

## **Annual Disclosure Statement**

The attached annual report serves as Bank of Tennessee's 2025 Annual Disclosure Statement as required by the Federal Deposit Insurance Corporation ("FDIC"). The Annual Report has not been reviewed, or confirmed for accuracy or relevance, by the FDIC.

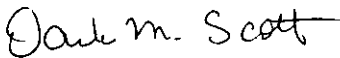
Please contact either William R. Barrett (President & CEO) or Darla M. Scott (EVP & CFO) for any additional information.

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Bank of Tennessee  
EVP and CFO

**WE'VE GOT YOU.**



**BT**

**ANNUAL REPORT 2025**

**BANCTENN CORP.  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL REPORT**

**DECEMBER 31, 2025**

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## INDEPENDENT AUDITOR'S REPORT

**To the Stockholders and Board of Directors  
BancTenn Corp.  
Kingsport, Tennessee**

### *Opinion*

We have audited the accompanying consolidated financial statements of BancTenn Corp. and Subsidiary (a Tennessee S-Corporation), 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 consolidated financial statements.

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

### *Basis for Opinion*

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

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

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

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

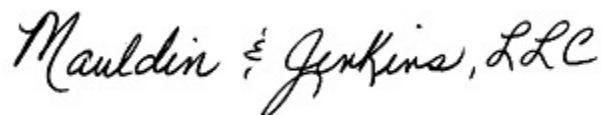
### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS, we:

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

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



Chattanooga, Tennessee  
March 24, 2026

**BANCTENN CORP. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2025 and 2024**  
(amounts in thousands, except share data)

	2025	2024
<b>ASSETS</b>		
Cash and due from banks:		
Noninterest-bearing	\$ 27,775	\$ 27,807
Interest-bearing	312	350
Total cash and due from banks	28,087	28,157
Federal funds sold	10,573	29,615
Certificates of deposit with other financial institutions	750	1,250
Securities available for sale, at fair value (amortized cost of \$259,310 in 2025 and \$221,184 in 2024)	244,228	196,955
Securities held to maturity (fair value of \$20,458 in 2025 and \$15,948 in 2024)	21,093	17,398
Restricted equity investments, at cost	3,635	5,620
Loans, net of allowance for credit losses of \$15,526 in 2025 and \$15,362 in 2024	1,620,446	1,550,659
Premises and equipment	37,274	35,696
Accrued interest receivable	5,666	5,294
Cash surrender value of life insurance	46,415	30,686
Annuity contracts	13,238	14,030
Foreclosed real estate	598	-
Other assets	16,063	14,515
Total assets	<u>\$2,048,066</u>	<u>\$1,929,875</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits:		
Noninterest-bearing	\$ 511,206	\$ 508,597
Interest-bearing	1,306,537	1,213,254
Total deposits	1,817,743	1,721,851
Securities sold under agreements to repurchase	12,166	15,281
Other borrowings	100	-
Subordinated debentures	15,465	15,465
Accrued interest payable	436	746
Accrued expenses and other liabilities	19,977	19,692
Total liabilities	<u>1,865,887</u>	<u>1,773,035</u>
Stockholders' equity:		
Common stock, \$8 par value, 6,000,000 shares authorized, 2,539,304 shares issued and outstanding in 2025 and 2024	20,314	20,314
Additional paid-in capital	9,027	9,027
Retained earnings	166,940	150,152
Accumulated other comprehensive loss	(14,102)	(22,653)
Total stockholders' equity	<u>182,179</u>	<u>156,840</u>
Total liabilities and stockholders' equity	<u>\$2,048,066</u>	<u>\$1,929,875</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**BANCTENN CORP. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**Years Ended December 31, 2025 and 2024**  
**(amounts in thousands)**

	2025	2024
<b>INTEREST INCOME</b>		
Loans, including fees	\$ 95,255	\$ 87,437
Securities	7,453	6,308
Federal funds sold and other	2,243	363
	104,951	94,108
<b>INTEREST EXPENSE</b>		
Interest on deposits	31,909	31,463
Interest on other borrowed funds	1,040	3,297
	32,949	34,760
Net interest income	72,002	59,348
Provision for credit losses	1,284	460
Net interest income after provision for credit losses	70,718	58,888
<b>NONINTEREST INCOME</b>		
Customer service fees	2,666	2,547
Loan origination and settlement fees	2,043	2,058
(Loss) gain on sales of assets	(13)	179
Other	6,111	5,667
	10,807	10,451
<b>NONINTEREST EXPENSES</b>		
Salaries and employee benefits	30,366	29,961
Occupancy expenses	4,415	4,323
Software and digital services	6,404	5,982
Other operating expenses	11,681	10,483
	52,866	50,749
Income before income taxes	28,659	18,590
Income tax expense (benefit)	317	(194)
Net income	\$ 28,342	\$ 18,784

The Notes to Consolidated Financial Statements are an integral part of these statements.

**BANCTENN CORP. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**Years Ended December 31, 2025 and 2024**  
**(amounts in thousands)**

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	<u>2025</u>	<u>2024</u>
Net income	<u>\$28,342</u>	<u>\$18,784</u>
Other comprehensive income net of tax:		
Unrealized income on securities -		
Unrealized holding gains arising during the year, net of tax		
expense of \$596 and \$23 in 2025 and 2024, respectively	<u>8,551</u>	<u>340</u>
Total other comprehensive income	<u>8,551</u>	<u>340</u>
Comprehensive income	<u>\$36,893</u>	<u>\$19,124</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**BANCTENN CORP. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

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

**(amounts in thousands, except share data)**

	Total Stockholders' Equity	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss
BALANCE, December 31, 2023	\$ 148,635	\$ 20,314	\$ 9,027	\$ 142,287	\$ (22,993)
Net income	18,784	-	-	18,784	-
Other comprehensive income, net of tax	340	-	-	-	340
Distributions to stockholders	<u>(10,919)</u>	<u>-</u>	<u>-</u>	<u>(10,919)</u>	<u>-</u>
BALANCE, December 31, 2024	156,840	20,314	9,027	150,152	(22,653)
Net income	28,342	-	-	28,342	-
Other comprehensive income, net of tax	8,551	-	-	-	8,551
Distributions to stockholders	<u>(11,554)</u>	<u>-</u>	<u>-</u>	<u>(11,554)</u>	<u>-</u>
BALANCE, December 31, 2025	<u>\$ 182,179</u>	<u>\$ 20,314</u>	<u>\$ 9,027</u>	<u>\$ 166,940</u>	<u>\$ (14,102)</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**BANCTENN CORP. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2025 and 2024**  
(amounts in thousands)

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 28,342	\$ 18,784
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,293	1,860
Provision for credit losses	1,284	460
Deferred income taxes	562	(48)
Net amortization on securities	100	197
Other gains (losses), net	13	(179)
Change in operating assets and liabilities:		
Accrued interest receivable	(372)	(354)
Accrued interest payable	(310)	(433)
Other assets and liabilities	(577)	(1,752)
Net cash provided by operating activities	<u>31,335</u>	<u>18,535</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales, maturities, prepayments and calls of securities	38,561	35,418
Purchase of securities	(80,483)	(27,092)
Proceeds from redemption of restricted stock	3,075	4,800
Purchase of restricted stock	(1,089)	(3,520)
Decrease (increase) in federal funds sold	19,042	(27,910)
Net decrease in certificates of deposit with other financial institutions	500	750
Net increase in loan originations and principal collections	(71,533)	(55,367)
Proceeds from sales of premises and equipment	56	817
Purchase of premises and equipment	(6,536)	(3,391)
Purchase of bank owned life insurance	(14,476)	-
Proceeds from payment of annuity contracts	710	468
Investment in partnerships	(555)	-
Net cash used in investing activities	<u>(112,728)</u>	<u>(75,027)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase in demand deposits and NOW, money market, and savings accounts	181,329	143,128
Net decrease in time deposits	(85,437)	(30,925)
Net (decrease) increase in securities sold under agreements to repurchase	(3,115)	14,186
Net decrease in Federal Home Loan Bank advances	-	(57,000)
Net increase in other borrowings	100	-
Distributions to stockholders	(11,554)	(10,919)
Net cash provided by financing activities	<u>81,323</u>	<u>58,470</u>
NET (DECREASE) INCREASE IN CASH AND DUE FROM BANKS	(70)	1,977
CASH AND DUE FROM BANKS, beginning of year	<u>28,157</u>	<u>26,179</u>
CASH AND DUE FROM BANKS, end of year	<u>\$ 28,087</u>	<u>28,157</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for income taxes	\$ 87	\$ 17
Cash paid during the year for interest	<u>33,259</u>	<u>35,193</u>
<b>NONCASH INVESTING ACTIVITIES</b>		
Real estate acquired in settlement of loans	\$ (617)	\$ -
Bank property transferred to held for sale	<u>(2,616)</u>	<u>-</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

