



TIB, Inc. and Subsidiaries
Auditor's Report and Consolidated Financial Statements
December 31, 2025 and 2024

TIB, Inc. and Subsidiaries

Independent Auditor's Report and Consolidated Financial Statements
December 31, 2025 and 2024

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors of
TIB, Inc and Subsidiaries

Opinion

We have audited the consolidated financial statements of TIB, Inc. and Subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income(loss), shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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 Consolidated Financial Statements section of our report. We are required to be independent of the Corporation, 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 Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Whitley Penn LLP

Austin, Texas
March 25, 2026

TIB, Inc. and Subsidiaries

Consolidated Balance Sheets

December 31, 2025 and 2024

(Dollar amounts in thousands, except per share amounts)

	<u>2025</u>	<u>2024</u>
Assets		
Cash and due from banks	\$ 36,558	\$ 43,341
Interest-bearing deposits in banks	811,717	777,109
Federal funds sold and securities purchased under agreements to resell	<u>74,611</u>	<u>77,686</u>
Cash and cash equivalents	922,886	898,136
Available-for-sale securities (amortized cost of \$143,650 and \$145,759, respectively)	137,321	134,142
Loans held for sale	3,323	2,011
Loans, net of allowance for credit losses of \$25,194 and \$23,190 at 2025 and 2024, respectively	1,764,890	1,779,181
Premises and equipment, net of accumulated depreciation of \$20,173 and \$19,007 at 2025 and 2024, respectively	18,744	17,314
Federal Reserve and Federal Home Loan Bank stock	5,242	5,162
Foreclosed assets held for sale	759	-
Interest receivable	12,045	12,727
Deferred income taxes	7,982	8,768
Cash surrender value of life insurance	72,101	70,320
Goodwill	5,100	5,100
Other	<u>26,140</u>	<u>28,387</u>
Total Assets	<u>\$ 2,976,533</u>	<u>\$ 2,961,248</u>

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

TIB, Inc. and Subsidiaries

Consolidated Balance Sheets (Continued)

December 31, 2025 and 2024

(Dollar amounts in thousands, except per share amounts)

	<u>2025</u>	<u>2024</u>
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Demand	\$ 453,219	\$ 449,555
Interest-bearing	<u>1,988,487</u>	<u>1,966,611</u>
Total deposits	2,441,706	2,416,166
Short-term borrowings	91,343	128,460
Derivatives	544	1,267
Interest payable and other liabilities	<u>28,050</u>	<u>35,284</u>
Total liabilities	<u>2,561,643</u>	<u>2,581,177</u>
Shareholders' Equity		
Common stock, \$10 par value; 5,000,000 shares authorized, 1,118,816 shares issued, and 1,087,627 outstanding	11,188	11,188
Additional paid-in capital	32,840	32,840
Treasury stock, at cost; 31,189 shares in 2025 and 2024, respectively	(7,837)	(7,837)
Retained earnings	383,711	353,058
Accumulated other comprehensive loss	<u>(5,012)</u>	<u>(9,178)</u>
Total shareholders' equity	<u>414,890</u>	<u>380,071</u>
Total Liabilities and Shareholders' Equity	<u>\$ 2,976,533</u>	<u>\$ 2,961,248</u>

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

TIB, Inc. and Subsidiaries

Consolidated Statements of Income Years Ended December 31, 2025 and 2024 (Dollar amounts in thousands)

	<u>2025</u>	<u>2024</u>
Interest Income		
Loans, including fees, taxable	\$ 108,344	\$ 103,546
Loans, including fees, tax exempt	7,336	8,477
Securities, taxable	6,002	8,141
Federal funds sold and securities purchased under agreements to resell	3,043	5,090
Deposits with financial institutions	46,183	52,866
Other	<u>284</u>	<u>295</u>
Total interest income	<u>171,192</u>	<u>178,415</u>
Interest Expense		
Deposits	94,250	113,734
Short-term borrowings	1,277	693
Other borrowings	<u>41</u>	<u>2,303</u>
Total interest expense	<u>95,568</u>	<u>116,730</u>
Net Interest Income	75,624	61,685
Provision for Credit Losses	<u>5,145</u>	<u>1,432</u>
Net Interest Income After Provision for Credit Losses	<u>70,479</u>	<u>60,253</u>
Noninterest Income		
Credit card fees	38,052	40,296
Safekeeping fees	4,049	3,772
Customer security transaction fees	4,422	2,854
Audit and loan review fees	3,127	3,026
Gain on sale of loans	1,069	885
Loss on sale of available-for-sale securities	-	(17,476)
Gains on sale of Visa B stock	-	23,918
Other	<u>13,466</u>	<u>10,159</u>
Total noninterest income	<u>64,185</u>	<u>67,434</u>

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

TIB, Inc. and Subsidiaries

Consolidated Statements of Income (Continued) Years Ended December 31, 2025 and 2024 (Dollar amounts in thousands)

	<u>2025</u>	<u>2024</u>
Noninterest Expense		
Credit card	\$ 20,409	\$ 19,570
Salaries and employee benefits	42,998	39,657
Premises, furniture and equipment	4,117	3,509
Telephone	868	1,013
Software	5,976	5,832
Professional fees	1,870	1,555
Other	<u>11,517</u>	<u>10,713</u>
Total noninterest expense	<u>87,755</u>	<u>81,849</u>
Income Before Income Taxes	46,909	45,838
Provision for Income Taxes	<u>8,099</u>	<u>7,810</u>
Net Income	<u>\$ 38,810</u>	<u>\$ 38,028</u>

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

TIB, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss) Years Ended December 31, 2025 and 2024 (Dollar amounts in thousands)

	<u>2025</u>	<u>2024</u>
Net Income	<u>\$ 38,810</u>	<u>\$ 38,028</u>
Other Comprehensive Income		
Change in fair value of interest rate cap contracts	(24)	-
Net tax effect	5	-
Reclassification adjustment for realized losses on interest rate caps included in net income	<u>7</u>	<u>-</u>
Change in fair value of interest rate cap contracts, net	(12)	-
Unrealized gains (losses) on available-for-sale securities	5,288	(2,377)
Reclassification adjustment for realized losses on available-for-sale securities included in net income	-	17,476
Net tax effect	<u>(1,110)</u>	<u>(3,171)</u>
Change in unrealized gains (losses) on available-for-sale securities, net	4,178	11,928
Total other comprehensive income, net of tax	<u>4,166</u>	<u>11,928</u>
Comprehensive Income	<u>\$ 42,976</u>	<u>\$ 49,956</u>

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

TIB, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity

Years Ended December 31, 2025 and 2024

(Dollar amounts in thousands, except per share amounts)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance as of January 1, 2024	\$ 11,188	\$ 32,840	\$ 322,280	\$ -	\$ (21,106)	\$ 345,202
Net income	-	-	38,028	-	-	38,028
Other comprehensive income, net of tax	-	-	-	-	11,928	11,928
Purchase of treasury stock (31,189 shares)	-	-	-	(7,837)	-	(7,837)
Common stock dividends declared and paid (\$6.50 per share)	-	-	(7,250)	-	-	(7,250)
Balance as of December 31, 2024	11,188	32,840	353,058	(7,837)	(9,178)	380,071
Net income	-	-	38,810	-	-	38,810
Other comprehensive income, net of tax	-	-	-	-	4,166	4,166
Common stock dividends declared and paid (\$7.50 per share)	-	-	(8,157)	-	-	(8,157)
Balance as of December 31, 2025	<u>\$ 11,188</u>	<u>\$ 32,840</u>	<u>\$ 383,711</u>	<u>\$ (7,837)</u>	<u>\$ (5,012)</u>	<u>\$ 414,890</u>

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

TIB, Inc. and Subsidiaries

Consolidated Statements of Cash Flows Years Ended December 31, 2025 and 2024 (Dollar amounts in thousands)

	<u>2025</u>	<u>2024</u>
Operating Activities		
Net income	\$ 38,810	\$ 38,028
Items not requiring (providing) cash:		
Depreciation and amortization	1,780	1,256
Provision for credit losses	5,145	1,432
Deferred income taxes	(325)	6,022
Deferred compensation and stock-based compensation expense	3,500	3,800
Net gains on sale of loans	(1,069)	(885)
Net realized losses on available-for-sale securities	-	17,476
Loss on sales of foreclosed assets	1,156	-
Net realized other gains	(196)	-
Net change in goodwill	-	100
Gain on sale of Visa B stock	-	(23,918)
Originations and purchases of loans held for sale	(69,087)	(58,196)
Proceeds from sale of loans held for sale	68,844	60,218
Change in:		
Interest receivable	682	(1,520)
Other assets	2,446	(2,707)
Interest payable and other liabilities	(11,422)	(31,383)
Net cash provided by operating activities	<u>40,264</u>	<u>9,723</u>
Investing Activities		
Purchases of available-for-sale securities	(2,519,535)	(2,504,666)
Proceeds from maturities, calls and pay downs of available-for-sale securities	2,522,059	2,527,932
Proceeds from the sale of available-for-sale securities	-	191,892
Purchase of Federal Home Loan Bank stock	(80)	(91)
Purchase of reverse mortgage loan portfolios	(85,265)	(97,157)
Net change in loans	86,669	(130,561)
Proceeds from sale of Visa B stock	-	23,918
Purchase of other investments	(2,433)	(290)
Purchase of The Bank CEO Network	-	(4,500)
Proceeds from the sale of foreclosed assets held for sale	5,827	-
Proceeds from the sale of fixed assets	196	-
Purchase of premises and equipment	(3,183)	(323)
Net cash provided by investing activities	<u>4,255</u>	<u>6,154</u>

