

**BNA BANCSHARES, INC.  
AND SUBSIDIARY**

**New Albany, Mississippi**

**December 31, 2025**

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**Independent Auditors' Report**

To the Stockholders and Directors  
BNA Bancshares, Inc. and Subsidiary  
New Albany, Mississippi

**Opinion**

We have audited the accompanying consolidated financial statements of BNA Bancshares, Inc. and Subsidiary (a Mississippi Corporation) (the Company), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024 and the results of their operations and their cash flows for the years 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

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

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

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

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

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

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

*Naul McKinney Professional Association*

Tupelo, Mississippi  
February 16, 2026

**Consolidated Balance Sheets**

**BNA BANCSHARES, INC. AND SUBSIDIARY**

**December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Cash and due from banks (Note 13)	\$ 30,752,390	\$ 19,773,684
Interest-bearing time deposits in bank	1,990,000	1,835,000
Debt securities available for sale, at fair value (net of allowance for credit losses of \$25,000 at 12/31/25 and \$0 at 12/31/24) (amortized cost of \$142,492,854 at 12/31/25 and \$156,938,076 at 12/31/24) (Note 2)	132,854,733	141,879,266
Debt securities held to maturity, at amortized cost (net of allowance for credit losses of \$4,169 at 12/31/25 and \$0 at 12/31/24) (fair value of \$88,588,115 at 12/31/25 and \$94,266,795 at 12/31/24) (Note 2)	102,463,015	111,991,897
Federal Home Loan Bank stock, at cost	2,783,200	2,678,200
First National Banker's Bankshares stock, at cost	359,000	359,000
Loans held for investments (Note 4)	541,861,257	454,987,688
Allowance for credit losses on loans	(7,771,843)	(6,923,301)
Accrued interest receivable	4,167,922	3,848,275
Premises and equipment, net (Note 5)	17,920,837	15,723,250
Deferred tax assets (Note 8)	7,257,097	8,184,111
Cash surrender value of life insurance	18,815,525	20,460,177
Foreclosed assets	927,244	721,140
Prepaid expenses	982,001	533,284
Other assets	247,152	239,141
<b>Total assets</b>	<u><u>\$ 855,609,530</u></u>	<u><u>\$ 776,290,812</u></u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities:</b>		
<b>Deposits</b>		
Noninterest-bearing demand	\$ 105,002,349	\$ 101,323,105
Interest-bearing demand	123,444,399	123,313,793
Money market and savings	225,258,555	233,154,758
Time, \$100,000 and over (Note 6)	177,264,071	159,689,914
Other time (Note 6)	64,965,053	61,441,853
<b>Total deposits</b>	<u>695,934,427</u>	<u>678,923,423</u>
Accrued interest payable	1,419,335	1,304,998
Escrow payable	693,929	528,274
Borrowed funds (Note 7)	60,000,000	10,000,000
Other liabilities	6,318,905	5,206,380
<b>Total liabilities</b>	<u>764,366,596</u>	<u>695,963,075</u>
<b>Stockholders' equity:</b>		
Common stock - Class A, \$ 5 par value; 1,707,880.5 shares authorized and issued (Note 19)	8,539,402	8,539,402
Common stock - Class B, \$ 5 par value; 92,119.5 shares authorized and issued (Note 19)	460,598	460,598
Unearned ESOP shares	(150,342)	(653,163)
Surplus	89,899,794	84,199,794
Undivided profits	2,269,470	1,977,354
Accumulated other comprehensive loss (Note 16)	(9,775,988)	(14,196,248)
<b>Total stockholders' equity</b>	<u>91,242,934</u>	<u>80,327,737</u>
<b>Total liabilities and stockholders' equity</b>	<u><u>\$ 855,609,530</u></u>	<u><u>\$ 776,290,812</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated Statements of Income**  
**BNA BANCSHARES, INC. AND SUBSIDIARY**

Years ended December 31, 2025 and 2024

	<i>2025</i>	<i>2024</i>
Interest and dividend income:		
Loans, including related fees	\$ 35,673,959	\$ 31,678,989
Debt securities:		
U.S. Government agencies	60,461	351,946
Obligations of state and political subdivisions	2,964,977	3,123,317
Mortgage-backed	3,834,959	2,872,894
Deposits with other financial institutions	544,378	906,591
Dividends	93,200	145,400
Other interest income	24,511	43,532
Total interest and dividend income	43,196,445	39,122,669
Interest expense:		
Deposits	15,327,966	16,502,693
Federal funds purchased	7,327	4,349
Other borrowed funds	889,557	500,964
Total interest expense	16,224,850	17,008,006
Net interest income	26,971,595	22,114,663
Provision for credit losses	1,389,169	360,986
Net interest income after provision for credit losses	25,582,426	21,753,677
Noninterest income:		
Service fees	2,921,307	2,832,437
Other	1,395,380	4,118,489
Net gain (loss) on sale of foreclosed assets	(153,055)	233,946
Net gain (loss) on disposition of debt securities	(480)	115
Total noninterest income	4,163,152	7,184,987
Noninterest expenses:		
Salaries and employee benefits	8,977,675	8,429,106
Occupancy expense, net of rental income	842,273	835,972
Equipment expense	2,383,886	2,022,901
Other general and administrative	2,942,707	2,461,520
Total noninterest expenses	15,146,541	13,749,499
Income before provision for income taxes	14,599,037	15,189,165
Provision for income taxes (Note 8)	3,450,206	3,401,980
Net income	\$ 11,148,831	\$ 11,787,185
Earnings per share	\$ 6.19	\$ 6.55

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated Statements of Comprehensive Income**  
**BNA BANCSHARES, INC. AND SUBSIDIARY**

**Years ended December 31, 2025 and 2024**

	<i>2025</i>	<i>2024</i>
Net income	\$ 11,148,831	\$ 11,787,185
Other comprehensive income:		
Unrealized holding gains (losses) on available-for-sale securities	5,445,690	(2,657,853)
Amortization of unrealized loss on securities transferred from available-for-sale to held-to maturity	444,064	451,524
Reclassification adjustment for gains realized in net income	-	(115)
Other comprehensive income (loss) before tax	5,889,754	(2,206,444)
Tax effect	(1,469,494)	550,509
Other comprehensive income (loss)	4,420,260	(1,655,935)
Comprehensive income	\$ 15,569,091	\$ 10,131,250

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The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated Statements of Changes in Stockholders' Equity**

**BNA BANCSHARES, INC. AND SUBSIDIARY**

Years ended December 31, 2025 and 2024

	<i>Common Stock- Class A</i>	<i>Common Stock- Class B</i>	<i>Unearned ESOP Shares</i>	<i>Surplus</i>	<i>Undivided Profits</i>	<i>Accumulated Other Comprehensive Income (Loss)</i>	<i>Total Stockholders' Equity</i>
Balance, January 1, 2024	\$ 8,539,402	\$ 460,598	\$ (950,000)	\$ 77,799,794	\$ 1,565,962	\$ (12,540,313)	\$ 74,875,443
Net income	-	-	-	-	11,787,185	-	11,787,185
Other comprehensive loss	-	-	-	-	-	(1,655,935)	(1,655,935)
ESOP shares earned	-	-	296,837	-	-	-	296,837
Cash dividends declared - Class A Common Stock (\$2.75 per share)	-	-	-	-	(4,696,671)	-	(4,696,671)
Cash dividends declared - Class B Common Stock (\$3.03 per share)	-	-	-	-	(279,122)	-	(279,122)
Transfer to surplus	-	-	-	6,400,000	(6,400,000)	-	-
Balance, December 31, 2024	8,539,402	460,598	(653,163)	84,199,794	1,977,354	(14,196,248)	80,327,737
∞ Net income	-	-	-	-	11,148,831	-	11,148,831
Other comprehensive income	-	-	-	-	-	4,420,260	4,420,260
ESOP shares earned	-	-	502,821	-	-	-	502,821
Cash dividends declared - Class A Common Stock (\$2.85 per share)	-	-	-	-	(4,867,460)	-	(4,867,460)
Cash dividends declared - Class B Common Stock (\$3.14 per share)	-	-	-	-	(289,255)	-	(289,255)
Transfer to surplus	-	-	-	5,700,000	(5,700,000)	-	-
Balance, December 31, 2025	<u>\$ 8,539,402</u>	<u>\$ 460,598</u>	<u>\$ (150,342)</u>	<u>\$ 89,899,794</u>	<u>\$ 2,269,470</u>	<u>\$ (9,775,988)</u>	<u>\$ 91,242,934</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated Statements of Cash Flows**  
**BNA BANCSHARES, INC. AND SUBSIDIARY**

