

INSCORP, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

INSCORP, INC.
Nashville, Tennessee

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
InsCorp, Inc.
Nashville, Tennessee

Opinion

We have audited the consolidated financial statements of InsCorp, Inc., which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of InsCorp, Inc. as of December 31, 2025 and 2024, and the results of its operations and its 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 InsCorp, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

(Continued)

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 InsCorp, Inc.'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 InsCorp, Inc.'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.


Crowe LLP

Franklin, Tennessee
March 27, 2026

INSCORP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2025 and 2024
(dollars in thousands except share and per share data)

<i>December 31,</i>	2025	2024
Assets		
Cash and due from financial institutions	\$ 4,783	\$ 4,222
Federal funds sold	1,830	2,179
Interest-bearing deposits in financial institutions	58,495	37,175
Cash and cash equivalents	65,108	43,576
Securities available for sale, at fair value	74,167	56,426
Equity securities, at fair value	6,169	5,917
Loans, net of allowance for credit losses of \$10,780 and \$9,895 as of December 31, 2025 and 2024, respectively	853,088	754,900
Premises and equipment, net	12,861	12,451
Restricted equity securities, at cost	4,518	4,308
Bank owned life insurance	14,876	14,458
Accrued interest receivable	4,364	3,899
Goodwill	1,091	1,091
Deferred tax asset, net	3,718	3,682
Refundable income taxes and tax credits	8,233	-
Other assets	3,284	3,765
Total assets	\$ 1,051,477	\$ 904,473
Liabilities and shareholders' equity		
Liabilities		
Deposits		
Non-interest-bearing	\$ 93,234	\$ 84,017
Interest-bearing	803,280	666,467
Total deposits	896,514	750,484
Federal Home Loan Bank advances	39,000	44,000
Subordinated debentures, less unamortized debt issuance costs	17,393	17,371
Note payable and line of credit	9,950	7,800
Accrued interest payable	5,410	5,388
Other liabilities	5,186	4,610
Total liabilities	973,453	829,653
Shareholders' equity		
Common stock, no par value; 5,000,000 shares authorized; 2,974,100 shares issued in 2025 and 2,903,822 issued in 2024	28,833	29,395
Retained earnings	50,965	47,891
Accumulated other comprehensive loss	(1,774)	(2,466)
Total shareholders' equity	78,024	74,820
Total liabilities and shareholders' equity	\$ 1,051,477	\$ 904,473

See accompanying notes to the consolidated financial statements.

INSCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2025 and 2024
(dollars in thousands except share and per share data)

Years Ended December 31,	2025	2024
Interest income		
Loans, including fees	\$ 53,872	\$ 46,903
Taxable securities	2,784	2,632
Tax exempt securities	162	-
Federal funds sold and other	1,372	2,608
Total interest income	58,190	52,143
Interest expense		
Deposits	27,865	26,451
Subordinated debentures	1,619	1,657
Federal Home Loan Bank advances and other	334	469
Total interest expense	29,818	28,577
Net interest income	28,372	23,566
Credit loss expense - loans	5,779	755
Credit loss expense - off-balance sheet credit exposures	2	(54)
Credit loss expense	5,781	701
Net interest income after credit loss expense	22,591	22,865
Noninterest income		
Service charges on deposit accounts	439	378
Income on bank owned life insurance	418	392
Loss on interest rate caps and floors	(32)	(430)
Loss on termination of cash flow hedge	-	(34)
Net loss on sale of securities	(25)	(15)
Other	410	1,657
Total noninterest income	1,210	1,948
Noninterest expense		
Salaries and employee benefits	13,058	10,358
Occupancy and equipment	1,317	1,174
Marketing and advertising	605	444
Professional services	624	462
Data processing	1,283	969
Other	2,704	2,210
Total noninterest expense	19,591	15,617
Income before income taxes	4,210	9,196
Income tax expense (benefit)	(174)	1,826
Net income	\$ 4,384	\$ 7,370
Earnings per share:		
Basic	\$ 1.52	\$ 2.55
Diluted	\$ 1.47	\$ 2.46

See accompanying notes to the consolidated financial statements.

INSCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2025 and 2024
(dollars in thousands except share and per share data)

<i>Years Ended December 31,</i>	2025	2024
Net income	\$ 4,384	\$ 7,370
Other comprehensive income (loss):		
Unrealized holding gain (loss) on securities	1,840	(486)
Reclassification adjustment for net losses included in net income	25	15
Tax Effect	(487)	167
Net of tax	1,378	(304)
Unrealized holding loss on cash flow hedges	(970)	(1,435)
Reclassification adjustment for losses included in net income	-	34
Tax Effect	284	339
Net of tax	(686)	(1,062)
Total other comprehensive income (loss)	692	(1,366)
Comprehensive income	\$ 5,076	\$ 6,004

See accompanying notes to the consolidated financial statements.

INSCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years Ended December 31, 2025 and 2024
(dollars in thousands except share and per share data)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Value			
Balance at January 1, 2024	2,874,558	\$ 29,231	\$ 41,727	\$ (1,100)	\$ 69,858
Purchase of common stock	(41,381)	(1,006)	-	-	(1,006)
Stock compensation expense	-	553	-	-	553
Exercise of stock options	51,500	565	-	-	565
Restricted stock awards	16,857	-	-	-	-
Issuance of common stock	2,288	52	-	-	52
Dividends paid on common stock (\$0.40 per share)	-	-	(1,206)	-	(1,206)
Net income	-	-	7,370	-	7,370
Other comprehensive loss	-	-	-	(1,366)	(1,366)
Balance at December 31, 2024	2,903,822	29,395	47,891	(2,466)	74,820
Purchase of common stock	(59,000)	(1,402)	-	-	(1,402)
Stock compensation expense	-	593	-	-	593
Exercise of stock options	20,250	268	-	-	268
Restricted stock awards	109,642	-	-	-	-
Restricted stock withheld for taxes and related benefits	(2,912)	(81)	-	-	(81)
Issuance of common stock	2,298	60	-	-	60
Dividends paid on common stock (\$0.44 per share)	-	-	(1,310)	-	(1,310)
Net income	-	-	4,384	-	4,384
Other comprehensive income	-	-	-	692	692
Balance at December 31, 2025	2,974,100	\$ 28,833	\$ 50,965	\$ (1,774)	\$ 78,024

See accompanying notes to the consolidated financial statements.

INSCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2025 and 2024
(dollars in thousands except share and per share data)

Years Ended December 31,	2025	2024
Operating activities		
Net income	\$ 4,384	\$ 7,370
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation of premises and equipment	604	576
Net accretion	(351)	(141)
Credit loss expense - loans	5,779	755
Credit loss expense - off-balance sheet credit exposures	2	(54)
Stock compensation expense	593	553
Deferred income tax benefit	(239)	(391)
Net realized loss on sale of securities	25	15
Net loss on termination of interest rate swap	-	34
Income on equity securities	(252)	(1,200)
Increase in refundable income taxes and tax credits	(8,233)	-
Income from bank owned life insurance	(418)	(392)
Net change in:		
Accrued interest receivable and other assets	322	1,808
Accrued interest payable and other liabilities	(680)	(1,289)
Net cash from operating activities	1,536	7,644
Investing activities		
Purchase of securities available for sale	(34,573)	(15,213)
Proceeds from sales of securities available for sale	10,249	-
Proceeds from calls and maturities of securities available for sale	8,796	16,627
Net change in loans	(103,967)	(83,223)
Purchase of restricted securities, net	(210)	(135)
Purchases of premises and equipment, net	(1,014)	(312)
Net cash from investing activities	(120,719)	(82,256)
Financing activities		
Net change in deposits	146,030	64,288
Net change in federal funds purchased	-	-
Proceeds from Federal Home Loan Bank advances	20,000	-
Net repayments of short-term Federal Home Loan Bank advances	(25,000)	(1,000)
Net (repayments of) proceeds from note payable	2,150	(950)
Proceeds from exercise of common stock options	268	565
Restricted shares withheld for taxes and related benefits	(81)	-
Dividends paid on common stock	(1,310)	(1,206)
Purchase of common stock	(1,402)	(1,006)
Issuance of common stock	60	52
Net cash from financing activities	140,715	60,743
Net change in cash and cash equivalents	21,532	(13,869)
Cash and cash equivalents, beginning of year	43,576	57,445
Cash and cash equivalents, end of year	\$ 65,108	\$ 43,576
Supplemental cash flow information:		
Interest paid	\$ 29,796	\$ 28,562
Income taxes paid	\$ 725	\$ 2,905
Lease liabilities arising from obtaining right-of-use assets	\$ 334	\$ -
Operating cash flows from operating leases	\$ 44	\$ -

See accompanying notes to the consolidated financial statements.

INSCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024
(dollars in thousands except share and per share data)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation: The consolidated financial statements include InsCorp, Inc. (“the Company”), and its wholly-owned subsidiary, InsBank (formerly Insurors Bank of Tennessee, “the Bank”). InsBank is the parent company of InsBank Finance, Inc. and Finworth Mortgage, LLC, an InsBank Company. Intercompany transactions and balances have been eliminated in consolidation.

The Bank markets itself primarily to commercial enterprises and depositors within the Bank’s market area of Tennessee, while the Bank serves a niche industry of healthcare across a nationwide footprint. Its primary deposit products are demand and money market deposits and certificates of deposit, and its primary lending products are commercial loans, real estate loans, and lines of credit. Substantially all loans are secured by collateral including business assets, consumer assets, and commercial and residential real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. There are no significant concentrations of loans to any one customer, but there is a concentration in commercial real estate loans. At December 31, 2025 and 2024, 45% and 42% of the Company’s loan portfolio was classified as commercial real estate. The customers’ ability to repay their loans is dependent on the real estate and general economic conditions in the area.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through March 27, 2026, which is the date the consolidated financial statements were available to be issued.

Use of Estimates: To prepare the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the consolidated financial statements and the disclosures provided, and actual results could differ.

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions with maturities under 90 days, federal funds sold, and cash collateral accounts maintained at counterparties to the Company’s derivative transactions. Net cash flows are reported for customer loan and deposit transactions, interest bearing deposits in other financial institutions, premises and equipment, other assets, and other liabilities.

Securities: Debt securities are classified as held to maturity and carried at amortized cost when management has to the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in accumulated other comprehensive income (loss), net of tax. Debt securities that are bought and held for the purpose of selling them in the near future are classified as trading securities and reported at fair value, with unrealized gains and losses recorded in earnings.

Interest income includes amortization of purchase premium or discount. Premium and discounts on securities are amortized on the level-yield method anticipating prepayments, except for mortgage back securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income.

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INSCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024
(dollars in thousands except share and per share data)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Available for Sale Securities: For available for sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available for sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss).

Changes in the allowance for credit losses are recorded as credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

As of December 31, 2025 and 2024, there was no allowance for credit losses recorded on available for sale securities.

Equity Securities: Equity securities are carried at fair value, with changes in fair value reported in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable prices changes in orderly transactions for the identical or a similar investment. Restrictions on the sale of equity securities held are not considered in the fair value measurement unless the restriction is a characteristic of the actual securities. The Company's equity securities primarily consist of SBIC Limited Partnerships which provide funding to small business development.

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. Amortized cost is the principal balance outstanding, net of deferred loan fees and costs and an allowance for credit losses. Interest income is accrued on the unpaid principal balance. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term without anticipating prepayments.

Interest income on all classes of loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Consumer loans are typically charged off no later than 120 days past due. Past due status is based on the contractual term of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered in doubt. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

For all classes of loans, all interest accrued but not received for loans placed on nonaccrual are reversed against interest income. Interest received on all classes of loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

(Continued)

INSCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024
(dollars in thousands except share and per share data)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses - Loans: The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The Company's management assesses the adequacy of the allowance on a quarterly basis. This assessment includes procedures to estimate the allowance and test the adequacy and appropriateness of the resulting balance. The level of the allowance is based upon management's evaluation of historical default and loss experience, current and projected economic and environmental conditions such as changes in unemployment rates, property values, or other relevant factors, underwriting standards, portfolio mix, delinquency level, asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay a loan (including the timing of future payments), the estimated value of any underlying collateral, composition of the loan portfolio, industry and peer institution loan quality indications and other pertinent factors, including regulatory recommendations.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exists. The Company has identified the following portfolio segments and measures the allowance for credit losses using the following methods:

- *Commercial* loans include loans for commercial and industrial purposes to business enterprises that are not secured by real estate. These loans are typically made on the basis of the borrower's ability to repay from the cash flow of the borrower's business and are generally secured by accounts receivable, inventory, and equipment. The collateral securing loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business.
- *Residential Real Estate* loans include loans secured by residential real estate, including single-family and multi-family dwellings. Mortgage title insurance and hazard insurance are normally required. Adverse economic conditions in the Company's market area may reduce borrowers' ability to repay these loans and may reduce the collateral securing these loans.
- *Commercial Real Estate* loans include loans secured by non-residential real estate and improvements thereon. Often these loans are made to single borrowers or groups of related borrowers, and the repayment of these loans largely depends on the results of operations and management of these properties. Adverse economic conditions may affect the repayment ability of these loans.
- *Construction* loans include loans to finance the process of improving loans preparatory to erecting new structures or the on-site construction of industrial, commercial, residential or farm buildings. Construction loans also include loans secured by vacant land, except land known to be used or usable for agricultural purposes. Construction loans generally are made for relatively short terms. They generally are more vulnerable to changes in economic conditions. Further, the nature of these loans is such that they are more difficult to evaluate and monitor. The risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property's value upon completion of the project and the estimated cost (including interest) of the project. Periodic site inspections are made on construction loans to substantiate draw requests.
- *Consumer and Other* loans include loans to individuals for household, family and other personal expenditures that are not secured by real estate. Consumer loans are generally secured by customer vehicles and other household goods. The collateral securing consumer loans may depreciate over time

(Continued)

INSCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. Individual evaluations are generally performed for large loans which have experienced significant credit deterioration. Such loans are evaluated for credit losses based on either discounted cash flows or the fair value of collateral. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral, less selling costs. For loans for which foreclosure is not probable, but for which repayment is expected to be provided substantially through the operation or sale of the collateral, the Company has elected the practical expedient under ASC 326 to estimate expected credit losses based on the fair value of collateral, with selling costs considered in the event sale of the collateral is expected. Loans for which terms have been modified are evaluated using these same individual evaluation methods.

The Company uses a model developed by a third party as the primary tool in estimating the allowance for credit losses. The Company's model applies the Weighted-Average Remaining Maturity ("WARM") method of estimating credit losses and relies on data and assumptions supplied by management. The remaining life of each loan segment is calculated based on the contractual term adjusted by prepayments. The lifetime loss rate is calculated by multiplying the average loss rate by the weighted average remaining life. Additionally, a forward looking adjustment is made based on reasonable and supportable economic forecasts.

The estimated credit losses for all loan segments are adjusted for changes in qualitative factors not inherently considered in the quantitative analyses. The qualitative categories and the measurements used to quantify the risks within each of these categories are subjectively selected by management but measured by objective measurements period over period. The data for each measurement may be obtained from internal or external sources. The current period measurements are evaluated and assigned a factor commensurate with the current level of risk relative to past measurements over time. The resulting qualitative adjustments are applied to the relevant collectively evaluated loan portfolios. These adjustments are based upon quarterly trend assessments in portfolio concentrations, policy exceptions, associate retention, loan review results, collateral considerations, risk ratings, and competition. The qualitative allowance allocation, as determined by the processes noted above, is increased or decreased for each loan segment based on the assessment of these various qualitative factors. Additional qualitative considerations are made for any identified risk which did not exist within the Company's portfolio historically and therefore may not be adequately addressed through evaluation of such risk factor based on historical portfolio trends as previously discussed.

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 renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company, or management has a reasonable expectation at the reporting date that a loan modification will be made to a borrower experiencing financial difficulty.

