2026

ANNUAL REPORT

THE SOUTHERN BANC COMPANY, INC.



THE SOUTHERN BANC COMPANY, INC.

P.O. BOX 1130, GADSDEN, ALABAMA 35902
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Dear Fellow Shareholders,

In 2026 the Company grew earnings and deposits while maintaining a strong balance sheet. We added more great people to our team and increased our budget for outreach to our prospects. Altogether, I believe we have done a nice job of maintaining earnings while investing in the business.

As you will see in the report, since 2022 our earnings per share have fluctuated quite a bit. Some of this fluctuation is due to credit mistakes and interest rate cycles. However, it is important to point out that our model of Community Banking and Factoring demands higher non-interest expenses (provision, people, systems, marketing, etc.) than you might find in most banks our size.

Furthermore, we often add new people and systems in anticipation of growth. For a small company, adding just a few people can stress margins.

All this to say, that while our goal is to create better than average earnings, our challenge will also be to create them consistently.

I appreciate your support of the Company and look forward to reporting to you next year.

Sincerely,



Gates B. Little
President

THE SOUTHERN BANC COMPANY, INC.

The Southern Banc Company, Inc. (the "Company") was incorporated at the direction of management of The Southern Bank Company (the "Bank"), formerly First Federal Savings and Loan Association of Gadsden, Alabama (the "Original Bank"), for the purpose of serving as the holding company of the Bank upon the acquisition of all of the capital stock issued by the Original Bank in its conversion from mutual to stock form in 1995. At June 30, 2026, the Company had total consolidated assets of approximately $131.8 million, deposits of $104.3 million and stockholders' equity of $18.4 million, or 14.0% of total consolidated assets.

The Original Bank was organized in 1936 as a federal savings association, at which time it also became a member of the Federal Home Loan Bank ("FHLB") System and obtained federal deposit insurance. On July 1, 2008, the Company announced that the Original Bank had converted its charter from a federal savings association to an Alabama state-chartered commercial bank. As a state-chartered bank, the Bank is regulated by the State of Alabama Banking Department (the "Banking Department") and the Federal Deposit Insurance Corporation ("FDIC"). As a bank holding company, the Company is regulated by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). In 1999, the Bank adopted its current corporate title.

The Bank currently operates through four full-service banking offices located in Gadsden, Albertville, Guntersville and Centre, Alabama, and one commercial finance office located in Birmingham, Alabama. The Bank's business strategy has been to operate as a profitable and independent community-oriented financial institution dedicated to providing quality customer service. Generally, the Bank has sought to implement this strategy by using retail deposits as its sources of funds and maintaining most of its assets in loans secured by real estate properties located in the Bank's market area, consumer loans, commercial loans and leases, mortgage-backed securities issued by Federal Home Loan Mortgage Corporation ("Freddie Mac"), the Government National Mortgage Association ("GNMA") and Federal National Mortgage Association ("Fannie Mae"), U.S. government and agency securities, interest-earning deposits, and cash and equivalents.

In an effort to diversify the Company's loan and lease portfolio and to increase yield in the portfolio, the Company's management team and the Board of Directors developed and approved the Commercial Finance Division ("CFD") of the Bank. The CFD was officially started in January 2011. The business of the CFD is to purchase accounts receivable, also known as "factoring". In 2026, factoring constituted a significant amount of the Company's revenue.

Accounts receivable factoring allows participating companies to access cash by selling their customers' invoices for Bank cash advances. The Bank follows up with the selling companies' customers for payment of the outstanding invoice amounts. After receiving payment from the customers, the Bank pays the selling companies the remainder of the invoice amounts, minus the Bank's fee which is a percentage of the invoice face value. The interest charge fee is calculated based on the advanced amount outstanding multiplied by an agreed-upon interest rate based on a number of considerations, primarily the creditworthiness of the selling company's customer. At June 30, 2026, commercial, financial, and agricultural loans (which includes accounts receivable in the factoring portfolio) constituted approximately $41.8 million or 31.7%, as compared to approximately $31.1 million or 25.0% at June 30, 2025, of the Company's total assets. For additional information, see Note 1 of Notes to Consolidated Financial Statements.

The Bank's business strategy incorporates the following key elements: (1) remaining a community-oriented financial institution while maintaining a strong core customer base by providing quality service and offering customers the access to senior management and services that a community-based institution can offer; (2) attracting a retail deposit base from the communities served by the Bank's four banking offices; (3) maintaining asset quality by emphasizing investment in real estate loans, commercial loans, consumer loans, leases, factoring, mortgage-backed securities and other securities issued or guaranteed by the U.S. government or agencies thereof; and (4) maintaining liquidity and capital substantially in excess of regulatory requirements.

The lending activities and other investments of the Bank must comply with various regulatory requirements, and the Banking Department and FDIC periodically examine the Bank for compliance with various regulatory requirements. The Bank must file reports with the regulators describing its activities and financial condition. The Company and the Bank are also subject to certain reserve and capital requirements promulgated by the Federal Reserve.

MARKET FOR COMMON STOCK
AND RELATED STOCKHOLDER MATTERS

At June 30, 2026, there were 806,086 shares of the Common Stock outstanding and approximately 125 stockholders of record. This total does not reflect the number of persons or entities who hold Common Stock in nominee or "street name" through various brokerage firms.

The Company's Common Stock trades in the over-the-counter market under the symbol "SRNN."

Holders of our Common Stock are entitled to receive dividends when, as and if declared by the Board of Directors out of legally available funds. The Company does not engage directly in business activities of a material nature, and its ability to pay dividends on its Common Stock depends upon the receipt of dividends from the Bank. Determinations relating to dividends depend on a number of factors, including economic conditions, industry standards, our financial condition and operating results, our available cash and current and anticipated cash needs, capital requirements, banking regulations, and legal, tax and other regulatory restrictions. Although the Bank may pay dividends to the Company, the Board of Directors determined that, to preserve capital and support growth, the payment of dividends would be suspended. See Note 12 of Notes to Consolidated Financial Statements.

The following table sets forth information as to high and low sales prices of the Company's Common Stock for the calendar quarters indicated. The high and low sales prices of the Company's common stock shown below are based on information posted on the over-the-counter market by broker-dealers. These prices may include dealer mark-up, mark-down and/or commission and may not necessarily represent actual transactions. Comparable sales price information for the Common Stock may not be currently available from the OTC Pink Marketplace.

	Price Per Share	
	High	Low
Fiscal 2025		
First Quarter	$12.50	$11.00
Second Quarter	$13.90	$12.38
Third Quarter	$13.75	$11.00
Fourth Quarter	$11.98	$9.80
Fiscal 2026		
First Quarter	$11.69	$11.00
Second Quarter	$11.05	$9.80
Third Quarter	$11.89	$10.06
Fourth Quarter	$16.45	$11.40

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

	Year Ended June 30,				
	2026	2025	2024	2023	2022
	(In thousands, except per share data)				
INCOME STATEMENT DATA					
Interest income	$ 12,641	$ 11,538	$ 9,941	$ 9,216	$ 7,079
Interest expense	2,751	2,701	1,996	926	470
Net interest income	9,890	8,837	7,945	8,290	6,609
Provision for loan and lease losses	471	790	155	0	0
Net interest income after provision for loan and lease losses	9,419	8,047	7,790	8,290	6,609
Non-interest income	521	595	658	538	478
Non-interest expense	8,042	7,437	6,308	5,513	4,734
Income before income tax expense	1,898	1,205	2,140	3,315	2,353
Income tax expense	483	290	538	839	617
Net income	$ 1,415	$ 915	$ 1,602	$ 2,476	$ 1,736
Earnings per share					
Basic	$ 1.86	$ 1.20	$ 2.11	$ 3.26	$ 2.29
Diluted	$ 1.85	$ 1.20	$ 2.09	$ 3.25	$ 2.28

	As of June 30,				
	2026	2025	2024	2023	2022
	(In thousands)				
BALANCE SHEET DATA					
Total assets	$ 131,765	$ 124,036	$ 113,054	$ 108,499	$ 115,282
Loans and leases receivable, net	65,358	55,794	58,200	55,356	56,894
Securities:					
Available for sale	43,424	39,327	37,912	40,424	45,345
Federal Home Loan Bank stock	133	125	120	98	141
Deposits	104,341	101,307	92,250	90,952	97,112
FHLB advances & other borrowings	0	0	0	0	2,000
Stockholders' equity	18,411	16,718	14,466	12,124	10,601

	Year Ended June 30,				
	2026	2025	2024	2023	2022
KEY OPERATING DATA					
Return on average assets	1.11%	0.77%	1.48%	2.26%	1.54%
Return on average equity	7.96%	5.98%	12.16%	22.48%	15.04%
Average equity to average assets	13.95%	12.92%	12.17%	10.06%	10.25%
Dividend payout ratio	0.00%	0.00%	0.00%	0.00%	0.00%
Number of full-service offices	4	4	4	4	4

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis are intended to assist you in understanding the consolidated financial condition and results of operations of The Southern Banc Company, Inc. and The Southern Bank Company (collectively, the "Company"), as of June 30, 2026, and June 30, 2025, and for the fiscal years ended June 30, 2026, and 2025. This discussion should be read in conjunction with the audited consolidated financial statements, accompanying footnotes and supplemental financial data included herein.

General

The principal business of the Bank consists of accepting deposits from the general public through the Bank's main and branch offices and investing those funds in loans secured by real estate properties, commercial and consumer loans located in the Bank's primary market area, and factoring. In order to preserve liquidity, the Bank maintains a sizeable portfolio of investment and mortgage – backed securities. Substantially all of the Bank's mortgage-backed securities are guaranteed as to principal and interest by GNMA, Freddie Mac or Fannie Mae. The Bank's securities portfolio consists primarily of mortgage-backed securities, municipal securities and government agency securities, including agency notes. See Note 2 of Notes to Consolidated Financial Statements. The Bank maintains a substantial amount in interest-bearing deposits in other banks, primarily interest-bearing accounts with the FHLB of Atlanta, PNC Bank and South State Bank, the Bank's correspondents.

In an effort to diversify the Company's loan and lease portfolio and to increase yield in the loan portfolio, the Company's management team and the Board of Directors developed and approved the Commercial Finance Division ("CFD") of The Southern Bank Company. This division was officially started in January 2011 and currently generates significant revenues for the loan portfolio. The business of the CFD is to purchase accounts receivable, also known as "factoring", the results of which are included in the commercial loan portfolio. See Note 1 and Note 3 of Notes to Consolidated Financial Statements.