## **BANCTENN CORP. AND SUBSIDIARY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (amounts in thousands, except share data)**

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

##### **Nature of Business**

BancTenn Corp. (the Company) is a bank holding company whose principal activity is the ownership and management of its wholly-owned Subsidiary, Bank of Tennessee (the Bank). The Bank generates commercial, mortgage and consumer loans and receives deposits from customers located in eastern and middle Tennessee and western North Carolina. The Bank's primary deposit products are transaction and savings accounts and certificates of deposit. Its primary lending products are commercial loans, residential real estate loans, and consumer loans.

##### **Basis of Presentation and Accounting Estimates**

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

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, 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 fair value of financial instruments.

The determination of the adequacy of the allowance for credit losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

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

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

The Company has evaluated all transactions, events, and circumstances for consideration or disclosure through March 24, 2026, the date these financial statements were available to be issued, and has reflected or disclosed those items within the consolidated financial statements and related footnotes as deemed appropriate.

##### **Cash, Due from Banks and Cash Flows**

For purposes of reporting consolidated cash flows, cash and due from banks includes cash on hand, cash items in process of collection, amounts due from banks, and interest-bearing deposits in banks. Cash flows from loans, federal funds sold, federal funds purchased and securities sold under agreements to repurchase, Federal Home Loan Bank advances, borrowings under line of credit, ESOP transactions and deposits are reported net.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** **(amounts in thousands, except share data)**

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

#### **Securities**

Certain debt securities that management has the positive intent and ability to hold to maturity are classified as “held to maturity” and recorded at amortized cost. Securities not classified as held to maturity are classified as “available for sale” and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. The Company has made a policy election to exclude accrued interest from the amortized cost basis of debt securities and report accrued interest separately on the consolidated balance sheets. Accrued interest receivable on debt securities totaled \$1,126 and \$832 as of December 31, 2025 and 2024, respectively. A debt security is placed on nonaccrual status at the time any principal or interest payments become more than 90 days delinquent or if full collection of interest or principal becomes uncertain. Accrued interest for a security placed on nonaccrual is reversed against interest income. There was no accrued interest related to debt securities reversed against interest income for the years ended December 31, 2025 and 2024.

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

Securities borrowed or purchased under agreements to resell and securities loaned or sold under agreements to repurchase are treated as collateralized financial transactions. These agreements are recorded at the amount at which the securities were acquired or sold plus accrued interest. It is the Company's policy to take possession of securities purchased under resale agreements. The market value of these securities is monitored, and additional securities are obtained when deemed appropriate to ensure such transactions are adequately collateralized. The Company also monitors its exposure with respect to securities sold under repurchase agreements, and a request for the return of excess securities held by the counterparty is made when deemed appropriate.

#### **Restricted Equity Investments**

The Company is required to maintain an investment in capital stock of various entities. Based on redemption provisions of these entities, the stock has no quoted market value and is carried at cost. At their discretion, these entities may declare dividends on the stock. Management reviews for impairment based on the ultimate recoverability of the cost basis in these stocks.

#### **Equity Securities**

Equity securities are carried at fair value, with changes in fair value reported in net income.

#### **Loans**

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost, net of the allowance for credit losses. Amortized cost is the outstanding principal balances less unearned income, net of deferred fees, origination costs and unaccrued or unamortized non-credit purchase discounts or premiums, respectively. Interest income is accrued on the outstanding principal balance.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** **(amounts in thousands, except share data)**

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

#### **Loans (Continued)**

Loan origination fees and direct loan origination costs, as well as discounts recorded on retained government guaranteed loans, are deferred and recognized in income over the life of the loans using a method which approximates a level yield.

For all classes of loans, the accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to make payments as they become due, unless the loan is well secured and in the process of collection. Interest income on mortgage and commercial loans is discontinued and placed on nonaccrual status at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection. Mortgage loans and commercial loans are charged off to the extent principal or interest is deemed uncollectible. Consumer loans continue to accrue interest until they are charged off, generally between 90 and 120 days past due, unless the loan is in the process of collection. All interest accrued, but not collected for loans that are placed on nonaccrual or charged off, is reversed against interest income. Interest received on nonaccrual loans is applied against principal until the loans are returned to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

#### **Allowance for Credit Losses – Loans**

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

The Company estimates the ACL on loans based on the underlying loans' amortized cost basis, which is the amount at which the financing receivable is originated or acquired, adjusted for applicable accretion or amortization of premium, discount, and net deferred fees or costs, collection of cash, and charge-offs. In the event that collection of principal becomes uncertain, the Company has policies in place to reverse accrued interest in a timely manner. Therefore, the Company has made a policy election to exclude accrued interest from the measurement of ACL. Accrued interest receivable on loans totaled \$4,537 and \$4,444 at December 31, 2025 and 2024, respectively.

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

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

#### **Cohort Analysis Method**

The Company's primary methodology for estimating expected credit losses for all loan types is the Cohort Analysis. This cohort approach captures loans that qualify for a segment as of a point in time to form a cohort, then tracks that cohort over their remaining lives to determine their loss behavior. This remaining lifetime loss rate is then applied to current loans that qualify for the same segmentation criteria to form a remaining life expectation on current loans.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** **(amounts in thousands, except share data)**

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

#### **Allowance for Credit Losses – Loans (Continued)**

##### Individually Evaluated Loans

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

##### Charge Offs and Recoveries

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

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

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

The Company records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable, through a charge to provision for credit losses in the Company's consolidated statements of income. The ACL on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur as well as any third-party guarantees and is included in other liabilities on the Company's consolidated balance sheets.

#### **Transfers of Financial Assets**

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(amounts in thousands, except share data)**

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

**Loans Held for Sale**

Loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value determined by outstanding commitments from investors. Loans held for sale are classified as loans on the consolidated balance sheets and were \$3,314 and \$3,232 for the years ended December 31, 2025 and 2024, respectively.

Loan origination fees and related origination costs are recognized upon sale of loans to third parties. Gains and losses on sale of loans are recognized at the time of the sale. Losses on sales of loans are recognized when management has determined that such loans will be sold at a price less than the carrying value. Gains and losses are determined by the difference between the net sales proceeds and the cost basis of the loans sold.

**Premises and Equipment**

Land is carried at cost. Other premises and equipment are carried at cost net of accumulated depreciation. Depreciation is computed using the straight-line method based principally on the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in other operating expenses.

	<u>Years</u>
Buildings	15-39
Furniture, fixtures and equipment	3-10

**Foreclosed Real Estate**

Foreclosed real estate acquired through, or in lieu of, loan foreclosure is held for sale and is initially recorded at fair value less estimated costs to sell. Any write-down to fair value at the time of transfer is charged to the allowance for credit losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated costs to sell.

Costs of improvements are capitalized, whereas costs related to holding foreclosed real estate and subsequent write-downs to value are expensed. The amount of residential real estate where physical possession had been obtained included within foreclosed real estate were \$598 and zero at December 31, 2025 and 2024, respectively. The recorded investment in residential real estate properties where formal foreclosure procedures are in process were \$266 and zero at December 31, 2025 and 2024, respectively.