Accrued interest receivable for loans totaled \$3,951 and \$3,458 at December 31, 2025 and 2024, respectively, and was excluded from the estimate of credit losses. Additional information related to the factors considered in evaluating credit losses on loans is included in Note 3.

(Continued)

INSCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024
(dollars in thousands except share and per share data)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The following categories of off-balance sheet credit exposures have been identified: unfunded loan commitments, standby letters of credit, and financial guarantees (collectively, “off-balance sheet credit exposures”). The allowance for credit losses on off-balance sheet credit exposures is recorded in other liabilities and adjusted through the credit loss expense – off-balance sheet credit exposures. The estimate may include consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded, as well as reasonable practical expedients or industry practices to assist in the evaluation of estimated funding amounts.

As of December 31, 2025 and 2024, there was \$387 and \$385, respectively, in allowance for credit losses on off-balance sheet credit exposures recorded in other liabilities.

Concentration of Credit Risk: Most of the Company’s business activity is with customers located within middle Tennessee. Therefore, the Company’s exposure to credit risk is significantly affected by changes in the economy in this area. Additionally, the Company has specialty healthcare loans to borrowers throughout the United States.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been legally isolated from the Company, 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 the Company does not maintain effective control over the transferred assets.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost, less accumulated depreciation and amortization. Leasehold improvements are amortized over the shorter of the lease term or the asset’s useful life. Furniture, equipment, and automobiles are depreciated principally on the straight-line method over the estimated useful lives of the assets.

Leases: Leases are classified as operating or finance leases at the lease commencement date. The Company leases certain locations and equipment. The Company records leases on the consolidated balance sheet in the form of a lease liability for the present value of future lease payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based upon incremental borrowing rates the Company could obtain for similar loans as of the date of commencement or renewal. The Company does not record short term leases with an initial lease term of one year or less on the consolidated balance sheets.

At lease inception, the Company determines the lease term by considering the noncancelable lease term and all optional renewal periods that the Company is reasonably certain to renew. The lease term is also used to calculate straight-line lease expense. Leasehold improvements, except for those relating to leases between entities under common control, are amortized over the shorter of the useful life and the estimated lease term. Leasehold improvements relating to leases between entities under common control are amortized over the useful life of the improvements to the common control group. The Company’s leases do not contain residual value guarantees or material variable lease payments.

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INSCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024
(dollars in thousands except share and per share data)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease expense, and any impairment of the right-of-use asset. Lease expense is included in occupancy and equipment expense on the Company's consolidated statements of income. The Company's variable lease expense includes rent escalators that are based on market conditions and include items such as common area maintenance, utilities, parking, property taxes, insurance and other costs associated with the lease. The amortization of the right-of-use asset arising from finance leases is expensed through occupancy and equipment expense and the interest on the related lease liability is expensed through interest expense on borrowings on the Company's consolidated statements of income.

The Company has elected to treat property leases that include both lease and non-lease components as a single component and account for it as a lease.

Restricted Equity Securities: The Bank is a member of the Federal Home Loan Bank (FHLB) system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. The Bank is also a member of its regional Federal Reserve Bank (FRB) and Atlantic Community Bancshares, Inc. (ACB). FHLB, FRB, and ACB stock are carried at cost, classified as restricted equity securities, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income. The Company invests in the Nashville Opportunity Fund which is a Community Development Financial Institutions Fund investment which provides funding to promote economic revitalization in distressed communities throughout the United States.

Bank Owned Life Insurance: The Company has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Goodwill and Other Intangible Assets: Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized but tested for impairment at least annually. The Company has selected December 31 as the date to perform the annual impairment test. Impairment exists when a reporting unit's carrying value exceeds its fair value. At December 31, 2025, the Company's reporting unit had positive equity and the Company elected to perform a qualitative assessment to determine if it was more likely than not that the fair value of the reporting unit exceeded its carrying value, including goodwill. The qualitative assessment indicated that it was more likely than not that the fair value of the reporting unit exceeded its carrying value, resulting in no impairment. Goodwill as of December 31, 2025 and 2024 is \$1,091. Goodwill is the only intangible asset with an indefinite life on the balance sheet.

Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in net deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

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INSCORP, INC.
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Benefit Plans: Employee 401(k) plan expense is the amount of matching contribution determined at the discretion of the Board of Directors.

Stock Based Compensation: Compensation cost is recognized for stock options and restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Corporation's common stock at the date of grant is used for restricted stock awards. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The Company's accounting policy is to recognize forfeitures as they occur.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale and unrealized gains and losses on cash flow hedges which are also recognized as separate components of shareholders' equity.

Off-Balance Sheet Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and standby letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Derivative Financial Instruments: At the inception of a derivative contract, the Company designates the derivative as one of three types based on the Company's intentions and belief as to likely effectiveness as a hedge. These three types are (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), or (3) an instrument with no hedging designation ("stand-alone derivative"). For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in current earnings fair value changes. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. Changes in the fair value of derivative that do not qualify for hedge accounting are reported currently in earnings, as non-interest income.

Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Net cash settlements on derivatives that do not qualify for hedge accounting are reported in non-interest income. Cash flows on hedges are classified in the cash flow statement the same as the cash flows of the items being hedged.

The Company formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transaction at the inception of the hedging relationship. This documentation included linking fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting changes in fair values or cash flows of the hedged items. The Company discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative is settled or terminates, a hedged forecasted transaction is no longer probable, a hedged firm commitment is no longer firm, or treatment of the derivative as a hedge is no longer appropriate or intended.

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INSCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as non-interest income. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability. When a cash flow hedge is discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that were accumulated in other comprehensive income are amortized into earnings over the same periods which the hedged transactions will affect earnings.

The Company has entered into derivative transactions in which the Company earns a fee by providing the Company's commercial loan customers the ability to swap from variable to fixed, or fixed to variable interest rates. Under these agreements, the Company enters into a variable or fixed rate loan agreement with its customer in addition to a swap agreement. The swap agreement effectively swaps the customer's variable rate to a fixed rate or vice versa. The Company then enters into a corresponding swap agreement with a third party in order to swap its exposure on the variable to fixed rate swap with the Company's customer.

The agreements are considered stand-alone derivatives and changes in the fair value of derivatives are reported in earnings.

The Company is exposed to losses if a counterparty fails to make its payments under a contract in which the Company is in the receiving status. In this situation, the Company receives collateral from the counterparty for the fair market value of the derivative. Also, the Company minimizes its credit risk by monitoring the credit standing of the counterparties. We anticipate the counterparties will be able to fully satisfy their obligations under these agreements.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements and no loss contingencies have been recorded in the financial statements.

Dividend Restrictions: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to shareholders.

Fair Value of Financial Instruments: Fair value of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayment, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Operating Segments: While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on a Company-wide basis. Operating segments are aggregated into one as operating results for all segments are similar. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

Reclassifications: Some items in the prior year consolidated financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

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INSCORP, INC.
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards: In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2023-09, *“Income Taxes (Topic 740): Improvements to Income Tax Disclosures”*, which amends the guidance for income tax disclosures to include certain required disclosures related to tax rate reconciliations, including certain categories of expense requiring disclosure, income taxes paid, including disclosure of taxes paid disaggregated by nation, state, and foreign taxes, and other disclosures for disaggregation of income before income tax expense (or benefit) and income tax expense (or benefit) by domestic and foreign allocation. The guidance is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2024. The Company adopted ASU 2023-09 on January 1, 2025 and retrospectively incorporated the required annual disclosures into the consolidated financial statements for the year ended December 31, 2025.