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

TIB, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Continued) Years Ended December 31, 2025 and 2024 (Dollar amounts in thousands)

	<u>2025</u>	<u>2024</u>
Financing Activities		
Net change in deposits	\$ 25,540	\$ 224,816
Payments on short-term borrowings	(37,117)	(305,168)
Proceeds from short-term borrowings	-	91,857
Purchase of treasury stock	-	(7,837)
Dividends paid	<u>(8,192)</u>	<u>(6,983)</u>
Net cash (used in) financing activities	<u>(19,769)</u>	<u>(3,315)</u>
Change in Cash and Cash Equivalents	24,750	12,562
Cash and Cash Equivalents, Beginning of Year	<u>898,136</u>	<u>885,574</u>
Cash and Cash Equivalents, End of Year	<u>\$ 922,886</u>	<u>\$ 898,136</u>
Supplemental Disclosure of Cash Items		
Interest paid	\$ 95,570	\$ 126,371
Income taxes paid	4,925	13,867
Supplemental Disclosure of Non-Cash Items		
Transfer of loans to foreclosed assets held for sale	7,742	-

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2025 and 2024
(Dollar amounts in thousands)

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

TIB, Inc. and Subsidiaries (the Corporation) is a bank holding company whose principal activity is the ownership and management of its wholly owned subsidiary, TIB, National Association (the Bank). The Corporation changed its name to TIB, Inc. from Independent Bankers Financial Corporation effective March 8, 2024. The Bank is defined by statute as a "bankers' bank." The Bank provides services to financial institutions in the United States, many of which are shareholders of the Corporation. The Bank competes with other financial institutions and bank-service organizations. The statute requires shareholders to be depository institutions or holding companies for depository institutions. The Federal Reserve System and Office of the Comptroller of the Currency federally regulate the Corporation and Bank, respectively.

Principles of Consolidation

The consolidated financial statements include the accounts of TIB, Inc., the Bank and one nonbanking subsidiary: TIB Municipal Holdings, LLC. The Corporation eliminated all significant intercompany accounts and transactions in consolidation.

Reclassification

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications had no effect on net income or shareholders' equity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Estimates susceptible to significant change include the allowance for credit losses, valuation of real estate acquired in foreclosures, mortgage servicing rights, deferred tax assets, and fair values of financial instruments.

Cash and Cash Equivalents

Cash equivalents consist primarily of cash items, amounts due from banks, interest-bearing deposits, federal funds sold and securities purchased under agreements to resell, all with original maturities within three months. Counterparties comply with credit risk parameters established by management.

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

At December 31, 2025, the Corporation had bank accounts exceeding FDIC insured limits by approximately \$342,992.

Overnight federal funds sold are uncollateralized loans to other financial institutions.

Interest-bearing Deposits in Banks

Interest-bearing deposits in banks mature within 90 days and are carried at cost.

Securities

Management determines the classification of securities as available-for-sale, held-to-maturity, or trading when purchased based on the intent and objective of the investment and the ability to hold to maturity. Fair values of securities are based on quoted market prices where available. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable securities. As of December 31, 2025 and 2024, all securities were classified as available-for-sale.

Securities available-for-sale are reported at fair value, with unrealized gains and losses reported as a separate component of shareholders' equity and other comprehensive income (loss), net of taxes. These securities can be sold in response to interest rate changes, changes in prepayment risk, and other similar reasons. Securities are designated as available-for-sale for earnings and liquidity purposes.

Interest on investment securities is recorded as income from securities as earned. Purchased premiums and discounts are amortized and accreted, respectively, to interest income from securities using a level yield method. Realized gains and losses are recorded when sold as gains (losses) on sale of available for sale securities. Gains and losses on the sale of securities are determined using the specific identification method.

For debt securities with fair values below amortized cost when the Corporation does not intend to sell a debt security, and it is more likely than not the Corporation will not have to sell the security before recovery of its cost basis, a determination is made whether the decline in fair value is due to credit losses or other factors. If a credit loss is determined to exist, an allowance for credit losses is recorded, limited by the amount that the fair value is less than the amortized cost basis. Any impairment not related to credit losses is recognized in other comprehensive income.

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

Loans Held for Sale

Mortgage loans are purchased from respondent banks and resold in the secondary market in the normal course of the Corporation's business. The loans are classified as held-for-sale and carried at the lower of cost or fair value in the aggregate. Write-downs to fair value are recognized through a valuation allowance as a charge to noninterest expense at the time the decline in value occurs. Gains and losses arising from individual loan buying and selling activity are determined using the specific identification method and are recorded in noninterest income.

Loans

Loans the Corporation has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at their outstanding principal balances adjusted for charge-offs and the allowance for credit loss.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Interest accrual is discontinued when the loan is 90 days past due unless the credit is well-secured and in process of collection. When collection of principal or interest is doubtful, loans are put on nonaccrual or charged-off.

Interest accrued but not collected for these loans is reversed against interest income. The interest is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Accrual status is restored when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses

The allowance for credit loss is established through provisions for credit losses charged against income. Provisions to the allowance for credit loss are based on management's analysis and evaluation of the loan portfolio. Management considers identification of problem credits, internal and external factors affecting collectability, relevant credit exposure, inherent risks in sector lending and collateral values. In management's estimation, the allowance is adequate to absorb estimated credit losses on existing loans that may become uncollectible and estimated credit losses inherent in the remainder of the loan portfolio. This estimate is highly subjective and subjected to several internal and external reviews.

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

The allowance consists of components for loans evaluated individually and collectively. Loans graded substandard or lower are evaluated individually and excluded from the collective evaluation, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the loan is lower than the carrying value of that loan. When a borrower is experiencing financial difficulty and repayment is expected to be provided through operation or sale of the collateral, such loans are considered “collateral-dependent” and the expected credit losses are based on the fair value of collateral at the evaluation date, adjusted for selling costs when appropriate. Loans that are not evaluated individually are measured on a collective pool basis. The loans are separated into pools based on similar risk characteristics. The pools are segmented by collateral type and credit losses are measured at the pool level using allowable methods under CECL.

The Bank uses the Remaining Life and Discounted Cash Flow methods of calculation to estimate the current expected credit losses. The Remaining Life method applies the calculated loss rate based on historical loss experience to a pool of loans based on the remaining expected life of the pool. The loss rate is then adjusted by forecasting the next four quarters using loss rates from a historic time period that most reflects current and expected economic outlook.

The Discounted Cash Flow method estimates the value of all future cash flows it does not expect to collect on its loan portfolio and discounts those cash flows to the present value, using the loans’ effective rates as the discount rate. This estimate of cash flows is based on a combination of quantitative and qualitative factors such as historical loss experience, past economic events, and current underwriting standards. The model will also add additional considerations such as forecasted expected losses based on an estimate of the impact on loan’s life cycle in relation to the current economic environment. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality not fully reflected in the historical loss or risk rating data. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management’s judgement, should be charged off.

The unfunded commitment reserve is established utilizing the loss rates from the Allowance for Credit Losses (ACL). The loss rate is applied to the expected funding of the pool and the funding rate is based on historical funding percentage of the pool.

Loan losses are charged against the allowance when management believes a loan balance is partially or wholly uncollectable. Subsequent recoveries are credited to the allowance.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and depreciated using the straight-line method over the respective lease terms or the estimated useful lives of the improvements, whichever is shorter. Expected terms include lease option periods if exercising such options is reasonably assured.

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

The estimated useful lives for each major depreciable classification of premises and equipment are:

Buildings	30 years
Building improvements	10 - 20 years
Leasehold improvements	5 - 10 years
Furniture and equipment	3 - 10 years

The Corporation leases certain office facilities and office equipment under operating leases. In 2019, the Corporation adopted certain accounting standard updates related to accounting for leases (ASC 842). The standard requires lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The Corporation elected the package of practical expedients which includes an exemption from recording leases with a term of less than 12 months. The Corporation has adopted a capitalization threshold when evaluating the requirement to recognize leases on the balance sheet as permitted under the standard. As of December 31, 2025 and 2024, the present value of operating leases was below the Corporation's established capitalization threshold. Management reviews the threshold and the present value of operating leases annually to determine materiality and, until such time the aggregate of all leases exceeds the Corporation's capitalization threshold, leases are expensed as incurred.

Long-lived Asset Impairment

Management evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2025 and 2024.

Federal Reserve Bank of Dallas and Federal Home Loan Bank of Dallas Stock

Federal Reserve Bank of Dallas and Federal Home Loan Bank of Dallas (FHLB) stock are required investments for membership. The required investment in the common stock is based on a predetermined formula. The stock is carried at cost and periodically evaluated for impairment.