**Income Taxes**

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Earnings and losses are included in the personal income tax returns of the stockholders and taxed depending on their personal tax strategies. Accordingly, the Company does not incur federal income tax obligations, and the financial statements do not include a provision for federal income taxes. The Company incurs state income taxes, and the consolidated financial statements include an expense (benefit) for the state tax effect of transactions reported in the consolidated financial statements.

The income tax accounting guidance results in two components of state income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(amounts in thousands, except share data)**

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

**Income Taxes (Continued)**

Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. The Company's deferred taxes relate primarily to differences between the tax and book basis of the allowance for credit losses and accumulated depreciation.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets may be reduced by deferred tax liabilities and a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

**Advertising Costs**

The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense charged to operations was \$394 and \$250 for the years ended December 31, 2025 and 2024, respectively.

**Variable Interest Entities**

An entity is referred to as a variable interest entity (VIE) if it meets the criteria outlined in ASC Topic 810, which are: (1) the entity has equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) the entity has equity investors that cannot make significant decisions about the entity's operations or that do not absorb the expected losses or receive the expected returns of the entity. A VIE must be consolidated by the Company if it is deemed to be the primary beneficiary of the VIE, which is the party involved with the VIE that has a majority of the expected losses, expected residual returns, or both. The Company has two wholly-owned subsidiary grantor trusts which are deemed to be VIEs. These two VIEs have not been consolidated by the Company as BancTenn Corp. is not the primary beneficiary.

**Employee Benefit Plan**

Employee benefit plan costs are based on a percentage of individual employee's salary, not to exceed the amount that can be deducted for federal income tax purposes.

**Comprehensive Income**

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(amounts in thousands, except share data)**

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

**Fair Value of Financial Instruments**

Fair values of financial instruments are estimates using relevant market information and other assumptions, as more fully disclosed in Note 14. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

**Revenue Recognition**

The Company recognizes revenue in accordance with Accounting Standards Codification 606 (collectively ASC 606), which (1) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (2) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as foreclosed assets. The majority of the Company's revenues come from interest, including loans and securities that are outside the scope of ASC 606. The Company's services that fall within the scope of ASC 606 are presented within noninterest income and are recognized as revenue as the Company satisfies its obligation to the customer. Services within the scope of ASC 606 include primarily customer service fees and interchange fees. See Note 17 for further discussion on the Company's accounting policies for revenue sources within the scope of ASC 606.

**NOTE 2. SECURITIES**

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

	2025			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
<b>Debt securities available for sale:</b>				
U.S. Government-sponsored enterprises (GSEs)	\$ 46,765	\$ 26	\$ (2,474)	\$ 44,317
Obligations of states and political subdivisions	67,789	275	(5,553)	62,511
Mortgage backed securities:				
Government National Mortgage Association guaranteed	32,978	168	(2,583)	30,563
GSE residential	107,781	323	(5,222)	102,882
U.S. Treasury	<u>3,997</u>	<u>-</u>	<u>(42)</u>	<u>3,955</u>
	<u>\$259,310</u>	<u>\$792</u>	<u>\$(15,874)</u>	<u>\$244,228</u>
<b>Debt securities held to maturity:</b>				
Obligations of states and political subdivisions	\$ 2,455	\$ 8	\$ (64)	\$ 2,399
Mortgage backed securities:				
GSE residential	<u>18,638</u>	<u>108</u>	<u>(687)</u>	<u>18,059</u>
	<u>\$ 21,093</u>	<u>\$116</u>	<u>\$( 751)</u>	<u>\$ 20,458</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(amounts in thousands, except share data)**

**NOTE 2. SECURITIES (Continued)**

	2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Debt securities available for sale:</b>				
U.S. Government-sponsored enterprises (GSEs)	\$ 33,169	\$ -	\$ (3,767)	\$ 29,402
Obligations of states and political subdivisions	65,083	52	(8,156)	56,979
Mortgage backed securities:				
Government National Mortgage Association guaranteed	33,211	64	(3,354)	29,921
GSE residential	79,763	20	(8,859)	70,924
U.S. Treasury	<u>9,958</u>	<u>-</u>	<u>(229)</u>	<u>9,729</u>
	<u>\$221,184</u>	<u>\$136</u>	<u>\$(24,365)</u>	<u>\$196,955</u>
<b>Debt securities held to maturity:</b>				
Obligations of states and political subdivisions	\$ 1,455	\$ -	\$ (135)	\$ 1,320
Mortgage backed securities:				
GSE residential	<u>15,943</u>	<u>9</u>	<u>(1,324)</u>	<u>14,628</u>
	<u>\$ 17,398</u>	<u>\$ 9</u>	<u>\$(1,459)</u>	<u>\$ 15,948</u>

U.S. Government sponsored enterprises include entities such as Federal Nation Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal Home Loan Banks.

The amortized cost and fair value of debt securities as of December 31, 2025, by contractual maturity are shown below. Actual maturities may differ from contractual maturities of mortgage-backed securities because the mortgages underlying the securities may be called or repaid without penalty. Therefore, these securities are not included in the maturity categories in the following summary.

	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	\$ 21,766	\$ 21,693	\$ -	\$ -
Due from one to five years	13,800	13,398	-	-
Due from five to ten years	47,269	42,645	1,000	998
Due after ten years	35,716	33,047	1,455	1,401
Mortgage-backed securities	<u>140,759</u>	<u>133,445</u>	<u>18,638</u>	<u>18,059</u>
	<u>\$259,310</u>	<u>\$244,228</u>	<u>\$21,093</u>	<u>\$20,458</u>

There were no sales of securities in 2025 and 2024.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(amounts in thousands, except share data)

**NOTE 2. SECURITIES (Continued)**

The following tables show the gross unrealized losses and fair value of the Company's investments with unrealized losses, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position at December 31, 2025 and 2024.

	Less Than 12 Months		12 Months or More		Total Unrealized Losses
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	
December 31, 2025:					
<b>Available for sale securities:</b>					
U.S. Government-sponsored enterprises (GSEs)	\$12,719	\$ (29)	\$ 27,151	\$ (2,445)	\$ (2,474)
Obligations of states and political subdivisions	2,932	(17)	41,385	(5,536)	(5,553)
Mortgage-backed securities:					
Government National Mortgage Association guaranteed	-	-	17,734	(2,583)	(2,583)
GSE residential	16,842	(122)	50,993	(5,100)	(5,222)
U.S. Treasury	-	-	3,955	(42)	(42)
	<u>\$32,493</u>	<u>\$(168)</u>	<u>\$141,218</u>	<u>\$(15,706)</u>	<u>\$(15,874)</u>
<b>Debt securities held to maturity:</b>					
Obligations of states and political subdivisions	\$ 998	\$ (2)	\$ 953	\$ (62)	\$ (64)
Mortgage-backed securities:					
GSE residential	<u>2,779</u>	<u>(3)</u>	<u>10,189</u>	<u>(684)</u>	<u>(687)</u>
	<u>\$ 3,777</u>	<u>\$ (5)</u>	<u>\$ 11,142</u>	<u>\$ (746)</u>	<u>\$ (751)</u>
December 31, 2024:					
<b>Available for sale securities:</b>					
U.S. Government-sponsored enterprises (GSEs)	\$ 1,223	\$ (26)	\$ 28,154	\$ (3,741)	\$ (3,767)
Obligations of states and political subdivisions	11,055	(170)	42,489	(7,986)	(8,156)
Mortgage-backed securities:					
Government National Mortgage Association guaranteed	-	-	23,863	(3,354)	(3,354)
GSE residential	9,703	(86)	55,978	(8,773)	(8,858)
U.S. Treasury	-	-	9,728	(229)	(229)
	<u>\$21,981</u>	<u>\$(282)</u>	<u>\$160,213</u>	<u>\$(24,083)</u>	<u>\$(24,365)</u>
<b>Debt securities held to maturity:</b>					
Obligations of states and political subdivisions	\$ 436	\$ (4)	\$ 884	\$ (131)	\$ (135)
Mortgage-backed securities:					
GSE residential	<u>2,728</u>	<u>(92)</u>	<u>10,915</u>	<u>(1,232)</u>	<u>(1,324)</u>
	<u>\$ 3,164</u>	<u>\$ (96)</u>	<u>\$ 11,799</u>	<u>\$ (1,363)</u>	<u>\$ (1,459)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(amounts in thousands, except share data)**

**NOTE 2. SECURITIES (Continued)**

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

Securities with a carrying value of approximately \$16,640 and \$18,944 at December 31, 2025 and 2024, respectively, were pledged to secure various deposits and borrowings.

