant Accounting Policies** (Continued)

#### **Allowance for Credit Losses on Loans and Unfunded Loan Commitments** (Continued)

While management believes that it has established the allowance for credit losses in accordance with GAAP and has taken into account the views of its regulators and the current economic environment, there can be no assurance that in the future the Bank's regulators or its economic environment will not require further increases in the allowance for credit losses.

#### **Income Recognition on Individually Evaluated and Nonaccrual Loans**

Loans, including individually evaluated loans, are generally classified as nonaccrual if they are past due as to payment of principal or interest for a period of more than 90 days, unless such loans are well-collateralized and in the process of collection. If a loan or a portion of a loan is classified as doubtful or is partially charged off, the loan is generally classified as nonaccrual.

Loans that are on a current payment status or past due less than 90 days may also be classified as nonaccrual if repayment in full of principal and/or interest is in doubt. Loans may be returned to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within an acceptable period of time, and there is a sustained period of repayment performance by the borrower, in accordance with the contractual terms of principal and interest.

While a loan is classified as nonaccrual, and the future collectability of the recorded loan balance is doubtful, collections of principal and interest are generally applied as a reduction to principal outstanding. When the future collectability of the recorded loan balance is expected, interest income may be recognized. In the case where a nonaccrual loan has been partially charged off, recognition of interest on a cash basis is limited to that which would have been recognized on the recorded loan balance at the contractual interest rate. Receipts in excess of that amount are recorded as recoveries to the allowance for credit losses until prior charge-offs have been fully recovered.

#### **Mortgage Loans Held for Sale and Mortgage Banking Derivatives**

The Company, through the Bank, enters into mandatory delivery of a portion of its residential mortgage loans originated for sale in the secondary market. In connection with mandatory delivery, mortgage loans held for sale are carried at fair value under the fair value option with changes in fair value recognized in current period earnings.

Fair value of mortgage loans held for sale is typically calculated using observable market information including pricing from actual market transactions, investor commitment prices, or broker quotations. Fair value for mortgage loans covered by investor commitments is generally based on commitment prices and the value for uncommitted loans is generally based on current delivery prices.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### **Note 2: Summary of Significant Accounting Policies** (Continued)

#### **Mortgage Loans Held for Sale and Mortgage Banking Derivatives** (Continued)

In connection with its mortgage banking activities, the Company enters into loan commitments, considered derivative instruments, to fund residential mortgage loans with applicants. These interest rate lock commitments (IRLC) represent an agreement to extend credit to a mortgage loan applicant whereby the interest rate on the loan is set prior to funding. The loan commitment binds the Company (subject to the loan approval process) to fund the loan at a specified rate, regardless of whether interest rates have changed between the commitment date through the funding date or expiration date. The loan commitments generally range between 15 and 60 days; however, the borrower is not obligated to obtain the loan. The Company is subject to fallout risk related to IRLCs, which is realized if approved borrowers choose not to close on the loans within the terms of the IRLCs. Forward delivery commitments on mortgage-backed securities (“MBS”) and forward sales of MBS to be announced (“TBAs”) are used to manage the interest rate risk and price risk. Historical commitment-to-closing ratios are considered to estimate the quantity of mortgage loans that will fund within the terms of the IRLCs.

Gains and losses from the sale of mortgages are recognized based upon the difference between the sales proceeds and carrying value of the related loans upon sale, and are recorded in mortgage origination and servicing-release premium fees in the consolidated statements of operations. The sales proceeds reflect the cash received. Mortgage origination and servicing-release premium fees also includes the unrealized gains and losses associated with the mortgage loans held for sale and the realized and unrealized gains and losses from derivatives.

#### **Other Real Estate**

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at fair value less estimated selling costs at the date of foreclosure. Any writedowns based on the asset’s fair value at the date of acquisition are charged to the allowance for credit losses.

After foreclosure, valuations are periodically performed by management, and property held for sale is carried at the lower of the new cost basis or fair value less estimated costs to sell. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized (up to fair value less estimated selling costs), whereas costs relating to holding property are expensed.

Any subsequent writedowns of amounts recorded as other real estate are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less estimated costs to sell.

#### **Bank-Owned Life Insurance**

The Bank purchased life insurance policies on certain employees. These policies are recorded at their cash surrender value or the amount that can be realized. Income from these policies and changes in the cash surrender value are recorded in noninterest income. The Bank is the named beneficiary for each policy.

#### **Premises and Equipment**

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### **Note 2: Summary of Significant Accounting Policies** (Continued)

#### **Premises and Equipment** (Continued)

Land is carried at cost. Other premises and equipment are stated at cost less accumulated depreciation. Expenditures for additions and improvements that extend the useful life of an asset are capitalized. Expenditures for repairs and maintenance are charged to expense when incurred. Assets which are disposed of are removed from the accounts, and the resulting gains or losses are recorded in other operating income or expenses. Depreciation is computed by the straight-line method based on the depreciable lives of individual assets, ranging from three to 40 years.

#### **Goodwill and Intangible Assets**

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Other intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. Intangibles with finite lives are amortized over their estimated useful lives. Goodwill and other intangible assets are subject to impairment testing annually or more frequently if events or circumstances indicate possible impairment; if impaired, such assets are recorded at fair value. Other intangible assets, consisting of core deposit intangibles, are reviewed for events or circumstances which could impact the recoverability of the intangible asset, such as a loss of core deposits, increased competition or adverse changes in the economy. No impairment was identified for the Company's goodwill or its intangible assets in 2025 or 2024.

#### **Lease Accounting**

The Company is a lessee in multiple noncancelable operating leases. If the contract provides the Company the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Company has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### **Note 2: Summary of Significant Accounting Policies** (Continued)

#### **Lease Accounting** (Continued)

The Company has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Company recognizes short-term lease cost on a straight-line basis over the lease term.

#### **Restricted Equity Securities and Borrowings (Advances)**

The Company is a member and has purchased stock in the Federal Home Loan Bank of Atlanta (FHLB) and First National Bankers Bank (FNBB). The Company has elected to account for equity securities without readily determinable fair values using the alternative measurement method. Under this method, these securities are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

Borrowings represent advances under an advance and security agreement with the FHLB, as well as secured borrowings with the Federal Reserve Bank of Atlanta (FRB) Discount Window under a similar security agreement. Under the terms of the agreements, the Company is required to maintain qualifying collateral, consisting primarily of loans, based on collateral rates set by the FHLB and the FRB.

#### **Treasury Stock**

Treasury stock purchases and sales are accounted for using the cost method.

#### **Advertising**

Advertising costs are expensed as incurred.

#### **Income Taxes**

The Company files a consolidated federal income tax return and separate State of Alabama excise tax returns. The Subsidiary provides for income taxes on a separate basis and remits to the Company amounts determine to be currently payable. These returns are filed using the accrual basis of accounting. Provisions for income taxes are based on amounts reported in the consolidated statements of income (after exclusion of nontaxable income, such as interest on state and municipal securities) and include deferred taxes on temporary differences in the recognition of income and expense for tax and financial statement purposes.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### Note 2: Summary of Significant Accounting Policies (Continued)

#### Stock Options and Stock Awards

The Board of Directors approved the 2015 Stock Incentive Plan (Stock Plan), which amended, restated, and replaced the 2005 Stock Incentive Plan, which expired in October 2015. The 2015 Stock Plan permitted the granting of nonstatutory (nonqualified), incentive, and restricted stock option awards, to enhance shareholder investment by attracting, retaining, and motivating key employees and directors of the Company and to align the interests of management with those of shareholders. The maximum number of shares to be issued under the Stock Plan are 315,150. See Note 17 for activity of the 2015 Stock Plan.

The option price is determined by the Board of Directors or a committee appointed by the Board of Directors to administer the Stock Plan, who may use the latest stock trade information or an independent valuation. Options granted are generally subject to vesting in equal increments over a vesting period of at least three years.

The Company uses a stock valuation model for stock awards issued pursuant to the 2015 Stock Plan, which results in share-based compensation expense. The Company uses the Black-Scholes fair value model for determining option value and share-based payments, which includes such factors as expected term, interest rate, forfeiture estimates, volatility, and dividend yield, to estimate compensation expense associated with the stock option awards.