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less costs to sell at the date of foreclosure, establishing a new cost basis. After foreclosure, the Corporation periodically receives valuations on the assets and makes any adjustments to carry at the lower of carrying amount or fair value, less costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other noninterest expense in the accompanying consolidated statements of income.

Equity Investments

The Corporation measures equity investments, other than investments that qualify for the equity method of accounting, at fair value with changes recognized in net income. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Gains and losses on the sale of equity investments are recorded on the trade date and are determined using the specific identification method. Equity investments are reflected in other assets on the consolidated balance sheets.

The Corporation uses the equity method of accounting for investments in entities in which it has an ownership interest and does not exercise a controlling interest in the operating and financial policies of an investee and for variable interest entities for which it is not considered the primary beneficiary. Under this method, an investment is carried at the acquisition cost, plus the Corporation's equity in undistributed earnings or losses since acquisition. Losses due to impairment are recorded when it is determined that the investment no longer has the ability to recover its carrying amount.

Equity securities without a readily determinable fair value are measured at cost, minus impairment, if any, plus or minus changes resulting from observable price changes for the identical or a similar investment, and are reflected in other assets. If it is determined that a security is impaired, it is written down to its fair value through a charge to current earnings. The Corporation previously owned shares of Class B Common stock issued by Visa, Inc. (Visa B stock). These shares were given to the Corporation at no cost and had restrictions on sales and transfers. As such, these shares had a recorded value of \$0 on the consolidated balance sheets. The Corporation sold half of its Visa B stock in November 2023 at a gain of \$22,562 and the other half in January 2024 at a gain of \$23,918. These were not observable market transactions. The Corporation owned 0 shares at December 31, 2025 and 2024, respectively.

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

Goodwill

Goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value of a reporting unit is less than the carrying amount, including goodwill. If, based on the evaluation, it is determined to be more likely than not that the fair value of a reporting unit is less than the carrying value, then goodwill is tested further for impairment. The quantitative impairment test consists of calculating the fair value of a reporting unit and comparing it to the carrying amount, including goodwill. The goodwill impairment loss, if any, is measured as the amount by which the carrying amount of a reporting unit, including goodwill, exceeds its fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements. During 2024, the Bank wrote off \$100 in goodwill related to the Coppermark Card Services asset purchase in 2014. In relation to the Corporation's agreement to purchase the remaining 50% of The Bank CEO Network for \$4,500, \$4,500 was added to goodwill during 2024. There were no assets or liabilities transferred in this acquisition. During 2025, the Bank did not add to, or write off, any goodwill.

Intangible Assets

Intangible assets with finite lives are amortized using the straight-line basis over periods ranging from three to ten years. Such assets are periodically evaluated for recoverability of their carrying values.

Revenue Recognition

The Corporation's credit card business generates significant fees from its activities. These fees are transaction based and recognized at the point in time that the transactions occur. The business is organized into two segments: Merchant Acquirer and Issuer. The Merchant Acquirer unit provides card network access, payment processing, and related services to merchants. The Issuer unit serves financial institutions, and their referrals, with an assortment of credit card products and services commonly used in the marketplace.

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

Under ASC 606 Revenue from Contracts with Customers, the Corporation reports net revenues when appropriate. Net revenue is gross revenue less network processing fees, association fees, and others charged by the agent networks in fulfilling their electronic payment processing responsibilities. Other revenues and expenses are incurred as principal and those transactions are recorded gross. As of December 31, 2025 and 2024, credit card fee income recorded in the accompanying consolidated statements of income consists of the following:

	Year ended <u>December 31, 2025</u>	Year ended <u>December 31, 2024</u>
Merchant and Issuer Units		
Gross revenues	\$ 63,823	\$ 67,989
Network and other expenses	<u>(25,771)</u>	<u>(27,693)</u>
	<u>\$ 38,052</u>	<u>\$ 40,296</u>

Derivatives

The Corporation's hedging policies permit the use of various derivative financial instruments to manage interest rate risk or to hedge specified assets and liabilities. Derivatives are recognized as assets and liabilities on the consolidated balance sheets and measured at fair value. For exchange-traded contracts, fair value is based on quoted market prices. For nonexchange-traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies or similar techniques for which the determination of fair value may require significant management judgment or estimation. To qualify for hedge accounting, derivatives must be highly effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the derivative contract. A hedge is considered to be highly effective when the change in fair value of the derivative hedging instrument is within 80 percent to 120 percent of the opposite change in the fair value of the hedged item. If derivative instruments are designated as hedges of fair values, both the change in the fair value of the hedges and the hedged items are included in current earnings. Fair value adjustments related to cash flow hedges are recorded in other comprehensive income (loss). During the life of the hedge, the Corporation formally assesses whether derivatives designated as hedging instruments continue to be highly effective in offsetting changes in the fair value or cash flows of hedged items. If it is determined that a hedge has ceased to be highly effective, the Corporation will discontinue hedge accounting prospectively and the derivative instrument is reclassified to a trading position recorded at fair value.

TIB, Inc. and Subsidiaries

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In March 2023, the Corporation adopted ASU 2022-01, *Fair Value Hedging – Portfolio Layer Method* which amends the guidance in ASU 2017-12, expanding it to allow the hedging of multiple layers of a closed portfolio of assets. This ASU was applied to the interest rate swaps entered into during 2023 to hedge the fair value of certain fixed rate loans and available-for-sale securities included in closed portfolios for changes in the Fed Funds Effective Rate as further described in *Note 8 – Derivative Financial Instruments*.

Transactions as Agent

The Corporation acts as an agent in facilitating overnight investment transactions between participating respondent banks and the Federal Reserve System. Transactions with the Federal Reserve System are facilitated via the Excess Balance Account (EBA) pursuant to Regulation D for correspondent banks and similarly purposed institutions. The Corporation acts as intermediary for these transactions but is not otherwise obligated by the transaction. The Corporation's consolidated financial statements do not reflect these transactions except for the fees earned which are reflected in other noninterest income. At December 31, 2025 and 2024, the Corporation was agent for participating respondent banks on EBA funds totaling \$4,168,889 and \$3,830,190, respectively.

Transfers of Financial Assets

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

Income Taxes

Income taxes are accounted for in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period.

The Corporation determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax basis of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

Tax positions are recognized if it is more likely than not, based on the technical merits, the tax position will be realized or sustained upon examination. The term "more likely than not" means a likelihood of over 50 percent; the terms examined and upon examination, also include resolution of the related appeals or litigation processes, if any. A tax position meeting the more-likely-than-not recognition threshold is initially and subsequently measured as the largest tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority with full knowledge of all relevant information. Determining whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment. With a few exceptions, the Corporation is no longer subject to U.S. Federal, state and local tax examinations by tax authorities for years before 2023.

The Corporation recognizes interest and penalties on income taxes as a component of income tax expense.

The Corporation files consolidated income tax returns with its subsidiaries.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes unrealized gains and losses on available-for-sale securities and interest rate cap contracts.

Accounting Standards Updates

ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The amendments in ASU 2023-09, issued in December 2023, require that entities disclose on an annual basis information about the amount of income taxes paid disaggregated by federal, state, and foreign taxes and the amount of income taxes paid disaggregated by individual jurisdictions in which income taxes paid is equal to or greater than 5% of total income taxes paid. The amendments eliminate some of the previous required disclosures for all entities relating to estimates of the change in unrecognized tax benefits reasonably possible within 12 months. This update will be effective for periods beginning after December 15, 2025.

NOTE 2. RESTRICTION ON CASH AND DUE FROM BANKS

In response to COVID-19, the Federal Reserve Bank reduced the reserve requirements to zero on March 15, 2020, where they have since remained. Thus, there were no reserves on deposits with the Federal Reserve Bank at December 31, 2025 and 2024.

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

NOTE 3. SECURITIES

The amortized cost and approximate fair values, with gross unrealized gains and losses, of available-for-sale securities are as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
December 31, 2025				
Mortgage-backed U.S Government sponsored enterprises (GSEs) - residential	\$ 119,430	\$ 2,057	\$ 8,342	\$ 113,145
Mortgage-backed U.S Government sponsored enterprises (GSEs) - REMIC	<u>24,220</u>	<u>22</u>	<u>66</u>	<u>24,176</u>
	<u>\$ 143,650</u>	<u>\$ 2,079</u>	<u>\$ 8,408</u>	<u>\$ 137,321</u>
December 31, 2024				
Mortgage-backed U.S Government sponsored enterprises (GSEs) - residential	\$ 140,900	\$ 1,039	\$ 12,520	\$ 129,419
Mortgage-backed U.S Government sponsored enterprises (GSEs) - REMIC	<u>4,859</u>	<u>-</u>	<u>136</u>	<u>4,723</u>
	<u>\$ 145,759</u>	<u>\$ 1,039</u>	<u>\$ 12,656</u>	<u>\$ 134,142</u>

Mortgage-backed securities owned by the Corporation are backed by pools of residential mortgages insured or guaranteed by the Federal Home Loan Mortgage Corporation (FHLMC), the Government National Mortgage Corporation (GNMA) or the Federal National Mortgage Corporation (FNMA). Mortgage-backed securities are not due at a single due date.