Restricted equity investments, at cost, consist of the following:

	<u>2025</u>	<u>2024</u>
Federal Home Loan Bank stock	\$3,533	\$5,518
Pacific Coast Bankers Bank stock	<u>102</u>	<u>102</u>
	<u>\$3,635</u>	<u>\$5,620</u>

**NOTE 3. LOANS AND ALLOWANCE FOR CREDIT LOSSES**

**Portfolio Segmentation**

At December 31, 2025 and 2024, the Company's loans consist of the following:

	<u>2025</u>	<u>2024</u>
Commercial real estate	\$ 654,052	\$ 568,426
Residential real estate	627,430	646,821
Construction and land development	167,829	172,701
Commercial and industrial	168,541	161,148
Consumer and other	<u>18,120</u>	<u>16,926</u>
Total loans	1,635,972	1,566,022
Less – Net unearned fees	-	(1)
Less – Allowance for loan losses	<u>(15,526)</u>	<u>(15,362)</u>
Net loans	<u>\$1,620,446</u>	<u>\$1,550,659</u>

For purposes of the disclosures required by ASC 310, the loan portfolio was disaggregated into segments. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. There are five loan portfolio segments that include commercial real estate, residential real estate, construction and land development, commercial and industrial, and consumer and other.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (amounts in thousands, except share data)

### NOTE 3. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

#### Portfolio Segmentation (Continued)

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

**Commercial Real Estate:** Include owner-occupied commercial real estate loans and loans secured by income producing properties. Owner-occupied commercial real estate loans to operating businesses are long-term financing of land and buildings. These loans are repaid by cash flow generated from the business operation. Real estate loans for income-producing properties such as apartment buildings, office and industrial buildings, and retail shopping centers are repaid from rent income derived from the properties. Loans within this segment are particularly sensitive to the valuation of real estate collateral.

**Residential Real Estate:** Include 1-4 family residential real estate loans, second liens, or open-end real estate loans, such as home equity lines and up to four-unit multifamily residential loans. These are repaid by various means such as a borrower's income, sale of the property, or rental income derived from the property. These loans are sensitive to the valuation of real estate collateral, unemployment and other key economic measures.

**Construction and Land Development:** Loans for real estate construction and land development are repaid through cash flow related to the operations, sale or refinance of the underlying property. This portfolio segment includes extensions of credit to real estate developers or investors where repayment is dependent on the sale of the real estate or income generated from the real estate collateral. These loans are particularly sensitive to the valuation of real estate.

**Commercial and Industrial:** Include commercial, financial and agricultural loans. These loans include those loans to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or expansion projects. Loans are repaid by business cash flows. Collection risk in this portfolio is driven by the creditworthiness of the underlying borrower, particularly cash flows from the customers' business operations.

**Consumer and Other:** The consumer loan portfolio segment includes direct consumer installment loans, overdrafts and other revolving credit loans, and loans secured by farmland. Loans in this portfolio are sensitive to unemployment and other key consumer economic measures.

#### Nonaccrual and Past Due Loans

A loan is placed on nonaccrual status when, in management's judgment, the collection of the interest income appears doubtful. Interest receivable that has been accrued and is subsequently determined to have doubtful collectability is charged to interest income. Interest on loans that are classified as nonaccrual is subsequently applied to principal until the loans are returned to accrual status. The Company's loan policy states that a nonaccrual loan may be returned to accrual status when (i) none of its principal and interest is due and unpaid, and the Company expects repayment of the remaining contractual principal and interest, or (ii) it otherwise becomes well secured and in the process of collection. Restoration to accrual status on any given loan must be supported by a well-documented credit evaluation of the borrower's financial condition and the prospects for full repayment. Past due loans are accruing loans whose principal or interest is past due 30 days or more.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(amounts in thousands, except share data)**

**NOTE 3. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

**Nonaccrual and Past Due Loans (Continued)**

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

	December 31, 2025							
	30-89 Days Past Due and Accruing	Past Due 90 Days or More and Accruing	Nonaccrual with an ACL	Nonaccrual without an ACL	Total Past Due	Current Loans	Total Loans	
	Commercial real estate	\$ 661	\$ -	\$ 165	\$ 334	\$ 1,160	\$ 652,892	\$ 654,052
	Residential real estate	5,740	-	2,457	1,555	9,752	617,678	627,430
Construction and land development	39	-	1,555	-	1,594	166,235	167,829	
Commercial and industrial	742	-	495	555	1,792	166,749	168,541	
Consumer and other	<u>76</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>79</u>	<u>18,041</u>	<u>18,120</u>	
Total	<u>\$7,258</u>	<u>\$ -</u>	<u>\$4,675</u>	<u>\$2,444</u>	<u>\$14,377</u>	<u>\$1,621,595</u>	<u>\$1,635,972</u>	

	December 31, 2024							
	30-89 Days Past Due and Accruing	Past Due 90 Days or More and Accruing	Nonaccrual with an ACL	Nonaccrual without an ACL	Total Past Due	Current Loans	Total Loans	
	Commercial real estate	\$ 510	\$ -	\$ -	\$293	\$ 803	\$ 567,623	\$ 568,426
	Residential real estate	3,657	-	2,326	458	6,441	640,380	646,821
Construction and land development	1,605	-	-	-	1,605	171,096	172,701	
Commercial and industrial	3,689	-	84	100	3,873	157,275	161,148	
Consumer and other	<u>43</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>51</u>	<u>16,875</u>	<u>16,926</u>	
Total	<u>\$9,504</u>	<u>\$ -</u>	<u>\$2,418</u>	<u>\$851</u>	<u>\$12,773</u>	<u>\$1,553,249</u>	<u>\$1,566,022</u>	

There was no interest income recognized on nonaccrual loans during the years ended December 31, 2025 or 2024.

**Collateral Dependent Loans**

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

	December 31, 2025		December 31, 2024	
	Balance	Allowance for Credit Losses	Balance	Allowance for Credit Losses
Commercial and industrial	\$2,009	\$ 622	\$2,122	\$ 695
Commercial real estate	4,776	589	6,976	831
Residential real estate	1,131	105	-	-
Construction and land development	<u>1,555</u>	<u>295</u>	<u>494</u>	<u>-</u>
Total	<u>\$9,471</u>	<u>\$1,611</u>	<u>\$9,592</u>	<u>\$1,526</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(amounts in thousands, except share data)**

**NOTE 3. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

**Credit Quality Indicators**

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually to classify the loans as to credit risk. This analysis includes loans with an outstanding balance greater than \$500,000 and non-homogeneous loans, such as commercial real estate loans. This analysis is performed on a quarterly basis.

The Company uses the following definitions for risk ratings:

**Pass:** Loans in this risk category involve borrowers of acceptable-to-strong credit quality and risk who have the apparent ability to satisfy their loan obligations. Loans in this risk grade would possess sufficient mitigating factors, such as adequate collateral or strong guarantors possessing the capacity to repay the debt if required, for any weakness that may exist.

**Special Mention:** Loans in this risk grade are the equivalent of the regulatory definition of “Other Assets Especially Mentioned” classification. Loans in this category possess some credit deficiency or potential weakness, which requires a high level of management attention. Potential weaknesses include declining trends in operating earnings and cash flows and /or reliance on the secondary source of repayment. If left uncorrected, these potential weaknesses may result in noticeable deterioration of the repayment prospects for the asset or in the Company’s credit position.

