Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500.**

OMB Nos. 1210-0110
1210-0089

2025

This Form is Open to Public Inspection

Part I Annual Report Identification Information

For calendar plan year 2025 or fiscal plan year beginning 01/01/2025 and ending 12/31/2025

A This return/report is for:
- [ ] a multiemployer plan
- [ ] a multiple-employer plan (Filers checking this box must provide participating employer information in accordance with the form instructions.)
- [X] a single-employer plan
- [ ] a DFE (specify) _____

B This return/report is:
- [ ] the first return/report
- [ ] the final return/report
- [ ] an amended return/report
- [ ] a short plan year return/report (less than 12 months)

C If the plan is a collectively-bargained plan, check here. . . . . ▶ [ ]

D Check box if filing under:
- [X] Form 5558
- [ ] automatic extension
- [ ] the DFVC program
- [ ] special extension (enter description)

E If this is a retroactively adopted plan permitted by SECURE Act section 201, check here. . . . . ▶ [ ]

Part II Basic Plan Information—enter all requested information

1a Name of plan
SOUTHWEST SECURITY, INC. EMPLOYEE STOCK OWNERSHIP PLAN

1b Three-digit plan number (PN) ▶ 001

1c Effective date of plan 01/01/1984

2a Plan sponsor's name (employer, if for a single-employer plan)
Mailing address (include room, apt., suite no. and street, or P.O. Box)
City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions)
SOUTHWEST SECURITY, INC.

P. O. BOX 670
75 MELROSE-MONTEBELLO PARKWAY
NATCHEZ, MS 39121-0670

2b Employer Identification Number (EIN)
64-0639663

2c Plan Sponsor's telephone number
601-445-7019

2d Business code (see instructions)
522110

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/15/2026	ADRIAN SANDEL
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

3a Plan administrator's name and address [X] Same as Plan Sponsor	**3b** Administrator's EIN	
	3c Administrator's telephone number	
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: **a** Sponsor's name **c** Plan Name	**4b** EIN **4d** PN	

5	Total number of participants at the beginning of the plan year	**5**	123
6	Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines **6a(1), 6a(2), 6b, 6c,** and **6d**).		
a(1)	Total number of active participants at the beginning of the plan year	**6a(1)**	103
a(2)	Total number of active participants at the end of the plan year	**6a(2)**	125
b	Retired or separated participants receiving benefits	**6b**	6
c	Other retired or separated participants entitled to future benefits	**6c**	11
d	Subtotal. Add lines **6a(2)**, **6b**, and **6c**.	**6d**	142
e	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.	**6e**	0
f	Total. Add lines **6d** and **6e**.	**6f**	142
g(1)	Number of participants with account balances as of the beginning of the plan year (only defined contribution plans complete this item)	**6g(1)**	123
g(2)	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g(2)**	142
h	Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested.	**6h**	3
7	Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	**7**	

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:

2O 2Q 3H

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply)

- **(1)** [ ] Insurance
- **(2)** [ ] Code section 412(e)(3) insurance contracts
- **(3)** [X] Trust
- **(4)** [ ] General assets of the sponsor

9b Plan benefit arrangement (check all that apply)

- **(1)** [ ] Insurance
- **(2)** [ ] Code section 412(e)(3) insurance contracts
- **(3)** [X] Trust
- **(4)** [ ] General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- **(1)** [X] **R** (Retirement Plan Information)
- **(2)** [ ] **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
- **(3)** [ ] **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary
- **(4)** [ ] **DCG** (Individual Plan Information) – Number Attached _____
- **(5)** [ ] **MEP** (Multiple-Employer Retirement Plan Information)

b General Schedules

- **(1)** [X] **H** (Financial Information)
- **(2)** [ ] **I** (Financial Information – Small Plan)
- **(3)** [ ] **A** (Insurance Information) – Number Attached _____
- **(4)** [ ] **C** (Service Provider Information)
- **(5)** [ ] **D** (DFE/Participating Plan Information)
- **(6)** [ ] **G** (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ..... ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ..... ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2025 Form M-1 annual report. If the plan was not required to file the 2025 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code_____

SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Financial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2025

This Form is Open to Public Inspection

For calendar plan year 2025 or fiscal plan year beginning 01/01/2025 and ending 12/31/2025

A Name of plan
SOUTHWEST SECURITY, INC. EMPLOYEE STOCK OWNERSHIP PLAN

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
SOUTHWEST SECURITY, INC.

D Employer Identification Number (EIN)
64-0639663

Part I Asset and Liability Statement

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a	881	2320
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	2500	
(2) Participant contributions	1b(2)		
(3) Other	1b(3)	0	
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	0	595851
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)		

		(a) Beginning of Year	(b) End of Year
1d Employer-related investments:			
(1) Employer securities	1d(1)	5773823	6095530
(2) Employer real property	1d(2)		
1e Buildings and other property used in plan operation	1e		
1f Total assets (add all amounts in lines 1a through 1e)	1f	5777204	6693701
Liabilities			
1g Benefit claims payable	1g		
1h Operating payables	1h		
1i Acquisition indebtedness	1i		
1j Other liabilities	1j	0	
1k Total liabilities (add all amounts in lines 1g through1j)	1k	0	
Net Assets			
1l Net assets (subtract line 1k from line 1f)	1l	5777204	6693701

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: **(A)** Employers	2a(1)(A)	60000	
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		60000
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	15852	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		15852
(2) Dividends: **(A)** Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)	286641	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)**	2b(2)(D)		286641
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: **(A)** Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result	2b(4)(C)		
(5) Unrealized appreciation (depreciation) of assets: **(A)** Real estate	2b(5)(A)		
(B) Other	2b(5)(B)	688205	
(C) Total unrealized appreciation of assets. Add lines **2b(5)(A)** and **(B)**	2b(5)(C)		688205

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		
c Other income	2c		
d Total income. Add all **income** amounts in column (b) and enter total	2d		1050698
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	116251	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines **2e(1)** through **(3)**	2e(4)		116251
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		
i Administrative expenses:			
(1) Salaries and allowances	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Recordkeeping fees	2i(3)		
(4) IQPA audit fees	2i(4)		
(5) Investment advisory and investment management fees	2i(5)		
(6) Bank or trust company trustee/custodial fees	2i(6)		
(7) Actuarial fees	2i(7)		
(8) Legal fees	2i(8)		
(9) Valuation/appraisal fees	2i(9)		
(10) Other trustee fees and expenses	2i(10)		
(11) Other expenses	2i(11)	17950	
(12) Total administrative expenses. Add lines **2i(1)** through **(11)**	2i(12)		17950
j Total expenses. Add all **expense** amounts in column (b) and enter total	2j		134201
Net Income and Reconciliation			
k Net income (loss). Subtract line **2j** from line **2d**	2k		916497
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) [X] Unmodified **(2)** [ ] Qualified **(3)** [ ] Disclaimer **(4)** [ ] Adverse

b Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1) [ ] DOL Regulation 2520.103-8 **(2)** [ ] DOL Regulation 2520.103-12(d) **(3)** [X] neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: SILAS SIMMONS, LLP **(2)** EIN: 64-0319291

d The opinion of an independent qualified public accountant is **not attached** as part of Schedule H because:

(1) [ ] This form is filed for a CCT, PSA, DCG or MTIA. **(2)** [ ] It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l. DCGs do not complete lines 4e, 4f, 4k, 4l, and 5, and DCGs generally complete the rest of Part IV collectively for all plans in the DCG, except as otherwise provided (see instructions).

During the plan year:

		Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	**4a**		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)	**4b**		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	**4c**		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	**4d**		X	
e Was this plan covered by a fidelity bond?	**4e**	X		3000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	**4f**		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	**4g**		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	**4h**		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	**4i**	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.)	**4j**		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	**4k**		X	
l Has the plan failed to provide any benefit when due under the plan?	**4l**		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	**4m**		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	**4n**			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? [ ] Yes [X] No

If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	**5b(2)** EIN(s)	**5b(3)** PN(s)

5c Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) ..... ☐ Yes ☐ No ☐ Not determined

If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____.

SCHEDULE R (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Retirement Plan Information

This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2025

This Form is Open to Public Inspection.

For calendar plan year 2025 or fiscal plan year beginning 01/01/2025 and ending 12/31/2025

A Name of plan
SOUTHWEST SECURITY, INC. EMPLOYEE STOCK OWNERSHIP PLAN

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
SOUTHWEST SECURITY, INC.

D Employer Identification Number (EIN)
64-0639663

Part I Distributions

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions ..... | 1 | 0

2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):

EIN(s): 64-0639663

Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.

3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year ..... | 3 |

Part II Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ..... ☐ Yes ☐ No ☐ N/A

If the plan is a defined benefit plan, go to line 8.

5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. **Date:** Month _____ Day _____ Year _____

If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.

6 a	Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a	
b	Enter the amount contributed by the employer to the plan for this plan year	6b	
c	Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount)	6c	

If you completed line 6c, skip lines 8 and 9.

7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ..... ☐ Yes ☐ No ☐ N/A

8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ..... ☐ Yes ☐ No ☐ N/A

Part III Amendments

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box. ..... ☐ Increase ☐ Decrease ☐ Both ☐ No

Part IV ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? ..... ☐ Yes ☒ No

11 a Does the ESOP hold any preferred stock? ..... ☐ Yes ☒ No

b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ..... ☐ Yes ☒ No

12 Does the ESOP hold any stock that is not readily tradable on an established securities market? ..... ☒ Yes ☐ No

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that (1) contributed more than 5% of total contributions to the plan during the plan year or (2) was one of the top-ten highest contributors (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

14 Enter the number of deferred vested and retired participants (inactive participants), as of the beginning of the plan year, whose contributing employer is no longer making contributions to the plan for:

a The current plan year. Check the box to indicate the counting method used to determine the number of inactive participants: ☐ last contributing employer ☐ alternative ☐ reasonable approximation (see instructions for required attachment)	**14a**	
b The plan year immediately preceding the current plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment)	**14b**	
c The second preceding plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment)	**14c**	

15 Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	**15a**	
b The corresponding number for the second preceding plan year	**15b**	

16 Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	**16a**	
b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	**16b**	

17 If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

18 If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

19 If the total number of participants is 1,000 or more, complete lines (a) and (b):

a Enter the percentage of plan assets held as:
Public Equity: _____% Private Equity: _____% Investment-Grade Debt and Interest Rate Hedging Assets: _____%
High-Yield Debt: _____% Real Assets: _____% Cash or Cash Equivalents: _____% Other: _____%

b Provide the average duration of the Investment-Grade Debt and Interest Rate Hedging Assets:
☐ 0-5 years ☐ 5-10 years ☐ 10-15 years ☐ 15 years or more

20 **PBGC missed contribution reporting requirements.** If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.

a Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? ☐ Yes ☐ No

b If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:

☐ Yes.

☐ No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.

☐ No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.

☐ No. Other. Provide explanation._____

Part VII IRS Compliance Questions

21a Does the plan satisfy the coverage and nondiscrimination tests of Code sections 410(b) and 401(a)(4) by combining this plan with any other plans under the permissive aggregation rules? ☐ Yes ☒ No

21b If this is a Code section 401(k) plan, check all boxes that apply to indicate how the plan is intended to satisfy the nondiscrimination requirements for employee deferrals and employer matching contributions (as applicable) under Code sections 401(k)(3) and 401(m)(2).

☐ Design-based safe harbor method

☐ "Prior year" ADP test

☐ "Current year" ADP test

☒ N/A

22 If the plan sponsor is an adopter of a pre-approved plan that received a favorable IRS Opinion Letter, enter the date of the Opinion Letter ___/___/_____ (MM/DD/YYYY) and the Opinion Letter serial number_____.

SOUTHWEST SECURITY, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

FINANCIAL STATEMENTS

YEARS ENDED
DECEMBER 31, 2025 AND 2024

WITH
INDEPENDENT AUDITOR'S REPORT



SILAS SIMMONS LLP

CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

SOUTHWEST SECURITY, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-3
FINANCIAL STATEMENTS	
Statements of Net Assets Available for Benefits	4
Statements of Changes in Net Assets Available for Benefits	5
NOTES TO FINANCIAL STATEMENTS	6-12
SUPPLEMENTAL SCHEDULE	
Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year) December 31, 2025	13

SILAS SIMMONS LLP
CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

209 N. Commerce St.
Natchez, MS 39120
P. O. Box 1027
Natchez, MS 39121
Tel: 601-442-7411
Fax: 601-442-8551

2120 Forsythe Ave.
Monroe, LA 71201
P. O. Box 4550
Monroe, LA 71211
Tel: 318-323-4481
Fax: 318-323-2188

www.silassimmons.com

INDEPENDENT AUDITOR'S REPORT

To the Trustee and Plan Administrator
Southwest Security, Inc. Employee Stock Ownership Plan
Natchez, Mississippi

Opinion

We have audited the accompanying financial statements of Southwest Security, Inc. Employee Stock Ownership Plan (the Plan), an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (ERISA), which comprise the statements of net assets available for benefits as of December 31, 2025 and 2024, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Southwest Security, Inc. Employee Stock Ownership Plan as of December 31, 2025 and 2024, and the changes in its net assets available for benefits for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Management is also responsible for maintaining a current Plan instrument, including all Plan amendments, administering the Plan, and determining that the Plan's transactions that are presented and disclosed in the financial statements are in conformity with the Plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Supplemental Schedules Required by ERISA

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedule H, Line 4i – Schedule of Assets (Held at End of Year) is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards.

In forming our opinion on the supplemental schedules, we evaluated whether the supplemental schedules, including their form and content, are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion, the information in the accompanying schedules is fairly stated, in all material respects, in relation to the financial statements as a whole, and the form and content are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

Silas Simmons, LLP

Natchez, Mississippi
October 9, 2026

FINANCIAL STATEMENTS

SOUTHWEST SECURITY, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2025 AND 2024

	2025	2024
Assets		
Investments, at fair value	$ 6,691,381	$ 5,773,823
Receivables		
Employer contribution	$ -	$ 2,500
	$ -	$ 2,500
Cash - noninterest bearing	$ 2,321	$ 881
Total assets	$ 6,693,702	$ 5,777,204
Liabilities		
Other liability - income tax payable	$ 6,666	$ 6,141
Total liabilities	$ 6,666	$ 6,141
Net assets available for benefits	$ 6,687,036	$ 5,771,063

The accompanying notes are an integral part of these financial statements.

SOUTHWEST SECURITY, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Additions		
Additions to net assets attributed to:		
Investment income:		
Net unrealized and realized appreciation in estimated fair value of investments	$ 688,205	$ 702,250
Interest	15,855	10,383
Dividends	289,001	368,553
Total investment income	$ 993,061	$ 1,081,186
Employer contribution	$ 60,000	$ 60,000
Total additions to net assets	$ 1,053,061	$ 1,141,186
Deductions		
Deductions from net assets attributed to:		
Distribution to participants	$ 116,252	$ 107,034
Income taxes	2,886	12,711
Administrative expense	17,950	15,417
Total deductions from net assets	$ 137,088	$ 135,162
Net increase	$ 915,973	$ 1,006,024
Net assets available for benefits		
Beginning of year	$ 5,771,063	$ 4,765,039
End of year	$ 6,687,036	$ 5,771,063

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

SOUTHWEST SECURITY, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 - DESCRIPTION OF THE PLAN

The following brief description of Southwest Security, Inc. Employee Stock Ownership Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for complete information.

General - The Plan was established as a defined contribution plan on January 1, 1984. The Plan was subsequently amended several times thereafter to comply with legislative and regulatory changes.

The Plan is designated as an employee stock ownership bonus plan and is designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986, as amended, and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Plan is administered by Southwest Security, Inc. (the Company). The Southwest Security, Inc. Employee Stock Ownership Trust is the Plan's Trustee.

Eligibility - Employees of the Company are generally eligible to participate in the Plan after one year of service and are age 21 or older.

Contributions - For each Plan year, the Company shall contribute to the Plan such amount as determined by the Company in its absolute discretion.

Participant Accounts - The Plan is a defined contribution plan under which a separate individual account is established for each participant. Each participant's account is credited, as of the last day of each Plan year, with an allocation of shares of the Company's common stock released by the Trustee from the unallocated account and forfeitures of terminated participants' nonvested accounts. Only those participants who are eligible employees of the Company as of the last day of the Plan year will receive an allocation. Allocations are based on a participant's eligible compensation, relative to total eligible compensation. Plan earnings are allocated to each participant's account based on the ratio of the participant's beginning-of-the-year account balance to all participants' beginning-of-the-year account balances.

Vesting - If a participant's employment with the Company ends for any reason other than retirement, permanent disability, or death, he or she will vest in the balances in his or her account based on total years of service with the Company. After two years of service, participants vest 20% each year and are 100% vested after six years of service. The vesting schedule is as follows:

Years of Service	Vested Percentage
Less than 2	0%
2	20%
3	40%
4	60%
5	80%
6	100%

Payment of Benefits - Upon a participant's retirement date, disability, or death, the Trustee shall distribute, at the election of the participant, all amounts credited to such participant's accounts. Distributions may be made in cash only.

SOUTHWEST SECURITY, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

Forfeitures - Plan forfeitures are allocated to each participant's account based upon the relation of the participant's compensation to total compensation for the Plan year. Forfeitures of terminated nonvested account balances allocated to remaining participants at December 31, 2025 and 2024, are $0 and $0, respectively.

Voting Rights - Each participant is entitled to exercise voting rights attributable to the shares allocated to his or her account and is notified by the Trustee prior to the time that such rights are to be exercised. If the Trustee does not timely receive voting directions from a participant or beneficiary with respect to any Company stock allocated to that participant's account, the Trustee shall vote such Company stock.

Diversification - Diversification is offered to participants who reach age 55 with at least 10 years of participation in the Plan. Diversification is offered to each eligible participant over a six-year period. In each of the first five years, the eligible participant may elect to diversify up to 25% of the Company stock allocated to their account, reduced by any amount previously diversified. In the sixth year, an eligible participant may elect to diversify up to 50% of the Company stock allocated to their account, reduced by any amount previously diversified. A qualified participant may exercise this election by choosing one of two options: (1) a participant may direct the Trustee to transfer the portion of his or her account balance subject to the election to another qualified plan sponsored by the employer, (2) a participant may direct the Trustee to distribute the portion of his or her balance subject to the election to the participant.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review - Plan management evaluated subsequent events through October 9, 2026, which is the date the financial statements were available to be issued and have determined that no additional disclosures are required.

Basis of Accounting - The financial statements of the Plan are prepared using the accrual method of accounting.

Payment of Benefits - Benefits are recorded when paid.

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Trustee to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and disclosures of contingent assets and liabilities. Accordingly, actual results may differ from those estimates.

Investment Valuation and Income Recognition - The Plan's investments are stated at fair value. If available, quoted market prices are used to value investments. Fair value for the common shares of the Company on December 31, 2025, is determined by annual independent appraisals. Dividend income is accrued on the ex-dividend rate. Purchase and sales of securities are recorded on a trade-date basis. Realized gains and losses from security transactions are reported on the average cost method.

Administrative Expenses - Expenses of the Plan are paid by the Plan. The Plan paid for administrative expenses in the amounts of $17,950 and $15,417 in 2025 and 2024, respectively. Administrative expenses consist primarily of legal fees, audit fees, and Plan maintenance fees.

SOUTHWEST SECURITY, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 3 - FAIR VALUE MEASUREMENTS

The Plan's investments are reported at fair value in the accompanying statements of net assets available for benefits. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present fair value measurement information for certain financial instruments. The carrying value of cash included in the accompanying statements of net assets available for benefits approximated fair value at December 31, 2025 and 2024, and are thus not included in the following table:

		Fair Value Measurements Using	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
December 31, 2025			
Money market funds	$ 595,851	$ 595,851	$ -
Southwest Security, Inc. common stock	6,095,530	-	6,095,530
Total investments at fair value	$ 6,691,381	$ 595,851	$ 6,095,530
December 31, 2024			
Money market funds	$ 366,498	$ 366,498	$ -
Southwest Security, Inc. common stock	5,407,325	-	5,407,325
Total investments at fair value	$ 5,773,823	$ 366,498	$ 5,407,325

Accounting Standards Codification 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurements
The fair value of money market funds is based on quoted net asset values of the shares held by the Plan at year-end.

Level 3 Fair Value Measurements
The fair value of the common stock of Southwest Security, Inc. and BancPlus Corporation is determined by an annual independent appraisal. This appraisal was based on a combination of the market and income valuation methods consistent with prior years. The appraiser took into account historical and projected cash flows and net income, return on assets, return on equity, market comparable, and estimated fair value of Company assets and liabilities. The following table provides further details of the Level 3 fair value measurement.

SOUTHWEST SECURITY, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 3 - FAIR VALUE MEASUREMENTS (continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Southwest Security, Inc. Common Stock
December 31, 2025	
Beginning balance	$ 5,407,325
Total gains or losses (realized and unrealized) included in changes in net assets available for benefits	688,205
Purchases	-
Sales	-
Issuances	-
Settlements	-
Transfers from unallocated to allocated (net)	-
Ending balance	$ 6,095,530
Total gains or losses for the year included in changes in net assets available for benefits attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	$ 688,205
December 31, 2024	
Beginning balance	$ 4,705,075
Total gains or losses (realized and unrealized) included in changes in net assets available for benefits	702,250
Purchases	-
Sales	-
Issuances	-
Settlements	-
Transfers from unallocated to allocated (net)	-
Ending balance	$ .05,407,325
Total gains or losses for the year included in changes in net assets available for benefits attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	$ 702,250

Gains and losses included in changes in net assets available for benefits for the year ended December 31, 2025, are reported in net unrealized appreciation in fair value of investments. The Plan's policy is to recognize transfers into and out of Level 3 as of the date of the event of change in circumstances that caused the transfer. For the year ended December 31, 2025, there were no significant transfers into or out of Level 3.

SOUTHWEST SECURITY, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2022

NOTE 4 - INVESTMENTS

The Plan's investments in Company stock at December 31, 2025 and 2024, are as follows:

	2025	2024
Number of shares	14,045	14,045
Cost	$ 2,983,194	$ 2,983,194
Fair value	$ 6,095,530	$ 5,407,325

NOTE 5 - ADMINISTRATION OF PLAN ASSETS

The Plan's assets, which consist principally of the Company's common shares, are held by the Trustee of the Plan.

Company contributions are held and managed by the Trustee, which invests cash received, interest, and dividend income and makes distributions to participants. Certain administrative functions are performed by officers or employees of the Company or its subsidiaries. No such officer or employee receives compensation from the Plan. Administrative expenses are paid directly by the Plan.

NOTE 6 - TAX STATUS

The Internal Revenue Service (IRS) has determined and informed the Company by a letter dated December 12, 2011, that the Plan is qualified under the appropriate sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the Trustee and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, they believe that the Plan was qualified and the related Trust was tax-exempt as of the financial statement date.

Accounting principles generally accepted in the United States of America require the Trustee to evaluate tax positions taken by the Plan and recognize a tax liability for any uncertain position that, more likely than not, would not be sustained upon examination by the IRS. The Plan is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress. The Trustee believes the Plan is no longer subject to income tax examinations for years prior to 2022.

As explained in Note 5, the Plan's assets consist principally of the common shares of the Plan sponsor, Southwest Security, Inc., a subchapter "S" corporation. Under Section 512 of the IRC, qualified pension plans are generally subject to the Unrelated Business Income Tax (UBIT) on the pass-through business income of a subchapter "S" corporation. Under Section 512(e)3, an ESOP is exempt from the UBIT on the pass-through business income of a plan sponsor employer's subchapter "S" corporation stock. The state of Mississippi does not follow federal law on the UBIT exemption provision of IRC Section 512(e)3. As a result, the Plan pays state income tax on the pass-through business income of Southwest Security, Inc.

The IRC includes a provision to limit the allocation of Plan assets to certain related parties. To prevent a prohibited allocation, in 2016 the Plan allocated a number of shares to a "Non-ESOP" account. As a result, the Plan is subject to the Federal UBIT on the pass-through business income related to the shares in the "Non-ESOP" account.

SOUTHWEST SECURITY, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 7 - PLAN TERMINATION

Although it has not expressed the intent to do so, the Company reserves the right to terminate the Plan at any time, subject to Plan provisions. Upon termination, all amounts credited to the participants' accounts shall become 100% vested.

NOTE 8 - RISKS AND UNCERTAINTIES

The Plan 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 and to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

NOTE 9 - RECONCILIATION OF FINANCIAL STATEMENTS TO SCHEDULE H OF FORM 5500

A reconciliation of net assets available for benefits per financial statement to Schedule H of Form 5500:

	December 31, 2025	December 31, 2024
Net assets available for benefits per financial statement	$ 6,687,036	$ 5,771,063
Add: Income tax liability	6,667	6,141
Net assets available for benefits per Schedule H of Form 5500	$ 6,693,702	$ 5,777,204

A reconciliation of net increase per financial statement to Schedule H of Form 5500:

	December 31, 2025
Net increase per financial statement	$ 915,972
Less: Income tax paid in excess of income tax expense	525
Net income per Schedule H of Form 5500	$ 916,497

SOUTHWEST SECURITY, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 10 - RELATED-PARTY AND PARTY-IN-INTEREST TRANSACTIONS

The Plan invests in Company common stock and Money Market Funds on deposit with the Company. These are related-party and party-in-interest transactions. The Plan has a number of service providers. Such parties are parties-in-interest under ERISA.

Benefit Professionals, Inc. is a party-in-interest, as defined by ERISA, as a result of being the third-party administrator of the Plan. Administrative fees paid by the Plan for these services amounted to $8,050 and $5,250 in 2025 and 2024, respectively.

SUPPLEMENTAL SCHEDULE

SOUTHWEST SECURITY, INC. EMPLOYEE STOCK OWNERSHIP PLAN
EIN 64-0639663 PLAN NUMBER 001
SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2025

(a)	(b) Identity of Issuer, Borrower, Lessor or Similar Party	(c) Description of Investment, Including Maturity, Rate of Interest, Par, or Maturity Value	(d) Cost	(e) Current Value
	Employer Securities			
*	Southwest Security, Inc.	14,045 shares of common stock	$ 2,983,194	$ 6,095,530
	Money Market Funds			
*	United Mississippi Bank	595,851 money market account	$ 595,851	$ 595,851
			$ 3,579,045	$ 6,691,381

* Party-in-interest

APPRAISAL OF
THE COMMON STOCK OF
SOUTHWEST SECURITY, INC.
Natchez, Mississippi

As of December 31, 2025

Report Dated
March 31, 2026

SOUTHARD FINANCIAL

i-bank Tower ■ Suite 708
5050 Poplar Avenue
Memphis, TN 38157
Office (901) 761-7500
Fax (901) 761-6045
www.southardfinancial.com

March 31, 2026

Mr. Bruce M. Kuehnle, Jr.
as Trustee of the Southwest Security, Inc. Employee Stock Ownership Plan
P.O. Box 670
Natchez, Mississippi 39120

Trustee:

Southard Financial, LLC was retained to determine the fair market value of the outstanding common stock of Southwest Security, Inc. as of December 31, 2025. The enclosed appraisal was prepared for the stated purpose and is for your exclusive and confidential use. No copies of this report shall be furnished to third parties without your specific permission or direction, unless ordered by a court of competent jurisdiction. The report and its conclusions are subject to the statement of Contingent and Limiting Conditions contained herein.