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

Securities with estimated fair values of \$137,321 and \$134,142 at December 31, 2025 and 2024, respectively, were pledged to secure securities sold under agreements to repurchase or lines of credit as permitted by law.

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Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

During 2025 and 2024, \$0 and \$209,368 in available-for-sale securities were sold for a gross loss of \$0 and \$17,476, respectively, which is reflected in noninterest income on the consolidated statements of income.

This table shows available-for-sale securities with unrealized losses not deemed credit impaired, segregated by investment class and time in a continuous unrealized loss position at December 31, 2025 and 2024.

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2025						
Mortgage-backed securities						
U.S. GSEs - residential	\$ -	\$ -	\$ 55,120	\$ 8,342	\$ 55,120	\$ 8,342
Mortgage-backed securities						
U.S. GSEs - REMIC	\$ -	\$ -	\$ 4,326	\$ 66	\$ 4,326	\$ 66

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2024						
Mortgage-backed securities						
U.S. GSEs - residential	\$ -	\$ -	\$ 57,627	\$ 12,520	\$ 57,627	\$ 12,520
Mortgage-backed securities						
U.S. GSEs - REMIC	\$ 4,723	\$ 136	\$ -	\$ -	\$ 4,723	\$ 136

The Corporation had 9 securities in a loss position at both December 31, 2025 and 2024, respectively. For both 2025 and 2024, the unrealized losses on the Corporation's investment in residential and commercial mortgage-backed securities were caused by changes in interest rates. These securities are all issued by U.S. government-sponsored enterprises. Because the decline in fair value is attributable to changes in interest rates and not credit quality, and because the Corporation does not intend to sell the investments and it is not more likely than not the Corporation will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Corporation does not consider those investments to be credit impaired at December 31, 2025 and 2024.

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

NOTE 4. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

Management enters into purchases of securities under agreements to resell substantially identical securities in the normal course of business.

The amounts advanced under these agreements are recorded as assets in the consolidated balance sheets. The securities used in the transaction are taken into possession in book entry form under a custodial agreement. These agreements specify management's right to request additional collateral, based on its monitoring of the fair value of the underlying securities. There were no resell agreements outstanding at December 31, 2025 or December 31, 2024. The maximum and minimum amounts of outstanding resell agreements during 2025 were \$357,805 and \$0, respectively. The interest rate on these agreements is based on the federal funds rate and ranged from 4.70% to 5.45% in 2025.

NOTE 5. LOANS AND ALLOWANCE FOR CREDIT LOSS

Classes of loans at December 31, 2025 and 2024 include:

	<u>2025</u>	<u>2024</u>
Correspondent loans		
Bank stock	\$ 349,745	\$ 376,314
Real estate	315,690	331,793
Mortgage warehouse	114,485	128,151
Commercial and industrial	113,578	112,114
Other	<u>437</u>	<u>23</u>
	893,935	948,395
Reverse mortgage	435,385	346,602
Municipal	288,058	336,775
Credit card	161,246	157,715
Mortgage	<u>11,365</u>	<u>12,016</u>
Gross loans	1,789,989	1,801,503
Unallocated portfolio layer fair value		
hedge basis adjustment	95	868
Less allowance for credit losses	<u>(25,194)</u>	<u>(23,190)</u>
Net loans	<u>\$ 1,764,890</u>	<u>\$ 1,779,181</u>

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

The following table presents the balances and activity related to the allowance for credit losses for the years ended December 31, 2025 and 2024 under the CECL methodology including the reserve for unfunded commitments.

	2025							Total
	Bank Stock	Real Estate	Other Correspondent	Municipal	Mortgage	Credit Card	Reverse Mortgage	
Allowance for credit losses								
Balance, beginning of year	\$ 9,123	\$ 6,057	\$ 2,248	\$ 354	\$ 328	\$ 2,674	\$ 2,406	\$ 23,190
Provision charged to expense	(553)	2,561	68	(58)	(83)	2,829	644	5,408
Losses charged off	-	(541)	-	-	(59)	(3,190)	-	(3,790)
Recoveries	-	-	-	-	-	386	-	386
Balance, end of year	<u>\$ 8,570</u>	<u>\$ 8,077</u>	<u>\$ 2,316</u>	<u>\$ 296</u>	<u>\$ 186</u>	<u>\$ 2,699</u>	<u>\$ 3,050</u>	<u>\$ 25,194</u>
Allowance for unfunded commitments								
Balance, beginning of year	\$ 5	\$ 2,571	\$ 54	\$ -	\$ -	\$ -	\$ 148	\$ 2,778
Provision charged to expense	(5)	(219)	4	-	-	-	(43)	(263)
Balance, end of year	<u>\$ -</u>	<u>\$ 2,352</u>	<u>\$ 58</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105</u>	<u>\$ 2,515</u>

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

	2024							
	Bank Stock	Real Estate	Other Correspondent	Municipal	Mortgage	Credit Card	Reverse Mortgage	Total
Allowance for credit losses								
Balance, beginning of year	\$ 9,140	\$ 7,199	\$ 1,948	\$ 400	\$ 175	\$ 2,636	\$ 1,802	\$ 23,300
Provision charged to expense	(17)	(1,142)	300	(46)	153	2,616	604	2,468
Losses charged off	-	-	-	-	-	(2,856)	-	(2,856)
Recoveries	-	-	-	-	-	278	-	278
Balance, end of year	<u>\$ 9,123</u>	<u>\$ 6,057</u>	<u>\$ 2,248</u>	<u>\$ 354</u>	<u>\$ 328</u>	<u>\$ 2,674</u>	<u>\$ 2,406</u>	<u>\$ 23,190</u>
Allowance for unfunded commitments								
Balance, beginning of year	\$ 5	\$ 3,491	\$ 148	\$ -	\$ -	\$ -	\$ 170	\$ 3,814
Provision charged to expense	-	(920)	(94)	-	-	-	(22)	(1,036)
Balance, end of year	<u>\$ 5</u>	<u>\$ 2,571</u>	<u>\$ 54</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148</u>	<u>\$ 2,778</u>

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Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

Internal Risk Categories

Loan grades are numbered 1 through 9. Grades 1 through 5 are satisfactory grades. The grade of 6, or Special Mention, represents loans of lower quality and is criticized. The grades of 7, or Substandard, and 8, or Doubtful, refer to classified assets. The grade of 9, or Loss, refers to loans considered uncollectible. The use and application of these grades by the Bank will be uniform and shall conform to the Bank's policy.

- **Grade 1** – A SUPERIOR graded asset is secured by highly liquid collateral. If a loan is secured by marketable securities, it should be adequately margined. This loan grade includes Municipal Loans with the guaranty of the Permanent School Fund. A Superior asset should have no documentation deficiencies and minimal servicing issues.
- **Grade 2** – A STRONG graded asset is a secured loan with some form of credit enhancement, other than liquid collateral, adequately margined. This grade will typically apply to loans made to municipalities backed by the local taxing authority where law requires taxes to be sufficient to cover the debt obligation (i.e., General Obligations or Certificates of Obligations). Loans could be secured by marketable securities but have margins lower than those in the Superior category. Loans or revolving lines of credit made to finance mortgage warehouse banking activities secured by mortgage notes, further secured by deeds of trusts, having liquid collateral able to be sold in the secondary market may also be a Strong asset. A Strong asset should have no documentation deficiencies and minimal servicing issues.
- **Grade 3** – A GOOD graded asset is based on an individual's or a company's financial capacity and/or secured by collateral where there is no impairment to liquidation. A Good asset may have some vulnerability to changing economic or industry conditions but is a satisfactory risk. Loans to municipalities backed by project revenues could be in this loan grade. Leveraged loans may also fall into this category.
- **Grade 4** – A SATISFACTORY/ACCEPTABLE graded asset is based on an individual's or a company's financial capacity and/or secured by collateral where there is no impairment to liquidation. A Satisfactory asset may have some deficiency or vulnerability above the norm, based on adverse economic trends and/or industry conditions but is an acceptable risk with the vulnerability noted. Borrowers typically have acceptable, but minimum debt service coverage ratios.

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- **Grade 5** – A PASS/NEEDS ATTENTION graded asset is used to identify loans which may have one or more of these characteristics: collateral documentation deficiencies, marginal collateral support, weak or unsupported collateral valuations, lack current or complete financial data and/or analysis, need additional monitoring, recent changes in management or operations, terms beyond policy guidelines, variations in balance sheet or cash flow/operating components or trends from prior periods or forecasts, past credit problems, high leverage, or untested performance under repayment terms, among others. This loan grade may include loan participations with a financially weak selling bank or a selling bank lacking the knowledge or expertise to lead the credit.
- **Grade 6** – A SPECIAL MENTION graded asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may cause deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special Mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.
- **Grade 7** – A SUBSTANDARD graded asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses jeopardizing the liquidation of the debt. They are characterized by the possibility that some loss will occur, if the deficiencies are not corrected.
- **Grade 8** – A DOUBTFUL graded asset has all the weaknesses inherent in a substandard loan with the added factor that the weaknesses are pronounced to a point where on the basis of current information and values, collection or liquidation in full is highly improbable. The length of time an asset may be classified Doubtful is a matter of judgment.
- **Grade 9** – Assets classified LOSS are uncollectible and of such little value their continuance as active assets is not warranted. This classification does not necessarily indicate the asset has absolutely no recovery or salvage value, but rather its recovery may be prolonged or not expected. Assets classified Loss are promptly charged off.