**Substandard:** Loans in this risk grade are inadequately protected by the borrower’s current financial condition and payment capability or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the orderly repayment of debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

**Doubtful:** Loans in this risk grade have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or orderly repayment in full, on the basis of current existing facts, conditions and values, highly questionable and improbable. Possibility of loss is extremely high, but because of certain important and reasonably specific factors that may work to the advantage and strengthening of the exposure, its classification as an estimated loss is deferred until its more exact status may be determined.

The following tables summarize the risk category of the Company's loan portfolio based upon on the most recent analysis performed as of December 31, 2025 and 2024:

	December 31, 2025					Total
	Commercial Real Estate	Residential Real Estate	Construction and Land Development	Commercial and Industrial	Consumer and Other	
Pass	\$648,887	\$620,776	\$166,274	\$165,973	\$18,039	\$1,619,949
Special mention	1,902	485	-	1,440	-	3,827
Substandard	3,263	6,169	1,555	1,128	81	12,196
Doubtful	-	-	-	-	-	-
<b>Total</b>	<b><u>\$654,052</u></b>	<b><u>\$627,430</u></b>	<b><u>\$167,829</u></b>	<b><u>\$168,541</u></b>	<b><u>\$18,120</u></b>	<b><u>\$1,635,972</u></b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(amounts in thousands, except share data)

**NOTE 3. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

**Credit Quality Indicators (Continued)**

	December 31, 2024					Total
	Commercial Real Estate	Residential Real Estate	Construction and Land Development	Commercial and Industrial	Consumer and Other	
Pass	\$565,025	\$639,067	\$172,447	\$159,649	\$16,797	\$1,552,985
Special mention	140	1,433	-	73	-	1,646
Substandard	3,261	6,321	254	1,426	129	11,391
Doubtful	-	-	-	-	-	-
<b>Total</b>	<u>\$568,426</u>	<u>\$646,821</u>	<u>\$172,701</u>	<u>\$161,148</u>	<u>\$16,926</u>	<u>\$1,566,022</u>

**Allowance for Credit Losses on Loans**

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

Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories. The following tables provide details related to the allowance for credit losses for the year ended December 31, 2025 and 2024.

	December 31, 2025					Total
	Commercial Real Estate	Residential Real Estate	Construction and Land Development	Commercial and Industrial	Consumer and Other	
Balance, beginning of year	\$4,889	\$2,958	\$5,121	\$2,180	\$ 214	\$15,362
Provision for (reallocation of) loan losses	119	(22)	501	349	183	1,130
Recoveries of loans charged off	109	166	20	15	118	428
Loans charged off	(228)	(109)	(385)	(352)	(320)	(1,394)
<b>Balance, end of year</b>	<u>\$4,889</u>	<u>\$2,993</u>	<u>\$5,257</u>	<u>\$2,192</u>	<u>\$ 195</u>	<u>\$15,526</u>

	December 31, 2024					Total
	Commercial Real Estate	Residential Real Estate	Construction and Land Development	Commercial and Industrial	Consumer and Other	
Balance, beginning of year	\$5,533	\$7,772	\$ 359	\$2,143	\$ 157	\$15,964
Provision for (reallocation of) loan losses	(754)	(4,427)	4,844	268	186	117
Recoveries of loans charged off	110	65	18	39	135	367
Loans charged off	-	(452)	(100)	(270)	(264)	(1,086)
<b>Balance, end of year</b>	<u>\$4,889</u>	<u>\$2,958</u>	<u>\$5,121</u>	<u>\$2,180</u>	<u>\$ 214</u>	<u>\$15,362</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(amounts in thousands, except share data)**

**NOTE 3. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

**Modifications to Borrowers Experiencing Financial Difficulty**

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

At December 31, 2025 and 2024, the loans modified to borrowers experiencing financial difficulty were as follows:

	<u>December 31, 2025</u>		<u>December 31, 2024</u>	
	<u>Balance</u>	<u>Allowance for Credit Losses</u>	<u>Balance</u>	<u>Allowance for Credit Losses</u>
Commercial and industrial	\$4,710	Interest	\$2,609	Interest
Commercial real estate	570	Interest	-	-
Construction and land development	<u>618</u>	Interest	<u>-</u>	-
Total	<u>\$5,898</u>		<u>\$2,609</u>	

There were no loans that were modified in the previous twelve months (i.e., the twelve months prior to default) that defaulted during the years ended December 31, 2025 or 2024. For purposes of this disclosure, default is defined as 90 days past due and still accruing or placement on nonaccrual status. The Company has not committed to lend additional amounts to borrowers experiencing financial difficulty.

**Related Party Loans**

In the normal course of business, the Company has granted loans to certain related parties, including to directors, executive officers, and principal shareholders of the Company, on substantially the same terms, including interest rates and collateral as those prevailing at the time for comparable transactions with other borrowers. Annual activity consisted of the following:

	<u>2025</u>	<u>2024</u>
Balance beginning of year	\$20,726	\$ 17,226
Advances	6,586	31,042
Repayments	<u>(5,469)</u>	<u>(27,542)</u>
Balance end of year	<u>\$21,843</u>	<u>\$ 20,726</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(amounts in thousands, except share data)**

**NOTE 4. PREMISES AND EQUIPMENT**

A summary of premises and equipment at December 31, 2025 and 2024, is as follows:

	2025	2024
Land	\$ 8,117	\$ 8,556
Building and leasehold improvements	42,074	44,779
Furniture and equipment	17,556	17,654
Transportation equipment	5,071	1,190
Construction in progress	72	66
	72,890	72,245
Accumulated depreciation	(35,616)	(36,549)
	<u>\$ 37,274</u>	<u>\$ 35,696</u>

At December 31, 2025, construction in progress consisted of costs related to renovating the Bank's Med Tech office. Cost to complete this project is estimated to be \$221.

During 2025, the Company closed the Eastman Rd. branch and relocated the Operations center to the Bank's Med Tech Office. On the Operations center, the associated land and building were reclassified from premises and equipment to other assets as the assets are no longer in productive use and are held for sale. In accordance with the Company's policy, the Company ceased depreciating the underlying assets. The Company recorded \$2,616 in other assets resulting from this transfer, which represented the lower of carrying amount or fair value less estimated costs to sell. No gain or loss was recognized upon transfer.

**NOTE 5. DEPOSITS**

The composition of deposits at December 31, 2025 and 2024, is as follows:

	2025	2024
Demand deposits, noninterest bearing	\$ 511,206	\$ 508,597
NOW accounts	276,841	287,036
Money market accounts	708,327	522,611
Savings accounts	195,970	192,771
Time deposits	125,399	210,836
	<u>\$1,817,743</u>	<u>\$1,721,851</u>

The aggregate amount of time deposits in denominations of \$250 or more at December 31, 2025 and 2024 were approximately \$57,265 and \$85,495, respectively. At December 31, 2025 and 2024, the scheduled maturities of time deposits are as follows:

	2025	2024
Less than one year	\$113,801	\$189,162
One through three years	9,614	15,678
Three through five years	1,984	5,996
	<u>\$125,399</u>	<u>\$210,836</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(amounts in thousands, except share data)**

**NOTE 6. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE**

Securities sold under agreements to repurchase represent the purchase of interest in securities by commercial checking customers. The Company may also enter into structured repurchase agreements with other financial institutions. Repurchase agreements with commercial checking customers generally settle the following business day, while structured repurchase agreements with other financial institutions will have varying terms.

At December 31, 2025 and 2024, the Company had securities sold under agreements to repurchase of \$12,166 and \$15,281, respectively, with commercial deposit customers.