#### Financial Instruments

The Company uses fair value methods and measurements to determine fair value for certain assets and liabilities for recording and disclosure purposes. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined by quoted market prices. The fair value guidance established three categories within a fair value hierarchy, which are presented below:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Bank has the ability to access.
- Level 2 – Valuations based on observable inputs, including quoted prices (other than Level 1) in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates, yield curves, volatilities, and default rates, and inputs that are derived principally from or corroborated by observable market data.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### **Note 2: Summary of Significant Accounting Policies** (Continued)

#### **Financial Instruments** (Continued)

Additional guidance is available for estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability, including guidance on circumstances that may indicate that a transaction is not orderly and requires additional disclosures about fair value measurements.

The Company also reports fair value measurement of nonfinancial assets and liabilities. These measurements occur on a nonrecurring basis, and recognition at fair value occurs when nonfinancial assets and liabilities are deemed to be credit deteriorated.

#### **Use of Estimates**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the allowance for credit losses, fair value of investment securities available for sale, valuation of other real estate, and current and deferred income taxes.

Investment in securities available for sale is exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and that the values of the Bank's investments are sensitive to changes in economic and regulatory conditions, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the value of those investments reported.

The determination of the adequacy of the allowance for credit losses is based on estimates that are particularly susceptible to significant changes in the economic and regulatory environment and local market conditions. The Bank's loans are generally secured by specific items of collateral, including real property, consumer, and business assets. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

Although the Company has a diversified loan portfolio, and management uses available information to recognize losses on loans, further reduction in the carrying amounts of loans may be necessary based on changes in local economic conditions or other factors.

In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans and 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 the change that is reasonably possible cannot be estimated.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### **Note 2: Summary of Significant Accounting Policies** (Continued)

#### **Revenue from Contracts with Customers**

The Company has adopted Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (“Accounting Standards Codification (“ASC”) Topic 606”) (“ASU 2014-09”).

The majority of the Company’s revenues are interest earned on loans, investment securities, and other financial instruments which are unaffected as they are outside the scope of ASC Topic 606. ASC Topic 606 focuses on revenues from contracts earned over time. Fee income, which is within the scope of Topic 606, is generally earned over a short period of time, such as monthly, or is earned concurrently with a specific transaction. The Company records a gain or loss from the sale of other real estate (“ORE”) when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. There are no ASC Topic 606 implications unless the Company finances the sale of the ORE property. ASC Topic 606 could change the timing of revenue recognition in the case of seller financing.

#### **Comprehensive Loss**

Annual comprehensive loss reflects the change in the Company’s equity during the year arising from transactions and events other than investment by and distributions to shareholders. The only components of other comprehensive income (loss) consist of realized and unrealized gains and losses related to investment securities.

#### **Reclassifications**

Certain prior-year amounts have been reclassified to confirm to the current year’s presentation. These reclassifications had no effect on previously reported net loss, total assets, total liabilities, or shareholders’ equity.

#### **Subsequent Events**

Management has evaluated subsequent events and their potential effects on these consolidated financial statements through April 13, 2026, the date that the consolidated financial statements were available to be issued.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### **Note 2: Summary of Significant Accounting Policies** (Continued)

#### **New Accounting Pronouncements**

The Company recently adopted the following Accounting Standards Updates (ASU) issued by the Financial Accounting Standards Board (FASB).

ASU 2023-09, *Improvements to Income Tax Disclosures* – For public business entities, this standard requires disclosure about specific categories in the income tax rate reconciliation and additional information for reconciling items that meet a quantitative threshold. The standard also requires entities to disclose certain disaggregated information regarding income (loss) before income taxes, income tax expense (benefit), and income taxes paid. Finally, the standard eliminates certain existing disclosure requirements. This new standard is effective for financial statements issued for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company adopted this new standard for the year ended December 31, 2025. See Note 12 for information about income tax disclosures.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 3: Securities Available for Sale

Investment securities available for sale consisted of the following at December 31, 2025 and 2024:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2025				
Mortgage-backed securities	\$ 26,972,667	\$ -	\$ (1,807,127)	\$ 25,165,540
State, county, and municipal securities	38,248,937	39,573	(7,705,117)	30,583,393
Trust preferred securities	2,500,000	-	(60,000)	2,440,000
<b>Total securities available for sale</b>	<b>\$ 67,721,604</b>	<b>\$ 39,573</b>	<b>\$ (9,572,244)</b>	<b>\$ 58,188,933</b>
December 31, 2024				
Mortgage-backed securities	\$ 28,805,380	\$ -	\$ (2,866,742)	\$ 25,938,638
State, county, and municipal securities	38,554,198	1,538	(8,040,609)	30,515,127
Trust preferred securities	2,500,000	-	(105,000)	2,395,000
<b>Total securities available for sale</b>	<b>\$ 69,859,578</b>	<b>\$ 1,538</b>	<b>\$ (11,012,351)</b>	<b>\$ 58,848,765</b>

During 2025, the Company had a loss amounting to \$946 on the call of a security. There were no sales of securities during 2025. During 2024, the Bank had a loss amounting to \$1,471 on the call of a security. There were no sales of securities during 2024.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 3: Securities Available for Sale (Continued)

The following table shows the fair value and gross unrealized losses of securities with unrealized losses at December 31, 2025 and 2024, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>2025</b>						
Mortgage-backed securities	\$ -	\$ -	\$ 25,165,540	\$ (1,807,127)	\$ 25,165,540	\$ (1,807,127)
State, county, and municipal securities	820,972	(11,852)	27,111,259	(7,693,265)	27,932,231	(7,705,117)
Trust preferred securities	-	-	1,440,000	(60,000)	1,440,000	(60,000)
<b>Total</b>	<b>820,972</b>	<b>(11,852)</b>	<b>53,716,799</b>	<b>(9,560,392)</b>	<b>54,537,771</b>	<b>(9,572,244)</b>
<b>2024</b>						
Mortgage-backed securities	17,853,107	(870,996)	8,085,531	(1,995,746)	25,938,638	(2,866,742)
State, county, and municipal securities	7,292,956	(285,688)	21,665,634	(7,754,921)	28,958,590	(8,040,609)
Trust preferred securities	-	-	1,395,000	(105,000)	1,395,000	(105,000)
<b>Total</b>	<b>\$ 25,146,063</b>	<b>\$ (1,156,684)</b>	<b>\$ 31,146,165</b>	<b>\$ (9,855,667)</b>	<b>\$ 56,292,228</b>	<b>\$(11,012,351)</b>

These unrealized losses relate principally to the changes in interest rates and are not due to changes in the financial condition of the issuer, the quality of any underlying assets, or applicable credit enhancements. In reaching the conclusion that an allowance for credit losses is unnecessary, management observed that the securities were issued by a government body or agency, the securities continue to be highly rated (AA or better) where applicable, the issuer continues to make contractual payments, and the quality of any underlying assets or credit enhancements has not changed. Since management has the ability to hold debt securities for the foreseeable future, the Company expects to recover the amortized cost basis of these securities before they are sold or mature.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 3: Securities Available for Sale (Continued)

The following table presents the number and aggregate depreciation from the Company's amortized cost basis of debt securities available for sale in an unrealized loss position by security type at December 31, 2025:

	Number of Securities	Aggregate Depreciation
Mortgage-backed securities	\$ 7	(7)%
State, county, and municipal securities	41	(22)
Trust preferred securities	1	(4)
<b>Total</b>	<b>\$ 49</b>	<b>(15)%</b>

The amortized cost and estimated fair value of securities available-for-sale at December 31, 2025, by contractual maturity, are as follows:

	Amortized Cost	Fair Value
Amounts maturing:		
Due in one to five years	\$ 600,000	\$ 600,000
After five years through 10 years	2,056,827	1,947,824
After 10 years	65,064,777	55,641,109
<b>Total</b>	<b>\$ 67,721,604</b>	<b>\$ 58,188,933</b>

Expected maturities of mortgage-backed securities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Securities with a fair value of approximately \$17,026,000 and \$920,000 were pledged to the State Treasurer of Alabama as of December 31, 2025 and 2024, respectively.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 4: Loans

The composition of loans by primary loan classification and by pooled and individually analyzed loans as of December 31, 2025 and 2024, are as follows:

	Commercial, Financial and Agricultural	Real Estate Construction	Real Estate Mortgage	Consumer and Other	Allowance for Credit Losses	Net Loans
<b>2025</b>						
Pooled loans	\$ 249,110,088	\$ 144,237,073	\$ 702,517,535	\$ 18,023,427	\$ (15,636,813)	\$1,098,251,310
Individually analyzed loans	39,698,341	11,716,685	31,767,954	-	(11,982,022)	71,200,958
<b>Total Loans</b>	<b>\$ 288,808,429</b>	<b>\$ 155,953,758</b>	<b>\$ 734,285,489</b>	<b>\$ 18,023,427</b>	<b>\$ (27,618,835)</b>	<b>\$1,169,452,268</b>
<b>2024</b>						
Pooled loans	\$ 437,514,724	\$ 207,004,435	\$ 787,956,930	\$ 23,044,298	\$ (12,279,062)	\$1,443,241,325
Individually analyzed loans	10,961,015	5,457,430	20,720,026	-	(1,080,123)	36,058,348
<b>Total Loans</b>	<b>\$ 448,475,739</b>	<b>\$ 212,461,865</b>	<b>\$ 808,676,956</b>	<b>\$ 23,044,298</b>	<b>\$ (13,359,185)</b>	<b>\$1,479,299,673</b>

The Company had net deferred loan fees of approximately \$1,354,000 and \$1,763,000 as of December 31, 2025 and 2024, respectively.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 4: Loans (Continued)

The allocation and changes in the allowance for credit losses, by loan classification, as of and for the years ended December 31, 2025 and 2024, are as follows:

	Commercial, Financial, and Agricultural	Real Estate Construction	Real Estate Mortgage	Consumer and Other	Unallocated	Total
Balance at						
December 31, 2024	\$ 4,943,037	\$ 1,392,273	\$ 4,991,642	\$ 88,409	\$ 1,943,824	\$ 13,359,185
Charge-offs	(17,094,779)	-	(6,244,452)	(162,387)	-	(23,501,618)
Recoveries	941,577	-	-	19,691	-	961,268
Net Charge-offs	(16,153,202)	-	(6,244,452)	(142,696)	-	(22,540,350)
Provision	32,209,440	(509,568)	6,818,784	225,168	(1,943,824)	36,800,000
Balance at						
December 31, 2025	20,999,275	882,705	5,565,974	170,881	-	27,618,835
Balance at						
December 31, 2023	4,231,397	2,057,373	8,415,350	125,274	2,392,308	17,221,702
Charge-offs	(39,090,001)	(2,721,955)	(2,598,229)	(525,435)	-	(44,935,620)
Recoveries	16,000	5,361	98,922	61,459	-	181,742
Net Charge-offs	(39,074,001)	(2,716,594)	(2,499,307)	(463,976)	-	(44,753,878)
Provision	39,785,641	2,051,494	(924,401)	427,111	(448,484)	40,891,361
Balance at						
December 31, 2024	\$ 4,943,037	\$ 1,392,273	\$ 4,991,642	\$ 88,409	\$ 1,943,824	\$ 13,359,185

At December 31, 2025 and 2024, the Company maintained a reserve for unfunded loan commitments totaling \$829,041 and \$508,639, respectively which is included in accrued expense and other liabilities on the accompanying consolidated balance sheet. The provision for credit losses on unfunded loan commitments totaled \$320,402 during 2025 and \$508,639 during 2024.

Risk ratings are categorized as pass, special mention, substandard, or doubtful. Management believes that the categories follow those outlined by the Bank's primary regulator. Management analyzes the resulting ratings as well as other external statistics and factors such as delinquency to track the migration performance of the portfolio balances, on a quarterly basis. Pass rated loans include all risk rated credits other than those included in special mention, substandard, and doubtful, which are defined as follows:

- Special mention loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### **Note 4: Loans** (Continued)

- Substandard loans are inadequately protected by the current sound worth and paying capacity of the obligor or by the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize liquidation of the debt. Substandard loans are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.
- Doubtful loans have all the characteristics of substandard loans with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The Bank considers all doubtful loans to be individually evaluated and places all such loans on nonaccrual status.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 4: Loans (Continued)

The following table outlines the amount of each loan classification by year of origination, based on internally assigned credit quality indicators as of December 31, 2025 and 2024:

	2025	2024	2023	2022	2021	Prior	Total
<b>2025</b>							
<b>Pass</b>							
Commercial, Financial, and Agricultural	\$ 14,012,168	\$ 42,124,555	\$ 36,430,355	\$ 65,372,116	\$ 11,180,083	\$ 26,534,019	\$ 195,653,296
Real Estate Construction	36,381,964	15,971,345	59,658,449	9,268,164	5,383,287	2,568,274	129,231,483
Real Estate Mortgage	133,111,931	75,834,738	84,600,707	137,852,280	17,501,242	112,148,183	661,049,081
Consumer and Other	31,233	1,760,338	1,372,310	1,404,287	9,632,369	3,748,992	17,949,529
	<b>183,537,296</b>	<b>135,690,976</b>	<b>182,061,821</b>	<b>213,896,847</b>	<b>43,696,981</b>	<b>144,999,468</b>	<b>1,003,883,389</b>
<b>Special Mention</b>							
Commercial, Financial, and Agricultural	-	4,746,460	24,794,150	4,760,599	3,011,302	1,684,938	38,997,449
Real Estate Construction	-	72,405	1,886,560	10,107,377	4,829,468	251,618	17,147,428
Real Estate Mortgage	20,101,831	934,899	649,928	2,831,844	999,668	3,710,492	29,228,662
Consumer and Other	-	-	-	4,846	5,869	-	10,715
	<b>20,101,831</b>	<b>5,753,764</b>	<b>27,330,638</b>	<b>17,704,666</b>	<b>8,846,307</b>	<b>5,647,048</b>	<b>85,384,254</b>
<b>Substandard</b>							
Commercial, Financial, and Agricultural	1,294,468	14,835,862	14,213,143	4,896,509	15,944,951	2,665,372	53,850,305
Real Estate Construction	-	373,642	6,964,082	1,700,000	-	537,123	9,574,847
Real Estate Mortgage	7,363,743	8,631,261	12,923,106	5,190,064	8,272,353	1,500,762	43,881,289
Consumer and Other	23,786	-	8,795	10,062	20,540	-	63,183
	<b>8,681,997</b>	<b>23,840,765</b>	<b>34,109,126</b>	<b>11,796,635</b>	<b>24,237,844</b>	<b>4,703,257</b>	<b>107,369,624</b>
<b>Doubtful</b>							
Commercial, Financial, and Agricultural	-	-	22,692	284,687	-	-	307,379
Real Estate Construction	-	-	-	-	-	-	-
Real Estate Mortgage	-	-	-	-	-	126,457	126,457
Consumer and Other	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>22,692</b>	<b>284,687</b>	<b>-</b>	<b>126,457</b>	<b>433,836</b>
	<b>\$ 212,321,124</b>	<b>\$ 165,285,505</b>	<b>\$ 243,524,277</b>	<b>\$ 243,682,835</b>	<b>\$ 76,781,132</b>	<b>\$ 155,476,230</b>	<b>\$ 1,197,071,103</b>
<b>Current year to date period write-offs</b>							
Commercial, Financial, and Agricultural	\$ (500,785)	\$ (5,935,158)	\$ (3,940,224)	\$ (86,571)	\$ (6,632,038)	(3)	\$ (17,094,779)
Real Estate Construction	-	-	-	-	-	-	-
Real Estate Mortgage	-	(165,830)	(3,376,933)	(2,701,689)	-	-	(6,244,452)
Consumer and Other	(57,346)	(34,075)	(51,724)	(6,844)	(693)	(11,705)	(162,387)
	<b>\$ (558,131)</b>	<b>\$ (6,135,063)</b>	<b>\$ (7,368,881)</b>	<b>\$ (2,795,104)</b>	<b>\$ (6,632,731)</b>	<b>(11,708)</b>	<b>\$ (23,501,618)</b>

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 4: Loans (Continued)