The Company's earnings are dependent primarily on the Bank's net interest income, which is the difference between interest income earned on its loans, securities portfolio, and income from factoring activities, and interest paid on customers' deposits and any other borrowings. See Note 1 of Notes to Consolidated Financial Statements. The Company's earnings are also affected by the Bank's level of non-interest income, such as service charges on customers' deposit accounts, net gains or losses on the sale of securities, and other fees. In addition, earnings are affected by the level of non-interest expense, primarily consisting of compensation and employee benefit expense, data processing expense, professional service expense, office building and equipment expense, and other expenses.

The operations of the Company and the financial institution industry as a whole are significantly affected by prevailing economic conditions, competition and the monetary and fiscal policies of governmental agencies. Lending activities are influenced by the economy, the supply of housing, competition among lenders and the level of interest rates in the Bank's market area. The Bank's deposit flows and costs of funds are influenced by prevailing market rates of interest, primarily on competing investments, account maturities, and the levels of personal income and savings in the Bank's market area.

Comparison of Financial Condition at June 30, 2026 and June 30, 2025

Total consolidated assets increased approximately $7.7 million, or 6.23%, from $124.0 million at June 30, 2025 to $131.8 million at June 30, 2026. During the year ended June 30, 2026, net loans increased approximately $9.6 million, or 17.14%, from $55.8 million at June 30, 2025 to $65.4 million at June 30, 2026. For the fiscal year ended June 30, 2026, securities available for sale increased approximately $4.1 million, or 10.42%, from $39.3 million at June 30, 2025 to $43.4 million at June 30, 2026.

Cash and cash equivalents decreased approximately $6.0 million, or 23.90%, from $25.2 million at June 30, 2025 to $19.2 million at June 30, 2026. The change in cash was primarily attributable to an increase in deposits of approximately $3.0 million, and an increase in loans receivable of approximately $9.6 million.

Accrued interest and dividends receivable increased approximately $236,000, or 27.21%, from approximately $869,000 at June 30, 2025 to $1.1 million at June 30, 2026. This increase was primarily attributable to an increase in interest receivable in securities available for sale, loans, and factoring.

Total deposits increased approximately $3.0 million, or 3.00%, from approximately $101.3 million at June 30, 2025 to $104.3 million at June 30, 2026. During the fiscal year ended June 30, 2026, other liabilities increased approximately $3.0 million, or 49.92% from $6.0 million at June 30, 2025 to $9.0 million at June 30, 2026.

Total consolidated equity increased approximately $1.7 million, or 10.13%, from approximately $16.7 million at June 30, 2025 to $18.4 million at June 30, 2026. This increase was primarily attributable to an increase in retained earnings of approximately $1.4 million, or 9.56%, and an increase in accumulated other comprehensive losses on securities available for

sale of approximately $301,000, or 12.23%, due to the upward trend in the securities market. No dividends were paid during the fiscal years ended June 30, 2026, and 2025.

The Company evaluates securities for declines in credit quality on a monthly basis. This evaluation considers a number of factors including the cause of a decline in value. These unrealized losses resulted primarily from higher interest rates that have impacted the current market value of available for sale securities, but they do not currently appear related to any credit deterioration within the portfolio. If credit related decline exists, the Company recognizes an allowance for credit losses, limited to the amount by which the fair value is less than the amortized cost basis. Even though these securities have been classified as available for sale, the Company has traditionally held these securities until maturity. As a result, management does not anticipate the unrealized losses recorded in fiscal 2026 to be other than temporary.

Generally accepted accounting principles require that, at the time of purchase, the Bank designate a security as "held-to-maturity" or "available-for-sale" depending on our ability and intent to hold such security. Debt securities available for sale are reported at fair value, while debt securities held to maturity are reported at amortized cost.

The investment portfolio is actively managed and consists of investments classified as available-for-sale and held-to-maturity. Under the available-for-sale classification, investment instruments may be sold as deemed appropriate by management. The Bank does not currently maintain a held-to-maturity portfolio. On a monthly basis, the investment portfolio is marked to market as required by ASC 320. The Bank invests in fixed rate or floating rate instruments as necessary to reduce interest rate risk exposure.

Results of Operation for the Years Ended June 30, 2026, and June 30, 2025

The Company reported net income for the fiscal year ended June 30, 2026, of approximately $1.4 million as compared to net income of approximately $915,000 for the fiscal year ended June 30, 2025. Net interest income after provision for credit losses increased approximately $1.4 million, or 17.04%, for the fiscal year ended June 30, 2026, when compared to fiscal year 2025. This increase was primarily attributable to an increase in total interest income of approximately $1.1 million, or 9.55%, and a decrease in provision for credit losses of approximately $319,000, or 40.39%, partially offset by an increase in total interest expense of approximately $50,000, or 1.85%. The earnings growth was driven primarily by balance-sheet growth and improved earning-asset yields, while expense growth and lower fee-based revenue partially reduced the benefit of the stronger interest margin performance.

Net Interest Income. For the year ended June 30, 2026, net interest income before provision for credit losses increased approximately $1.1 million, or 11.91%, when compared to fiscal year ended 2025. This increase was primarily attributable to an increase in the Bank's total interest income of approximately $1.1 million, or 9.55%, partially offset by an increase in total interest expense of approximately $50,000, or 1.85%. Interest and fees on loans increased approximately $642,000, or 6.41%. Interest and dividends on securities increased approximately $311,000, or 42.19%. Other interest income increased approximately $149,000, or 19.31%. The increase in net interest income was primarily attributable to increases in loan and securities balances which resulted in improved portfolio yields as lower-yielding assets matured or were reinvested at higher market rates. Deposit funding costs were well controlled relative to asset yield expansion, resulting in positive operating leverage within net interest income.

Provision for Credit Losses. During the fiscal year ended June 30, 2026, the Company recorded a provision for credit losses of approximately $471,000 as compared to approximately $790,000 in the fiscal year ended June 30, 2025. The allowance for credit losses is based on management's evaluation of possible credit losses inherent in the Bank's loan and investment portfolios. Management considers, among other factors, expected losses, current economic conditions, volume, growth and composition of the loan portfolio, and other relevant factors.

Non-Interest Income. Other non-interest income decreased approximately $74,000, or 12.47%, for the fiscal year ended June 30, 2026, when compared to fiscal year ended 2025. The decrease in other non-interest income was primarily attributable to a decrease in miscellaneous income, net of approximately $64,000, or 13.74%, and a decrease in customer service fees of approximately $10,000, or 7.79%. The decline in non-interest income was primarily attributable to a reduced contribution from fee-based and miscellaneous revenue sources.

Non-Interest Expense. Other non-interest expense increased approximately $605,000, or 8.14%, for the fiscal year ended June 30, 2026, when compared to fiscal year ended 2025. This increase was primarily attributable to increases in salaries and employee benefits of approximately $469,000, or 10.02%, data processing expense of approximately $59,000, or 7.94%, other operating expense of approximately $120,000, or 13.88%, and net loss on sale of securities of approximately $2,000, offset in part by decreases in office building and equipment expenses of approximately $5,000, or 1.33%, and professional service expense of approximately $40,000, or 5.18%. Salary and benefit growth was the largest expense driver and was attributable to merit increases, staffing levels, incentive compensation, benefit costs, or payroll-related taxes. Data processing expense growth reflects higher technology, core processing, cybersecurity, digital banking, and vendor costs.

Provision for Income Taxes. The provision for income taxes was approximately $482,000 for the fiscal year ended June 30, 2026, compared to approximately $290,000 for fiscal 2025, an increase of approximately $192,000, or 66.29%. The increase was primarily attributable to higher income before income taxes, which increased approximately $692,000, or 57.40%,

to approximately $1.9 million for fiscal 2026. See Note 7 of Notes to Consolidated Financial Statements for a reconciliation between the statutory tax rate and the effective tax rate.

Asset/Liability Management

Net interest income, the primary component of the Company's net income, is determined by the difference or "spread" between the yields earned on the Bank's interest-earning assets and the rates paid on its interest-bearing liabilities and the relative amounts of such assets and liabilities. Key components of a successful asset/liability strategy are the monitoring and managing of interest rate sensitivity on both the interest-earning assets and interest-bearing liabilities. The matching of the Bank's assets and liabilities may be analyzed by examining the extent to which its assets and liabilities are interest rate sensitive and by monitoring the expected effects of interest rate changes on an institution's net portfolio value.

An asset or liability is interest rate sensitive within a specific time period if it will mature or be repriced within that time period. If the Bank's assets mature or reprice more quickly or to a greater extent than its liabilities, the Bank's net portfolio value and net interest income would tend to increase during periods of rising interest rates but decrease during periods of falling interest rates. If the Bank's assets mature or reprice more slowly or to a lesser extent than its liabilities, the Bank's net portfolio value and net interest income would tend to decrease during periods of rising interest rates but increase during periods of falling interest rates. The Bank's policy has been to seek to mitigate the interest rate risk inherent in business of originating long term loans funded by short term deposits by pursuing the following strategies and practices: (i) the Bank has historically maintained substantial liquidity and capital levels to sustain unfavorable movements in market interest rates; (ii) analyzing alternative rate scenarios given the recent unparalleled movement in interest rates; (iii) revisit deposit assumptions (betas and decay rates); and (iv) focus on sensitivity testing. However, the reemergence of significant inflation and uncertain market expectations have pushed Treasury rates higher. This aggressive rise in market rates resulted in steep declines in the values of, and unrealized losses in, many financial institutions' investment portfolios. While the Bank has experienced portfolio losses, management believes that its strategies and practices have mitigated, but not avoided, the adverse effects of inflation on its portfolio and support its opinion that these effects will ultimately be temporary.

The Bank measures its interest rate risk by computing estimated changes in the net interest income ("NII") of its cash flows from assets, liabilities and off-balance sheet items in the event of a range of assumed changes in market interest rates. These computations estimate the effect on the Bank's NII of sudden and sustained 100 basis point to 400 basis point increases and 100 basis point to 400 basis point decreases in market interest rates. The Bank's Board of Directors has adopted an interest rate risk policy which establishes maximum decreases in the Bank's estimated NII of 7.5%, 10%, 15% and 20% and maximum decreases of 7.5%, 10%, 15% and 20% in the event of 100, 200, 300 and 400 basis point increases and decreases in market interest rates, respectively. At June 30, 2026, based on the most recent available information, management estimated that the Bank's NII change from the base to be approximately (0.12%), (0.34%), (0.64%), and (0.89%) in the event of an instantaneous and sustained 100, 200, 300 and 400 point basis point increases and approximately (0.26%), (0.67%), (1.05%) and (0.25%) in the event of an instantaneous and sustained 100, 200, 300 and 400 point decrease.

These calculations indicate that the Bank's net interest income and the economic value (long-term sensitivity) of equity would decrease in the event of an instantaneous and sustained rate increases and decreases. These calculations indicate that the Bank's interest-bearing liabilities would be expected to reprice more quickly than the Bank's interest-earning assets.

Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, prepayments and deposit run-offs and should not be relied upon as indicative of actual results. Certain shortcomings are inherent in such computations. Although certain assets and liabilities may have similar maturity or periods of repricing, they may react at different times and in different degrees to changes in the market interest rates. The interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while rates on other types of assets and liabilities may lag behind changes in market interest rates. Certain assets, such as adjustable-rate mortgages, generally have features which restrict changes in interest rates on a short-term basis and over the life of the asset. In the event of a change in interest rates, prepayments and early withdrawal levels could deviate significantly from those assumed in making calculations set forth above. Additionally, an increased credit risk may result, as the ability of many borrowers to service their debt may decrease in the event of an interest rate increase. Finally, virtually all the adjustable-rate loans in the Bank's portfolio contain conditions which restrict periodic changes in interest rates.

The Bank's Board of Directors is responsible for reviewing the Bank's asset and liability policies. On at least a quarterly basis, the Board reviews interest rate risk and trends, as well as liquidity and capital ratios and requirements. The Bank's management is responsible for administering the policies and determinations of the Board of Directors with respect to the Bank's asset and liability goals and strategies. Management expects that the Bank's asset and liability policies and strategies will continue as described above so long as competitive and regulatory conditions in the financial institution industry continue as they have in recent years.

Contractual Obligations

The following table sets forth the contractual obligations of the Bank as of June 30, 2026. The Company maintains a credit facility with the Federal Home Loan Bank of Atlanta for borrowings subject to certain collateral requirements. As of June 30, 2026, there were no amounts outstanding under this arrangement.

	Less than One Year	One Year through Two Years	Two through Three Years	Over Three Years	Total
			(In thousands)		
Certificates of deposit [1]	$ 54,189	$ 3,936	$ 2,418	$ 455	$ 60,998
Total	$ 54,189	$ 3,936	$ 2,418	$ 455	$ 60,998

(1) See Note 5 of Notes to Consolidated Financial Statements.

Average Balance, Interest and Average Yields and Rates

The following table sets forth certain information relating to the Company's average interest-earning assets and interest-bearing liabilities and reflects the average yield on assets and the average cost of liabilities for the periods and at the dates indicated. Such yields and costs are derived by dividing income or expense by the average monthly balance of assets or liabilities, respectively, for the periods indicated.

The table also presents information for the periods indicated with respect to the difference between the weighted average yield earned on interest-earning assets and the weighted average rate paid on interest-bearing liabilities, or "interest rate spread" which banks have traditionally used as an indicator of profitability. Another indicator of an institution's net interest income is its "net yield on interest-earning assets" which is its net interest income divided by the average balance of interest-earning assets. Net interest income is affected by the interest rate spread and by the relative amounts of interest-earning assets and interest-bearing liabilities. When interest-earning assets approximate or exceed interest-bearing liabilities, any positive interest rate spread will generate net interest income.

	Years Ended June 30,					
	2026			2025		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
	(Dollars in thousands)					
Interest-earning assets:						
Loans receivable	$ 59,370	$ 10,672	17.98%	$ 60,365	$ 10,030	16.62%
Securities	41,994	1,048	2.50	38,627	737	1.91
Other interest-earning assets	23,352	920	3.94	17,213	771	4.48
Total interest-earning assets	124,716	12,640	10.14	116,205	11,538	9.93
Non-interest-earning assets	2,792			2,288		
Total assets	$ 127,508			$ 118,493		
Interest-bearing liabilities:						
Deposits	$ 92,363	2,751	2.98	$ 86,752	2,701	3.11
Borrowings	0	0	0.00	0	0	0.00
Total interest-bearing liabilities	92,363	2,751	2.98	86,752	2,701	3.11
Non-interest-bearing liabilities	17,359			16,434		
Total liabilities	109,722			103,186		
Stockholders' equity	17,786			15,307		
Total liabilities and equity	$ 127,508			$ 118,493		
Net interest income		$ 9,890			$ 8,837	
Interest rate spread			7.16%			6.82%
Net interest margin			7.93%			7.60%
Ratio of average interest-earning assets to average interest-bearing liabilities			135.03%			133.95%

Rate/Volume Analysis

The table below sets forth certain information regarding changes in interest income and interest expense of the Company for the periods indicated. For each category of interest-earning asset and interest-bearing liability, information is provided on changes attributable to: (i) changes in volume (changes in volume multiplied by old rate) and (ii) changes in rates (changes in rate multiplied by old volume).

	Year Ended June 30, 2026 vs. 2025 Increase (Decrease) Due to		
	Rate	Volume	Total
	(In thousands)		
Interest income			
Loans……...	$ 807	$ (165)	$ 642
Securities…….	247	64	311
Other interest-earning assets……....	(126)	275	149
Total interest-earning assets……	928	174	1,102
Interest expense			
Deposits……...	(125)	175	50
Interest on FHLB advances……...	0	0	0
Total interest-bearing liabilities…...	(125)	175	50
Change in net interest income……	$ 1,053	$ (1)	$ 1,052

Liquidity and Capital Resources

The Company conducts its business through its subsidiary, the Bank, which is required to maintain minimum levels of liquidity. The requirement, which varies from time to time depending upon economic conditions and deposit flows, is based upon a percentage of deposits and short-term borrowings. The Bank adjusts its liquidity levels in order to meet funding needs of deposit outflows, repayments of borrowings, and loan commitments. The Bank also adjusts liquidity as appropriate to meet its asset and liability management objectives.

The Bank's primary sources of funds are deposits, repayments of loans and mortgage-backed securities, maturities of investment securities and other investments. While scheduled principal repayments on loans and mortgage-backed securities are a relatively predictable source of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition. The Bank invests, with the FHLB of Atlanta and other correspondent banks, in short-term interest-earning assets (e.g., Overnight Investments and Federal Funds Sold) that provide liquidity to meet lending requirements.

The Bank continues to maintain a high level of liquid assets in order to meet its funding requirements and compensating balance requirements of correspondent banks. At June 30, 2026, the Bank had approximately $44.5 million in on-balance sheet liquidity which represented 33.70% of total assets. The Bank's average liquidity ratio well exceeded the required minimum at and during the fiscal year ended June 30, 2026.

The Bank opted into the Community Bank Leverage Ratio ("CBLR") framework. At June 30, 2026, the Bank's CBLR ratio was 15.05% which exceeded all regulatory capital requirements under the CBLR framework, and the Bank was considered to be "well-capitalized." See Note 12 of Notes to Consolidated Financial Statements.

Commitments and Contingencies

In the normal course of business, the Bank is a party to activities that contain credit, market and operational risks that are not reflected in the Company's Consolidated Financial Statements. The Bank provides customers with off-balance sheet credit support through loan commitments and lines of credit. Many of the commitments expire unused or are only partially used. Therefore, the total amount of commitments does not necessarily represent future cash demand requirements. The Company anticipates that the Bank will continue to have sufficient funds together with available borrowings to satisfy its commitments. As of June 30, 2026, the Bank had approximately $4.6 million of commitments to extend credit. See Note 10 of Notes to Consolidated Financial Statements.

Critical Accounting Policy

The accounting principles followed by the Company and the methods of applying principles conform with accounting principles generally accepted in the United States and with general practices followed by the banking industry. The most critical accounting policy relates to the allowance for credit losses.

The allowance for credit losses is maintained at a level which management considers to be adequate to absorb losses inherent in the loan portfolio. Management's estimation of the amount of the allowance is based on a continuing evaluation of the loan portfolio and includes such factors as economic conditions, analysis of individual loans, overall portfolio characteristics, delinquencies and balance of any loans evaluated on an individual basis (generally considered to be nonperforming loans, excluding residential mortgages and other homogeneous loans).

Management reviews the adequacy of the allowance for credit losses on a continuous basis by assessing the quality of the loan portfolio and adjusting the allowance when appropriate. Management's evaluation of certain specifically identified loans includes a review of the financial condition and capacity of the borrower, the value of the collateral, current economic trends, historical losses, workout and collective arrangements, and possible concentrations of credit. The loan review process also includes a collective evaluation of credit quality within the mortgage and installment loan portfolios. In establishing the allowance, loss percentages are applied to groups of loans with similar risk characteristics. These loss percentages are determined by historical experience, portfolio mix, regulatory influence, and other economic factors. Each month this review is quantified in a report to management, which uses it to determine whether an appropriate allowance is being maintained. This report is then submitted to the Board of Directors monthly.

Changes in the allowance can result from changes in economic events or changes in the creditworthiness of borrowers. The effect of these changes is reflected when known. Though management believes the allowance for credit losses to be adequate, ultimate losses may vary from estimations. Specific allowances for individually assessed loans are generally based on comparisons of the carrying values of the loans to the estimated fair value of the collateral. If our assumptions and judgments require modifications, our current allowance may not be sufficient, and adjustments may be necessary to allow for different economic conditions or adverse developments in our loan portfolio. Further, changes in market factors, such as interest rates or commodity prices, could lead to increases in the allowance. While management monitors these market dynamics carefully, adverse changes to these factors could be unforeseen by management and would result in higher levels of allowance and credit losses.

Loans that do not share risk characteristics are evaluated on an individual basis and are not included in the collective evaluation. Loans evaluated on an individual basis (generally considered to be nonperforming loans, excluding residential mortgages and other homogeneous loans) are measured based on the present value of expected future cash flows discounted at each loan's original effective interest rate. As a practical expedient, potential loss is measured based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. When the measure of the individually evaluated loan is less than the recorded investment of the loan, the difference is recorded through a valuation allowance.

The Company ceases accrual of interest on a loan when payment on the loan is in excess of 90 days past due. Income is subsequently recognized only to the extent that cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments have been reestablished, in which case the loan is returned to accrual status. In addition, bank regulators periodically review our allowance and may require us to increase our provision for credit losses or recognize further loan charge-offs.

Forward-Looking Statements

Management's discussion and analysis includes certain forward-looking statements addressing, among other things, the Company's prospects for earnings, asset growth and net interest margin. Forward-looking statements are accompanied by, and identified with, such terms as "anticipates," "believes," "expects," "intends," and similar phrases. Management's expectations for the Company's future involve a number of assumptions and estimates. Factors that could cause actual results to differ from the expectations expressed herein include substantial changes in interest rates, changes in the general economy, and changes in the Bank's strategies for credit-risk management, interest-rate risk management and investment activities. Accordingly, any forward-looking statements included herein do not purport to be predictions of future events or circumstances and may not be realized.