Loan Origination Risk Management

Lending policies are designed to maximize loan income within an acceptable level of risk. A reporting system supplements the review process by providing management with frequent reports on credit production, credit quality, credit concentrations, credit delinquencies, and nonperforming and potential problem credits. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

Loans are generally in five primary categories: correspondent, reverse mortgage, credit cards, mortgage origination and municipal.

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Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

Correspondent. Correspondent lending includes bank stock, real estate, commercial and industrial, mortgage warehouse lines, and other credit types. Correspondent loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral. Underwriting procedures are designed to evaluate past, current and projected cash flows to determine the ability of the borrower to repay obligations as agreed and assess the borrower's ethics and business acumen. Most correspondent loans are secured by the assets being financed or other business assets. However, some short-term loans may be unsecured.

Bank stock loans are generally made to bank holding companies, control groups or individuals. Loans to holding companies and control groups are generally for the bank capitalization, bank/branch purchases or liquidity. These loans are generally secured by a majority of the outstanding stock of the bank unless underwriting determines the borrower warrants unsecured debt. Loans are also made to individuals secured by minority interest bank stock. There is value in this underlying collateral, but emphasis is given to the overall creditworthiness of the borrower. Specific minimum guidelines are considered for both secured and unsecured obligations.

Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate depends largely on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Corporation's commercial real estate portfolio are diverse in terms of type and geographic location. This diversity can help reduce the Corporation's exposure to adverse economic events that affect any single market or industry. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. Within the category of commercial real estate, the volume of construction and development loans is insignificant. As a general rule, the Corporation avoids financing single-purpose projects unless other underwriting factors are present to help mitigate risk. The level of commercial real estate is monitored consistent with regulatory guidelines with levels substantially below those guidelines. Changes in real property values may affect the collectability of these loans, and the condition of the collateral if foreclosed.

Mortgage warehouse borrowers generally have higher leverage and lower liquidity in relation to monthly operating expenses. Management underwrites these loans on the borrower's financial capacity to service debt requirements, quality of the collateral portfolio, and short-term nature of the participation interest in each of the residential mortgage loans secured by one-to-four family residences before they are sold into the secondary market. Fraud risk is mitigated by a fraud insurance policy. Management collaborates with experienced servicers in the mortgage warehouse lending industry to purchase participation interests in mortgages.

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Reverse Mortgage. Loans are on one-to-four family real estate and are made to individuals or their trusts. The loans are structured as lines of credit, lump sum, or term loans. The portfolio is 100% purchased (not originated by the Bank). The loans are secured by first liens and are geographically diverse. The repayment of the loan is dependent on the sale of the underlying collateral or refinance. Changes in the real property values may affect the collectability of these loans, and the condition of the collateral if foreclosed.

Credit Cards. The credit card portfolio comprises unsecured consumer and business receivables which are referrals from respondent banks. Management has marketing agreements with respondent banks to offer the Corporation's card products for a fee. The employment status of borrowers is a key risk factor affecting the collectability of these consumer receivables.

Mortgage Origination. The majority of the residential one-to-four family real estate mortgage loans are underwritten utilizing agency guidelines and booked to sell into the secondary market. Risks on these loans are limited to early payment default and breaches of representations and warranties. A few loans are held to maturity and are accommodations for Bank officers and directors. Repayment of these loans depends primarily on the personal income and credit rating of the borrowers. Economic conditions within certain market areas could affect property values or personal income.

Municipal Loans. Loans are made to tax-exempt municipal entities. These entities will primarily be governmental entities such as cities, counties, school districts and economic development authorities, but may also include hospital districts, utility districts, universities, colleges and private schools. These loans are General Obligations, Revenue Bonds, or Permanent School Fund guaranteed loans. The taxing authority of the municipalities primarily protects these loans, although declines in property values or usage affect collectability.

Loan Review

TIB Consulting Solutions, a consulting division of the Bank, periodically assesses credit quality and the risk identification program established by management. Results are presented to management and the Board of Directors.

Concentrations of Credit

The Corporation lends nationwide and evaluates each credit on whether or not it meets the terms of the lending policy regardless of location.

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Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

The following table presents the credit risk profile of the loan portfolio using the Corporation's internal rating system as of December 31, 2025 and 2024.

	2025							Total
	Bank Stock	Real Estate	Other Correspondent	Municipal	Mortgage	Credit Card	Reverse Mortgage	
Grade:								
Pass (1-6)	\$ 349,745	\$ 300,019	\$ 228,500	\$ 286,538	\$ 11,093	\$ 160,308	\$ 432,254	\$ 1,768,457
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	15,671	-	1,520	272	938	3,131	21,532
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	<u>\$ 349,745</u>	<u>\$ 315,690</u>	<u>\$ 228,500</u>	<u>\$ 288,058</u>	<u>\$ 11,365</u>	<u>\$ 161,246</u>	<u>\$ 435,385</u>	<u>\$ 1,789,989</u>
	2024							Total
	Bank Stock	Real Estate	Other Correspondent	Municipal	Mortgage	Credit Card	Reverse Mortgage	
Grade:								
Pass (1-6)	\$ 376,314	\$ 300,029	\$ 240,288	\$ 335,330	\$ 11,980	\$ 156,980	\$ 345,206	\$ 1,766,127
Special Mention	-	5,156	-	-	-	-	-	5,156
Substandard	-	26,608	-	1,445	36	567	1,396	30,052
Doubtful	-	-	-	-	-	168	-	168
Loss	-	-	-	-	-	-	-	-
Total	<u>\$ 376,314</u>	<u>\$ 331,793</u>	<u>\$ 240,288</u>	<u>\$ 336,775</u>	<u>\$ 12,016</u>	<u>\$ 157,715</u>	<u>\$ 346,602</u>	<u>\$ 1,801,503</u>

The Corporation evaluates the loan risk grading system definitions and allowance for credit loss methodology on an ongoing basis.

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Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

The following tables present the Corporation's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2025 and 2024:

2025							
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days and Accruing	Total Past Due	Nonaccrual	Current	Total Loans
Correspondent loans:							
Bank stock	\$ -	\$ -	\$ 30	\$ 30	\$ -	\$ 349,715	\$ 349,745
Real estate	-	-	-	-	13,962	301,728	315,690
Mortgage							
warehouse	-	-	-	-	-	114,485	114,485
Commercial and							
industrial	-	-	-	-	-	113,578	113,578
Other	-	-	-	-	-	437	437
Reverse Mortgage	-	-	-	-	1,344	434,041	435,385
Municipal	-	-	-	-	-	288,058	288,058
Credit card	1,065	550	388	2,003	-	159,243	161,246
Mortgage	24	32	-	56	240	11,069	11,365
Total	\$ 1,089	\$ 582	\$ 418	\$ 2,089	\$ 15,546	\$ 1,772,354	\$ 1,789,989

2024							
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days and Accruing	Total Past Due	Nonaccrual	Current	Total Loans
Correspondent loans:							
Bank stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 376,314	\$ 376,314
Real estate	4,426	-	-	4,426	5,195	322,172	331,793
Mortgage							
warehouse	-	-	-	-	-	128,151	128,151
Commercial and							
industrial	-	-	-	-	-	112,114	112,114
Other	-	-	-	-	-	23	23
Reverse Mortgage	-	-	-	-	-	346,602	346,602
Municipal	-	-	-	-	-	336,775	336,775
Credit card	756	293	442	1,491	-	156,224	157,715
Mortgage	457	-	-	457	-	11,559	12,016
Total	\$ 5,639	\$ 293	\$ 442	\$ 6,374	\$ 5,195	\$ 1,789,934	\$ 1,801,503

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Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

The following table presents the Corporation's nonaccrual loans at December 31, 2025 and 2024.

	2025		
	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
Real estate	\$ 3,185	\$ 10,777	\$ 13,962
Reverse mortgage	-	1,344	1,344
Mortgage	-	240	240
Total	<u>\$ 3,185</u>	<u>\$ 12,361</u>	<u>\$ 15,546</u>
	2024		
	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
Real estate	\$ 5,195	-	\$ 5,195
Total	<u>\$ 5,195</u>	<u>\$ -</u>	<u>\$ 5,195</u>

The following table presents the amortized cost basis of collateral-dependent loans at December 31, 2025 and 2024

	2025	2024
	Real estate	\$ 13,962
Reverse mortgage	3,131	1,396
Municipal	1,519	-
Mortgage	240	-
Total	<u>\$ 18,852</u>	<u>\$ 11,747</u>

The mortgage and reverse mortgage loans noted above are secured by single family residential properties, the real estate loans are secured by multifamily residential properties and the municipal loan is secured by general obligation bonds.