**NOTE 7. FEDERAL HOME LOAN BANK ADVANCES**

The Bank has an agreement with the Federal Home Loan Bank (FHLB) that can provide short-term and long-term funding to the Bank in an amount up to \$645,613. The Bank has pledged its loans secured by one to four single-family mortgages, second mortgages and home equity lines, multi-family, commercial real estate, and farm real estate properties. The collateral to loan ratio ranges from 56% to 74%.

**NOTE 8. SUBORDINATED DEBENTURES**

Effective June 22, 2004 and December 4, 2006, two wholly-owned subsidiary grantor trusts were established by the Company, BancTenn Capital Trust II and BancTenn Capital Trust III, respectively. These subsidiaries issued \$6,000 and \$9,000 of pooled Trust Preferred Securities (trust preferred securities), respectively. Trust preferred securities accrue and pay distributions periodically at specified annual rates as provided in the indentures. The trust used the net proceeds from the offering to purchase a like amount of Junior Subordinated Debentures (the Debentures) of the Company. The Debentures are the sole assets of the trust. The trust preferred securities are mandatorily redeemable upon the maturity of the Debentures, or upon earlier redemption as provided in the indentures.

The Company has the right to redeem the Debentures in whole or in part after specific dates, at a redemption price specified in the indenture plus any accrued but unpaid interest to the redemption date. The trust preferred securities have a maturity of 30 years and are redeemable at the Company's option with certain exceptions. At December 31, 2025, the floating-rate securities in BancTenn Capital Trust II had an 6.77% interest rate which resets quarterly at the three-month SOFR rate plus 2.65% and BancTenn Capital Trust III had a 5.63% interest rate which resets quarterly at the three-month SOFR rate plus 1.65%.

For regulatory capital purposes, these trust-preferred securities qualify as a component of Tier I capital, subject to certain limitations.

ASC Topic 810 resulted in the Company's investment in the common equity of the trust being included in the consolidated balance sheets as other assets, totaling \$465 at December 31, 2025 and 2024. The outstanding balance of the subordinated debentures was \$15,465 at December 31, 2025 and 2024.

**NOTE 9. BORROWINGS UNDER LINE OF CREDIT**

The Company has a \$10 million line of credit with another financial institution, which is secured by 100% of the stock of Bank of Tennessee. Interest on the note is subject to change from time to time based on changes in an independent index which is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. Banks known as the Wall Street Journal U.S. Prime Rate (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. Lender will tell Borrower the current Index rate upon Borrower's request. The Interest rate change will not occur more often than each day. The Index currently is 7.50% per annum. The line date is August 1, 2025 and matures on August 1, 2026, unless annually renewed thereafter. There were no amounts outstanding under the line of credit at December 31, 2025 or 2024.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** **(amounts in thousands, except share data)**

### **NOTE 9. BORROWINGS UNDER LINE OF CREDIT (Continued)**

The line of credit requires the Bank to meet certain covenants, which include: (i) the Company shall maintain a minimum liquidity of \$1 million during the term of the loan, (ii) the Company may not incur or take on any additional debt without the prior written consent of the lender, (iii) the Bank is to maintain a minimum Total Risk Based Capital Ratio of 12.00%, (iv) the Bank is to maintain a minimum Tier 1 Leverage ratio of 9.00%, (v) Classified Assets to Tier 1 Capital + ALLL not to exceed 40% at the Bank level, and (vi) the Company shall produce a fixed charge coverage ratio of at least 1.3:1, measured annually, based on the fiscal year end. At December 31, 2025 and 2024, the Company and the Bank was in compliance with all covenants.

### **NOTE 10. EMPLOYEE BENEFIT PLANS**

#### **Employee Retirement Plans**

The Company has a salary reduction/profit-sharing plan under the provisions of Section 401(k) of the Internal Revenue Code. All employees are eligible to participate immediately upon hire. The Plan provides for contributions by the Company in such amounts as determined by the Board of Directors not to exceed 6 percent of the participant's annual compensation. In addition, the Plan provides for the Company to match employee contributions to the Plan equal to 50 percent of the first 6 percent of the participant's annual compensation. The Company contributed \$503 and \$575 to the Plan for the years ended December 31, 2025 and 2024, respectively.

The Company and the Bank provide deferred compensation agreements for the benefit of executive and other key officers. The Bank records the estimated amount of future payments to be made over the active service periods of the officers. Interest costs are recorded beginning on the date the officer ends employment with the bank thru the final benefit payment to the officer. Deferred compensation expense under these agreements was \$525 and \$589 for the years ended December 31, 2025 and 2024, respectively. Accrued deferred compensation of approximately \$10,186 and \$10,499 is included in other liabilities at December 31, 2025 and 2024, respectively.

#### **Employee Stock Ownership Plan**

Effective January 1, 2004, the Company established an Employee Stock Ownership Plan (the Plan), within the guidelines as defined by the Internal Revenue Code, for the purpose of enabling participants to acquire an ownership interest in the Company. All employees are eligible to participate in the Plan after completing one year of service with a minimum of 1,000 hours. Initial funding for the purchase of the Company's common stock was provided by Security Acquisition Loans from the Company to the Plan. The Security Acquisition Loans call for principal and interest to be repaid in ten equal annual installments of principal and interest. Shares obtained in connection with Security Acquisition Loans are held in a suspense account and are classified as unallocated shares.

Contributions are made to the Plan as determined by the Company's Board of Directors, generally commensurate with the debt service requirements set forth in the loan agreements. Unallocated shares held in suspense by the Plan are released based on the ratio of principal payments made in the current year to total required future principal payments. Shares of the Company's common stock owned by the Plan are allocated as of each year end to each participant based on the ratio of individual compensation to total covered compensation, as defined by the agreement. Contributions can be in the form of cash, shares of Company stock, or other property as determined by the Board.

S Corporation distributions related to unallocated shares are used to fund the debt service requirements defined in the Security Acquisition Loans. Any remaining distributions are allocated proportionately to the participant, as defined by the plan agreement. At the Board's discretion, S Corporation distributions related to allocated shares may be used to make payments on Securities Acquisition Loans or shall be allocated to the participants, in accordance with the plan agreement.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(amounts in thousands, except share data)**

**NOTE 10. EMPLOYEE BENEFIT PLANS (Continued)**

**Employee Stock Ownership Plan (Continued)**

The Company recognizes compensation expense for contributions and for allocated shares that were previously unallocated. The fair value, as determined by an independent appraisal, is used to calculate the compensation expense. Compensation expense recognized in association with the Plan totaled \$255 for 2025 and 2024.

When a participant retires or otherwise terminates from the Plan, the Company is required to offer the participant the fair value for any allocated, vested shares of Company stock. If the participant declines this option, the Company retains the right of first refusal of such shares. At December 31, 2025 and 2024, there were no repurchase obligations outstanding.

The fair value of allocated shares at December 31, 2024 was \$77.00 per share, as determined by the December 31, 2024 stock valuation. The ESOP appraisal for December 31, 2025 is in process. The price of the most recent stock trade is \$68.00 per share, which occurred February 24, 2025. The number of shares allocated, unallocated and committed to be released totaled 92,317, zero, and zero, respectively, as of December 31, 2025 and 2024.

**NOTE 11. INCOME TAXES**

The Company files consolidated income tax returns with its subsidiary, Bank of Tennessee. Under the terms of a tax-sharing agreement, the subsidiary's allocated portion of the consolidated tax liability is computed as if it were reporting its income and expenses as a separate entity.

The income tax expense in the consolidated statements of income for the years ended December 31, 2025 and 2024, includes the following:

	<u>2025</u>	<u>2024</u>
Current tax expense (benefit):		
State	\$(245)	\$(146)
Deferred income taxes related to:		
Provision for credit losses	11	39
Depreciation	(113)	90
Deferred compensation retirement plans	(20)	(9)
Cash method of accounting	29	97
Other	<u>655</u>	<u>(265)</u>
Income tax expense (benefit)	<u>\$ 317</u>	<u>\$(194)</u>

Deferred tax assets recognized for deductible temporary differences totaled \$7,079 and \$8,611 at December 31, 2025 and 2024, respectively. Deferred tax liabilities for taxable temporary differences totaled \$998 and \$888 at December 31, 2025 and 2024, respectively.

