

First Capital Bancshares, Inc.

Report on Consolidated Financial Statements

As of and for the years ended December 31, 2025 and 2024

First Capital Bancshares, Inc.

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Independent Auditor's Report

To the Board of Directors and Stockholders First Capital Bancshares, Inc.

Opinion

We have audited the consolidated financial statements of First Capital Bancshares, Inc. and its subsidiary, First Capital Bank (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Charleston, South Carolina
February 27, 2026

First Capital Bancshares, Inc.
Consolidated Balance Sheets
For the years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets:		
Cash and cash equivalents:		
Cash and due from banks	\$ 45,924,841	\$ 56,749,271
Federal funds sold	<u>288,312</u>	<u>943,197</u>
Total cash and cash equivalents	\$ <u>46,213,153</u>	<u>57,692,468</u>
Securities available-for-sale	50,574,185	21,981,092
Securities held-to-maturity, fair value of \$12,331,008 and \$15,343,220 at December 31, 2025 and 2024, respectively	13,386,848	17,001,889
Marketable equity securities	1,770,848	1,211,263
Nonmarketable equity securities	6,891,400	6,326,550
Loans receivable	988,602,116	838,029,333
Less allowance for credit losses	<u>(9,960,053)</u>	<u>(8,011,144)</u>
Loans receivable, net	\$ <u>978,642,063</u>	<u>830,018,189</u>
Premises, furniture and equipment, net	9,021,096	9,176,764
Lease right of use asset	2,215,950	2,161,138
Cash surrender value of life insurance	20,816,595	14,152,239
Deferred tax asset	2,208,974	1,860,002
Accrued interest receivable	4,574,554	3,643,973
Other assets	<u>5,846,310</u>	<u>2,385,147</u>
Total assets	<u>\$1,142,161,976</u>	<u>\$ 967,610,714</u>
Liabilities:		
Deposits:		
Noninterest-bearing transaction accounts	\$ 102,663,649	\$ 74,679,118
Interest-bearing transaction accounts	383,098,841	307,161,098
Savings	712,540	1,778,678
Time deposits	<u>454,546,330</u>	<u>397,072,743</u>
Total deposits	\$ <u>941,021,360</u>	<u>780,691,637</u>
Lease liability	2,288,939	2,180,908
Borrowings from Federal Home Loan Bank	78,000,000	77,000,000
Subordinated debt	12,000,000	12,000,000
Note payable	-	210,000
Accrued interest payable	4,076,367	4,262,177
Other liabilities	<u>4,958,678</u>	<u>2,785,131</u>
Total liabilities	<u>\$1,042,345,344</u>	<u>879,129,853</u>
Stockholders' equity:		
Common stock – voting, \$.01 par value; 20,000,000 and 10,000,000 shares authorized; 9,508,877 and 9,459,877 shares issued and outstanding at December 31, 2025 and 2024, respectively	95,085	94,595
Common stock – non-voting, \$.01 par value; 1,000,000 shares authorized; 464,272 and 464,272 shares issued and outstanding at December 31, 2025 and 2024, respectively	4,643	4,643
Capital surplus	75,319,914	74,612,249
Retained earnings	24,216,200	14,650,200
Treasury stock, 350 shares at December 31, 2025 and 2024	(3,500)	(3,500)
Accumulated other comprehensive income (loss)	<u>184,290</u>	<u>(877,326)</u>
Total stockholders' equity	\$ <u>99,816,632</u>	<u>88,480,861</u>
Total liabilities and stockholders' equity	<u>\$1,142,161,976</u>	<u>\$ 967,610,714</u>

See Notes to Consolidated Financial Statements

First Capital Bancshares, Inc.
Consolidated Statements of Income
For the years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Interest income:		
Loans, including fees	\$ 59,703,394	\$ 48,777,474
Investment securities, taxable	2,664,559	2,232,499
Investment securities, tax-exempt	360,407	-
Federal funds sold	11,927	13,586
Other	<u>2,318,357</u>	<u>2,233,705</u>
Total interest income	<u>\$ 65,058,644</u>	<u>53,257,264</u>
Interest expense:		
Deposits	27,717,828	25,233,754
Other interest expense	<u>4,045,480</u>	<u>3,155,204</u>
Total interest expense	<u>\$ 31,763,308</u>	<u>28,388,958</u>
Net interest income	33,295,336	24,868,306
Provision for credit losses on loans	1,989,378	1,975,000
Provision for (recovery of) credit losses on unfunded commitments	<u>300,000</u>	<u>(75,000)</u>
Net interest income after provision for credit losses	<u>\$ 31,005,958</u>	<u>22,968,306</u>
Noninterest income:		
Service charges on deposit accounts	50,780	50,874
Gain on sale of securities	252,746	29,097
Increase in cash surrender value of life insurance	664,356	327,057
Gain on sale of branch	1,006,604	-
Other	<u>1,154,595</u>	<u>999,418</u>
Total noninterest income	<u>\$ 3,129,081</u>	<u>1,406,446</u>
Noninterest expense:		
Salaries and employee benefits	13,855,664	11,029,472
Occupancy	1,266,727	1,287,399
Furniture and equipment	378,259	445,071
FDIC deposit insurance	873,096	911,108
Data processing fees	1,204,180	963,238
Dues and memberships	87,982	88,474
Professional fees	704,266	450,561
Licenses and fees	691,297	433,133
Loss on sale of fixed assets	12,066	13,797
Other	<u>2,901,864</u>	<u>2,148,153</u>
Total noninterest expense	<u>\$ 21,975,401</u>	<u>17,770,406</u>
Income before income taxes	12,159,638	6,604,346
Income tax expense	<u>2,593,638</u>	<u>1,572,028</u>
Net income	<u>\$ 9,566,000</u>	<u>\$ 5,032,318</u>
Weighted average shares outstanding		
Basic	9,997,240	9,183,493
Diluted	10,224,901	9,331,252
Basic income per common share	<u>\$ 0.96</u>	<u>\$ 0.55</u>
Diluted income per common share	<u>\$ 0.94</u>	<u>\$ 0.54</u>

See Notes to Consolidated Financial Statements

First Capital Bancshares, Inc.
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net income	\$ 9,566,000	\$ 5,032,318
Other comprehensive income		
Unrealized holding gains arising during the period on securities available-for-sale	1,063,969	42,613
Reclassification adjustment for (gains)losses included in net income	252,746	(29,097)
Reclassification adjustment for amortization of unrealized losses transferred from available-for-sale to held-to-maturity	<u>21,411</u>	<u>(5,164)</u>
Net unrealized gains on securities	1,338,126	8,352
Net effect of taxes	<u>(276,510)</u>	<u>(2,838)</u>
Other comprehensive income, net of tax	<u>1,061,616</u>	<u>5,514</u>
Comprehensive income	<u>\$ 10,627,616</u>	<u>\$ 5,037,832</u>

See Notes to Consolidated Financial Statements

First Capital Bancshares, Inc.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2025 and 2024

	Common Stock-Voting		Common Stock-Non-Voting		Capital	Retained	Treasury	Accumulated Other Comprehensive	Total
	Shares	Amount	Shares	Amount	Surplus	Earnings	Stock	Income (Loss)	
Balance, December 31, 2023	7,912,784	\$ 79,124	464,272	\$ 4,643	\$ 59,794,647	\$ 9,617,882	\$ (3,500)	\$ (882,840)	\$ 68,609,956
Net income	-	-	-	-	-	5,032,318	-	-	5,032,318
Other comprehensive income, net of tax	-	-	-	-	-	-	-	5,514	5,514
Stock options exercised	20,000	200	-	-	134,800	-	-	-	135,000
Common stock issuance, voting	1,527,093	15,271	-	-	14,409,263	-	-	-	14,424,534
Stock based compensation	-	-	-	-	273,539	-	-	-	273,539
Balance, December 31, 2024	<u>9,459,877</u>	<u>\$ 94,595</u>	<u>464,272</u>	<u>\$ 4,643</u>	<u>\$ 74,612,249</u>	<u>\$ 14,650,200</u>	<u>\$ (3,500)</u>	<u>\$ (877,326)</u>	<u>\$ 88,480,861</u>
Net income	-	-	-	-	-	9,566,000	-	-	9,566,000
Other comprehensive income, net of tax	-	-	-	-	-	-	-	1,061,616	1,061,616
Stock options exercised	49,000	490	-	-	331,510	-	-	-	332,000
Stock based compensation	-	-	-	-	315,470	-	-	-	315,470
Restricted Stock Expense	-	-	-	-	60,685	-	-	-	60,685
Balance, December 31, 2025	<u>9,508,877</u>	<u>\$ 95,085</u>	<u>464,272</u>	<u>\$ 4,643</u>	<u>\$ 75,319,914</u>	<u>\$ 24,216,200</u>	<u>\$ (3,500)</u>	<u>\$ 184,290</u>	<u>\$ 99,816,632</u>

See Notes to Consolidated Financial Statements

First Capital Bancshares, Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating activities:		
Net income	\$ 9,566,000	\$ 5,032,318
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses on loans	1,989,378	1,975,000
Provision for (recovery of) credit losses on unfunded commitments	300,000	(75,000)
Increase in cash surrender value of life insurance	(664,356)	(327,057)
Depreciation and amortization expense	616,071	494,668
Discount accretion and premium amortization, net	(628,120)	(259,120)
Gain on sale of investment securities	(252,746)	(29,097)
Loss on sale of premises and equipment	12,066	13,797
Increase in deferred tax asset	(625,482)	(338,858)
Change in right of use asset and lease liability, net	53,219	(32,321)
Increase in accrued interest receivable	(1,088,618)	(630,815)
Stock based compensation expense	315,470	273,539
Restricted stock expense	60,685	-
Gain on sale of branch	(1,006,604)	-
(Decrease) increase in accrued interest payable	(84,521)	2,672,930
Increase in other assets	(3,462,929)	(575,054)
Decrease in other liabilities	1,013,818	1,033,631
Net cash provided by operating activities	<u>\$ 6,113,331</u>	<u>9,228,561</u>
Cash flows from investing activities:		
Net increase in loans	(163,962,504)	(158,916,385)
Reclassification adjustment for amortization of unrealized losses on securities available-for-sale transferred to held-to-maturity	21,411	(5,164)
Purchase of securities available-for-sale	(42,382,862)	(9,947,986)
Purchase of marketable equity securities	(2,028,744)	(1,488,590)
Proceeds from call, maturities, paydowns of securities available-for-sale	6,936,805	3,513,109
Proceeds from call, maturities, paydowns of securities held-to-maturity	3,623,900	2,087,082
Proceeds from sale of securities available-for-sale	8,800,464	9,899,295
Proceeds from sale of marketable equity securities	1,710,381	846,122
Purchase of bank owned life insurance	(6,000,000)	(4,000,000)
Purchase of premises and equipment	(546,811)	(3,402,739)
Purchase of Federal Home Loan Bank stock	(2,997,100)	(1,870,600)
Purchase of Federal Reserve Bank stock	(241,250)	(2,101,750)
Purchase of Atlantic Community Bankers Bank stock	(134,000)	-
Redemption of Federal Home Loan Bank stock	2,807,500	712,500
Net cash and cash equivalents paid in sale of branch	(25,924,245)	-
Net cash used in investing activities	<u>\$ (220,317,055)</u>	<u>(164,675,106)</u>
Cash flows from financing activities:		
Net increase (decrease) in demand deposits, interest-bearing transaction accounts and savings accounts	126,464,068	(3,964,720)
Net increase in time deposits	75,138,341	135,811,430
Proceeds from Federal Home Loan Bank borrowings	115,000,000	50,000,000
Repayments of Federal Home Loan Bank borrowings	(114,000,000)	(29,000,000)
Proceeds from issuance of common stock	-	14,424,534
Payments on note payable	(210,000)	(210,000)
Stock options exercised	332,000	135,000
Net cash provided by financing activities	<u>\$ 202,724,409</u>	<u>167,196,244</u>
Net (decrease) increase in cash and cash equivalents	(11,479,315)	11,749,699
Cash and cash equivalents, beginning of year	<u>57,692,468</u>	<u>45,942,769</u>
Cash and cash equivalents, end of year	<u>\$ 46,213,153</u>	<u>\$ 57,692,468</u>
Cash paid during the year for:		
Interest	\$ 31,949,118	\$ 31,061,887
Income tax	\$ 2,664,950	\$ 1,289,000
Supplemental disclosures of noncash transactions:		
Unrealized gain on securities available for sale, net of tax	\$ 1,040,205	\$ 10,678