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Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

NOTE 6. FORECLOSED ASSETS HELD FOR SALE

Activity applicable to foreclosed assets held for sale during 2025 and 2024 includes the following:

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ -	\$ -
Loans transferred to foreclosed assets	7,742	-
Direct write downs	(601)	-
Sales of foreclosed assets	6,382	-
	<u>\$ 759</u>	<u>\$ -</u>

NOTE 7. PREMISES AND EQUIPMENT

Major classifications of premises and equipment, stated at cost, are as follows:

	<u>2025</u>	<u>2024</u>
Land	\$ 2,480	\$ 2,480
Buildings and improvements	25,748	23,554
Furniture and equipment	10,394	9,992
Leasehold improvements	<u>295</u>	<u>295</u>
	38,917	36,321
Less accumulated depreciation	<u>20,173</u>	<u>19,007</u>
Net premises and equipment	<u>\$ 18,744</u>	<u>\$ 17,314</u>

Depreciation expense of \$1,738 and \$1,504 is included in noninterest expense in the accompanying consolidated statements of income for the years ended December 31, 2025 and 2024, respectively.

NOTE 8. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Corporation may use various derivative financial instruments to manage its interest rate and market risks. These instruments have varying degrees of credit, interest rate and market or liquidity risks. Derivative instruments are recognized as either assets or liabilities in the Corporation's accompanying consolidated financial statements and are measured at fair value.

TIB, Inc. and Subsidiaries

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Cash Flow Hedge

In August 2025, as part of its interest rate risk management strategy, the Bank entered into an interest rate cap contract. Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium. During 2025, such derivatives were used to hedge the variable cash flows associated with existing variable-rate deposits.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in accumulated other comprehensive income and subsequently reclassified into interest expense in the same period(s) during which the hedged transaction affects earnings. Gains and losses on the derivative representing hedge components excluded from the assessment of effectiveness are recognized over the life of the hedge on a systematic and rational basis. The earnings recognition of excluded components is presented in interest expense in the accompanying consolidated statements of income. During the next 12 months, the Company estimates that an additional \$20 will be reclassified as an increase to interest expense.

The cap contract at December 31, 2025 and 2024 is summarized below:

Effective Date	Maturity Date	Rate Cap Strike	Variable Rate	Notional Amount	Fair Value	
					2025	2024
August 26, 2025	August 26, 2028	4.500%	Fed Funds Overnight Index Swap	25,000	\$ 37	\$ -
					\$ 37	\$ -

An asset of \$37 and \$0 is included in other assets in the accompanying consolidated balance sheets at December 31, 2025 and 2024, respectively.

Gains (losses) on cash flow hedging relationships included in interest expense are summarized as follows:

	2025	2024
Amount of gain or (loss) reclassified from accumulated other comprehensive income into interest expense	\$ (7)	\$ -
	\$ (7)	\$ -

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Fair Value Hedge

During 2023, the Bank entered into three pay-fixed, receive-floating interest rate swap contracts to manage exposure to changes in fair value on certain fixed rate assets in closed portfolios due to changes in benchmark interest rates. The swaps are designated as hedging instruments under the portfolio layer method as described in ASC 815. Under this method, the hedged items are designated as hedged layers of closed portfolios of assets that are anticipated to remain outstanding for the designated hedged periods. Adjustments will be made to record the hedged assets at fair value on the balance sheet, with changes in fair value recognized in interest income. Changes in fair value of the hedging instruments, gains and (losses), will also be recognized in interest income. In November 2023, the Bank decided to terminate two of the swap contracts early. The terminated swap contracts both had maturity dates of March 9, 2028 and fixed rates of 3.907%.

The swap contract at December 31, 2025 and 2024 is summarized as follows:

Effective Date	Maturity Date	Fixed Rate	Variable Rate	Notional Amount	Fair Value	
					2025	2024
March 2, 2023	March 2, 2026	4.500%	Fed Funds Effective Rate	250,000	\$ (544)	\$ (1,267)
					\$ (544)	\$ (1,267)

A liability of \$544 and \$1,267 is included in derivative liabilities in the accompanying consolidated balance sheets at December 31, 2025 and 2024, respectively.

As of December 31, 2025 and 2024, the following amounts were recorded on the consolidated balance sheets related to cumulative basis adjustments for fair value hedges on fixed rate loans. The table below does not include (\$264) and (\$381) of hedging adjustments for discontinued hedging relationships on AFS securities for the years ended December 31, 2025 and 2024, respectively.

	Notional Amount		Cumulative Amount of Basis Adjustments		Carrying Amount of the Hedged Assets	
	2025	2024	2025	2024	2025	2024
	Fixed Rate Loans (1)	\$ 250,000	\$ 250,000	\$ 95	\$ 868	\$ 250,095
	\$ 250,000	\$ 250,000	\$ 95	\$ 868	\$ 250,095	\$ 250,868

(1) At December 31, 2025 and 2024, the amortized cost basis of the closed portfolio used in this hedging relationship was \$481,549 and \$594,452, respectively.

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Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

Gains (losses) on fair value of the hedged assets and hedging instruments included in interest income are summarized as follows:

	<u>2025</u>	<u>2024</u>
Hedged Assets	\$ (890)	\$ (1,995)
Hedging Instruments	<u>150</u>	<u>3,614</u>
	<u>\$ (740)</u>	<u>\$ 1,619</u>

Swap Collateral

There was \$600 and \$1,500 in interest bearing balances due from banks pledged as collateral related to swap contracts at December 31, 2025 and 2024, respectively.

NOTE 9. EQUITY METHOD INVESTMENTS

The Corporation's investments in entities accounted for under the equity method of accounting and recorded in other assets on the consolidated balance sheets at December 31, 2025 and 2024 were as follows:

<u>Entity</u>	<u>Percentage and Type of Interest</u>	<u>Amount of Investment</u>	
		<u>2025</u>	<u>2024</u>
IBC Management, LLC	20% Member	\$ 17	\$ 30
Independent Bankers Capital Fund II, L.P.	21.83% Limited Partner	-	2
IBC II, LLC	28% Member	-	10
Independent Bankers Capital Fund III, L.P.	14.92% Limited Partner	2,139	2,541
IBC III, LLC	25% Member	120	152
TIB Financial Group, LLC	49.9% Owner	<u>(229)</u>	<u>(229)</u>
Total equity method investments		<u>\$ 2,047</u>	<u>\$ 2,506</u>

For the investments in the entities above, summarized financial information for the combined group includes total assets of \$27,203 and \$18,023 and total liabilities of \$32 and \$66 as of December 31, 2025 and 2024, respectively. Net income (loss) for the combined group of entities was (\$13,026) and (\$2,793) for the years ended December 31, 2025 and 2024, respectively.

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

NOTE 10. OTHER INTANGIBLE ASSETS

Other intangible assets are included with other assets in the accompanying consolidated balance sheets. The carrying basis and accumulated amortization of recognized intangible assets at December 31, 2025 and 2024, were:

	<u>2025</u>		<u>2024</u>	
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Purchased Credit Card Portfolio Premiums	<u>\$ 1,424</u>	<u>\$ (254)</u>	<u>\$ 491</u>	<u>\$ (408)</u>

Amortization expense for the years ended December 31, 2025 and 2024, was \$243 and \$108, respectively, and is included in other noninterest expense in the accompanying consolidated statements of income. Estimated amortization expense for each of the next five years is:

2026	\$ 281
2027	273
2028	267
2029	265
2030	<u>84</u>
	<u>\$ 1,170</u>

NOTE 11. LOAN SERVICING

Loans serviced for others are not included in the consolidated balance sheets. The risks inherent in mortgage servicing assets relate primarily to changes in prepayments that result from shifts in mortgage interest rates. The unpaid principal balances of mortgage and other loans serviced for others were \$83,490 and \$95,373 at December 31, 2025 and 2024, respectively.

NOTE 12. TIME DEPOSITS

The Bank had no time deposits in denominations of \$250 or more on the consolidated balance sheets at December 31, 2025 and 2024.

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

NOTE 13. BORROWINGS

Short-term borrowings included the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Federal funds purchased and agreements to repurchase	\$ 91,343	\$ 122,460
Advances on Secured Line of Credit	-	6,000
Total	<u>\$ 91,343</u>	<u>\$ 128,460</u>

At December 31, 2025 and 2024, the Bank had a primary credit line with the Federal Reserve Bank of Dallas for \$1,118,809 and \$1,041,301, respectively, secured by loans and marketable securities. There was \$0 outstanding on this credit line at December 31, 2025 and 2024. The maximum and minimum amounts of FRB advances outstanding during 2025 were \$55,000 and \$0, respectively. The interest rate on these advances was 4.50%. These advances all matured within one day after funding.

The Corporation has a \$15,000 line of credit with a third-party financial institution of which a member of the Corporation's Board of Directors is the Vice Chairman and CEO. The line of credit accrues interest at the Wall Street Journal prime interest rate, adjustable daily, and is secured by common stock of the Bank. Interest is due quarterly and any outstanding principal is due at maturity. The line of credit matured on June 30, 2025 and was renewed for 2 years with a new maturity date of June 30, 2027. The Corporation had outstanding advances of \$6,000 at December 31, 2024, this advance was repaid in January 2025.