Risk Factors

In the course of conducting our business operations, we are exposed to a variety of risks, some of which are inherent in the financial services industry and others of which are more specific to our own businesses. Management considers a variety of risks together with other factors that might materially adversely affect our liquidity, cash flows, competitive position, business, reputation, results of operations or financial condition, including by materially increasing our expenses or decreasing our revenues. Additional factors that could affect our businesses, results of operations and financial condition are discussed herein. However, other factors could also adversely affect our businesses, results of operations and financial condition. Therefore, the risk factors identified should not be considered a complete list of potential risks that we may face.

MAULDIN & JENKINS
CPAs & ADVISORS

Independent Auditor's Report

To the Board of Directors
The Southern Banc Company, Inc.
Gadsden, Alabama

Opinion

We have audited the accompanying consolidated financial statements of **The Southern Banc Company, Inc. and Subsidiaries**, which comprise the consolidated balance sheets as of June 30, 2026 and 2025, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Southern Banc Company, Inc. and Subsidiaries as of June 30, 2026 and 2025, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Mauldin & Jenkins, LLC

Birmingham, Alabama
September 28, 2026

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2026 AND 2025

Assets	**2026**	**2025**
Cash and due from banks	$ 138,878	$ 876,275
Interest-bearing deposits in banks	18,909,449	24,196,874
Federal funds sold	135,000	135,000
Total cash and cash equivalents	19,183,327	25,208,149
Securities available for sale (amortized cost of $46,338,149 and $42,646,893, respectively)	43,424,028	39,326,540
Restricted equity securities	133,300	125,000
Loans and leases receivable, net of allowance for credit losses of $1,715,446 and $1,839,493, respectively	65,358,204	55,794,357
Accrued interest receivable	1,105,186	868,820
Property and equipment, net	738,097	771,463
Right-of-use asset	409,964	235,139
Other assets	1,412,429	1,706,506
Total assets	$ 131,764,535	$ 124,035,974
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing	$ 11,044,923	$ 9,347,776
Interest-bearing	93,296,478	91,958,847
Total deposits	104,341,401	101,306,623
Factors client reserve	7,687,793	5,020,602
Lease liability	410,269	240,689
Other liabilities	913,621	749,771
Total liabilities	113,353,084	107,317,685
Commitments and contingencies		
Stockholders' equity		
Preferred stock, par value $.01 per share, 500,000 shares authorized, no shares issued or outstanding	-	-
Common stock, par value $.01 per share, 3,500,000 shares authorized, 1,454,750 shares issued, 806,086 shares outstanding	14,547	14,547
Additional paid-in capital	13,950,822	13,948,349
Retained earnings	16,214,760	14,799,683
Shares held in trust, 45,911 and 44,081 shares at cost, respectively	(786,946)	(761,948)
Treasury stock, 648,664 shares at cost	(8,825,282)	(8,825,282)
Accumulated other comprehensive loss	(2,156,450)	(2,457,060)
Total stockholders' equity	18,411,451	16,718,289
Total liabilities and stockholders' equity	$ 131,764,535	$ 124,035,974

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
JUNE 30, 2026 AND 2025

	2026	2025
Interest income		
Loans, including fees	$ 10,671,985	$ 10,029,569
Securities available for sale	1,048,283	737,229
Other interest and dividends	920,246	771,283
Total interest income	12,640,514	11,538,081
Interest expense		
Deposits	2,750,813	2,700,760
Total interest expense	2,750,813	2,700,760
Net interest income	9,889,701	8,837,321
Provision for credit losses	470,878	789,944
Net interest income after provision for credit losses	9,418,823	8,047,377
Other income		
Service charges and fees	116,578	126,431
Other income	404,347	468,725
Total other income	520,925	595,156
Other expenses		
Salaries and employee benefits	5,145,410	4,676,629
Data processing	807,717	748,312
Professional services	731,637	771,645
Equipment and occupancy expenses	370,844	375,856
Loss on sale of securities available for sale, net	2,107	-
Other operating expenses	984,556	864,556
Total other expenses	8,042,271	7,436,998
Income before income tax expense	1,897,477	1,205,535
Income tax expense	482,400	290,092
Net income	$ 1,415,077	$ 915,443
Earnings per share		
Basic	$ 1.86	$ 1.20
Diluted	$ 1.85	$ 1.20
Weighted average shares outstanding, basic	760,752	760,322
Weighted average shares outstanding, diluted	764,813	763,237

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
JUNE 30, 2026 AND 2025

	2026	2025
Net income	$ 1,415,077	$ 915,443
Other comprehensive income:		
Realized losses on securities available for sale arising during period, net of tax benefit of $548 and $0, respectively	1,559	-
Unrealized holding gains on securities available for sale arising during period, net of tax of $105,072 and $464,557, respectively	299,051	1,322,201
Other comprehensive income	300,610	1,322,201
Comprehensive income	$ 1,715,687	$ 2,237,644

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
JUNE 30, 2026 AND 2025

	Common Stock	Additional Paid-in Capital	Retained Earnings	Shares Held in Trust	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, June 30, 2024	$ 14,547	$ 13,943,403	$ 13,884,240	$ (771,517)	$ (8,825,282)	$ (3,779,261)	$ 14,466,130
Net income	-	-	915,443	-	-	-	915,443
Other comprehensive income	-	-	-	-	-	1,322,201	1,322,201
Exercise of stock options	-	-	-	41,750	-	-	41,750
Stock option expense	-	4,946	-	-	-	-	4,946
Purchase of shares held in trust, $12.25	-	-	-	(32,181)	-	-	(32,181)
Balance, June 30, 2025	$ 14,547	$ 13,948,349	$ 14,799,683	$ (761,948)	$ (8,825,282)	$ (2,457,060)	$ 16,718,289
Net income	-	-	1,415,077	-	-	-	1,415,077
Other comprehensive income	-	-	-	-	-	300,610	300,610
Stock option expense	-	2,473	-	-	-	-	2,473
Purchase of shares held in trust, $13.66	-	-	-	(24,998)	-	-	(24,998)
Balance, June 30, 2026	$ 14,547	$ 13,950,822	$ 16,214,760	$ (786,946)	$ (8,825,282)	$ (2,156,450)	$ 18,411,451

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
JUNE 30, 2026 AND 2025

	2026	2025
OPERATING ACTIVITIES		
Net income	$ 1,415,077	$ 915,443
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	89,143	99,234
Net amortization and accretion of securities	155,894	220,403
Provision for credit losses	470,878	789,944
Deferred income taxes	54,750	(189,962)
Stock option expense	2,473	4,946
Loss on sale of securities available for sale, net	2,107	-
Loss on sale of property and equipment	24	2,538
(Increase) decrease in accrued interest receivable	(236,366)	65,281
Decrease in accrued interest payable	(159)	(8,459)
(Increase) decrease in prepaid expenses	60,409	(48,455)
Increase (decrease) in factors client reserve	2,667,191	(377,836)
Net other operating activities	250,434	318,447
Net cash provided by operating activities	4,931,855	1,791,524
INVESTING ACTIVITIES		
Purchase of securities available for sale	(11,947,161)	(6,514,596)
Proceeds from maturities and principal payments on securities available for sale	8,097,902	6,666,021
Purchase of Federal Home Loan Bank stock	(8,300)	(5,300)
Net (increase) decrease in loans and leases receivable	(10,034,725)	1,615,167
Purchase of property and equipment	(74,173)	(43,049)
Net cash provided by (used in) investing activities	(13,966,457)	1,718,243
FINANCING ACTIVITIES		
Net increase in deposits	3,034,778	9,056,523
Purchase of shares held in trust	(24,998)	(32,181)
Exercise of stock options	-	41,750
Net cash provided by financing activities	3,009,780	9,066,092
Net increase (decrease) in cash and cash equivalents	(6,024,822)	12,575,859
Cash and cash equivalents at beginning of year	25,208,149	12,632,290
Cash and cash equivalents at end of year	$ 19,183,327	$ 25,208,149
SUPPLEMENTAL DISCLOSURE		
Cash paid during the year for:		
Interest	$ 2,750,972	$ 2,709,219
Taxes	$ 338,271	$ 518,129

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Southern Banc Company, Inc. (the "Company") was incorporated in the state of Delaware in May 1995 for the purpose of becoming a holding company to own all of the outstanding capital stock of The Southern Bank Company (the "Bank"), formerly First Federal Savings and Loan Association of Gadsden. Effective June 30, 2008, the Bank converted its charter from a federally chartered stock savings association to a commercial bank organized and existing under the laws of the state of Alabama.

The Bank is primarily engaged in the business of obtaining funds in the form of various deposit products and investing those funds in mortgage loans or single family real estate, commercial, and consumer loans. The Bank operates from its four offices in the northeast portion of Alabama and originates the majority of its loans in this market area. The Bank also operates a division that conducts accounts receivable management, or "factoring," of commercial accounts.

Basis of Presentation and Accounting Estimates

The consolidated financial statements include the accounts of the Company and its two wholly-owned subsidiaries, the Bank and First Service Corporation. Significant intercompany transactions and balances have been eliminated in consolidation.

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

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, deferred taxes, credit losses on securities, and the fair value of financial instruments.

The Company has evaluated all transactions, events, and circumstances for consideration or disclosure through September 28, 2026, the date these financial statements were available to be issued, and has reflected or disclosed those items within the consolidated financial statements and related footnotes as deemed appropriate.

Cash and Cash Equivalents

For purposes of reporting consolidated cash flows, cash and cash equivalents include cash and balances due from banks, interest-bearing deposits in banks and federal funds sold. Cash flows from restricted equity securities, loans and lease receivable, deposits, and federal funds purchased are reported net.

The Bank maintains amounts due from banks which, at times, may exceed federally insured limits. The Bank has not experienced any losses in such accounts.

Securities

All debt securities are classified as available for sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the settlement date and are determined using the specific identification method.

The Company evaluates securities available for sale in an unrealized loss position to determine if credit-related impairment exists. The Company first evaluates whether it intends to sell or more likely than not will be required to sell an impaired security before recovering its amortized cost basis. If either 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. If either of the above criteria are not met, the Company evaluates whether the decline in fair value is attributable to credit losses or resulted from other factors. If credit-related impairment exists, the Company recognizes an allowance for credit losses, limited to the amount by which 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, net of tax. Accrued interest receivable on securities available for sale totaled $202,167 and $182,613 at June 30, 2026 and 2025, respectively, and was reported in accrued interest receivable on the consolidated balance sheets and is excluded from the estimate of credit losses.

Restricted Equity Securities

The Company is required to maintain an investment in capital stock of the Federal Home Loan Bank of Atlanta (FHLB). Based on redemption provisions, the stock has no quoted market value and is carried at cost, which approximates fair value. At its discretion, the FHLB may declare dividends on the stock. Management reviews for impairment based on the ultimate recoverability of the cost basis in this stock.