See Notes to Consolidated Financial Statements

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies

Basis of presentation and consolidation:

First Capital Bancshares, Inc., (the "Company") was incorporated on December 19, 1997 to organize and own all of the common stock of First Capital Bank (the "Bank"). First Capital Bank, a commercial bank, opened for business on September 27, 1999 with headquarters in Laurinburg, North Carolina. Effective February 15, 2018, the Company relocated its headquarters to Charleston, South Carolina. As of December 31, 2021, the Bank converted from a North Carolina state-chartered bank to a South Carolina state-chartered bank. In 2024, the bank converted to a state member bank with the Federal Reserve Bank. The principal business activity of the Bank is to provide banking services to domestic markets, principally in Charleston County, South Carolina and Moore County, North Carolina. Additionally, Charleston Service Corporation (CHSSC Co.) was incorporated effective January 1, 2019 as a subsidiary of the Company. The purpose of the subsidiary was for conducting intercompany transactions. The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany balances and transactions have been eliminated in the consolidation.

The accounting and reporting policies of the Company reflect industry practices and conform to generally accepted accounting principles in all material respects.

Management's estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses (ACL), including valuation allowances for loans, the valuation of investment securities, and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowance for credit losses and foreclosed real estate, management obtains independent appraisals for significant properties. Management must also make estimates in determining the estimated useful lives and methods for depreciating premises and equipment.

While management uses available information to recognize losses on loans and foreclosed real estate, future additions to the allowances or losses may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowances for credit losses and valuation of foreclosed real estate. Such agencies may require the Company to recognize additions to the allowance for credit losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the allowances for credit losses and valuation of foreclosed real estate may change materially in the near term.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies, Continued

Concentrations of credit risk:

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of loans receivable, investment securities, federal funds sold and amounts due from banks.

The Company makes loans to individuals and small businesses for various personal and commercial purposes primarily within the tri-county area of Charleston, South Carolina which includes Charleston County, Berkeley County and Dorchester County as well as customers located within Moore County, North Carolina. The Company's loan portfolio is not concentrated in loans to any single borrower or a relatively small number of borrowers. Additionally, management is not aware of any concentrations of loans to classes of borrowers or industries that would be similarly affected by economic conditions.

In addition to monitoring potential concentrations of loans to particular borrowers or groups of borrowers, industries and geographic regions, management monitors exposure to credit risk from concentrations of lending products and practices such as loans that subject borrowers to substantial payment increases (e.g. principal deferral periods, loans with initial interest-only periods, etc.) and loans with high loan-to-value ratios. Additionally, there are industry practices that could subject the Company to increased credit risk should economic conditions change over the course of a loan's life. For example, the Company makes variable rate loans and fixed rate principal-amortizing loans with maturities prior to the loan being fully paid (i.e. balloon payment loans). These loans are underwritten and monitored to manage the associated risks. Therefore, management believes that these particular practices do not subject the Company to unusual credit risk.

The Company places its deposits and correspondent accounts with high quality institutions. Management believes credit risk associated with correspondent accounts is not significant.

Statement of cash flows:

For purposes of reporting cash flows, the Company considers certain highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include amounts due from banks, interest-bearing bank balances, and federal funds sold.

Securities available-for-sale:

Securities available-for-sale are carried at amortized cost and adjusted to estimated market value by recognizing the aggregate unrealized gains or losses in a valuation account. Aggregate market valuation adjustments are recorded in stockholders' equity net of deferred income taxes. If management's assessment indicates that a credit loss exists, the present value of cash flows expected to be collected is compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss, limited to the amount that the fair value is less than the amortized cost. Any unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income.

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

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies, Continued

Securities available-for-sale, continued:

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on sale are recorded on the trade date and determined using the specific identification method.

Management measures expected credit losses on available-for-sale securities and changes in the allowance for credit losses are recorded as credit loss expense (or recovery) as discussed below in *Allowance for Credit Losses – Available-for-Sale Securities*.

Marketable equity securities:

Marketable equity securities are carried at fair value, with changes in fair value, if any, reported in noninterest income. Dividends received on marketable equity securities are included in other interest income.

Securities held-to-maturity:

Securities held-to-maturity are carried at amortized cost adjusted for the amortization of premiums and the accretion of discounts. In order to qualify as held-to-maturity, the Company must have the ability and intent to hold the securities to maturity. Security transfers to the held-to-maturity classification are recorded at fair value as of the date of transfer, which becomes the new cost basis for the securities held-to-maturity. Unrealized gains or losses from the transfer of available-for-sale securities continue to be reported in consolidated statements of income and are amortized into earnings over the remaining life of the security.

Management measures expected credit losses on held-to-maturity debt securities and changes in the allowance for credit losses are recorded as credit loss expense (or recovery) as discussed below in *Allowance for Credit Losses – Held-to-Maturity Securities*.

Nonmarketable equity securities:

Nonmarketable equity securities have no quoted market values, and no ready markets exist. Dividends received from these investments are included in other interest income. They are carried at cost, classified as a restricted equity security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as interest income on the Consolidated Statements of Income and are recognized when earned.

As a condition of borrowing, the Company held \$4.4 million and \$4.2 million of Federal Home Loan Bank (FHLB) stock at December 31, 2025 and 2024, respectively. The Bank is also a member of the Federal Reserve System, and as such, holds stock of the Federal Reserve Bank of Richmond ("Federal Reserve Bank"). The Company's investments in Federal Reserve Bank stock were \$2.3 million and \$2.1 million at December 31, 2025 and 2024, respectively. Nonmarketable equity securities also include the cost of the Company's investments in Atlantic Community Bankers Bank (ACBB) stock in the amount of \$134 thousand at December 31, 2025. There were no investments in ACBB stock at December 31, 2024.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies, Continued

Loans:

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts and deferred fees and costs. Accrued interest receivable related to loans totaled \$4 million and \$3 million at December 31, 2025 and 2024, and was reported in accrued interest receivable on the consolidated balance sheets. Interest income on loans receivable is accrued on the unpaid principal balance, net of charge-offs and is recorded in the period earned. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using methods that approximate a level yield without anticipating prepayments. The accretion and amortization of loan fees are presented as a component of loan interest income in the Consolidated Statements of Income.

The accrual of interest is generally discontinued when a loan becomes 90 days past due and is not well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. Past due status is based on contractual terms of the loan. A loan is considered to be past due when a scheduled payment has not been received 30 days after the contractual due date.

All accrued interest is reversed against interest income when a loan is placed on nonaccrual status. Interest received on such loans is accounted for using the cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance, and future payments are reasonably assured.

Allowance for credit losses:

The Company records an allowance on certain financial assets under the Current Expected Credit Loss (CECL) model as required under Topic 326 Financial Instruments – Credit Losses. The allowance is an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

For available-for-sale securities, management evaluates all investments in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value and the entire loss is recorded in earnings.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies, Continued

Allowance for credit losses, continued:

If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected is compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss as required under Topic 326 Financial Instruments – Credit Losses is recognized in other comprehensive income.

Changes in the allowance for credit loss are recorded as provision for (or recovery of) credit loss expense. Losses are charged against the allowance for credit loss when management believes an available-for-sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2025 and 2024, there was no allowance for credit loss related to the available-for-sale portfolio. Accrued interest receivable on available for sale debt securities totaled \$370 thousand and \$125 thousand at December 31, 2025 and 2024, respectively. Accrued interest was excluded from the estimate of credit losses.

Allowance for credit losses – held-to-maturity securities:

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security types that share similar risk characteristics, which may include, but is not limited to, credit ratings, financial asset type, collateral type, size, effective interest rate, term, geographical location industry and vintage. Accrued interest receivable on held-to-maturity debt securities totaled \$34 thousand and \$49 thousand at December 31, 2025 and 2024 and was excluded from the estimate of credit losses.

Management classifies the held-to-maturity portfolio into the following major security types: corporate debt securities and mortgage-backed securities.

The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Given the rarity of corporate bond defaults and losses, the Company utilizes external third-party loss forecast models as the sole source of corporate bond default and loss rates. Cash flows are modeled over a reasonable and supportable forecast period and then revert to the long-term average economic conditions on a straight-line basis.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies, Continued

Allowance for credit losses – held-to-maturity securities, continued:

Management may exercise discretion to make adjustments based on various qualitative factors. Changes in the ACL are recorded as credit loss expense (or recovery). A held-to-maturity debt security is written off in the period in which a determination is made that all or a portion of the financial asset is uncollectible. The previously recorded allowance, if any, is reversed and then the amortized cost basis is written down to the amount deemed to be collectible, if any. Management concluded that no allowance for credit loss was necessary as of December 31, 2025 or December 31, 2024.

Allowance for credit losses – loans:

The allowance for credit losses on loans is a valuation account that represents management's estimate of current expected credit losses for the portfolio as of the balance sheet date. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The allowance is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the loan balance is not collectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Accrued interest receivable is excluded from the estimate of credit losses.

Generally, collectively assessed loans are grouped by call report code and then risk grade grouping. Risk grade is grouped within each call report code by pass, special mention, substandard, and doubtful. Other loan types are separated into their own cohorts due to specific risk characteristics for that pool of loans.

The Company has elected a non-discounted cash flow methodology with probability of default ("PD") and loss given default ("LGD") for all call report code cohorts ("cohorts"). The PD calculation looks at the historical loan portfolio at particular points in time (each month during the lookback period) to determine the probability that loans in a certain cohort will default over the next 12-month period. A default is defined as a loan that has moved to past due 90 days and greater, non-accrual status, or experienced a charge-off during the period. Currently, the Company's historical data is insufficient due to a minimal amount of default activity, therefore, management uses index PD's comprised of rates derived from the PD experience of other community banks in place of the Company's historical PD's.