Years ended December 31, 2025 and 2024

	<i>2025</i>	<i>2024</i>
<b>Cash flows from operating activities:</b>		
Net income	\$ 11,148,831	\$ 11,787,185
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses on loans	1,360,000	360,986
Provision for credit losses on investments	29,169	-
Provision for foreclosed asset losses	256,100	-
Net amortization of securities	1,411,007	1,307,674
Depreciation and amortization of premises and equipment	658,486	699,235
Deferred income tax expense (benefit)	(542,479)	117,133
Net (gain) loss on disposition of debt securities	480	(115)
Net (gain) loss from sales of foreclosed assets	153,055	(233,946)
Stock dividend received	(85,700)	(142,400)
Net change in:		
Accrued interest receivable	(319,647)	(114,252)
Prepaid expenses	(448,717)	(4,069)
Other assets	(682,810)	(583,875)
Accrued interest payable	114,337	494,716
Other accrued liabilities	1,112,525	(3,238,130)
Net cash flows from operating activities	14,164,637	10,450,142
<b>Cash flows from investing activities:</b>		
Activity in available-for-sale securities:		
Proceeds from maturities, prepayments, and calls	15,533,460	6,914,539
Purchases	(2,018,642)	(39,830,528)
Activity in held-to-maturity securities:		
Proceeds from maturities, prepayments, and calls	9,487,694	28,775,156
Purchases	-	(4,698,154)
Net maturities (purchases) of interest-bearing time deposits in bank	(155,000)	811,061
Purchase of FHLB stock	(1,836,700)	-
Redemption of FHLB stock	1,817,400	-
Purchase of life insurance contracts	(3,383,272)	-
Redemption of life insurance contracts	5,702,723	-
Loan principal originations, net	(88,618,927)	(10,183,857)
Additions to premises and equipment	(2,856,073)	(338,840)
Proceeds from sales of foreclosed assets	618,641	431,445
Net cash flows from investing activities	(65,708,696)	(18,119,178)

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated Statements of Cash Flows - (Continued)**  
**BNA BANCSHARES, INC. AND SUBSIDIARY**  
**Years ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Cash flows from financing activities:</b>		
Net increase in deposits	\$ 17,011,004	\$ 3,453,963
Increase in escrow liability	165,655	49,222
Proceeds from long-term debt	50,000,000	-
Collections from ESOP loan	502,821	296,837
Cash dividends paid on common stock	<u>(5,156,715)</u>	<u>(4,975,793)</u>
Net cash flows from financing activities	<u>62,522,765</u>	<u>(1,175,771)</u>
Change in cash and cash equivalents	10,978,706	(8,844,807)
Cash and cash equivalents at beginning of year	<u>19,773,684</u>	<u>28,618,491</u>
Cash and cash equivalents at end of year	<u>\$ 30,752,390</u>	<u>\$ 19,773,684</u>
<b>Supplementary cash flow information:</b>		
Interest paid on deposits and borrowed funds	<u>\$ 16,110,513</u>	<u>\$ 16,551,144</u>
Income taxes paid	<u>\$ 3,651,758</u>	<u>\$ 4,169,009</u>

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The accompanying notes are an integral part of these consolidated financial statements.

## Notes to Consolidated Financial Statements

### BNA BANCSHARES, INC. AND SUBSIDIARY

December 31, 2025

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Principles of Consolidation*

The consolidated financial statements include the accounts of BNA Bancshares, Inc. (the Company), and its wholly owned subsidiary, BNA Bank (the Bank) which includes the Bank's subsidiary, BNA Insurance and Investment Services, Inc. All material intercompany balances and transactions have been eliminated in consolidation.

##### *Nature of Operations*

The Company, through its wholly owned subsidiary, BNA Bank, provides financial services to individuals and corporate customers located primarily in Northeast Mississippi. Although the Bank has a diversified loan portfolio, the majority of its loan customers are located in Union and Lee Counties, Mississippi. The Company is also subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities. The Company also offers various investment and insurance products through the Bank's wholly owned subsidiary, BNA Insurance and Investment Services, Inc.

##### *Use of Estimates*

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses and the valuation of foreclosed assets and deferred tax assets.

##### *Significant Group Concentrations of Credit Risk*

Most of the Bank's activities are with customers located within Union and Lee Counties, Mississippi. Note 2 discusses the types of securities that the Bank invests in. Note 4 discusses the types of lending that the Bank engages in. The Bank does not have any significant concentrations to any one industry or customer.

##### *Cash and Cash Equivalents*

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks and federal funds sold (if any).

##### *Interest-bearing Time Deposits in Banks*

Interest bearing time deposits in banks mature through 2028 and are carried at cost.

##### *Debt Securities*

Debt securities are classified as held to maturity when purchased if management has the positive intent and ability to hold the securities to maturity. Held to maturity securities are stated at amortized cost. Presently, the Company has no intention of establishing a trading classification. Securities not classified as held to maturity or trading are classified as available for sale. Available for sale securities are stated at fair value, with the unrealized gains and losses, net of tax, reported in accumulated other comprehensive income within stockholders' equity.

The amortized cost of securities, regardless of classification, is adjusted for amortization of premiums and accretion of discounts. Such amortization and accretion is included in interest income from securities, as is dividend income. Realized gains and losses on sales of securities are separately captioned on the consolidated statements of income. The cost of securities sold is based on the specific identification method.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Debt Securities*** (continued)

The Company evaluates its allowance for credit losses on the held to maturity investment portfolio on a quarterly basis in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic (“ASC”) 326, “Financial Instruments - Credit Losses” (“ASC 326”; ASC 326 is also referred to as “CECL”). Expected credit losses on debt securities classified as held to maturity are measured on a collective basis by major security type. The estimates of expected credit losses are based on historical default rates, investment grades, current conditions, and reasonable and supportable forecasts about the future. The allowance is increased through a provision for credit losses and decreased by charge-offs, net of recoveries of amounts previously charged-off. All the residential and commercial mortgage-backed securities recorded as held to maturity are issued by U.S. Government agencies and GSEs. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. The state and political subdivision securities are highly rated by major rating agencies.

The Company also evaluates available for sale investment securities in an unrealized loss position on a quarterly basis. If the Company intends to sell the security or it is more likely than not that it will be required to sell before recovery, the entire unrealized loss is recorded as a loss within noninterest income in the consolidated statements of income with a corresponding adjustment to the amortized cost basis of the security. If the Company does not intend to sell the security and it is not more likely than not that it will be required to sell the security before recovery of its amortized cost basis, the Company evaluates if any of the unrealized loss is related to a potential credit loss. The amount, if any, related to credit loss is recognized in earnings as a provision for credit losses and a corresponding allowance for credit losses is established; each is calculated as the difference between the estimate of discounted future cash flows and the amortized cost basis of the security. A number of qualitative and quantitative factors, including the financial condition of the underlying issuer and current and projected deferrals or defaults, are considered by management in the estimate of the discounted future cash flows. The remaining difference between the fair value and the amortized cost basis of the security is considered the amount related to other market factors and is recognized in other comprehensive income, net of applicable taxes.

Recognition of interest is discontinued on debt securities that are transferred to nonaccrual status. A number of qualitative factors, including the financial condition of the underlying issuer and current and projected deferrals or defaults, are considered by management in the determination of whether the debt security should be transferred to nonaccrual status. The interest on nonaccrual investment securities is accounted for on the cash-basis method until the debt security qualifies for return to accrual status. As a result of the Company’s policies requiring reversal of accrued interest on debt securities transferred to nonaccrual status, generally as a result of payment delinquency by the underlying issuer in excess of 90 days, the Company has made an accounting policy election to exclude accrued interest from the measurement of the allowance for credit losses for debt securities. As of December 31, 2025 and 2024, accrued interest receivable for debt securities amounted to approximately \$1,535,000 and \$1,662,000, respectively.

See Note 2, “Debt Securities,” for further details regarding the Company’s securities portfolio.

***Loans***

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their amortized cost or outstanding unpaid principal balances, in either case adjusted for charge-offs and the allowance for credit losses.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Generally, the recognition of interest on mortgage and commercial and industrial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Consumer and other retail loans are typically charged-off no later than the time the loan is 120 days past due. In all

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Loans (continued)*

cases, loans are placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful. Loans may be placed on nonaccrual regardless of whether or not such loans are considered past due. All interest accrued but not collected, for loans that are placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis, or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. As a result, the Company has made an accounting policy election to exclude accrued interest from the measurement of the allowance for credit losses. As of December 31, 2025 and 2024, accrued interest receivable for loans amounted to \$2,633,000 and \$2,187,000, respectively.

Restructured loans are those for which concessions have been granted to the borrower due to a deterioration of the borrower's financial condition and are performing in accordance with the new terms. Such concessions may include reduction in interest rates or deferral of interest or principal payments. In evaluating whether to restructure a loan, management analyzes the long-term financial condition of the borrower, including guarantor and collateral support, to determine whether the proposed concessions will increase the likelihood of repayment of principal and interest. Restructured loans that are not performing in accordance with their restructured terms that are either contractually 90 days past due or have been placed on nonaccrual status are reported as nonperforming loans.

The allowance for credit losses is an estimate of expected losses inherent within the Company's loans held for investment portfolio and is maintained at a level believed adequate by management to absorb credit losses inherent in such loan portfolio in accordance with ASC 326. Management evaluates the adequacy of the allowance for credit losses on a quarterly basis. Expected credit losses inherent in non-cancellable off-balance sheet credit exposures is accounted for as a separate liability included in other liabilities on the consolidated balance sheets. The allowance for credit losses for loans held for investment is adjusted by a provision for credit losses, which is reported in earnings, and reduced by net charge-offs. Loan losses are charged against the allowance for credit losses when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The credit loss estimation process involves procedures to appropriately consider the unique characteristics of the Company's loan portfolio segments. Credit quality is assessed and monitored by evaluating various attributes, and the results of those evaluations are utilized in underwriting new loans and in the Company's process for the estimation of expected credit losses. Credit quality monitoring procedures and indicators can include an assessment of problem loans, the types of loans, historical loss experience, new lending products, emerging credit trends, changes in the size and character of loan categories and other factors, including the Company's risk rating system, regulatory guidance and economic conditions, such as the unemployment rate and GDP growth in the markets in which the Company operates, as well as trends in the market values of underlying collateral securing loans, all as determined based on input from management, loan review staff and other sources. This evaluation is complex and inherently subjective, as it requires estimates by management that are inherently uncertain and therefore susceptible to significant revision as more information becomes available. Similarly, there may be significant changes in the allowance and provision for credit losses in future periods as the estimates and assumptions underlying such estimates are adjusted in light of then-prevailing factors and forecasts. Changes in any of the assumptions involved in the estimation process may result in significant changes in the allowance and provision for credit losses in those future periods. The methodology for estimating the amount of expected credit losses reported in the allowance for credit losses has two basic components: first, a collective (or pooled) component for estimating expected credit losses for pools of loans that share similar risk characteristics; and second, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Loans (continued)*

*Loans Evaluated on a Collective (Pool) Basis*

The allowance for credit losses for loans that share similar risk characteristics with other loans is calculated on a collective, or pool basis, where such loans are segregated into loan portfolio segments based upon similarity of credit risk. The company's primary loan portfolio segments are real estate, commercial, and consumer. Construction, 1-4 family mortgages, and commercial mortgages are included within the real estate segment.