	2024	2023	2022	2021	2020	Prior	Total
<b>2024</b>							
<b>Pass</b>							
Commercial, Financial, and Agricultural	\$ 78,741,582	\$ 143,944,108	\$ 125,997,261	\$ 45,958,714	\$ 8,472,378	\$ 34,703,636	\$ 437,817,679
Real Estate Construction	43,893,904	86,476,313	56,759,372	15,956,225	2,350,833	2,257,172	207,693,819
Real Estate Mortgage	226,202,446	79,764,238	172,324,389	145,519,898	45,420,868	120,135,256	789,367,095
Consumer and Other	2,320,885	2,007,585	2,076,429	10,650,666	917,772	5,070,961	23,044,298
	351,158,817	312,192,244	357,157,451	218,085,503	57,161,851	162,167,025	1,457,922,891
<b>Special Mention</b>							
Commercial, Financial, and Agricultural	4,165,120	357,145	521,855	108,210	53,898	1,166,247	6,372,475
Real Estate Construction	-	44,711	-	-	326,524	-	371,235
Real Estate Mortgage	983,593	7,847,917	2,162,684	230,582	-	2,374,943	13,599,719
Consumer and Other	-	-	-	-	-	-	-
	5,148,713	8,249,773	2,684,539	338,792	380,422	3,541,190	20,343,429
<b>Substandard</b>							
Commercial, Financial, and Agricultural	-	1,053,073	804,973	611,961	1,789,283	26,295	4,285,585
Real Estate Construction	-	4,287,641	-	-	-	109,170	4,396,811
Real Estate Mortgage	-	150,000	4,036,045	864,602	-	24,100	5,074,747
Consumer and Other	-	-	-	-	-	-	-
	-	5,490,714	4,841,018	1,476,563	1,789,283	159,565	13,757,143
<b>Doubtful</b>							
Commercial, Financial, and Agricultural	-	-	-	-	-	-	-
Real Estate Construction	-	-	-	-	-	-	-
Real Estate Mortgage	-	-	-	-	153,531	499,864	653,395
Consumer and Other	-	-	-	-	-	-	-
	-	-	-	-	153,531	499,864	653,395
	\$ 356,307,530	\$ 325,932,731	\$ 364,683,008	\$ 219,900,858	\$ 59,485,087	\$ 166,367,644	\$ 1,492,676,858
<b>Current year to date period write-offs</b>							
Commercial, Financial, and Agricultural	\$ (13,992,384)	\$ (14,093,762)	\$ (7,414,099)	\$ (2,663,020)	\$ (575,289)	\$ (351,447)	\$ (39,090,001)
Real Estate Construction	-	(1,845,675)	(908,224)	-	-	31,944	(2,721,955)
Real Estate Mortgage	(90,000)	(1,912,000)	-	(563,935)	-	(32,294)	(2,598,229)
Consumer and Other	(42,167)	-	(11,398)	(414,900)	-	(56,970)	(525,435)
	\$ (14,124,551)	\$ (17,851,437)	\$ (8,333,721)	\$ (3,641,855)	\$ (575,289)	\$ (408,767)	\$ (44,935,620)

Past due balances and loans on nonaccrual status at December 31, 2025 and 2024, by loan classification, are as follows:

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 4: Loans (Continued)

	Past Due 30-89 Days and Still Accruing	Past Due 90 days or more and Still Accruing	Total Past Due and Accruing	Loans on Nonaccrual with Allowance	Loans on Nonaccrual without Allowance	Current	Total Loans
<b>2025</b>							
Commercial, financial, and agricultural	\$ 11,557,329	\$ -	\$ 11,557,329	\$ 8,575,219	\$ 4,814,016	\$ 263,861,865	\$ 288,808,429
Real estate - construction	5,597,779	373,642	5,971,421	1,700,000	4,885,818	143,396,519	155,953,758
Real estate - mortgage	6,256,516	-	6,256,516	1,671,275	18,694,157	707,663,541	734,285,489
Consumer and other	156,408	-	156,408	-	39,397	17,827,622	18,023,427
	\$ 23,568,032	\$ 373,642	\$ 23,941,674	\$ 11,946,494	\$ 28,433,388	\$ 1,132,749,547	\$ 1,197,071,103

	Past Due 30-89 Days and Still Accruing	Past Due 90 days or more and Still Accruing	Total Past Due and Accruing	Loans on Nonaccrual with Allowance	Loans on Nonaccrual without Allowance	Current	Total Loans
<b>2024</b>							
Commercial, financial, and agricultural	\$ 2,078,172	\$ -	\$ 2,078,172	\$ -	\$ 4,652,611	\$ 441,744,956	\$ 448,475,739
Real estate - construction	994,640	-	994,640	-	4,441,522	207,025,703	212,461,865
Real estate - mortgage	2,022,499	520,739	2,543,238	-	16,640,885	789,492,833	808,676,956
Consumer and other	112,597	-	112,597	-	-	22,931,701	23,044,298
	\$ 5,207,908	\$ 520,739	\$ 5,728,647	\$ -	\$ 25,735,018	\$ 1,461,195,193	\$ 1,492,658,858

At December 31, 2025 and 2024, loans reported as past due 90 days or more still accruing includes approximately \$374,000 and \$774,000, respectively, of loans that were past due for maturity that were in process of renewal.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 4: Loans (Continued)

Information regarding collateral dependent loans as of December 31, 2025 and 2024 follows:

	Real Estate	Equipment, AR and Inventory	Recorded Investment	Related Allowance
<b>2025</b>				
Commercial, financial, and agricultural	\$ -	\$ 39,698,341	\$ 39,698,341	\$ 10,742,529
Real estate construction	11,716,685	-	11,716,685	215,000
Real estate mortgage	31,767,954	-	31,767,954	1,024,493
<b>Total</b>	<b>43,484,639</b>	<b>39,698,341</b>	<b>83,182,980</b>	<b>11,982,022</b>
<b>2024</b>				
Commercial, financial, and agricultural	3,837,720	7,123,295	10,961,015	1,080,123
Real estate construction	5,457,430	-	5,457,430	-
Real estate mortgage	20,720,026	-	20,720,026	-
Consumer and other	-	-	-	-
<b>Total</b>	<b>\$ 30,015,176</b>	<b>\$ 7,123,295</b>	<b>\$ 37,138,471</b>	<b>\$ 1,080,123</b>

The Company did not have any loan modifications to borrowers experiencing financial difficulty during the years ended December 31, 2025 and 2024.

The Company entered into the mortgage loan resale market during 2007 and executed investor agreements for the sale of certain mortgage loans originated and any related servicing. The agreements vary by investor but may include recourse provisions based on conditions specified in the agreements, such as early payment default or early payoff. All agreements are subject to breach of contract clauses. Total mortgage loans sold to investors subject to recourse provisions were approximately \$38,365,000 and \$44,340,000 as of December 31, 2025 and 2024, respectively. The Company did not record an estimate of the potential recourse liability as of December 31, 2025 or 2024.

The Company has elected to hold certain mortgage loans originated by the mortgage division of the Bank, and contracts with a third-party service provider for servicing. Mortgage loans held by the Company and serviced by a third-party were approximately \$100,903,000 and \$106,410,000 as of December 31, 2025 and 2024, respectively, and are reported in loans in the consolidated balance sheets.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 5: Other Real Estate

Other real estate consists of the following at December 31, 2025 and 2024:

	2025	2024
Real estate residential	\$ 816,936	\$ -
Real estate construction	81,000	5,708,180
Real estate commercial	675,000	-
<b>Total</b>	<b>\$ 1,572,936</b>	<b>\$ 5,708,180</b>

An analysis of other real estate at December 31, 2025 and 2024 is as follows:

	2025	2024
Balance, beginning of year	\$ 5,708,180	\$ 129,628
Additions	7,598,299	5,602,680
Writedowns	(24,500)	-
Sale proceeds	(12,101,830)	(3,037)
Gain (loss) on sale of other real estate	392,787	(21,091)
<b>Balance, end of year</b>	<b>\$ 1,572,936</b>	<b>\$ 5,708,180</b>

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 6: Premises and Equipment

An analysis of premises and equipment at December 31, 2025 and 2024 is as follows:

	<b>2025</b>	<b>2024</b>
Land	\$ 5,505,609	\$ 5,505,609
Buildings and improvements	18,142,324	15,059,012
Equipment	4,897,753	4,676,142
Furniture and fixtures	2,539,276	2,055,635
Software	99,516	99,516
Vehicles	121,294	121,294
<b>Subtotal</b>	<b>31,305,772</b>	<b>27,517,208</b>
<b>Accumulated depreciation</b>	<b>(7,710,650)</b>	<b>(6,677,545)</b>
<b>Subtotal</b>	<b>23,595,122</b>	<b>20,839,663</b>
Construction in process	-	797,772
Right-of-use assets (See Note 11)	2,386,055	2,552,334
<b>Total</b>	<b>\$ 25,981,177</b>	<b>\$ 24,189,769</b>

Depreciation and amortization expense charged to operations amounted to approximately \$1,033,000 and \$1,021,000 for the years ended December 31, 2025 and 2024, respectively.