For the years ended December 31, 2025 and 2024, the Company's income tax benefit differs from the amounts computed by applying the state income tax statutory rates to income before income taxes by \$1,546 and \$1,402 due primarily to state tax credits.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(amounts in thousands, except share data)**

**NOTE 12. COMMITMENTS AND CONTINGENCIES**

**Loan Commitments**

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

The Company's exposure to credit loss is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for on-balance sheet instruments.

A summary of the Company's commitments is as follows:

	<u>2025</u>	<u>2024</u>
Commitments to extend credit	\$349,074	\$324,323
Financial standby letters of credit	5,695	5,030
Other standby letters of credit	<u>3,490</u>	<u>1,034</u>
	<u>\$358,259</u>	<u>\$330,387</u>

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

Standby letters of credit are conditional commitments issued by the Company 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. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. Collateral held varies and is required in instances which the Company deems necessary.

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

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

	<u>2025</u>	<u>2024</u>
Beginning balance	\$2,222	\$1,879
Provision for credit losses	<u>154</u>	<u>343</u>
Ending balance	<u>\$2,376</u>	<u>\$2,222</u>

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** **(amounts in thousands, except share data)**

### **NOTE 12. COMMITMENTS AND CONTINGENCIES (Continued)**

#### **Contingencies**

During the normal course of business, the Company is subject to various lawsuits and claims. As of December 31, 2025, management believes that there are no current proceedings that would materially impact the consolidated financial statements of the Company.

### **NOTE 13. CONCENTRATIONS OF CREDIT RISK**

The Company originates primarily commercial, residential, and consumer loans to customers in eastern and middle Tennessee and western North Carolina. The ability of the majority of the Company's customers to honor their contractual loan obligations is dependent on the economy in these areas.

At December 31, 2025, seventy-eight percent of the Company's loan portfolio is concentrated in loans secured by real estate, of which a substantial portion is secured by real estate in the Company's primary market area. Accordingly, the ultimate collectability of the loan portfolio and recovery of the carrying amount of foreclosed real estate is susceptible to changes in real estate conditions in the Company's primary market area. The other concentrations of credit by type of loan are set forth in Note 3.

The Company, as a matter of policy, does not generally extend credit to any single borrower or group of related borrowers in excess of 25% of statutory capital, or approximately \$49,582.

### **NOTE 14. FAIR VALUE OF ASSETS AND LIABILITIES**

#### **Determination of Fair Value**

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic (FASB ASC 820), the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques.

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

#### **Fair Value Hierarchy**

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(amounts in thousands, except share data)**

**NOTE 14. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)**

**Fair Value Hierarchy (Continued)**

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

**Level 2** - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

**Level 3** - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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

**Securities:** Where quoted prices are available in an active market, management classifies the securities within Level 1 of the valuation hierarchy. Level 1 securities include exchange-traded equities. If quoted market prices are not available, management estimates fair values using pricing models and discounted cash flows that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, and credit spreads. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include GSE obligations and other securities. Mortgage-backed securities are included in Level 2 if observable inputs are available. In certain cases where there is limited activity or less transparency around inputs to the valuation, management classifies those securities in Level 3.

The tables below present the recorded amount of assets and liabilities measured at fair value on a recurring basis.

	Balance as of December 31, <u>2025</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Other Unobservable Inputs <u>(Level 3)</u>
<b>Assets</b>				
Securities available for sale:				
U.S. Government-sponsored enterprises (GSEs)	\$ 44,317	\$ -	\$ 44,317	\$ -
Obligations of states and political subdivisions	62,511	-	62,511	-
Mortgage-backed securities:				
Government National Mortgage Association guaranteed	30,563	-	30,563	-
GSE residential	102,882	-	102,882	-
U.S. Treasury	<u>3,955</u>	<u>-</u>	<u>3,955</u>	<u>-</u>
Total securities available for sale	<u>\$244,228</u>	<u>\$ -</u>	<u>\$244,228</u>	<u>\$ -</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(amounts in thousands, except share data)**

**NOTE 14. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)**

**Fair Value Hierarchy (Continued)**

	Balance as of December 31, <u>2024</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Other Unobservable Inputs <u>(Level 3)</u>
<b>Assets</b>				
Securities available for sale:				
U.S. Government-sponsored enterprises (GSEs)	\$ 29,402	\$ -	\$ 29,402	\$ -
Obligations of states and political subdivisions	56,979	-	56,979	-
Mortgage-backed securities:				
Government National Mortgage Association guaranteed	29,921	-	29,921	-
GSE residential	70,924	-	70,924	-
U.S. Treasury	<u>9,729</u>	<u>-</u>	<u>9,729</u>	<u>-</u>
Total securities available for sale	<u>\$196,955</u>	<u>\$ -</u>	<u>\$196,955</u>	<u>\$ -</u>

There were no equity securities at fair value at December 31, 2025 or 2024.

**Assets Measured at Fair Value on a Nonrecurring Basis:** Under certain circumstances management adjusts fair value for assets and liabilities although they are not measured at fair value on an ongoing basis. The following tables present the financial instruments carried on the consolidated balance sheets by caption and by level in the fair value hierarchy, for which a nonrecurring change in fair value has been recorded:

	Balance as of December 31, <u>2025</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Other Unobservable Inputs <u>(Level 3)</u>
Individually evaluated loans	\$5,257	\$ -	\$ -	\$5,257
Foreclosed real estate	598	-	-	598

	Balance as of December 31, <u>2024</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Other Unobservable Inputs <u>(Level 3)</u>
Individually evaluated loans	\$3,211	\$ -	\$ -	\$3,211
Foreclosed real estate	-	-	-	-

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(amounts in thousands, except share data)**

**NOTE 14. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)**

**Individually Evaluated Loans:** The fair value of individually evaluated loans was primarily measured based on the value of the collateral securing these loans and classified within Level 3 of the fair value hierarchy. Collateral may be real estate and/or business assets including equipment, inventory, and/or accounts receivable. The Company determines the value of the collateral based on independent appraisals performed by qualified licensed appraisers. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Appraised values are discounted for costs to sell and may be discounted further based on management’s historical knowledge, changes in market conditions from the date of the most recent appraisal, and/or management’s expertise and knowledge of the customer and the customer’s business. Such discounts by management are subjective and are typically significant unobservable inputs for determining fair value. These loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors discussed above.

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

**Quantitative Disclosures for Level 3 Fair Value Measurements:** The Company had no Level 3 assets measured at fair value on a recurring basis at December 31, 2025 and 2024.

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

	<u>Carrying Amount</u>	<u>Valuation Technique</u>	<u>Significant Unobservable Input</u>	<u>Weighted Average of Input</u>
<b>Nonrecurring - 2025:</b>				
Individually evaluated loans	\$5,257	Appraisal	Appraisal discounts	23%
Foreclosed real estate	598	Appraisal	Appraisal discounts	53%
<b>Nonrecurring - 2024:</b>				
Impaired loans	\$3,211	Appraisal	Appraisal discounts	32%

**NOTE 15. REGULATORY MATTERS**

The Bank is subject to certain restrictions on the amount of dividends that may be declared without prior regulatory approval. At December 31, 2025, approximately \$35,058 of retained earnings were available for dividend declaration without regulatory approval.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(amounts in thousands, except share data)**

**NOTE 15. REGULATORY MATTERS (Continued)**

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total capital, Tier 1 capital, and common equity Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. In addition, the Bank is subject to an institution-specific capital buffer, which must exceed 2.50% to avoid limitations on distributions and discretionary bonus payments. The Bank's capital conservation buffer at December 31, 2025 was 4.86%. Management believes, as of December 31, 2025 and 2024, that the Bank meets all capital adequacy requirements to which it is subject.