The construction loan portfolio consists of loans for the construction of single-family residential properties, multi-family properties and commercial projects. Maturities for construction loans generally range from six to 12 months for residential properties and from 24 to 36 months for non-residential and multi-family properties. The source of repayment of a construction loan comes from refinance into an amortizing loan or the sale or lease of the newly constructed property.

The 1-4 family mortgage portfolio includes loans secured by first or second liens on residential real estate in which the property is the principal residence of the borrower, as well as loans secured by residential real estate in which the property is rented to tenants or is otherwise not the principal residence of the borrower. Finally, this portion of the real estate loan portfolio includes home equity loans or lines of credit and term loans secured by first and second mortgages on the residences of borrowers who elect to use the accumulated equity in their homes for purchases, refinances, home improvements, education and other personal expenditures. The Company attempts to minimize the risk associated with residential real estate loans by scrutinizing the financial condition of the borrower; typically, the maximum loan-to-value ratio is also limited.

The commercial mortgage portfolio (referred to collectively as "commercial real estate loans") are "owner occupied" loans in which the owner develops the property with the intention of locating its business there. Payments on these loans are dependent on the successful development and management of the business as well as the borrower's ability to generate sufficient operating revenue to repay the loan. In some instances, in addition to the mortgage on the underlying real estate of the business, commercial real estate loans are secured by other non-real estate collateral, such as equipment or other assets used in the business. In addition to the owner-occupied commercial real estate loans, the Company offers loans in which the owner develops a property where the source of repayment of the loan will come from the sale or lease of the developed property, for example, retail shopping centers, hotels and storage facilities. These loans are referred to as "non-owner occupied" commercial real estate loans. The Company also offers commercial real estate loans to developers of commercial properties for purposes of site acquisition and preparation and other development prior to actual construction (referred to as "commercial land development loans"). Non-owner occupied commercial real estate loans and commercial land development loans are dependent on the successful completion of the project and may be affected by adverse conditions in the real estate market or the economy as a whole.

Commercial and industrial loans are customarily granted to established local business customers in the Company's market area on a collateralized basis to meet their credit needs. Maturities are typically short term in nature and commensurate with the secondary source of repayment that serves as the Company's collateral. Although commercial loans may be collateralized by equipment or other business assets, the repayment of this type of loan depends primarily on the creditworthiness and projected cash flow of the borrower (and any guarantors). Thus, the chief consideration when assessing the risk of a commercial loan are the local business borrower's ability to sell its products/services, thereby generating sufficient operating revenue to repay the Company under the agreed upon terms and conditions and the general business conditions of the local economy or other market that the business serves.

Consumer loans are granted to individuals for the purchase of personal goods. Loss or decline of income by the borrower due to unplanned occurrences represents the primary risk of default to the Company. In the event of default, a shortfall in the value of the collateral may pose a loss in this loan category. Before granting a consumer loan, the Company assesses the applicant's credit history and ability to meet existing and proposed debt obligations. Although the applicant's creditworthiness is the primary consideration, the underwriting process also includes a comparison of the value of the collateral, if any, to the proposed loan amount. The Company obtains a lien against the collateral securing the loan and holds title (if applicable) until the loan is repaid in full.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Loans (continued)*

In determining the allowance for credit losses on loans evaluated on a collective basis, the Company categorizes loan pools based on loan type and/or risk rating. The Company uses a loss rate model based on average historical life-of-loan loss rates. The historical loss rates are adjusted, as necessary, for both internal and external qualitative factors where there are differences in the historical loss data of the Company and current or projected future conditions. Internal factors include loss history, changes in credit quality (including movement between risk ratings) and/or credit concentration and changes in the nature and volume of the respective loan portfolio segments. External factors include current and reasonable and supportable forecasted economic conditions and changes in collateral values. These factors are used to adjust the historical loss rates to ensure that they reflect management's expectation of future conditions based on a reasonable and supportable forecast period. To the extent the lives of the loans in the portfolio extend beyond the period for which a reasonable and supportable forecast can be made, when necessary, the model immediately reverts back to the historical loss rates adjusted for qualitative factors related to current conditions.

*Loans evaluated on an Individual Basis*

For loans that do not share similar risk characteristics with other loans, an individual analysis is performed to determine the expected credit loss. If the respective loan is collateral dependent (that is, when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral), the expected credit loss is measured as the difference between the amortized cost basis of the loan and the fair value of the collateral. The fair value of the collateral is initially based on external appraisals. Generally, collateral values for loans for which measurement of expected losses is dependent on the fair value of such collateral are updated every twelve months, either from external third parties or in-house appraisers. Third-party appraisals are obtained from a pre-approved list of independent, local appraisal firms. The fair value of the collateral derived from external appraisal is then adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only the operation) of the collateral. Other acceptable methods for determining the expected credit losses for individually evaluated loans (typically used when the loan is not collateral dependent) is a discounted cash flow approach or, if applicable, an observable market price. Once the expected credit loss amount is determined, an allowance equal to such expected credit loss is included in the allowance for credit losses.

The Company maintains a separate allowance for credit losses on unfunded commitments, which is included in other liabilities on the consolidated balance sheets. Changes in such allowance are recorded in other noninterest expense line item on the consolidated statements of income. Management estimates the amount of expected credit losses on unfunded loan commitments by calculating a likelihood of funding over the contractual period for exposures that are not unconditionally cancellable by the Company and applying the loss factors used in the allowance for credit losses on loans methodology described above to the unfunded commitments for each loan type. No credit loss estimates are reported for off-balance-sheet credit exposures that are unconditionally cancellable by the Company.

Pursuant to the regulatory examination process, regulatory authorities can require the Bank to adjust the balance of the allowance for credit losses account to amounts deemed by those authorities to represent an adequate allowance for safety and soundness purposes. Accordingly, the allowance for credit losses represents a material estimate that is susceptible to significant change in the near term.

See Note 4 for disclosures regarding the Company's loans, including past due, nonaccrual, impaired and restructured loans and the Company's allowance for credit losses.

*Off-Balance Sheet Credit Related Financial Instruments*

In the ordinary course of business, the Bank has entered into commitments to extend credit, including commitments under credit card arrangements, commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Off-Balance Sheet Credit Related Financial Instruments*** (continued)

In the ordinary course of business, the Bank has entered into commitments to extend credit, including commitments under credit card arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded.

***First National Bankers Bankshares and Federal Home Loan Bank Stock***

First National Bankers Bankshares and Federal Home Loan Bank stock are required investments for institutions that are members of those systems. The required investment in their common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

***Other Equity Securities Without Readily Determinable Fair Values***

The Company owns a 4% membership interest in Enhance Mississippi, LLC with an amortized cost basis of approximately \$230,000 and \$221,000 at December 31, 2025 and 2024, respectively, and is included in other assets on the consolidated balance sheets.

***Premises and Equipment***

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years for furniture, fixtures and equipment, and 5 to 40 years for buildings and improvements. Premises and equipment also include long-lived intangible assets (naming rights) amortized over the term of the underlying contract. The gross carrying amount of naming rights amounted to \$592,518 and \$582,518 at December 31, 2025 and 2024, and related accumulated amortization amounted to \$419,497 and \$378,831 at December 31, 2025 and 2024, respectively.

***Foreclosed Assets***

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

***Transfers of Financial Assets***

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

***Advertising***

The Bank expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2025 and 2024 were \$320,000 and \$350,000, respectively, and are included in other general and administrative expenses in the accompanying consolidated statements of income.

***Income Taxes***

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

On a continuing basis, management analyzes the Company's tax positions, and, when a tax position meets the measurement and recognition principles outlined in FASB ASC 740, the Company accrues a liability for unrecognized tax benefits. Any related interest and penalties associated with unrecognized tax benefits are included as a component of other non-interest expense.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Income Taxes*** (continued)

The Company is subject to taxation in the United States and the state of Mississippi. The Company's federal and state income tax returns are subject to examination by the taxing authorities generally for three years after they are filed. Management has evaluated the tax positions taken, and has not identified any positions that are unlikely to be sustained upon examination.

***Earnings Per Share***

Basic earnings per share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Common shares held in treasury are not considered outstanding for earnings per share calculation purposes. The weighted-average number of common shares outstanding utilized in the earnings per share calculations was 1,800,000 shares at December 31, 2025 and 2024.

***Undivided Profits and Surplus***

In the aggregate, surplus and undivided profits represent the retained earnings of the Corporation. Transfers from undivided profits to surplus are recorded annually by the Company and are determined by management. Such transfers are appropriations of retained earnings to a more permanent form of equity since, in general, the Bank would need to obtain prior regulatory approval for dividends in excess of the unappropriated amounts included in undivided profits as required by 12 USC 56.