Additionally, the allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and include adjustments for lending policies and procedures including underwriting standards and practices for collections, write-offs, and recoveries; state and local economic conditions; the nature and volume of the institution's financial assets; experience, ability, and depth of staff related to lending, investments, and collections; asset quality and portfolio trends; quality of the credit review function; collateral trends; trend in concentration risks; and regulatory, legal and technological environments, competition or other external factors not already captured.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies, Continued

Allowance for credit losses – loans, continued:

Loans that do not share risk characteristics are evaluated on an individual basis. Generally, this population includes loan relationships exceeding \$50,000 and on non-accrual status, however they can also include any loan that does not share risk characteristics with its respective pool. When management determines that foreclosure is probable and the borrower is experiencing financial difficulty, the expected credit losses are based on the fair value of collateral at the reporting date adjusted for selling costs as appropriate.

Expected credit losses are estimated over the contractual term of the loans. For term loans, the contractual life is calculated based on the maturity date. For commercial revolving loans with no stated maturity date, the contractual life is calculated based on the internal review date. For all other revolving loans, the contractual life is based on either the estimated maturity date or a default date. The contractual term excludes expected extensions, renewals, and modifications.

In calculating the allowance for credit losses on loans, the contractual life of a loan must be adjusted for prepayments to arrive at expected cash flows. The Company models term loans using an annualized prepayment. When the Company has a specific expectation of differing payment behavior for a given loan, the loan may be evaluated individually. For revolving loans that do not have a principal payment schedule, a curtailment rate is factored into the cash flow.

Allowance for credit losses – unfunded commitments:

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

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

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies, Continued

Premises, furniture and equipment:

Premises, furniture and equipment are stated at cost less accumulated depreciation. The provision for depreciation is computed using the straight-line method allowed for income tax reporting purposes if there are no material differences from generally accepted accounting principles. Rates of depreciation are generally based on the following estimated useful lives: leasehold improvements - 10 to 20 years and furniture and equipment – 5 to 10 years. The cost of assets sold or otherwise disposed of and the related accumulated depreciation is eliminated from the accounts, and the resulting gains or losses are reflected in the Consolidated Statements of Income. Maintenance and repairs are charged to current expense as incurred, and the costs of major renewals and improvements are capitalized.

Leases:

The Company determines if an arrangement is a lease at inception. Operating leases are included in right of use (ROU) assets on operating leases and operating lease liabilities on the consolidated balance sheets.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments is used. The implicit rate is used when readily determinable. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Other real estate owned:

Real estate properties acquired through foreclosure or other proceedings are initially recorded at fair value less cost to sell upon foreclosure. After foreclosure, valuations are performed and are carried at the lower of cost or fair value, less costs to sell. Any write-down at the time of transfer to foreclosed properties is charged to the allowance for credit losses. Subsequent write-downs are charged to other expenses. Property is evaluated regularly to ensure that the recorded amount is supported by the current fair value. The Company had no other real estate owned as December 31, 2025 and 2024.

Cash surrender value of life insurance:

Cash surrender value of life insurance represents the cash value of policies on certain current and former officers of the Company.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies, Continued

Income taxes:

Income taxes are the sum of amounts currently payable to taxing authorities and the net changes in income taxes payable or refundable in future years. Income taxes deferred to future years are determined utilizing an asset and liability approach. This method considers the future tax consequences associated with differences between financial accounting and tax bases of certain assets and liabilities which are principally the allowance for credit losses, depreciable premises and equipment, prepaid expenses and loss carryforwards available to offset future state income taxes. Deferred tax assets are offset by a valuation allowance to the extent it is determined to be more likely than not that such deferred tax assets will not be realized.

It is the Company's policy to recognize interest and penalties associated with uncertain tax positions as components of income taxes. The Company did not recognize any interest or penalties related to income tax during the years ended December 31, 2025 and 2024 and did not accrue any interest or penalties as of December 31, 2025 and 2024. The Company did not have an accrual for uncertain tax positions as deductions taken and benefits accrued are based on widely understood administrative practices and procedures and are based on clear and unambiguous tax law.

The Company adopted Accounting Standards Update 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" on January 1, 2025. This amendment required the disclosure of additional information in specified categories with respect to the reconciliation of the effective tax rate to the statutory rate (the rate reconciliation) for federal, state, and foreign income taxes. It also requires greater detail about individual reconciling items in the rate reconciliation to the extent the impact of those items exceeds a specified threshold. Adoption of the amendment did not have a material change on the consolidated financial statements.

Income per share:

Basic income per share is computed by dividing net income by the weighted-average number of common shares outstanding. Diluted earnings per share is computed by dividing net income by the weighted-average number of common shares and potential common shares outstanding. Potential common shares consist of dilutive stock options determined using the treasury stock method and the average market price of common stock. Earnings per share are restated for all stock splits and stock dividends through the date of issuance of the consolidated financial statements.

Comprehensive income:

The Company reports other comprehensive income in accordance with generally accepting accounting principles, which require that all items that are required to be reported under accounting standards as other comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The disclosure requirements have been included in the Company's Consolidated Statements of Comprehensive Income.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies, Continued

Revenue recognition:

In accordance with Topic 606, revenues are recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation.

The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, the Company assesses the goods or services that are promised within each contract and identifies those that contain performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Service charges on deposit accounts: The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees are recognized at the time the transaction is executed at the point in time the Company fulfills the customer's request. Overdraft fees are recognized when the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Debit card income: The Company earns interchange fees from debit cardholder transactions conducted through payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, with the transaction processing services provided to the cardholder. Fees are recognized on a daily basis. Debit card income is recorded as other income.

Significant Transaction – Branch Sale:

During the year ended December 31, 2025, the Bank sold one branch location to another financial institution. The transaction included the transfer of customer deposits and accrued interest payable of approximately \$41.3 million and loans and accrued interest receivable of approximately \$13.3 million. The sale also included the transfer of \$76 thousand of personal property and \$25.9 million cash, resulting in a decrease to the bank's balance sheet of approximately \$41.4 million. The bank received a four percent deposit premium of \$1.67 million and incurred \$660 thousand of expenses for a net gain of \$1.01 million before tax, which is included in noninterest income.

Stock-based compensation:

Compensation cost is recognized for stock options and restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. A Black-Sholes model is utilized to estimate the fair value of stock option and restricted stock awards.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies, Continued

Stock-based compensation, continued:

Compensation cost is recognized over the requisite service period, generally defined as the vesting period. For awards with both graded and cliff vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The Company's policy is to recognize forfeitures as they occur.

Off-balance-sheet financial instruments:

In the ordinary course of business, the Company enters into off-balance-sheet financial instruments consisting of commitments to extend credit and letters of credit. These financial instruments are recorded in the financial statements when they become payable by the customer.

Retirement plan:

The Company has a profit-sharing plan covering all full-time employees with at least six months of service and who have obtained the age of twenty-one. The Company recognized expense for the years ended December 31, 2025 and 2024 totaling \$413 thousand and \$304 thousand, respectively, and are included within salaries and employee benefits within the Consolidated Statements of Income.

Recently issued accounting pronouncements:

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Company.

In November 2025, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2025-08, *Financial Instruments—Credit Losses (Topic 326): Purchased Loans* ("ASU 2025-08"). The amendments expand the use of the gross up approach under the current expected credit losses ("CECL") model to certain purchased seasoned loans with no significant credit deterioration, aligning their initial recognition with the accounting for purchased credit deteriorated ("PCD") loans.

Under the new guidance, qualifying purchased loans will be recognized at acquisition as the purchase price grossed up for an allowance for expected credit losses, with no day one provision for credit losses recognized in earnings as previously required.

The adoption of ASU 2025-08 will require management to apply judgment in determining whether acquired loans meet the definition of purchased seasoned loans and in estimating expected credit losses at the acquisition date using the Bank's established CECL methodologies. Management is currently evaluating the impact of the ASU on the Company's consolidated financial statements, allowance for credit losses, and related disclosures.

Management expects that the adoption of ASU 2025 08 will primarily affect:

- Loans held for investment, due to the gross up of amortized cost for purchased seasoned loans
- Allowance for credit losses, which will be established at acquisition for qualifying purchased loans rather than through earnings
- Interest income recognition, which will be based on the grossed up amortized cost basis

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies, Continued

Recently issued accounting pronouncements, continued:

The amendments in ASU 2025-08 are effective for fiscal years beginning after December 15, 2025, with early adoption permitted. The Company expects to apply ASU 2025-08 prospectively, as permitted by the standard. It is not expected to have a material impact on net income upon adoption. Under this method, the amendments will be applied to qualifying loans acquired on or after January 1, 2026, and prior periods will not be adjusted.

In December 2025, the FASB issued Accounting Standards Update 2025-12, *Codification Improvements* (“ASU 2025-12”), which makes clarifications and other minor improvements to U.S. GAAP across multiple Topics including:

- clarifying the determination of potential common shares on the diluted earnings per share computation, even if a loss from continuing operations exists;
- clarifying the exclusion from disclosure requirements of lease receivable arising from sales-type or direct financing leases for certain loan modifications to borrowers experiencing financial difficulty;
- revising the calculation of the reference amount description for beneficial interests and interest income;
- explicitly allowing the excess of repurchase price over par or stated value to be deducted from additional paid-in capital (APIC) as long as APIC does not become negative;
- clarifying that transfer of receivables from contracts with customers meeting the definition of a financial asset being subject to the requirements of ASC 860 (transfers and servicing); and
- clarifying how not-for-profit companies measure receivables arising from exchange transactions.

The amendment is effective for interim periods and fiscal years beginning after December 15, 2026. The Company will apply the prospective transition methods by Topic as permitted under the standard. The amendment is not expected to have a material impact on the Company’s consolidated financial position, results of operations, or cash flows.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

Segment Reporting

The Company adopted Accounting Standards Update 2023-07 “Segment Reporting (Topic 280) - Improvement to Reportable Segment Disclosures” on January 1, 2024. The amendment improves financial reporting by requiring that public business entities disclose additional information about specific expense categories for business segments in the notes to the financial statements for interim and annual reporting periods. The Company has determined that all of its banking divisions and subsidiaries meet the aggregation criteria of ASC 280, Segment Reporting, as its current operating model is structured whereby banking divisions and subsidiaries serve a similar base of primarily commercial clients utilizing a company-wide offering of similar products and services managed through similar processes and platforms that are collectively reviewed by the Company’s Chief Executive Officer, who has been identified as the chief operating decision maker (“CODM”). The CODM regularly assesses performance of the aggregated single operating and reporting segment and decides how to allocate resources based on net income calculated on the same basis as is net income reported in the Company’s Consolidated Statements of Income and other comprehensive income. The Company has only one reportable segment, therefore, there is no impact to the financial statements.

First Capital Bancshares, Inc.**Notes to Consolidated Financial Statements****December 31, 2025 and 2024**

Note 1. Summary of Significant Accounting Policies, ContinuedRisks and uncertainties:

In the normal course of its business, the Company encounters two significant types of risks: economic and regulatory. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different speeds, or on a different basis, than its interest-earning assets. Credit risk is the risk of default on the Company's loan portfolio that results from a borrower's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of collateral underlying loans receivable and the valuation of real estate held by the Company.