### Note 7: Deposits

The Company has approximately \$234,094,000 and \$256,687,000 of time deposits with a minimum denomination of \$250,000 at December 31, 2025 and 2024, respectively. In addition, at December 31, 2025 and 2024, the Company has approximately \$296,118,000 and \$379,117,000 in brokered deposits, respectively. The maturity schedule for all outstanding time deposits as of December 31, 2025, is as follows:

	<b>2025</b>
2026	\$ 631,057,463
2027	100,978,050
2028	60,845,515
2029	557,482
2030	1,015,417
<b>Total</b>	<b>\$ 794,453,927</b>

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### Note 8: Restricted Equity Securities and Borrowings

As of December 31, 2025 and 2024, the Company owned stock in the FHLB with a total cost of \$1,348,700 and \$1,259,700, respectively. The Bank earns quarterly dividends on the stock. At December 31, 2025 and 2024, the Company also owned stock in First National Bankers Bank with a total cost of \$249,885 and \$249,885. The stocks are restricted investments reported at cost and included in restricted equity securities. These investments were not evaluated for impairment as the Company did not identify any events or changes in circumstances that may have a significant adverse effect on the fair value of these investments. The Company estimated that the fair value was equal to cost and not impaired.

As of December 31, 2025 and 2024 the Company had no FHLB advances.

As of December 31, 2025, the Company has a \$75,000,000 FHLB letter of credit in favor of the State of Alabama to provide additional collateral for public deposits held for customers under the SAFE Program and FHLB letters of credit totaling \$98,261,000 for bank customers.

Certain investment securities, on occasion, are held as collateral for FHLB credit availability. Additional qualifying collateral for the FHLB advances and letter of credit is determined using loan advance rates specified in the agreement and consisted of certain commercial and residential real estate loans with lendable collateral values totaling approximately \$114,421,000 and \$114,159,000 as of December 31, 2025 and 2024, respectively. At December 31, 2025, the remaining credit availability with the FHLB was approximately \$16,160,000 million based on the remaining lendable collateral value.

The Company has cash pledged to the FHLB totaling approximately \$25,000,000 as of December 31, 2025. The Company had no cash pledged to the FHLB as of December 31, 2024.

The Company has several unsecured correspondent bank federal funds lines of credit with total commitments of \$33,000,000 and \$58,500,000 as of December 31, 2025 and 2024, respectively, which are subject to renewal on various dates. As of December 31, 2025 and 2024 there are no advances outstanding.

The Company also has access to borrow funds from the Federal Reserve Bank discount window of approximately \$158,703,000 as of December 31, 2025. The Bank had no Federal Reserve Bank discount window borrowings outstanding as of December 31, 2025 or 2024.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 9: Subordinated Debentures

On June 2, 2021, the Company completed the offering and sale of \$30,000,000 in aggregate principal amount of fixed-to-floating rate subordinated notes. The proceeds of the offering, net of offering costs of approximately \$595,000, were approximately \$29,405,000. Net offering costs remaining at December 31, 2025 and 2024 were \$340,505 and \$396,043, respectively.

Subordinated notes consisted of the following as of December 31, 2025 and 2024:

	<b>2025</b>	<b>2024</b>
Subordinated notes, net of issuance costs issued in June 2021, due 2031, fixed rate of 3.875% during the first five years and at a floating rate of 3.19% above the then three-month Secured Overnight Financing Rate (SOFR), reset quarterly thereafter	\$ 23,742,142	\$ 23,694,538
Subordinated notes, net of issuance costs issued in June 2021, due 2036, fixed rate of 4.25% during the first ten years and at a floating rate of 2.91% above the then three-month SOFR, reset quarterly thereafter	5,917,353	5,909,419
	\$ 29,659,495	\$ 29,603,957

### Note 10: Junior Subordinated Debentures

During 2022, the Company acquired, through a business combination, Junior Subordinated Debentures issued by Merchants Financial Services, Inc. ("Merchants"). On February 22, 2006, Merchants formed a wholly owned Delaware statutory trust, Merchant Financial Services Trust I (the "Trust"), which issued \$5,000,000 in Junior Deferrable Interest Debentures (the "Trust Preferred Securities"). The Company owns all of the common securities of the Trust. The proceeds from the issuance of the common securities and the Trust Preferred Securities were used by the Trust to purchase \$5,155,000 of junior subordinated debentures of Merchants, which carry a floating rate of interest equal to the 3 month SOFR plus 145 basis points. At December 31, 2025 and 2024, the net carrying value was \$4,144,137 and \$4,046,312, respectively, and the rate was 5.32%. The debentures and related accrued interest represent the sole assets of the Trust.

The Trust Preferred Securities accrue and pay distributions quarterly, at an interest rate equal to the 3 month SOFR plus 145 basis points. The Company has entered into contractual arrangements which, taken collectively, fully and unconditionally guarantee payment of accrued and unpaid distributions required to be paid on the Trust Preferred Securities, the redemption price with respect to any Trust Preferred Securities called for redemption by the Trust, and payments due upon a voluntary or involuntary dissolution, winding up, or liquidation of the Trust.

The Trust Preferred Securities are mandatorily redeemable upon maturity of the debentures on April 7, 2036, or upon earlier redemption as provided in the indenture. The Company has the right to redeem the debentures purchased by the Trust in whole or in part, on or after April 7, 2011. As specified in the indenture, if the debentures are redeemed prior to maturity, the redemption price will be the unpaid principal amount, plus any accrued unpaid interest.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### Note 11: Leases

The Company leases buildings for four of its branch locations. The majority of leases entered into include one or more options to renew. The renewal terms can extend the lease term from one to twenty-five years. The exercise of lease renewal options is at the Company's sole discretion. Renewal option periods are included in the measurement of the ROU asset and lease liability when the exercise is reasonably certain to occur.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments plus variable payments. The Company pays for real estate taxes, insurance, and maintenance under this lease. These variable lease payments are not included in lease payments used to determine the lease liability and are recognized as variable costs when incurred.

The operating lease ROU asset and lease liability in amounts of \$2,386,055 and \$2,471,545, respectively, at December 31, 2025 and the operating lease ROU asset and lease liability in amounts of \$2,552,334 and \$2,705,225, respectively, at December 31, 2024 are included in the following asset and liability accounts on the balance sheet: net premises and equipment and accrued expense and other liabilities.

Components of lease expense were as follows for the years ended December 31, 2025 and 2024:

Lease cost	2025	2024
Operating lease expense	\$ 367,289	\$ 373,118
Total lease cost	\$ 367,289	\$ 373,118

Supplemental cash flow information related to leases is as follows for the years ended December 31, 2025 and 2024:

Other information	2025	2024
Operating cash flows from operating leases	\$ 357,210	\$ 324,650
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 152,892
	<b>2025</b>	<b>2024</b>
Weighted-average remaining life in years - Operating leases	8.56	9.56
Weighted-average discount rate - Operating leases	2.00 %	2.00 %

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 11: Leases (Continued)

Maturities of lease liabilities are as follows as of December 31, 2025:

<i>Years Ended December 31,</i>	<b>2025</b>
2026	\$ 357,894
2027	324,606
2028	242,692
2029	246,433
2030	252,107
Thereafter	1,255,128
<b>Total lease payments</b>	<b>2,678,860</b>
<b>Less imputed interest</b>	<b>(207,315)</b>
<b>Total</b>	<b>\$ 2,471,545</b>

### Note 12: Income Taxes

Provisions for federal and state income taxes are based on amounts reported in the consolidated statements of income (after exclusion of nontaxable income items such as interest earned on tax-exempt municipal securities and bank-owned life insurance) and include deferred taxes on temporary differences in the recognition of income and expense for tax and financial statement purposes.