The report was prepared by the undersigned. Preparation of the report entailed the use of standard techniques and practices and involved due diligence on the part of Southard Financial, LLC. Further, the methodology and analysis employed is in compliance with the Uniform Standards of Professional Appraisal Practice.

Based upon the entire analysis, and for the purposes described in this report, it is our opinion that the fair market value of the common stock of Southwest Security, Inc., as of December 31, 2025, was:

$434.00 Per Share

By issuing this opinion, Southard Financial is not warranting, assuring, or guaranteeing the future value of the common stock of Southwest Security, Inc. or the price(s) at which the common stock of Southwest Security, Inc. may trade between shareholders or be sold to or purchased from other parties.

Thank you for the opportunity to be of service in this matter.

Sincerely,

Southard Financial, LLC

Southard Financial, LLC

Enclosure

CERTIFICATION

I/we certify that, to the best of my/our knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my/our personal, impartial, and unbiased professional analyses, opinions, and conclusions.

3. I/we have no present or prospective interest in the property that is the subject of this report, and I/we have no personal interest with respect to the parties involved.

4. I/we have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment, except as noted in the body of this report.

5. I/we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

6. My/our engagement in this assignment was not contingent upon developing or reporting predetermined results.

7. My/our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

8. My/our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.

9. Southard Financial, LLC analysts have provided professional assistance to the person(s) signing below.

David A. Harris, CFA, ASA | Mark A. Orndorff, CFA, ASA | Matthew L. Jakes, CFA, ASA

TABLE OF CONTENTS

INTRODUCTION **1**

Sources of Information 1
Conclusion of Report 2
Definition of Fair Market Value 2
Premise of Value 2
Statement of Scope and Limitations 3
Banking Industry Overview 3
Economic Outlook 3
Public Bank Stock Market Review 4

OVERVIEW OF THE BANK **5**

History and Overview 5
Competitive Market 6
Local Economy 6
Senior Management Team 7
Common Stock Ownership 7

REVIEW OF THE BANK'S FINANCIAL PERFORMANCE AND POSITION **7**

Peer Group Comparisons 7
Historical Balance Sheets 8
Historical Income Statements 10

OVERVIEW OF THE HOLDING (PARENT) COMPANY **13**

OTHER VALUATION CONSIDERATIONS **13**

Acquisition Offers 13
Regulatory Issues 13
Pending Litigation 13
Environmental Considerations 13

DETERMINATION OF FAIR MARKET VALUE **14**

Approach to Valuation 14
Goodwill and Intangible Value 15
Basis of Per Share Analysis 15
The Asset Based Approach 16
The Income Approach 16
The Market Approach 21
Combined Valuation 23
Discount for Lack of Marketability 23

CONCLUSION **25**

EXHIBITS 1-5: Historical Bank Financial Statements
EXHIBIT 6: Historical Parent Only Financial Statements
EXHIBIT 7: Public Bank Stock Market Data (Guideline Companies – S&P Global, Inc.)

APPENDIX A: Contingent and Limiting Conditions
APPENDIX B: Loan Portfolio Disclaimer
APPENDIX C: Definition of Fair Market Value
APPENDIX D: Qualifications of Appraiser
APPENDIX E: Banking Industry Overview
APPENDIX F: Economic Outlook

INTRODUCTION

Southard Financial, LLC (also referred to as "Southard Financial") was retained to provide the following appraisal services:

Client Name	Trustee of the Southwest Security, Inc. Employee Stock Ownership Plan (the "ESOP" or the "Plan")
Business Interest Being Valued	The Common Stock of Southwest Security, Inc.
Legal Structure	S Corporation
State of Incorporation/Organization	Mississippi
Home Office Location	Natchez, Mississippi
Definition of Value	Fair Market Value
Premise of Value	Marketable Minority Basis
Date of the Appraisal	December 31, 2025
Purpose/Intended Use of Appraisal	ESOP Valuation
Type of Report	Appraisal

It is our understanding that the purpose of this report is to determine the value of the common stock of Southwest Security, Inc. (the "Company") for ESOP valuation purposes. Southwest Security, Inc. is the parent company of United Mississippi Bank (the "Bank"). Southard Financial issued appraisals of the common stock of the Company as of December 31, 1988-2024 and March 31, 2008, on behalf of the Trustees of the Plan, as of December 31, 2016-17 for shareholder planning purposes, and as of August 31, 2012, for a limited private placement of the Company's stock. Southard Financial also provided valuation services to the Bank as of November 1, 2013, for financial reporting purposes. Further, Southard Financial issued an adequate consideration and fairness opinion for the Plan's offer to purchase of shares on May 25, 2017, and issued an adequate consideration and fairness opinion for the Plan's sale of shares on May 21, 2018.

This opinion, and the related report, are provided to you solely for the confidential, internal use of the Trustee of the ESOP; and, without the prior written consent of Southard Financial, they may not be quoted in whole or in part, or otherwise referred to in any report or document or furnished or otherwise communicated to any person outside the plan, with the exception of: the Trustee's legal and tax advisors; the participants in the ESOP; and, the lender to the ESOP, if a lender exists. We do not object to the disclosure of our valuation letter and supporting documentation to either the Internal Revenue Service or the U.S. Department of Labor, although we do request that you notify us if either agency requests to receive or review such material. Finally, we do not object to the disclosure of the valuation methods and key inputs utilized in this valuation for the ESOP's annual disclosure requirements on U.S. Department of Labor *Form 5500.*

Sources of Information

Information used in the study was obtained from the following sources.

- Consolidated Reports of Condition and Income ("Call Report") of United Mississippi Bank for the period ended December 31, 2025;
- Uniform Bank Performance Report ("UBPR") of United Mississippi Bank for the periods ended December 31, 2020-25;
- Parent company only financial statements (audited and internal) of Southwest Security, Inc. for the periods ended December 31, 2020-25;
- Internal financial statements of United Mississippi Bank for the period ended December 31, 2025;
- Budgeted financial statements for 2026 of United Mississippi Bank;
- Market information on publicly traded banking companies obtained from S&P Global ("S&P Global, Inc."); and,
- Additional pertinent information deemed necessary to render this opinion of value.

In the course of our due diligence investigation, we reviewed the information outlined above. In all cases we relied upon the referenced information without independent verification. In conjunction with the preparation of this report, representatives of Southard Financial visited with representatives of the senior management team of the Bank ("management") via telephone, e-mail, and questionnaire. Nevertheless, we did not inspect each and every asset, property, or business interest encompassed by this appraisal.

Conclusion of Report

The conclusion of this opinion is as follows:

Conclusion of Value
$434.00 Per Share

This opinion is as of the date indicated above and is only for the intended purpose so indicated.

Definition of Fair Market Value

For purposes of this appraisal, "fair market value" is defined as: the price at which an asset would exchange hands between a willing buyer and a willing seller; with the former not being under any compulsion to buy and the latter not being under any compulsion to sell; with both having reasonable knowledge of the relevant facts; and with both seeking their maximum economic self-interests. (See Appendix C for a more detailed discussion of fair market value.)

Premise of Value

There are four general levels of value applicable to a business interest:

• **Strategic Control Value**	Value of the entire entity that reflects synergies and savings that might be achieved in the acquisition of the entity
• **Financial Control Value**	Value of the entire entity, or an interest that controls the operations of the entity
• **Marketable Minority Interest Value**	Value of a minority interest, lacking control over the business entity, but being readily marketable (as if freely traded)
• **Non-Marketable Minority Interest Value**	Value of a minority interest, lacking both control and a ready market

The four premises (or levels) of value are related as follows. Strategic control value and financial control value can be obtained by direct comparisons with change of controlling interest transactions or through the use of "appropriate" control methodologies or by applying a control premium to a marketable minority interest value. Marketable minority interest value can be obtained by comparisons with guideline publicly traded companies or by the use of other appropriate minority valuation methodologies such as the income approach using market rates of return. Alternatively, the value of a marketable minority interest can be determined by applying an appropriate minority interest discount to the control value. Non-marketable minority interest value is derived by applying an appropriate marketability discount to the derived marketable minority interest value or by applying both minority and marketability discounts to control value.

Statement of Scope and Limitations

This opinion has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and in accordance with the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers, ASA Business Valuation Standards. A Statement of Contingent and Limiting Conditions is contained in Appendix A and a statement of the Qualifications of the Appraiser is contained in Appendix D.

Southard Financial and its principals have no past, present, or contemplated future interest in the subject or the conclusion of this valuation report. Further, Southard Financial and its principals have no bias or conflict of interest that could cause a question as to our independence or objectivity. Compensation paid to Southard Financial for this appraisal is in no way contingent upon the conclusion of this report.

The analysis encompassed by this report falls under the category of an Appraisal as defined in the Business Valuation Standards of the American Society of Appraisers:

> *The objective of an appraisal is to express an unambiguous opinion as to the value of the business, business ownership interest, or security, which is supported by all procedures that the appraiser deems to be relevant to the valuation. An Appraisal has the following qualities: (1) It is expressed as a single dollar amount or as a range. (2) It considers all relevant information as of the appraisal date available to the appraiser at the time of performance of the valuation. (3) The appraiser conducts appropriate procedures to collect and analyze all information expected to be relevant to the valuation. (4) The valuation is based upon consideration of all conceptual approaches deemed to be relevant by the appraiser.*

Southard Financial performed due diligence in this assignment. Further, the client did not place any restrictions on the procedures, methods, or conclusions of this analysis. A material change in any critical information relied upon in this analysis might require a reassessment of the determined valuation conclusions.

Banking Industry Overview

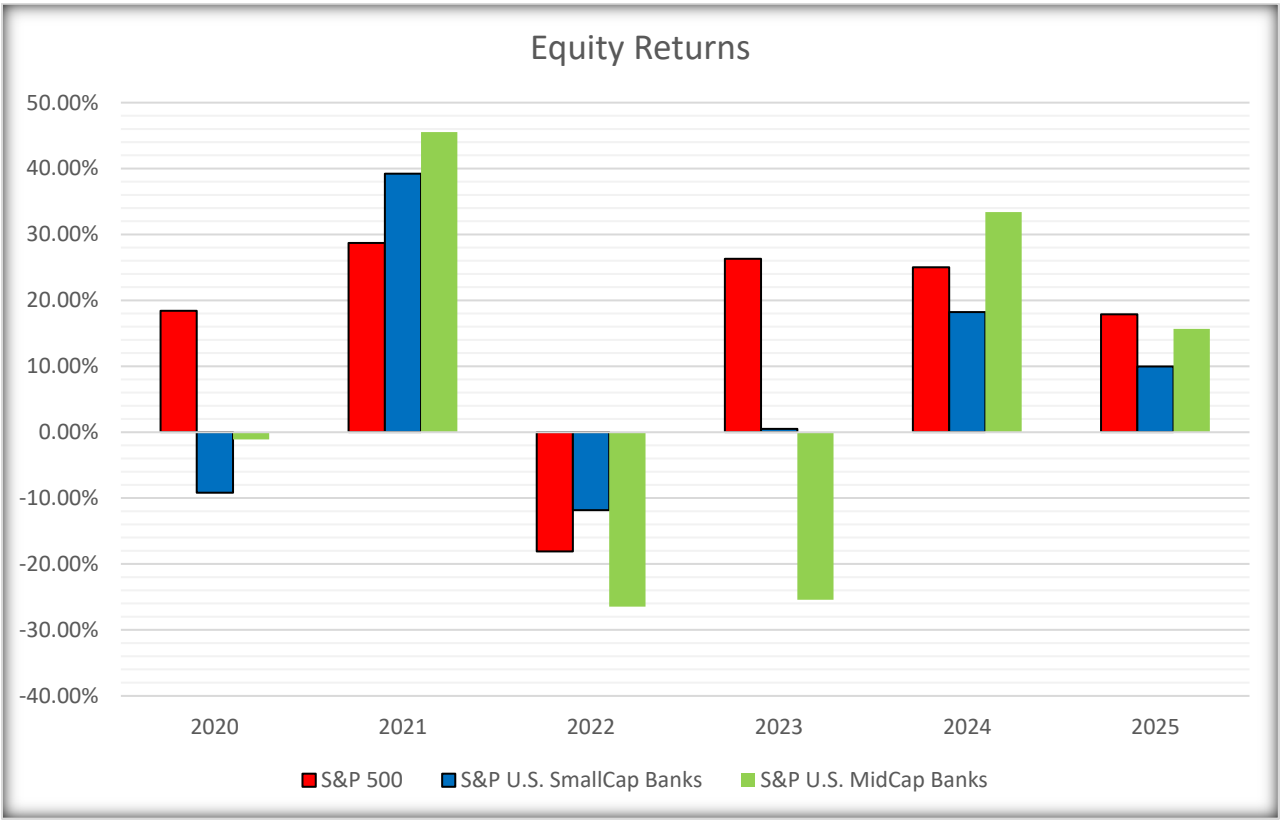
Appendix E provides a review of the banking industry in the most recent quarter for which information is available and an outlook for the upcoming period.

Economic Outlook

Appendix F provides a review of the national economy in the most recent quarter for which information is available and an outlook for the upcoming period.

Public Bank Stock Market Review

Equity returns fluctuated over the 2020-25 period. S&P Global, Inc. tracks total returns for various indices. An analysis of trends helps us understand the direction of the overall market for bank stocks. The chart below shows the total return for the S&P 500, the S&P U.S. SmallCap Bank index, and the S&P U.S. MidCap Bank index over the 2020-25 period. See Appendix E for an overview of the banking industry.



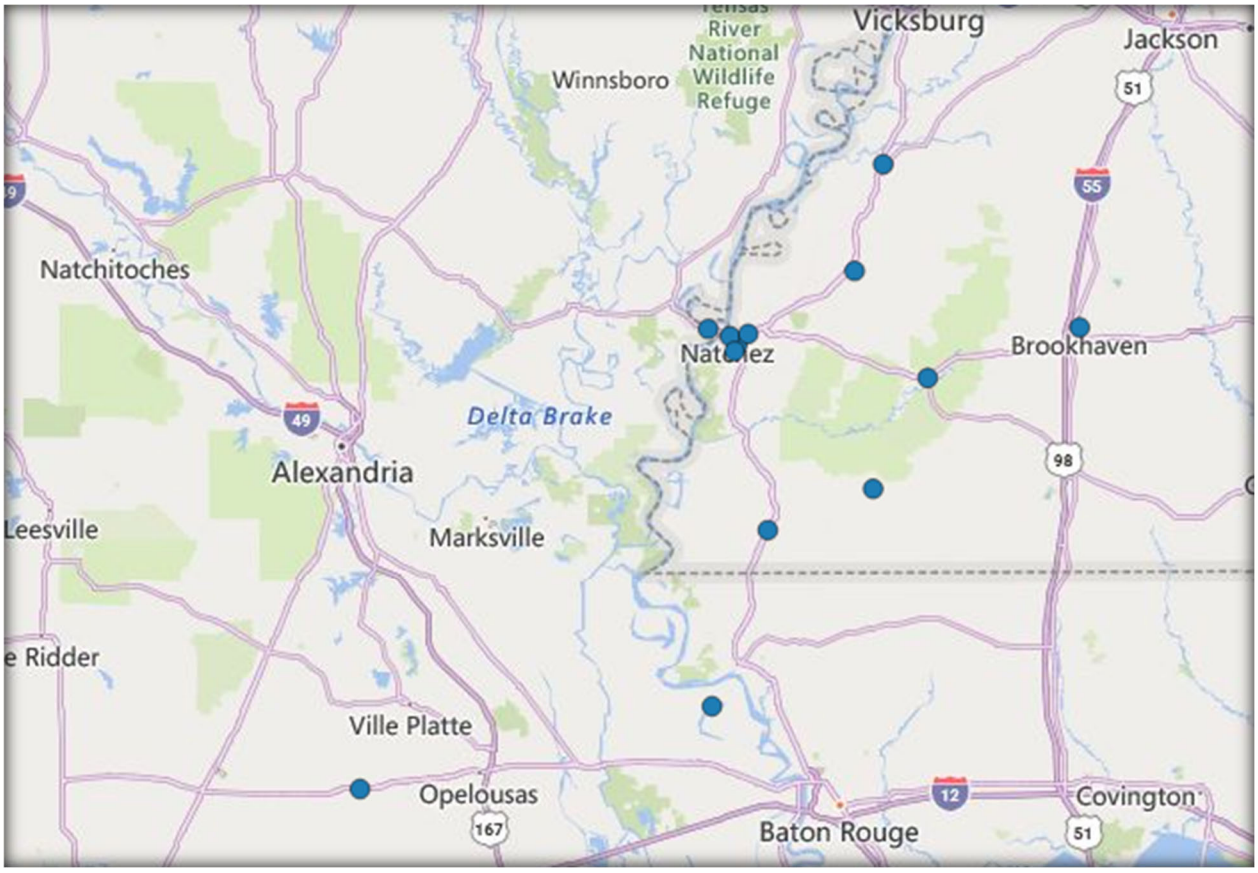
Index	2020	2021	2022	2023	2024	2025
S&P 500	18.40%	28.71%	-18.11%	26.29%	25.02%	17.88%
S&P U.S. SmallCap Banks	-9.18%	39.21%	-11.83%	0.50%	18.22%	9.97%
S&P U.S. MidCap Banks	-1.10%	45.53%	-26.47%	-25.44%	33.40%	15.68%

OVERVIEW OF THE BANK

History and Overview

United Mississippi Bank, located in Natchez, Mississippi, was chartered in 1973 (as First Natchez Bank) and opened its first office on May 14, 1973. The Bank's lending emphasis is on personal, residential, and small business loans, and its target deposit customers include those with low to moderate incomes. The Bank currently serves its market with 13 full-service locations, including: the Downtown branch in Natchez (opened in 1973); the Fayette branch (1974); the Southern branch in Natchez (1975); the Morgantown branch in Natchez (1975); the main office in Natchez (1993); the Downtown Woodville branch (acquired in 2003 with the acquisition of Commercial Bank of Woodville, Mississippi); one each in Bude and Gloster, (acquired in 2013 with the acquisition of Peoples Bank of the South, Bude Mississippi); and Vidalia, Louisiana (opened in 2013). The Bank closed its Meadville branch in June 2018 and the Centerville branch in August 2021. Also, in October 2021, the Bank closed its loan production office in St. Francisville, Louisiana.

On January 27, 2025, the Bank acquired three existing branches from BancPlus Corporation, one each in Port Gibson, Mississippi; New Roads, Louisiana; and Eunice, Louisiana. The locations of the Bank's offices are presented in the map below (including the newly acquired branches). Finally, the Bank is currently building a new branch in New Roads, Louisiana on a previously acquired property, and a new leased branch will be opened in Brookhaven in April 2026.



Competitive Market

United Mississippi Bank serves a market area within about a 135-mile radius of Natchez. The Bank, with total deposits of $480 million as of December 31, 2025, is established in several different marketplaces, with varying degrees of competitiveness. The Bank's competitive positions in each of the counties it serves are shown in the chart below.

		Branches *		Deposits *^		
County	Branch Locations	United MS. Bank	County Total	United MS. Bank	County Total	United MS. Market Share
Adams	Natchez	4	15	$192,284	$712,751	27.0%
Wilkinson	Woodville	1	2	61,548	114,388	53.8%
Claiborne	Port Gibson	1	2	48,596	220,164	22.1%
Franklin	Bude	1	3	51,459	175,053	29.4%
Jefferson	Fayette	1	1	43,498	43,498	100.0%
Saint Landry, LA (Parish)	Eunice, LA	1	37	22,541	1,756,753	1.3%
Amite	Gloster	1	4	24,384	166,490	14.6%
Pointe Coupee, LA (Parish)	New Roads, LA	1	8	20,898	678,476	3.1%
Concordia, LA (Parish)	Vidalia, LA	1	7	13,731	641,308	2.1%
Lincoln	Brookhaven	1	13	198	988,258	0.0%
TOTALS		13	92	$479,137	$5,497,139	8.7%

* Data as of June 30, 2025
^ $ in Thousands

The Bank has the largest market share in Wilkinson County (53.8%) and in Adams County (26.7%) and has the only banking facility in Jefferson County. Further, the Bank ranks second (of two banking institutions) in Franklin County (29.4%) and ranks third in Amite County (14.6%). The Bank had a nominal market share in each of its Louisiana markets. According to management, the most aggressive competing institutions are Concordia Bank & Trust; Delta Bank; and Home Bank.

Local Economy

The local economy is diversified across tourism, retail businesses, and some manufacturing. The largest area employers are Natchez-Adams County School District; Merit Health; Corrections Corp of America; and Wal-Mart.

County	Unemploy Rate *	Population 2025	% Change 2020-25	% Change 2025-30	Median Income (2025)	Per Capita Income (2025)	% of National Avg	% of MS Avg	% of LA Avg
Adams	4.3%	28,767	-2.61%	-0.44%	40,129	27,964	62.8%	85.9%	nm
Wilkinson	4.5%	7,858	-8.49%	-6.54%	40,031	27,397	61.5%	84.2%	nm
Claiborne	7.4%	8,064	-2.21%	-0.83%	46,681	29,177	65.5%	89.6%	nm
Franklin	4.2%	7,592	-1.08%	-0.14%	45,883	31,500	70.7%	96.8%	nm
Jefferson	9.5%	6,793	-6.43%	-5.12%	35,000	24,484	54.9%	75.2%	nm
Saint Landry, LA (Parish)	4.7%	81,160	-1.67%	-0.38%	43,295	25,020	56.1%	nm	72.2%
Amite	4.2%	12,319	-3.15%	-2.18%	36,071	24,998	56.1%	76.8%	nm
Pointe Coupee, LA (Parish)	4.6%	19,730	-4.95%	-3.21%	57,817	34,844	78.2%	nm	100.6%
Concordia, LA (Parish)	5.8%	17,233	-7.78%	-6.06%	41,356	27,732	62.2%	nm	80.1%
Lincoln	3.5%	34,647	-0.74%	0.07%	52,424	29,555	66.3%	90.8%	nm
Mississippi	3.1%	2,940,039	-0.72%	0.37%	56,831	32,547	73.0%	100.0%	nm
Louisianna	3.9%	4,549,263	-2.33%	-0.84%	59,290	34,631	77.7%	nm	100.0%
USA	4.1%	337,643,652	1.87%	2.40%	78,770	44,561	100.0%	136.9%	128.7%

* Data as of December 2025

The economic environment in each Mississippi county served by the Bank is characterized by declining population since 2010, further expected population decline over the 2024-29 period, unemployment rates above the state and national averages, and per capita income below the state average and substantially below the national average. In Concordia Parish, the unemployment level was above both the state and national averages and per capita income was below the state and national average.

Senior Management Team

The Bank's senior management team is presented below.

Name	Title	Age	Length of Service
Adrian Sandel	Chief Executive Officer and Director	59	18
Carolyn Heard	Vice President and Chief Compliance Officer	62	32
Chris Hutchins	Vice President and Chief Operating Officer	53	30
Chris Maxwell	Vice President and Chief Information Officer	59	12
Lauren Middleton	Chief Financial Officer	43	12
Frank Foster	Chief Lending Officer	45	16

The Bank has an experienced management team. Management indicated that no material changes are anticipated in the near future.

Common Stock Ownership

The parent Company owns 100% of the Bank's common stock. The Company has 51 shareholders. As of December 31, 2025, the officers and directors of the Company (including their family members) owned or controlled 75,401 shares, or 64.77% of the 116,418 outstanding common shares of the Company. The largest shareholder owned 29,217 shares, or 25.10% of the outstanding stock. Aside from the ESOP, one other shareholder owned more than 5% of the outstanding stock. The ESOP owned 14,045 shares (12.06%) of Company stock and had cash and other assets of $599 thousand and no liabilities as of December 31, 2025.

REVIEW OF THE BANK'S FINANCIAL PERFORMANCE AND POSITION

As part of our due diligence process, we reviewed the financial position and performance of the Bank over the relevant period of analysis. This review entailed an examination of the Bank's current financial statements in comparison with prior years and reasonably comparable industry statistics. Our analysis was supplemented by discussions with management, which enhanced our understanding of the business reasons for changes in the financial statements. Results of this review, which have specific valuation implications, are noted below and at the appropriate point in the valuation section of this report.

Peer Group Comparisons

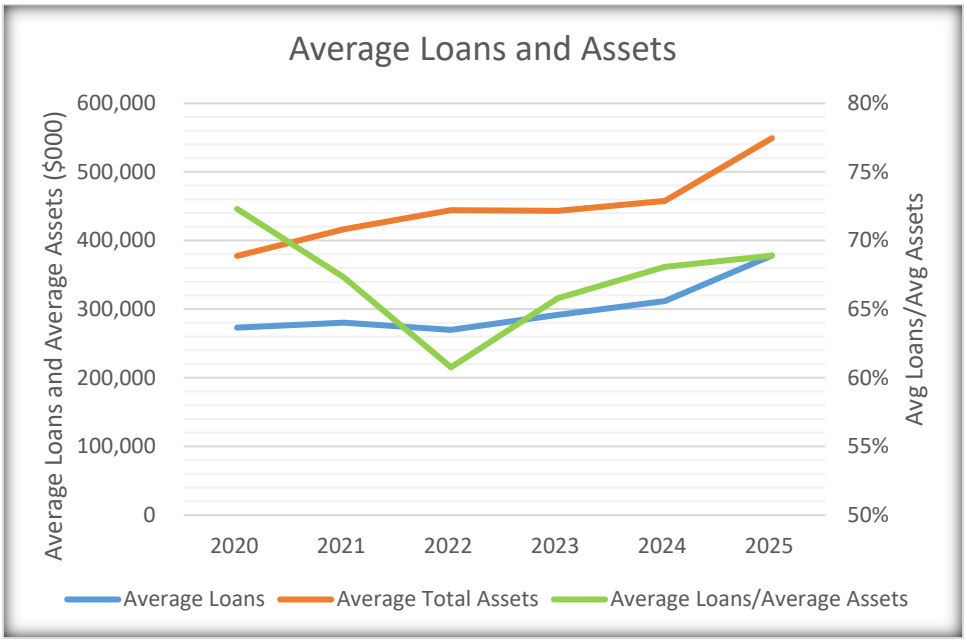
The financial position and performance of United Mississippi Bank is compared to data provided in the Uniform Bank Performance Report ("UBPR" or "peer group"), prepared by the Federal Financial Institutions Examination Council. The Bank's peer group is #5, representing all insured commercial banks having assets between $300 million and $1.0 billion. Current year peer group data represents the period ended December 31, 2025. Throughout this report, all references to the peer level(s) or the peer group mean the average(s) for the peer group. Further, even if a ratio for the Bank is above or below the peer average, it still may well be within the range of the peer banks.