Loans and Leases Receivable

Loans and leases (collectively referred to as “loans”) that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balances less deferred fees and costs on originated loans and the allowance for credit losses. Interest income is accrued on the outstanding principal balance. Loan origination fees, net of certain direct origination costs, are deferred depending on the fee amount and/or the maturity of the loan, and recognized as an adjustment of the related loan yield over the life of the loan, using the straight-line method without anticipating prepayments. Additionally, the Company engages in direct lease financing. The net investment in direct financing leases is the sum of all minimum lease payments and estimated residual values less unearned income.

The accrual of interest on loans is discontinued when, in management’s opinion, the borrower may be unable to meet payments as they become due, or at the time the loan is 90 days past due, unless the loan is well-secured and in the process of collection. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal and interest is considered doubtful. All interest accrued but not collected for loans that are placed on nonaccrual is reversed against interest income and interest accrued on loans that are charged-off is reversed against interest income or charged to the allowance for credit losses, unless management believes that the accrual of interest is recoverable through the liquidation of collateral. Interest income on nonaccrual loans is recognized on the cash basis, until the loans are returned to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and the loan has been performing according to the contractual terms generally for a period of not less than six months.

Loans and Leases Receivable (Continued)

In an effort to diversify the Company's loan portfolio and to increase yield in the portfolio, the Company's management team and the Board of Directors developed and approved the Commercial Finance Division (CFD) of The Southern Bank Company. This division was officially started in January 2011. The business of the CFD is to purchase accounts receivable, a business also known as factoring. Factoring is a financial transaction whereby an outside company sells its accounts receivable to the Company, the factor, at a discount to obtain cash. The cash advance is a percentage of the invoice face value that the Company pays to the selling company upon submission. The Company records a reserve (factors client reserve) for the remainder of the total invoice amount held by the Company until the payment by the selling company's customer is made. Fees are the costs associated with the transaction that are deducted from the reserve prior to its being paid back to the seller. The interest charge fee is calculated based on the advanced amount outstanding multiplied by an agreed-upon interest rate.

Allowance for Credit Losses – Loans

The Current Expected Credit Loss (CECL) methodology recognizes lifetime expected credit losses immediately when a loan is originated or purchased. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of loans, excluding interest receivable, to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged-off against the allowance when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, credit quality, or term, as well as for changes in macroeconomic conditions, such as changes in unemployment rates, property values or other relevant factors.

The allowance for credit losses is comprised of reserves measured on a collective (pool) basis based on a lifetime loss-rate model when similar risk characteristics exist. For purposes of determining the pool-basis reserve, representing all loans not assigned an individual reserve, loans are segregated by portfolio segment, then by class, to recognize differing risk profiles. Each class is assigned a historical loss rate. These historical loss rates are then modified to incorporate a reasonable and supportable forecast of future losses at the loan class level, as well as any necessary qualitative adjustments. These modified historical loss rates are multiplied by the outstanding principal balance of each loan to calculate a required reserve. The qualitative adjustments are utilized to address factors that are not present in historical loss rates and are otherwise unaccounted for in the quantitative process. Even though portions of the allowance may be allocated to specific loans, the entire allowance is available for any credit that, in management's judgment, should be charged-off.

For purposes of the disclosures required pursuant to ASC 326, the loan portfolio was disaggregated into segments and then further disaggregated into classes for certain disclosures. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. There are three loan portfolio segments that include real estate, commercial, and consumer. A class is generally determined based on the initial measurement attribute, risk characteristic of the loan, and the Company's method for monitoring and assessing credit risk. Classes within the real estate portfolio segment include construction and development loans, 1-4 family first mortgages, commercial real estate loans, and other real estate loans. The classes of the commercial portfolio segment include non-real estate commercial, financial, and agricultural loans, along with commercial lease financing. Consumer loans have not been further segregated by class.

Allowance for Credit Losses – Loans (Continued)

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

Real estate - As discussed below, the Company offers various types of real estate loan products. All loans within this portfolio segment are particularly sensitive to the valuation of real estate:

- Construction and development loans are repaid through cash flow related to the operations, sale or refinance of the underlying property. This portfolio class includes extensions of credit to real estate developers or investors where repayment is dependent on the sale of the real estate or income generated from the real estate collateral.
- 1-4 family first mortgage loans are repaid by various means such as a borrower's income, sale of the property, or rental income derived from the property.
- Commercial real estate mortgage loans include both owner-occupied commercial real estate loans and other commercial real estate loans such as commercial loans secured by income producing properties. Owner-occupied commercial real estate loans made to operating businesses are long-term financing of land and buildings and are repaid by cash flows generated from business operations. Real estate loans for income-producing properties such as office and industrial buildings and retail shopping centers are repaid from rental income derived from the properties.
- Other real estate mortgage loans include home equity lines of credit, loans secured by farmland and multi-family residential loans. These are repaid by various means such as a borrower's income, sale of the property, or rental income derived from the property.

Commercial - The commercial loan portfolio segment includes commercial, financial, and agricultural loans. These loans include those loans to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or expansion projects. Loans are repaid by business cash flows. Collection risk in this portfolio is driven by the creditworthiness of the underlying borrower, particularly cash flows from the borrowers' business operations. Lease financing is also included in the commercial loan portfolio segment and is different in form from a loan; however, the basic considerations are similar: cash flow, capacity, credit history, management and projections of future operations.

Consumer and other - The consumer loan portfolio segment includes direct consumer installment loans, overdrafts and other revolving credit loans. Loans in this portfolio are sensitive to unemployment and other key consumer economic measures.

In the event that collection of principal becomes uncertain, the Company has policies in place to reverse accrued interest in a timely manner. Therefore, the Company has made a policy election to exclude accrued interest from the measurement of ACL. Accrued interest receivable on loans totaled $96,552 and $68,711 at June 30, 2026 and 2025, respectively, and was reported in accrued interest receivable on the consolidated balance sheets and is excluded from the estimate of credit losses.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the difference between the fair value of the collateral and the amortized cost basis of the asset as of the measurement date. Fair value is generally calculated based on the value of the underlying collateral less estimated selling costs.

Allowance for Credit Losses – Loans (Continued)

Off-Balance Sheet Credit Exposure

The Company also has off-balance sheet financial instruments, which include unfunded loan commitments and letters of credit. The Company minimizes these risks through underwriting guidelines and prudent risk management techniques. For off-balance sheet instruments, the allowance for credit losses is calculated in accordance with Topic 326, representing expected credit losses over the contractual period for which the Company is exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if the Company has the unconditional right to cancel the obligation. The allowance is reported as a component of other liabilities within the consolidated balance sheets. Adjustments to the allowance for credit losses for unfunded commitments are reported in the income statement as a component of provision for credit losses.

Modifications to Borrowers Experiencing Financial Difficulty

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

Property and Equipment

Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets or the expected terms of the leases, if shorter. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are reflected in income.

Asset Category	Years
Buildings and improvements	10-40
Furniture and equipment	5-20

Leases

Leases are accounted for under ASU 2016-02, "*Leases (Topic 842)*," which requires operating leases to be recognized as a liability to make lease payments and as an asset representing the right to use the asset during the lease term, or "lease liability" and "right-of-use asset," respectively. The lease liability is measured by the present value of remaining lease payments, discounted at the Company's incremental borrowing rate.

Certain leases include one or more renewal options that extend the initial lease term 3 to 6 years. The exercise of lease renewal options is typically at the Company's sole discretion; therefore, a majority of renewals to extend lease terms are not included in the right-of-use asset and lease liability as they are not reasonably certain to be exercised. Renewal options are regularly evaluated and when they are reasonably certain to be exercised, are included in lease terms.

None of the Company's leases provide an implicit rate. The Company uses an incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments. The Company accounts for lease and non-lease components together as a single lease component. The Company does not recognize short-term leases on the balance sheet. A short-term operating lease has an original term of 12 months or less and does not have a purchase option that is likely to be exercised.

Transfers of Financial Assets

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

Other Real Estate Owned

Assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value less estimated costs to sell. Any write down to fair value at the time of transfer to other real estate owned is charged to the allowance for credit losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated costs to sell. Costs of improvements are capitalized, whereas costs relating to holding other real estate owned and any subsequent adjustments to the carrying value are expensed. The Company had no other real estate owned at June 30, 2026 or 2025.

Income Taxes

The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

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

Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Common stock outstanding consists of issued shares less treasury stock and shares held in trust.

Diluted earnings per share reflects additional potential common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares consist of stock options.

Earnings Per Share (Continued)

A reconciliation of the numerators and denominators of the earnings per common share and earnings per common share assuming dilution computations is presented below.

	Years Ended June 30,	
	2026	2025
Basic Earnings Per Share:		
Weighted average common shares outstanding	760,752	760,322
Net income	$ 1,415,077	$ 915,443
Basic earnings per share	$ 1.86	$ 1.20
Diluted Earnings Per Share:		
Weighted average common shares outstanding	760,752	760,322
Dilutive effects of assumed conversions and exercise of stock options	4,061	2,915
Weighted average common and dilutive potential common shares outstanding	764,813	763,237
Net income	$ 1,415,077	915,443
Diluted earnings per share	$ 1.85	$ 1.20

Stock Compensation Plans

Stock compensation accounting guidance requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the grant date fair value of the equity or liability instruments issued. The stock compensation accounting guidance covers a wide range of share-based compensation arrangements including stock options and warrants, share appreciation rights, and employee share purchase plans.

The stock compensation accounting guidance requires that compensation cost for all stock awards be calculated and recognized over the employees' service period, generally defined as the vesting period. A Black-Scholes model is used to estimate the fair value of stock options.

Comprehensive Income

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

Advertising Costs

Advertising costs consist of print and television media advertisements and promotional items and are expensed as incurred. Advertising costs totaled $309,678 and $229,553 during the years ended June 30, 2026 and 2025, respectively.

Fair Value of Financial Instruments

Fair values of financial instruments are estimates using relevant market information and other assumptions, as more fully disclosed in Note 13. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Customers

Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers (ASC 606)*, provides guidance for reporting revenue from the Company's contracts to provide goods or services to customers. The guidance requires recognition of revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized when performance obligations are satisfied.

The majority of revenue-generating transactions are excluded from the scope of ASC 606, including revenue generated from financial instruments, such as securities and loans. Revenue-generating transactions that are within the scope of ASC 606, classified within other income, are described as follows:

Service Charges and Fees – represent service fees for monthly activity and maintenance on customer accounts. Attributes can be transaction-based, item-based or time-based. Revenue is recognized when the Company's performance obligation is completed which is generally monthly for maintenance services or when a transaction is processed. Payment for such performance obligations are generally received at the time the performance obligations are satisfied.