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

	<b>2025</b>	<b>2024</b>
Current tax expense:		
Federal	\$ -	\$ 4,376,824
State	-	1,043,198
<b>Total current</b>	<b>-</b>	<b>5,420,022</b>
Deferred tax (benefit) expense:		
Federal	(2,176,119)	(7,335,655)
State	(849,353)	(1,791,995)
<b>Total deferred</b>	<b>(3,025,472)</b>	<b>(9,127,650)</b>
<b>Total</b>	<b>\$ (3,025,472)</b>	<b>\$ (3,707,628)</b>

A summary of the sources of differences between income taxes at the federal statutory rate and the provision for

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 12: Income Taxes (Continued)

income taxes for the years ended December 31, 2025 and 2024, is as follows:

	2025		2024	
Tax expense at statutory rate	\$ (2,829,312)	21.00 %	\$ (2,743,155)	21.00 %
Increase (decrease) in taxes resulting from:				
State income taxes, net of federal benefit	(674,905)	5.01	(591,566)	4.53
Federal tax credits	(234,890)	1.74	(218,838)	1.68
Nontaxable or nondeductible items	(153,388)	1.14	(109,946)	0.84
Other	867,023	(6.44)	(44,123)	0.34
<b>Total</b>	<b>\$ (3,025,472)</b>	<b>22.45 %</b>	<b>\$ (3,707,628)</b>	<b>28.39 %</b>

At December 31, 2025, the Company has available net operating loss carryforwards of approximately \$14,499,000 for federal tax purposes and approximately \$12,461,000 for state tax purposes. If unused, the state net operating loss carryforward will begin to expire in 2039.

The components of the net deferred tax assets (liabilities) as of December 31, 2025 and 2024, are as follows:

	2025		2024	
Deferred tax assets:				
Federal	\$ 13,244,115		\$ 15,537,808	
State	3,165,846		3,230,809	
<b>Total deferred tax assets</b>	<b>16,409,961</b>		<b>18,768,617</b>	
Deferred tax liabilities:				
Federal	(1,993,114)		(2,858,860)	
State	(746,767)		(698,378)	
<b>Total deferred tax liabilities</b>	<b>(2,739,881)</b>		<b>(3,557,238)</b>	
<b>Net deferred tax assets</b>	<b>\$ 13,670,080</b>		<b>\$ 15,211,379</b>	

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 12: Income Taxes (Continued)

Deferred tax assets:		
Allowance for credit losses	\$ 7,434,852	\$ 13,386,742
Deferred loan fees	380,171	513,492
Accrued expenses and other liabilities	-	297,217
Deferred compensation	612,158	569,876
Loan discounts	263,562	352,479
Other real estate	62,720	56,306
Organizational costs	1,699	2,003
Investments fair value adjustments	-	373,336
Lease liability	645,938	687,775
Net unrealized losses on securities	2,001,861	2,312,271
Other	694,959	217,120
Credit carryforwards	1,186,716	-
NOL carryforward	3,684,683	-
<b>Total deferred tax assets</b>	<b>16,969,319</b>	<b>18,768,617</b>
Deferred tax liabilities:		
Depreciation	(1,858,116)	(1,833,338)
Deferred loan costs	(26,362)	(52,787)
Interest rate lock commitments and forward contracts	(72,535)	(83,038)
Prepaid expenses	-	(135,352)
Right-of-use asset	(623,596)	(666,925)
Core deposit intangible	(419,624)	(489,467)
TRUPs (Trust Preferred Securities)	(264,189)	(289,700)
Other	(34,817)	(6,631)
<b>Total deferred tax liabilities</b>	<b>(3,299,239)</b>	<b>(3,557,238)</b>
<b>Net deferred tax assets</b>	<b>\$ 13,670,080</b>	<b>\$ 15,211,379</b>

Pursuant to ASC 740-10-30-2, deferred tax assets and liabilities are measured using enacted tax rates applicable to taxable income in the years in which those temporary differences are expected to be recovered or settled. Additionally, deferred tax assets and liabilities are subject to a more likely than not test. Management believes that it is more likely than not that the net deferred tax assets or liabilities will be realized based on future operations of the Company and Bank.

The Company measures and recognizes tax positions taken or expected to be taken in a tax return that directly or indirectly affects amounts reported in the Company's consolidated financial statements and reviews its income tax positions to determine if each position meets a "more likely than not" threshold of expectation of prevailing. As of December 31, 2025 and 2024, the Company has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements under the current guidance. The Company's Federal and State income tax returns for the tax years 2022 through 2025 are subject to audit.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### **Note 12: Income Taxes** (Continued)

The Company invests in qualified low income housing projects. At December 31, 2025 and 2024, the balance of the investment in low income housing tax credits amounted to \$2,028,423 and \$2,471,295, respectively.

During the years ended December 31, 2025 and 2024, the Company recognized amortization expense on its investment in low income housing tax credits of \$442,872 and \$443,962, respectively, and also recognized tax credits and other benefits from its investment in low housing tax credits of \$442,872 and \$532,534, respectively. These amounts are reported net within income tax benefit in the consolidated statements of operations.

### **Note 13: Concentrations**

Most of the Company's deposit and lending activities are with customers located within Alabama. The Company grants commercial, residential, and consumer loans primarily to customers in Alabama. The concentrations of loans by type are set forth in Note 4.

### **Note 14: Financial Instruments with Off-balance-sheet Risk**

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 and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other parties to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The Company may require collateral or other security to support financial instruments with credit risk. The total collateral values, which consisted primarily of real estate, accounts receivable, inventory, and equipment and may be cross-collateralized for loans, was greater than the secured letters of credit. There was no liability recorded for these guarantees at December 31, 2025 or 2024.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 14: Financial Instruments with Off-balance-sheet Risk (Continued)

Performance and financial letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extended loan facilities to customers. The approximate outstanding notional amount of off-balance-sheet risk at December 31 is as follows:

	2025	2024
Performance and financial letters of credit	\$ 24,442,033	\$ 27,198,792
Unused lines of credit	127,022,706	194,235,404
<b>Total</b>	<b>\$ 151,464,739</b>	<b>\$ 221,434,196</b>

### Note 15: Benefit Plans

The Company has a deferred compensation plan described as an Employee Stock Ownership Plan with 401(k) provisions (KSOP). The Company makes a matching contribution to each eligible participant's account in an amount equal to 50% of a participant's elective contributions up to 6 percent of such participant's eligible compensation. Participants may make elective contributions up to the maximum amount permitted by law. The Company may also make an additional non-elective contribution to the plan, at its discretion. Under the KSOP, the Company may, at its discretion, make an annual contribution to the KSOP in cash or in Company stock, if available, up to the maximum amount allowed by federal law. The contributions are allocated to all participants in the ratio that each participant's compensation for the year bears to all participants' compensation for that year. The Company's matching contribution to the Plan is made by issuing common stock to the Plan by releasing treasury stock held.

Any employee of the Company or the Bank is eligible for participation as of the first day of the Plan quarter coinciding with or next following the date they satisfy the following requirements: (1) the earlier of (i) completion of a year of service, or (ii) completion of 1,000 hours of service during an eligible computation period, and (2) attainment of 21 years of age. An employee's contribution is always 100% vested in their contributions. An employee becomes vested in the employer matching and employer discretionary profit sharing contributions in 20% increments commencing after completion of two years of service until completing his or her sixth year of service, at which time he or she is deemed to be one hundred percent (100%) vested. Upon an employee's termination of employment, the employee's interest in the KSOP may be distributed to him or her in either one lump sum payment, or over a period not more than their assumed life expectancy.

The compensation cost relating to the KSOP was approximately \$410,000 and \$265,000 for the years ended December 31, 2025 and 2024, respectively, and is included in salaries and employee benefits expense on the consolidated statements of operations.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### Note 15: Benefit Plans (Continued)

During 2021, the Bank adopted an Executive Performance and Retention Plan (the “Plan”). The Plan is a nonqualified benefit plan, which provides highly compensated or management employees of the Company benefits in the future, usually at retirement, in return for continued satisfactory performance by the employee. The Plan’s expenses are offset by earnings on life insurance policies. The cash surrender value and net earnings on the related policies amounted to approximately \$13,694,000 and \$317,000 and \$12,967,000 and \$307,000, respectively, as of and for the years ended December 31, 2025 and 2024. Additionally, at December 31, 2025 and 2024, the Bank has recorded a liability for the present value of the future benefits to be paid under the Plan amounting to approximately \$2,342,000 and \$2,181,000, respectively and is included in accrued expense and other liabilities on the consolidated balance sheets. Expense related to the Plan amounted to approximately \$224,000 and \$376,000 for the years ended December 31, 2025 and 2024.