Historical Balance Sheets

Historical balance sheets are shown in Exhibit 1. Exhibit 2 relates each year's balance sheet as percentages of that year's average assets to provide another important perspective; a presentation of changes in balance sheet composition. Based upon our analysis of the information reviewed, the following observations are pertinent:

***Asset Structure*:**

- Average loans and average assets both increased over the 2020-25 period, and the rate of average asset growth (7.78%) outpaced the rate of average loan growth (6.74%). Average assets increased 6.68% in 2022, while average loans decline 3.70%, resulting in a decline in the loan to asset ratio. In 2025, average loans increased 21.39% and average assets increased 19.96%, following the branch acquisitions from BancPlus. The chart below shows the relationship of the Bank's average loans and average assets over the 2020-25 period.



- As of December 31, 2025, the Bank's net loan to deposit ratio equaled 84.23%, above the peer average of 78.99%. The loan portfolio is comprised of real estate loans (83.72% vs. 78.64% for the peer group), commercial and industrial loans (9.671% vs. 10.97%), consumer loans (3.54% vs. 2.67%), agricultural loans (2.02% vs. 3.75%), and municipal loans (0.85% vs. 0.44%).

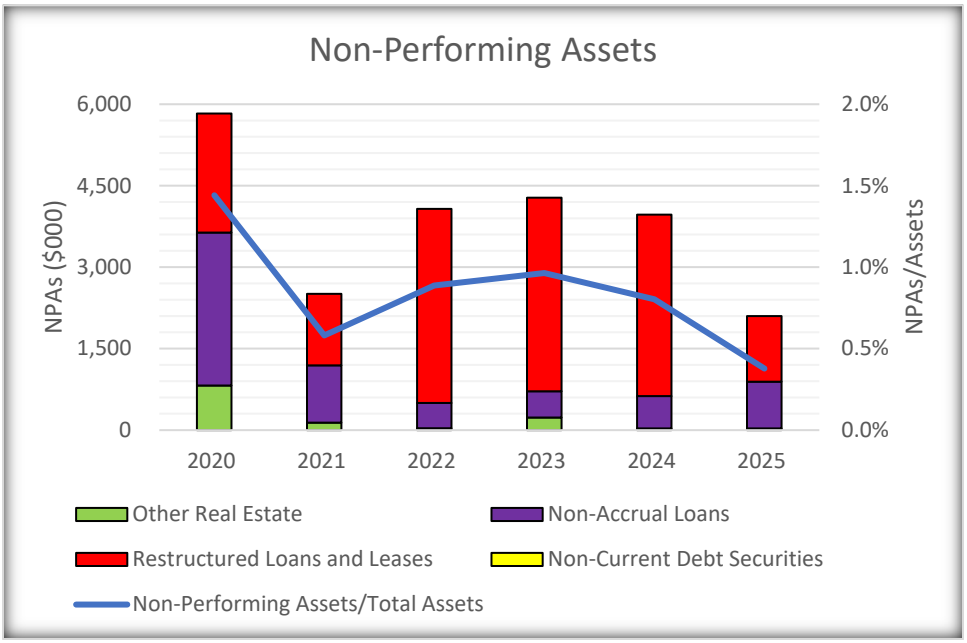
- The market value of the held-to-maturity securities portfolio was below book value by $1.40 million, while the market value of the available-for-sale securities portfolio was below book value by $3.40 million as of December 31, 2025. One year earlier, the held-to-maturity portfolio was below book value by $2.27 million and the available-for-sale portfolio was below book value by $6.11 million.

- Fixed assets equaled $11.34 million at December 31, 2025. As a percentage of assets, fixed assets equaled 2.04% as of December 31, 2025, higher than the peer average of 1.43%.

- As of December 31, 2025, goodwill totaled $1.30 million. The Bank had other intangible assets (core deposit intangible) of $5.43 million at December 31, 2025. It should be noted that the core deposit intangible is included in other assets on the Bank's balance sheet.

***Asset Quality*:**

- The Bank's non-performing assets ("NPAs"), defined as the sum of ORE, non-accrual loans, restructured loans and leases, and non-current debt securities ranged from 0.58% of total assets to 1.44% and equaled 0.38% of total assets at December 31, 2025. In should be noted that a substantial portion of NPAs are restructured loans and leases. The chart below shows the composition of the Bank's NPAs over the 2020-25 period.



- According to management, the most recent loan classification indicated total classified loans of $6.70 million, all of which were classified substandard. Another $7.91 million in loans were special mention.

- The Bank's loan loss reserve represented 0.82% of loans at December 31, 2025, much lower than the peer average of 1.25%. According to management's internal analysis, the loan loss reserve was underfunded by $38 thousand at December 31, 2025.

- Overall, the Bank's net loan losses, as a percentage of average loans, were near those of the peer group over the 2020-25 period (average of 0.06% vs. 0.05%).

Liabilities:

- Deposits increased at a compound annual rate of 7.09% from year-end 2020 through December 31, 2025, near the rate of asset growth (6.54%). Further, deposits increased 23.06% in 2025, significantly faster than the rate of asset growth (12.38%) following the branch acquisitions.

- Non-interest bearing deposits represented 43.39% of total assets at December 31, 2025, while interest bearing deposits accounted for 43.04% of assets.

- The Bank had no brokered deposits at any year-end over the 2020-25 period. The Bank's core deposit base is considered by management to be stable.

- The Bank uses advances from the Federal Home Loan Bank (FHLB) as a funding source. As of December 31, 2025, the Bank had $11.00 million of FHLB Advances, down from $42.01 million at year-end 2024. Further, FHLB Advances were nominal level over the 2020-22 period. The Bank had $1.68 million in Fed Funds Purchased/Repurchase Agreements at year-end 2025, down from $5.69 million at year-end 2024. The level of borrowed funds increased over the 2020-24 period, but declined significantly in 2025 and was near the recent peer level at year-end 2025.

***Capital*:**

- The Bank's capital, as measured by the ratio of equity to total assets, ranged from 9.81% to 11.89% over the 2020-24 period, and equaled 11.11% at December 31, 2025, higher than the peer average of 9.81%.
- Capital adequacy, as measured by the ratio of Tier I leverage capital, was 11.35% at December 31, 2025, higher than the peer level of 10.85%.
- During 2022, the Company down-streamed $10.0 million into the Bank out of proceeds received by the Company from the Emergency Capital Investment Program (ECIP). Management does not expect any equity infusions at the Bank in the foreseeable future.

Historical Income Statements

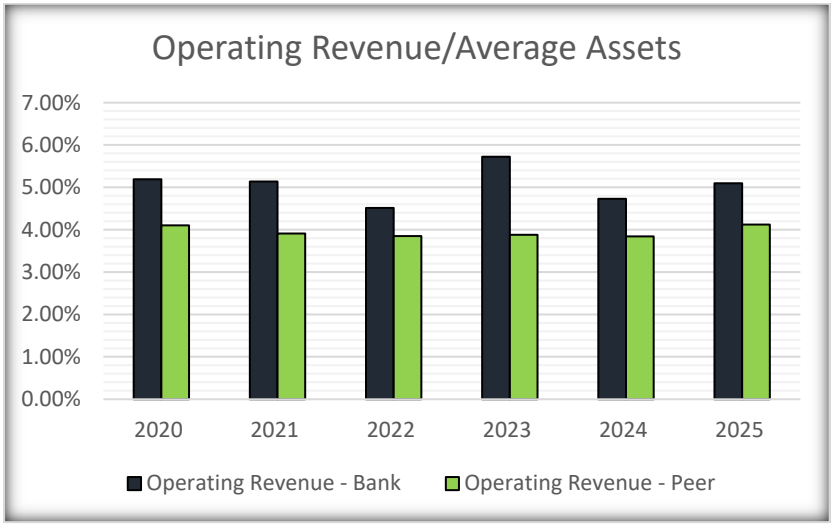
Historical income statements for the years 2020 through 2025 are provided in Exhibits 3 and 4. Based upon our analysis of the information reviewed, the following observations are pertinent:

***Net Interest Income*:**

- Net interest income (interest income less interest expense), as a percentage of average assets, was above peer levels over the 2020-24 period (average of 3.56% vs. 3.30%). In 2025, the Bank's net interest income increased to 4.23% of average assets, well above the peer average of 3.61%.
- The historically above average net interest income was the combined result of a higher than average yield on earning assets and a lower than average cost of funds. However, in 2023 the average yield on earning assets was slightly lower than peer banks (4.85% vs. 4.91%). Further, in 2024 the average yield on earning assets was equal to the peer level (5.49%).

***Operating Revenue*:**

- The Bank's operating revenue (net interest income on a fully-taxable equivalent basis plus non-interest income), as a percentage of average assets, was above the peer group average in each year over the 2020-25 period. The chart below shows operating revenue, as a percentage of average assets, for the Bank and the peer group over the 2020-25 period.



- The Bank's non-interest income as a percent of average assets was well above peer levels over the 2020-25 period (average of 1.39% vs. 0.60%), contributing significantly to the favorable operating revenue margin. However, it should be noted that the Bank received a $4.96 million Equitable Recovery Program Grant in 2023 that contributed to a well above peer level non-interest income margin (2.18% vs. 0.55%) and another totaling $1.83 million in 2021 (1.81% vs. 0.70%). Further, non-interest income included Bank Enterprise Award (BEA) grants in each year except 2021 ranging from $171 thousand to $479 thousand.

***Non-Interest Expenses*:**

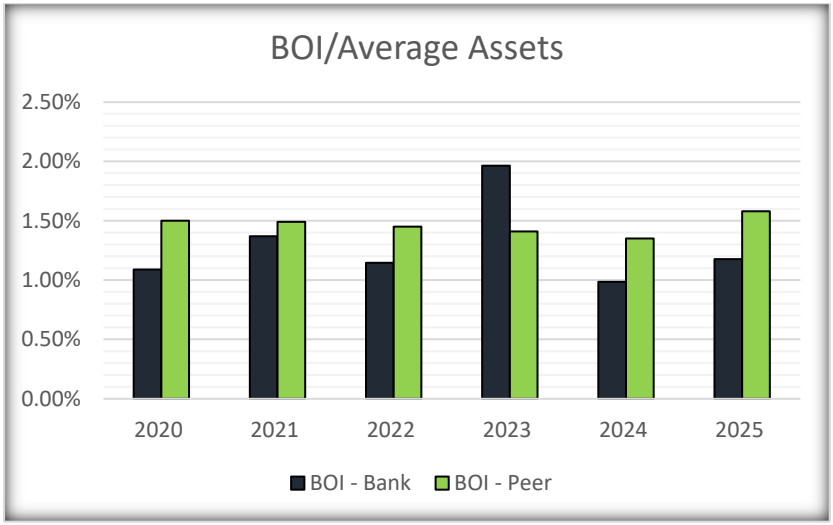
- The Bank's non-interest expenses were well above peer averages over the 2020-24 period (average of 3.75% of average assets vs. 2.48%) but declined over the 2020-22 period as assets increased.

- Non-interest expenses increased to 3.92% of average assets in 2025 (including a non-recurring core conversion expense of $400 thousand), well above the peer average of 2.54%. In 2025, salaries and benefits expenses, net occupancy expenses, and other operating expenses were all well above the peer averages.

- The Bank's efficiency ratio compared unfavorably to that of the peer group over the 2020-24 period (average of 74.37% vs. 63.04%) and in 2025 (76.92% vs. 61.75%) due to the above average expense structure.

***Basic Operating Income*:**

- The Bank's income before loan loss provisions, securities transactions, and taxes (basic operating income on a fully taxable equivalent basis, or "BOI"), was below the peer average in each year over the 2020-25 period, excluding 2023, when BOI was well above the peer average due to high grant income. The chart below shows BOI, as a percentage of average assets, for the Bank and the peer group over the 2020-25 period.



***Loan Loss Provision*:**

- The Bank's loan loss provision fluctuated relative to the peer levels during the 2020-22 period, but was below the peer average overall (average of 0.07% vs. 0.12%).

- In 2023, the Bank began implementing the Current Expected Credit Loss ("CECL") accounting standard. Under CECL, in addition to a loan loss provision the Bank records a separate provision for credit losses and other assets that pertains to off balance sheet items such as unfunded credit commitments.

- As a percent of average assets, the Bank's provision for loan losses equaled 0.05% in 2023 and 0.09% in 2025, compared to the peer averages of 0.07% and 0.10%, respectively. However, the Bank made only a nominal provision for credit losses in 2024 ($20 thousand, 0.00%), compared to the peer average of 0.08%.

***Securities Transactions*:**

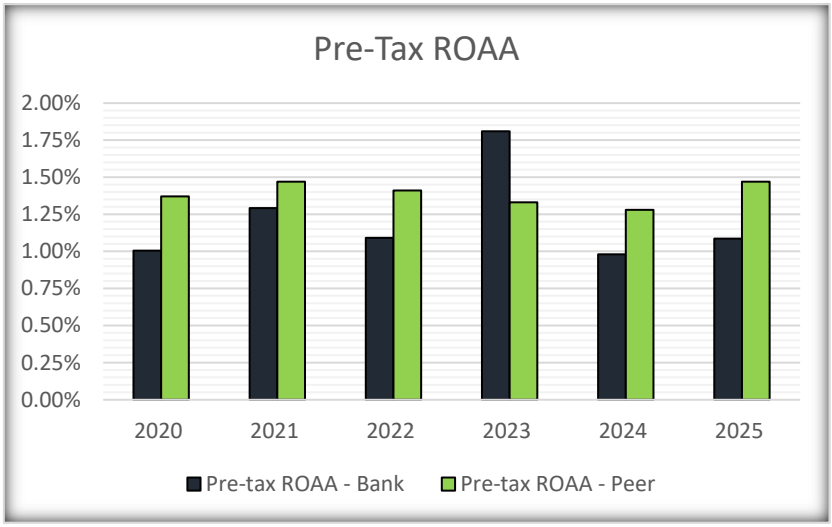
- The Bank had nominal realized gains/losses on securities over the 2020-25 period (never more than $16 thousand), except in 2023, when the Bank realized losses on securities transactions of $446 thousand (0.10% of average assets).

***Effective Tax Rate*:**

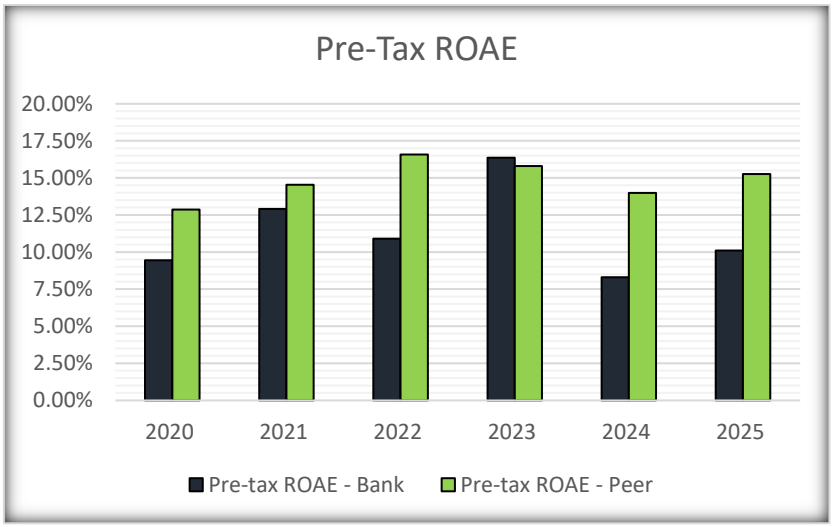
- The Bank has elected S Corporation status for federal income tax purposes.

***Performance*:**

- The Bank's pre-tax return on average assets (pre-tax income on a fully taxable equivalent basis divided by average assets, or "pre-tax ROAA") was below the peer average in each year over the 2020-25 period, excluding 2023, when pre-tax ROAA was well above the peer average due to high grant income. The chart below shows pre-tax ROAA for the Bank and the peer average over the 2020-25 period.



- The Bank's pre-tax return on average equity (pre-tax income on a fully taxable equivalent basis divided by average equity, or "pre-tax ROAE") was below the peer average in each year over the 2020-25 period, excluding 2023, when pre-tax ROAE was well above the peer average due to high grant income. The chart below shows pre-tax ROAE for the Bank and the peer average over the 2020-25 period.



- It should be noted that the near peer level performance in 2021 and 2023 reflects the impact of the large Equitable Recovery Program Grants received by the Bank. Absent these grants, performance would have been comparable to the other years over the 2020-25 period.

***Dividends*:**

- Over the 2020-24 period, the Bank's dividend payout ratio (average of 50.24%) was the peer group (average of 36.78%).
- The Bank's dividend payout ratio was 42.27% of earnings in 2025, near the peer average of 39.37%.

***Budgeted Earnings*:**

- Management's budget for 2026 calls for pre-tax earnings of about $5.49 million, which would equate to pre-tax ROAA of 1.0% and pre-tax ROAE of 10.0%. Assets are budgeted to reach about $570 million, which would imply about 2.68% growth from year-end 2025.

OVERVIEW OF THE HOLDING (PARENT) COMPANY

Southwest Security, Inc. is a one-bank holding company whose primary asset is its 100% ownership of United Mississippi Bank. The Company is a Subchapter S Corporation for federal income tax purposes. As of December 31, 2025, the Company had unconsolidated assets of $116.32 million and total equity capital of $50.32 million, including goodwill of $427 thousand. Other than its investment in the Bank ($61.67 million), the Company had fixed assets of $340 thousand, cash and equivalents of $27.47 million, available-for-sale securities of $20.87 million, held-to-maturity securities of $5.43 million, and other assets of $112 thousand. Liabilities consisted of debentures payable (ECIP funds) of $66.00 million (interest rate of 0% for two years, then 2.0% per annum for 30 years).

Earnings were $9.03 million ($77.29 per share) in 2023, $4.43 million ($37.99 per share) in 2024, and $5.30 million ($45.52 per share) in 2025. The Company made S Corporation distributions of $18.28 per share in 2023, $26.28 per share in 2024, and $20.59 per share in 2025.

OTHER VALUATION CONSIDERATIONS

Acquisition Offers

Management has not received any recent offers to purchase the Company. Management expressed no intention of selling the Company in the foreseeable future.

Regulatory Issues

The Company is not under any agreements with its regulators.

Pending Litigation

Periodically, the Company is party to legal actions which arise in the normal course of business. Management indicated that the liability from such actions, if any, is not substantive.

Environmental Considerations

According to management, the Company was not in violation of any environmental laws or regulations based upon its understanding and the findings of the most recent governmental examinations.

DETERMINATION OF FAIR MARKET VALUE

Approach to Valuation

Valuation is ultimately a matter of informed judgment based upon a full consideration of all relevant data, as well as the appropriate standard of value. The appraisal profession recognizes three general approaches to valuation. Within each approach, there are multiple methodologies.

ASSET BASED APPROACH	*A general way of determining a value indication of a business, business ownership interest, or security using one or more methods based directly on the value of the assets of the business, less liabilities.* The asset based approach includes those methods that seek to write up or down or otherwise adjust the various tangible and/or intangible assets of an enterprise.
INCOME APPROACH	*A general way of determining a value indication of a business, business ownership interest, or security using one or more methods where value is determined by converting anticipated benefits.* The income approach includes those methods that provide for the capitalization of earnings estimates and those based upon projected future benefits (cash flow or earnings) discounted to the present using an appropriate risk adjusted discount rate.
MARKET APPROACH	*A general way of determining a value indication of a business, business ownership interest, or security using one or more methods that compare the subject to similar investments that have been sold.* The market approach includes a variety of methods that compare the subject with transactions involving similar investments, including publicly traded guideline companies and sales involving controlling interests in public or private guideline companies. Consideration of prior transactions in interests of a valuation subject is also a method under the market approach.

The asset approach develops an estimate of value based upon the market values of the subject entity's assets and liabilities, as opposed to their book values (adjusted book value). Adjusted book value is not liquidation value; however, it could be considered a quasi-liquidation value, where assets are sold in the context of a going concern. Asset value typically indicates a value that contains an element of control, or at least an element of assumed marketability. Thus, when using this approach to value an entity on a non-marketable minority basis, discounts for lack of control and lack of marketability are necessary.

The income approach is a two-step process. First a determination of anticipated benefits (earnings or cash flows) must be made. Second, an appropriate rate or multiple must be identified with which to capitalize those benefits. The resulting capitalized benefits must then be adjusted to reflect the estimated values of any non-operating assets and/or liabilities.

The market approach typically consists of one or both of the following general approaches: (1) prior transactions method, and (2) guideline company method. When a business interest is not listed on an exchange and no active market exists for it, but some transactions have occurred, a market value can sometimes be derived and used as an element in the determination of fair market value based upon an analysis of the transactions. Even if limited transactions have occurred at arms' length, inferences can be drawn about fair market value based on the limited transaction volume. It is crucial to evaluate the transactions to ensure that they are at arms' length. Further, the standard of value for the opinion being issued may necessitate an adjustment to the observed market value for either liquidity concerns or for control.

The guideline company method is the generally accepted method of valuing closely held companies through comparison with similar companies whose stocks are publicly traded (guideline companies). When using this method, a determination of anticipated benefits (earnings, cash flow, etc.) is developed based upon a review of the subject entity. The anticipated benefits are then capitalized using a corresponding capitalization factor for the Guideline Company Group. It should be noted that: (1) it is virtually impossible to find identical public companies; and (2) required disclosure for public companies notwithstanding, appraisers are not privy to "inside" information for any public companies.

When determining the fair market value of non-traded securities, it is common to derive a "combined value", based upon a weighted average of valuation approaches deemed appropriate by the appraiser. The weights applied to the various methodologies are based upon the relative importance of each methodology. Further, discounts to the combined value may be necessary to properly reflect the appropriate standard of value (discounts for lack of control, lack of marketability, restrictions, and blockage are typical examples).

Finally, it is crucial to understand that valuation is ultimately a matter of informed judgment based upon a full consideration of all relevant data. We considered each of the valuation methodologies outlined above in reaching our final conclusion of the fair market value of the common stock of Southwest Security, Inc.

Goodwill and Intangible Value

According to Revenue Ruling 59-60, the valuation of a closely held business should take into consideration goodwill or other intangibles. Goodwill, as interpreted from the ruling, is considered as value in excess of book value. In the case of banking institutions, goodwill typically arises through acquisitions, and can be either positive or negative. While there has been no explicit effort to value the goodwill and intangibles independently, the following analysis considers the valuation implications of both.

Basis of Per Share Analysis

The valuation analysis is performed on a per share basis, based upon 116,418 shares issued and outstanding as of December 31, 2025. There are no options or warrants to purchase the Company’s common stock that were exercisable at the valuation date.

The Asset Based Approach

The asset value of a corporation is established by using the corporation's financial statements. Adjustments are made, as necessary or appropriate, to reflect the market value of the corporation's assets and liabilities as opposed to their book value. The objective is to arrive at a net asset value, defined as the difference between the adjusted valuation of all assets and liabilities. Net asset value reflects the valuation of assets in the context of a going concern. Net asset value is not liquidation value; however, it could be considered a quasi-liquidation value, where assets are sold in the context of a going concern.

Reported book value at December 31, 2025 was $50,324,217, or $432.27 per share. The Bank had goodwill and other intangible assets of $1,727,547 and the Company had goodwill of $5,430,370; therefore, tangible book value at December 31, 2025 was $43,166,300, or $370.79 per share.

TABLE 1
SOUTHWEST SECURITY, INC.
DERIVATION OF TANGIBLE BOOK VALUE
As of December 31, 2025

Book Value as of December 31, 2025	$50,324,217
Goodwill	(1,727,547)
Intangibles Assets	(5,430,370)
Tangible Book Value as of December 31, 2025	$43,166,300

Recent fair market value estimates of the operating assets of the Company were not available. Further, Southard Financial did not, and was not asked to determine the market value of the Company's operating assets. Therefore, we do not rely on the asset based approach in reaching our conclusion of value. Further, given the available public stock market pricing data for bank stocks, the asset based approach is not generally reflective of market value in going concern appraisals of banking companies.

The Income Approach

The determination of value using the capitalization of earnings method (income approach) is a two-step process. First, it is necessary to make a determination of the subject entity's ongoing earning power, also defined as the "anticipated benefits" that will accrue to the subject entity on an annual basis. Ongoing earning power represents the estimated sustainable earnings of the subject entity. Second, a rate must be identified with which to capitalize those earnings (the capitalization factor).

When using the income approach, it is sometimes necessary to adjust capitalized benefits to reflect non-operating assets owned by the subject entity. In theory the operations (financial performance) of the subject entity would not be impacted by the liquidation of the non-operating assets. To account for the non-operating assets, an adjustment is made to the determination of ongoing earning power by eliminating the income and expenses associated with these assets. Then, the market value of the non-operating assets is added to the capitalization of benefits to determine the value of the subject entity using the income approach. For the Company, no non-operating assets were identified.

Anticipated Benefits

The first step in determining the fair market value of the Company under the income approach is the determination of the current earning power (anticipated benefits) of the Company. It is important to stress that the earnings stream considered is the current earning power, not necessarily actual reported earnings. Our approach to determining ongoing earning power is based upon the current and historical performance of the Company. Specifically, a two-year average of basic operating income (2025 and budgeted 2026) is derived on a fully taxable equivalent basis.

The beginning point of the analysis is net income in each period. Taxes, tax equivalent adjustments, gains and losses on securities transactions, and the loan loss provision are reversed to derive basic operating income ("BOI"), and the following adjustments are necessary to determine adjusted BOI.

1. Gains and losses on the sale of ORE are reversed in 2025.
2. Gains and losses on the sale of other assets are reversed in 2025.
3. Non-recurring core conversion related expenses are reversed in 2025.

TABLE 2
UNITED MISSISSIPPI BANK
DERIVATION OF ADJUSTED BOI
As of December 31, 2025

Adjusted Earnings	Budget 2026	Year Ended December 31 2025
Net Income	$5,492,000	$5,668,000
Taxes	0	0
FTE Adjustment	280,000	293,000
Securities Transactions	0	(16,000)
Provision: Loan & Lease Losses	360,000	510,000
Provision: Credit Losses and Other Assets	0	0
BOI	$6,132,000	$6,455,000
(1) (Gains)/Losses on ORE	0	20,000
(2) (Gains)/Losses on Other Assets	0	(32,000)
(3) Non-Recurring Core Conversion Related Expenses	0	400,000
Adjusted BOI	$6,132,000	$6,843,000
Adjusted BOI as a Percentage of Average Assets	1.04%	1.25%
Weight	1.0	1.0
Estimated Ongoing BOI as a Percentage of Average Assets	1.15%	

As shown above, adjusted BOI equaled 1.25% of average assets in 2025 and 1.04% in 2026 (budgeted). Each period is accorded equal weight to determine estimated ongoing BOI as a percentage of average assets, or 1.15%.