The Company is subject to the regulations of various governmental agencies. These regulations can and do change significantly from period to period. The Company also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required loss allowances and operating restrictions from the regulators' judgments based on information available to them at the time of their examination.

Reclassifications:

Certain captions and amounts in the 2024 consolidated financial statements were reclassified to conform with the 2025 presentation. The reclassifications did not have an impact on net income or stockholders' equity.

Note 2. Cash and Due from Banks

The Company has been required to maintain cash balances with their correspondent bank sufficient to cover all cash letter transactions. There were no such requirements as of December 31, 2025 and 2024.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 3. Investment Securities Available-for-Sale

The amortized cost and estimated fair values of investment securities are summarized below. For the twelve months ended December 31, 2025 and 2024, there was no allowance for credit losses on available-for-sale securities.

	December 31, 2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-Sale				
Corporate debt securities	\$ 9,117,947	\$ 99,895	\$ (197,703)	\$ 9,020,139
Municipal securities	18,517,544	1,058,932	(1,116)	19,575,360
Mortgage-backed securities	21,797,391	81,173	(421,753)	21,456,811
Other debt securities	699,282	-	(177,407)	521,875
Total available-for-sale	<u>\$ 50,132,164</u>	<u>\$ 1,240,000</u>	<u>\$ (797,979)</u>	<u>\$ 50,574,185</u>
	December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-Sale				
Corporate debt securities	\$ 3,515,311	\$ 4,223	\$ (97,113)	\$ 3,422,421
Mortgage-backed securities	18,688,471	7,233	(658,908)	18,036,796
Other debt securities	652,004	-	(130,129)	521,875
Total available-for-sale	<u>\$ 22,855,786</u>	<u>\$ 11,456</u>	<u>\$ (886,150)</u>	<u>\$ 21,981,092</u>

The following is a summary of maturities of securities available-for-sale consisting of mortgage-backed securities as of December 31, 2025. The amortized cost and estimated fair values are based on the contractual maturity dates. Actual maturities may differ from the contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty. Mortgage-backed securities are not presented by maturity date because paydowns are expected before contractual maturity dates.

	Securities Available-For-Sale	
	Amortized Cost	Estimated Fair Value
December 31, 2025		
Due within one year	\$ -	\$ -
Due after one year but within five years	2,256,664	2,230,694
Due after five years but within ten years	7,381,229	7,151,320
Due after ten years	18,696,880	19,735,360
Mortgage-backed securities	<u>21,797,391</u>	<u>21,456,811</u>
Total	<u>\$ 50,132,164</u>	<u>\$ 50,574,185</u>

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 3. Investment Securities Available-for-Sale, Continued

The following table shows gross unrealized losses and estimated fair value for which no allowance for credit losses was recorded aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2025 and 2024:

<u>Available-for-Sale</u>	<u>December 31, 2025</u>					
	<u>Less than Twelve Months</u>		<u>Twelve Months or More</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Corporate debt securities	\$ 2,974,902	\$ 44,674	\$ 2,623,391	\$ 153,029	\$ 5,598,293	\$ 197,703
Municipal securities	1,337,840	1,116	-	-	1,337,840	1,116
Mortgage-backed securities	3,271,744	34,669	13,384,721	387,084	16,656,465	421,753
Other debt securities	-	-	521,875	177,407	521,875	177,407
Total	<u>\$ 7,584,486</u>	<u>\$ 80,459</u>	<u>\$16,529,987</u>	<u>\$ 717,520</u>	<u>\$24,114,473</u>	<u>\$ 797,979</u>

<u>Available-for-Sale</u>	<u>December 31, 2024</u>					
	<u>Less than Twelve Months</u>		<u>Twelve Months or More</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Corporate debt securities	\$ 1,940,474	\$ 42,310	\$ 1,056,738	\$ 54,803	\$ 2,997,212	\$ 97,113
Mortgage-backed securities	9,079,922	80,763	8,363,016	578,145	17,442,938	658,908
Other debt securities	-	-	521,875	130,129	521,875	130,129
Total	<u>\$11,020,396</u>	<u>\$ 123,073</u>	<u>\$ 9,941,629</u>	<u>\$ 763,077</u>	<u>\$20,962,025</u>	<u>\$ 886,150</u>

The unrealized losses in the Company's available-for-sale securities have not been recognized into income because management does not intend to sell, and it is not more-likely-than-not it will be required to sell any of the available-for-sale debt securities before recovery of its amortized cost basis. Furthermore, the unrealized losses were due to changes in interest rates and other market conditions, were not reflective of credit events and the issuers continue to make timely principal and interest payments on the bonds.

As of December 31, 2025, there were \$7.1 million available-for-sale investment securities pledged as collateral with the FHLB. There were no available-for-sale securities pledged as collateral as of December 31, 2024.

During the year ended December 31, 2025, the Company sold available-for-sale investments for total proceeds of \$8.8 million, resulting in gross gains of \$55 thousand and gross losses of \$43 thousand. During the year ended December 31, 2024, the Company sold available-for-sale investments for total proceeds of \$10 million, resulting in gross gains of \$11 thousand and gross losses of \$94 thousand.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 3. Investment Securities Available-for-Sale, Continued

During the year ended December 31, 2025, the Company sold equity investments for total proceeds of \$1.7 million, resulting in gross gains of \$265 thousand and gross losses of \$24 thousand. During the year ended December 31, 2024, the Company sold equity investments for total proceeds of \$846 thousand, resulting in gross gains of \$162 thousand and gross losses of \$50 thousand.

Note 4. Investment Securities Held-to-Maturity

During the year ended December 31, 2022, the Company reclassified \$20.2 million in investments to held-to-maturity from available-for-sale. These securities were transferred at fair value at the time of the transfer, which became the new cost basis for the securities held-to-maturity. The pretax unrealized net holding loss on the available for sale securities on the date of transfer totaled \$183 thousand and continued to be reported as a component of accumulated other comprehensive income. This net unrealized loss is being amortized to interest income over the remaining life of the securities as a yield adjustment. There were no gains or losses recognized as a result of this transfer. The remaining pretax unrealized net holding loss on these investments was \$165 thousand at December 31, 2025. The Company's held-to-maturity investments totaled \$13.4 million and represented approximately 20.4% of total investments at December 31, 2025.

The amortized cost and estimated fair values of securities held to maturity were:

	December 31, 2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Held-to-Maturity				
Corporate debt securities	\$ 999,201	\$ -	\$ (4,195)	\$ 995,006
Mortgage-backed securities	12,387,647	44,553	(1,096,198)	11,336,002
Total held to maturity	<u>\$ 13,386,848</u>	<u>\$ 44,553</u>	<u>\$ (1,100,393)</u>	<u>\$ 12,331,008</u>
	December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Held-to-Maturity				
Corporate debt securities	\$ 3,006,576	\$ -	\$ (64,076)	\$ 2,942,500
Mortgage-backed securities	13,995,313	10,725	(1,605,318)	12,400,720
Total held to maturity	<u>\$ 17,001,889</u>	<u>\$ 10,725</u>	<u>\$ (1,669,394)</u>	<u>\$ 15,343,220</u>

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 4. Investment Securities Held-to-Maturity, Continued

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

<u>Held-to-Maturity</u>	December 31, 2025					
	<u>Less than Twelve Months</u>		<u>Twelve Months or More</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Corporate debt securities	\$ -	\$ -	\$ 495,006	\$ 4,195	\$ 495,006	\$ 4,195
Mortgage-backed securities	-	-	8,993,587	1,096,198	8,993,587	1,096,198
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,488,593</u>	<u>\$ 1,100,393</u>	<u>\$ 9,488,593</u>	<u>\$ 1,100,393</u>

<u>Held-to-Maturity</u>	December 31, 2024					
	<u>Less than Twelve Months</u>		<u>Twelve Months or More</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Corporate debt securities	\$ 500,000	\$ -	\$ 2,442,500	\$ 64,076	\$ 2,942,500	\$ 64,076
Mortgage-backed securities	-	-	11,769,219	1,605,318	11,769,219	1,605,318
Total	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$14,211,719</u>	<u>\$ 1,669,394</u>	<u>\$14,211,719</u>	<u>\$ 1,669,394</u>

As of December 31, 2025, there were \$9.1 million of held-to-maturity securities pledged as collateral with the FHLB. No held-to-maturity securities were pledged as collateral as of December 31, 2024.

Management evaluates securities on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation, to determine if an allowance for credit losses is necessary on held-to-maturity securities. Consideration is given to the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, industry analysts' reports and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Mortgage-backed securities and corporate debt securities are primarily comprised of investment grade notes. Management does not intend to sell, and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity. Accordingly, the Company determined that the expected credit loss on its held-to-maturity portfolio was immaterial, and therefore, an allowance was not carried

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 4. Investment Securities Held-to-Maturity, Continued

on its held-to-maturity debt securities on December 31, 2025 or 2024.

At December 31, 2025 and 2024, the Company had no held-to-maturity securities that were past due 30 days or more as to principal or interest payments. The Company had no held-to-maturity securities classified as nonaccrual for the year ended December 31, 2025 and 2024.

Note 5. Loans Receivable and Allowance for Credit Losses

Loans receivable consisted of the following at December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Real estate construction	\$ 109,466,872	\$ 79,872,083
Real estate residential	500,130,835	437,830,484
Real estate commercial	303,826,475	267,190,569
Commercial and industrial	69,017,062	45,248,690
Consumer and other	<u>6,160,872</u>	<u>7,887,507</u>
Loans receivable	<u>\$ 988,602,116</u>	<u>\$ 838,029,333</u>

The Company has prepared the above schedule for the year ended December 31, 2025 and 2024, by grouping loans based upon call report code. The above balances are inclusive of deferred fees and costs of \$1.2 million and \$631 thousand as of December 31, 2025 and 2024, respectively. The above balances also include overdrafts of \$2 thousand and \$11 thousand as of December 31, 2025 and 2024, respectively.

The following is a past due analysis of our loan portfolio at December 31, 2025:

	<u>30 - 59 Days Past Due</u>	<u>60 - 89 Days Past Due</u>	<u>Greater Than 90 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans Receivable</u>
Real estate construction	\$ -	\$ -	\$ -	\$ -	\$ 109,466,872	\$ 109,466,872
Real estate residential	66,236	1,009,651	83,984	1,159,871	498,970,964	500,130,835
Real estate commercial	-	-	-	-	303,826,475	303,826,475
Commercial and industrial	10,000	-	-	10,000	69,007,062	69,017,062
Consumer and other	<u>152,481</u>	<u>-</u>	<u>-</u>	<u>152,481</u>	<u>6,008,391</u>	<u>6,160,872</u>
	<u>\$ 228,717</u>	<u>\$ 1,009,651</u>	<u>\$ 83,984</u>	<u>\$ 1,322,352</u>	<u>\$ 987,279,764</u>	<u>\$ 988,602,116</u>

The following is a past due analysis of our loan portfolio at December 31, 2024:

	<u>30 - 59 Days Past Due</u>	<u>60 - 89 Days Past Due</u>	<u>Than 90 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans Receivable</u>
Real estate construction	\$ -	\$ -	\$ -	\$ -	\$ 79,872,083	\$ 79,872,083
Real estate residential	30,278	-	-	30,278	437,800,206	437,830,484
Real estate commercial	-	-	-	-	267,190,569	267,190,569
Commercial and industrial	-	-	-	-	45,248,690	45,248,690
Consumer and other	<u>34,062</u>	<u>-</u>	<u>-</u>	<u>34,062</u>	<u>7,853,445</u>	<u>7,887,507</u>
	<u>\$ 64,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,340</u>	<u>\$ 837,964,993</u>	<u>\$ 838,029,333</u>

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 5. Loans Receivable and Allowance for Credit Losses, Continued**Credit Quality Indicators**

The Company uses a risk-based approach based on the following credit quality measures when analyzing the loan portfolio: pass, special mention, and substandard. These indicators are used to rate the credit quality of loans for the purposes of determining the Company's allowance for credit losses.