**NOTE 2. SECURITIES**

The net amortized cost and fair value of securities, with gross unrealized gains and losses at December 31, 2025, follows:

	<i>December 31, 2025</i>			
	<i>Amortized Cost</i>	<i>Gross Unrealized</i>		<i>Fair Value</i>
		<i>Gains</i>	<i>Losses</i>	
<b><u>Securities Available for Sale</u></b>				
U.S. Government and federal agency	\$ 1,209,416	\$ 5,180	\$ (3,435)	\$ 1,211,161
State and municipal	78,295,896	39,846	(6,103,967)	72,231,775
Mortgage-backed	62,987,542	299,508	(3,850,253)	59,436,797
	<u>142,492,854</u>	<u>344,534</u>	<u>(9,957,655)</u>	<u>132,879,733</u>
Allowance for credit losses	(25,000)	-	-	(25,000)
Total securities available for sale, net	<u>\$ 142,467,854</u>	<u>\$ 344,534</u>	<u>\$ (9,957,655)</u>	<u>\$ 132,854,733</u>
<b><u>Securities Held to Maturity</u></b>				
State and municipal	\$ 56,311,367	\$ 5,866	\$ (7,018,808)	\$ 49,298,425
Mortgage-backed	46,155,817	-	(6,866,127)	39,289,690
	<u>102,467,184</u>	<u>5,866</u>	<u>(13,884,935)</u>	<u>88,588,115</u>
Allowance for credit losses	(4,169)	-	-	(4,169)
Total securities held to maturity, net	<u>\$ 102,463,015</u>	<u>\$ 5,866</u>	<u>\$ (13,884,935)</u>	<u>\$ 88,583,946</u>

Notes to Consolidated Financial Statements – (continued)

**NOTE 2. SECURITIES** (continued)

The net amortized cost and fair value of securities, with gross unrealized gains and losses at December 31, 2024, follows:

	<i>December 31, 2024</i>			
	<i>Amortized Cost</i>	<i>Gross Unrealized</i>		<i>Fair Value</i>
		<i>Gains</i>	<i>Losses</i>	
<u>Securities Available for Sale</u>				
U.S. Government and federal agency	\$ 2,525,860	\$ -	\$ (47,022)	\$ 2,478,838
State and municipal	80,964,043	14,539	(9,437,384)	71,541,198
Mortgage-backed	73,448,173	116,272	(5,705,215)	67,859,230
	156,938,076	130,811	(15,189,621)	141,879,266
Allowance for credit losses	-	-	-	-
Total securities available for sale, net	<u>\$ 156,938,076</u>	<u>\$ 130,811</u>	<u>\$ (15,189,621)</u>	<u>\$ 141,879,266</u>
<u>Securities Held to Maturity</u>				
State and municipal	\$ 61,827,563	\$ 84	\$ (8,845,224)	\$ 52,982,423
Mortgage-backed	50,164,334	-	(8,879,962)	41,284,372
	111,991,897	84	(17,725,186)	94,266,795
Allowance for credit losses	-	-	-	-
Total securities held to maturity, net	<u>\$ 111,991,897</u>	<u>\$ 84</u>	<u>\$ (17,725,186)</u>	<u>\$ 94,266,795</u>

At December 31, 2025 and 2024 securities with a carrying value of \$112,556,000 and \$108,237,000, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2025 follows:

	<i>Available for Sale</i>		<i>Held to Maturity</i>	
	<i>Amortized Cost</i>	<i>Fair Value</i>	<i>Amortized Cost</i>	<i>Fair Value</i>
	Within 1 year	\$ 1,149,969	\$ 1,145,522	\$ 2,806,898
Over 1 year through 5 years	4,965,517	4,963,948	3,588,967	3,566,112
After 5 years through 10 years	29,392,187	28,489,289	5,050,780	4,772,668
Over 10 years	43,997,639	38,844,177	44,864,722	38,162,807
	79,505,312	73,442,936	56,311,367	49,298,425
Mortgage backed securities	62,987,542	59,436,797	46,155,817	39,289,690
	<u>\$ 142,492,854</u>	<u>\$ 132,879,733</u>	<u>\$ 102,467,184</u>	<u>\$ 88,588,115</u>

Proceeds and related gross realized gains and losses from the disposition of debt securities follows:

	<i>Available for Sale</i>		<i>Held to Maturity</i>	
	<i>Year ended December 31,</i>		<i>Year ended December 31,</i>	
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
Proceeds from dispositions	<u>\$ 2,900,000</u>	<u>\$ 1,645,000</u>	<u>\$ 5,348,000</u>	<u>\$ 25,570,000</u>
Gross gains	\$ -	\$ -	\$ -	\$ 246
Gross losses	-	-	480	(131)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 480</u>	<u>\$ 115</u>

Notes to Consolidated Financial Statements – (continued)

**NOTE 2. SECURITIES** (continued)

Information pertaining to securities with gross unrealized losses where an allowance for credit losses has not been recorded at December 31, 2025 and 2024, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	<i>December 31, 2025</i>			
	<i>Less than Twelve Months</i>		<i>Over Twelve Months</i>	
	<i>Gross Unrealized Losses</i>	<i>Fair Value</i>	<i>Gross Unrealized Losses</i>	<i>Fair Value</i>
<u>Securities Available for Sale</u>				
U.S. Government and federal agency	\$ -	\$ -	\$ 3,435	\$ 205,981
State and municipal	81	1,697,034	6,099,844	65,606,166
Mortgage-backed	15,974	2,999,800	3,834,279	33,785,770
Total securities available for sale	<u>\$ 16,055</u>	<u>\$ 4,696,834</u>	<u>\$ 9,937,558</u>	<u>\$ 99,597,917</u>
<u>Securities Held to Maturity</u>				
State and municipal	\$ 2,630	\$ 838,678	\$ 7,016,178	\$ 42,448,860
Mortgage-backed	-	-	6,866,127	39,256,316
Total securities held to maturity	<u>\$ 2,630</u>	<u>\$ 838,678</u>	<u>\$ 13,882,305</u>	<u>\$ 81,705,176</u>
	<i>December 31, 2024</i>			
	<i>Less than Twelve Months</i>		<i>Over Twelve Months</i>	
	<i>Gross Unrealized Losses</i>	<i>Fair Value</i>	<i>Gross Unrealized Losses</i>	<i>Fair Value</i>
<u>Securities Available for Sale</u>				
U.S. Government and federal agency	\$ 9,290	\$ 990,710	\$ 37,732	\$ 1,488,127
State and municipal	11,935	816,103	9,425,449	69,196,606
Mortgage-backed	580,183	28,021,965	5,125,032	28,268,215
Total securities available for sale	<u>\$ 601,408</u>	<u>\$ 29,828,778</u>	<u>\$ 14,588,213</u>	<u>\$ 98,952,948</u>
<u>Securities Held to Maturity</u>				
State and municipal	\$ 58,496	\$ 3,761,332	\$ 8,786,728	\$ 45,674,674
Mortgage-backed	179,676	4,474,010	8,700,286	36,747,259
Total securities held to maturity	<u>\$ 238,172</u>	<u>\$ 8,235,342</u>	<u>\$ 17,487,014</u>	<u>\$ 82,421,933</u>

The Company had 326 and 381 securities in an unrealized loss position at December 31, 2025 and 2024, respectively. The Company does not intend to sell any of the securities in the unrealized loss position, and it is not more likely that the Company will be required to sell any such security prior to the recovery of its amortized cost basis, which may be maturity. Furthermore, even though a number of these securities have been in a continuous unrealized loss position for a period greater than twelve months, the Company is collecting principal and interest payments from the respective issuers as scheduled. Based upon its review of securities with unrealized losses as of December 31, 2025, the Company determined that all such losses resulted from factors not deemed credit related except for one available for sale municipal security. As a result, the Company recorded a provision for credit loss related to this security during the year ended December 31, 2025.

Notes to Consolidated Financial Statements – (continued)

NOTE 2. SECURITIES (continued)

The following tables present the activity in the allowance for credit losses on available for sale debt securities by major security type:

<i>Year ended December 31, 2025</i>					
	<i>Balance Beginning</i>	<i>Provision for credit loss</i>	<i>Writeoffs</i>	<i>Recoveries</i>	<i>Balance Ending</i>
U.S. Agency	\$ -	\$ -	\$ -	\$ -	\$ -
State and municipal	-	25,000	-	-	25,000
Mortgage-backed	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>
<i>Year ended December 31, 2024</i>					
	<i>Balance Beginning</i>	<i>Provision for credit loss</i>	<i>Writeoffs</i>	<i>Recoveries</i>	<i>Balance Ending</i>
U.S. Agency	\$ -	\$ -	\$ -	\$ -	\$ -
State and municipal	-	-	-	-	-
Mortgage-backed	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Expected credit losses on debt securities classified as held to maturity are measured on a collective basis by major security type. The estimates of expected credit losses are based on historical default rates, investment grades, current conditions, and reasonable and supportable forecasts about the future. The Company monitors the credit quality of debt securities held to maturity using bond investment grades assigned by third party rating agencies. Updated investment grades are obtained as they become available from the agencies. The following tables present the activity in the allowance for credit losses on held to maturity debt securities by major security type:

<i>Year ended December 31, 2025</i>					
	<i>Balance Beginning</i>	<i>Provision for credit loss</i>	<i>Writeoffs</i>	<i>Recoveries</i>	<i>Balance Ending</i>
U.S. Agency	\$ -	\$ -	\$ -	\$ -	\$ -
State and municipal	-	4,169	-	-	4,169
Mortgage-backed	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 4,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,169</u>
<i>Year ended December 31, 2024</i>					
	<i>Balance Beginning</i>	<i>Provision for credit loss</i>	<i>Writeoffs</i>	<i>Recoveries</i>	<i>Balance Ending</i>
U.S. Agency	\$ -	\$ -	\$ -	\$ -	\$ -
State and municipal	-	-	-	-	-
Mortgage-backed	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### NOTE 3. FAIR VALUE

“Fair value” is defined by FASB ASC 820, as 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. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company’s assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The hierarchy is broken down into the following three levels, based on the reliability of inputs:

- Level 1      Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2      Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3      Significant unobservable inputs for the asset or liability that reflect the reporting entity’s own assumptions about the assumptions that market participants would use in pricing the asset or liability.