A normalized loan loss provision is deducted based upon the current level for peer banks, adjusted for the Bank's loan/asset ratio and recent experience, as well as the Bank's budgeted 2026 level. The derived ongoing pre-tax ROAA is multiplied by average assets in the fourth quarter of 2025 to derive ongoing pre-tax earnings for the Bank. Estimated ongoing parent only expenses ($110,000 net of parent income) are then deducted to determine ongoing earnings for the Company.

The Company is treated as an S Corporation for tax purposes. Consistent with common valuation practice for S Corporations, we assume C Corporation tax status for the Company when calculating value under various valuation methods below. The fully taxable equivalent rate used in our analysis is determined based on a federal tax rate of 21.0% and the Mississippi state tax rate of 5.0%, resulting in an effective tax rate of 25.0% (rounded).

TABLE 3
SOUTHWEST SECURITY, INC.
ONGOING EARNING POWER
(ANTICIPATED BENEFITS)
As of December 31, 2025

Estimated Ongoing BOI - Bank	1.15%
Normalized Loan Loss Provision	0.07%
Estimated Ongoing Pre-Tax ROAA - Bank	1.08%
Average Bank Assets - 4th Quarter 2025	$563,059,000
Estimated Ongoing Pre-Tax Income - Bank	$6,081,037
Estimated Ongoing Parent Income/(Expense), net	(110,000)
Estimated Ongoing Pre-Tax Income - Company	$5,971,037
Estimated Income Taxes	(1,492,759)
Estimated Ongoing After-Tax Income - Company	$4,478,278
ANTICIPATED BENEFITS	$4,478,000

Based upon the analysis presented above, the ongoing earning power (anticipated benefits) of Southwest Security, Inc. was $4,478,000 (rounded) as of December 31, 2025. The ongoing earning power estimate is higher (up 7.39%) than in the prior appraisal ($4,170,000).

Capitalization Factor

It is commonly known that the value of an investment is the present value of the future income stream that flows to the owner, determined using a discount rate (interest rate) that reflects the riskiness of the investment. If it can be assumed that the rate of growth of the investment is relatively constant, then the capitalization factor (multiple) becomes:

Capitalization Factor = 1.0/(CR-g)
where;
CR = investor's required rate of return
g = anticipated growth rate

Thus, to determine an appropriate capitalization rate, two factors must be determined: the investor's required rate of return and the anticipated rate of growth in the investment's income stream.

An accepted method of developing the appropriate capitalization rate, or investor's required rate of return is the "build-up method". The utilization of this approach relies upon the historical relationships between rates of return earned by investors on investments in securities. An alternative to the build-up method is the modified capital asset pricing model (CAPM), which incorporates beta as a measure of industry risk versus the overall market. The model is based upon the following simple premise: investors demand a rate of return commensurate with the risk level borne. Expressed mathematically, the modified CAPM method results in the following relationship:

$CR = R_f + (R_{eq} * \beta_j) + R_{size} + R_{cs}$
where;
CR = Capitalization rate for the subject entity
R_f = Risk-free rate of interest
R_{eq} = Equity risk premium
β_j = Beta coefficient
R_{size} = Size premium
R_{cs} = Company specific risk premium

Thus, the use of the modified CAPM method requires an estimate of each of the relevant risk premiums:

1. **Risk-Free Rate:** A risk-free rate of interest is the return available on a security that the market generally regards as free of the risk of default. The proxy used for the risk-free interest rate is the 20-year U.S. Treasury bond yield. The 20-year U.S. Treasury bond yield at December 31, 2025, was 4.79%.

2. **Equity Risk Premium:** The equity risk premium (or market risk premium) is the extra return over the expected yield on risk-free securities that investors expect to receive from an investment in the market portfolio of common stocks, represented by a broad-based market index. The equity risk premium is taken from data provided by Kroll, LLC in *Cost of Capital Navigator*. In our opinion, based upon the available information in the *Cost of Capital Navigator* analysis, an equity risk premium of 6.31% is appropriate. The equity risk premium represents the supply-side long-term equity risk premium (1926–2025). The supply-side model forecasts the equity risk premium using historical data. The analysis uses an earnings model as the basis for the supply-side estimate. The earnings model breaks the historical equity return into four pieces, with only three historically being supplied by companies: inflation, income return, and growth in real earnings per share. The growth in the P/E ratio, the fourth piece, is a reflection of investors' changing prediction of future earnings growth.

3. **Beta Coefficient:** The riskiness of an investment reflects two basic components, the operating (business) risk and the financial risk. The β_j (beta) coefficient of the market portfolio, based upon average operating and financial risk, is 1.0x. Further, the median beta coefficient for publicly traded banks with average daily trading volume of at least 10,000 shares and total assets of less than $5 billion was 0.70x (rounded) as of December 31, 2025 (per data from S&P Global, Inc.). In our opinion, based upon the foregoing analysis, a beta coefficient of 0.70x is appropriate.

4. **Size Premium:** Empirical studies of publicly traded companies have shown, and it is generally recognized in the investment community, that as the size decreases, returns tend to increase (and vice versa). Further, the higher return exhibited by smaller stocks (size premium) can be calculated. The size premium is based upon data from Kroll, LLC in *Cost of Capital Navigator*. Data was provided for actual returns on the general stock market in excess of returns predicted by the capital asset pricing model (CAPM). The excess returns in essence represent beta-adjusted size premiums. The data was sorted by decile. The market cap of the Company falls into the category represented by the 10^{th} decile. In our opinion, based on the foregoing analysis, a size premium of 4.37% is appropriate.

5. **Specific Risk Premium:** To adjust for the risk of a business interest, specific risk premiums are generally considered for the following factors. It is important to note that the risk premium can be either positive or negative depending upon the operating and financial characteristics of the subject entity. For the Company, the following specific risk premiums were considered:

   - Key-man factors: Typically, small public companies have more management depth and, therefore, less dependency upon one or two key people. The Company has an experienced management team for its size and operations.
   - Diversification factors: Typically, small public companies have more geographic and product line diversification, as well as a larger customer base. The Company's market consists primarily of an area within about a 75-mile radius of Natchez, Mississippi.
   - Earnings/Return volatility: Typically, small public companies have more stable and predictable revenues and earnings. The adjusted earnings of the Company were relatively stable over the 2020-23 period, but declined significantly in 2024 before increasing somewhat in 2025.

   Based upon these factors, it is our opinion that no specific risk premium (unchanged from the prior opinion) is appropriate for the valuation of the Company. The lack of a risk premium is based upon the stability of the Company's earnings.

TABLE 4
SOUTHWEST SECURITY, INC.
CAPITALIZATION FACTOR
As of December 31, 2025

Long-Term Government Bond Rate (20-year)		4.79%
Kroll, LLC Equity Risk Premium	6.31%	
Beta Coefficient	0.70	
Adjusted Equity Risk Premium		4.42%
Kroll, LLC Size Premium		4.37%
Specific Risk Premium		0.00%
Investor's Required Rate of Return		13.58%
Estimated Long-Run Growth Rate		3.00%
Capitalization Rate		10.58%
Adjusted Capitalization Factor		9.45

We discussed the future growth potential of the Company with management. Based upon those discussions and the historical growth of the Company, our estimate of the long-run growth outlook for the Company is 3.00% (unchanged from the prior opinion). Based upon our assumptions for the investor's required rate of return and long-run growth rate, an appropriate capitalization factor for the Company is 9.45x. The derived multiple should be applied to estimated after-tax earnings to determine value on a marketable minority basis.

Valuation - The Income Approach

Based upon the assumptions outlined in detail above, the income approach is summarized in the table below. The methodology employed in determining valuation under the income approach was to multiply the estimate of ongoing earning power (anticipated benefits) by the derived capitalization factor.

TABLE 5
SOUTHWEST SECURITY, INC.
THE INCOME APPROACH
As of December 31, 2025

Anticipated Benefits		$4,478,000
Adjusted Capitalization Factor		9.45
VALUATION - INCOME APPROACH		$42,317,100
VALUATION PER SHARE	(116,418)	$363.49

Based upon the analysis presented above, the valuation of Southwest Security, Inc. under the income approach was $363.49 per share as of December 31, 2025.

The Market Approach

The market approach is based upon transactions involving interests of the subject company or transactions involving interests of similar (guideline) companies for which adequate information is available.

Guideline Company Multiples – S&P Global Data

To derive appropriate capitalization factors (price/earnings ratio, price/book value ratio, and price/tangible book value ratio), we relied upon current market data for publicly traded banks and bank holding companies provided by S&P Global, Inc. found in Exhibit 7. Our analysis of the market data consisted of the following steps:

- Gather price, earnings, book value, assets, deposits, market capitalization, performance ratios, and other data (as of December 31, 2025) on all publicly traded commercial banks in the S&P Global database.
- Sort the list by size, asset quality, and performance.
- Exclude all banks with negative earnings, all banks with average daily trading volume of less than 1,000 shares, and all banks with unreported pricing multiples.
- Analyze trends and patterns in the market pricing multiples and make comparisons with the Company.

Selection of Appropriate Comparable Group

The first step in the application of the guideline company method is the selection of the appropriate sub-set of public comparable companies to be used in the derivation of the base guideline public company multiples. For our analysis we believe that the appropriate sub-set for the valuation of community banks should have the following characteristics:

- Be sufficiently large to remove bias that might result from unknown factors.
- To the extent possible, be of similar size.
- To the extent possible, have similar financial performance characteristics (ROAA and ROAE).

Based upon these criteria, we have selected the S&P Global, Inc. subset of 40 banks with assets of $2.00 billion or less, ROAA between 0.50% and 1.50%, ROAE between 5.00% and 15.00%, and NPAs to assets of less than 1.00%. Summary pricing multiples and financial characteristics for the group is shown below.

Comps	Price/ Earnings	Price/ Book	Price/ Tangible Book	ROAA	ROAE	NPAs/Assets	Assets (000s)
High	32.58	227.87%	227.87%	1.37%	14.96%	0.96%	1,995,416
Third Quartile	13.44	122.66%	130.50%	1.09%	12.30%	0.51%	1,748,267
Median	11.87	108.74%	117.38%	0.87%	10.50%	0.30%	1,468,235
Average	12.50	115.72%	121.90%	0.90%	10.40%	0.33%	1,389,822
First Quartile	10.00	102.59%	105.42%	0.73%	8.31%	0.10%	1,017,890
Low	6.11	43.85%	44.33%	0.50%	5.54%	0.00%	368,438

Adjustments to the Guideline Company Multiples

In utilizing a guideline group as an indication of how public markets might value a company's shares, certain limitations must be noted. For example, few comparable groups perfectly match the subject company. In addition, it must be assumed that public multiples reflect all relevant information about each comparable company. Thus, the appropriate multiple is ultimately the analyst's decision based upon a thorough review of the selected guideline companies relative to the subject company.

The guideline company multiples are often adjusted to reflect the risk associated with an investment in a privately held bank versus investment in public bank stocks, and the publicly traded companies' access to public capital markets to facilitate future growth.

In our opinion, based upon all of the available data, the appropriate risk-adjusted capitalization factors for the Company at this time are 12.00 times earnings, 115% of book value, and 120% of tangible book value (all near the median level of the S&P Global group). Finally, the earnings multiple is the same as in the prior appraisal, while the book value multiple and tangible book value multiple are both the higher than in the prior appraisal (110% and 115%, respectively).

Guideline Company Method

Based upon the assumptions outlined in detail above, the guideline company method is summarized in the table below. The methodology employed in determining valuation under the guideline price/earnings and price/book value methods was to multiply the estimate of anticipated benefits (ongoing earning power, reported book value, and reported tangible book value, respectively) by the derived risk adjusted capitalization factors.

TABLE 6
SOUTHWEST SECURITY, INC.
MARKET APPROACH - GUIDELINE COMPANY METHOD
As of December 31, 2025

Capitalization		Price/Earnings	Price/Book	Price/Tang Book
Anticipated Benefits		$4,478,000	$50,324,217	$43,166,300
Risk Adjusted Capitalization Factor		12.00	115%	120%
VALUATION - GUIDELINE COMPANY METHOD		$53,736,000	$57,872,850	$51,799,560
VALUATION PER SHARE	(116,418)	$461.58	$497.11	$444.94

Based upon the analysis presented above, the valuation of Southwest Security, Inc. under the market approach was $461.58 per share (guideline price/earnings method), $497.11 per share (guideline price/book value method), and $444.94 per share (guideline price/tangible book value method) as of December 31, 2025.

Prior Transactions Method

When a stock is not listed on an exchange and no active market exists for it, but some transactions have occurred, a market value can sometimes be derived and used as an element in the determination of fair market value. Even if limited transactions occurred at arms' length, inferences can be drawn about fair market value based on the limited transaction volume.

The Company’s shares are not traded on an exchange, and there are no market makers for the Company’s common stock. However, periodic trades do occur. According to information provided by management, there were no arms’ length transactions of the Company's stock during 2025. Therefore, it is not appropriate, in our opinion, to consider the prior transactions method in the determination of the fair market value of the Company at this time.

Combined Valuation

Based upon the entire analysis, it is our opinion that the fair market value of Southwest Security, Inc. should be determined by assigning appropriate weights to the values derived above. The table below shows the combined value of the Company as of December 31, 2025. In our opinion, the weight assigned to each valuation approach properly reflects the relative importance of that approach for purposes of this valuation opinion.

TABLE 7
SOUTHWEST SECURITY, INC.
COMBINED VALUE PER SHARE
As of December 31, 2025

Valuation Methodology	Value/Share	Weight	Product
Asset Based Approach	none	0%	none
Income Approach	$363.49	20%	$72.70
Market Approach - Guideline P/E Method	461.58	30%	138.47
Market Approach - Guideline P/BV Method	497.11	0%	0.00
Market Approach - Guideline P/TBV Method	444.94	50%	222.47
Market Approach - Prior Transactions Method	0.00	0%	0.00
COMBINED VALUE PER SHARE		100%	$433.64

Although the weights are reasonable, in our opinion, they should not be applied rigidly from year to year. Instead, they must be carefully reviewed for purposes of future valuations of the Company to reflect changing conditions. The weights are changed from the prior appraisal, with the weight previously place of the price/book value method mostly reallocated to the price/tangible book value method. The combined valuation of Southwest Security, Inc. was $433.64 per share as of December 31, 2025. The valuation has yet to consider the marketability of the shares being valued.

Discount for Lack of Marketability

The valuation of a minority interest in a closely held company typically warrants a discount for lack of marketability. An interest in a public company can readily be sold at or near its quoted price. Interests in closely held companies are not easily sold due to the lack of a public market. It is also recognized that a controlling interest in a closely held company suffers from lack of marketability, though less so than a minority interest.

Marketability relates to the liquidity of an investment. All other things being equal, a liquid investment will command greater value than an illiquid one. The marketability discount measures the difference in value between two securities accorded different levels of liquidity. Many factors affect the liquidity of an investment. Among them are: number of owners; size of the block being valued; restriction on sales by agreement or law; and the absence of registration.

Despite the foregoing, and despite the limited transactions in Company stock within the Plan, it is very common to see local demand for the ownership of community bank stock (as opposed to other businesses in the local market). This phenomenon tends to mitigate potential discounts for lack of marketability in community bank stock valuations.

Further, a key factor in determining the marketability discount for shares of the Company held by the ESOP is that the participants in the ESOP have the benefit of a "put" option to the Company. This feature requires the Company to repurchase a participant’s stock at its appraised value after the participant has given notice of his/her intention to sell the stock.

Repurchase Obligation

Repurchase obligation is the liability a company incurs as a result of the requirement that it repurchase shares of stock allocated within the ESOP, subject to the "put options" required by law. This obligation can be satisfied either through (1) contributions or dividends paid to the ESOP trust resulting in recirculation of the ESOP shares to continuing plan participants, or (2) a redemption of the shares by the Company. The selection of method is a Company decision that should reflect the Company's policies regarding how it intends to manage its ESOP from an employee benefits point of view.

The ESOP repurchase obligation represents a claim on future cash flows of the Company. Just like other claims on future cash, the ESOP repurchase obligation needs to be quantified and considered in the valuation consistent with the Company's plan for managing ESOP repurchases.

Based upon our analysis of the Company's financial condition, and after discussions with management, it appears that Company has sufficient liquidity to cover its upcoming repurchase obligation, and it is expected that the Company's working capital and future borrowing capacity will help meet the potential long term repurchase liability. Further, management indicated that the Company is well capitalized and has no concerns of meeting any future repurchase obligations. Based on these factors, no adjustment is required to account for repurchase obligation.

Based upon the above factors, no discount was deemed necessary, in our opinion, to reflect the net impact of the lack of marketability under the definition of fair market value already cited. A discount may be warranted in the future, should conditions change.

CONCLUSION

Based upon the entire analysis, it is our opinion that the fair market value of the common stock of Southwest Security, Inc., was $434.00 per share (rounded) as of December 31, 2025. By issuing this opinion, Southard Financial is not warranting, assuring, or guaranteeing the future value of the common stock of Southwest Security, Inc. or the price(s) at which the common stock of Southwest Security, Inc. may trade between shareholders or be sold to or purchased from other parties.

TABLE 8
SOUTHWEST SECURITY, INC.
VALUATION CONCLUSIONS
As of December 31, 2025

Book Value	$432.27
Tangible Book Value	$370.79
Earning Power	$38.46
Actual Earnings	$36.05
FAIR MARKET VALUE	**$434.00**
Price/Book Value	100.4%
Price/Tangible Book Value	117.0%
Price/Earning Power	11.28
Price/Actual Earnings	12.04
Change from Prior Year-End	
Change in Book Value	14.9%
Change in Tangible Book Value	2.6%
Change in Earning Power	7.4%
Change in Actual Earnings	19.8%
Change in Fair Market Value	12.7%
Dividends Per Share	$20.58
Implied Dividend Yield	4.74%
Implied Total Return	18.1%
Total Return - S&P U.S. SmallCap Banks	10.0%
Total Return - S&P U.S. MidCap Banks	15.7%

The final conclusion of fair market value is rounded to reflect the imprecision inherent in the various assumptions used in the fair market value determination. Nevertheless, the conclusion is reasonable, in our opinion, and meets the standards set out in the section on fair market value. The valuation has considered all of the relevant factors reviewed during our due diligence process, whether referenced in this report or not.

The valuation assumes that the Company and/or the ESOP will make a market for the shares of the Plan participants at the appraised price. If this assumption is not the case, then a substantial discount for lack of marketability may be necessary.

It should be noted that the conclusion of value per share represents the value for each share outstanding as of the valuation date. The issuance of new shares of Company stock may constitute dilution of existing shareholder interests. For example, all other things being equal, an increase in the number of shares outstanding, without an increase in total Company value, decreases the Company's value per share. We are not currently aware of any material dilutive transactions planned by management. In the event that a material issuance of new shares is planned, a valuation adjustment may be necessary to properly reflect value per share.

EXHIBIT 1
UNITED MISSISSIPPI BANK
HISTORICAL BALANCE SHEETS
FOR THE PERIODS ENDED
($ Thousands)

	December 31						Compound Annual Growth		
ASSETS	2025	2024	2023	2022	2021	2020	2020-25	2023-24	2024-25
U.S. Treasury & Agency Securities	21,562	23,698	26,027	38,804	36,209	24,263	-2.33%	-8.95%	-9.01%
Tax-Exempt Securities	42,853	46,804	46,960	51,471	48,352	43,703	-0.39%	-0.33%	-8.44%
All Other Securities	35,254	38,270	39,193	43,760	29,358	10,945	26.36%	-2.36%	-7.88%
Total Securities	99,669	108,772	112,180	134,035	113,919	78,911	4.78%	-3.04%	-8.37%
Fed Funds, CDs, and Trading Assets	10,065	10,756	12,578	10,808	28,904	10,480	-0.80%	-14.49%	-6.42%
Loans Held for Sale	0	0	0	0	0	0	0.00%	0.00%	0.00%
Loans Net of Unearned Income	407,469	344,064	299,016	291,132	266,663	291,977	6.89%	15.07%	18.43%
Loan Loss Allowance	3,359	2,949	3,128	2,112	2,064	2,007	10.85%	-5.72%	13.90%
Net Loans and Leases	404,110	341,115	295,888	289,020	264,599	289,970	6.86%	15.29%	18.47%
TOTAL EARNING ASSETS	513,844	460,643	420,646	433,863	407,422	379,361	6.26%	9.51%	11.55%
Cash and Due From	10,447	10,544	10,981	12,094	11,958	11,273	-1.51%	-3.98%	-0.92%
Bank Premises	11,344	8,917	5,308	5,167	4,898	5,892	14.00%	67.99%	27.22%
Other Real Estate	29	30	232	32	137	821	-48.76%	-87.07%	-3.33%
Invest In Unconsolidated Subsidiary	0	0	0	0	0	0	0.00%	0.00%	0.00%
Goodwill	1,300	1,300	1,300	1,300	1,300	1,300	0.00%	0.00%	0.00%
Mortgage Servicing Rights	0	0	0	0	0	0	0.00%	0.00%	0.00%
Other Intangible Assets	0	0	0	0	0	0	0.00%	0.00%	0.00%
Other Assets	18,179	12,570	5,606	6,426	5,658	5,786	25.73%	124.22%	44.62%
TOTAL ASSETS	555,143	494,004	444,073	458,882	431,373	404,433	6.54%	11.24%	12.38%
LIABILITIES & EQUITY									
Non-Interest Bearing Deposits	240,886	201,159	171,967	196,348	199,729	170,443	7.16%	16.98%	19.75%
Interest Bearing Deposits	238,911	188,725	180,903	183,884	185,847	170,268	7.01%	4.32%	26.59%
Total Deposits	479,797	389,884	352,870	380,232	385,576	340,711	7.09%	10.49%	23.06%
Fed Funds Purchased/Repos	1,678	5,686	7,692	31,259	3,327	22,892	-40.70%	-26.08%	-70.49%
Other Borrowings	11,000	42,014	30,014	14	17	30	225.73%	39.98%	-73.82%
Subordinated Debt	0	0	0	0	0	0	0.00%	0.00%	0.00%
TOTAL ACQUIRED FUNDS	492,475	437,584	390,576	411,505	388,920	363,633	6.25%	12.04%	12.54%
Other Liabilities	1,000	734	702	181	133	184	40.29%	4.56%	36.24%
Equity	61,668	55,686	52,795	47,196	42,320	40,616	8.71%	5.48%	10.74%
TOTAL LIABILITIES & EQUITY	555,143	494,004	444,073	458,882	431,373	404,433	6.54%	11.24%	12.38%
Average Loans	378,235	311,593	291,607	269,829	280,206	272,979	6.74%	6.85%	21.39%
Average Earning Assets	510,751	435,828	434,003	426,260	394,406	355,892	7.49%	0.42%	17.19%
Average Total Assets	549,017	457,658	443,222	444,067	416,260	377,524	7.78%	3.26%	19.96%
Average Interest-Bearing Funds	331,771	286,082	298,820	269,771	259,413	239,577	6.73%	-4.26%	15.97%
Average Total Equity	59,042	54,025	49,022	44,447	41,651	40,133	8.03%	10.21%	9.29%
Earning Assets/Average Assets	93.03%	95.23%	97.92%	95.99%	94.75%	94.27%	95.63%	5-Yr Avg	
Peer Group	95.87%	96.11%	96.22%	95.73%	94.90%	94.65%	95.52%	5-Yr Avg	
Interest-Bearing Funds/Avg Assets	60.43%	62.51%	67.42%	60.75%	62.32%	63.46%	63.29%	5-Yr Avg	
Core Deposits	453,989	367,910	334,599	367,998	373,731	330,215	6.57%	9.96%	23.40%
Brokered Deposits	0	0	0	0	0	0	0.00%	0.00%	0.00%
Reciprocal Brokered Deposits (RBD)	0	0	0	0	0	0	0.00%	0.00%	0.00%
Core Deposits/Total Assets	81.78%	74.48%	75.35%	80.19%	86.64%	81.65%	79.66%	5-Yr Avg	
Brokered Deposits/Total Deposits	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5-Yr Avg	
RBD/Total Brokered Deposits	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5-Yr Avg	

SOURCE: Call Reports and Uniform Bank Performance Reports; current peer data as of 12/31/25

EXHIBIT 2
UNITED MISSISSIPPI BANK
HISTORICAL PERCENTAGE BALANCE SHEETS
FOR THE PERIODS ENDED

	December 31						Peer # 5
ASSETS	2025	2024	2023	2022	2021	2020	12/25
U.S. Treasury & Agency Securities	3.88%	4.80%	5.86%	8.46%	8.39%	6.00%	9.71%
Tax-Exempt Securities	7.72%	9.47%	10.57%	11.22%	11.21%	10.81%	4.97%
All Other Securities	6.35%	7.75%	8.83%	9.54%	6.81%	2.71%	3.71%
Total Securities	17.95%	22.02%	25.26%	29.21%	26.41%	19.51%	18.38%
Fed Funds, CDs, and Trading Assets	1.81%	2.18%	2.83%	2.36%	6.70%	2.59%	6.02%
Loans Held for Sale	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.03%
Loans Net of Unearned Income	73.40%	69.65%	67.33%	63.44%	61.82%	72.19%	67.75%
Loan Loss Allowance	0.61%	0.60%	0.70%	0.46%	0.48%	0.50%	0.84%
Net Loans and Leases	72.79%	69.05%	66.63%	62.98%	61.34%	71.70%	67.14%
TOTAL EARNING ASSETS	92.56%	93.25%	94.72%	94.55%	94.45%	93.80%	94.04%
Cash and Due From	1.88%	2.13%	2.47%	2.64%	2.77%	2.79%	1.29%
Bank Premises	2.04%	1.81%	1.20%	1.13%	1.14%	1.46%	1.43%
Other Real Estate	0.01%	0.01%	0.05%	0.01%	0.03%	0.20%	0.02%
Invest In Unconsolidated Subsidiary	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Goodwill	0.23%	0.26%	0.29%	0.28%	0.30%	0.32%	na
Mortgage Servicing Rights	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	na
Other Intangible Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	na
Other Assets	3.27%	2.54%	1.26%	1.40%	1.31%	1.43%	3.04%
TOTAL ASSETS	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LIABILITIES & EQUITY							
Non-Interest Bearing Deposits	43.39%	40.72%	38.72%	42.79%	46.30%	42.14%	na
Interest Bearing Deposits	43.04%	38.20%	40.74%	40.07%	43.08%	42.10%	na
Total Deposits	86.43%	78.92%	79.46%	82.86%	89.38%	84.24%	86.13%
Fed Funds Purchased/Repos	0.30%	1.15%	1.73%	6.81%	0.77%	5.66%	0.20%
Other Borrowings	1.98%	8.50%	6.76%	0.00%	0.00%	0.01%	2.20%
Subordinated Debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
TOTAL ACQUIRED FUNDS	88.71%	88.58%	87.95%	89.68%	90.16%	89.91%	88.54%
Other Liabilities	0.18%	0.15%	0.16%	0.04%	0.03%	0.05%	0.74%
Equity	11.11%	11.27%	11.89%	10.28%	9.81%	10.04%	9.81%
TOTAL LIABILITIES & EQUITY	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