Pass Loans are deemed to be loans that are performing and are deemed adequately protected by the net worth of the borrower or the underlying collateral value. These loans are considered the least risky in terms of determining the allowance for credit losses.

Special Mention Loans are deemed to be loans that have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's position at some future date.

Substandard Loans are deemed to be loans that are considered the most risky. These loans typically have an identified weakness or weaknesses and are inadequately protected by the net worth of the borrower or collateral value.

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

Loss Loans are considered uncollectable and of such little value that their continuance as bankable assets is not warranted. Such loans are to be charged off. This classification does not mean the loan has absolutely no recovery value, but that it is neither practical nor desirable to defer writing off this loan even though partial recovery may be obtained in the future.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 5. Loans Receivable and Allowance for Credit Losses, Continued

The following table presents the Company's recorded investment in loans by credit quality indicators by year of origination as of December 31, 2025:

	Term Loans by Year of Origination							Total
	2025	2024	2023	2022	2021	Prior	Revolving	
Real estate construction								
Pass	\$ 43,888,080	\$ 35,371,673	\$ 20,485,353	\$ 8,455,191	\$ 591,785	\$ 239,174	\$ 435,616	\$ 109,466,872
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total real estate construction loans	<u>\$ 43,888,080</u>	<u>\$ 35,371,673</u>	<u>\$ 20,485,353</u>	<u>\$ 8,455,191</u>	<u>\$ 591,785</u>	<u>\$ 239,174</u>	<u>\$ 435,616</u>	<u>\$ 109,466,872</u>
Current period gross write-offs	-	-	-	-	-	-	-	-
Real estate residential								
Pass	119,511,120	58,025,250	74,083,278	67,560,649	28,118,140	25,078,653	126,877,424	499,254,514
Special mention	-	-	-	338,909	-	45,339	408,419	792,667
Substandard	-	-	-	-	-	83,654	-	83,654
Total real estate residential	<u>\$ 119,511,120</u>	<u>\$ 58,025,250</u>	<u>\$ 74,083,278</u>	<u>\$ 67,899,558</u>	<u>\$ 28,118,140</u>	<u>\$ 25,207,646</u>	<u>\$ 127,285,843</u>	<u>\$ 500,130,835</u>
Current period gross write-offs	-	-	-	-	-	-	-	-
Real estate commercial								
Pass	60,500,908	26,013,344	46,592,885	59,530,913	25,195,945	41,261,060	44,731,420	303,826,475
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total real estate commercial	<u>\$ 60,500,908</u>	<u>\$ 26,013,344</u>	<u>\$ 46,592,885</u>	<u>\$ 59,530,913</u>	<u>\$ 25,195,945</u>	<u>\$ 41,261,060</u>	<u>\$ 44,731,420</u>	<u>\$ 303,826,475</u>
Current period gross write-offs	-	-	-	-	-	-	-	-
Commercial and industrial								
Pass	10,563,739	7,862,729	8,640,634	5,882,616	1,739,100	111,623	34,206,621	69,007,062
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	10,000	10,000
Total commercial and industrial	<u>\$ 10,563,739</u>	<u>\$ 7,862,729</u>	<u>\$ 8,640,634</u>	<u>\$ 5,882,616</u>	<u>\$ 1,739,100</u>	<u>\$ 111,623</u>	<u>\$ 34,216,621</u>	<u>\$ 69,017,062</u>
Current period gross write-offs	-	-	-	-	-	(62,534)	-	(62,534)
Consumer and other								
Pass	758,577	1,767,048	1,007,419	1,050,727	590,904	284,957	701,240	6,160,872
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total consumer and other	<u>\$ 758,577</u>	<u>\$ 1,767,048</u>	<u>\$ 1,007,419</u>	<u>\$ 1,050,727</u>	<u>\$ 590,904</u>	<u>\$ 284,957</u>	<u>\$ 701,240</u>	<u>\$ 6,160,872</u>
Current period gross write-offs	-	-	-	-	-	-	-	-

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 5. Loans Receivable and Allowance for Credit Losses, Continued

The following table presents the Company's recorded investment in loans by credit quality indicators by year of origination as of December 31, 2024:

	Term Loans by Year of Origination							Total
	2024	2023	2022	2021	2020	Prior	Revolving	
Real estate construction								
Pass	\$ 42,420,617	\$ 29,749,669	\$ 5,750,293	\$ 1,084,707	\$ 379,062	\$ 49,392	\$ 438,343	\$ 79,872,083
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total real estate construction loans	<u>\$ 42,420,617</u>	<u>\$ 29,749,669</u>	<u>\$ 5,750,293</u>	<u>\$ 1,084,707</u>	<u>\$ 379,062</u>	<u>\$ 49,392</u>	<u>\$ 438,343</u>	<u>\$ 79,872,083</u>
Current period gross write-offs	-	-	-	-	-	-	-	-
Real estate residential								
Pass	67,867,080	95,279,813	92,452,876	34,745,784	15,569,395	17,437,087	113,602,790	436,954,825
Special mention	-	-	342,206	-	-	48,813	408,488	799,507
Substandard	-	-	-	-	-	76,152	-	76,152
Total real estate residential	<u>\$ 67,867,080</u>	<u>\$ 95,279,813</u>	<u>\$ 92,795,082</u>	<u>\$ 34,745,784</u>	<u>\$ 15,569,395</u>	<u>\$ 17,562,052</u>	<u>\$ 114,011,278</u>	<u>\$ 437,830,484</u>
Current period gross write-offs	-	-	-	-	-	-	-	-
Real estate commercial								
Pass	49,865,426	54,201,543	68,858,982	38,833,834	29,001,540	19,602,541	6,617,893	266,981,759
Special mention	-	-	208,810	-	-	-	-	208,810
Substandard	-	-	-	-	-	-	-	-
Total real estate commercial	<u>\$ 49,865,426</u>	<u>\$ 54,201,543</u>	<u>\$ 69,067,792</u>	<u>\$ 38,833,834</u>	<u>\$ 29,001,540</u>	<u>\$ 19,602,541</u>	<u>\$ 6,617,893</u>	<u>\$ 267,190,569</u>
Current period gross write-offs	-	-	-	-	-	-	-	-
Commercial and industrial								
Pass	10,478,105	7,180,859	6,721,490	2,030,623	173,891	-	18,663,722	45,248,690
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total commercial and industrial	<u>\$ 10,478,105</u>	<u>\$ 7,180,859</u>	<u>\$ 6,721,490</u>	<u>\$ 2,030,623</u>	<u>\$ 173,891</u>	<u>\$ -</u>	<u>\$ 18,633,722</u>	<u>\$ 45,248,690</u>
Current period gross write-offs	-	-	-	-	-	-	-	-
Consumer and other								
Pass	3,088,345	1,477,505	1,412,995	725,427	165,772	92,780	924,683	7,887,507
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total consumer and other	<u>\$ 3,088,345</u>	<u>\$ 1,477,505</u>	<u>\$ 1,412,995</u>	<u>\$ 725,427</u>	<u>\$ 165,772</u>	<u>\$ 92,780</u>	<u>\$ 924,683</u>	<u>\$ 7,887,507</u>
Current period gross write-offs	-	-	-	(3,658)	-	-	-	(3,658)

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 5. Loans Receivable and Allowance for Credit Losses, Continued

The following table is a summary of the Company's nonaccrual loans by major categories for the periods indicated:

	December 31, 2025		
	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
Real estate residential	\$ 65,134	\$ 18,850	\$ 83,984
Commercial and industrial	-	10,000	10,000
Total loans	<u>\$ 65,134</u>	<u>\$ 28,850</u>	<u>\$ 93,984</u>

	December 31, 2024		
	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
Real estate residential	\$ 610,752	\$ 27,276	\$ 638,028
Total loans	<u>\$ 610,752</u>	<u>\$ 27,276</u>	<u>\$ 638,028</u>

The following represents the accrued interest receivables written off by reversing interest income on loans added to nonaccruals during the year ended December 31, 2025 and 2024:

	For the Year Ended December 31	
	2025	2024
Real estate residential	\$ 9,580	\$ 6,371
Real estate commercial	11,724	10,429
Consumer	1,944	213
Total loans	<u>\$ 23,248</u>	<u>\$ 17,013</u>

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 5. Loans Receivable and Allowance for Credit Losses, Continued

The Company has certain loans for which repayment is dependent upon the operation or sale of collateral, as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan. The following provides more detail about the types of collateral that secure collateral-dependent loans:

- Commercial real estate loans can be secured by either owner-occupied commercial real estate or non-owner-occupied investment commercial real estate. Typically, owner-occupied commercial real estate loans are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner-occupied commercial real estate loans are generally secured by office buildings and complexes, retail facilities, multifamily complexes, land under development, industrial properties, as well as other commercial or industrial real estate.
- Residential real estate loans are typically secured by first mortgages, and in some cases could be secured by a second mortgage.
- Home equity lines of credit are generally secured by second mortgages on residential real estate property.
- Consumer loans are generally secured by automobiles, motorcycles, recreational vehicles and other personal property. Some consumer loans are unsecured and have no underlying collateral.