#### *Determination of fair value*

The Company uses the valuation methodologies listed below to measure different financial instruments at fair value. An indication of the level in the fair value hierarchy in which each instrument is generally classified is included. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

#### *Debt securities*

Available for sale securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities’ relationship to other benchmark quoted securities. The Company’s available for sale debt securities that are traded on an active exchange are classified as Level 1. Available for sale securities valued using matrix pricing are classified as Level 2. Available for sale securities valued based upon the redemption provisions of the issuer are classified as Level 3. Held to maturity securities are only subject to recorded market value adjustment in the event such securities are deemed to be impaired. Such adjustments are based on estimated liquidation value of the underlying instruments and are classified as Level 3.

#### *Impaired loans*

Loans considered impaired under FASB ASC 310, are loans for which, based on current information and events, it is probable that the creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are subject to nonrecurring fair value adjustments to reflect (1) partial write-downs that are based on the observable market price or current appraised value of the collateral, or (2) the full charge-off of the loan carrying value. All of the Company’s impaired loans are classified as Level 3.

#### *Foreclosed assets*

Foreclosed assets are carried at the lower of cost or estimated fair value, less estimated selling costs and is subjected to nonrecurring fair value adjustments. Estimated fair value is determined on the basis of independent appraisals, risk-adjusted discounted cash flow analyses, and other relevant factors. All of the Company’s foreclosed assets are classified as Level 3.

Notes to Consolidated Financial Statements – (continued)

**NOTE 3. FAIR VALUE** (continued)

**Assets and Liabilities Recorded at Fair Value on a Recurring Basis**

The following tables present the balances of assets measured at fair value on a recurring basis:

	<i>December 31, 2025</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Available for sale debt securities	\$ -	\$ 132,854,733	\$ -	\$ 132,854,733
Total	\$ -	\$ 132,854,733	\$ -	\$ 132,854,733

  

	<i>December 31, 2024</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Available for sale debt securities	\$ -	\$ 141,879,266	\$ -	\$ 141,879,266
Total	\$ -	\$ 141,879,266	\$ -	\$ 141,879,266

The Bank has no liabilities recorded at fair value on a recurring basis.

**Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis**

The following tables present the balances of assets measured at fair value on a nonrecurring basis:

	<i>December 31, 2025</i>				<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	<i>Gains (Losses)</i>
Foreclosed assets	\$ -	\$ -	\$ 927,244	\$ 927,244	\$ (2,924,878)
Impaired loans	-	-	11,725,002	11,725,002	(1,673,838)
	\$ -	\$ -	\$ 12,652,246	\$ 12,652,246	\$ (4,598,716)

  

	<i>December 31, 2024</i>				<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	<i>Gains (Losses)</i>
Foreclosed assets	\$ -	\$ -	\$ 721,140	\$ 721,140	\$ -
Impaired loans	-	-	3,983,047	3,983,047	(103,711)
	\$ -	\$ -	\$ 4,704,187	\$ 4,704,187	\$ (103,711)

The Bank has no liabilities recorded at fair value on a nonrecurring basis.

**NOTE 4. LOANS**

The Bank's loan and lease portfolio is disaggregated into the following segments: real estate; commercial and industrial; and consumer. A summary of loans and leases, by segment follows:

	<i>December 31,</i>	
	<i>2025</i>	<i>2024</i>
Real estate loans	\$ 475,428,216	\$ 402,028,626
Commercial loans	35,156,631	21,167,963
Consumer loans	31,276,410	31,791,099
Total loans	\$ 541,861,257	\$ 454,987,688
Less: allowance for credit losses on loans	(7,771,843)	(6,923,301)
Loans, net	\$ 534,089,414	\$ 448,064,387

Notes to Consolidated Financial Statements – (continued)

NOTE 4. LOANS (continued)

The following table provides details regarding the Bank’s nonaccrual loan and lease portfolio net of unearned income, by segment at the dates indicated:

	<i>December 31</i>					
	<i>2025</i>		<i>2024</i>		<i>2023</i>	
	<i>Total</i>	<i>Amount with no Allowance</i>	<i>Total</i>	<i>Amount with no Allowance</i>	<i>Total</i>	<i>Amount with no Allowance</i>
Real estate loans	\$ 5,451,590	\$ 4,095,040	\$ 2,844,968	\$ 1,355,292	\$ 1,608,312	\$ 835,418
Commercial loans	4,205,363	80,544	166,644	127,022	120,539	-
Consumer loans	377,308	-	339,834	-	538,470	-
Total	<u>\$10,034,261</u>	<u>\$ 4,175,584</u>	<u>\$ 3,351,446</u>	<u>\$ 1,482,314</u>	<u>\$ 2,267,321</u>	<u>\$ 835,418</u>

Interest income recognized on nonaccrual loans during the years ended December 31, 2025 and 2024 was immaterial.

The following table provides details regarding the ageing of the Bank’s delinquent loan and lease portfolio, net of unearned income by segment at of the dates indicated:

	<i>December 31</i>					
	<i>2025</i>		<i>2024</i>		<i>2023</i>	
	<i>30-89 Days Past Due</i>	<i>90+ Days Past due Still Accruing</i>	<i>30-89 Days Past Due</i>	<i>90+ Days Past due Still Accruing</i>	<i>30-89 Days Past Due</i>	<i>90+ Days Past due Still Accruing</i>
	<i>(in thousands)</i>					
Real estate loans	\$ -	\$ -	\$ 4,608	\$ 252	\$ 3,611	\$ 546
Commercial loans	557	278	92	-	338	85
Consumer loans	-	5	422	45	260	17
Total	<u>\$ 557</u>	<u>\$ 283</u>	<u>\$ 5,122</u>	<u>\$ 297</u>	<u>\$ 4,209</u>	<u>\$ 648</u>

The Bank utilizes an internal loan classification system that is perpetually updated to grade loans according to certain quality indicators. Those quality indicators include, but are not limited to, recent credit performance, delinquency, liquidity, cash flows, debt coverage ratios, collateral type and loan-to-value ratios. The Bank’s internal loan classification system is compatible with classifications used by the Federal Deposit Insurance Corporation as well as other regulatory agencies. Loans may be classified as follows:

Pass: Loans which are performing as agreed with few or no signs of weakness. These loan show sufficient cash flow, capital and collateral to repay the loan as agreed.

Watch: Loans where potential weaknesses have developed which could cause a more serious problem if not corrected.

Substandard: Loans where well-defined weaknesses exist that require corrective action to prevent further deterioration. Loans are further characterized by the possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans having all the characteristics of Substandard and which have deteriorated to a point where collection and liquidation in full is highly questionable.

Loss: Loans that are considered uncollectible or with limited possible recovery.

Notes to Consolidated Financial Statements – (continued)

NOTE 4. LOANS (continued)

Impaired: Loans for which it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement and for which a specific impairment reserve has been considered.

The following tables provide details of the Bank’s loan and lease portfolio, net of unearned income, by segment and internally assigned grade:

<i>December 31, 2025</i>							
	<i>Pass</i>	<i>Watch</i>	<i>Sub- standard</i>	<i>Doubtful</i>	<i>Loss</i>	<i>Impaired</i>	<i>Total</i>
	<i>(in thousands)</i>						
Real estate loans	\$ 461,974	\$ 4,729	\$ 714	\$ 16	\$ 31	\$ 7,964	\$ 475,428
Commercial loans	30,219	203	45	-	-	4,690	35,157
Consumer loans	30,190	266	71	2	2	745	31,276
Total	<u>\$ 522,383</u>	<u>\$ 5,198</u>	<u>\$ 830</u>	<u>\$ 18</u>	<u>\$ 33</u>	<u>\$ 13,399</u>	<u>\$ 541,861</u>

<i>December 31, 2024</i>							
	<i>Pass</i>	<i>Watch</i>	<i>Sub- standard</i>	<i>Doubtful</i>	<i>Loss</i>	<i>Impaired</i>	<i>Total</i>
	<i>(in thousands)</i>						
Real estate loans	\$ 395,900	\$ 1,678	\$ 792	\$ 16	\$ 31	\$ 3,612	\$ 402,029
Commercial loans	21,001	-	40	-	-	127	21,168
Consumer loans	31,242	113	84	2	2	348	31,791
Total	<u>\$ 448,143</u>	<u>\$ 1,791</u>	<u>\$ 916</u>	<u>\$ 18</u>	<u>\$ 33</u>	<u>\$ 4,087</u>	<u>\$ 454,988</u>

The Bank evaluates relationships graded internally as substandard, doubtful, and loss for impairment when the individual relationship exceeds \$100,000 in the aggregate. Generally, impairment is measured as the Bank’s recorded investment in the underlying loans in excess of the loan collateral, less estimated costs to sell.