NOTE 2. SECURITIES

The amortized cost and fair value of securities are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale				
June 30, 2026				
U.S. Government agency securities	$ 4,806,125	$ -	$ (239,411)	$ 4,566,714
State and municipal securities	13,670,727	-	(1,084,981)	12,585,746
Mortgage-backed securities	27,861,297	5,194	(1,594,923)	26,271,568
	$ 46,338,149	$ 5,194	$ (2,919,315)	$ 43,424,028
June 30, 2025				
U.S. Government agency securities	7,347,642	$ -	$ (254,140)	7,093,502
State and municipal securities	14,287,630	-	(1,330,670)	12,956,960
Mortgage-backed securities	21,011,621	18,921	(1,754,464)	19,276,078
	$ 42,646,893	$ 18,921	$ (3,339,274)	$ 39,326,540

The amortized cost and fair value of securities as of June 30, 2026 by contractual maturity are shown below. Actual maturities may differ from contractual maturities in mortgage-backed securities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Therefore, these securities are not presented by maturity category in the following summary:

	Securities Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 1,000,000	$ 995,000
Due from one to five years	16,476,852	15,295,046
Due from five to ten years	1,000,000	862,414
Mortgage-backed securities	27,861,297	26,271,568
	$ 46,338,149	$ 43,424,028

Securities with a carrying value of $18,356,584 and $18,702,346 at June 30, 2026 and 2025, respectively, were pledged to secure public deposits, and for other purposes as required or permitted by law.

NOTE 2. SECURITIES (CONTINUED)

Gains and losses on sales of securities consist of the following:

	June 30, 2026	June 30, 2025
Gross gains	$ 505	$ -
Gross losses	(2,612)	-
Net realized loss	$ (2,107)	$ -

The following table shows the gross unrealized losses and fair value of securities, aggregated by category and length of time that securities have been in a continuous unrealized loss position at June 30, 2026 and June 30, 2025:

	Less Than Twelve Months		Over Twelve Months		
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Total Unrealized Losses
June 30, 2026					
U.S. Government agency securities	$ 1,987,130	$ (27,346)	$ 2,579,584	$ (212,065)	$ (239,411)
State and municipal securities	-	-	12,585,746	(1,084,981)	(1,084,981)
Mortgage-backed securities	10,867,933	(155,780)	13,751,704	(1,439,143)	(1,594,923)
	$ 12,855,063	$ (183,126)	$ 28,917,034	$ (2,736,189)	$ (2,919,315)
June 30, 2025					
U.S. Government agency securities	2,496,149	$ (3,102)	$ 4,597,353	$ (251,038)	(254,140)
State and municipal securities	-	-	12,956,960	(1,330,670)	(1,330,670)
Mortgage-backed securities	-	-	15,235,590	(1,754,464)	(1,754,464)
	$ 2,496,149	$ (3,102)	$ 32,789,903	$ (3,336,172)	$ (3,339,274)

As of June 30, 2026, the Company's security portfolio consisted of 60 securities in an unrealized loss position. No allowance for credit losses has been recognized on securities available for sale in an unrealized loss position as the Company does not believe any of the debt securities are credit impaired. The unrealized losses are due to increases in market interest rates over the yields available at the time the securities were purchased. Furthermore, as of June 30, 2026, there were no past due principal or interest payments associated with these securities. All securities in an unrealized loss position as of June 30, 2026 continue to perform as scheduled and the Company does not believe there is a possible credit loss or that an allowance for credit losses on these securities is necessary.

NOTE 3. LOANS AND LEASES RECEIVABLE

Portfolio Segments and Classes

The composition of loans and leases is summarized as follows:

	June 30, 2026	June 30, 2025
Real estate mortgages:		
Construction and development	$ 2,583,794	$ 3,153,047
1-4 family first mortgages	6,729,300	8,303,156
Commercial	7,144,607	7,618,706
Other	6,778,559	7,122,464
Commercial, financial, and agricultural	41,765,659	31,059,156
Commercial lease financing	1,853,785	110,899
Consumer and other	255,414	308,865
	67,111,118	57,676,293
Net deferred loan fees	(37,468)	(42,443)
Allowance for credit losses	(1,715,446)	(1,839,493)
Loans, net	$ 65,358,204	$ 55,794,357

Credit Risk Management

Senior management and loan officers are involved in the credit risk management process and assess the accuracy of risk ratings, the quality of the portfolio and the estimation of inherent credit losses in the loan portfolio. This comprehensive process also assists in the prompt identification of problem credits. The Company has taken a number of measures to manage the portfolios and reduce risk, particularly in the more problematic portfolios.

The Company employs a credit risk management process with defined policies, accountability and routine reporting to manage credit risk in the loan portfolio segments. Credit risk management is guided by a comprehensive Loan Policy that provides for a consistent and prudent approach to underwriting and approvals of credits. Within the Board approved Loan Policy, procedures exist that elevate the approval requirements as credits become larger and more complex. All loans are individually underwritten, risk-rated, approved, and monitored.

Responsibility and accountability for adherence to underwriting policies and accurate risk ratings lie in each portfolio segment. For the consumer portfolio segment, the risk management process focuses on managing customers who become delinquent in their payments. For the commercial and real estate portfolio segments, the risk management process focuses on underwriting new business and, on an ongoing basis, monitoring the credit quality of the portfolios. To ensure problem credits are identified on a timely basis, portfolio reviews are conducted to assess the larger adversely rated credits for proper risk rating and accrual status.

Credit quality and trends in the loan portfolio segments are measured and monitored regularly. Detailed reports, by product, collateral, accrual status, etc., are reviewed by the Chief Executive Officer, Officers Loan Committee, and Directors Loan Committee.

The following risk grade categories are utilized by management to analyze and manage the credit quality and risk of the loan portfolio:

- **Pass** - includes obligations where the probability of default is considered low.
- **Special Mention** - includes obligations that exhibit potential credit weaknesses or downward trends deserving management's close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects or credit position at a future date. These loans are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.
- **Substandard** - includes obligations with defined weaknesses that jeopardize the orderly liquidation of debt. A substandard loan is inadequately protected by the current sound worth and paying capacity of the borrower or by the collateral pledged, if any. Normal repayment from the borrower is in jeopardy although no loss of principal is envisioned. There is a distinct possibility that a partial loss of interest and/or principal will occur if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard loans, does not have to exist in individual loans classified substandard.
- **Doubtful** - includes obligations with all the weaknesses found in substandard loans with the added provision that the weaknesses make collection of debt in full, based on current existing facts, conditions, and values, highly questionable and improbable. Serious problems exist to the point where partial loss of principal is likely. The possibility of loss is extremely high, but because of certain important, reasonably specific pending factors that may work to strengthen the loan, the classification of "Loss" is deferred until a more exact status may be determined.
- **Loss** - includes obligations incapable of repayment or unsecured debt. Such loans are considered uncollectible and of such little value, that continuance as an active asset is not warranted. Loans determined to be a loss are charged-off at the date of loss determination. There are no loans with a loss rating in the Company's portfolio as of June 30, 2026 or 2025.

The following tables summarize the risk categories, as defined above, of the Company's loan portfolio based upon the most recent analysis performed as of June 30, 2026 and 2025:

	Pass	Special Mention	Substandard	Doubtful	Total
June 30, 2026					
Real estate mortgages:					
Construction and development	$ 2,583,794	$ -	$ -	$ -	$ 2,583,794
1-4 family first mortgages	5,808,612	-	920,688	-	6,729,300
Commercial	6,554,202	-	590,405	-	7,144,607
Other	6,725,645	-	52,914	-	6,778,559
Commercial, financial, and agricultural	40,888,256	-	656,046	221,357	41,765,659
Commercial lease financing	1,853,785	-	-	-	1,853,785
Consumer and other	255,414	-	-	-	255,414
	$ 64,669,708	$ -	$ 2,220,053	$ 221,357	$ 67,111,118
June 30, 2025					
Real estate mortgages:					
Construction and development	$ 3,153,047	$ -	$ -	$ -	$ 3,153,047
1-4 family first mortgages	6,750,014	317,692	1,235,450	-	8,303,156
Commercial	5,792,991	-	1,825,715	-	7,618,706
Other	7,064,256	-	58,208	-	7,122,464
Commercial, financial, and agricultural	29,861,393	-	1,197,763	-	31,059,156
Commercial lease financing	110,899	-	-	-	110,899
Consumer and other	308,865	-	-	-	308,865
	$ 53,041,465	$ 317,692	$ 4,317,136	$ -	$ 57,676,293

Collateral Dependent Loans

The Company classifies a loan as collateral dependent when the borrower is experiencing financial difficulty, and expected repayment is to be provided substantially through the operation or sale of collateral. The following table summarizes collateral dependent loans, which are individually evaluated to determine expected credit losses, as of June 30, 2026 and 2025 under CECL:

	Real Estate	Other	Total	ACL
June 30, 2026				
Real estate mortgages:				
Construction and development	$ -	$ -	$ -	$ -
1-4 family first mortgages	920,688	-	920,688	-
Commercial	590,405	-	590,405	-
Other	52,914	-	52,914	-
Commercial, financial, and agricultural	-	877,403	877,403	319,966
Commercial lease financing	-	-	-	-
Consumer and other	-	-	-	-
	$ 1,564,007	$ 877,403	$ 2,441,410	$ 319,966

Collateral Dependent Loans (Continued)

	Real Estate	Other	Total	ACL
June 30, 2025				
Real estate mortgages:				
Construction and development	$ -	$ -	$ -	$ -
1-4 family first mortgages	1,279,960	-	1,279,960	-
Commercial	16,610	-	16,610	-
Other	-	-	-	-
Commercial, financial, and agricultural	-	1,156,341	1,156,341	757,751
Commercial lease financing	-	-	-	-
Consumer and other	-	-	-	-
	$ 1,296,570	$ 1,156,341	$ 2,452,911	$ 757,751

Past Due and Nonaccrual Loans

A loan is considered past due if any required principal and interest payments have not been received as of the date such payments were required to be made under the terms of the loan agreement. Generally, the Company places loans on nonaccrual when there is a clear indication that the borrower's cash flow may not be sufficient to meet payments as they become due, which is generally when a loan is 90 days past due. The following tables present the aging of the recorded investment in loans and leases as of June 30, 2026 and 2025:

		Past Due Status (Accruing Loans)						
	Current	30-59 Days	60-89 Days	90+ Days	Total Past Due	Nonaccrual no ACL	Nonaccrual with ACL	Total
June 30, 2026								
Real estate mortgages:								
Construction and development	$ 2,583,794	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,583,794
1-4 family first mortgages	6,122,968	-	-	-	-	606,332	-	6,729,300
Commercial	6,554,202	-	-	-	-	590,405	-	7,144,607
Other	6,600,267	125,378	-	-	125,378	52,914	-	6,778,559
Commercial, financial, and agricultural	39,542,666	1,460,590	729,249	1,079	2,190,918	30,480	1,595	41,765,659
Commercial lease financing	1,853,785	-	-	-	-	-	-	1,853,785
Consumer and other	246,164	-	-	-	-	9,250	-	255,414
	$ 63,503,846	$ 1,585,968	$ 729,249	$ 1,079	$ 2,316,296	$ 1,289,381	$ 1,595	$ 67,111,118
June 30, 2025								
Real estate mortgages:								
Construction and development	$ 3,153,047	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,153,047
1-4 family first mortgages	7,067,706	-	-	-	-	1,235,450	-	8,303,156
Commercial	6,923,611	-	-	-	-	695,095	-	7,618,706
Other	6,894,261	169,995	-	-	169,995	58,208	-	7,122,464
Commercial, financial, and agricultural	29,318,574	1,430,646	53,039	-	1,483,685	38,094	218,803	31,059,156
Commercial lease financing	110,899	-	-	-	-	-	-	110,899
Consumer and other	297,037	-	-	-	-	11,828	-	308,865
	$ 53,765,135	$ 1,600,641	$ 53,039	$ -	$ 1,653,680	$ 2,038,675	$ 218,803	$ 57,676,293

The Company recognized $111 and $23,863 of interest income on nonaccrual loans during the years ended June 30, 2026 and 2025, respectively.