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NOTE 14. INCOME TAXES

The Corporation or one of its subsidiaries files income tax returns in the U.S. Federal jurisdiction and various states' jurisdictions.

The provision for income taxes includes these components:

	<u>2025</u>	<u>2024</u>
Taxes currently payable	\$ 8,424	\$ 1,788
Deferred income taxes - current	<u>(325)</u>	<u>6,022</u>
Income tax expense	<u>\$ 8,099</u>	<u>\$ 7,810</u>

A reconciliation of income tax expense at the statutory rate to the Corporation's actual income tax expense is as follows:

	<u>2025</u>	<u>2024</u>
Computed at the statutory rate	\$ 9,851	\$ 9,626
Increase (decrease) resulting from		
Tax-exempt interest	(1,541)	(1,780)
Nondeductible expenses	163	295
Goodwill write off	-	21
Increase in cash value of life insurance	<u>(374)</u>	<u>(352)</u>
Actual tax expense	<u>\$ 8,099</u>	<u>\$ 7,810</u>

Deferred assets as of December 31, 2025 and 2024 are based on the enacted U.S. statutory federal income tax rate of 21%. The tax effects of temporary differences related to deferred taxes on the consolidated balance sheets are presented in the table below.

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Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

	<u>2025</u>	<u>2024</u>
Deferred tax assets		
Allowance for credit losses	\$ 5,704	\$ 5,339
Unrealized losses on available-for-sale securities	1,329	2,440
Premises and equipment	-	34
Interest rate swap derivatives	80	265
Accrued expenses and other liabilities	<u>2,209</u>	<u>2,124</u>
Total deferred tax assets	<u>9,322</u>	<u>10,202</u>
Deferred tax liabilities		
Credit card premiums and intangibles	939	898
Premises and equipment	349	-
Interest rate cap derivatives	8	-
Other	<u>44</u>	<u>536</u>
Total deferred tax liabilities	<u>1,340</u>	<u>1,434</u>
Net deferred tax assets	<u>\$ 7,982</u>	<u>\$ 8,768</u>

NOTE 15. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income, included in shareholders' equity are as follows:

	<u>2025</u>	<u>2024</u>
Net unrealized losses on available-for-sale securities	\$ (6,329)	\$ (11,618)
Cash flow hedges	(17)	-
Tax effect	<u>1,334</u>	<u>2,440</u>
Net-of-tax amount	<u>\$ (5,012)</u>	<u>\$ (9,178)</u>

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Amounts reclassified from accumulated other comprehensive income (AOCI) and the affected line items in the consolidated statements of income during the years ended December 31, 2025 and 2024, were as follows:

	Amounts Reclassified from AOCI		Affected Line Item in the Statements of Income
	2025	2024	
Losses on cash flow hedges			
Interest rate contracts	\$ 7	\$ -	Interest expense
Tax Effect	1	-	Tax (expense) benefit
Realized losses on sales			
of available-for-sale securities	\$ -	\$ 17,476	Loss on sale of available-for-sale securities
Tax Effect	-	3,670	Provision for income taxes
Net reclassification out of AOCI	<u>\$ 6</u>	<u>\$ 13,806</u>	

NOTE 16. SHAREHOLDERS' EQUITY

The Corporation has 5,000,000 common, 2,000,000 convertible redeemable Class B common and 1,000,000 preferred shares authorized. Its capital stock is not quoted or traded on a recognized stock exchange and holders do not have preemptive rights. The Corporation has no convertible redeemable Class B common or preferred shares outstanding as of December 31, 2025 and 2024. Treasury shares consist of 31,189 as of December 31, 2025 and 2024, respectively.

NOTE 17. REGULATORY MATTERS

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

The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. Banks (Basel III rules) became effective for the Corporation on January 1, 2015 with full compliance with all requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019.

The Bank was subject to the minimum capital ratios in the Basel III capital framework effective January 1, 2015. Basel III mandates minimum capital ratios plus a phased in Capital Conservation Buffer of 2.5% to be achieved by January 1, 2019. The buffer serves as additional capital protection to weather periods of economic stress. Banking organizations with a buffer greater than 2.5% are not subject to limits on distributions or payments; however, an organization with a buffer of less than 2.5% is subject to increasingly stringent limitations as the

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buffer approaches zero. At December 31, 2025 and 2024, the capital buffer was greater than 2.50%, and is included in the 2025 and 2024 minimum capital requirements relative to risk-weighted assets in the tables on the following page. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital.

Management believes as of December 31, 2025, the Bank meets all capital adequacy requirements to which it is subject. At year-end 2025 and 2024, the most recent regulatory notifications categorized the Bank as “well capitalized” pursuant to prompt corrective action framework. There are no conditions or events since last notification to suggest the Bank’s category has changed.

The Bank’s actual capital amounts and ratios are presented in the following tables:

	Actual		Minimum Capital Requirement Basel III Schedule		Minimum to Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2025						
Tier I capital to average assets	\$ 415,898	12.56%	\$ 132,468	4.00%	\$ 165,585	5.00%
Common Equity Tier I capital to risk-weighted assets	\$ 415,898	19.74%	\$ 147,459	7.00%	\$ 136,926	6.50%
Tier I capital to risk-weighted assets	\$ 415,898	19.74%	\$ 179,057	8.50%	\$ 168,524	8.00%
Total capital to risk-weighted assets	\$ 442,246	20.99%	\$ 221,188	10.50%	\$ 210,655	10.00%
As of December 31, 2024						
Tier I capital to average assets	\$ 390,344	12.28%	\$ 127,110	4.00%	\$ 158,887	5.00%
Common Equity Tier I capital to risk-weighted assets	\$ 390,344	17.02%	\$ 160,577	7.00%	\$ 149,107	6.50%
Tier I capital to risk-weighted assets	\$ 390,344	17.02%	\$ 194,987	8.50%	\$ 183,517	8.00%
Total capital to risk-weighted assets	\$ 416,312	18.15%	\$ 240,866	10.50%	\$ 229,396	10.00%

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NOTE 18. RELATED-PARTY TRANSACTIONS

At December 31, 2025 and 2024, the Corporation had loans outstanding to executive officers, directors, significant shareholders and their affiliates (related parties) of \$9,131 and \$155, respectively.

Annual activity consisted of the following:

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 155	\$ 2,181
New loans	12,046	44
Repayments	<u>(3,070)</u>	<u>(2,070)</u>
Ending balance	<u>\$ 9,131</u>	<u>\$ 155</u>

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

Deposits from related parties held by the Bank at December 31, 2025 and 2024, totaled \$63,081 and \$40,305, respectively.

As discussed in Note 13, at December 31, 2025 and 2024, the Corporation had a secured line of credit from a third-party financial institution of which a member of the Corporation's board of directors is the Vice Chairman and CEO. The balance on this line of credit at December 31, 2025 and 2024 was \$0 and \$6,000, respectively.

NOTE 19. EMPLOYEE BENEFITS

The Corporation maintains a 401K savings plan for employees. Employees are eligible to participate immediately upon hire subject to the next enrollment date. The Corporation may contribute a maximum of 5 percent of the employee's annual compensation. Both employer and employee contributions to the savings plan vest immediately. The Corporation's contributions were \$1,123 and \$1,086 in 2025 and 2024, respectively, and are included in salaries and employee benefits in the accompanying consolidated statements of income.

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Nonqualified deferred compensation plans provide death and retirement benefits to certain officers. These plans were terminated in November 2023 and contributions to the plans were ceased at that time. Final liquidation of the nonqualified deferred compensation plans began in November 2024 and was completed in 2025. Deferred compensation payable totaled \$0 and \$515 at December 31, 2025 and 2024, respectively. The Corporation purchased life insurance policies to fund future plan obligations which it has retained. These policies had an aggregate cash surrender value of \$72,101 and \$70,320 at December 31, 2025 and 2024, respectively.

	<u>2025</u>	<u>2024</u>
SAR awards outstanding, beginning of year	140,673	127,813
Redeemed	(21,330)	(13,900)
Forfeited	(2,700)	(1,270)
Granted	<u>5,850</u>	<u>28,030</u>
SAR awards outstanding, end of year	<u>122,493</u>	<u>140,673</u>

The number of shares of SAR awards granted in 2025 and 2024 was 5,850 and 28,030, respectively. The value of SAR awards vested totaled \$2,744 and \$2,546 in 2025 and 2024, respectively. The value of SAR awards redeemed totaled \$2,368 and \$1,702 in 2025 and 2024, respectively. The tax benefit recognized was \$497 and \$358, respectively, in 2025 and 2024.

Compensation expense for stock appreciation rights is accrued over the vesting period of the award. Accrued compensation payable under the plans totaled \$9,589 and \$8,986 at December 31, 2025 and 2024, respectively, and is included in interest payable and other liabilities in the accompanying consolidated balance sheets. Compensation expense recognized under the plans totaled \$3,500 and \$3,800 in 2025 and 2024, respectively.