The following table provides details of the Bank’s impaired loans and leases, net of unearned income, by segment, at December 31, 2025:

<i>December 31, 2025</i>					
	<i>Unpaid Principal Balance</i>	<i>Recorded Investment</i>	<i>Investment with no Allowance</i>	<i>Investment with Allowance</i>	<i>Related Allowance for Losses</i>
	<i>(in thousands)</i>				
Real estate loans	\$ 8,014	\$ 7,964	\$ 7,359	\$ 605	\$ 88
Commercial loans	4,690	4,690	610	4,080	1,529
Consumer loans	745	745	471	274	57
Total	<u>\$ 13,449</u>	<u>\$ 13,399</u>	<u>\$ 8,440</u>	<u>\$ 4,959</u>	<u>\$ 1,674</u>

Notes to Consolidated Financial Statements – (continued)

NOTE 4. LOANS (continued)

The following table provides details of the Bank’s impaired loans and leases, net of unearned income, by segment, at December 31, 2024:

	<i>December 31, 2024</i>				
	<i>Unpaid Principal Balance</i>	<i>Recorded Investment</i>	<i>Investment with no Allowance</i>	<i>Investment with Allowance</i>	<i>Related Allowance for Losses</i>
			<i>(in thousands)</i>		
Real estate loans	\$ 3,661	\$ 3,612	\$ 2,959	\$ 653	\$ 45
Commercial loans	127	127	127	-	-
Consumer loans	348	348	76	272	59
Total	<u>\$ 4,136</u>	<u>\$ 4,087</u>	<u>\$ 3,162</u>	<u>\$ 925</u>	<u>\$ 104</u>

The Bank’s average recorded investment in impaired loans was approximately \$8,743,000 during the year ended December 31, 2025, and approximately \$3,809,000 during the year ended December 31, 2024. Interest income recognized on impaired loans during the years ended December 31, 2025 and 2024 was immaterial. No additional funds are committed to be advanced in connection with impaired loans.

The following tables present the balance in the allowance for credit losses and the recorded investment in loans based on portfolio segment and impairment method at December 31, 2025:

	<i>December 31, 2025</i>				
	<i>Real Estate Loans</i>	<i>Commercial Loans</i>	<i>Consumer Loans</i>	<i>Unallocated</i>	<i>Total</i>
			<i>(in thousands)</i>		
Loans evaluated for impairment:					
Individually	\$ 7,964	\$ 4,690	\$ 745	\$ -	\$ 13,399
Collectively	467,464	30,467	30,531	-	528,462
Total	<u>\$ 475,428</u>	<u>\$ 35,157</u>	<u>\$ 31,276</u>	<u>\$ -</u>	<u>\$ 541,861</u>
Allowance for losses evaluated for impairment:					
Individually	\$ 88	\$ 1,529	\$ 57	\$ -	\$ 1,674
Collectively	4,723	184	187	1,004	6,098
	<u>\$ 4,811</u>	<u>\$ 1,713</u>	<u>\$ 244</u>	<u>\$ 1,004</u>	<u>\$ 7,772</u>

Notes to Consolidated Financial Statements – (continued)

NOTE 4. LOANS (continued)

The following tables present the balance in the allowance for credit losses and the recorded investment in loans based on portfolio segment and impairment method at December 31, 2024:

<i>December 31, 2024</i>					
<i>Real Estate Loans</i>	<i>Commercial Loans</i>	<i>Consumer Loans</i>	<i>Unallocated</i>	<i>Total</i>	
<i>(in thousands)</i>					
Loans evaluated for impairment:					
Individually	\$ 3,612	\$ 127	\$ 348	\$ -	\$ 4,087
Collectively	398,417	21,041	31,443	-	450,901
Total	<u>\$ 402,029</u>	<u>\$ 21,168</u>	<u>\$ 35,303</u>	<u>\$ -</u>	<u>\$ 454,988</u>
Allowance for losses evaluated for impairment:					
Individually	\$ 45	\$ -	\$ 59	\$ -	\$ 104
Collectively	4,889	340	1,109	481	6,819
	<u>\$ 4,934</u>	<u>\$ 340</u>	<u>\$ 1,168</u>	<u>\$ 481</u>	<u>\$ 6,923</u>

The following tables summarize the changes in the allowance for credit losses by segment for the periods indicated:

<i>Year ended December 31, 2025</i>					
<i>Balance at Beginning of Period</i>	<i>Charge- Offs and Transfers</i>	<i>Recoveries</i>	<i>Provision</i>	<i>Balance at End of Period</i>	
<i>(in thousands)</i>					
Real estate loans	\$ 4,934	\$ (254)	\$ 125	\$ 6	\$ 4,811
Commercial loans	340	-	-	1,373	1,713
Consumer loans	1,168	(149)	17	(792)	244
Unallocated	481	(250)	-	773	1,004
Total	<u>\$ 6,923</u>	<u>\$ (653)</u>	<u>\$ 142</u>	<u>\$ 1,360</u>	<u>\$ 7,772</u>
<i>Year ended December 31, 2024</i>					
<i>Balance at Beginning of Period</i>	<i>Charge- Offs and Transfers</i>	<i>Recoveries</i>	<i>Provision</i>	<i>Balance at End of Period</i>	
<i>(in thousands)</i>					
Real estate loans	\$ 4,826	\$ (289)	\$ 4	\$ 393	\$ 4,934
Commercial loans	424	(121)	117	(80)	340
Consumer loans	1,277	(91)	41	(59)	1,168
Unallocated	374	-	-	107	481
Total	<u>\$ 6,901</u>	<u>\$ (501)</u>	<u>\$ 162</u>	<u>\$ 361</u>	<u>\$ 6,923</u>

In the normal course of business, management will sometimes grant concessions, which normally would not otherwise be considered, to borrowers that are experiencing financial difficulty. These loans are identified as troubled-debt-restructures (TDRs). The concessions granted most frequently for TDRs involve reductions or delays in required payments of principal and interest for a specified period, the rescheduling of payments in accordance with a

**Notes to Consolidated Financial Statements – (continued)**

**NOTE 4. LOANS (continued)**

bankruptcy plan, the charge-off of a portion of the loan, or a reduction in the rate of interest charged. In most cases, the conditions of the credit also warrant nonaccrual status, even after the restructure occurs. As part of the credit approval process, the restructured loans are evaluated for adequate collateral protection and the borrower's ability to perform under the modified terms in determining the appropriate accrual status at the time of restructure. TDR loans initially placed on nonaccrual status may be returned to accrual status if there has been at least a six-month period of sustained repayment performance by the borrower. During the years ended December 31, 2025 and 2024, the most common concessions that were granted involved rescheduling payments of principal and interest over a longer amortization period and/or reducing the rate of interest charged. The Company is not committed to loan material additional funds to debtors with financial difficulty whose terms were modified.

The following table summarizes the financial effect of TDRs during the years ended December 31, 2025 and 2024:

	2025		2024	
	<i>Rate and Term Modifications</i>	<i>Percentage of Segment</i>	<i>Rate and Term Modifications</i>	<i>Percentage of Segment</i>
	<i>(dollars in thousands)</i>			
Real estate loans	\$ 435	0.01%	\$ -	0.00%
Commercial loans	-	0.00%	-	0.00%
Consumer loans	-	0.00%	-	0.00%
Total	<u>\$ 435</u>		<u>\$ -</u>	

**NOTE 5. PREMISES AND EQUIPMENT**

A summary of the cost and accumulated depreciation of premises and equipment follows:

	December 31,	
	2025	2024
Land, buildings, and improvements	\$ 4,978,760	\$ 2,873,310
Bank premises	17,244,266	16,747,509
Intangible assets	592,518	572,518
Furniture, fixtures, and equipment	7,944,811	7,730,128
Construction in progress	5,216	6,450
	<u>30,765,571</u>	<u>27,929,915</u>
Less: accumulated depreciation and amortization	<u>(12,844,734)</u>	<u>(12,206,665)</u>
	<u>\$ 17,920,837</u>	<u>\$ 15,723,250</u>

The Bank entered into a contract with the City of New Albany in a prior year to purchase the naming rights, for a twenty-year term, to the local Sportsplex facility for \$500,000, and have subsequently entered into other sponsorship arrangements, all of which are amortized over the related contract term. These intangible assets are included in bank premises and equipment in the balance sheet. Amortization expenses for these intangibles are included in other general administrative expenses.

Depreciation and amortization expenses for the years ended December 31, 2025 and 2024 amounted to \$658,486 and \$699,235, respectively.

The Company, as lessee, leases certain real estate accounted for as short-term leases. The Company elects to account for short term lease costs as expense on the straight-line basis over the term of the lease in the period in which the obligation for the payment is incurred. Total rental expenses for the years ended December 31, 2025 and 2024 were \$35,909 and \$13,284, respectively.

**NOTE 5. PREMISES AND EQUIPMENT** (continued)

The Company is the lessor of certain commercial real estate under terms of leases accounted for as operating leases. Leased property is included in premises and equipment and includes buildings and improvements totaling approximately \$8,208,000 and \$7,868,000 at December 31, 2025 and 2024, respectively, and related accumulated depreciation of approximately \$624,000 and \$425,000 at December 31, 2025 and 2024, respectively. The lease terms are for a periods of 15 years and include the options to extend the initial term for two consecutive 5 year terms. Lease income for the years ended December 31, 2025 and 2024 amounted to \$316,995 and \$289,195, respectively.