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INSCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 - SECURITIES

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

<i>December 31, 2025</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
Mortgage-backed securities - residential	\$ 17,389	\$ 63	\$ (856)	\$ 16,596
Collateralized mortgage obligations	41,917	75	(1,846)	40,146
State and political subdivision	10,825	408	(5)	11,228
Corporate bonds	6,473	114	(390)	6,197
	<u>\$ 76,604</u>	<u>\$ 660</u>	<u>\$ (3,097)</u>	<u>\$ 74,167</u>

<i>December 31, 2024</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
Mortgage-backed securities - residential	\$ 23,101	\$ -	\$ (1,529)	\$ 21,572
Collateralized mortgage obligations	33,162	36	(2,474)	30,724
Corporate bonds	4,465	19	(354)	4,130
	<u>\$ 60,728</u>	<u>\$ 55</u>	<u>\$ (4,357)</u>	<u>\$ 56,426</u>

There were no pledged securities at December 31, 2025 and December 31, 2024.

The proceeds from sales and calls of securities were \$10,546, which resulted in gross gains and losses of \$10 and \$35, respectively, and a total net loss of \$25 for the year ended December 31, 2025. The proceeds from sales and calls of securities were \$10,255, which resulted in gross gains and losses of \$21 and \$36, respectively, and a total net loss of \$15 for the year ended December 31, 2024.

The amortized cost and fair value of debt securities at December 31, 2025 are shown by expected maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity, mortgage-backed securities and collateralized mortgage obligations, are shown separately.

<i>December 31, 2025</i>	Amortized Cost	Fair Value
Maturity		
Available for sale		
One to five years	\$ 2,724	\$ 2,803
Five to ten years	4,271	3,950
Beyond ten years	10,303	10,672
Mortgage-backed securities - residential	17,389	16,596
Collateralized mortgage obligations	41,917	40,146
	<u>\$ 76,604</u>	<u>\$ 74,167</u>

At December 31, 2025 and 2024, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

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INSCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 - SECURITIES (Continued)

Securities with unrealized losses for which an allowance for credit losses has not been recorded at year-end 2025 and 2024, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

<i>December 31, 2025</i>	<u>Less than 12 Months</u>		<u>12 Months or More</u>		<u>Total</u>	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available for sale						
Mortgage-backed securities - residential	\$ 1,278	\$ (5)	\$ 9,283	\$ (851)	\$ 10,561	\$ (856)
Collateralized mortgage obligations	6,639	(26)	19,599	(1,820)	26,238	(1,846)
State and political subdivision	747	(5)	-	-	747	(5)
Corporate bonds	-	-	1,110	(390)	1,110	(390)
Total available for sale	\$ 8,664	\$ (36)	\$ 29,992	\$ (3,061)	\$ 38,656	\$ (3,097)

<i>December 31, 2024</i>	<u>Less than 12 Months</u>		<u>12 Months or More</u>		<u>Total</u>	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available for sale						
Mortgage-backed securities - residential	\$ 2,958	\$ (31)	\$ 18,550	\$ (1,498)	\$ 21,508	\$ (1,529)
Collateralized mortgage obligations	4,439	(139)	17,473	(2,335)	21,912	(2,474)
Corporate bonds	495	(5)	2,151	(349)	2,646	(354)
Total available for sale	\$ 7,892	\$ (175)	\$ 38,174	\$ (4,182)	\$ 46,066	\$ (4,357)

As of December 31, 2025 and 2024, the Company's security portfolio consisted of fifty-five and sixty-six securities in an unrealized loss position, respectively. Unrealized losses on securities have not been recognized into income because the issuers are of high credit quality, management does not intend to sell and it is more likely than not that management would not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in market interest rates and illiquidity instead of credit quality. The fair value is expected to recover as the securities approach their maturity dates and/or market rates change. As a result, the Company has determined that an allowance for credit losses for debt securities is not necessary as of December 31, 2025 and 2024. In determining the allowance for credit losses for debt securities, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the Company has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. The assessment of whether an allowance for credit losses is necessary involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

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INSCORP, INC.
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NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSS

Loans at year-end were as follows:

	2025		2024
Real estate:			
Construction	\$ 86,314	\$	104,897
Commercial	385,110		321,799
Residential	111,906		80,771
Total real estate	583,330		507,467
Commercial	278,867		251,227
Consumer and other loans	1,671		6,101
	863,868		764,795
Less: Allowance for credit losses	(10,780)		(9,895)
Loans, net	\$ 853,088	\$	754,900

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INSCORP, INC.
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NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSS (Continued)

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2025 and 2024:

<i>December 31, 2025</i>	Real Estate Loans			Commercial	Consumer and		Total
	Construction	Commercial	Residential		Other		
Allowance for credit losses:							
Beginning balance	\$ 1,509	\$ 2,206	\$ 1,349	\$ 4,749	\$ 82	\$ 9,895	
Credit loss expense	(56)	(54)	412	5,541	(64)	5,779	
Loans charged-off	-	-	-	(4,897)	-	(4,897)	
Recoveries	-	-	-	-	3	3	
Total ending allowance balance	\$ 1,453	\$ 2,152	\$ 1,761	\$ 5,393	\$ 21	\$ 10,780	

<i>December 31, 2024</i>	Real Estate Loans			Commercial	Consumer and		Total
	Construction	Commercial	Residential		Other		
Allowance for credit losses:							
Beginning balance	\$ 1,224	\$ 2,571	\$ 1,153	\$ 4,070	\$ 108	\$ 9,126	
Credit loss expense	285	(365)	194	667	(26)	755	
Loans charged-off	-	-	-	-	-	-	
Recoveries	-	-	2	12	-	14	
Total ending allowance balance	\$ 1,509	\$ 2,206	\$ 1,349	\$ 4,749	\$ 82	\$ 9,895	

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INSCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSS (Continued)

The following tables present the amortized costs basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2025 and 2024:

	December 31, 2025		
	Nonaccrual with no allowance for credit loss	Nonaccrual with allowance for credit loss	Loans past due over 89 days still accruing
Real estate:			
Construction	\$ -	\$ 1,003	\$ -
Commerical	3,709	135	-
Residential	85	282	-
Total	\$ 3,794	\$ 1,420	\$ -

	December 31, 2024		
	Nonaccrual with no allowance for credit loss	Nonaccrual with allowance for credit loss	Loans past due over 89 days still accruing
Real estate:			
Commerical	\$ 4,044	\$ 153	\$ -
Residential	823	306	-
Commercial	-	-	-
Total	\$ 4,867	\$ 459	\$ -

The Company recognized \$109 and \$0 of interest income on nonaccrual loans during the years ended December 31, 2025 and 2024.

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

<i>December 31, 2025</i>	Real Estate	Business Assets	Vehicles	Other
Real estate:				
Construction	\$ 7,277	\$ -	\$ -	\$ -
Commercial	4,826	-	-	-
Residential	1,117	-	-	-
Total	\$ 13,220	\$ -	\$ -	\$ -

<i>December 31, 2024</i>	Real Estate	Business Assets	Vehicles	Other
Real estate:				
Commercial	\$ 5,229	\$ -	\$ -	\$ -
Residential	1,129	-	-	-
Total	\$ 6,358	\$ -	\$ -	\$ -

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INSCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSS (Continued)

The following table presents the aging of the recorded investment in past due loans as of December 31, 2025 and 2024 by class of loans:

<i>December 31, 2025</i>	30-89 Days Past Due	90+ Days Past Due	Total Past Due	Loans Not Past Due	Total Loans
Real estate:					
Construction	\$ -	\$ 1,003	\$ 1,003	\$ 85,311	\$ 86,314
Commercial real estate	-	-	-	385,110	385,110
Residential	173	194	367	111,539	111,906
Commercial	150	-	150	278,717	278,867
Consumer	50	-	50	1,621	1,671
Total	\$ 373	\$ 1,197	\$ 1,570	\$ 862,298	\$ 863,868

<i>December 31, 2024</i>	30-89 Days Past Due	90+ Days Past Due	Total Past Due	Loans Not Past Due	Total Loans
Real estate:					
Construction	\$ -	\$ -	\$ -	\$ 104,897	\$ 104,897
Commercial real estate	-	-	-	321,799	321,799
Residential	186	858	1,044	79,727	80,771
Commercial	1,032	-	1,032	250,195	251,227
Consumer	-	-	-	6,101	6,101
Total	\$ 1,218	\$ 858	\$ 2,076	\$ 762,719	\$ 764,795

Occasionally, the Company modifies loans to borrowers in financial distress by providing term extensions, principal forgiveness, interest rate reductions, or other-than-insignificant payment delays. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

During the year ended December 31, 2025, no loans to borrowers experiencing financial difficulty were modified. During the year ended December 31, 2024, a commercial real estate loan with an amortized cost basis of \$3,391 was experiencing financial difficulty and was modified by the granting of interest only payments at 6.5% for twelve months. After the modification, the loan converted to principal and interest payments at an interest rate of 7.25% based on a twenty-five year amortization. The amortized cost basis of the loan represents 1.4% of the total class of loans as of December 31, 2024. The Company has not committed to lend any additional amounts to the related borrowers.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. All such loans that have been modified in the last 12 months are current in accordance with modified payment terms.