Modifications to Borrowers Experiencing Financial Difficulty

The Company offers modifications of loans to borrowers experiencing financial difficulty by providing principal forgiveness, interest rate reductions, term extensions, other than insignificant payment delays, or any combination of these. The following table details the amortized cost basis at the end of the reporting period for loans made to borrowers experiencing financial difficulty that were modified during the years ended June 30, 2025 by class and by type of modification. No financial difficulty loan modifications occurred during the year ended June 30, 2026.

	Principal Forgiveness	Payment Delay	Term Extension	Rate Reduction	Total
June 30, 2025					
Real estate mortgages:					
Construction and development	$ -	$ -	$ -	$ -	$ -
1-4 family first mortgages	-	-	-	-	-
Commercial	-	-	-	-	-
Other	-	-	44,510	-	44,510
Commercial, financial, and agricultural	-	-	-	-	-
Commercial lease financing	-	-	-	-	-
Consumer and other	-	-	-	-	-
	$ -	$ -	$ 44,510	$ -	$ 44,510

The Company has no unfunded commitments to borrowers experiencing financial difficulty for which the Company has modified its loans as of June 30, 2026 and 2025.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. There were no loans modified to borrowers experiencing financial difficulty that were past due as of June 30, 2026 and 2025.

The Company had no loans modified to borrowers experiencing financial difficulty during the years ended June 30, 2026 and 2025, that subsequently defaulted. For purposes of this disclosure, the term default is defined as the earlier of being placed on nonaccrual status or reaching 90 days past due and still accruing with respect to principal and/or interest payments.

Allowance for Credit Losses

The following tables detail activity in the allowance for credit losses by portfolio segment for the years ended June 30, 2026 and 2025. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Real Estate	Commercial	Consumer	Total
June 30, 2026				
Allowance for credit losses:				
Beginning balance	$ 259,137	$ 1,570,618	$ 9,738	$ 1,839,493
Charge-offs	-	(895,841)	-	(895,841)
Recoveries	-	297,168	2,957	300,125
Provision for credit losses	(17,221)	493,982	(5,092)	471,669
Ending balance	$ 241,916	$ 1,465,927	$ 7,603	$ 1,715,446
June 30, 2025				
Allowance for credit losses:				
Beginning balance	$ 209,301	$ 943,519	$ 6,860	$ 1,159,680
Charge-offs	-	(170,440)	(4,862)	(175,302)
Recoveries	-	74,057	2,110	76,167
Provision for credit losses	49,836	723,482	5,630	778,948
Ending balance	$ 259,137	$ 1,570,618	$ 9,738	$ 1,839,493

NOTE 3. LOANS AND LEASES RECEIVABLE (CONTINUED)

Related Party Loans

In the ordinary course of business, the Company has granted loans to certain related parties, including directors, executive officers and their affiliates. The interest rates on these loans were substantially the same as rates prevailing at the time of the transaction and repayment terms are customary for the type of loan. Changes in related party loans are as follows:

	Years Ended June 30,	
	2026	2025
Balance, beginning of year	$ 195,076	$ 230,030
Advances	27,089	3,888
Repayments	(37,818)	(38,842)
Balance, end of year	$ 184,347	$ 195,076

NOTE 4. PROPERTY AND EQUIPMENT

Premises and equipment are summarized as follows:

	June 30,	
	2026	2025
Land	$ 409,236	$ 409,236
Building and improvements	1,139,375	1,119,512
Furniture and equipment	979,246	958,673
	2,527,857	2,487,421
Accumulated depreciation	(1,789,760)	(1,715,958)
	$ 738,097	$ 771,463

Leases

The Company leases its banking facility in Birmingham, Alabama under an operating lease agreement from an unrelated entity. The Birmingham office lease term is approximately three years. Monthly payments will increase by 2.5% at each anniversary date. The right-of-use asset and lease liability were measured and recorded with an assumed discount rate of 3.920% on the date of adoption. The weighted average remaining lease term is 2.92 years. The right-of-use asset recorded was $409,964 and $235,139 as of June 30, 2026 and 2025, respectively. The corresponding lease liability recorded was $410,269 and $240,689 as of June 30, 2026 and 2025, respectively, and is recorded in other liabilities on the consolidated balance sheet.

Future minimum lease payments on the lease described above are summarized as follows (all time frames are presented on a fiscal year basis, i.e. 07/01/26 – 06/30/27 for 2027):

2027	$ 145,713
2028	149,356
2029	140,041
Total lease payments	$ 435,110
Less: imputed interest	(24,841)
Present value of operating lease liabilities	$ 410,269

Rental expense, which includes expenses for facilities and equipment, included in the statements of income for the years ended June 30, 2026 and 2025 was $106,083 and $102,491, respectively.

NOTE 5. DEPOSITS

The major classifications of deposits are as follows:

	June 30, 2026	June 30, 2025
Noninterest-bearing demand	$ 11,044,923	$ 9,347,776
Interest-bearing demand	27,902,770	28,701,833
Savings	4,396,105	4,491,399
Time deposits of $250,000 or more	27,192,280	26,414,344
Other time deposits	33,805,323	32,351,271
	$ 104,341,401	$ 101,306,623

The scheduled maturities of time deposits at June 30, 2026 are as follows, (all maturities are presented on a fiscal year basis, i.e. 07/01/26 – 06/30/27 for 2027):

2027	$ 54,188,945
2028	3,935,958
2029	2,418,018
2030	305,864
2031	148,818
	$ 60,997,603

At June 30, 2026 and 2025, overdraft deposits reclassified to loans totaled $2,384 and $3,137, respectively. Deposits from related parties held by the Bank at June 30, 2026 and 2025 amounted to $2,326,893 and $2,035,081, respectively. At June 30, 2026, the Company had a concentration of deposits with one depositor totaling approximately $7,728,000. The Company is maintaining adequate liquidity sources to meet the withdrawal demands of this depositor.

NOTE 6. BORROWINGS

The Company maintains a credit facility with the Federal Home Loan Bank of Atlanta for borrowings up to approximately $9,432,000 as of June 30, 2026 subject to certain collateral requirements. As of June 30, 2026 and 2025, there were no amounts outstanding under this arrangement.

At June 30, 2026, the Company had accommodations which allow the purchase of federal funds from several 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 in less than a month. At June 30, 2026 and 2025, the Company had no amounts outstanding under these arrangements. The Company may borrow up to $10,500,000 under these arrangements as of June 30, 2026.

NOTE 7. INCOME TAXES

Income tax expense consists of the following:

	Years Ended June 30, 2026	Years Ended June 30, 2025
Current	$ 427,650	$ 480,054
Deferred	54,750	(189,962)
Income tax expense	$ 482,400	$ 290,092

NOTE 7. INCOME TAXES (CONTINUED)

The Company's income tax differs from the amounts computed by applying the federal income tax statutory rate to income before income taxes. A reconciliation of the differences is as follows:

	Years Ended June 30,	
	2026	2025
Pretax income tax expense at federal statutory rate	$ 398,470	$ 253,163
State income tax expense, net of federal tax benefits	81,116	41,857
Other, net	2,814	(4,928)
Income tax expense	$ 482,400	$ 290,092

The components of deferred income taxes are as follows:

	June 30,	
	2026	2025
Deferred income tax assets:		
Allowance for credit losses	$ 450,999	$ 483,625
Deferred loan fees and costs, net	9,792	11,092
Net unrealized losses on securities available for sale	757,672	863,291
Other	10,866	17,433
	1,229,329	1,375,441
Deferred income tax liabilities:		
Depreciation	(14,243)	(17,214)
Accretion of discount on securities	(33,795)	(16,567)
	(48,038)	(33,781)
Net deferred income tax assets	$ 1,181,291	$ 1,341,660

The Company and its subsidiaries are subject to U.S. federal income tax, as well as income tax within the State of Alabama. The Company is no longer subject to examination by taxing authorities generally for three years after the returns were filed.

NOTE 8. EMPLOYEE RETIREMENT AND SAVINGS PLANS

Employee Stock Ownership Plan

The Bank established an employee stock ownership plan (ESOP) for eligible employees in 1995. The ESOP purchased 116,380 shares of the Company's common stock with the proceeds of a $1,163,800 note payable to the Bank and secured by the common stock owned by the ESOP. Principal payments under the note were due in equal annual installments through December 2005; interest was payable annually at a variable rate which was adjusted each January 1. The difference between the fair value of shares committed to be released and the cost of those shares to the ESOP (i.e., unearned compensation) was charged/credited to additional paid-in capital. Unearned compensation was amortized into compensation expense based on employee services rendered in relation to shares which were committed to be released based on the fair value of shares. Shares in the plan totaled 16,889 and 19,189 at June 30, 2026 and 2025, respectively. All shares have been allocated as of June 30, 2026 and 2025.

401(k) Plan

The Company has a contributory, defined contribution plan which is qualified under Section 401(k) of the Internal Revenue Code. The plan is available to qualifying employees of the Company who have completed one year of service. Matching contributions may be made at the discretion of the Company's Board of Directors and generally vest over five years. Contributions to the plan charged to expense totaled $109,568 and $90,990 for the years ended June 30, 2026 and 2025, respectively.

NOTE 8. EMPLOYEE RETIREMENT AND SAVINGS PLANS (CONTINUED)

Employment Agreements

The Company has a 36-month employment agreement with its President. This agreement provides that if employment under the agreement is terminated by the Company in connection with or within 12 months after any change in control of the Company, the employee will be paid approximately three times his salary.