The following table details the amortized cost of collateral dependent loans:

	For the Year Ended December 31	
	2025	2024
Real estate commercial	\$ -	\$ 208,810
Real estate residential	65,134	610,752
Total loans	<u>\$ 65,134</u>	<u>\$ 819,562</u>

The following summarizes the activity related to the allowance for credit losses for the year ending December 31, 2025:

	Real Estate Construction	Real Estate Residential	Real Estate Commercial	Commercial and Industrial	Consumer and Other	Total
Allowance for credit losses:						
Beginning balance	\$ 715,674	\$ 4,386,723	\$ 2,264,314	\$ 546,692	\$ 97,741	\$ 8,011,144
Charge-offs	-	-	-	(62,534)	-	(62,534)
Recoveries	-	15,476	-	-	6,589	22,065
Provision for credit losses	<u>429,933</u>	<u>675,308</u>	<u>451,026</u>	<u>448,033</u>	<u>(14,922)</u>	<u>1,989,378</u>
Ending balance	<u>\$ 1,145,607</u>	<u>\$ 5,077,507</u>	<u>\$ 2,715,340</u>	<u>\$ 932,191</u>	<u>\$ 89,408</u>	<u>\$ 9,960,053</u>

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 5. Loans Receivable and Allowance for Credit Losses, Continued

The following summarizes the activity related to the allowance for credit losses for the year ending December 31, 2024:

	<u>Real Estate Construction</u>	<u>Real Estate Residential</u>	<u>Real Estate Commercial</u>	<u>Commercial and Industrial</u>	<u>Consumer and Other</u>	<u>Total</u>
Allowance for credit losses:						
Beginning balance	\$ 607,373	\$ 3,486,535	\$ 1,533,860	\$ 331,702	\$ 76,435	\$ 6,035,905
Charge-offs	-	-	-	-	(3,658)	(3,658)
Recoveries	-	2,697	-	-	1,200	3,897
Provision for credit losses	<u>108,301</u>	<u>897,491</u>	<u>730,454</u>	<u>214,990</u>	<u>23,764</u>	<u>1,975,000</u>
Ending balance	<u>\$ 715,674</u>	<u>\$ 4,386,723</u>	<u>\$ 2,264,314</u>	<u>\$ 546,692</u>	<u>\$ 97,741</u>	<u>\$ 8,011,144</u>

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Company uses a probability of default/loss given default model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification.

Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, the Company modifies loans by providing principal forgiveness on certain of its real estate loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

In some cases, the Company will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. The combination is at least two of the following: a term extension, principal forgiveness, and interest rate reduction.

During the years ended December 31, 2025 and 2024, there were no loans modified to borrowers experiencing financial difficulty for interest rate reductions or extended terms and no other concessions granted except insignificant deferral of payments. There were no defaults of any previously modified loans during the years ended December 31, 2025 and 2024.

As of December 31, 2025 and 2024, loans totaling \$232 million and \$142 million, respectively were pledged securing the Company's Federal Home Loan Bank line of credit. As of December 31, 2025 and 2024, loans totaling \$152 million and \$165 million, respectively were pledged securing the Company's Federal Reserve Bank line of credit.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 5. Loans Receivable and Allowance for Credit Losses, Continued

Unfunded Commitments

The Company maintains a separate reserve for credit losses on off-balance-sheet credit exposures, including unfunded loan commitments, which is included in other liabilities on the consolidated balance sheet. Changes in the reserve for unfunded commitments are recognized through provision for credit losses which is included in the income statement. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life, utilizing the same models and approaches for the Company's other loan portfolio segments described above, as these unfunded commitments share similar risk characteristics as its loan portfolio segments. The reserve reflects management's estimate of lifetime expected credit losses and is recorded as a liability separate from the allowance for credit losses on loans.

The Company has identified the unfunded portion of certain lines of credit as unconditionally cancellable credit exposures, meaning the Company can cancel the unfunded commitment at any time. No credit loss estimate is reported for off-balance-sheet credit exposures that are unconditionally cancellable by the Company or for undrawn amounts under such arrangements that may be drawn prior to the cancellation of the arrangement.

A summary of changes in the reserve for unfunded commitments is as follows:

	<u>2025</u>	<u>2024</u>
Balance at the beginning of the year	\$ 433,126	\$ 508,126
Provision (reversal)	<u>300,000</u>	<u>(75,000)</u>
Balance at the end of the year	<u>\$ 733,126</u>	<u>\$ 433,126</u>

Note 6. Premises, Furniture and Equipment

Premises and equipment is summarized as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Land	\$ 1,975,000	\$ 1,975,000
Building and improvements	5,057,635	5,006,833
Leasehold improvements	1,283,659	1,444,828
Furniture and equipment	2,434,939	2,241,302
Construction in process	<u>114,863</u>	<u>-</u>
Total	10,866,096	10,667,963
Less accumulated depreciation	<u>(1,845,000)</u>	<u>(1,491,199)</u>
Premises, furniture and equipment, net	<u>\$ 9,021,096</u>	<u>\$ 9,176,764</u>

Depreciation and amortization expense for the years ended at December 31, 2025 and 2024 was \$616 thousand and \$495 thousand, respectively.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 7. Deposits

At December 31, 2025, the scheduled maturities of certificates of deposit are as follows:

2026	\$ 333,440,388
2027	64,687,847
2028	50,952,544
2029	4,966,551
2030	<u>499,000</u>
Total	<u>\$ 454,546,330</u>

The Company had brokered deposits of \$106 million and \$95 million as of December 31, 2025 and 2024, respectively. Certificates of deposits with balances in excess of federal deposit insurance limits of \$250,000 were \$204 million and \$174 million at December 31, 2025 and 2024, respectively.

There are no concentrations to any single depositor or a relatively small number of depositors with balances greater than 5% of total deposits. Additionally, management is not aware of any concentrations of deposits to classes of depositors or industries that would be similarly affected by economic conditions.

Note 8. Income Taxes

Income tax expense is summarized as follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Current income tax expense:		
Federal	\$ 2,899,171	\$ 1,708,853
State	<u>319,949</u>	<u>202,034</u>
Total current	<u>3,219,120</u>	<u>1,910,887</u>
Deferred income taxes:		
Federal	(541,521)	(168,308)
State	<u>(83,961)</u>	<u>(170,550)</u>
Total deferred	<u>(625,482)</u>	<u>(338,858)</u>
Income tax expense	<u>\$ 2,593,638</u>	<u>\$ 1,572,028</u>

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 8. Income Taxes, Continued

The components of the net deferred tax asset are reported in other assets as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Deferred tax assets:		
Allowance for credit losses	\$ 2,587,796	\$ 2,043,224
Nonaccrual loan interest income	13,097	7,602
Net operating loss carryforwards	87,950	70,339
State tax credit carryforwards	-	-
Stock compensation	85,027	77,478
Securities available-for-sale		183,686
Other	<u>44,199</u>	<u>15,671</u>
Gross deferred tax assets	<u>2,818,069</u>	<u>2,398,000</u>
Deferred tax liabilities:		
Accumulated depreciation	487,296	509,028
Prepaid expenses	28,974	28,970
Securities available-for-sale	<u>92,825</u>	<u>-</u>
Total deferred tax liabilities	<u>609,095</u>	<u>537,998</u>
Net deferred tax asset	<u>\$ 2,208,974</u>	<u>\$ 1,860,002</u>

The Company has no federal net operating losses for the years ended 2025 and 2024. The Company has state net operating losses of \$2.8 million and \$1.7 million for the years ended December 31, 2025 and 2024, respectively. These net operating losses with the state of South Carolina occurred after 2018 and therefore have an indefinite carryforward period.

Tax returns for 2022 and subsequent years are subject to examination by taxing authorities.

A reconciliation between the income tax expense and the amount computed by applying the Federal statutory rate of 21% for 2025 and 2024 to income before income taxes follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Tax expense at statutory rate	\$ 2,553,524	\$ 1,387,117
State income tax expense, net of federal tax benefit	247,777	(109,263)
Stock compensation	60,080	51,089
BOLI income	(139,515)	(68,682)
Tax-exempt interest income, net	(75,685)	
Nondeductible expenses	26,373	32,625
Other, net	<u>(78,916)</u>	<u>60,616</u>
Reported tax expense	<u>\$ 2,593,638</u>	<u>\$ 1,572,028</u>

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 9. Leases

The Company adopted ASC 842 "Leases" using the modified retrospective method and practical expedients for transition. The lease expense recognized during the year ended December 31, 2025 and 2024 amounted to \$545,871 and \$573,197, respectively. The weighted average remaining lease term as of December 31, 2025 is 5.03 years and the weighted average discount rate used is 4.03%.

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

2026	\$	598,680
2027		546,819
2028		534,283
2029		350,462
2030		244,913
Thereafter		<u>266,667</u>
Total undiscounted lease payments		2,541,824
Less effect of discounting		<u>(252,885)</u>
Present value of estimated lease payments (lease liability)	\$	<u>2,288,939</u>

Note 10. Advances From Federal Home Loan Bank

Advances from the Federal Home Loan Bank consisted of the following at December 31, 2025 and 2024:

<u>Description</u>	<u>Current Interest Rate</u>	<u>2025 Balance</u>	<u>2024 Balance</u>
FHLB advances maturing			
January 10, 2025	4.55%	-	10,000,000
February 2, 2026	4.01%	20,000,000	-
March 23, 2026	4.05%	5,000,000	5,000,000
May 4, 2026	3.76%	5,000,000	5,000,000
August 5, 2026	4.00%	10,000,000	10,000,000
March 17, 2027	4.03%	5,000,000	5,000,000
July 9, 2027	4.58%	-	5,000,000
July 20, 2027	4.52%	-	4,000,000
July 26, 2027	4.54%	-	5,000,000
March 10, 2028	4.26%	-	5,000,000
July 20, 2028	4.31%	4,000,000	4,000,000
July 20, 2028	4.13%	4,000,000	4,000,000
October 10, 2028	4.55%	10,000,000	10,000,000
December 11, 2028	3.68%	10,000,000	10,000,000
April 23, 2029	3.91%	<u>5,000,000</u>	<u>5,000,000</u>
		<u>\$ 78,000,000</u>	<u>\$ 77,000,000</u>

At December 31, 2025 and 2024, the Company has pledged certain loans totaling \$232 million and \$142 million, respectively, as collateral to secure its borrowings from the FHLB. Additionally, the Company's FHLB stock is pledged to secure the borrowings.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 11. Subordinated Debt

On September 1, 2021, the Company issued a subordinated note in the amount of \$7 million. The subordinated note is a 10-year fixed-to-floating rate instruments with principal payable at maturity on September 2, 2031. The subordinated note bears a fixed rate of 4.15 percent with semi-annual interest payments for the first five years. For the remaining term, the rate is a floating rate plus 367 basis points with quarterly interest payments.

On March 11, 2022, the Company issued subordinated notes with several purchasers in the amount of \$5 million. The subordinated notes are 10-year fixed-to-floating rate instruments with principal payable at maturity on March 2, 2032. The subordinated notes bear a fixed rate of 4.25 percent with semi-annual interest payments for the first five years. For the remaining term, the rate is a floating rate plus 252 basis points with quarterly interest payments.

As of December 31, 2025 and 2024, the balance outstanding on the subordinated notes was \$12 million.

Note 12. Related Party Transactions

Certain parties (principally certain directors and executive officers of the Company, their immediate families and business interests) were loan customers of and had other transactions in the normal course of business with the Company. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than the normal risk of collectability.

The following table summarizes related party loans:

	<u>2025</u>	<u>2024</u>
Balance at the beginning of the year	\$ 7,598,120	\$ 6,534,163
New loans or advances	3,042,244	2,684,528
Repayments	<u>(4,753,805)</u>	<u>(1,620,571)</u>
Balance at the end of the year	<u>\$ 5,886,559</u>	<u>\$ 7,598,120</u>

Deposits by directors including their affiliates and executive officers totaled approximately \$5 million at December 31, 2025 and 2024, respectively.

The Company leased its banking facility in Charleston, South Carolina from a director in 2024. Related party lease expense totaled \$168 thousand for the year ended December 31, 2024.