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INSCORP, INC.
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NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSS (Continued)

No loans had a payment default during the years ended December 31, 2025 and 2024 that were modified in the twelve months prior to that default to borrowers experiencing financial difficulty.

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

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 all loans individually by classifying the loans as to credit risk. This analysis is performed on all loans at inception, upon renewal, and as circumstances change indicating a change in credit risk. This analysis is performed on a quarterly basis. For residential real estate, consumer, and other loans, this analysis primarily involves monitoring the past due status of these loans and at such time a loan becomes past due, the risk rating of the loan is evaluated. The Company uses the following definitions for risk ratings:

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

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

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

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

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NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSS (Continued)

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

As of December 31, 2025	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2025	2024	2023	2022	2021	Prior		
Construction:								
Risk Rating								
Pass	\$ 28,118	\$ 7,110	\$ 4,479	\$ 7,192	\$ 13,219	\$ 7,079	\$ 313	\$ 67,510
Special mention	-	-	-	-	8,827	-	-	8,827
Substandard	-	-	-	8,974	1,003	-	-	9,977
Doubtful	-	-	-	-	-	-	-	-
Total construction loans	\$ 28,118	\$ 7,110	\$ 4,479	\$ 16,166	\$ 23,049	\$ 7,079	\$ 313	\$ 86,314
Construction loans:								
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial real estate:								
Risk Rating								
Pass	\$ 80,502	\$ 41,146	\$ 5,226	\$ 85,617	\$ 40,621	\$ 121,477	\$ 5,695	\$ 380,284
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	982	-	-	3,844	-	4,826
Doubtful	-	-	-	-	-	-	-	-
Total commercial real estate loans	\$ 80,502	\$ 41,146	\$ 6,208	\$ 85,617	\$ 40,621	\$ 125,321	\$ 5,695	\$ 385,110
Commercial real estate loans:								
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential real estate:								
Risk Rating								
Pass	\$ 6,045	\$ 7,460	\$ 6,706	\$ 30,851	\$ 12,852	\$ 16,153	\$ 30,722	\$ 110,789
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	367	750	1,117
Doubtful	-	-	-	-	-	-	-	-
Total residential real estate loans	\$ 6,045	\$ 7,460	\$ 6,706	\$ 30,851	\$ 12,852	\$ 16,520	\$ 31,472	\$ 111,906
Residential real estate loans:								
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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INSCORP, INC.
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NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSS (Continued)

<i>As of December 31, 2025, continued</i>	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2025	2024	2023	2022	2021	Prior		
Commercial:								
Risk Rating								
Pass	\$ 67,433	\$ 64,749	\$ 26,682	\$ 30,976	\$ 22,977	\$ 21,320	\$ 42,826	\$ 276,963
Special mention	-	-	-	-	-	-	-	-
Substandard	500	-	1,404	-	-	-	-	1,904
Doubtful	-	-	-	-	-	-	-	-
Total commercial loans	\$ 67,933	\$ 64,749	\$ 28,086	\$ 30,976	\$ 22,977	\$ 21,320	\$ 42,826	\$ 278,867
Commercial loans:								
Current period gross write offs	\$ -	\$ 4,897	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,897
Consumer and other:								
Risk Rating								
Pass	\$ 429	\$ 113	\$ -	\$ 404	\$ 25	\$ 211	\$ 489	\$ 1,671
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total consumer and other loans	\$ 429	\$ 113	\$ -	\$ 404	\$ 25	\$ 211	\$ 489	\$ 1,671
Consumer and other loans:								
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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INSCORP, INC.
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NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSS (Continued)

As of December 31, 2024	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior		
Construction:								
Risk Rating								
Pass	\$ 25,120	\$ 913	\$ 32,664	\$ 36,832	\$ 216	\$ 4,725	\$ 4,427	\$ 104,897
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total construction loans	\$ 25,120	\$ 913	\$ 32,664	\$ 36,832	\$ 216	\$ 4,725	\$ 4,427	\$ 104,897
Construction loans:								
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial real estate:								
Risk Rating								
Pass	\$ 31,233	\$ 3,256	\$ 82,426	\$ 38,480	\$ 13,038	\$ 137,808	\$ 10,329	\$ 316,570
Special mention	-	-	-	-	-	-	-	-
Substandard	-	1,032	-	-	-	4,197	-	5,229
Doubtful	-	-	-	-	-	-	-	-
Total commercial real estate loans	\$ 31,233	\$ 4,288	\$ 82,426	\$ 38,480	\$ 13,038	\$ 142,005	\$ 10,329	\$ 321,799
Commercial real estate loans:								
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential real estate:								
Risk Rating								
Pass	\$ 7,763	\$ 5,514	\$ 21,502	\$ 13,512	\$ 5,598	\$ 10,458	\$ 15,295	\$ 79,642
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	391	738	1,129
Doubtful	-	-	-	-	-	-	-	-
Total residential real estate loans	\$ 7,763	\$ 5,514	\$ 21,502	\$ 13,512	\$ 5,598	\$ 10,849	\$ 16,033	\$ 80,771
Residential real estate loans:								
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSS (Continued)

<i>As of December 31, 2024, continued</i>	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior		
Commercial:								
Risk Rating								
Pass	\$ 59,938	\$ 33,693	\$ 52,194	\$ 31,347	\$ 7,549	\$ 16,447	\$ 50,059	\$ 251,227
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total commercial loans	\$ 59,938	\$ 33,693	\$ 52,194	\$ 31,347	\$ 7,549	\$ 16,447	\$ 50,059	\$ 251,227
Commercial loans:								
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer and other:								
Risk Rating								
Pass	\$ 191	\$ -	\$ 435	\$ 60	\$ 230	\$ 4,775	\$ 410	\$ 6,101
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total consumer and other loans	\$ 191	\$ -	\$ 435	\$ 60	\$ 230	\$ 4,775	\$ 410	\$ 6,101
Consumer and other loans:								
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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NOTE 4 - FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

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

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate fair value:

Investment Securities: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quote securities (Level 2 inputs).

Equity securities subject to contractual sale restrictions: The fair values of equity securities subject to contractual sale restrictions is measured on the basis of the market price of the similar unrestricted equity securities (Level 3). The fair value is only adjusted for the effect of the restriction when the restriction of the sale is a characteristic of the equity security itself and not based on who the holder of the security is.

Derivatives: The fair values of derivatives are based on valuation models using observable market data as of the measurement date (Level 2). Our derivatives are traded in an over-the-counter market where quoted market prices are not always available. Therefore, the fair values of derivatives are determined using quantitative models that utilize multiple market inputs. The inputs will vary based on the type of derivative, but could include interest rates, prices, and indices to generate continuous yield or pricing curves, prepayment rates, and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions, and third-party pricing services.

Collateral-Dependent Loans: The fair value of collateral-dependent loans with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying such loans. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Collateral dependent loans are evaluated on a quarterly basis and adjusted in accordance with the allowance policy.