							5-Yr Avg
Peer Group Equity/Assets	9.81%	9.26%	8.74%	8.83%	10.18%	10.70%	9.54%
Average Assets/Average Equity	9.30	8.47	9.04	9.99	9.99	9.41	9.38
Peer Group	10.19	10.80	11.44	11.33	9.82	9.35	10.55
Tier I Leverage Capital	11.35%	12.55%	13.55%	12.15%	9.65%	9.58%	11.50%
Peer Group	10.85%	10.60%	10.50%	10.20%	9.81%	9.99%	10.22%

SOURCE: Call Reports and Uniform Bank Performance Reports; current peer data as of 12/31/25

EXHIBIT 3
UNITED MISSISSIPPI BANK
HISTORICAL INCOME STATEMENTS
FOR THE PERIODS ENDED
($ Thousands)

	Years Ended December 31						Compound Annual Growth		
	2025	2024	2023	2022	2021	2020	2020-25	2023-24	2024-25
INTEREST INCOME									
Loans	25,474	20,253	17,397	13,483	13,201	13,985	12.74%	16.42%	25.78%
Balance with Deposit Institutions	1,010	624	270	142	28	58	77.08%	131.11%	61.86%
Fed Funds Sold	2	64	13	150	11	8	-24.21%	392.31%	-96.88%
Securities Income - Taxable	1,505	1,620	1,971	1,615	837	905	10.71%	-17.81%	-7.10%
Securities Income - Tax Exempt	1,102	923	934	853	763	603	12.82%	-1.18%	19.39%
Estimated Tax Benefit	293	245	248	227	203	160	12.86%	-1.21%	19.59%
Other Interest Income	175	177	216	176	127	58	24.72%	-18.06%	-1.13%
TOTAL INTEREST INCOME	29,561	23,906	21,049	16,646	15,170	15,777	13.38%	13.57%	23.66%
INTEREST EXPENSE									
Large CDs	713	586	303	83	116	158	35.17%	93.40%	21.67%
Other Deposits	5,070	4,360	3,073	1,108	1,191	1,539	26.93%	41.88%	16.28%
Fed Funds Purchased/Repos	204	445	797	224	16	19	60.76%	-44.17%	-54.16%
Other Interest Expense	378	1,217	1,168	0	0	0	nm	4.20%	-68.94%
TOTAL INTEREST EXPENSE	6,365	6,608	5,341	1,415	1,323	1,716	29.97%	23.72%	-3.68%
NET INTEREST INCOME	23,196	17,298	15,708	15,231	13,847	14,061	10.53%	10.12%	34.10%
OTHER INCOME									
Service Charges-Deposit Accounts	1,412	1,394	1,490	1,533	1,370	1,443	-0.43%	-6.44%	1.29%
Net Gains/(Losses) excl-securities	12	(146)	(15)	35	(311)	(8)	nm	nm	nm
Other Operating Income	3,343	3,099	8,171	3,245	6,481	4,095	-3.98%	-62.07%	7.87%
TOTAL OTHER INCOME	4,767	4,347	9,646	4,813	7,540	5,530	-2.93%	-54.93%	9.66%
ADJUSTED GROSS INCOME	27,963	21,645	25,354	20,044	21,387	19,591	7.38%	-14.63%	29.19%
NON-INT OPERATING EXPENSE									
Salaries & Benefits	11,220	9,483	8,655	8,119	8,820	8,904	4.73%	9.57%	18.32%
Net Occupancy	2,906	2,447	2,180	2,175	2,347	2,609	2.18%	12.25%	18.76%
Other Operating Expense	7,382	5,209	5,815	4,665	4,519	3,970	13.21%	-10.42%	41.72%
TOTAL NON-INT OP EXPENSE	21,508	17,139	16,650	14,959	15,686	15,483	6.79%	2.94%	25.49%
NET NON-INTEREST INCOME	(16,741)	(12,792)	(7,004)	(10,146)	(8,146)	(9,953)	nm	nm	nm
BASIC OPERATING INCOME	6,455	4,506	8,704	5,085	5,701	4,108	9.46%	-48.23%	43.25%
Securities Transactions	16	0	(446)	0	0	0	nm	nm	nm
Provision: Loan & Lease Losses	510	20	240	240	325	315	10.12%	-91.67%	nm
Provision: Credit Losses and Other Assets	0	0	0	0	0	0	0.00%	0.00%	0.00%
PRE-TAX INCOME (FTE)	5,961	4,486	8,018	4,845	5,376	3,793	9.46%	-44.05%	32.88%
FTE Adjustment	293	245	248	227	203	161	12.72%	-1.21%	19.59%
PRE-TAX INCOME	5,668	4,241	7,770	4,618	5,173	3,632	9.31%	-45.42%	33.65%
Taxes	0	0	0	0	0	0	0.00%	0.00%	0.00%
INCOME BEFORE EXTRA ITEMS	5,668	4,241	7,770	4,618	5,173	3,632	9.31%	-45.42%	33.65%
Net Extraordinary Items	0	0	0	0	0	0	0.00%	0.00%	0.00%
NET INCOME	5,668	4,241	7,770	4,618	5,173	3,632	9.31%	-45.42%	33.65%
DIVIDENDS	2,396	3,059	2,132	2,177	2,415	2,099			
DIVIDEND PAYOUT	42.27%	72.13%	27.44%	47.14%	46.68%	57.79%	50.24%	5-Yr Avg	
Peer Group Dividend Payout	39.37%	40.25%	38.81%	34.06%	34.85%	35.92%	36.78%	5-Yr Avg	
Effective Tax Rate	4.92%	5.46%	3.09%	4.69%	3.78%	4.24%	4.25%	5-Yr Avg	

SOURCE: Call Reports and Uniform Bank Performance Reports; current peer data as of 12/31/25

EXHIBIT 4
UNITED MISSISSIPPI BANK
HISTORICAL INCOME STATEMENTS
AS A PERCENTAGE OF AVERAGE ASSETS
FOR THE PERIODS ENDED

	Years Ended December 31						Peer # 5
	2025	2024	2023	2022	2021	2020	12/25
INTEREST INCOME							
Loans	4.64%	4.43%	3.93%	3.04%	3.17%	3.70%	
Balance with Deposit Institutions	0.18%	0.14%	0.06%	0.03%	0.01%	0.02%	
Fed Funds Sold	0.00%	0.01%	0.00%	0.03%	0.00%	0.00%	
Securities Income - Taxable	0.27%	0.35%	0.44%	0.36%	0.20%	0.24%	
Securities Income - Tax Exempt	0.20%	0.20%	0.21%	0.19%	0.18%	0.16%	
Estimated Tax Benefit	0.05%	0.05%	0.06%	0.05%	0.05%	0.04%	
Other Interest Income	0.03%	0.04%	0.05%	0.04%	0.03%	0.02%	
TOTAL INTEREST INCOME	5.38%	5.22%	4.75%	3.75%	3.64%	4.18%	5.41%
INTEREST EXPENSE							
Large CDs	0.13%	0.13%	0.07%	0.02%	0.03%	0.04%	
Other Deposits	0.92%	0.95%	0.69%	0.25%	0.29%	0.41%	
Fed Funds Purchased/Repos	0.04%	0.10%	0.18%	0.05%	0.00%	0.01%	
Other Interest Expense	0.07%	0.27%	0.26%	0.00%	0.00%	0.00%	
TOTAL INTEREST EXPENSE	1.16%	1.44%	1.21%	0.32%	0.32%	0.45%	1.79%
NET INTEREST INCOME	4.23%	3.78%	3.54%	3.43%	3.33%	3.72%	3.61%
OTHER INCOME							
Service Charges-Deposit Accounts	0.26%	0.30%	0.34%	0.35%	0.33%	0.38%	
Net Gains/(Losses) excl-securities	0.00%	-0.03%	0.00%	0.01%	-0.07%	0.00%	
Other Operating Income	0.61%	0.68%	1.84%	0.73%	1.56%	1.08%	
TOTAL OTHER INCOME	0.87%	0.95%	2.18%	1.08%	1.81%	1.46%	0.51%
ADJUSTED GROSS INCOME	5.09%	4.73%	5.72%	4.51%	5.14%	5.19%	4.12%
NON-INT OPERATING EXPENSE							
Salaries & Benefits	2.04%	2.07%	1.95%	1.83%	2.12%	2.36%	1.46%
Net Occupancy	0.53%	0.53%	0.49%	0.49%	0.56%	0.69%	0.26%
Other Operating Expense	1.34%	1.14%	1.31%	1.05%	1.09%	1.05%	0.81%
TOTAL NON-INT OP EXPENSE	3.92%	3.74%	3.76%	3.37%	3.77%	4.10%	2.54%
NET NON-INTEREST INCOME	-3.05%	-2.80%	-1.58%	-2.28%	-1.96%	-2.64%	-2.03%
BASIC OPERATING INCOME	1.18%	0.98%	1.96%	1.15%	1.37%	1.09%	1.58%
Securities Transactions	0.00%	0.00%	-0.10%	0.00%	0.00%	0.00%	-0.01%
Provision: Loan & Lease Losses	0.09%	0.00%	0.05%	0.05%	0.08%	0.08%	0.10%
Provision: Credit Losses and Other Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PRE-TAX INCOME (FTE)	1.09%	0.98%	1.81%	1.09%	1.29%	1.00%	1.47%
FTE Adjustment	0.05%	0.05%	0.06%	0.05%	0.05%	0.04%	0.00%
PRE-TAX INCOME	1.03%	0.93%	1.75%	1.04%	1.24%	0.96%	1.47%
Taxes	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.23%
INCOME BEFORE EXTRA ITEMS	1.03%	0.93%	1.75%	1.04%	1.24%	0.96%	1.24%
Net Extraordinary Items	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
NET INCOME	1.03%	0.93%	1.75%	1.04%	1.24%	0.96%	1.24%

SOURCE: Call Reports and Uniform Bank Performance Reports; current peer data as of 12/31/25

EXHIBIT 5
UNITED MISSISSIPPI BANK
RETURN ON AVERAGE ASSETS & AVERAGE EQUITY
FOR THE PERIODS ENDED

Income Statements-BANK	December 31 2025 ($M)	Percent of Average Total Assets: December 31 2025	2024	2023	2022	2021	2020	5-Yr Avg
Net Interest Income	$23,196	4.23%	3.78%	3.54%	3.43%	3.33%	3.72%	3.56%
Non-Interest Income	$4,767	0.87%	0.95%	2.18%	1.08%	1.81%	1.46%	1.50%
Non-Interest Expense	21,508	3.92	3.74	3.76	3.37	3.77	4.10	3.75
Net Non-Interest Income	($16,741)	-3.05%	-2.80%	-1.58%	-2.28%	-1.96%	-2.64%	-2.25%
Basic Operating Income	$6,455	1.18%	0.98%	1.96%	1.15%	1.37%	1.09%	1.31%
Provision: Loan & Lease Losses	510	0.09	0.00	0.05	0.05	0.08	0.08	0.05
Provision: Credit Losses and Other Assets	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Securities Transactions	16	0.00	0.00	-0.10	0.00	0.00	0.00	-0.02
Pre-Tax Income FTE	$5,961	1.09%	0.98%	1.81%	1.09%	1.29%	1.00%	1.24%
Taxes (FTE)	293	0.05	0.05	0.06	0.05	0.05	0.04	0.05
Net Income (ROAA)	$5,668	1.03%	0.93%	1.75%	1.04%	1.24%	0.96%	1.18%
ROAE		9.60%	7.85%	15.85%	10.39%	12.42%	9.05%	11.11%
Pre-Tax ROAE		10.10%	8.30%	16.36%	10.90%	12.91%	9.45%	11.58%

Income Statements-PEER	State 12/25	National 12/25	2024	2023	2022	2021	2020	5-Yr Avg
Net Interest Income	3.57%	3.61%	3.32%	3.33%	3.29%	3.21%	3.36%	3.30%
Non-Interest Income	0.73%	0.51%	0.52%	0.55%	0.56%	0.70%	0.74%	0.61%
Non-Interest Expense	2.85	2.54	2.49	2.47	2.40	2.42	2.60	2.48
Net Non-Interest Income	-2.12%	-2.03%	-1.97%	-1.92%	-1.84%	-1.72%	-1.86%	-1.86%
Basic Operating Income	1.45%	1.58%	1.35%	1.41%	1.45%	1.49%	1.50%	1.44%
Provision: Loan & Lease Losses	0.13	0.10	0.08	0.07	0.07	0.07	0.21	0.10
Provision: Credit Losses and Other Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Securities Transactions	0.00	-0.01	0.00	-0.01	-0.01	0.01	0.02	0.00
Pre-Tax Income FTE	1.29%	1.47%	1.28%	1.33%	1.41%	1.47%	1.37%	1.37%
Taxes (FTE)	0.23	0.23	0.20	0.22	0.24	0.24	0.22	0.22
Net Income (ROAA)	1.06%	1.24%	1.08%	1.11%	1.17%	1.23%	1.15%	1.15%
ROAE	na	12.87%	11.80%	13.19%	13.76%	12.17%	10.80%	12.34%
Pre-Tax ROAE	na	15.26%	13.99%	15.80%	16.58%	14.54%	12.87%	14.76%

SOURCE: Call Reports and Uniform Bank Performance Reports; current peer data as of 12/31/25

SCHEDULE 1
UNITED MISSISSIPPI BANK
LOAN AND INVESTMENT PORTFOLIO COMPOSITION
FOR THE PERIODS ENDED

Loan Mix as a Percent of Average Gross Loans and Leases	December 31, 2025		December 31, 2024		December 31, 2023	
	Bank	Peer	Bank	Peer	Bank	Peer
Construction & Development	3.48%	7.72%	4.02%	7.90%	3.74%	8.05%
1-4 Family Residential	22.87%	26.45%	23.96%	25.72%	24.19%	25.08%
Other Real Estate	57.37%	44.47%	54.07%	44.63%	52.22%	45.12%
Total Real Estate	83.72%	78.64%	82.05%	78.25%	80.15%	78.25%
Agricultural	2.02%	3.75%	1.56%	3.41%	1.55%	3.18%
Commercial and Industrial	9.67%	10.97%	11.11%	11.48%	12.54%	11.61%
Individuals	3.54%	2.67%	4.10%	2.88%	4.44%	2.91%
Municipal Loans	0.85%	0.44%	0.87%	0.44%	0.62%	0.46%
Other Loans & Lease Financing AR	0.20%	3.53%	0.31%	3.54%	0.70%	3.59%
Total Gross Loans and Leases	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Securities Portfolio Composition	December 31					
	2025	2024	2023	2022	2021	2020
Held-to-Maturity ($Thousands)						
Book Value	44,498	48,989	49,169	53,727	48,046	43,028
Market Value	43,096	46,421	46,917	50,261	48,762	44,244
Appreciation/(Depreciation)	(1,402)	(2,568)	(2,252)	(3,466)	716	1,216
% Appreciation/-Depreciation	-3.15%	-5.24%	-4.58%	-6.45%	1.49%	2.83%
Available-for-Sale ($ Thousands)						
Book Value	58,570	65,892	69,830	87,939	65,940	34,893
Market Value	55,171	59,783	63,011	80,308	65,873	35,883
Appreciation/(Depreciation)	(3,399)	(6,109)	(6,819)	(7,631)	(67)	990
% Appreciation/-Depreciation	-5.80%	-9.27%	-9.77%	-8.68%	-0.10%	2.84%
Total ($ Thousands)						
Book Value	103,068	114,881	118,999	141,666	113,986	77,921
Market Value	98,267	106,204	109,928	130,569	114,635	80,127
Appreciation/(Depreciation)	(4,801)	(8,677)	(9,071)	(11,097)	649	2,206
% Appreciation/-Depreciation						
Bank	-4.66%	-7.55%	-7.62%	-7.83%	0.57%	2.83%
Peer Group	-5.02%	-8.31%	-8.07%	-9.30%	0.25%	2.48%
HTM (Book Value) % of Avg Assets	8.58%	10.32%	11.36%	11.35%	10.90%	9.03%
Peer Group	1.09%	1.28%	1.42%	1.12%	0.42%	0.39%
AFS (Market Value) % of Avg Assets	10.66%	13.22%	16.26%	16.79%	11.78%	9.78%
Peer Group	17.29%	18.06%	19.43%	20.99%	18.53%	15.30%

SOURCE: Call Reports and Uniform Bank Performance Reports; current peer data as of 12/31/25

SCHEDULE 2
UNITED MISSISSIPPI BANK
LOAN PORTFOLIO QUALITY
FOR THE PERIODS ENDED

	As of December 31					
Loan Loss Reserve Reconciliation	2025	2024	2023	2022	2021	2020
Beginning Reserve Balance	2,949	3,128	2,112	2,064	2,007	1,875
Net Charge-Offs:						
Gross Loan Losses	140	347	215	297	358	243
Recoveries	40	148	141	105	90	60
Net Charge-Offs	100	199	74	192	268	183
Loan Loss Provision	510	20	240	240	325	315
Other Adjustments	0	0	850	0	0	0
Ending Reserve Balance	3,359	2,949	3,128	2,112	2,064	2,007
Non-Performing Assets						
Other Real Estate	29	30	232	32	137	821
Non-Accrual Loans	863	596	481	467	1,055	2,816
Restructured Loans and Leases	1,207	3,340	3,565	3,573	1,315	2,191
Non-Current Debt Securities	0	0	0	0	0	0
Total Non-Performing Assets	2,099	3,966	4,278	4,072	2,507	5,828
Ending Reserve/Loans and Leases (net of unearned income)						5-Yr Avg
Bank	0.82%	0.86%	1.05%	0.73%	0.77%	0.69%	0.82%
Peer Group	1.25%	1.25%	1.28%	1.31%	1.41%	1.36%	1.32%
Net Losses/Average Loans (net of unearned income)						
Bank	0.03%	0.06%	0.03%	0.07%	0.10%	0.07%	0.06%
Peer Group	0.08%	0.06%	0.04%	0.02%	0.03%	0.08%	0.05%
Ending Reserve/Non-Accrual Loans						
Bank	3.89	4.95	6.50	4.52	1.96	0.71	3.73
Peer Group	8.16	9.27	12.13	13.52	9.70	6.27	10.18
Loss Provision/Average Assets						
Bank	0.09%	0.00%	0.05%	0.05%	0.08%	0.08%	0.05%
Peer	0.10%	0.08%	0.07%	0.07%	0.07%	0.21%	0.10%
Net Loan/Deposit Ratio						
Bank	84.23%	87.49%	83.85%	76.01%	68.62%	85.11%	80.22%
Peer Group	78.99%	78.32%	77.98%	73.73%	67.94%	75.84%	74.76%
Non-Performing Assets/Total Assets						
Bank	0.38%	0.80%	0.96%	0.89%	0.58%	1.44%	0.94%
Peer Group	na	na	na	na	na	na	na

SOURCE: Call Reports and Uniform Bank Performance Reports; current peer data as of 12/31/25

SCHEDULE 3
UNITED MISSISSIPPI BANK
YIELD SPREADS AND EMPLOYEE PRODUCTIVITY
FOR THE PERIODS ENDED

	Percent of Average Assets							
Spread Relationships	2025	2024	2023	2022	2021	2020	Peer 12/25	5-Yr Avg
Yield on Average Earning Assets	5.79%	5.49%	4.85%	3.91%	3.85%	4.43%	5.65%	4.50%
Cost of Interest-Bearing Funds	1.92%	2.31%	1.79%	0.52%	0.51%	0.72%	2.55%	1.17%
Net Spread	3.87%	3.18%	3.06%	3.38%	3.34%	3.72%	3.10%	3.33%
Yield on Average Earning Assets	5.79%	5.49%	4.85%	3.91%	3.85%	4.43%	5.65%	4.50%
Cost of Average Earning Assets	1.25%	1.52%	1.23%	0.33%	0.34%	0.48%	1.87%	0.78%
Net Yield on Earning Assets	4.54%	3.97%	3.62%	3.57%	3.51%	3.95%	3.78%	3.72%
Peer Group								
Yield on Average Earning Assets	5.65%	5.49%	4.91%	3.85%	3.73%	4.17%		4.43%
Cost of Interest-Bearing Funds	2.55%	2.76%	2.01%	0.56%	0.45%	0.80%		1.32%
Cost of Average Earning Assets	1.87%	2.02%	1.44%	0.39%	0.32%	0.59%		0.95%
Net Spread	3.10%	2.73%	2.90%	3.29%	3.28%	3.37%		3.11%
Net Yield on Earning Assets	3.78%	3.47%	3.47%	3.46%	3.41%	3.58%		3.48%
Productivity								
Number of Employees	139	113	110	106	105	126		
Personnel Expense/Employee ($thousands)								
Bank	80.72	83.92	78.68	76.59	84.00	70.67		78.77
Peer Group	103.45	99.97	96.10	92.06	90.06	88.17		93.27
Assets/Employee ($millions)								
Bank	3.99	4.37	4.04	4.33	4.11	3.21		4.01
Peer Group	7.47	7.32	7.17	6.90	6.83	6.34		6.91
Efficiency Ratio								
Bank	76.92%	79.18%	65.67%	74.63%	73.34%	79.03%		74.37%
Peer Group	61.75%	65.28%	63.85%	61.65%	61.72%	62.70%		63.04%

SOURCE: Call Reports and Uniform Bank Performance Reports; current peer data as of 12/31/25

SCHEDULE 4
UNITED MISSISSIPPI BANK
RECONCILIATION OF EQUITY CAPITAI
FOR THE PERIODS ENDED
($ Thousands)

	December 31					
Composition of Equity Capital	2025	2024	2023	2022	2021	2020
Preferred Stock	0	0	0	0	0	0
Common Stock	835	835	835	835	835	835
Surplus	35,364	35,364	34,366	34,366	24,366	24,366
Undivided Profits	28,868	25,596	24,413	19,625	17,184	14,425
Accumulated other Comp Income	(3,399)	(6,109)	(6,819)	(7,630)	(65)	990
Other Equity Capital Components	0	0	0	0	0	0
Total Equity Capital	61,668	55,686	52,795	47,196	42,320	40,616
Reconciliation to Balance Sheet	0	0	0	0	0	0

	December 31					
Reconciliation of Equity Capital	2025	2024	2023	2022	2021	2020
Balance at Beginning of Period	55,686	52,795	47,196	42,320	40,616	38,224
Earnings	5,668	4,241	7,770	4,618	5,173	3,632
Common Dividends	(2,396)	(3,059)	(2,132)	(2,177)	(2,415)	(2,099)
Change in FMV of AFS Securities	2,710	709	811	(7,565)	(1,054)	859
Purchase of Stock	0	0	0	0	0	0
Sale of Stock	0	0	0	0	0	0
Mergers and Acquisitions	0	0	0	0	0	0
Transactions with Parent	0	1,000	0	10,000	0	0
Other Adjustments or Restatements	0	0	(850)	0	0	0
Balance at End of Period	61,668	55,686	52,795	47,196	42,320	40,616
Reconciliation to Balance Sheet	0	0	0	0	0	0

SOURCE: Call Reports and Uniform Bank Performance Reports

EXHIBIT 6
SOUTHWEST SECURITY, INC.
PARENT ONLY FINANCIAL STATEMENTS
FOR THE PERIODS ENDED

	Years Ended December 31					
Balance Sheet	2025	2024	2023	2022	2021	2020
Investment-Subsidiary	61,668,412	55,685,716	52,795,314	47,195,535	42,318,842	40,615,438
Goodwill	427,245	427,245	427,245	427,245	427,245	427,245
Intangible Assets	0	0	0	0	0	0
Cash and Equivalents	27,472,792	23,281,422	14,011,255	9,631,235	146,848	66,030
Premises and Equipment, net	340,309	364,581	1,391,553	421,524	537,991	469,717
Available-for-Sale Securities	20,872,838	23,952,056	26,946,878	31,016,334	0	0
Held-to-Maturity Securities	5,425,547	5,933,402	12,264,408	12,177,908	0	0
Other Assets	112,074	131,667	214,761	240,561	0	0
TOTAL ASSETS	116,319,217	109,776,089	108,051,414	101,110,342	43,430,926	41,578,430
Subordinated Debentures	65,995,000	65,995,000	65,995,000	65,995,000	0	0
Notes Payable	0	0	0	0	2,350,308	1,589,462
Other Liabilities	0	0	0	0	1,859	998
Total Liabilities	65,995,000	65,995,000	65,995,000	65,995,000	2,352,167	1,590,460
Common Stock	124,692	124,692	124,692	124,692	124,692	124,692
Paid-In Capital	6,549,982	6,549,982	6,549,982	6,549,982	6,549,982	6,549,982
Retained Earnings	50,202,999	47,295,791	45,929,579	39,877,334	36,742,496	33,656,431
Unreal Gain/-Loss on AFS Sec	(4,111,110)	(7,747,030)	(8,187,903)	(9,195,530)	(65,475)	990,329
Treasury Stock	(2,442,346)	(2,442,346)	(2,359,936)	(2,241,136)	(2,272,936)	(1,333,464)
Total Equity	50,324,217	43,781,089	42,056,414	35,115,342	41,078,759	39,987,970
TOTAL LIABILITIES & EQUITY	116,319,217	109,776,089	108,051,414	101,110,342	43,430,926	41,578,430
Shares Outstanding	116,418	116,418	116,664	117,024	116,920	120,228
Weighted Average Shares Outstanding	116,418	116,494	116,893	116,898	118,572	121,140
Book Value Per Share	$432.27	$376.07	$360.49	$300.07	$351.34	$332.60
Tangible Book Value Per Share	$370.79	$361.23	$345.68	$285.31	$336.57	$318.23
Income Statement						
Dividends-Subsidiary	2,395,528	3,058,873	2,132,283	2,177,518	2,414,822	2,098,919
Other Income	1,110,646	1,322,224	1,628,919	964,793	92,784	78,005
Total Income	3,506,174	4,381,097	3,761,202	3,142,311	2,507,606	2,176,924
Total Expenses	1,475,795	1,138,407	365,030	446,913	366,595	386,518
Pre-Tax Income	2,030,379	3,242,690	3,396,172	2,695,398	2,141,011	1,790,406
Taxes/(Benefit)	0	0	0	0	0	0
Holding Company Income	2,030,379	3,242,690	3,396,172	2,695,398	2,141,011	1,790,406
Equity in Subsidiary Earnings	3,272,338	1,182,358	5,638,328	2,441,371	2,759,208	1,533,518
NET INCOME	5,302,717	4,425,048	9,034,500	5,136,769	4,900,219	3,323,924
Earnings Per Share	$45.55	$37.99	$77.29	$43.94	$41.33	$27.44
Dividends Paid	2,395,509	3,058,836	2,132,257	2,001,929	1,814,154	1,649,328
Dividends Per Share	$20.58	$26.28	$18.28	$17.11	$15.52	$13.68
Dividend Payout	45.18%	69.13%	23.60%	38.97%	37.02%	49.62%

SOURCE: Audited and internal financial statements

EXHIBIT 7
PUBLIC BANK STOCKS (GUIDELINE COMPANIES)