### Note 16: Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by its primary federal regulator, the FDIC. Failure to meet the minimum regulatory capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank and the Company's consolidated financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of the Bank’s assets, liabilities, and certain offbalancesheet 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.

On November 3, 2025, the Bank entered into a Consent Order (the “Order”) with the Federal Deposit Insurance Corporation (FDIC) and the Alabama State Banking Department. The Agreement was released in November 2025. The Order requires the Board of Directors to bring about correction of currently identified problems at the Bank by the FDIC and Alabama State Banking Department. The primary actions that were to be undertaken include, but are not limited to:

- The Order required that by March 31, 2026, the Bank shall have and maintain a Tier 1 Leverage Capital Ratio to a minimum of eight percent and a minimum of nine percent by December 31, 2026.
- Increased supervision and direction of Bank management, including approval of sound policies, procedures and objectives for the supervision of all the Bank’s activities, regular meetings (minimum monthly) to review regular business of the Bank and compliance with the Order and establish a Directors Committee to oversee the Bank’s compliance with the Order.
- Improve Credit Risk Management and Asset Quality with the following (1) annual reviews of all credit relationships in excess of one million dollars; (2) ensure all financial information is received and analyzed prior to origination or renewal of any credit; (3) document loan exceptions and report to the loan committee and the Board monthly; (4) strength loan policy provisions; (5) conduct stress testing during underwriting process for credit relationships in excess of one million dollars; and (5) engage outside party to review credit portfolios with certain criteria and all loan relationships greater than one million dollars.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

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### **Note 16: Regulatory Capital** (Continued)

- Preparation of detailed written plans to (1) reduce credit and collateral exceptions; (2) improve the Bank's credit risk rating system and procedures; (3) adopt an annual credit review program; (4) reduce criticized asset levels and develop strategies to reduce those levels; (5) address concentrations of credit; and (6) ensure the timely establishment and maintenance of an adequate ACL, with losses booked incorporated into the ACL factors and properly updated for any additional losses.

As of December 31, 2025, the Company and Bank were not in compliance with all requirements of the Order. Compliance with the Order is monitored by a committee made up of members of the Board of Directors of the Bank and quarterly written compliance progress reports are required to be furnished to the supervisory authorities within 30 days of each quarter end. Failure to comply with the Order could result in further regulatory action and oversight.

The Bank does not qualify as being well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, CET1 risk-based, and Tier 1 leverage ratios as set forth in the following table and not be subject to any formal enforcement action. As described above, the Bank is operating under a consent order and is considered to be operating at an insufficient level of capital, and is considered 'adequately capitalized' at December 31, 2025.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 16: Regulatory Capital (Continued)

The Bank's actual capital amounts and ratios, and minimum amounts under current regulatory standards, as of December 31, 2025 and 2024 are presented in the following table:

	Actual		For Capital Adequacy Purposes (includes the conservation buffer for the Bank only)		To Be Well-Capitalized Under the Prompt Corrective Action Provisions	
	Amount	Percent	Amount	Percent	Amount	Percent
As of December 31, 2025						
Total Capital						
Total capital to risk weighted assets	\$ 125,814	10.52 %	\$ 125,578	10.50 %	\$ 119,599	10.00 %
Tier 1 capital to risk weighted assets	\$ 110,698	9.26 %	\$ 101,659	8.50 %	\$ 95,679	8.00 %
CET1 capital to risk weighted assets	\$ 110,698	9.26 %	\$ 83,719	7.00 %	\$ 77,739	6.50 %
Tier 1 capital to average total assets	\$ 110,698	7.07 %	\$ 62,586	4.00 %	\$ 78,233	5.00 %
As of December 31, 2024						
Tier 1 Capital						
Total capital to risk weighted assets	\$ 134,542	8.91 %	\$ 158,585	10.50 %	\$ 151,033	10.00 %
Tier 1 capital to risk weighted assets	\$ 120,486	7.98 %	\$ 128,378	8.50 %	\$ 120,826	8.00 %
CET1 capital to risk weighted assets	\$ 120,486	7.98 %	\$ 105,723	7.00 %	\$ 98,172	6.50 %
Tier 1 capital to average total assets	\$ 120,486	6.72 %	\$ 71,754	4.00 %	\$ 89,692	5.00 %

### Note 17: Stock Options and Restricted Stock

The Bank established the 2015 Stock Incentive Plan (Stock Plan), which is an incentive stock plan for key employees and directors. The Stock Plan permits the granting of three types of awards which are non-statutory stock options, incentive stock options, and restricted stock awards.

#### Incentive Stock Options

The Board of Directors granted stock options under the employee stock incentive plan to certain employees and directors of the Bank in previous years. The 57,001 stock options issued in 2015 were exercised during 2025. During 2017, stock options for 80,000 shares were issued to certain employees and directors. The 2017 stock option awards vested immediately or annually over a three-year period. There were no stock options issued in 2025 or 2024.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 17: Stock Options and Restricted Stock (Continued)

The following table summarizes the activity related to options during 2025 and 2024:

	Number of Options	Weighted Average Exercise Price
Options outstanding, December 31, 2023	137,001	\$ 10.81
2024 - Activity		
Granted	-	-
Exercised	-	-
Options expired	-	-
Options outstanding, December 31, 2024	137,001	10.81
2025 - Activity		
Granted	-	-
Exercised	(57,001)	(10.42)
Cancellations and forfeitures	-	-
Options expired	-	-
Options outstanding, December 31, 2025	80,000	\$ 11.08

The maximum number of shares to be issued under the 2015 Stock Plan is 315,150 shares of common stock. At December 31, 2025, 134,850 shares were available to be issued.

<i>Years Ended December 31,</i>	<b>2025</b>	<b>2024</b>
Options exercisable, December 31	\$ 80,000	\$ 137,001
Weighted average remaining contractual life (in years):		
Options granted in 2015	-	0.60
Options granted in 2017	1.50	2.50

#### Restricted Stock Awards

During 2025, the Company issued 4,900 restricted stock grants to directors, that were held in escrow and vested in May 2025. During 2024, the Company issued 4,200 restricted stock grants to directors, that were held in escrow and vested in May 2024. The value of restricted stock awards expensed amounted to \$109,025 in 2025 and \$123,900 for 2024.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 18: Related-Party Transactions

As of December 31, 2025 and 2024, loans outstanding to executive officers, directors, principal shareholders, and their affiliates totaled \$9,092,038 and \$16,766,138, respectively. The activity related to insider loans is as follows:

	2025	2024
Beginning balance	\$ 16,766,138	\$ 16,362,260
Change in directors	(3,692,998)	33,273
New loans during the year	152,523	3,126,801
Repayments during the year	(4,133,625)	(2,756,196)
Ending balance	\$ 9,092,038	\$ 16,766,138

The Company holds interest-bearing and noninterest-bearing deposits from executive officers, directors, principal shareholders, and their affiliates of approximately \$16,551,000 and \$40,709,000 as of December 31, 2025 and 2024, respectively.

### Note 19: Fair Value Measurements

The Company reports fair value using the established categories within the fair value hierarchy (Note 2). The valuation methodologies used to determine the fair values of assets and liabilities reflect market participant assumptions and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The Company determines the fair values of financial assets and financial liabilities based on quoted market prices, where available.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

**Securities** – For securities available for sale, fair values are based on quoted market prices or dealer quotes. For other investments, fair value is estimated to be approximately the carrying amount.

**Loans Held for Sale** – For certain homogeneous categories of loans, such as some residential mortgage and other consumer loans, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and maturities.

**Derivatives** – The Bank estimates the fair value of IRLCs based on the value of the underlying mortgage loan, quoted agency MBS prices, and the probability that the mortgage loan will fund within the terms of the IRLC. The Bank estimates the fair value of forward sales commitments based on quoted MBS prices.

**Individually Evaluated Loans** – Nonrecurring fair value adjustments to individually evaluated loans reflect full or partial writedowns that are based on the loan's observable market price or current appraised value of the underlying collateral.

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 19: Fair Value Measurements (Continued)

Other Real Estate – Other real estate consists primarily of commercial or residential property or land. The fair values of other real estate are primarily based on independent appraisals of the underlying properties, net of any estimated selling costs. Nonrecurring fair value adjustments to other real estate reflect full or partial writedowns that are based on the real estate’s observable market price or current appraised value of the underlying collateral.