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INSCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 - FAIR VALUE (Continued)

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis at December 31, 2025 and 2024 using level 2 inputs are summarized below:

	2025		2024	
	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Securities available for sale:				
Mortgage-backed securities - residential	\$ 16,596	\$ -	\$ 21,572	\$ -
Collateralized mortgage-obligations	40,146	-	30,724	-
State and political subdivision	11,228	-	-	-
Corporate bonds	6,197	-	4,130	-
	\$ 74,167	\$ -	\$ 56,426	\$ -
Equity securities	\$ -	\$ 6,169	\$ -	\$ 5,917
Interest rate floors	-	-	32	-
Interest rate swaps	1,011	-	1,633	-
Cash flow hedge	48	-	962	-
Fair value hedge	418	-	-	-
Total	\$ 75,226	\$ 6,169	\$ 59,053	\$ 5,917
Liabilities:				
Interest rate swaps	\$ 1,011	\$ -	\$ 1,633	\$ -
Cash flow hedge	56	-	-	-
Total	\$ 1,067	\$ -	\$ 1,633	\$ -

The table below presents a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31:

	Equity Securities	
	2025	2024
Balance of recurring Level 3 assets at January 1	\$ 5,917	\$ 4,559
Total gains or losses for the period:		
Included in other noninterest income	(81)	1,200
Contributions of capital	1,022	1,245
Distributions of capital	(689)	(1,087)
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Balance of recurring Level 3 assets at December 31	\$ 6,169	\$ 5,917

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NOTE 4 - FAIR VALUE (Continued)

Assets and Liabilities Measured on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis at December 31, 2025 and 2024 using significant unobservable inputs (level 3) are summarized below:

	2025	2024
	Significant Other Observable Inputs (Level 3)	Significant Other Observable Inputs (Level 3)
Assets:		
Collateral-dependent loans:		
Construction	\$ 614	\$ -
Commercial real estate	45	46
Residential	261	261

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2025 and 2024:

	Fair Value	Valuation Techniques	Unobservable Input(s)	Range
<i>As of December 31, 2025</i>				
Collateral-dependent loans -				
Construction	\$ 614	Market approach	Discount to allow for market value of assets	10%
Commercial real estate	\$ 45	Market approach	Discount to allow for market value of assets	20%
Residential	\$ 261	Market approach	Discount to allow for market value of assets	25%
<i>As of December 31, 2024</i>				
Collateral-dependent loans -				
Commercial real estate	\$ 46	Market approach	Discount to allow for market value of assets	20%
Residential	\$ 261	Market approach	Discount to allow for market value of assets	25%

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INSCORP, INC.
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NOTE 4 - FAIR VALUE (Continued)

The carrying amounts and estimated fair values of financial instruments not carried at fair value, at December 31, 2025 and 2024 are as follows (\$ in thousands):

<i>As of December 31, 2025</i>	Carrying Amount	Level 1	Level 2	Level 3	Total Value
Financial assets					
Cash and cash equivalents	\$ 65,108	\$ 65,108	-	-	\$ 65,108
Loans, net	853,088	-	-	833,544	833,544
Restricted equity securities	4,518	N/A	N/A	N/A	N/A
Accrued interest receivable	4,364	-	387	3,977	4,364
Financial liabilities					
Deposits	896,514	410,271	487,121	-	897,392
Federal Home Loan Bank advances	39,000	-	39,101	-	39,101
Subordinated debentures	17,393	-	16,422	-	16,422
Note payable and line of credit	9,950	-	9,950	-	9,950
Accrued interest payable	5,410	1	5,409	-	5,410
As of December 31, 2024					
Financial assets					
Cash and cash equivalents	\$ 43,576	\$ 43,576	-	-	\$ 43,576
Loans, net	754,900	-	-	731,145	731,145
Restricted equity securities	4,308	N/A	N/A	N/A	N/A
Accrued interest receivable	3,899	-	213	3,686	3,899
Financial liabilities					
Deposits	750,484	295,429	456,342	-	751,771
Federal Home Loan Bank advances	44,000	-	43,975	-	43,975
Subordinated debentures	17,371	-	15,942	-	15,942
Note payable and line of credit	7,800	-	7,800	-	7,800
Accrued interest payable	5,388	1	5,387	-	5,388

NOTE 5 - PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

<i>December 31,</i>	2025	2024
Land	\$ 3,468	\$ 3,468
Buildings	11,301	11,172
Furniture, equipment, and automobiles	4,767	3,882
Total	19,536	18,522
Less accumulated depreciation	(6,675)	(6,071)
	\$ 12,861	\$ 12,451

Depreciation expense was \$604 and \$576 for 2025 and 2024.

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INSCORP, INC.
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NOTE 6 - LEASES

The Company enters into leases in the normal course of business primarily for financial centers, business development offices, information technology data centers, and information technology equipment. The Company's lease has a remaining term of 3 years and includes renewal options to extend the lease for up to 13 months. The Company's leases do not include residual value guarantees or covenants.

The Company includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option. In addition, the Company has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Company has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the Company's consolidated balance sheet.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Company uses its incremental borrowing rate at lease commencement date to calculate the present value of lease payments when the rate implicit is not known. The Company's incremental borrowing rate is based on borrowing rates the Company could obtain for similar loans, adjusted for the lease term and other factors.

Right-of-use assets and lease liabilities by lease type, and the associated consolidated balance sheet classifications, are as follows:

		2025	2024
<u>Balance Sheet Classification</u>			
Right-of-use assets:			
Operating leases	Other assets	\$ 294	\$ -
Lease liabilities:			
Operating leases	Other liabilities	\$ 306	\$ -

The components of total lease cost were as follows for the period ending:

	2025	2024
Operating lease cost	\$ 57	\$ -
Short-term lease cost	1	1
Total lease cost	\$ 58	\$ 1

At December 31, 2025, the weighted average remaining lease term is 3.13 years and the weighted average discount rate for operating leases is 3.93%.

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INSCORP, INC.
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NOTE 6 - LEASES (Continued)

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2025 are as follows:

Year Ending December 31,			
	2026	\$	115
	2027		118
	2028		91
	2029		-
	2030		-
	Thereafter		-
Total undiscounted lease payments			324
Less: imputed interest			(18)
Net lease liabilities			\$ 306

NOTE 7 - RESTRICTED EQUITY SECURITIES

At December 31, 2025 and 2024, the Company had the following equity investments in restricted equity securities:

<i>December 31,</i>		2025		2024
Federal Home Loan Bank Stock	\$	2,718	\$	2,632
Federal Reserve Bank Stock		1,376		1,376
Atlantic Community Bancshares, Inc.		124		-
Nashville Opportunity Fund		300		300
Total	\$	4,518	\$	4,308

NOTE 8 - DEPOSITS

Time deposits that meet or exceed the FDIC Insurance limit of \$250 at year-end 2025 and 2024 were \$49,414 and \$51,983. The Company had brokered deposits of approximately \$185,269 and \$163,996 at year-end 2025 and 2024.

Scheduled maturities of time deposits for the next five years were as follows:

Year Ending December 31,		
2026	\$	404,611
2027		72,227
2028		8,137
2029		231
2030		333
Thereafter		704

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NOTE 9 - FEDERAL HOME LOAN BANK ADVANCES

At year-end, advances from the Federal Home Loan Bank were as follows:

<i>December 31,</i>	2025	2024
Maturities July 2026 through December 2027, fixed from 3.69% to 3.74% and variable 3.99%, with a weighted average rate of 3.85%	\$ 20,000	\$ 4,000
Short term advances with maturities January 2026 through March 2026, fixed at rates from 3.69% to 4.03%, with a weighted average rate of 3.78%	19,000	40,000
Total	\$ 39,000	\$ 44,000

Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances. The advances were collateralized under a blanket pledge agreement by first mortgages for one-to-four family residential and commercial real estate loans totaling \$153,286 and \$126,372 at year-end 2025 and 2024, respectively. Based on the eligible collateral and the Company's holdings of FHLB stock, the Company is eligible to borrow up to a total of \$54,656 at year-end 2025.

Required principal payments are \$34,000 for the year ending December 31, 2026 and \$5,000 for the year ending December 31, 2027.

NOTE 10 - SUBORDINATED DEBENTURES

In December 2018, the Company issued \$15,000 of ten year subordinated debentures with required quarterly payments of accrued interest. The Company repurchased \$7,500 of the subordinated debentures during December 2021.