S&P GLOBAL, INC. MARKET DATA
As of December 31, 2025

Public Bank Stocks
As of December 31, 2025

Company Name	Ticker	Industry Type	Region	State	Total Assets ($000)	Total Deposits ($000)	ROAE (%)	ROAA (%)	Average Daily Volume (Shares)	Non Interest Income/AA (%)	Net Interest Margin (%)	Total Equity/ Total Assets (%)	NPAs/ Assets (%)	Market Capitalization ($M)	Price/ Trailing-four-quarter EPS (x)	Price/ Book (%)	Price/ Tangible Book (%)	Price/ Assets (%)
Summary Statistics:																		
High					*1,995,416*	*1,774,882*	*14.96*	*1.37*	*32,320*	*1.66*	*4.20*	*13.53*	*0.96*	*236.4*	*32.58*	*227.87*	*227.87*	*19.41*
3rd Quartile					*1,748,267*	*1,532,660*	*12.30*	*1.09*	*10,690*	*0.69*	*3.71*	*10.13*	*0.51*	*170.6*	*13.44*	*122.66*	*130.50*	*11.88*
Median					*1,468,235*	*1,213,918*	*10.50*	*0.87*	*4,684*	*0.49*	*3.44*	*9.17*	*0.30*	*131.4*	*11.87*	*108.74*	*117.38*	*9.85*
Average					*1,389,822*	*1,197,456*	*10.40*	*0.90*	*7,709*	*0.58*	*3.39*	*9.10*	*0.33*	*132.8*	*12.50*	*115.72*	*121.90*	*10.48*
1st Quartile					*1,017,890*	*912,685*	*8.31*	*0.73*	*2,137*	*0.33*	*3.20*	*7.94*	*0.10*	*95.5*	*10.00*	*102.59*	*105.42*	*8.16*
Low					*368,438*	*333,918*	*5.54*	*0.50*	*1,068*	*0.12*	*2.32*	*6.25*	*0.00*	*47.1*	*6.11*	*43.85*	*44.33*	*5.93*
Count					*40*													
Oak Valley Bancorp	OVLY	Bank	WE	CA	1,995,416	1,774,882	12.75	1.23	12,740	0.32	4.09	9.94	0.00	236.4	10.55	127.20	129.38	12.64
CBB Bancorp, Inc.	CBBI	Bank	WE	CA	1,962,442	1,666,271	7.38	1.05	7,063	0.46	3.47	13.53	0.77	115.9	6.11	43.85	44.33	5.93
Tri City Bankshares Corporation	TRCY	Bank	MW	WI	1,938,673	1,736,521	7.98	0.69	4,465	0.78	3.33	9.27	0.17	146.8	14.11	102.03	102.03	9.46
Eagle Financial Services, Inc.	EFSI	Bank	SE	VA	1,932,473	1,655,048	6.58	0.52	21,265	1.15	3.26	9.60	0.73	203.4	17.85	115.29	115.29	11.07
Hawthorn Bancshares, Inc.	HWBK	Bank	MW	MO	1,932,105	1,525,917	14.45	1.22	15,030	0.69	3.76	8.54	0.34	214.4	10.93	146.04	146.04	12.47
First Northern Community Bancorp	FNRN	Bank	WE	CA	1,908,208	1,686,416	11.29	1.11	9,964	0.33	3.67	10.73	0.36	200.0	10.05	102.57	103.98	11.01
QNB Corp.	QNBC	Bank	MA	PA	1,903,244	1,681,540	12.04	0.70	1,341	0.34	2.58	6.38	0.47	131.4	9.88	107.31	107.31	6.85
South Atlantic Bancshares, Inc.	SABK	Bank	SE	SC	1,891,373	1,588,682	12.28	0.79	3,571	0.34	3.07	6.80	0.00	131.8	10.45	114.72	119.80	7.80
National Bankshares, Inc.	NKSH	Bank	SE	VA	1,802,407	1,561,904	7.90	0.72	11,726	0.60	2.51	9.94	0.11	187.4	16.44	119.10	127.87	11.84
Embassy Bancorp, Inc.	EMYB	Bank	MA	PA	1,778,059	1,620,563	11.34	0.74	4,325	0.19	2.44	6.89	0.03	132.7	10.83	113.66	113.66	7.83
Peoples Bancorp of North Carolina, Inc.	PEBK	Bank	SE	NC	1,738,336	1,552,890	12.38	1.00	8,219	1.66	3.51	8.60	0.29	167.4	11.83	132.22	132.22	11.37
Citizens Community Bancorp, Inc.	CZWI	Bank	MW	WI	1,726,987	1,480,554	7.10	0.73	32,320	0.57	3.02	10.82	0.96	158.4	13.81	94.02	113.46	10.17
Muncy Columbia Financial Corporation	CCFN	Bank	MA	PA	1,654,950	1,396,890	12.75	1.37	1,201	0.65	3.91	11.15	0.94	176.8	9.03	107.81	132.30	12.02
Landmark Bancorp, Inc.	LARK	Bank	MW	KS	1,617,075	1,325,500	12.14	1.09	16,108	0.94	3.73	9.63	0.62	154.6	9.23	102.25	131.36	9.85
Virginia National Bankshares Corporation	VABK	Bank	SE	VA	1,606,432	1,384,888	10.63	1.10	10,345	0.40	3.33	11.04	0.16	209.3	12.08	121.15	128.94	13.38
First Keystone Corporation	FKYS	Bank	MA	PA	1,582,377	1,192,494	8.42	0.62	1,994	0.47	2.62	7.09	0.26	108.4	13.48	110.29	110.29	7.82
Ohio Valley Banc Corp.	OVBC	Bank	MW	OH	1,570,043	1,332,487	9.06	0.93	12,479	0.82	3.91	10.47	0.30	174.2	13.33	114.55	119.89	12.00
Chain Bridge Bancorp, Inc.	CBNA	Bank	SE	VA	1,534,355	1,364,540	12.35	1.29	15,260	0.28	3.44	10.63	0.00	214.8	12.11	139.37	139.37	14.81
Richmond Mutual Bancorporation, Inc.	RMBI	Bank	MW	IN	1,525,565	1,118,258	7.96	0.71	31,205	0.36	2.87	9.18	0.42	148.2	13.25	104.53	104.53	9.60
SB Financial Group, Inc.	SBFG	Bank	MW	OH	1,496,263	1,262,522	10.38	0.94	22,307	1.10	3.43	9.15	0.32	121.7	10.50	102.60	130.22	9.39
InBankshares, Corp	INBC	Bank	SW	CO	1,440,206	1,179,722	7.80	0.78	1,400	0.63	3.70	9.86	0.78	137.0	13.28	99.96	118.80	9.86
American Riviera Bancorp	ARBV	Bank	WE	CA	1,422,452	1,260,727	8.63	0.76	6,294	0.27	3.56	8.58	0.69	125.5	13.90	111.79	116.45	9.59
F & M Bank Corp.	FMBM	Bank	SE	VA	1,358,109	1,235,341	11.60	0.81	2,816	0.69	3.22	7.47	0.55	92.2	9.58	100.82	104.04	7.53
Skyline Bankshares, Inc.	SLBK	Bank	SE	VA	1,306,527	1,170,173	14.88	1.12	2,906	0.61	4.20	7.80	0.17	98.9	7.60	105.40	118.31	8.22
Pacific Financial Corporation	PFLC	Bank	WE	WA	1,263,138	1,114,040	9.06	0.89	2,569	0.49	4.15	9.76	0.03	116.1	11.92	103.59	116.25	10.11
First Capital, Inc.	FCAP	Bank	MW	IN	1,235,477	1,094,733	12.38	1.22	9,150	0.97	3.50	10.73	0.31	153.6	13.42	149.92	157.62	16.07
Consumers Bancorp, Inc.	CBKM	Bank	MW	OH	1,187,982	1,069,643	12.19	0.80	1,077	0.48	3.33	6.87	0.05	75.0	9.03	100.56	104.05	6.91
First US Bancshares, Inc.	FUSB	Bank	SE	AL	1,147,175	1,002,472	5.54	0.50	4,952	0.23	3.53	9.09	0.24	69.3	15.02	77.26	83.20	7.02
Sound Financial Bancorp, Inc.	SFBC	Bank	WE	WA	1,060,163	898,943	6.49	0.64	5,773	0.39	3.38	10.14	0.39	118.2	16.53	104.20	104.95	10.56
Bank of the James Financial Group, Inc.	BOTJ	Bank	SE	VA	1,020,125	919,796	11.59	0.78	5,287	0.98	3.32	7.55	0.19	70.9	10.56	109.67	123.03	8.27
Auburn National Bancorporation, Inc.	AUBN	Bank	SE	AL	1,011,184	917,266	8.76	0.72	2,094	0.31	3.21	8.86	0.01	99.4	13.15	105.07	105.07	9.31
BNCCORP, Inc.	BNCC	Bank	MW	ND	1,003,477	878,535	8.80	0.92	1,210	0.62	3.61	10.34	0.34	107.5	13.32	113.12	113.12	11.69
Prime Meridian Holding Company	PMHG	Bank	SE	FL	984,071	878,926	9.25	0.88	3,854	0.29	3.55	9.80	0.59	173.8	22.82	198.01	198.01	19.41
New Peoples Bankshares, Inc.	NWPP	Bank	SE	VA	910,724	799,376	13.46	1.12	2,151	1.28	3.76	8.73	0.33	NA	8.48	105.54	105.54	9.22
Juniata Valley Financial Corp.	JUVF	Bank	MA	PA	880,467	775,578	14.96	0.87	1,279	0.67	2.89	6.25	0.06	71.6	9.40	127.75	156.20	7.98
United Bancorp, Inc.	UBCP	Bank	MW	OH	866,756	645,193	12.18	0.91	4,902	0.61	3.36	7.67	0.66	83.3	11.04	128.59	129.94	9.86
Partners Bank of California	PBKX	Bank	WE	CA	777,483	706,857	10.25	0.93	2,188	0.12	3.18	7.99	0.00	47.1	8.83	85.17	85.17	6.81
Commencement Bancorp Inc.	CBWA	Bank	WE	WA	676,303	605,994	9.69	0.78	2,656	0.27	3.87	8.53	0.00	48.4	12.16	107.51	109.82	9.17
Bank of South Carolina Corporation	BKSC	Bank	SE	SC	575,834	502,225	13.94	1.35	1,815	0.32	4.10	10.13	0.19	84.9	11.41	146.28	146.28	14.82
Delhi Bank Corp.	DWNX	Bank	MA	NY	368,438	333,918	7.35	0.57	1,068	0.43	2.32	8.48	0.49	71.3	32.58	227.87	227.87	19.32

Source: S&P Global, Inc.

APPENDIX A
CONTINGENT AND LIMITING CONDITIONS

Information, estimates, and opinions contained in this report are obtained from sources considered reliable; however, no liability for such sources is assumed by Southard Financial, LLC.

The subject entity and its representatives warranted to Southard Financial, LLC that the information supplied was complete and accurate to the best of the subject entity's knowledge; and that any reports, analysis or other documents prepared for it by Southard Financial, LLC will be used only in compliance with all applicable laws and regulations.

The value of the subject was determined as of the date on the cover of this report, based upon all of the information known by Southard Financial, LLC as of that date. However, if after the report is issued, Southard Financial, LLC becomes aware of any previously undisclosed information concerning the subject which would, in Southard Financial, LLC's opinion, materially change the appraised value as of the valuation date, then Southard Financial, LLC has the option to notify the client (and any known recipients of the report) that the report is withdrawn and should not be relied upon.

Unless specifically noted in the report, the valuation assumes the subject to be an ongoing concern and that present management will remain in place for the foreseeable future.

Regarding any properties owned or leased by the subject, Southard Financial, LLC has not undertaken to discover any toxic substances or other environmental hazards that may exist at any property owned or occupied by the subject entity. Such investigation is beyond the scope of this appraisal and outside the scope of Southard Financial, LLC's expertise.

Possession of this report, or a copy, does not carry with it the right of publication of all or part of it. The report was prepared for the exclusive use of the client and other intended users as described herein and may not be used for any purpose other than that stated in this report without the previous written consent of Southard Financial, LLC or the client, and in any event, only with proper attribution.

APPENDIX A
CONTINGENT AND LIMITING CONDITIONS
(Continued)

If required to give testimony in court or to be in attendance during hearings or depositions with reference to this report or the value of the subject interest, separate scheduling and fee arrangements are necessary.

The various estimates of value presented in this report apply only to this report and may not be used out of the context presented herein. The information contained in this report, including the name(s) of the appraiser(s), may not be used in any prospectus, or used in offerings or representations in connection with the sale of securities or participation interests to the public without our express written permission.

Southard Financial, LLC's appraisal services constitute neither an audit nor a verification of the subject's underlying financial records. Southard Financial, LLC does not render legal, tax, or accounting advice, nor does Southard Financial, LLC express any opinion for matters which require legal or other specialized expertise, investigation, or knowledge beyond that customarily employed by business appraisers. Further, Southard Financial, LLC expresses no opinion as to the tax consequences of any transaction which may result from this appraisal.

No investigation of title to the subject or its assets was made by Southard Financial, LLC. Ownership claims to the subject and its assets are assumed to be valid. No consideration was given to liens or encumbrances that may exist against the subject or its assets except as stated in the report. Southard Financial, LLC assumes no hidden or unapparent conditions regarding the subject assets, properties, or business interests.

Due to the economic and individual motivational influences that may affect the sale of a business interest, Southard Financial, LLC assumes no responsibility for the actual price of the subject interest if it is sold or transferred.

APPENDIX B

LOAN PORTFOLIO DISCLAIMER

We did not examine the loan portfolio of the Bank. Direct examination is beyond the scope of this assignment. The valuation conclusion of this report is rendered in direct reliance upon the representations by management.

APPENDIX C
DEFINITION OF FAIR MARKET VALUE

"Fair market value" is the logical framework through which an effort is made to determine the price at which the subject's common shares would trade under the presumption that a market exists. Fair market value is considered to represent a value at which a willing buyer and a willing seller, both being informed of the relevant facts about the business, could reasonably conduct a transaction, neither party acting under a compulsion to do so.

Among other factors, this valuation takes into consideration the elements listed in the Internal Revenue Service's Revenue Ruling 59-60, which provides guidelines for valuation of closely-held companies, and Department of Labor Proposed Regulation Relating to the Definition of Adequate Consideration, published May 17, 1988 in 53 FR 17632. These pronouncements state that a sound valuation will be based upon the relevant facts, but the elements of common sense, informed judgment, and reasonableness must enter the process of weighing those facts and determining their aggregate significance. Among the relevant factors that should be considered are the following:

1. The nature of the business and the history of the enterprise since its inception;
2. The economic outlook in general and the condition of the specific industry in particular;
3. The book value of the stock and the financial condition of the business;
4. The earnings capacity of the company;
5. The dividend paying capacity of the company and the company's history of, and prospects for, paying dividends;
6. Whether or not the enterprise has goodwill or other intangible value;
7. Sales of stock and the size of the block of stock to be valued;
8. The market price of stocks of corporations engaged in the same or similar lines of business having their stocks actively traded in a free and open market, either in an exchange or over-the-counter;
9. The marketability, or lack thereof, of the securities; and,
10. Whether or not the seller would be able to obtain a control premium from an unrelated third party with regard to the block of securities being valued.

APPENDIX D
QUALIFICATIONS OF APPRAISER

OVERVIEW OF SOUTHARD FINANCIAL, LLC

BACKGROUND

- Founded in 1987.
- Principals have combined business valuation experience of over 115 years.
- Clients served throughout the United States, with concentration in the Southeast.
- Broad industry experience.
- Services provided for public and closely-held companies.
- Annual valuation services provided for over 100 ESOPs, making Southard Financial, LLC one of the largest ESOP appraisers in the United States.

PROFESSIONAL CREDENTIALS

- David A. Harris, Mark A. Orndorff, and Matthew L. Jakes are senior members of the American Society of Appraisers (ASA).
- Douglas K. Southard, David A. Harris, Mark A. Orndorff and Matthew L. Jakes have earned the right to use the Chartered Financial Analyst (CFA) designation.
- Most principals have been officers of the West Tennessee Chapter of the American Society of Appraisers.

EDUCATIONAL CREDENTIALS

- Douglas K. Southard holds Doctor of Business Administration and Master of Business Administration degrees from Indiana University, with concentrations in finance, economics, and quantitative analysis.
- David A. Harris and Mark A. Orndorff both hold the Master of Business Administration degree from The University of Memphis, with a concentration in finance and business investments.

BUSINESS ETHICS

- Southard Financial, LLC and its principals adhere to the ethical standards of the CFA Institute and the American Society of Appraisers.
- All appraisal reports conform to the Uniform Standards of Professional Appraisal Practice.
- Southard Financial, LLC is committed to providing unbiased opinions to be used for decision making.
- Fees for valuation services are not contingent upon the conclusion of value or the completion of a transaction.

BIOSKETCH
DOUGLAS K. SOUTHARD, DBA, CFA

PROFESSIONAL BACKGROUND

Managing Member, Southard Financial, LLC, Memphis TN (2012-present)
Founder and Principal, Southard Financial, Memphis TN (1987-12)
Partner, Mercer Capital Management, Inc., Memphis TN (1984-87)
Consulting Associate, Mercer Capital Management, Inc., Memphis TN (1983-84)
Principal, Douglas K. Southard, Financial Consultant, Memphis TN (1982-83)

EDUCATIONAL AND PROFESSIONAL CREDENTIALS

Doctor of Business Administration, Indiana University, 1981
Master of Business Administration, Indiana University, 1976
Bachelor of Arts, Southwestern at Memphis (now Rhodes College), 1975
Chartered Financial Analyst, CFA Institute, 1987

ACADEMIC POSITIONS HELD

Assistant Professor of Finance, Rhodes College (formerly Southwestern at Memphis)
Assistant Professor of Finance, Virginia Polytechnic Institute & State University
Lecturer in Finance, Indiana University

RELATED EXPERIENCE

Speaker, professional organizations, business valuation topics
Expert Witness, business valuation, local, state and federal courts
Board of Directors, Plymkraft, Inc., Newport News, VA
Board of Directors, Columbian Rope Company, Auburn NY
Former Officer, West Tennessee Chapter, American Society of Appraisers

PUBLICATIONS

"Using the Capital Asset Pricing Model to Determine Capitalization Rates: Adjusting for Differences in Financial Structure, " with Severin C. Carlson, Business Valuation Review, June 1991

"Business Valuation Can Serve in Lifetime Planning, " with Z.C. Mercer, Memphis Business Journal, April 1-5, 1985

"Valuation Process Holds Keys to Executive Wealth," with Z.C. Mercer, Memphis Business Journal, March 25-29, 1985

“What IRA's Are Worth," with Z.C. Mercer, The Southern Banker, June 1984

BIOSKETCH
DAVID A. HARRIS, CFA, ASA

PROFESSIONAL BACKGROUND

Managing Member, Southard Financial, LLC, Memphis TN (2012-present)
Principal, Southard Financial, Memphis TN (1990-12)
Founder and Principal, David A. Harris Business Appraiser, Memphis, TN (1990)
Associate, Mercer Capital Management, Inc., Memphis TN (1985-90)
Financial Analyst, Methodist Hospitals of Memphis, Inc. (1983-85)
Cost Analyst, Schering-Plough, Inc., Memphis TN (1982-83)

EDUCATIONAL AND PROFESSIONAL CREDENTIALS

Accredited Senior Appraiser, American Society of Appraisers, Business Valuation, 1990 Chartered Financial Analyst, CFA Institute, 1989
Master of Business Administration, Memphis State University (now University of Memphis), 1982
Bachelor of Arts, Colorado State University, 1979

RELATED EXPERIENCE

Expert Witness, business valuation, local, state, and federal courts
Speaker, conferences of The ESOP Association and the National Center for Employee Ownership, and local estate planning and other organizations
Co-Author, "The Perils of Excess," with Z. C. Mercer, ABA Banking Journal, October 1987

PROFESSIONAL MEMBERSHIPS

Member, American Society of Appraisers
Member, CFA Institute
Member, Memphis Society of Financial Analysts
Member, The ESOP Association

PROFESSIONAL/COMMUNITY SERVICE

Advisory Board Member, Take Steps Walk for the Tennessee Chapter of the Crohn's & Colitis Foundation of America (2018-present)
Committee Member, Film Series Committee of Indie Memphis (2018-present)
President, Memphis Branch of the West Tennessee Chapter, American Society of Appraisers (2007-09)
Vice President, Memphis Branch of the West Tennessee Chapter, American Society of Appraisers (2003-07)
Board of Directors, Beth Sholom Synagogue (2002-07); Executive Committee (2003-07); Secretary (2003-04); Treasurer (2004-07)
Treasurer and Troop Committee Member, Boy Scout Troop 25 (2002-06)
Board of Directors, National Kidney Foundation of West Tennessee (2000-02)
Chairman, Cadillac Invitational Benefiting the National Kidney Foundation (1998-02)
Advisory Committee, Special Kids and Families, Inc. (1998-99)
President, West Tennessee Chapter, American Society of Appraisers (1994-95)
Vice President, West Tennessee Chapter, American Society of Appraisers (1993-94)
Board of Directors, Solomon Schechter Day School of Memphis, Inc. (1993-94)
Vice President, Sea Isle Park Neighborhood Association, Memphis TN (1992-96)
Board of Directors, Sea Isle Park Neighborhood Association, Memphis TN (1990-96)
President, West Tennessee Chapter, American Society of Appraisers (1990-91)
Business Liaison, Junior Achievement of Memphis TN (1984-85)

BIOSKETCH
MARK A. ORNDORFF, CFA, ASA

PROFESSIONAL BACKGROUND

Member, Southard Financial, LLC, Memphis, TN (2012-present)
Principal, Southard Financial, Memphis, TN (2008-12)
Financial Analyst, Southard Financial, Memphis, TN (2000-08)
Banking Center Manager, Bank of America, Memphis, TN (1999-2000)
Personal Banker, Bank of America, Memphis, TN (1997-99)
Direct Lending Officer, Boatmen's Bank, Memphis, TN (1996-97)

EDUCATIONAL AND PROFESSIONAL CREDENTIALS

Accredited Senior Appraiser, American Society of Appraisers, Business Valuation, 2007
Completed BV301, "Valuation of Intangible Assets for Financial Reporting", 2009
Vice President, Memphis Branch of the West Tennessee Chapter, American Society of Appraisers (2010-present)
Chartered Financial Analyst, CFA Institute, 2004
Master of Business Administration, University of Memphis, 2005
Bachelor of Arts, Roanoke College, 1993

PROFESSIONAL MEMBERSHIPS

Member, American Society of Appraisers
Member, CFA Institute
Member, Memphis Society of Financial Analysts
Member, The ESOP Association

SPEAKING ENGAGEMENTS

"Exit Strategies: Begin with the End in Mind" - MMBC Continuum Economic Development Fair – June 2011
"Exit Strategies: Begin with the End in Mind" - Mid-South Minority Business Council Continuum - Memphis Business Academy - March 2013
"Overview of the Business Valuation Process - Valuations for Divorce" – Memphis Bar Association - Family Law Section - December 2014
"What is Your Paper Worth?" - Mid-South Minority Business Council Continuum/Minority Business Development Agency - March 2015
"Pending IRS Attack on Valuation Discounts" – Memphis Estate Planning Council – September 2016
"What is Your "End Goal"?" – American Booksellers Association – Winter Institute 2018 Succession Planning – January 2018
"What's Your Company Worth? – ESOP Valuation" – NCEO ESOP Nuts and Bolts: What You Need to Know About Employee Stock Ownership Plans – August 2018

BIOSKETCH
MATTHEW L. JAKES, CFA, ASA

PROFESSIONAL BACKGROUND

Member, Southard Financial, LLC, Memphis TN (2012-present)
Financial Analyst, Southard Financial, Memphis TN (2006-12)
Intern, Southard Financial, LLC, Memphis TN (2006)
Intern, Morgan Keegan & Company, Inc., Memphis TN (2005)
Intern, Mercer Capital Management, Inc., Memphis TN (2005)

EDUCATIONAL AND PROFESSIONAL CREDENTIALS

Accredited Senior Appraiser, American Society of Appraisers, Business Valuation, 2011
Chartered Financial Analyst, CFA Institute, 2010
Bachelor of Arts, Rhodes College, 2006 Economics & Business Administration, *cum laude*

PROFESSIONAL MEMBERSHIPS

Member, American Society of Appraisers
Member, CFA Institute
Member, The ESOP Association

OTHER MEMBERSHIPS/POSITIONS

Omicron Delta Epsilon, Economics Honor Society, Rhodes College (2005-06)
Chi Alpha Sigma, Athletic Honor Society, Rhodes College (2005-06)
Captain, Rhodes College Basketball, (2005-06)

APPENDIX E

BANKING INDUSTRY OVERVIEW

Quarterly Banking Profile

Fourth Quarter 2025

INSURED INSTITUTION PERFORMANCE

- ***Full-Year Return on Assets (ROA) and Net Income Improved Significantly from 2024***
- ***Quarterly Net Income Declined from the Prior Quarter but Rose from the Year-Ago Quarter***
- ***Net Interest Margin (NIM) Improved from the Prior Quarter to 3.39 Percent***
- ***Loan Growth Continued to Expand, Accelerating 5.9 Percent from the Year-Ago Quarter***
- ***Domestic Deposits Increased for the Sixth Consecutive Quarter***
- ***Asset Quality Metrics Remained Generally Favorable, Though Weakness in Certain Portfolios Persisted***
- ***The Deposit Insurance Fund Reserve Ratio Increased to 1.42 Percent***

Full-Year ROA and Net Income Improved Significantly from 2024

The banking industry reported full-year net income of $295.6 billion, up $27.5 billion (10.2 percent) from 2024. The increase was driven by higher net interest income (up $39.6 billion, or 5.7 percent) and higher noninterest income (up $26.4 billion, or 8.5 percent), which offset higher noninterest expense (up $20.4 billion, or 3.5 percent). The NIM increased 9 basis points from 3.22 percent in 2024 to 3.30 percent in 2025. The ROA ratio rose from 1.12 percent in 2024 to 1.20 percent in 2025.

Quarterly Net Income Declined from the Prior Quarter but Rose from the Year -Ago Quarter

Quarterly net income totaled $77.7 billion in fourth quarter 2025, down $1.6 billion (2.0 percent) from the prior quarter. More than half of all banks (60.2 percent) reported lower net income from the prior quarter. Higher noninterest expense (up $5.1 billion, or 3.4 percent) and non-recurring items at several larger firms were the primary contributors to the quarterly decline in net income. The ROA was 1.24 percent in fourth quarter 2025, down from 1.27 percent in third quarter 2025 but up from 1.10 percent in the year-ago quarter.

Quarterly net income increased $11.0 billion (16.5 percent) from the year-ago quarter. The annual increase in net income was driven by higher net interest income (up $14.3 billion, or 8.0 percent) and higher noninterest income (up $7.6 billion, or 9.7 percent) but was partially offset by higher noninterest expense (up $8.1 billion, or 5.4 percent).