Minimum future rentals expected to be received on noncancelable leases with remaining terms in excess of one year at December 31, 2025, are as follows:

2026	\$ 343,197
2027	343,866
2028	351,230
2029	351,230
2030	351,770
Thereafter	<u>2,630,032</u>
	<u>\$ 4,371,325</u>

**NOTE 6. DEPOSITS**

At December 31, 2025, the scheduled maturities of time deposits are as follows:

2026	\$ 225,678,035
2027	6,262,661
2028	8,555,923
2029	796,560
2030	373,593
Thereafter	<u>562,352</u>
	<u>\$ 242,229,124</u>

The aggregate amount of time deposits in denominations exceeding FDIC insurance limits at December 31, 2025 and 2024 was approximately \$99,104,000 and \$89,243,000, respectively.

Demand deposit accounts reclassified as loans in the form of overdrafts amounted to \$87,442 and \$107,725 at December 31, 2025 and 2024, respectively.

**NOTE 7. BORROWED FUNDS**

The Bank has entered into a blanket floating lien security agreement with the Federal Home Loan Bank (FHLB) of Dallas. Under the terms of this agreement, the Bank is required to maintain sufficient collateral to secure borrowings in an aggregate amount of the lesser of 75% of the book value (unpaid principal balance) of the Bank's one to four family residential first mortgages, small business, and small farm loans or 35% of the Bank's assets.

The Bank also maintained stock in the Federal Home Loan Bank carried at \$2,783,200 and \$2,678,200 at December 31, 2025 and 2024, respectively, which is required to be held by the Bank in order to secure future advances. Dividends received by the Bank relating to this stock during 2025 and 2024 were approximately \$85,700 and \$142,400, respectively.

The bank's fixed rate long-term debt of \$60,000,000 and \$10,000,000 at December 31, 2025 and 2024 represents advances under that blanket floating lien security agreement with the Federal Home Loan Bank.

**Notes to Consolidated Financial Statements – (continued)**

**NOTE 7. BORROWED FUNDS (continued)**

There are no conversion or call features or specific restrictive covenants associated with the Federal Home Loan Bank borrowings.

Federal Home Loan Bank borrowings at December 31, 2025 mature in 2026. At December 31, 2025, the interest rates on the fixed-rate, long-term debt ranged from 3.839% to 4.396% with a weighted average rate of 4.105%.

In addition to the aforementioned long-term financing arrangements, at December 31, 2025 the Bank had established informal federal funds borrowings lines of credit aggregating \$21,500,000 and a borrowing arrangement with the Federal Reserve Bank that would require the pledge of eligible securities to secure advances.

**NOTE 8. INCOME TAXES**

The provision for income taxes consists of the following:

	<i><u>Years Ended December 31,</u></i>	
	<u>2025</u>	<u>2024</u>
Current		
Federal	\$ 3,271,416	\$ 2,850,206
State	721,269	668,907
	<u>3,992,685</u>	<u>3,519,113</u>
Deferred	(542,479)	(117,133)
	<u>\$ 3,450,206</u>	<u>\$ 3,401,980</u>

The reasons for differences between the statutory federal income tax rate and the effective tax rates for the years ended December 31, 2025 and 2024 are summarized as follows:

	<u>2025</u>		<u>2024</u>	
Federal	21.0	%	21.0	%
Increase (decrease) resulting from:				
State taxes, net of federal tax benefit	4.0		4.0	
Effect of tax exempt income	(1.8)		(1.9)	
Other, net	0.4		(0.7)	
	<u>23.6</u>	<u>%</u>	<u>22.4</u>	<u>%</u>

The significant components of deferred income tax assets and liabilities at December 31, 2025 and 2024, consist of the following:

	<i><u>Years Ended December 31,</u></i>	
	<u>2025</u>	<u>2024</u>
Deferred tax assets (liabilities):		
Allowance for credit losses	\$ 2,008,727	\$ 1,727,363
Deferred compensation liabilities	1,094,438	1,054,027
Foreclosed assets	667,532	598,420
Late charge accruals	110,741	95,706
Nonaccrual loan interest	134,652	60,236
Transfer of securities from available-for-sale to held-to-maturity	851,505	962,299
Net unrealized losses on securities	2,398,474	3,757,174
Other	208,892	118,262
Premises and equipment	(217,864)	(189,376)
Net deferred tax asset	<u>\$ 7,257,097</u>	<u>\$ 8,184,111</u>

**NOTE 9. RELATED PARTY TRANSACTIONS**

The Bank makes loans to its officers and directors as well as other related parties. Loans to related parties amounted to \$5,288,175 and \$5,181,778 at December 31, 2025 and 2024, respectively. During 2025, new loans to officers and directors amounted to \$2,665,360 and repayments amounted to \$2,558,963.

Deposits from related parties held by the Bank at December 31, 2025 amounted to \$6,968,152.

In the normal course of operations, the Bank uses a law firm which is principally owned by a director of the Bank for general counsel. Fees paid to the firm for legal services were immaterial during the years ended December 31, 2025 and 2024.

**NOTE 10. DEFINED CONTRIBUTION PLAN AND ESOP**

*401(k) Plan*

The Bank has a 401(k) plan covering substantially all employees. Eligible employees may contribute a percentage of their earnings to the plan. The Bank’s contribution to the plan is discretionary. Expenses related to this plan amounted to approximately \$263,000 and \$286,000 for the years ended December 31, 2025 and 2024, respectively.

*Employee Stock Ownership Plan*

The Bank has an Employee Stock Ownership Plan (ESOP) covering substantially all employees. Discretionary contributions are determined by the Board of Directors. At December 31, 2025 and 2024, the plan held 113,923.5 and 123,770.5 shares of common stock, respectively. Expenses attributable to the plan totaled approximately \$201,000 and \$203,000 for the years ended December 31, 2025 and 2024 respectively.

During 2023, the ESOP purchased 18,488 shares in exchange for notes payable totaling \$950,000 payable to the Company (internal loan). The plan sponsor is to provide the funding for the internal loan repayments through contributions and dividends. Accordingly, the internal loan receivable from the ESOP is recorded by the Company as Unearned ESOP Shares as a component of stockholders’ equity in the consolidated balance sheets at December 31, 2025 and 2024. The shares purchased are allocated to participants as the internal loan is repaid.

ESOP share activity for the years ended December 31, 2025 and 2024 is as follows:

	2025		2024	
	<i>Suspense</i>	<i>Released</i>	<i>Suspense</i>	<i>Released</i>
Beginning shares	13,541	4,947	18,488	-
Shares acquired subject to internal loan	-	-	-	-
Shares released from loan repayment	(8,382)	8,382	(4,947)	4,947
Ending shares	5,159	13,329	13,541	4,947

The fair value of unearned ESOP (suspense) shares at December 31, 2025 was \$451,051.

The fair value of the Company’s stock held by the ESOP is based upon an independent appraisal. The appraisal is based on a combination of the market and income valuation techniques. The appraiser considers historical and projected cash flow and net income, return on assets and stockholders’ equity, market comparables, and estimated fair values of Company assets and liabilities. Although the Company believes the valuation methods are sufficient and appropriate, the use of different methodologies and assumptions could result in a different fair value estimate.

**NOTE 11. DEFERRED COMPENSATION AGREEMENTS**

The Bank has entered into defined benefit deferred compensation arrangements in order to provide supplemental retirement benefits for certain executives of the Bank. The defined benefit plans provide a fixed benefit to certain executives after retirement. The plans have vesting schedules, and the Bank has purchased life insurance policies on the executives that are designed by the seller to offset the annual expenses associated with the plans. The Bank is the sole owner of all policies.

The liability reserve account related to these deferred compensation agreements is included on the consolidated balance sheets in other liabilities and amounted to \$4,386,524 and \$4,224,559 at December 31, 2025 and 2024, respectively.

**NOTE 12. OFF-BALANCE SHEET ACTIVITIES**

***Credit-Related Financial Instruments***

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

The Bank’s exposure to credit loss is represented by the contractual amount of these commitments. The Bank follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At December 31, 2025 and 2024, the following financial instruments were outstanding whose contract amounts represent credit risk:

	<i>Contract Amount</i>	
	<i>2025</i>	<i>2024</i>
	<i>(in thousands)</i>	
Unfunded commitments under lines of credit	\$ 54,665	\$ 54,109
Standby letters of credit	\$ 2,254	\$ 1,886

Unfunded commitments under commercial lines-of-credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines-of-credit are generally collateralized and usually contain a specified maturity date, but may not be drawn upon to the total extent to which the Bank is committed.

Standby letters-of-credit are conditional lending commitments issued by the Bank to guarantee the performance of a customer to a third party. Those letters-of-credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan facilities to customers. The Bank generally holds collateral supporting those commitments, the value of which is deemed by management to be sufficient to limit the Bank’s exposure to credit risk associated with issuing the guaranty. Premiums charged in issuing the guarantees are not material to the financial statements taken as a whole.

The Bank maintains an allowance for credit losses on unfunded loan commitments that is included in other liabilities in the consolidated balance sheets. The following table provides a roll-forward of the allowance for credit losses on unfunded commitments for the periods presented.