The subordinated debentures have a fixed rate of interest equal to 6.375% for the initial five year term. The rate is variable for the second five year term, during which time the Company will make quarterly interest payments based on three month Secured Overnight Financing Rate (SOFR) plus 3.21% plus ARRC of 0.26% (7.46% and 7.78% as of December 31, 2025 and 2024, respectively) until maturity on December 31, 2028.

In October 2021, the Company issued \$10,000 of ten year subordinated debentures with required semiannual payments of accrued interest.

The subordinated debentures have a fixed rate of interest equate to 3.75% for the initial five year term. The rate is variable for the second five year term, during which time the Company will make quarterly interest payments based on three month SOFR plus 2.87% until maturity on October 31, 2031.

As of December 31, 2025 and 2024, total unamortized debt issuance costs were \$107 and \$129, respectively. The Company had subordinated debt outstanding as of December 31, 2025 and 2024, totaling \$17,393 and \$17,371, respectively, net of unamortized debt issuance costs.

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NOTE 11 - OTHER BORROWINGS

Note payable and line of credit

During December 2021, the Company entered into a non revolving line of credit (LOC) for \$7,500 with another financial institution. In July 2024, credit availability under the LOC was increased to \$15,000. Quarterly interest payments at the *Wall Street Journal* prime rate (6.75% as of December 31, 2025) minus 0.25%, with a floor of 5%, began on April 1, 2022. The LOC has a maturity of July 1, 2027. Collateral for the loan was 100% of the common stock of InsBank. As of December 31, 2025 and 2024, the line had a balance of \$9,950 and \$7,800, respectively. The loan agreement requires: a Federal Deposit Insurance Corporation capitalization rating of "Well Capitalized", Tier 1 leverage ratio of at least 8%, adjusted Texas ratio of less than or equal to 25%, return on average assets ratio of at least 0.55% and a loan to value ratio of less than or equal to 40%. The Company was in compliance with all requirements as of December 31, 2025.

The Company had approximately \$113,100 in available lines of credit for federal funds (or the equivalent thereof) with correspondent banks at December 31, 2025.

The Company has accommodations which allow it to borrow from the Federal Reserve Bank of Atlanta's discount window and purchase Federal funds from several of its correspondent banks on an overnight basis at prevailing overnight market rates. These accommodations are subject to various restrictions as to their term and availability, and in most cases, must be repaid within less than 90 days. At December 31, 2025, the Company had approximately \$208,000 in borrowing availability with the Federal Reserve Bank discount window. At December 31, 2025, the Company was not carrying any balances with the Federal Reserve Bank discount window under these arrangements.

NOTE 12 - EMPLOYEE BENEFIT PLAN

The Company's employees are eligible to participate in a 401(k) plan at the date of hire and attaining the age of 21, and after ninety days of service employees are eligible for a matching contribution. The Bank has the option, on an annual basis, to fund a matching contribution based on the employee contributions and to make a discretionary contribution. Employees vest in employer contributions over five years. The Company made \$267 and \$220 in matching contributions and no discretionary contributions in 2025 and 2024.

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NOTE 13 - INCOME TAXES

Income tax expense (benefit) recognized in each year is made up of current and deferred Federal and State tax amounts shown below:

	2025	2024
Current Federal	\$ (7)	\$ 2,214
Current State	143	3
Deferred Federal	(167)	(258)
Deferred State	(143)	(133)
Income Tax Expense (Benefit)	\$ (174)	\$ 1,826

The tax effect of each type of temporary difference that results in net deferred tax assets and liabilities is as follows:

	2025	2024
Deferred tax assets		
Allowance for credit losses	\$ 2,918	\$ 2,687
Unrealized losses on available for sale securities	637	1,124
Unrealized holding loss on derivatives	216	(68)
Deferred loan fees	470	319
Nonaccrual loan interest income	234	21
Other	56	74
Total deferred tax assets	4,531	4,157
Deferred tax liabilities		
Accumulated depreciation	(470)	(266)
FHLB stock basis	(34)	(34)
Partnership investment earnings	(309)	(175)
Total deferred tax liabilities	(813)	(475)
Net deferred tax asset	\$ 3,718	\$ 3,682

The need for a valuation allowance is evaluated periodically by management. Factors considered in the evaluation include historical operating results, forecasted future earnings, expansion plans, and other income considerations. As of December 31, 2025 and 2024, there was no valuation allowance recorded.

The Company did not have pretax income from continuing foreign operations or foreign tax expense for any of the years in the two-year period ended December 31, 2025.

A reconciliation of the amount computed by applying the federal statutory rate (21% for 2025 and 2024) to pretax income with income tax expense (benefit) follows:

	2025	%	2024	%
Tax expense at statutory rate	\$ 884	21.00%	\$ 1,931	21.00%
Increase (decrease) in taxes resulting from				
State income taxes (benefit), net of federal benefit	-	0.00%	(103)	-1.12%
Tax-exempt income	(49)	-1.16%	(17)	-0.18%
Income tax credits obtained	(674)	-16.01%	-	0.00%
Nondeductible meals and entertainment	48	1.14%	33	0.36%
Bank owned life insurance	(88)	-2.09%	(82)	-0.89%
Other	(295)	-7.01%	64	0.70%
Income tax expense (benefit)	\$ (174)	-4.13%	\$ 1,826	19.87%

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NOTE 13 - INCOME TAXES (Continued)

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of the state of Tennessee as well as various other state income taxes. The Company is no longer subject to examination by taxing authorities for years before 2022.

Income taxes paid, net of refunds for the years ended December 31, 2025 and 2024 were as follows:

	2025	2024
Federal	\$ 725	\$ 2,775
State of Tennessee	-	130
Total income taxes paid, net of refunds	\$ 725	\$ 2,905

NOTE 14 - RELATED PARTY TRANSACTIONS

There were loans totaling \$10,339 and \$10,423 outstanding to executive officers and directors of the Company and their related interests at year-end 2025 and 2024, respectively.

The aggregate amount of deposits from executive officers and directors of the Company and their related interests were approximately \$558 and \$537 at year-end 2025 and 2024.

NOTE 15 - STOCK-BASED COMPENSATION

In 2025, the Company has two share based compensation plans as described below. Total compensation cost that has been charged against income for those plans was \$593 and \$553 for 2025 and 2024, respectively.

Stock Option Plan

The Company's 2001 Statutory-Nonstatutory Stock Option Plan (stock option plan or the Plan), which is shareholder-approved, permits the grant of share options to its employees for up to 15% of the outstanding shares of common stock. The Company believes that such awards better align the interests of its employees with those of its shareholders. Option awards are generally granted with an exercise price equal to the market price of the Company's common stock at the date of grant; those option awards have vesting periods of 5 years and have 10-year contractual terms. Currently, the Company has a sufficient number of shares authorized to satisfy expected share option exercises.

The fair value of each option award is estimated on the grant date using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatilities of the Company's common stock. The Company uses historical data to estimate option exercise and post-vesting termination behavior. The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

There were no options granted for the year ended December 31, 2025 and 2024.

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NOTE 15 - STOCK-BASED COMPENSATION (Continued)

A summary of the activity in the stock option plan for 2025 follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding at beginning of year	240,750	\$ 16.74	4.65
Granted	-	-	-
Exercised	(20,250)	13.22	
Forfeited or expired	-	-	
Outstanding at end of year	220,500	\$ 17.06	3.60
Vested or expected to vest	220,500	\$ 17.06	3.60
Exercisable at end of year	201,950	\$ 16.73	3.32

Information related to the stock option plan during each year follows:

	2025	2024
Intrinsic value of options exercised	\$ 233	\$ 722
Cash received from option exercises	268	565

As of December 31, 2025, there was \$44 of total unrecognized compensation cost related to nonvested options granted under the Plan. The cost is expected to be recognized over a weighted-average period of 1.82 years.