NIM Improved from the Prior Quarter to 3.39 Percent

The banking industry reported NIM of 3.39 percent in fourth quarter 2025, up 5 basis points from the prior quarter and the highest level since first quarter 2019. The quarterly increase in NIM was due to the cost of funds falling (down 15 basis points) at a faster rate relative to the yield on earning assets (down 11 basis points).

Net Operating Revenue Increased in the Fourth Quarter

Net operating revenue (net interest income plus noninterest income) increased $4.3 billion (1.6 percent) from the prior quarter to $279.4 billion. The quarterly increase was led by net interest income (up $4.1 billion, or 2.2 percent), as interest expense declined at a faster rate relative to interest

income. Noninterest income increased modestly (up $202.6 million, or 0.2 percent) from the previous quarter. Several one-time items at large banks muted noninterest income in the fourth quarter.

Noninterest Expense Increased from the Prior Quarter and the Year-Ago Quarter

Noninterest expense increased $5.1 billion (3.4 percent) from the prior quarter and $8.1 billion (5.4 percent) from a year ago to $157.4 billion. The quarterly increase was led by "all other" noninterest expense, which increased $3.6 billion (5.6 percent).[1] Several one-time items at large banks contributed to the increase in noninterest expense in the fourth quarter. The annual increase was driven by higher salaries and employee benefits (up $4.1 billion, or 5.8 percent) and "all other" noninterest expense (up $3.2 billion, or 4.9 percent).

Provision Expense Was Relatively Unchanged from the Previous Quarter but Declined from the Year-Ago Quarter

Quarterly provision expense totaled $20.9 billion in the fourth quarter, up $85.6 million (0.4 percent) from the previous quarter but down $1.5 billion (6.7 percent) from the year-ago quarter. Provision expense equaled total net charge-offs during the quarter. The reserve coverage ratio (the ratio of the allowance for credit losses to noncurrent loans) declined from the prior quarter, as the funded allowance for credit losses modestly declined and noncurrent loan balances increased, lowering the reserve coverage ratio to 171.2 percent. The pending sale of a large loan portfolio between institutions accounted for the decrease in funded allowance in the fourth quarter, which will reverse once the transaction is complete.

Asset Quality Metrics Remained Generally Favorable, Though Weakness in Certain Portfolios Persisted

Past-due and nonaccrual (PDNA) loans, or loans that are 30 or more days past due or in nonaccrual status, increased 7 basis points from the previous quarter to 1.56 percent. The industry's PDNA ratio is still well below the pre-pandemic average of 1.94 percent. PDNA rates for non-owner-occupied commercial real estate (CRE), multifamily CRE, auto loans, and credit card portfolios were well above their pre-pandemic averages.

The industry's net charge-off rate increased 1 basis point to 0.63 percent from the prior quarter but was 8 basis points lower than the year-ago quarter. The fourth quarter rate was 15 basis points higher than the pre-pandemic average of 0.48 percent. Net charge-off rates for most portfolios were above their pre-pandemic averages.

Unrealized Losses on Securities Decreased Both Quarterly and Annually

Unrealized losses on securities totaled $306.1 billion, down $31.0 billion (9.2 percent) from the prior quarter and down $174.6 billion (36.3 percent) from the year-ago quarter.[2] This is the lowest level of unrealized losses for the industry since first quarter 2022. Unrealized losses on available-for-sale securities were $98.7 billion, down $16.6 billion (14.4 percent) from the prior quarter and down $83.4 billion (45.8 percent) from the year-ago quarter. Unrealized losses on held-to-maturity securities

[1] "All other" noninterest expense includes expenses related to data processing, advertising and marketing, legal fees, and consulting and advisory fees.

[2] Unrealized losses on securities reflect the difference between the market value as of quarter-end and the book value of non-equity securities. This calculation does not account for any unrealized gains or losses in accumulated other comprehensive income because these cannot be derived from Consolidated Reports of Condition and Income (Call Reports).

were $207.4 billion, down $14.4 billion (6.5 percent) from the prior quarter and down $91.3 billion (30.6 percent) from the year-ago quarter.

Banking Industry Assets Increased in Fourth Quarter 2025

The banking industry reported total assets of $25.3 trillion in the fourth quarter, an increase of $144.7 billion (0.6 percent) from the prior quarter and $1.2 trillion (4.8 percent) from the year-ago quarter. The quarterly increase was led by higher total loans and leases (up $267.8 billion, or 2.0 percent) and cash and balances due from depository institutions (up $48.3 billion, or 1.9 percent). The increase in total assets was partially offset by a decline in trading accounts (down $107.5 billion, or 8.8 percent) and securities (down $28.9 billion, or 0.5 percent). On an annual basis, growth in total loans and leases (up $752.4 billion, or 5.9 percent), assets in trading accounts (up $221.3 billion, or 24.9 percent), and securities (up $127.0 billion, or 2.3 percent) drove the increase.

Loan Balances Continued to Expand, Accelerating 5.9 Percent from the Year-Ago Quarter

Total loan and lease balances increased $267.8 billion (2.0 percent) from the prior quarter to $13.5 trillion. The largest dollar increases among reported categories were in loans to non-depository financial institutions and credit card loans. Loans to purchase or carry securities, including margin loans, nonfarm nonresidential CRE loans, and commercial and industrial loans, also contributed to the industry's quarterly loan growth. The industry's loan growth rate in the fourth quarter was 5.9 percent, the fastest annual growth rate in 11 quarters.

Domestic Deposits Increased for the Sixth Consecutive Quarter

Domestic deposits increased for the sixth consecutive quarter by 318.3 billion (1.8 percent). Interest-bearing deposits increased from the prior quarter, while noninterest-bearing deposits declined. Estimated uninsured domestic deposits, which rose $214.7 billion (2.7 percent) from the prior quarter, drove the increase in domestic deposits.

Equity Capital Increased from the Prior Quarter

Equity capital increased $18.9 billion (0.7 percent) from the prior quarter to $2.6 trillion. The quarterly increase was led by a decline in unrealized losses on available-for-sale securities of $16.6 billion. The leverage capital ratio decreased 7 basis points from third quarter 2025 to 9.26 percent.

The Number of Problem Banks Increased in the Fourth Quarter

The number of banks on the FDIC's "Problem Bank List" increased by a net of three in the fourth quarter to 60 banks.[3] The number of problem banks represented 1.4 percent of total banks in the fourth quarter, which is in the normal range of 1 to 2 percent for non-crisis periods.

The Deposit Insurance Fund Reserve Ratio Increased to 1.42 Percent

In the fourth quarter, the Deposit Insurance Fund balance increased $3.7 billion to $153.9 billion. The reserve ratio increased 2 basis points during the quarter to 1.42 percent.

[3] Banks on the FDIC's "Problem Bank List" have a CAMELS composite rating of "4" or "5." It is common for banks to be added to or removed from this list each quarter.

The Number of Insured Institutions Declined

The number of FDIC-insured institutions declined by 43 during the fourth quarter to 4,336. One bank opened during the quarter; four banks were sold to non-FDIC-insured institutions; two banks closed voluntarily and liquidated their assets; 36 institutions merged with other banks; and no bank failed during the fourth quarter.

Author:

Benjamin Tikvina
Senior Financial Analyst
Division of Insurance and Research

TABLE I-A. Selected Indicators, All FDIC-Insured Institutions*

	2025	2024	2023	2022	2021	2020	2019
Return on assets (%)	1.20	1.12	1.09	1.11	1.23	0.72	1.29
Return on equity (%)	11.82	11.37	11.38	11.81	12.21	6.85	11.38
Core capital (leverage) ratio (%)	9.26	9.28	9.13	8.97	8.73	8.82	9.66
Noncurrent assets plus other real estate owned to assets (%)	0.54	0.55	0.47	0.39	0.44	0.61	0.55
Net charge-offs to loans (%)	0.62	0.68	0.52	0.27	0.25	0.50	0.52
Asset growth rate (%)	4.80	1.84	0.30	-0.52	8.46	17.29	3.92
Net interest margin (%)	3.30	3.22	3.30	2.95	2.54	2.82	3.36
Net operating income growth (%)	11.20	2.28	-1.33	-3.73	96.90	-38.77	-3.14
Number of institutions reporting	4,336	4,487	4,587	4,706	4,839	5,002	5,177
Commercial banks	3,815	3,942	4,028	4,127	4,232	4,375	4,518
Savings institutions	521	545	559	579	607	627	659
Percentage of unprofitable institutions (%)	5.10	7.00	5.49	3.55	3.10	4.70	3.73
Number of problem institutions	60	66	52	39	44	56	51
Number of failed institutions	2	2	5	0	0	4	4

* Excludes insured branches of foreign banks (IBAs).

TABLE II-A. Aggregate Condition and Income Data, All FDIC-Insured Institutions

(dollar figures in millions)	4th Quarter 2025	3rd Quarter 2025	4th Quarter 2024	% Change 24Q4-25Q4
Number of institutions reporting	4,336	4,379	4,487	-3.4
Total employees (full-time equivalent)	2,047,142	2,047,338	2,051,537	-0.2
CONDITION DATA				
Total assets	$25,257,913	$25,113,192	$24,100,961	4.8
Loans secured by real estate	6,132,004	6,087,358	6,004,371	2.1
1-4 Family residential mortgages	2,640,007	2,630,852	2,602,765	1.4
Nonfarm nonresidential	1,905,923	1,879,938	1,841,519	3.5
Construction and development	456,298	463,321	484,579	-5.8
Home equity lines	299,699	294,661	281,606	6.4
Commercial & industrial loans	2,398,633	2,375,456	2,372,744	1.1
Loans to individuals	2,090,224	2,029,006	2,042,114	2.4
Credit cards	1,204,429	1,151,168	1,167,253	3.2
Farm loans	91,201	88,569	86,631	5.3
Other loans & leases	2,766,619	2,630,161	2,221,438	24.5
Less: Unearned income	1,154	823	2,220	-48.0
Total loans & leases	13,477,526	13,209,727	12,725,078	5.9
Less: Reserve for losses*	222,401	224,501	222,878	-0.2
Net loans and leases	13,255,125	12,985,226	12,502,200	6.0
Securities**	5,712,094	5,741,038	5,585,133	2.3
Other real estate owned	4,369	4,171	3,672	19.0
Goodwill and other intangibles	444,524	445,010	416,986	6.6
All other assets	5,841,801	5,937,749	5,592,969	4.4
Total liabilities and capital	25,257,913	25,113,192	24,100,961	4.8
Deposits	20,077,168	19,749,845	19,214,516	4.5
Domestic office deposits	18,437,719	18,119,390	17,747,576	3.9
Foreign office deposits	1,639,449	1,630,455	1,466,941	11.8
Other borrowed funds	1,772,717	1,930,521	1,665,976	6.4
Subordinated debt	48,044	47,093	55,881	-14.0
All other liabilities	761,350	805,770	752,184	1.2
Total equity capital (includes minority interests)	2,598,635	2,579,646	2,412,375	7.7
Bank equity capital	2,595,845	2,576,919	2,410,021	7.7
Loans and leases 30-89 days past due	80,397	71,565	78,779	2.1
Noncurrent loans and leases	129,925	125,823	125,290	3.7
Past-due and nonaccrual loans and leases	210,323	197,388	204,069	3.1
Restructured loans and leases	52,470	54,272	51,342	2.2
Mortgage-backed securities	2,990,244	2,998,776	2,963,640	0.9
Earning assets	22,948,803	22,783,763	21,872,932	4.9
FHLB advances	419,440	430,681	485,926	-13.7
Unused loan commitments	10,642,055	10,429,330	9,880,044	7.7
Trust assets	40,359,011	40,308,415	36,350,860	11.0
Assets securitized and sold	354,434	378,033	447,784	-20.8
Notional amount of derivatives	211,213,559	235,471,816	188,652,906	12.0

INCOME DATA	Full Year 2025	Full Year 2024	% Change	4th Quarter 2025	4th Quarter 2024	% Change 24Q4-25Q4
Total interest income	$1,242,547	$1,266,682	-1.9	$316,558	$316,557	0.0
Total interest expense	504,216	567,952	-11.2	122,852	137,188	-10.4
Net interest income	738,332	698,730	5.7	193,706	179,369	8.0
Provision for credit losses***	93,009	89,894	3.5	20,944	22,437	-6.7
Total noninterest income	337,816	311,439	8.5	85,682	78,073	9.7
Total noninterest expense	604,732	584,287	3.5	157,378	149,287	5.4
Securities gains (losses)	-4,085	-6,185	34.0	-871	-3,327	73.8
Applicable income taxes	78,745	66,347	18.7	22,753	15,606	45.8
Extraordinary gains, net****	373	5,092	-92.7	379	17	2,190.2
Total net income (includes minority interests)	295,951	268,548	10.2	77,822	66,802	16.5
Bank net income	295,595	268,144	10.2	77,719	66,712	16.5
Net charge-offs	80,105	84,883	-5.6	20,891	22,362	-6.6
Cash dividends	234,602	179,387	30.8	77,771	55,881	39.2
Retained earnings	60,993	88,756	-31.3	-52	10,831	-100.5
Net operating income	299,074	268,942	11.2	78,182	69,876	11.9

* For institutions that have adopted ASU 2016-13, this item represents the allowance for credit losses on loans and leases held for investment and allocated transfer risk. Beginning in 2024, almost all institutions have adopted ASU 2016-13.

** For institutions that have adopted ASU 2016-13, securities are reported net of allowances for credit losses. Beginning in 2024, almost all institutions have adopted ASU 2016-13.

*** For institutions that have adopted ASU 2016-13, this item represents provisions for credit losses on a consolidated basis; for institutions that have not adopted ASU 2016-13, this item represents the provision for loan and lease losses. Beginning in 2024, almost all institutions have adopted ASU 2016-13.

**** See Notes to Users for explanation.

N/M - Not Meaningful

TABLE III-A. Fourth Quarter 2025, All FDIC-Insured Institutions

		Asset Concentration Groups*								
FOURTH QUARTER (The way it is...)	All Insured Institutions	Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <$1 Billion	All Other <$1 Billion	All Other >$1 Billion
Number of institutions reporting	4,336	10	4	945	2,427	311	36	169	354	80
Commercial banks	3,815	9	4	933	2,196	100	33	156	315	69
Savings institutions	521	1	0	12	231	211	3	13	39	11
Total assets (in billions)	$25,257.9	$1,067.3	$6,126.2	$316.5	$7,976.2	$549.7	$303.4	$38.2	$82.6	$8,797.8
Commercial banks	24,067.9	955.2	6,126.2	310.5	7,512.7	107.4	302.5	35.5	72.8	8,645.2
Savings institutions	1,190.0	112.1	0.0	6.0	463.5	442.3	0.9	2.8	9.8	152.6
Total deposits (in billions)	20,077.2	821.3	4,588.9	267.6	6,528.6	470.0	249.9	30.0	70.7	7,050.2
Commercial banks	19,100.0	737.9	4,588.9	264.2	6,162.5	88.1	249.2	28.4	62.5	6,918.2
Savings institutions	977.2	83.4	0.0	3.4	366.1	381.9	0.7	1.6	8.1	132.0
Bank net income (in millions)	77,719	5,248	16,114	1,057	25,129	1,639	1,177	113	246	26,998
Commercial banks	74,374	4,540	16,114	997	24,099	286	1,178	102	232	26,827
Savings institutions	3,345	708	0	60	1,029	1,353	-1	11	14	171
Performance Ratios (annualized, %)										
Yield on earning assets	5.54	12.73	5.19	5.88	5.60	3.62	8.00	4.65	5.40	4.88
Cost of funding earning assets	2.15	3.06	2.32	1.97	1.98	1.18	3.26	1.17	1.54	2.13
Net interest margin	3.39	9.66	2.88	3.91	3.63	2.44	4.74	3.48	3.86	2.76
Noninterest income to assets	1.36	4.46	1.47	0.55	0.89	1.15	1.39	4.68	0.90	1.36
Noninterest expense to assets	2.50	8.00	2.26	2.49	2.45	1.88	3.00	6.09	3.05	2.06
Credit loss provision to assets**	0.33	2.98	0.41	0.16	0.18	0.03	0.80	0.16	0.12	0.11
Net operating income to assets	1.24	1.84	1.06	1.36	1.29	1.23	1.58	1.19	1.23	1.25
Pretax return on assets	1.60	2.42	1.35	1.55	1.57	1.56	1.96	1.59	1.32	1.68
Return on assets	1.24	1.98	1.05	1.35	1.27	1.21	1.58	1.19	1.20	1.23
Return on equity	12.03	14.67	11.70	12.87	11.25	12.77	16.10	6.84	10.90	12.45
Net charge-offs to loans and leases	0.63	3.65	0.77	0.18	0.28	0.04	1.21	0.52	0.13	0.46
Loan and lease loss provision to net charge-offs	88.95	110.01	95.35	134.45	86.06	172.34	90.48	110.69	161.28	51.88
Efficiency ratio	55.69	58.82	55.81	58.56	57.19	53.71	52.03	77.29	67.16	52.69
% of unprofitable institutions	6.83	10.00	0.00	5.93	5.69	13.83	8.33	17.16	6.21	5.00
% of institutions with earnings gains	73.62	70.00	50.00	73.76	75.07	72.35	72.22	58.58	72.88	70.00
Structural Changes										
New reporters	1	0	0	0	0	0	0	1	0	0
Institutions absorbed by mergers	36	0	0	13	15	3	0	3	1	1
Failed institutions	0	0	0	0	0	0	0	0	0	0
PRIOR FOURTH QUARTERS (The way it was...)										
Return on assets (%) 2024	1.10	3.19	1.15	1.15	0.98	0.82	0.65	3.02	1.06	1.08
2022	1.16	3.08	1.03	1.20	1.29	0.87	1.02	2.72	1.02	1.02
2020	1.10	4.49	1.05	1.15	1.15	0.90	2.34	2.68	1.05	0.83
Net charge-offs to loans & leases (%) 2024	0.71	4.44	0.83	0.13	0.31	0.03	1.35	0.40	0.13	0.80
2022	0.36	2.54	0.40	0.11	0.15	0.02	0.55	0.22	0.15	0.44
2020	0.42	2.78	0.54	0.18	0.24	0.06	0.45	0.17	0.09	0.37

* See Table IV-A for explanations.

** For institutions that have adopted ASU 2016-13, the numerator represents provisions for credit losses on a consolidated basis; for institutions that have not adopted ASU 2016-13, the numerator represents the provision for loan and lease losses. Beginning in 2024, almost all institutions have adopted ASU 2016-13.

TABLE III-A. Fourth Quarter 2025, All FDIC-Insured Institutions

FOURTH QUARTER (The way it is...)	All Insured Institutions	Asset Size Distribution: Less Than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	$10 Billion to $250 Billion	Greater Than $250 Billion	Geographic Regions*: New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	4,336	572	2,712	900	136	16	503	491	933	1,109	984	316
Commercial banks	3,815	494	2,420	764	122	15	266	451	810	1,079	922	287
Savings institutions	521	78	292	136	14	1	237	40	123	30	62	29
Total assets (in billions)	$25,257.9	$35.7	$1,044.8	$2,543.7	$6,395.8	$15,237.8	$4,737.6	$5,293.8	$6,493.3	$4,537.3	$1,868.2	$2,327.8
Commercial banks	24,067.9	31.0	928.3	2,203.3	5,921.2	14,984.1	4,352.3	5,278.5	6,422.0	4,475.2	1,497.6	2,042.4
Savings institutions	1,190.0	4.7	116.5	340.4	474.6	253.8	385.3	15.3	71.3	62.2	370.6	285.4
Total deposits (in billions)	20,077.2	29.5	883.7	2,115.3	5,211.8	11,836.9	3,787.3	4,210.0	4,908.1	3,689.8	1,575.2	1,906.8
Commercial banks	19,100.0	26.0	790.1	1,845.1	4,832.3	11,606.4	3,478.9	4,198.1	4,856.1	3,636.6	1,256.1	1,674.2
Savings institutions	977.2	3.5	93.6	270.2	379.5	230.5	308.4	12.0	52.0	53.2	319.1	232.6
Bank net income (in millions)	77,719	76	3,140	8,242	21,358	44,904	13,416	15,899	20,115	12,695	6,041	9,553
Commercial banks	74,374	67	2,859	7,583	19,685	44,180	12,713	15,888	19,905	12,404	4,954	8,510
Savings institutions	3,345	9	281	659	1,672	724	703	11	210	291	1,087	1,043
Performance Ratios (annualized, %)												
Yield on earning assets	5.54	5.53	5.83	5.95	6.08	5.22	5.46	5.59	5.16	5.46	5.22	7.05
Cost of funding earning assets	2.15	1.56	1.87	2.04	2.19	2.17	2.56	1.97	2.07	2.12	1.73	2.35
Net interest margin	3.39	3.97	3.96	3.91	3.89	3.05	2.90	3.62	3.09	3.33	3.49	4.70
Noninterest income to assets	1.36	1.89	1.21	1.10	1.51	1.35	1.17	1.36	1.57	0.95	0.78	2.45
Noninterest expense to assets	2.50	4.46	3.31	2.80	2.95	2.21	2.33	2.44	2.38	2.29	2.28	3.92
Credit loss provision to assets**	0.33	0.12	0.19	0.28	0.40	0.32	-0.01	0.49	0.37	0.30	0.13	0.81
Net operating income to assets	1.24	0.85	1.23	1.35	1.36	1.18	1.16	1.18	1.24	1.14	1.32	1.67
Pretax return on assets	1.60	1.02	1.40	1.60	1.72	1.56	1.44	1.71	1.60	1.36	1.58	2.13
Return on assets	1.24	0.86	1.21	1.31	1.35	1.18	1.14	1.20	1.24	1.13	1.30	1.65
Return on equity	12.03	6.01	11.05	11.88	12.30	12.03	10.61	11.19	12.76	11.59	12.12	15.80
Net charge-offs to loans and leases	0.63	0.17	0.22	0.39	0.63	0.73	0.37	0.86	0.48	0.61	0.26	1.17
Loan and lease loss provision to net charge-offs	88.95	119.44	126.23	99.44	97.65	81.73	-7.71	103.39	98.25	99.73	79.14	103.38
Efficiency ratio	55.69	79.47	66.89	58.58	57.34	53.28	61.17	51.63	54.21	57.01	56.29	56.67
% of unprofitable institutions	6.83	19.23	5.57	3.89	0.00	0.00	10.14	8.96	5.36	5.23	6.40	9.49
% of institutions with earnings gains	73.62	62.06	73.23	80.56	83.09	81.25	74.16	72.10	76.42	75.29	70.22	71.52
Structural Changes												
New reporters	1	1	0	0	0	0	0	1	0	0	0	0
Institutions absorbed by mergers	36	16	12	7	1	0	5	6	4	15	6	0
Failed institutions	0	0	0	0	0	0	0	0	0	0	0	0
PRIOR FOURTH QUARTERS (The way it was...)												
Return on assets (%) 2024	1.10	0.50	1.12	1.05	1.15	1.09	0.89	1.09	1.23	1.02	1.09	1.42
2022	1.16	0.77	1.28	1.36	1.17	1.11	1.10	1.23	1.24	0.94	1.18	1.27
2020	1.10	0.64	1.22	1.30	1.35	0.94	0.89	1.08	1.24	0.88	1.04	1.67
Net charge-offs to loans & leases (%) 2024	0.71	0.26	0.17	0.35	0.80	0.81	0.69	0.84	0.51	0.70	0.22	1.27
2022	0.36	0.11	0.11	0.21	0.36	0.44	0.34	0.46	0.24	0.35	0.12	0.59
2020	0.42	0.15	0.15	0.24	0.52	0.42	0.42	0.41	0.37	0.43	0.25	0.58

* See Table IV-A for explanations.

** For institutions that have adopted ASU 2016-13, the numerator represents provisions for credit losses on a consolidated basis; for institutions that have not adopted ASU 2016-13, the numerator represents the provision for loan and lease losses. Beginning in 2024, almost all institutions have adopted ASU 2016-13.