Note 13. Commitments and Contingencies

In the ordinary course of business, the Company may, from time to time, become a party to legal claims and disputes. At December 31, 2025, management is not aware of any pending or threatened litigation or unasserted claims or assessments that could result in losses, if any, that would be material to the financial statements.

First Capital Bancshares, Inc.**Notes to Consolidated Financial Statements****December 31, 2025 and 2024**

Note 14. Financial Instruments With Off-Balance Sheet Risk

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

The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Collateral held for commitments to extend credit and letters of credit varies but may include accounts receivable, inventory, property, plant, equipment, and income-producing commercial properties. The following table summarizes the Company's off-balance-sheet financial instruments whose contract amounts represent credit risk as of December 31:

	<u>2025</u>	<u>2024</u>
Commitments to extend credit	\$ 204,872,826	\$ 139,589,929

Note 15. Stock Compensation Plan

In 2018, the stockholders approved an Omnibus Stock Incentive Plan (the "Stock Option Plan"). The Plan provides for the granting of restricted stock and stock options to purchase up to 931,862 shares of the Company's common stock, to officers, employees, and directors, of the Company. The Company could grant awards for a term of up to ten years from the effective date of grant. The expiration date of any option could not be greater than ten years from the date of grant, or five years if the grantee owned more than 10% of the outstanding common stock of the Company or its affiliates. The per-share exercise price would be determined by the board of directors, except that the exercise price of an incentive stock option could not be less than fair market value of the common stock on the grant date, or less than 110% of the fair value if the grantee owned more than 10% of the outstanding common stock of the Company or its affiliates.

First Capital Bancshares, Inc.**Notes to Consolidated Financial Statements****December 31, 2025 and 2024**

Note 15. Stock Compensation Plan, Continued

A summary of the status of the Stock Option Plan as of December 31, 2025 and changes during the period is presented below:

	<u>2025</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding at beginning of year	694,750	\$ 7.72
Granted	105,500	\$ 5.31
Exercised	(49,000)	\$ 6.78
Forfeited	-	\$ -
Outstanding at end of year	<u>751,250</u>	\$ 7.45
Options exercisable at year-end	<u>425,066</u>	\$ 7.29
Shares available for grant ^[a]	<u>54,112</u>	
Weighted average grant date fair value of options granted		\$ 7.56

^[a] The Company did not authorize any options to be added to the Omnibus Stock Option plan during 2025.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 15. Stock Compensation Plan, Continued

A summary of the status of the Stock Option Plan as of December 31, 2024 and changes during the period is presented below:

	<u>2024</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding at beginning of year	584,000	\$ 7.31
Granted	134,250	\$ 9.36
Exercised	20,000	\$ 6.75
Forfeited	<u>3,500</u>	\$ 7.02
Outstanding at end of year	<u>694,750</u>	\$ 7.72
Options exercisable at year-end	<u>386,383</u>	\$ 6.97
Shares available for grant ^[a]	<u>159,612</u>	
Weighted average grant date fair value of options granted		\$ 7.66

^[a] The Company authorized 115,735 options to be added to the Omnibus Stock Option plan during 2024.

During 2025 and 2024, the Company recognized \$376,155 and \$273,539 in expense associated with restricted stock grants and stock option issuances which was recorded in salaries and employee benefits on the Consolidated Statements of Income.

At December 31, 2025, unrecognized compensation cost related to share-based compensation arrangements granted under the Stock Option Plan totaled \$1.2 million, to be expensed over a three-year or five-year vesting period.

The following table summarizes information about the stock options outstanding under the Stock Option Plan at December 31, 2025:

	<u>Options Outstanding</u>		
<u>Exercise Price</u>	<u>Number Outstanding At 12/31/25</u>	<u>Weighted- Average Remaining Contractual Life</u>	<u>Weighted Average Exercise Price</u>
\$ 7.45	751,250	7.20	\$ 7.45

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 16. Capital Requirements and Regulatory Matters

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 material effect on the Company'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 the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum ratios (set forth in the table below) of Tier 1, Common Equity Tier 1 (CET1), and total capital as a percentage of assets and off-balance-sheet exposures, adjusted for risk-weights ranging from 0% to 150%. Tier 1 capital of the Bank consists of common stockholders' equity, excluding the unrealized gain or loss on securities available-for-sale, minus certain intangible assets, while CET1 is comprised of Tier 1 capital, adjusted for certain regulatory deductions and limitations. Tier 2 capital consists of the allowance for credit losses subject to certain limitations. Total capital for purposes of computing the capital ratios consists of the sum of Tier 1 and Tier 2 capital.

The Bank is also required to maintain capital at a minimum level based on average assets (as defined), which is known as the leverage ratio. Only the strongest institutions are allowed to maintain capital at the minimum requirement. All others are subject to maintaining ratios 1% to 2% above the minimum.

Effective March 31, 2015, quantitative measures established by applicable regulatory standards, including the newly implemented Basel III revised capital adequacy standards and relevant provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd Frank Act"), require the Bank to maintain (i) a minimum ratio of Tier 1 capital to average total assets, after certain adjustments, of 4.00%, (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of 6.00%, (iii) a minimum ratio of total-capital to risk-weighted assets of 8.00% and (iv) a minimum ratio of CET1 to risk-weighted assets of 4.50%. A "well-capitalized" institution must generally maintain capital ratios 2% higher than the minimum guidelines.

In order to avoid restrictions on capital distributions or discretionary bonus payments to executives, the Bank is also required to maintain a "capital conservation buffer" in addition to its minimum risk-based capital requirements. This buffer is required to consist solely of CET1, but the buffer applies to all three risk-based measurements (CET1, Tier 1 and total capital). The capital conservation buffer was phased in incrementally over time, beginning January 1, 2016 at 0.625% and becoming fully effective on January 1, 2019, and ultimately consisting of an additional amount of Tier 1 capital equal to 2.5% of risk-weighted assets.

To be considered "well-capitalized," the Bank must maintain total risk-based capital of at least 10%, Tier 1 capital of at least 8%, and a leverage ratio of at least 5%. To be considered "adequately capitalized" under these capital guidelines, the Bank must maintain a minimum total risk-based capital of 8%, with at least 4% being Tier 1 capital. In addition, the Bank must maintain a minimum Tier 1 leverage ratio of at least 4%.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 16. Capital Requirements and Regulatory Matters, Continued

The following table summarizes the capital amounts and ratios of the Bank and the regulatory minimum requirements:

<i>(Dollars in thousands)</i>	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2025						
Total Capital (to risk weighted assets)	\$ 116,635	12.04%	\$ 77,481	8.00%	\$ 96,852	10.00%
Tier 1 Capital (to risk weighted assets)	105,942	10.94%	58,111	6.00%	77,481	8.00%
Tier 1 Capital (to average assets)	105,942	9.50%	44,586	4.00%	55,733	5.00%
Common Equity Tier 1 Capital (to risk weighted assets)	105,942	10.94%	43,583	4.50%	62,954	6.50%
December 31, 2024						
Total Capital (to risk weighted assets)	\$ 99,657	12.66%	\$ 62,954	8.00%	\$ 78,693	10.00%
Tier 1 Capital (to risk weighted assets)	91,213	11.59%	47,216	6.00%	62,954	8.00%
Tier 1 Capital (to average assets)	91,213	9.79%	37,278	4.00%	46,598	5.00%
Common Equity Tier 1 Capital (to risk weighted assets)	91,213	11.59%	35,412	4.50%	51,151	6.50%

Note 17. Unused Lines of Credit

At December 31, 2025 and 2024, the Company had unused lines of credit to purchase federal funds from four unrelated banks totaling \$18 million. These lines of credit are available on a one-to-fourteen-day basis for general corporate purposes. The Company has an additional line of credit to borrow funds from the Federal Home Loan Bank. As of December 31, 2025, the total line of credit with Federal Home Loan Bank was \$337 million, of which \$78 million has been advanced to the Company. The Company had loans pledged securing the Federal Home Loan Bank line of credit as of December 31, 2025 and 2024 totaling \$232 million and \$142 million, respectively, in addition to the Company's Federal Home Loan Bank stock. The Company has an additional line of credit to borrow funds from the Federal Reserve Bank. As of December 31, 2025, the total line of credit with Federal Reserve Bank was \$109 million, of which none has been advanced to the Company. The Company had loans pledged securing the Federal Reserve Bank line of credit as of December 31, 2025 and 2024 totaling \$152 million and \$165 million, respectively.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 18. Fair Value of Financial Instruments

Generally Accepted Accounting Principles (GAAP) provide a framework for measuring and disclosing fair value which requires disclosures about the fair value of assets and liabilities recognized in the balance sheet, whether the measurements are made on a recurring basis (for example, available-for-sale investment securities) or on a non-recurring basis (for example, collateral dependent loans).

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

Fair Value Hierarchy

The Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine the fair value. These levels are:

- Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models and similar techniques.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

Investment Securities Available-for-Sale: Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange such as the New York Stock Exchange, Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 18. Fair Value of Financial Instruments, Continued

Marketable equity securities: Marketable equity securities are carried at fair value, based on prices for similar instruments in markets that are not active, and are classified as Level 2.

Collateral Dependent Loans: The Bank has identified collateral dependent loans with fair value considerations as those loans with a recorded investment less the applicable reserve allocation. The estimated fair value of collateral dependent loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral dependent loans are classified within Level 3 of the fair value hierarchy.

The Bank considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral securing collateral dependent loans are obtained when the loan is determined to be collateral dependent and subsequently, as deemed necessary, according to Bank policy. Appraisers are selected from the list of approved appraisers maintained by Management. Appraisals are only obtained from independent licensed appraisers following Uniform Standards of Professional Appraisal Practice.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy.

	December 31, 2025			
	Total	Level 1	Level 2	Level 3
Corporate debt securities	\$ 9,020,139	\$ -	\$ 9,020,139	\$ -
Municipal securities	19,575,360	-	19,575,360	-
Mortgage-backed securities	21,456,811	-	21,456,811	-
Other debt securities	521,875	-	521,875	-
Marketable equity securities	1,770,848	-	1,770,848	-
Total	<u>\$ 52,345,033</u>	<u>\$ -</u>	<u>\$ 52,345,033</u>	<u>\$ -</u>

	December 31, 2024			
	Total	Level 1	Level 2	Level 3
Corporate debt securities	\$ 3,422,421	\$ -	\$ 3,422,421	\$ -
Mortgage-backed securities	18,036,796	-	18,036,796	-
Other debt securities	521,875	-	521,875	-
Marketable equity securities	1,211,263	-	1,211,263	-
Total	<u>\$ 23,192,355</u>	<u>\$ -</u>	<u>\$ 23,192,355</u>	<u>\$ -</u>

The table below presents the balances of assets and liabilities measured at fair value on a non-recurring basis by level within the hierarchy.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 18. Fair Value of Financial Instruments, Continued

	December 31, 2025			
	Total	Level 1	Level 2	Level 3
Collateral dependent loans	\$ 157,500	\$ -	\$ -	\$ 157,500
Total	<u>\$ 157,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,500</u>

	December 31, 2024			
	Total	Level 1	Level 2	Level 3
Collateral dependent loans	\$ 1,113,500	\$ -	\$ -	\$ 1,113,500
Total	<u>\$ 1,113,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,113,500</u>

Fair value of financial instruments

The following table includes the estimated fair value of the Company's financial assets and financial liabilities. The methodologies for estimating the fair value of financial assets and financial liabilities measured on a recurring and non-recurring basis are discussed above. The methodologies for estimating the fair value for other financial assets and financial liabilities are discussed below. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data in order to develop the estimates of fair value. Accordingly, the estimates presented below are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation techniques may have a material effect on the estimated fair value amounts at December 31, 2025 and 2024.