NOTE 9. STOCK BASED COMPENSATION PLAN

The Company has a stock option plan which provides for the grant of incentive stock options to employees and non-incentive stock options to non-employee directors. The plan provides for a total of 145,745 options to purchase common shares of the Company. As of June 30, 2026, 125,745 options were available for grant.

The Company purchased shares in the open market to be issued upon exercise of stock options. Such shares are reflected at cost as shares held in trust in the accompanying consolidated balance sheets.

The fair value of each stock option award is estimated on the date of grant using a Black-Scholes-Merton valuation model that uses certain assumptions. Expected volatilities are based on an index of traded community banks. The Company considers historical data and peer group data to estimate option exercise and employee termination within the valuation model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected term of options granted is based on the short-cut method and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

A summary of stock option activity under the plan as of June 30, 2026 and 2025, and changes during the years then ended is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2025	10,000	$ 8.35		
Granted	-	-		
Exercised	-	-		
Outstanding at June 30, 2026	10,000	$ 8.35	1.55	$ -
Vested at June 30, 2026	10,000	$ 8.35	1.55	$ 57,100
Outstanding at July 1, 2024	15,000	$ 8.35		
Granted	-	-		
Exercised	(5,000)	8.35		
Outstanding at June 30, 2025	10,000	$ 8.35	2.55	$ -
Vested at June 30, 2025	-	$ -	-	$ -

Total unrecognized compensation cost related to nonvested share based compensation arrangements granted under the plan was $0 as of June 30, 2026.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Loan Commitments

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

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

	June 30,	
	2026	2025
Commitments to extend credit	$ 4,602,435	$ 4,076,407

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

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

The following table presents the balance and activity in the allowance for credit losses for unfunded commitments for the years ended June 30, 2026 and 2025:

	June 30,	
	2026	2025
Beginning balance	$ 10,996	$ -
Provision for credit losses	(791)	10,996
Ending balance	$ 10,205	$ 10,996

Contingencies

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

NOTE 11. CONCENTRATIONS OF CREDIT

The Company originates primarily commercial, commercial real estate, residential real estate, and consumer loans. With the exception of commercial factoring clients which are located throughout the United States, these loans are primarily made to customers in Etowah, Marshall, and Cherokee Counties and the adjoining counties in northeast Alabama. The ability of the majority of the Company's customers to honor their contractual loan obligations is dependent on the economy in these localized areas.

Thirty-five percent of the Company's loan portfolio is concentrated in loans secured by real estate, of which a substantial portion is secured by real estate in the Company's primary market area. Accordingly, the ultimate collectability of the loan portfolio and recovery of the carrying amount of other real estate owned, if any, is susceptible to changes in real estate conditions in the Company's primary market area. The other concentrations of credit by type of loan are set forth in Note 3.

The Company does not extend credit to any single borrower or group of related borrowers on a secured basis in excess of 20% of capital, as defined, or approximately $4,350,000 or on an unsecured basis in excess of 10% of capital, as defined, or approximately $2,175,000. However, these limits are waived when the extension of credit is made to a state or political subdivision located within the State of Alabama.

NOTE 12. REGULATORY MATTERS

The Bank is subject to certain restrictions on the amount of dividends that may be declared without prior regulatory approval. At June 30, 2026, approximately $4,630,000 could be declared without regulatory approval.

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

Regulatory capital rules include a capital conservation buffer designed to absorb losses during periods of economic stress. The capital conservation buffer must be composed entirely of Common Equity Tier 1 capital (CET1). The capital conservation buffer of 2.5% is added on top of each of the minimum risk-based capital ratios. Banking institutions with risk-based capital ratios above the minimum but below the capital conservation buffer will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of Total, Tier 1 and CET1 capital to risk weighted assets, as defined, and of Tier 1 capital to average total assets (leverage ratio), as defined. Management believes, as of June 30, 2026 and 2025, the Bank met all capital adequacy requirements to which it is subject.

The Bank has opted into the Community Bank Leverage Ratio (CBLR) framework. At June 30, 2026, the Bank's CBLR ratio was 15.05%, which exceeded all regulatory capital requirements under the CBLR framework and the Bank was considered to be "well capitalized."

Banks and their bank holding companies that have less than $10 billion in total consolidated assets and meet other qualifying criteria, including a leverage ratio (equal to tier 1 capital divided by average total consolidated assets) of greater than 9%, are eligible to opt into the CBLR framework. Qualifying community banking organizations that elect to use the CBLR framework and that maintain a leverage ratio of greater than 9% will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Accordingly, a qualifying community banking organization that exceeds the 9% CBLR will be considered to have met: (i) the generally applicable risk-based and leverage capital requirements of the generally applicable capital rules; (ii) the capital ratio requirements in order to be considered well capitalized under the prompt corrective action framework; and (iii) any other applicable capital or leverage requirements. A qualifying community banking organization that elects to be under the CBLR framework generally would be exempt from the current capital framework, including risk-based capital requirements and capital conservation buffer requirements. A banking organization meets the definition of a "qualifying community banking organization" if the organization has:

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

Even though a banking organization meets the above stated criteria, federal banking regulators have reserved the authority to disallow the use of the CBLR framework by a depository institution or depository institution holding company, based on the risk profile of the banking organization.

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

	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
June 30, 2026				
Community Bank Leverage Ratio				
Consolidated	$ 20,568	15.42%	$ 12,006	9.00%
Southern Bank Company	$ 20,023	15.05%	$ 11,972	9.00%
June 30, 2025				
Community Bank Leverage Ratio				
Consolidated	$ 19,175	14.64%	$ 11,786	9.00%
Southern Bank Company	$ 18,625	14.26%	$ 11,752	9.00%

NOTE 13. FAIR VALUE OF ASSETS AND LIABILITIES

Determination of Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic (ASC 820), the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices.

However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

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

Assets Measured at Fair Value on a Recurring Basis

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The following tables present financial assets measured at fair value on a recurring basis:

	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2026				
Securities available for sale	$ 43,424,028	$ -	$ 43,424,028	$ -
June 30, 2025				
Securities available for sale	$ 39,326,540	$ -	$ 39,326,540	$ -

Assets Measured at Fair Value on a Nonrecurring Basis

Under certain circumstances management makes adjustments to fair value for assets and liabilities although they are not measured at fair value on an ongoing basis. The following tables present the financial instruments carried on the consolidated balance sheet by caption and by level in the fair value hierarchy at June 30, 2026 and 2025, for which a nonrecurring change in fair value has been recorded:

	Carrying Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2026				
Individually analyzed loans	$ 305,600	$ -	$ -	$ 305,600
June 30, 2025				
Individually analyzed loans	$ 137,232	$ -	$ -	$ 137,232

NOTE 13. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Assets Measured at Fair Value on a Nonrecurring Basis (Continued)

Individually Analyzed Loans

Loans considered individually analyzed under ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* are loans for which, based on current information and events, it is probable that the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Individually analyzed loans can be measured based on the present value of expected payments using the loan's original effective rate as the discount rate, the loan's observable market price, or the fair value of the collateral less estimated selling costs if the loan is collateral dependent.

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

NOTE 14. PARENT COMPANY FINANCIAL INFORMATION

The following information presents the condensed balance sheets of The Southern Banc Company, Inc. as of June 30, 2026 and 2025, and the condensed statements of income and cash flows for the years then ended:

CONDENSED BALANCE SHEETS

	2026	2025
	(Dollars in Thousands)	
Assets		
Cash and cash equivalents	$ 167	$ 173
Investment in subsidiary	17,868	16,169
Other assets	378	377
Total assets	$ 18,413	$ 16,719
Liabilities and stockholders' equity		
Other liabilities	$ -	$ -
Stockholders' equity		
Common stock	15	15
Additional paid-in capital	13,951	13,948
Retained earnings	16,215	14,800
Shares held in trust	(787)	(762)
Treasury stock	(8,825)	(8,825)
Accumulated other comprehensive loss	(2,156)	(2,457)
Total liabilities and stockholders' equity	$ 18,413	$ 16,719

CONDENSED STATEMENTS OF INCOME

	2026	2025
	(Dollars in Thousands)	
Income	$ -	$ -
Expenses	(8)	(9)
Loss before income taxes and equity in undistributed income of subsidiaries	(8)	(9)
Income tax benefit	2	2
Loss before equity in undistributed income of subsidiaries	(6)	(7)
Equity in undistributed income of subsidiaries	1,421	922
Net income	$ 1,415	$ 915

CONDENSED STATEMENTS OF CASH FLOWS

	2026	2025
	(Dollars in Thousands)	
OPERATING ACTIVITIES		
Net income	$ 1,415	$ 915
Adjustments to reconcile net income to net cash used in operating activities:		
Equity in undistributed income of subsidiaries	(1,421)	(922)
Net cash used in operating activities	(6)	(7)
FINANCING ACTIVITIES		
Exercise of stock options	-	42
Net cash provided by financing activities	-	42
Increase (decrease) in cash and cash equivalents	(6)	35
Cash and cash equivalents at beginning of year	173	138
Cash and cash equivalents at end of year	$ 167	$ 173

CORPORATE INFORMATION

Directors and Executive Officers of the Company:

Gates Little
Chairman of the Board, President and Chief Executive Officer of the Company

Thomas F. Dowling, III
Retired Dentist

F. Michael Haney
Inzer, Haney, McWhorter, & Haney, LLC
Partner and Shareholder

James B. Little, III
New Capital Partners, LLC
Partner

Thomas Alan Ritchie, Jr.
Need2Say, LLC
Chief Strategy Officer

John E. Bell, III
Fireside Dental
Co-Founder

Seton G. Marshall
Dash Solutions
Chief Financial Officer

Executive Officers of the Bank:

Gates Little
Chairman of the Board, President and Chief Executive Officer of the Bank

Teresa Elkins
Vice President of the Bank

Jennifer Wood
Vice President of the Bank

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***Main Office*:**

221 S. 6th Street
Gadsden, Alabama

Branch Offices:

625 East Main Street
Albertville, Alabama

2204 Henry Street
Guntersville, Alabama

390 W. Main Street
Centre, Alabama

Independent Registered Public Accountants:

Mauldin & Jenkins, LLC
Birmingham, Alabama

General Counsel:

Inzer, Haney, McWhorter, & Haney, LLC
Gadsden, Alabama

Securities and Regulatory Counsel:

Jones Walker, LLP
Washington, D.C.

Annual Stockholders Meeting:

November 18, 2026 - 5:00 p.m.
The Southern Bank Company
221 S. 6th Street
Gadsden, Alabama
Record Date – October 9, 2026

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