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NOTE 20. LEASES

The Corporation has non-cancelable operating leases for certain property with payment terms up to 60 months. All leases will mature by the end of 2029. The lease payments are charged to expense over the lease term as it becomes payable. Rental expense for these leases was \$459 and \$425 for the years ended December 31, 2025 and 2024, respectively. At December 31, 2025, the lease payments for operating leases with initial terms of greater than 12 months are as follows:

	Operating Leases
2026	\$ 180
2027	417
2028	367
2029	317
2030	-
	<hr/>
Total minimum lease payments	<u>\$ 1,281</u>

NOTE 21. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. A hierarchy of three levels of inputs may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities that the Corporation can access at the measurement date.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

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Recurring Measurements

The table below presents the fair value measurements of assets and liabilities recognized in the Corporation's consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2025 and 2024.

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2025:				
Available-for-sale securities				
U.S. GSEs - residential	\$ 113,145	\$ -	\$ 113,145	\$ -
U.S. GSEs - commercial	-	-	-	-
U.S. GSEs - REMIC	24,176	-	24,176	-
Derivative assets	37	-	37	-
Derivative liabilities	544	-	544	-
Funds measured at NAV				
Private equity funds	9,686	-	-	-
December 31, 2024:				
Available-for-sale securities				
U.S. GSEs - residential	\$ 129,419	\$ -	\$ 129,419	\$ -
U.S. GSEs - commercial	-	-	-	-
U.S. GSEs - REMIC	4,723	-	4,723	-
Derivative liabilities	1,267	-	1,267	-
Funds measured at NAV				
Private equity funds	7,757	-	-	-

The Corporation's participation in private equity investment funds are characteristically initiated for one of two purposes: (1) for utilization of excess cash held at the Corporation for long term growth with opportunity to withdraw and (2) for long term growth with potential for gain from the liquidation of underlying assets. The private equity investment purchased to utilize excess cash involves an investee whose principal strategy is to identify and exploit inefficiencies in securities and other instruments while minimizing downside exposure and market risk through investment in other non-correlated investment strategies and risk mitigation techniques. This investment does not have any restrictions and may be withdrawn with written 30-day notice. The private equity investment purchased for long term growth involves an investee whose strategy is to negotiate equity and equity related investments in financial services technology companies and businesses, with particular focus on early and growth-stage financial services technology

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companies. The estimated period of time over which the underlying assets are expected to be liquidated by the investee is ten years from the date of their investment. This investment is not redeemable, but the Corporation does have the option to sell its shares subject to approval by general partners.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the consolidated balance sheets, and the general classification of such assets and liabilities under the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended December 31, 2025 and 2024.

Available-for-sale Securities

Securities classified as "available for sale" are reported at fair value utilizing Level 2 inputs. For these securities, the Corporation obtains fair value measurements from an independent pricing service. The fair value measurements observable data includes dealer quotes, market spreads, cash flows, the U.S. Treasury and other yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms.

Derivatives

Derivatives are reported at fair value utilizing Level 2 inputs. The Corporation performs an internal evaluation to estimate fair value of interest rate swap contracts through valuation models with observable market data inputs (Level 2).

Nonrecurring Measurements

Certain financial assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets measured at fair value on a nonrecurring basis are as shown below.

Collateral-dependent loans. Collateral-dependent loans are reported at the estimated fair value of the underlying collateral, adjusted for estimated selling costs where appropriate. Collateral values are estimated based on independent appraisals using Level 3 inputs.

Foreclosed assets. Foreclosed assets held for sale are carried at the lower of cost or fair value less estimated selling costs. Fair value is estimated through current appraisals, real estate brokers or listing prices.

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The table below presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2025:				
Foreclosed assets held for sale	\$ 759	\$ -	\$ -	\$ 759
Collateral-dependent loans	16,028	-	-	16,028
December 31, 2024:				
Foreclosed assets held for sale	\$ -	\$ -	\$ -	\$ -
Collateral-dependent loans	11,747	-	-	11,747

Unobservable (Level 3) Inputs

The tables on the following page presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements other than goodwill at December 31, 2025 and 2024.

	Fair Value at December 31, 2025	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Foreclosed assets held for sale	\$ 759	Market comparable properties	Comparability adjustments	Not available
Collateral-dependent loans	\$ 16,028	Market comparable properties	Comparability adjustments	Not available
	Fair Value at December 31, 2024	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Foreclosed assets held for sale	\$ -	Market comparable properties	Comparability adjustments	Not available
Collateral-dependent loans	\$ 11,747	Market comparable properties	Comparability adjustments	Not available

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
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NOTE 22. SIGNIFICANT ESTIMATES, CONCENTRATIONS, COMMITMENTS AND CREDIT RISK

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and vulnerabilities due to certain concentrations. Estimates related to the allowance for credit losses are reflected in the note regarding loans.

General Litigation

The Corporation is subject to claims and lawsuits that arise primarily in the ordinary course of business. Management believes the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Corporation.

Standby Letters of Credit

Standby letters of credit are irrevocable, conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under nonfinancial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. Should the Corporation be obligated to perform under the standby letters of credit, the Corporation may seek recourse from the customer for reimbursement of amounts paid.

The Corporation had total outstanding standby letters of credit amounting to \$4,919 and \$8,133 at December 31, 2025 and 2024, respectively, with terms ranging from 61 to 365 days.

Lines of Credit

Lines of credit are agreements to lend to customers if there is no violation of any condition established in the contract. Lines of credit have fixed expiration dates. Since a portion of the line of credit may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. Collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate. Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

At December 31, 2025, unused lines of credit to borrowers aggregated approximately \$1,243,000 and \$329,000 for commercial lines and open-end consumer lines, respectively.

At December 31, 2024, unused lines of credit to borrowers aggregated approximately \$1,251,000 and \$428,000 for commercial lines and open-end consumer lines, respectively.

Equity Investments

At December 31, 2025, the Corporation had outstanding commitments in the amount of \$5,377 for capital contributions in limited partnerships. The remaining commitments are expected to be called between two to three years.

Securities

The Corporation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated balance sheets.

NOTE 23. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events for recognition and disclosure through March 25, 2026, which is the date the consolidated financial statements were issued.

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Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

NOTE 24. CONDENSED FINANCIAL INFORMATION (PARENT CORPORATION ONLY)

Presented below is condensed financial information on financial position, results of operations and cash flows of the Corporation:

	Years Ended December 31,	
	2025	2024
Condensed Balance Sheets		
Assets		
Cash and cash equivalents	\$ 2,200	\$ 3,888
Investment in common stock of subsidiaries	417,156	386,349
Other assets	<u>6,772</u>	<u>6,487</u>
Total assets	<u>\$ 426,128</u>	<u>\$ 396,724</u>
Liabilities		
Other borrowings	\$ -	\$ 6,000
Other liabilities	<u>11,238</u>	<u>10,653</u>
Total liabilities	11,238	16,653
Shareholders' Equity	<u>414,890</u>	<u>380,071</u>
Total liabilities and shareholders' equity	<u>\$ 426,128</u>	<u>\$ 396,724</u>

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

	Years Ended December 31,	
	2025	2024
Condensed Statements of Income and Comprehensive Income		
Income		
Dividends from subsidiaries	\$ 15,000	\$ 13,000
Other income	13	19
	<u>15,013</u>	<u>13,019</u>
Total income		
Expenses		
Interest expense	30	14
Other expenses	3,567	3,842
	<u>3,597</u>	<u>3,856</u>
Total expenses		
Income before income tax and equity in undistributed net income of subsidiaries	11,416	9,163
Income tax benefit	753	806
	<u>12,169</u>	<u>9,969</u>
Income before equity in undistributed net income of subsidiaries		
Equity in undistributed net income of subsidiaries	26,641	28,059
	<u>38,810</u>	<u>38,028</u>
Net income		
Total other comprehensive income	4,166	11,928
	<u>42,976</u>	<u>49,956</u>
Comprehensive income		

TIB, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2025 and 2024 (Dollar amounts in thousands)

Condensed Statements of Cash Flows	Years Ended December 31,	
	2025	2024
Operating activities		
Net income	\$ 38,810	\$ 38,028
Items not providing cash	<u>(26,306)</u>	<u>(27,486)</u>
Net cash provided by operating activities	<u>12,504</u>	<u>10,542</u>
Investing activities		
Proceeds from redemption of investments	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>-</u>	<u>-</u>
Financing activities		
Purchase of treasury stock	-	(7,837)
Proceeds from other borrowings	-	6,000
Repayment of other borrowings	(6,000)	-
Cash dividends paid on common stock	<u>(8,192)</u>	<u>(6,983)</u>
Net cash used in financing activities	<u>(14,192)</u>	<u>(8,820)</u>
Net change in cash and cash equivalents	(1,688)	1,722
Cash and cash equivalents, beginning of year	<u>3,888</u>	<u>2,166</u>
Cash and cash equivalents, end of year	<u>\$ 2,200</u>	<u>\$ 3,888</u>