Restricted Stock Awards

In 2025, the Company granted 10,269 restricted awards of common stock. Compensation expense is recognized over the vesting period of the awards based on the value of the stock at issue date. The fair value of the stock was determined by current stock trade activity. These awards vest in various increments through 2030.

A summary of the changes in the Company's non-vested awards for the year follows:

Non-vested awards	Shares	Weighted- Average Grant-Date Fair Value
Non-vested at January 1, 2025	99,873	\$ 21.68
Granted	10,269	25.83
Forfeited	(500)	(24.00)
Vested	(19,419)	20.16
Non-vested at December 31, 2025	90,223	\$ 22.47

As of December 31, 2025, there was \$1,445 of total unrecognized compensation cost related to non-vested restricted awards granted under the Plan. The cost is expected to be recognized over a weighted-average period of 2.88 years.

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NOTE 16 - REGULATORY CAPITAL MATTERS

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action.

The net unrealized gain or loss on available for sale securities and cash flow hedges are not included in computing regulatory capital. Management believes as of December 31, 2025, the Bank meets all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2025 and 2024, the most recent regulatory notifications 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 institution's category.

Financial institutions under the generally applicable capital rule are required to maintain a capital conservation buffer of greater than 2.5 percent in order to avoid restrictions on capital distributions and other payments. Federal banking regulations require institutions to meet their capital conservation buffer requirement with common equity tier 1 capital.

Actual and required capital amounts and ratios for the Bank are presented below at year-end. The capital conservation buffer is not included in the required ratios of the table presented below.

	Actual Regulatory Capital		Required For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>As of December 31, 2025</i>						
Total capital to risk weighted assets	\$ 115,948	12.14%	\$ 76,407	8.00%	\$ 95,509	10.00%
Tier 1 to risk weighted assets	\$ 104,782	10.97%	\$ 57,310	6.00%	\$ 76,413	8.00%
Common Equity Tier 1	\$ 104,782	10.97%	\$ 42,983	4.50%	\$ 62,086	6.50%
Tier 1 to average assets	\$ 104,782	10.66%	\$ 39,318	4.00%	\$ 49,147	5.00%
<i>As of December 31, 2024</i>						
Total capital to risk weighted assets	\$ 111,367	13.11%	\$ 67,953	8.00%	\$ 84,941	10.00%
Tier 1 to risk weighted assets	\$ 101,087	11.90%	\$ 50,964	6.00%	\$ 67,953	8.00%
Common Equity Tier 1	\$ 101,087	11.90%	\$ 38,223	4.50%	\$ 55,211	6.50%
Tier 1 to average assets	\$ 101,087	11.53%	\$ 35,061	4.00%	\$ 43,826	5.00%

Dividend Restrictions - The Company's principal source of funds for dividend payments is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above. During 2026, the Bank could, without prior approval, declare dividends of approximately \$10,706 plus any of 2026 net profits retained to the date of the dividend declaration.

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NOTE 17 - DERIVATIVES

The Company utilizes interest rate swap, cash flow hedges, and interest rate floors agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest rate swaps and interest rate floors does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest rate swap and interest rate floors agreements.

Cash Flow Hedges: Funding and interest rate hedges with notional amounts totaling \$9,000 and \$30,000 as of December 31, 2025 and 2024, respectively, were designated as cash flow hedges and were determined to be effective during all periods presented. The Company expects the hedges to remain effective during the remaining terms of the swaps.

Fair Value Hedges: Interest rate hedges with notional amounts totaling \$150,000 and \$0 as of December 31, 2025 and 2024, respectively, were designated as fair value hedges of certain variable rate loans and were determined to be effective during all periods presented. The Company expects the hedges to remain effective during the remaining terms of the swaps.

Derivatives Not Designated As Hedges: The Company also enters into interest rates swaps with its loan customers. The notional amounts of interest rate swaps with its loan customer as of December 31, 2025 and 2024 were \$28,923 and \$35,298, respectively. The Company enters into corresponding offsetting derivatives with third parties. While these derivatives represent economic hedges, they do not qualify as hedges for accounting purposes. The notional amounts of interest rate floors as of December 31, 2025 and 2024, was \$100,000 and \$150,000, respectively.

The Company presents derivative position gross on the consolidated balance sheet. The following table reflects the derivatives recorded on the consolidated balance sheet as of December 31:

	2025		2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Included in other assets:				
Derivatives designated as fair value hedges:				
Interest rate swaps related to variable rate loans	\$ 150,000	\$ 418	\$ -	\$ -
Derivatives designated as cash flow hedges	9,000	48	30,000	962
Derivatives not designated as hedging				
Instruments:				
Interest rate swaps related to customer loans	28,923	1,011	35,298	1,633
Interest rate floors	100,000	-	150,000	32
Total included in other assets		<u>\$ 1,429</u>		<u>\$ 2,627</u>
<u>Included in other liabilities:</u>				
Derivatives designated as hedges	\$ 5,000	\$ 56	\$ -	\$ -
Derivatives not designated as hedging				
Instruments:				
Interest rate swaps related to customer loans	\$ 28,923	<u>\$ 1,011</u>	\$ 35,298	<u>\$ 1,633</u>
Total included in other liabilities		<u>\$ 1,067</u>		<u>\$ 1,633</u>

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NOTE 17 - DERIVATIVES (Continued)

The effect of fair value hedge accounting on the consolidated statements of income for the year ended December 31, 2025 is a loss on fair value hedging relationships of \$221 included in interest income from loans.

The effect of cash flow hedge accounting on accumulated other comprehensive income for the years ended December 31 are as follows:

	2025		
	Amount of Gain (Loss) Recognized in OCI on Derivative	Location of Gain (Loss) Recognized from OCI into Income	Amount of Gain (Loss) Recognized from OCI into Derivative
Cash flow hedge	\$ (970)	Noninterest income	\$ -
	2024		
	Amount of Gain (Loss) Recognized in OCI on Derivative	Location of Gain (Loss) Recognized from OCI into Income	Amount of Gain (Loss) Recognized from OCI into Derivative
Cash flow hedge	\$ (1,435)	Noninterest income	\$ (34)

The Company's consolidated statements of income included income of \$938 and \$1,489 for the years ended December 31, 2025 and 2024, respectively, in interest expense on Federal Home Loan Bank advances and other borrowings related to these cash flow hedges. There were reclassifications totaling \$0 and \$34 from accumulated other comprehensive loss into earnings during the years ended December 31, 2025 or 2024.

The effect of the interest rate floors agreements on the consolidated statements of income for the years ended December 31 are as follows:

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
		2025	2024
Interest rate floors related to loan customers	Other income (expense)	\$ (32)	\$ (430)

Maturities at December 31, 2025 ranged from 0.20 to 9.84 years. Since the swaps are structured to offset each other, changes in fair value, while recorded, have no material net earnings impact.

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NOTE 18 - LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment. Commitments to extend credit are generally made for periods of 60 days or less.

The contractual amounts of financial instruments with off-balance sheet risk were as follows at year-end:

	2025	2024
Unused lines of credit and letters of credit	\$ 128,009	\$ 111,976
Performance standby letters of credit	\$ 1,922	\$ 2,709

NOTE 19 - EARNINGS PER SHARE

The factors used in the earnings per share computation follow:

	2025	2024
Basic		
Net income available to common shareholders	\$ 4,384	\$ 7,370
Weighted average common shares outstanding	2,880,610	2,888,283
Basic earnings per common share	\$ 1.52	\$ 2.55
Diluted		
Net income available to common shareholders	\$ 4,384	\$ 7,370
Weighted average common shares outstanding for basic earnings per common share	2,880,610	2,888,283
Add: Dilutive effects of assumed exercises of stock options and restricted stock awards	110,790	110,239
Average shares and dilutive potential common shares	2,991,400	2,998,522
Diluted earnings per common share	\$ 1.47	\$ 2.46

Restricted stock awards of 389 were not considered when computing diluted earnings per common share for the year ended December 31, 2025, as they were antidilutive. Stock options of 27,338 and restricted stock awards of 1,210 were not considered when computing diluted earnings per common share for the year ended December 31, 2024, as they were antidilutive.