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

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

	<u>Actual</u>		<u>For Capital Adequacy Purposes</u>		<u>To Be Well Capitalized Under Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
	As of December 31, 2025:					
Total capital						
to risk weighted assets	\$215,317	12.84%	\$133,982	8.00%	\$167,478	10.00%
Tier I capital						
to risk weighted assets	198,328	11.84%	100,487	6.00%	133,982	8.00%
CETI capital						
to risk weighted assets	198,328	11.84%	75,365	4.50%	108,861	6.50%
Tier I capital to average assets	198,328	9.62%	66,991	4.00%	83,739	5.00%
As of December 31, 2024:						
Total capital						
to risk weighted assets	\$197,818	12.47%	\$126,859	8.00%	\$158,573	10.00%
Tier I capital						
to risk weighted assets	182,061	11.48%	95,144	6.00%	126,859	8.00%
CETI capital						
to risk weighted assets	182,061	11.48%	71,358	4.50%	103,073	6.50%
Tier I capital to average assets	182,061	9.49%	76,763	4.00%	95,954	5.00%

**NOTE 16. CONCENTRATIONS IN DEPOSITS**

The Company had a concentration in its deposits to two customers totaling approximately \$268,221 and \$129,072 at December 31, 2025 and 2024, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(amounts in thousands, except share data)**

**NOTE 17. REVENUE FROM CONTRACTS WITH CUSTOMERS**

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

<b>Noninterest Income</b>	<u>2025</u>	<u>2024</u>
Customer service fees	\$ 2,666	\$ 2,547
Loan origination and settlement fees (a)	2,043	2,058
(Loss) gain on sales of assets (a)	(13)	179
Other	<u>6,111</u>	<u>5,667</u>
Total noninterest income	<u>\$10,807</u>	<u>\$10,451</u>

(a) Not within scope of ASC 606

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

**Other:** Other non-interest income primarily consists of revenues generated from ATM fees and safe deposit box rentals. ATM fees are recognized concurrently with the delivery of service on a daily basis as transactions occur. Safe deposit box rentals income is recognized on a monthly basis as the Company's performance obligation for these services is satisfied. This category also includes interchange fees from consumer credit and debit cards processed by card association networks, as well as merchant discounts, and other card-related services. Interchange rates are generally set by the credit card associations and based on purchase volumes and other factors. Interchange fees and merchant discounts are recognized concurrently with the delivery of service on a daily basis as transactions occur. Payment is typically received immediately or in the following month. Also included in this category is wealth management revenue and revenue from bank owned life insurance and annuity contracts, which are not within the scope of ASC 606. For the years ended December 31, 2025 and 2024, these amounts totaled \$2,547 and \$2,050, respectively.



**INDEPENDENT AUDITOR'S REPORT  
ON CONSOLIDATING INFORMATION**

**To the Stockholders and Board of Directors  
BancTenn Corp.  
Kingsport, Tennessee**

We have audited the consolidated financial statements of BancTenn Corp. and its Subsidiary as of and for the year ended December 31, 2025, and have issued our report thereon dated March 24, 2026, which contains an unmodified opinion on those consolidated financial statements. See page 1.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Mauldin & Jenkins, LLC*

Chattanooga, Tennessee  
March 24, 2026

**BANCTENN CORP. AND SUBSIDIARY**  
**CONSOLIDATING BALANCE SHEET**  
**December 31, 2025**  
**(amounts in thousands, except share data)**

	Bank of Tennessee	BancTenn Corp.	Eliminations	Consolidated
<b>ASSETS</b>				
Cash and due from banks:				
Noninterest-bearing	\$ 27,775	\$ 347	\$ 347	\$ 27,775
Interest-bearing	312	6,416	6,416	312
Total cash and due from banks	28,087	6,763	6,763	28,087
Federal funds sold	10,573	-	-	10,573
Certificates of deposit with other financial institutions	750	-	-	750
Securities available for sale	244,228	-	-	244,228
Securities held to maturity	21,093	-	-	21,093
Restricted equity investments, at cost	3,635	-	-	3,635
Loans, net of allowance for credit losses	1,620,446	-	-	1,620,446
Premises and equipment	33,781	3,493	-	37,274
Accrued interest receivable	5,666	-	-	5,666
Cash surrender value of life insurance	46,415	-	-	46,415
Annuity contracts	13,238	-	-	13,238
Foreclosed real estate	598	-	-	598
Other assets	15,598	744	279	16,063
Investment in subsidiary	-	188,455	188,455	-
Total assets	<u>\$ 2,044,108</u>	<u>\$ 199,455</u>	<u>\$ 195,497</u>	<u>\$ 2,048,066</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Deposits:				
Noninterest-bearing	\$ 511,553	\$ -	\$ 347	\$ 511,206
Interest-bearing	1,312,953	-	6,416	1,306,537
Total deposits	1,824,506	-	6,763	1,817,743
Securities sold under agreements to repurchase	12,166	-	-	12,166
Other borrowings	100	-	-	100
Subordinated debentures	-	15,465	-	15,465
Accrued interest payable	336	100	-	436
Accrued expenses and other liabilities	18,545	1,711	279	19,977
Total liabilities	<u>1,855,653</u>	<u>17,276</u>	<u>7,042</u>	<u>1,865,887</u>
Stockholders' equity:				
Common stock, no par value; 250,000 shares authorized; 209,148 shares outstanding	2,269	-	2,269	-
Common stock, \$8 par value; 6,000,000 shares authorized; 2,539,304 shares outstanding	-	20,314	-	20,314
Additional paid-in capital	26,142	9,027	26,142	9,027
Retained earnings	174,146	166,940	174,146	166,940
Accumulated other comprehensive loss	(14,102)	(14,102)	(14,102)	(14,102)
Total stockholders' equity	<u>188,455</u>	<u>182,179</u>	<u>188,455</u>	<u>182,179</u>
Total liabilities and stockholders' equity	<u>\$ 2,044,108</u>	<u>\$ 199,455</u>	<u>\$ 195,497</u>	<u>\$ 2,048,066</u>

**BANCTENN CORP. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF INCOME**  
**Year Ended December 31, 2025**  
**(amounts in thousands)**

	Bank of Tennessee	BancTenn Corp.	Eliminations	Consolidated
<b>INTEREST INCOME</b>				
Loans, including fees	\$ 95,255	\$ -	\$ -	\$ 95,255
Securities	7,453	-	-	7,453
Federal funds sold and other	2,229	366	352	2,243
	<u>104,937</u>	<u>366</u>	<u>352</u>	<u>104,951</u>
<b>INTEREST EXPENSE</b>				
Interest on deposits	32,261	-	352	31,909
Interest on other borrowed funds	33	1,007	-	1,040
	<u>32,294</u>	<u>1,007</u>	<u>352</u>	<u>32,949</u>
Net interest income (expense)	72,643	(641)	-	72,002
Provision for credit losses	1,284	-	-	1,284
Net interest income (expense) after provision for credit losses	<u>71,359</u>	<u>(641)</u>	<u>-</u>	<u>70,718</u>
<b>NONINTEREST INCOME</b>				
Customer service fees	2,666	-	-	2,666
Loan origination and settlement fees	2,043	-	-	2,043
Loss on sales of assets	(13)	-	-	(13)
Other	6,378	50	317	6,111
Equity in subsidiary's earnings	-	31,581	31,581	-
	<u>11,074</u>	<u>31,631</u>	<u>31,898</u>	<u>10,807</u>
<b>NONINTEREST EXPENSES</b>				
Salaries and employee benefits	29,124	1,242	-	30,366
Occupancy expenses	4,415	-	-	4,415
Software and digital services	6,404	13	13	6,404
Other operating expenses	10,459	1,526	304	11,681
	<u>50,402</u>	<u>2,781</u>	<u>317</u>	<u>52,866</u>
Income before income taxes	32,031	28,209	31,581	28,659
Income tax (benefit)	450	(133)	-	317
Net income	<u>\$ 31,581</u>	<u>\$ 28,342</u>	<u>\$ 31,581</u>	<u>\$ 28,342</u>