(Dollars in Thousands)	December 31, 2025				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
<i>Financial Assets:</i>					
Cash and cash equivalents	\$ 46,213	\$ 46,213	\$ 46,213	\$ -	\$ -
Securities held-to-maturity	13,387	12,331	-	12,331	-
Nonmarketable equity securities	6,891	6,891	-	-	6,891
Loans held for investment, net	978,642	965,688	-	-	965,688
<i>Financial Liabilities:</i>					
Deposits	941,021	977,282	-	977,282	-
Advances from the Federal Home Loan Bank	78,000	78,000	-	78,000	-
Subordinated debentures	12,000	12,000	-	12,000	-

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 18. Fair Value of Financial Instruments, Continued

(Dollars in Thousands)	December 31, 2024				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
<i>Financial Assets:</i>					
Cash and cash equivalents	\$ 57,692	\$ 57,692	\$ 57,692	\$ -	\$ -
Securities held-to-maturity	17,002	15,343	-	15,343	-
Nonmarketable equity securities	6,327	6,327	-	-	6,327
Loans held for investment, net	830,019	787,526	-	-	787,526
<i>Financial Liabilities:</i>					
Deposits	780,692	822,068	-	822,068	-
Advances from the Federal Home Loan Bank	77,000	76,613	-	76,613	-
Subordinated debentures	12,000	12,000	-	12,000	-
Note payable	210	210	-	210	-

Cash and cash equivalents

The carrying amount approximates fair value for these instruments.

Investment securities

The fair value of investment securities is generally determined using widely accepted valuation techniques including market prices, matrix pricing, and broker-quote-based applications.

Nonmarketable equity securities

Nonmarketable equity securities are carried at original cost basis, as cost approximates fair value and there is no ready market for such investments.

Loans held for investment

Fair values are estimated for portfolios of loans with similar financial characteristics if collateral dependent. Loans are segregated by type. The fair value of performing loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect observable market information incorporating the credit, liquidity, yield and other risks inherent in the loan. The estimate of maturity is based upon the Company's historical experience with repayments for each loan classification, modified, as required, by an estimate of the effect of the current economic and lending conditions. Fair values are classified as Level 3.

Fair value for significant non-performing loans is generally based upon recent external appraisals. If appraisals are not available, estimated cash flows are discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows and discounted rates are judgmentally determined using available market information and specific borrower information.

Deposits

The fair value of deposits with no stated maturity date, such as noninterest-bearing demand deposits, savings and money market and checking accounts, is based on the discounted value of estimated cash flows. The fair value of time deposits is based upon the discounted value of contractual cash flows and classified as Level 2. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 18. Fair Value of Financial Instruments, Continued

Federal Home Loan Bank advances and other borrowings

Fair value is estimated based on discounted cash flows using current market rates for borrowing with similar terms and are classified as Level 2.

Note 19. Earnings Per Share

Earnings per share - basic is computed by dividing net income by the weighted average number of common shares outstanding. Earnings per share - diluted is computed by dividing net income by the weighted average number of common shares outstanding and dilutive common share equivalents using the treasury stock method. Dilutive common share equivalents include common shares issuable upon exercise of outstanding stock options. Unallocated common shares held by the employee retirement and stock ownership plan are excluded from the weighted average number of common shares outstanding.

	<u>2025</u>	<u>2024</u>
Basic earnings per common share:		
Net income available to common shareholders	\$ 9,566,000	\$ 5,032,318
Basic average common shares outstanding	<u>9,997,240</u>	<u>9,183,493</u>
Basic earnings per common share	<u>\$ 0.96</u>	<u>\$ 0.55</u>
Diluted earnings per common share:		
Net income available to common shareholders	\$ 9,566,000	\$ 5,032,318
Diluted average common shares outstanding	<u>10,224,901</u>	<u>9,331,252</u>
Diluted earnings per common share	<u>\$ 0.94</u>	<u>\$ 0.54</u>
Incremental shares from assumed conversions:		
Stock options and restricted stock awards	<u>751,250</u>	<u>694,750</u>
Diluted average common shares outstanding	<u>\$ 10,224,901</u>	<u>\$ 9,331,252</u>
Diluted earnings per common share	<u>\$ 0.94</u>	<u>\$ 0.54</u>

Note 20. Subsequent Events

Subsequent events are events or transactions that occur after the statements of condition date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the statements of condition, including the estimates inherent in the process of preparing financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist at the date of the statements of condition but arose after that date.

Management has reviewed events occurring February 27, 2026, the date the financial statements were issued, and considers there to be one relevant subsequent event. On January 15, 2026, the company completed a private placement offering for 1,100,273 shares at a price of \$12.00 per share.

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 21. First Capital Bancshares, Inc. (Parent Company Only)

Following is condensed financial information of First Capital Bancshares, Inc. (parent company only) as of and for the years ended December 31:

Condensed Balance Sheets

	<u>December 31,</u>	
	<u>2025</u>	<u>2024</u>
Assets		
Cash and due from banks	\$ 1,238,136	\$ 6,984,632
Investment in banking subsidiary	106,126,470	90,335,522
Equity securities	1,770,848	1,211,263
Other assets	<u>3,038,845</u>	<u>2,260,976</u>
Total assets	<u>112,174,299</u>	<u>100,792,393</u>
Liabilities		
Subordinated debt	12,000,000	12,000,000
Accrued interest payable	167,667	167,667
Other liabilities	<u>190,000</u>	<u>143,865</u>
Total liabilities	<u>12,357,667</u>	<u>12,311,532</u>
Stockholders' equity	<u>99,816,632</u>	<u>88,480,861</u>
Total liabilities and stockholders' equity	<u>\$ 112,174,299</u>	<u>\$ 100,792,393</u>

Condensed Statements of Income

	<u>For the years ended</u>	
	<u>December 31,</u>	
	<u>2025</u>	<u>2024</u>
Income		
Interest income on investment securities	\$ 37,478	\$ 49,540
Gain on sale of securities	241,222	112,629
Other	<u>77</u>	<u>41,561</u>
Total Income	<u>278,777</u>	<u>203,730</u>
Expenses		
Compensation expense	860,257	373,539
Professional fees	30,188	22,208
Other	<u>751,258</u>	<u>683,436</u>
Total expenses	<u>1,641,703</u>	<u>1,079,183</u>
Loss before income taxes and equity in undistributed income of banking subsidiary	(1,362,926)	(875,453)
Income tax benefit	260,279	134,286
Net equity in undistributed income of Bank	<u>10,668,647</u>	<u>5,773,485</u>
Net income	<u>\$ 9,566,000</u>	<u>\$ 5,032,318</u>

First Capital Bancshares, Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 21. First Capital Bancshares, Inc. (Parent Company Only), Continued

Condensed Statements of Cash Flows

	For the years ended	
	December 31,	
	2025	2024
Operating activities		
Net income	\$ 9,566,000	\$ 5,032,318
Adjustments to reconcile net income to net cash used in operating activities:		
Net equity in undistributed income of subsidiary	(10,668,647)	(5,773,485)
Gain on sale of marketable equity securities	(241,222)	(112,629)
Stock based compensation expense	315,470	273,539
(Increase) decrease in other assets	(777,869)	292,284
Increase in accrued interest payable	-	1,181
Increase in other liabilities	46,135	143,865
Net cash used in operating activities	<u>(1,760,133)</u>	<u>(142,927)</u>
Investing activities		
Purchase of marketable equity securities	(2,028,744)	(1,488,590)
Proceeds from sale of marketable equity securities	<u>1,710,381</u>	<u>846,122</u>
Net cash used in investing activities	<u>(318,363)</u>	<u>(642,468)</u>
Financing activities		
Capital contributions to subsidiary	(4,000,000)	(9,000,000)
Proceeds from issuance of common stock	-	14,424,534
Stock options exercised	<u>332,000</u>	<u>135,000</u>
Net cash (used in) provided by financing activities	<u>(3,668,000)</u>	<u>5,559,534</u>
Net (decrease) increase in cash and cash equivalents	(5,746,496)	4,774,139
Cash and cash equivalents, beginning of year	<u>6,984,632</u>	<u>2,210,493</u>
Cash and cash equivalents, ending of year	<u>\$ 1,238,136</u>	<u>\$ 6,984,632</u>

First Capital Bancshares, Inc.

Corporate Data

Board of Directors

Jules Anderson.....	President and CEO Anderson Insurance Associates, Inc./Charleston, SC
William M. Brown III, MD.....	Emergency Department Physician Trident Medical Centers/Charleston, Berkeley, and Dorchester counties
Raymond N. DuBois, MD, PhD.....	Director of Hollings Cancer Center Medical University of South Carolina/Charleston, SC
Barry A. Emerson, CPA.....	Owner Barry A. Emerson, CPA, LLC/Charleston, SC
Harvey L. Glick.....	Executive Chairman First Capital Bancshares, Inc. and First Capital Bank/Charleston, SC
Harry "Lee" Howell, Jr.	Owner and President Scotland Motors, Inc./Laurinburg, NC
James W. Mason III.....	Owner and President The Mason Company/Laurinburg, NC
John B. McCoy.....	Retired/Chairman BancOne Corporation/Chicago, IL
Michael C. Robinson.....	Owner and President Charleston Appraisal Service, Inc./Charleston, SC
Edward O'Bryan, MD.....	Chief Medical Officer and Operating Partner Graham Holdings Corporation /Arlington, VA
Joseph S. Kassim.....	Chief Executive Officer First Capital Bank/Charleston, SC

First Capital Bancshares, Inc.**Corporate Data**

Holding Company Officers

Harvey L. Glick Executive Chairman of the Board of Directors

Joseph S. Kassim Chief Executive Officer

Barry A. Emerson Secretary

Bank Officers

Harvey L. Glick Executive Chairman of the Board of Directors

Barry A. Emerson Secretary

Joseph S. Kassim Chief Executive Officer

Tradd Rodenberg President and Chief Lending Officer

John Douglass Chief Credit Officer

Laura Johnson Chief Accounting Officer

Alicia Green Chief Technology Officer

Frank Przestrzelski Compliance and BSA Officer

First Capital Bank

Annual Financial Disclosure Statement
furnished pursuant to Part 350 of the Federal Deposit
Insurance Corporation's rules and regulations

For the year ended December 31, 2025

**THIS STATEMENT HAS NOT BEEN REVIEWED,
OR CONFIRMED FOR ACCURACY OR RELEVANCE BY THE
FEDERAL DEPOSIT INSURANCE CORPORATION.**