	<i>Years Ended December 31,</i>	
	<i>2025</i>	<i>2024</i>
Beginning balance	\$ -	\$ -
Provision for credit losses (included in other noninterest expense)	-	-
Transfer from the allowance for credit losses on loans	250,000	-
Ending balance	<u>\$ 250,000</u>	<u>\$ -</u>

**NOTE 13. DUE FROM BANKS**

The Company had funds on deposit with other banks at December 31, 2025 in excess of insurance coverage provided by the Federal Deposit Insurance Corporation of approximately \$3,334,000. Cash and due from banks consisted of non-interest bearing accounts totaling \$11,758,674 and \$12,210,593 at December 31, 2025 and 2024, respectively, and interest-bearing accounts totaling \$18,993,716 and \$7,563,091 at December 31, 2025 and 2024, respectively.

**NOTE 14. LEGAL CONTINGENCIES**

Various legal claims arise from time to time in the normal course of business, which, in the opinion of management, will have no material effect on the Bank’s consolidated financial statements.

**NOTE 15. MINIMUM REGULATORY CAPITAL REQUIREMENTS**

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on the Company’s financial statements.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (risk-based capital ratios). All banking companies are required to have core capital (“Tier 1”) of at least 4% of risk-weighted assets, total capital of at least 8% of risk-weighted assets, Common Equity Tier 1 capital of at least 4.5% and a minimum Tier 1 leverage ratio of 4% of adjusted average assets. The regulations also define well capitalized levels of Common Equity Tier 1 capital, Tier 1 capital, total capital and Tier 1 leverage ratio as 6.5%, 8%, 10% and 5%, respectively. Management believes, as of December 31, 2025 and 2024, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2025, the Company and the Bank had Common Equity Tier 1, Tier 1, total capital and Tier 1 leverage capital above the well capitalized levels. Management is not aware of any conditions or events that may have changed the Bank’s category. The Bank’s actual capital amounts and ratios as of December 31, 2025 and 2024 are also presented in the following table.

	2025		2024	
	Amount	Ratio	Amount	Ratio
	<i>(dollar amounts in thousands)</i>			
Common Equity Tier 1 capital (to risk-weighted assets)				
BNA Bancshares, Inc.	\$ 100,846	17.4%	\$ 94,330	18.2%
BNA Bank	97,381	16.9%	91,649	17.7%
Tier 1 capital (to risk-weighted assets)				
BNA Bancshares, Inc.	100,846	17.4%	94,330	18.2%
BNA Bank	97,381	16.9%	91,649	17.7%
Total capital (to risk-weighted assets)				
BNA Bancshares, Inc.	108,872	18.8%	100,793	19.5%
BNA Bank	104,603	18.1%	98,112	19.0%
Tier 1 leverage capital (to average assets)				
BNA Bancshares, Inc.	100,846	12.2%	94,330	12.1%
BNA Bank	97,381	11.8%	91,649	11.8%

**NOTE 16. ACCUMULATED OTHER COMPREHENSIVE INCOME**

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

The components of accumulated other comprehensive income, included in stockholders’ equity, are as follows:

	<i>Years Ended December 31,</i>	
	<u>2025</u>	<u>2024</u>
Net unrealized loss on securities available for sale	\$ (9,613,121)	\$ (15,058,811)
Net unrealized loss on securities transferred from available for sale to held to maturity	(3,412,845)	(3,856,910)
Tax effect	<u>3,249,978</u>	<u>4,719,473</u>
Accumulated other comprehensive loss	<u>\$ (9,775,988)</u>	<u>\$ (14,196,248)</u>

**NOTE 17. RESTRICTIONS ON DIVIDENDS**

Federal and state banking regulations place certain restrictions on dividends paid. The total amount of dividends that may be paid at any date is generally limited to the retained earnings of the Bank.

In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank’s capital to be reduced below applicable minimum capital requirements and are subject to increasingly stringent limitations with respect to capital distributions and discretionary bonus payments to executive officers as regulatory capital conservation buffers approach zero percent.

**NOTE 18. REVENUE RECOGNITION**

The majority of the Company’s revenue streams are governed by other authoritative guidance and, therefore, considered out-of-scope of FASB ASC 606. The Company’s revenue streams that are considered in-scope of ASC 606 are discussed below.

ASC 606 requires costs that are incremental to obtaining a contract to be capitalized. In the case of the Company, these costs include sales commissions for insurance and wealth management products. ASC 606 has established, and the Company has utilized, a practical expedient allowing costs that, if capitalized, would have an amortization period of one year or less to instead be expensed as incurred.

*Service Fees*

Service fees include service charges on deposit accounts such as maintenance fees on accounts, per item charges, account enhancement charges for additional packaged benefits and overdraft fees. The contracts with deposit account customers are day-to-day contracts and are considered to be terminable at will by either party. Therefore, the fees are all considered to be earned when charged and simultaneously collected.

Service fees also include fees related to deposit services, such as ATM fees and interchange fees on debit card transactions. These fees are earned at a point in time as the services are rendered, and therefore the related revenue is recognized as Company’s performance obligation is satisfied.

*Insurance Commissions*

Through BNA Insurance and Investments, Inc., the Company offers life insurance products through major insurance carriers. Insurance commissions are earned when policies are placed by customers with the insurance carriers and are collected and recognized using the direct bill method.

**NOTE 18. REVENUE RECOGNITION** (continued)

Under the direct bill method, premium billing and collections are handled by the insurance carriers, and a commission is then paid to BNA Insurance and Investments, Inc. Direct bill revenue is recognized when the cash is received from the insurance carriers. While there is recourse on these commissions in the event of policy cancellations, based on the Company's historical data, significant or material reversals of revenues based on policy cancellations are not anticipated. The Company monitors policy cancellations on a monthly basis and, if a significant material set of transactions occurred, the Company will adjust earnings accordingly.

*Other Noninterest Income*

Included in other noninterest income is income is approximately \$51,000 and \$48,000 of income from Trust services and approximately \$573,000 and \$501,000 of income from the sale of non-deposit investment products during the years ended December 31, 2025 and 2024, respectively. The Company's Trust Department operates on a custodial basis which includes providing accounting and money management for trust accounts. The department manages a number of trust accounts inclusive of personal and corporate agency accounts, self-directed IRAs, and custodial accounts. Fees for managing these accounts are based on the value of assets under management in the account, with the amount of the fee depending on the type of account. Revenue is recognized on a monthly basis, and there is little to no risk of a material reversal of revenue. The contract balance (i.e., management fee receivable) recognized is considered inconsequential to the overall financial results of the Company.

The Company provides investment products and services to the Company's customers through third party service providers, which include investment guidance relating to fixed and variable annuities, mutual funds, stocks and other investments. Fees are recognized based on either trade activity, which are recognized at the time of the trade, or assets under management, which are recognized monthly.

*Sales of Foreclosed Assets*

The Company continually markets the properties included in the foreclosed assets portfolio. The Company will at times, in the ordinary course of business, provide seller-financing on sales of foreclosed assets. In cases where a sale is seller-financed, the Company must ensure the commitment of both parties to perform their respective obligations and the collectability of the transaction price in order to properly recognize the revenue on the sale of foreclosed assets. This is accomplished through the Company's loan underwriting process. In this process the Company considers things such as the buyer's initial equity in the property, the credit quality of the buyer, the financing terms of the loan and the cash flow from the property, if applicable. If it is determined that the contract criteria in ASC 606 have been met, the revenue on the sale of foreclosed assets will be recognized on the closing date of the sale when the Company has transferred title to the buyer and obtained the right to receive payment for the property. In instances where sales are not seller-financed, the Company recognizes revenue on the closing date of the sale when the Company has obtained payment for the property and transferred title to the buyer.

**NOTE 19. COMMON STOCK**

The holders of Class A Voting Common Shares of the Company are entitled to receive such dividends as may be declared, from time to time, by the Board of Directors out of funds legally available therefore. The holders of Class B Nonvoting Common Shares of the Company are entitled to receive a dividend per share equal to 110% of the amount of dividends paid per share to holders of voting common stock.

The holders of Class A Common Stock are entitled one vote for each share standing in their names on the books of the Company, except that in the election of directors, shareholders have cumulative voting rights. Under cumulative voting, each shareholder is entitled to vote the number of votes of the shares owned by him on the record date multiplied by the number of directors to be elected. Each shareholder may cast all of his votes for a single nominee or may distribute his votes in any manner among as many candidates as the shareholder sees fit.

The holders of Class B Nonvoting Common Shares have no voting rights, except as required under the Mississippi Business Corporation Act in connection with any proposed sale of the Company. No change may be made to the terms of the Class B Nonvoting Common Shares without the affirmative vote of a majority of such shares.

**NOTE 20. EVALUATION OF SUBSEQUENT EVENTS**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

**NOTE 21. GOVERNMENT GRANTS RECEIVED**

The Company periodically receives cash awards in the form of grants through the Department of Treasury's Community Development Financial Institution (CDFI) program. Awards under CDFI programs are generally issued to encourage investment and lending in underserved communities and to provide capital to CDFIs to respond to economic challenges. Certain awards are issued in arrears, based on loans originated or investments in target markets that have already been funded while other awards are issued in advance and require the Company meet specified performance goals in eligible or approved target markets, generally with a minimum dollar volume of loan originations over the award's performance period. Under accounting standards generally accepted in the United States of America the performance goals associated with each award represent a barrier to income recognition that must be overcome before the award is recognized into earnings. Accordingly, the Company recognizes income associated with each award into income as it meets the performance goals and defers recognition to a future period to the extent that performance goals associated with each award have not been met.

During the years ended December 31 2025 and 2024, the Company recognized \$0 and \$2,989,208, respectively, of these grant awards in earnings, which is included in noninterest income in the accompanying consolidated statements of income.