#### Items Measured at Fair Value on a Recurring Basis

The following fair value hierarchy table presents information about the Company's assets and liabilities measured at fair value on a recurring basis:

	<b>Fair Value Measurement at Report Date Using</b>			
	Fair Value	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2025</b>				
Assets:				
Securities available for sale:				
Mortgage-backed securities	\$ 25,165,540	\$ -	\$ 25,165,540	\$ -
State, county, and municipal securities	30,583,393	-	30,583,393	-
Trust preferred securities	2,440,000	-	2,440,000	-
Loans held for sale	2,447,491	-	2,447,491	-
Derivative asset	142,194	-	142,194	-
<b>December 31, 2024</b>				
Assets:				
Securities available for sale:				
Mortgage-backed securities	\$ 25,938,638	\$ -	\$ 25,938,638	\$ -
State, county, and municipal securities	30,515,127	-	30,515,127	-
Trust preferred securities	2,395,000	-	2,395,000	-
Loans held for sale	4,600,999	-	4,600,999	-
Derivative asset	125,547	-	125,547	-

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 19: Fair Value Measurements (Continued)

#### Items Measured at Fair Value on a Nonrecurring Basis

The following fair value hierarchy table presents information about the Company's assets and liabilities measured at fair value on a nonrecurring basis as of December 31, 2025 and 2024:

	<b>Fair Value Measurement at Report Date Using</b>			
	Fair Value	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2025				
Assets:				
Individually evaluated loans	\$ 71,200,958	\$ -	\$ -	\$ 71,200,958
Other real estate	1,572,936	-	-	1,572,936
December 31, 2024				
Assets:				
Individually evaluated loans	\$ 36,058,348	\$ -	\$ -	\$ 36,058,348
Other real estate	5,708,180	-	-	5,708,180

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 19: Fair Value Measurements (Continued)

The following presents quantitative information about nonrecurring Level 3 fair value measurements at December 31, 2025 and 2024:

	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range/Weighted Average
<b>2025</b>				
Individually evaluated loans	\$ 71,200,958	Market and/or income approach	Management discount on appraised values	10%
Other real estate	\$ 1,572,936	Market and/or income approach	Management discount on appraised values	10%
<b>2024</b>				
Individually evaluated loans	\$ 36,058,348	Market and/or income approach	Management discount on appraised values	10%
Other real estate	\$ 5,708,180	Market and/or income approach	Management discount on appraised values	10%

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 19: Fair Value Measurements (Continued)

The carrying value and estimated fair value of financial instruments at December 31, 2025 and 2024 follows, in thousands:

	Carrying Value	Estimated Fair Value	Fair Value Measurement at Report Date Using		
			Level 1	Level 2	Level 3
<b>December 31, 2025</b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 248,157	\$ 248,157	\$ 248,157	\$ -	\$ -
Securities available for sale	58,189	58,189	-	58,189	-
Loans held for sale	2,447	2,447	-	2,447	-
Loans, net	1,169,452	1,171,771	-	1,100,570	71,201
Accrued interest receivable	5,127	5,127	-	5,127	-
Derivative asset	142	142	-	142	-
<b>Total</b>	<b>1,483,514</b>	<b>1,485,833</b>	<b>248,157</b>	<b>1,166,475</b>	<b>71,201</b>
<b>Liabilities:</b>					
Deposits	1,435,705	1,385,479	-	1,385,479	-
Accrued interest payable	1,089	1,089	-	1,089	-
<b>Total</b>	<b>1,436,794</b>	<b>1,386,568</b>	<b>-</b>	<b>1,386,568</b>	<b>\$ -</b>
<b>December 31, 2024</b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 130,779	\$ 130,779	\$ 130,779	\$ -	\$ -
Securities available for sale	58,849	58,849	-	58,849	-
Loans held for sale	4,601	4,601	-	4,601	-
Loans, net	1,479,300	1,465,416	-	1,429,358	36,058
Accrued interest receivable	8,044	8,044	-	8,044	-
Derivative asset	126	126	-	126	-
<b>Total</b>	<b>1,681,699</b>	<b>1,667,815</b>	<b>130,779</b>	<b>1,500,978</b>	<b>36,058</b>
<b>Liabilities:</b>					
Deposits	1,624,680	1,577,729	-	1,577,729	-
Accrued interest payable	1,485	1,485	-	1,485	-
<b>Total</b>	<b>1,626,165</b>	<b>1,579,214</b>	<b>-</b>	<b>1,579,214</b>	<b>\$ -</b>

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 20: Mortgage Banking Activity

The Company, through the Bank, enters into interest rate lock commitments (IRLCs) with customers who have applied for residential mortgage loans and meet certain credit and underwriting criteria. These commitments expose the Company to market risk if interest rates change, and the loan is not economically hedged or committed to an investor. Commitments to originate loans do not necessarily reflect future cash requirements as some commitments are expected to expire without being drawn upon. Total commitments to originate loans carried a notional amount of approximately \$7,440,000 and \$7,566,000 at December 31, 2025 and 2024, respectively. The related interest rate lock commitment derivative asset was approximately \$142,000 and \$126,000 at December 31, 2025 and 2024, respectively.

The Bank also uses forward sales of MBS TBA's to manage its interest rate risk on interest rate lock commitments. There was no derivative liability related to the outstanding TBA's at December 31, 2025 and 2024.

There was no net gain (loss) on the derivatives related to the mortgage banking activities for the years ended December 31, 2025 and 2024, respectively.

### Note 21: Parent Company Only Financial Statements

Balance Sheets as of December 31:

ASSETS	2025	2024
Cash and due from banks	\$ 955,319	\$ 199,120
Investment in bank subsidiary	116,955,721	125,843,026
Goodwill	456,476	456,476
Other assets	166,837	236,827
<b>TOTAL ASSETS</b>	<b>\$ 118,534,353</b>	<b>\$ 126,735,449</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Subordinated debentures	\$ 33,803,632	\$ 33,650,269
Deferred tax liability	242,513	267,769
Accrued expense and other liabilities	116,000	116,000
<b>TOTAL LIABILITIES</b>	<b>34,162,145</b>	<b>34,034,038</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>84,372,208</b>	<b>92,701,411</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 118,534,353</b>	<b>\$ 126,735,449</b>

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 21: Parent Company Only Financial Statements (Continued)

Statements of Operations for the Years Ended December 31:

	2025	2024
<b>INCOME</b>		
Dividends from Subsidiary and Trust	\$ 1,200,000	\$ 3,747,254
Miscellaneous Income	16,684	-
<b>TOTAL INCOME</b>	<b>1,216,684</b>	<b>3,747,254</b>
<b>EXPENSES</b>		
Interest on subordinated debentures	1,240,539	1,240,539
Interest on TRUPs	416,400	464,067
Interest on line-of-credit	-	33,335
Other expenses	112,025	126,900
<b>TOTAL EXPENSES</b>	<b>1,768,964</b>	<b>1,864,841</b>
(Loss) income before income tax benefit and equity in undistributed (loss) earnings of subsidiary	(552,285)	1,882,413
Income tax benefit	407,402	431,649
(Loss) income before equity in undistributed (loss) earnings of subsidiary	(144,883)	2,314,062
Equity in undistributed loss of subsidiary	(10,302,564)	(11,669,079)
<b>NET LOSS</b>	<b>\$ (10,447,447)</b>	<b>\$ (9,355,017)</b>

# SouthPoint Bancshares, Inc

## Notes to Consolidated Financial Statements

### Note 21: Parent Company Only Financial Statements (Continued)

Statements of Cash Flows for the Years Ended December 31:

<i>Years Ended December 31,</i>	<b>2025</b>	<b>2024</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Loss	\$ (10,447,447)	\$ (9,355,017)
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed loss of subsidiary	10,302,564	11,669,079
Share-based compensation	109,025	123,900
Other, net	198,107	760,503
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>162,249</b>	<b>3,198,465</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal reduction on line of credit	-	(3,000,000)
Exercised stock options	593,950	-
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>593,950</b>	<b>(3,000,000)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>756,199</b>	<b>198,465</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>199,120</b>	<b>655</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>955,319</b>	<b>199,120</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 1,656,939	\$ 1,737,941