TABLE IV-A. Full Year 2025, All FDIC-Insured Institutions

		Asset Concentration Groups*								
FULL YEAR (The way it is...)	All Insured Institutions	Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <$1 Billion	All Other <$1 Billion	All Other >$1 Billion
Number of institutions reporting	4,336	10	4	945	2,427	311	36	169	354	80
Commercial banks	3,815	9	4	933	2,196	100	33	156	315	69
Savings institutions	521	1	0	12	231	211	3	13	39	11
Total assets (in billions)	$25,257.9	$1,067.3	$6,126.2	$316.5	$7,976.2	$549.7	$303.4	$38.2	$82.6	$8,797.8
Commercial banks	24,067.9	955.2	6,126.2	310.5	7,512.7	107.4	302.5	35.5	72.8	8,645.2
Savings institutions	1,190.0	112.1	0.0	6.0	463.5	442.3	0.9	2.8	9.8	152.6
Total deposits (in billions)	20,077.2	821.3	4,588.9	267.6	6,528.6	470.0	249.9	30.0	70.7	7,050.2
Commercial banks	19,100.0	737.9	4,588.9	264.2	6,162.5	88.1	249.2	28.4	62.5	6,918.2
Savings institutions	977.2	83.4	0.0	3.4	366.1	381.9	0.7	1.6	8.1	132.0
Bank net income (in millions)	295,595	16,145	69,551	4,104	89,950	5,922	3,932	639	941	104,411
Commercial banks	282,602	12,892	69,551	3,923	86,186	1,156	3,932	550	887	103,526
Savings institutions	12,993	3,253	0	181	3,764	4,766	1	88	54	885
Performance Ratios (%)										
Yield on earning assets	5.56	12.59	5.27	5.79	5.59	3.57	8.04	4.88	5.28	4.96
Cost of funding earning assets	2.26	3.19	2.42	2.02	2.07	1.35	3.36	1.22	1.57	2.25
Net interest margin	3.30	9.40	2.86	3.77	3.52	2.22	4.67	3.66	3.71	2.71
Noninterest income to assets	1.37	4.46	1.64	0.53	0.86	1.06	1.43	4.80	0.86	1.32
Noninterest expense to assets	2.45	7.57	2.30	2.37	2.39	1.76	3.02	5.72	2.94	2.04
Credit loss provision to assets**	0.38	3.46	0.38	0.16	0.21	0.02	0.79	0.20	0.09	0.20
Net operating income to assets	1.21	1.59	1.15	1.35	1.19	1.10	1.49	1.68	1.18	1.23
Pretax return on assets	1.52	2.05	1.51	1.52	1.45	1.38	1.75	2.24	1.29	1.52
Return on assets	1.20	1.63	1.16	1.34	1.16	1.08	1.36	1.73	1.16	1.21
Return on equity	11.82	12.77	12.91	13.21	10.51	11.63	14.14	10.53	11.00	12.21
Net charge-offs to loans and leases	0.62	3.62	0.81	0.15	0.26	0.03	1.15	0.70	0.11	0.47
Loan and lease loss provision to net charge-offs	110.34	129.67	107.68	148.36	113.22	160.56	90.70	101.65	147.80	86.06
Efficiency ratio	55.60	56.96	54.67	57.90	57.68	55.20	50.77	70.27	66.44	53.68
% of unprofitable institutions	5.10	10.00	0.00	2.01	4.74	15.11	2.78	10.06	5.65	1.25
% of institutions with earnings gains	80.83	50.00	50.00	81.48	82.41	79.74	86.11	60.36	81.36	73.75
Condition Ratios (%)										
Earning assets to total assets	90.86	91.06	89.07	93.72	91.64	96.10	91.92	90.33	93.88	90.88
Loss allowance to:										
Loans and leases	1.65	5.76	1.87	1.27	1.28	0.56	2.45	1.51	1.23	1.28
Noncurrent loans and leases	171.18	351.17	229.73	165.76	132.24	113.73	321.95	167.11	146.88	132.28
Noncurrent assets plus other real estate owned to assets	0.54	1.23	0.32	0.56	0.70	0.22	0.58	0.27	0.52	0.50
Equity capital ratio	10.28	13.42	9.02	10.51	11.33	9.09	9.69	18.12	11.05	9.86
Core capital (leverage) ratio	9.26	10.90	7.95	11.10	10.29	11.21	10.70	19.05	12.17	8.74
Common equity tier 1 capital ratio***	14.03	13.07	14.91	13.84	13.01	27.61	13.25	49.67	19.30	14.20
Tier 1 risk-based capital ratio***	14.09	13.15	14.98	13.85	13.07	27.61	13.29	49.70	19.30	14.25
Total risk-based capital ratio***	15.29	14.97	15.85	14.93	14.38	28.12	14.34	50.46	20.37	15.49
Net loans and leases to deposits	66.02	91.29	49.28	79.18	82.07	48.93	89.11	33.58	65.57	59.08
Net loans and leases to total assets	52.48	70.25	36.91	66.95	67.18	41.83	73.39	26.36	56.09	47.34
Domestic deposits to total assets	73.00	76.94	53.19	84.55	81.72	85.50	82.36	78.48	85.52	76.74
Structural Changes										
New reporters	4	0	0	0	0	0	0	3	1	0
Institutions absorbed by mergers	136	1	0	33	70	9	1	15	5	2
Failed institutions	2	0	0	1	0	1	0	0	0	0
PRIOR FULL YEARS (The way it was...)										
Number of institutions 2024	4,487	10	4	993	2,487	317	40	186	377	73
2022	4,706	10	5	1,053	2,502	320	35	300	411	70
2020	5,002	11	5	1,163	2,667	291	36	277	485	67
Total assets (in billions) 2024	$24,101.0	$529.1	$5,660.0	$311.1	$8,021.6	$599.8	$279.8	$42.5	$85.8	$8,571.2
2022	23,595.4	452.9	5,743.3	298.4	8,145.6	720.6	590.4	70.3	96.0	7,478.0
2020	21,868.8	492.6	5,539.4	287.7	7,591.0	684.0	144.8	51.5	105.7	6,972.0
Return on assets (%) 2024	1.12	2.94	1.24	1.16	0.98	0.63	1.11	2.86	1.05	1.08
2022	1.11	3.66	0.95	1.22	1.18	0.86	1.33	1.99	1.01	1.03
2020	0.72	1.92	0.70	1.29	0.74	0.92	1.59	2.59	1.10	0.53
Net charge-offs to loans & leases (%) 2024	0.68	4.55	0.80	0.12	0.26	0.03	1.27	0.43	0.09	0.78
2022	0.27	2.12	0.32	0.05	0.11	0.01	0.38	0.13	0.06	0.31
2020	0.50	3.73	0.69	0.15	0.25	0.05	0.52	0.19	0.07	0.43
Noncurrent assets plus OREO to assets (%) 2024	0.55	1.43	0.32	0.44	0.66	0.19	0.67	0.22	0.43	0.57
2022	0.39	1.06	0.23	0.35	0.48	0.15	0.34	0.22	0.33	0.42
2020	0.61	0.92	0.38	0.69	0.76	0.30	0.26	0.34	0.56	0.66
Equity capital ratio (%) 2024	10.00	10.88	9.22	9.64	10.68	8.64	9.07	13.96	9.89	9.94
2022	9.34	10.56	9.27	8.65	9.77	5.27	8.15	10.27	8.35	9.37
2020	10.17	12.61	8.95	11.37	11.23	8.40	9.21	15.79	11.81	9.90

***Asset Concentration Group Definitions (Groups are hierarchical and mutually exclusive):**
Credit-card Lenders - Institutions whose credit-card loans plus securitized receivables exceed 50 percent of total assets plus securitized receivables.
International Banks - Banks with assets greater than $10 billion and more than 25 percent of total assets in foreign offices.
Agricultural Banks - Banks whose agricultural production loans plus real estate loans secured by farmland exceed 25 percent of the total loans and leases.
Commercial Lenders - Institutions whose commercial and industrial loans, plus real estate construction and development loans, plus loans secured by commercial real estate properties exceed 25 percent of total assets.
Mortgage Lenders - Institutions whose residential mortgage loans, plus mortgage-backed securities, exceed 50 percent of total assets.
Consumer Lenders - Institutions whose residential mortgage loans, plus credit-card loans, plus other loans to individuals, exceed 50 percent of total assets.
Other Specialized < $1 Billion - Institutions with assets less than $1 billion, whose loans and leases are less than 40 percent of total assets.
All Other < $1 billion - Institutions with assets less than $1 billion that do not meet any of the definitions above, they have significant lending activity with no identified asset concentrations.
All Other > $1 billion - Institutions with assets greater than $1 billion that do not meet any of the definitions above, they have significant lending activity with no identified asset concentrations.
** For institutions that have adopted ASU 2016-13, the numerator represents provisions for credit losses on a consolidated basis; for institutions that have not adopted ASU 2016-13, the numerator represents the provision for loan and lease losses.
*** Beginning March 2020, does not include institutions that have a Community Bank Leverage Ratio election in effect at the report date.

TABLE IV-A. Full Year 2025, All FDIC-Insured Institutions

FULL YEAR (The way it is...)	All Insured Institutions	Asset Size Distribution: Less Than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	$10 Billion to $250 Billion	Greater Than $250 Billion	Geographic Regions*: New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	4,336	572	2,712	900	136	16	503	491	933	1,109	984	316
Commercial banks	3,815	494	2,420	764	122	15	266	451	810	1,079	922	287
Savings institutions	521	78	292	136	14	1	237	40	123	30	62	29
Total assets (in billions)	$25,257.9	$35.7	$1,044.8	$2,543.7	$6,395.8	$15,237.8	$4,737.6	$5,293.8	$6,493.3	$4,537.3	$1,868.2	$2,327.8
Commercial banks	24,067.9	31.0	928.3	2,203.3	5,921.2	14,984.1	4,352.3	5,278.5	6,422.0	4,475.2	1,497.6	2,042.4
Savings institutions	1,190.0	4.7	116.5	340.4	474.6	253.8	385.3	15.3	71.3	62.2	370.6	285.4
Total deposits (in billions)	20,077.2	29.5	883.7	2,115.3	5,211.8	11,836.9	3,787.3	4,210.0	4,908.1	3,689.8	1,575.2	1,906.8
Commercial banks	19,100.0	26.0	790.1	1,845.1	4,832.3	11,606.4	3,478.9	4,198.1	4,856.1	3,636.6	1,256.1	1,674.2
Savings institutions	977.2	3.5	93.6	270.2	379.5	230.5	308.4	12.0	52.0	53.2	319.1	232.6
Bank net income (in millions)	295,595	357	12,512	30,838	77,747	174,141	49,473	55,547	81,285	51,272	22,011	36,007
Commercial banks	282,602	311	11,380	28,367	70,809	171,737	46,692	55,448	80,547	50,172	18,247	31,496
Savings institutions	12,993	47	1,132	2,471	6,939	2,404	2,781	99	738	1,101	3,764	4,511
Performance Ratios (%)												
Yield on earning assets	5.56	5.44	5.76	5.90	6.09	5.26	5.51	5.54	5.20	5.52	5.19	7.06
Cost of funding earning assets	2.26	1.58	1.91	2.12	2.30	2.29	2.70	2.08	2.16	2.21	1.84	2.45
Net interest margin	3.30	3.86	3.84	3.78	3.79	2.98	2.81	3.46	3.04	3.31	3.35	4.61
Noninterest income to assets	1.37	1.83	1.18	1.06	1.45	1.40	1.29	1.15	1.61	1.12	0.76	2.35
Noninterest expense to assets	2.45	4.12	3.18	2.74	2.85	2.19	2.25	2.34	2.39	2.31	2.23	3.78
Credit loss provision to assets**	0.38	0.11	0.15	0.27	0.43	0.39	0.16	0.60	0.31	0.33	0.14	0.78
Net operating income to assets	1.21	1.02	1.24	1.28	1.28	1.17	1.10	1.07	1.28	1.17	1.25	1.63
Pretax return on assets	1.52	1.19	1.43	1.54	1.61	1.48	1.37	1.34	1.63	1.47	1.45	2.09
Return on assets	1.20	1.02	1.23	1.25	1.25	1.17	1.07	1.07	1.27	1.17	1.20	1.60
Return on equity	11.82	7.32	11.59	11.61	11.63	11.98	10.02	10.22	13.34	11.96	11.40	15.54
Net charge-offs to loans and leases	0.62	0.15	0.16	0.31	0.64	0.74	0.40	0.82	0.50	0.64	0.19	1.13
Loan and lease loss provision to net charge-offs	110.34	131.17	138.73	118.84	102.42	112.87	75.65	134.89	110.69	100.85	114.25	103.57
Efficiency ratio	55.60	75.88	66.24	59.17	57.16	53.23	58.51	53.83	54.53	55.71	57.10	55.94
% of unprofitable institutions	5.10	13.29	4.13	3.22	2.94	0.00	9.15	6.72	5.57	2.16	3.66	9.49
% of institutions with earnings gains	80.83	68.01	82.15	84.67	83.82	75.00	82.11	80.45	83.92	84.40	75.41	74.68
Condition Ratios (%)												
Earning assets to total assets	90.86	93.16	93.86	93.42	91.68	89.87	90.23	90.44	89.82	91.00	92.87	94.10
Loss Allowance to:												
Loans and leases	1.65	1.37	1.26	1.31	1.73	1.73	1.27	1.81	1.58	1.72	1.17	2.36
Noncurrent loans and leases	171.18	116.68	153.34	157.67	161.98	182.39	121.14	193.03	173.58	183.84	97.87	269.74
Noncurrent assets plus other real estate owned to assets	0.54	0.75	0.61	0.66	0.71	0.45	0.57	0.56	0.46	0.49	0.77	0.61
Equity capital ratio	10.28	14.27	11.02	11.03	10.96	9.80	10.74	10.72	9.80	9.69	10.67	10.49
Core capital (leverage) ratio	9.26	14.87	11.68	11.01	9.98	8.49	9.57	8.82	8.74	8.95	10.82	10.46
Common equity tier 1 capital ratio***	14.03	23.61	16.06	14.00	13.45	14.23	14.91	12.77	14.19	13.50	15.53	14.79
Tier 1 risk-based capital ratio***	14.09	23.61	16.10	14.03	13.58	14.26	14.96	12.82	14.24	13.58	15.61	14.86
Total risk-based capital ratio***	15.29	24.63	17.20	15.11	15.02	15.37	16.08	14.09	15.45	14.67	16.79	16.23
Net loans and leases to deposits	66.02	68.02	78.52	84.46	77.88	56.56	64.30	67.87	63.73	60.10	69.93	79.45
Net loans and leases to total assets	52.48	56.22	66.41	70.24	63.46	43.94	51.41	53.98	48.17	48.88	58.97	65.08
Domestic deposits to total assets	73.00	82.65	84.57	83.05	79.70	67.69	75.45	76.70	65.90	67.21	84.30	81.61
Structural Changes												
New reporters	4	2	2	0	0	0	1	2	0	0	0	1
Institutions absorbed by mergers	136	32	67	29	8	0	25	14	26	33	30	8
Failed institutions	2	2	0	0	0	0	0	0	1	0	1	0
PRIOR FULL YEARS (The way it was...)												
Number of institutions 2024	4,487	646	2,825	858	144	14	529	505	962	1,143	1,015	333
2022	4,706	761	2,964	823	145	13	558	534	1,011	1,198	1,053	352
2020	5,002	946	3,129	776	138	13	593	570	1,069	1,292	1,107	371
Total assets (in billions) 2024	$24,101.0	$39.6	$1,083.4	$2,440.3	$6,699.6	$13,838.0	$4,679.1	$4,971.7	$6,107.8	$4,243.1	$1,884.6	$2,214.7
2022	23,595.4	46.3	1,097.9	2,276.9	7,091.6	13,082.6	4,546.0	4,613.9	5,575.3	4,240.5	1,992.9	2,626.9
2020	21,868.8	57.2	1,101.4	2,069.8	6,358.4	12,282.0	4,015.0	4,485.1	5,205.7	4,134.1	1,792.6	2,236.1
Return on assets (%) 2024	1.12	0.87	1.11	1.07	1.14	1.12	0.88	1.06	1.30	1.07	0.99	1.45
2022	1.11	0.84	1.18	1.29	1.25	1.01	1.02	1.15	1.09	0.97	1.12	1.49
2020	0.72	0.84	1.21	1.11	0.71	0.61	0.62	0.59	0.87	0.49	0.98	1.03
Net charge-offs to loans & leases (%) 2024	0.68	0.13	0.12	0.29	0.77	0.79	0.68	0.81	0.48	0.69	0.17	1.21
2022	0.27	0.06	0.05	0.15	0.28	0.32	0.26	0.34	0.18	0.27	0.09	0.43
2020	0.50	0.13	0.12	0.22	0.66	0.51	0.48	0.54	0.41	0.53	0.31	0.70
Noncurrent assets plus OREO to assets (%) 2024	0.55	0.59	0.49	0.59	0.70	0.48	0.63	0.57	0.46	0.50	0.66	0.60
2022	0.39	0.51	0.34	0.47	0.46	0.35	0.47	0.39	0.33	0.39	0.44	0.37
2020	0.61	0.74	0.60	0.65	0.83	0.50	0.60	0.55	0.52	0.70	1.08	0.48
Equity capital ratio (%) 2024	10.00	13.40	10.15	10.36	10.35	9.75	10.53	10.13	9.57	9.78	10.15	10.06
2022	9.34	12.37	9.22	9.63	9.49	9.20	9.82	9.73	9.24	9.21	7.83	9.38
2020	10.17	13.43	11.27	10.94	10.84	9.58	10.49	10.78	9.59	9.83	10.08	10.44

* Regions:
New York - Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, U.S. Virgin Islands
Atlanta - Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia, West Virginia
Chicago - Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin
Kansas City - Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
Dallas - Arkansas, Colorado, Louisiana, Mississippi, New Mexico, Oklahoma, Tennessee, Texas
San Francisco - Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Pacific Islands, Utah, Washington, Wyoming
** For institutions that have adopted ASU 2016-13, the numerator represents provisions for credit losses on a consolidated basis; for institutions that have not adopted ASU 2016-13, the numerator represents the provision for loan and lease losses.
*** Beginning March 2020, does not include institutions that have a Community Bank Leverage Ratio election in effect at the report date.

TABLE V-A. Loan Performance, All FDIC-Insured Institutions

December 31, 2025	All Insured Institutions	Asset Concentration Groups*								
		Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <$1 Billion	All Other <$1 Billion	All Other >$1 Billion
Percent of Loans 30-89 Days Past Due										
All loans secured by real estate	0.52	0.33	0.36	0.64	0.53	0.45	0.33	0.80	1.06	0.55
Construction and development	0.42	0.00	0.56	0.83	0.41	0.34	0.15	0.47	0.90	0.36
Nonfarm nonresidential	0.33	0.54	0.40	0.56	0.31	0.32	0.08	0.54	0.81	0.36
Multifamily residential real estate	0.38	0.04	0.30	0.38	0.40	0.13	2.59	0.22	0.24	0.42
Home equity loans	0.59	1.04	0.87	0.55	0.59	0.39	0.35	0.33	0.86	0.55
Other 1-4 family residential	0.70	0.07	0.37	1.00	0.92	0.48	0.38	1.32	1.29	0.65
Commercial and industrial loans	0.40	0.65	0.56	0.87	0.38	0.30	0.60	1.01	1.29	0.29
Loans to individuals	1.67	2.30	1.18	1.15	1.10	0.98	2.87	1.15	1.75	1.28
Credit card loans	1.53	1.88	1.17	1.78	1.47	1.17	1.55	0.31	2.92	1.34
Other loans to individuals	1.86	4.31	1.25	1.08	1.06	0.98	2.87	1.21	1.73	1.23
All other loans and leases (including farm)	0.15	0.05	0.18	0.49	0.18	0.11	0.23	0.98	0.57	0.12
Total loans and leases	0.60	1.93	0.50	0.65	0.49	0.42	2.11	0.87	1.11	0.46
Percent of Loans Noncurrent**										
All real estate loans	1.26	2.56	1.25	0.76	1.09	0.56	0.42	0.88	0.77	1.82
Construction and development	0.92	5.28	2.65	1.14	0.76	0.79	0.63	1.73	0.59	0.88
Nonfarm nonresidential	1.30	2.49	2.48	0.88	0.90	0.69	0.30	0.87	0.96	3.08
Multifamily residential real estate	1.04	2.15	0.54	0.46	1.12	0.73	0.01	0.87	1.22	1.30
Home equity loans	1.54	4.89	5.23	0.35	0.97	0.40	0.65	0.27	0.45	2.14
Other 1-4 family residential	1.32	0.27	1.03	0.54	1.48	0.54	0.47	0.81	0.76	1.48
Commercial and industrial loans	0.99	1.31	0.98	1.22	1.05	0.63	0.74	1.43	1.46	0.87
Loans to individuals	1.17	1.77	1.10	0.52	0.52	0.31	0.86	0.35	1.13	0.97
Credit card loans	1.62	2.00	1.25	0.76	1.46	0.83	2.14	0.07	0.80	1.44
Other loans to individuals	0.56	0.64	0.36	0.49	0.41	0.30	0.86	0.37	1.13	0.54
All other loans and leases (including farm)	0.16	0.04	0.13	0.58	0.29	0.02	0.13	1.06	0.43	0.11
Total loans and leases	0.96	1.64	0.81	0.77	0.96	0.49	0.76	0.90	0.84	0.97
Percent of Loans Past-Due and Nonaccrual***										
All real estate loans	1.78	2.89	1.61	1.40	1.62	1.01	0.75	1.68	1.83	2.37
Construction and development	1.34	5.28	3.21	1.97	1.17	1.13	0.78	2.20	1.49	1.24
Nonfarm nonresidential	1.63	3.03	2.88	1.44	1.21	1.01	0.38	1.41	1.77	3.44
Multifamily residential real estate	1.42	2.19	0.84	0.84	1.52	0.86	2.60	1.09	1.46	1.72
Home equity loans	2.13	5.93	6.10	0.90	1.56	0.79	1.00	0.60	1.31	2.69
Other 1-4 family residential	2.02	0.34	1.40	1.54	2.40	1.02	0.85	2.13	2.05	2.13
Commercial and industrial loans	1.39	1.96	1.55	2.09	1.43	0.93	1.34	2.45	2.75	1.17
Loans to individuals	2.84	4.07	2.28	1.67	1.63	1.30	3.73	1.50	2.88	2.25
Credit card loans	3.15	3.89	2.42	2.54	2.92	2.00	3.70	0.38	3.72	2.78
Other loans to individuals	2.42	4.94	1.61	1.57	1.47	1.27	3.73	1.57	2.87	1.77
All other loans and leases (including farm)	0.31	0.09	0.31	1.07	0.47	0.13	0.36	2.03	1.00	0.22
Total loans and leases	1.56	3.57	1.31	1.42	1.45	0.91	2.87	1.77	1.95	1.43
Percent of Loans Charged-Off (net, YTD)										
All real estate loans	0.09	0.29	0.05	0.04	0.09	0.00	0.04	0.53	0.02	0.12
Construction and development	0.09	1.41	0.03	0.16	0.09	0.00	0.04	-0.08	0.03	0.05
Nonfarm nonresidential	0.22	0.34	0.55	0.07	0.14	0.03	0.15	0.02	0.03	0.58
Multifamily residential real estate	0.13	0.03	0.03	0.03	0.16	0.00	0.00	0.24	0.10	0.14
Home equity loans	-0.03	0.11	-0.30	0.00	0.03	-0.05	0.28	-0.01	0.02	-0.09
Other 1-4 family residential	0.00	0.00	-0.01	0.02	0.01	0.00	0.00	1.23	0.01	-0.01
Commercial and industrial loans	0.57	2.27	0.70	0.43	0.53	0.39	0.27	0.49	0.44	0.40
Loans to individuals	2.93	4.27	3.08	0.94	1.51	0.80	1.61	2.13	0.58	2.50
Credit card loans	4.24	4.77	3.59	5.42	5.25	3.25	6.75	1.59	2.19	4.10
Other loans to individuals	1.24	2.02	0.75	0.39	1.08	0.72	1.56	2.17	0.56	1.11
All other loans and leases (including farm)	0.13	0.21	0.14	0.22	0.23	0.01	0.14	1.06	0.19	0.07
Total loans and leases	0.62	3.62	0.81	0.15	0.26	0.03	1.15	0.70	0.11	0.47
Loans Outstanding (in billions)										
All real estate loans	$6,132.0	$26.5	$708.2	$138.4	$3,503.0	$195.2	$32.1	$7.4	$37.2	$1,484.0
Construction and development	456.3	2.1	26.4	9.9	339.4	5.3	0.8	0.8	2.7	68.8
Nonfarm nonresidential	1,905.9	15.8	70.0	37.4	1,457.0	14.5	9.2	2.8	7.8	291.4
Multifamily residential real estate	659.5	7.9	114.9	6.4	427.9	5.5	0.6	0.3	1.1	95.0
Home equity loans	299.7	0.0	16.9	2.9	175.6	10.9	0.4	0.3	1.3	91.4
Other 1-4 family residential	2,640.0	0.6	444.1	32.9	1,037.8	158.1	21.0	2.9	21.1	921.6
Commercial and industrial loans	2,398.6	84.5	386.9	24.3	1,069.3	3.9	32.8	1.3	3.9	791.7
Loans to individuals	2,090.2	637.0	466.9	6.5	263.4	4.8	156.8	1.1	3.5	550.3
Credit card loans	1,204.4	526.9	389.1	0.7	27.7	0.2	0.5	0.1	0.0	259.3
Other loans to individuals	885.8	110.1	77.8	5.8	235.7	4.7	156.2	1.0	3.5	291.0
All other loans and leases (including farm)	2,857.8	47.5	742.0	45.4	592.9	27.4	6.6	0.5	2.4	1,393.1
Total loans and leases (plus unearned income)	13,478.7	795.6	2,304.0	214.7	5,428.5	231.3	228.3	10.2	46.9	4,219.1
Memo: Other Real Estate Owned (in millions)										
All other real estate owned	4,369.1	55.6	272.0	110.4	2,995.9	89.1	3.5	8.9	31.3	802.3
Construction and development	588.3	0.0	0.0	10.5	548.7	8.9	0.2	0.0	5.2	14.6
Nonfarm nonresidential	2,436.0	55.6	146.0	51.2	1,600.2	19.4	0.2	4.9	12.4	546.2
Multifamily residential real estate	302.2	0.0	6.0	5.0	258.7	32.2	0.0	0.0	0.4	0.0
1-4 family residential	997.7	0.0	119.0	32.8	556.3	28.2	3.1	3.9	13.0	241.4
Farmland	37.3	0.0	0.0	11.0	25.5	0.4	0.0	0.1	0.3	0.0

* See Table IV-A for explanations.

** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

*** Past-due and nonaccrual loan rates represent the percentage of loans in each category that are past due 30 days or more or that are in nonaccrual status.

TABLE V-A. Loan Performance, All FDIC-Insured Institutions

December 31, 2025	All Insured Institutions	Asset Size Distribution: Less Than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	$10 Billion to $250 Billion	Greater Than $250 Billion	Geographic Regions*: New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Percent of Loans 30-89 Days Past Due												
All loans secured by real estate	0.52	1.28	0.64	0.42	0.58	0.47	0.58	0.49	0.43	0.48	0.77	0.36
Construction and development	0.42	1.56	0.59	0.39	0.38	0.40	0.52	0.32	0.36	0.38	0.43	0.54
Nonfarm nonresidential	0.33	1.10	0.52	0.34	0.27	0.34	0.41	0.28	0.30	0.39	0.33	0.26
Multifamily residential real estate	0.38	0.12	0.29	0.27	0.49	0.33	0.68	0.18	0.30	0.34	0.15	0.19
Home equity loans	0.59	0.87	0.56	0.49	0.69	0.53	0.63	0.48	0.60	0.60	0.70	0.60
Other 1-4 family residential	0.70	1.67	0.89	0.61	0.97	0.55	0.67	0.74	0.53	0.59	1.61	0.47
Commercial and industrial loans	0.40	1.69	0.80	0.54	0.36	0.37	0.32	0.32	0.52	0.30	0.44	0.58
Loans to individuals	1.67	1.73	2.04	1.74	1.64	1.67	1.53	2.22	1.02	1.33	1.80	1.88
Credit card loans	1.53	3.80	1.78	3.11	1.44	1.52	1.82	1.90	1.07	1.35	0.52	1.52
Other loans to individuals	1.86	1.72	2.05	1.34	1.80	1.99	1.36	2.74	0.94	1.29	1.94	2.28
All other loans and leases (including farm)	0.15	0.60	0.44	0.31	0.20	0.12	0.06	0.14	0.22	0.18	0.19	0.10
Total loans and leases	0.60	1.26	0.70	0.50	0.66	0.57	0.51	0.73	0.48	0.49	0.69	0.80
Percent of Loans Noncurrent**												
All real estate loans	1.26	1.16	0.77	0.77	1.34	1.62	1.37	1.11	1.26	1.41	1.43	0.87
Construction and development	0.92	1.81	0.92	0.99	0.60	1.44	1.05	0.66	1.09	1.26	0.60	1.06
Nonfarm nonresidential	1.30	1.71	0.94	0.78	1.01	2.89	1.57	1.36	1.09	2.01	0.89	0.90
Multifamily residential real estate	1.04	0.64	0.57	0.58	1.55	0.80	1.95	0.69	0.57	1.33	0.59	0.29
Home equity loans	1.54	0.68	0.40	0.66	1.10	2.63	1.44	1.06	1.89	3.47	0.78	0.88
Other 1-4 family residential	1.32	0.98	0.64	0.76	1.82	1.31	1.02	1.01	1.46	1.17	2.72	0.97
Commercial and industrial loans	0.99	1.86	1.36	1.10	1.01	0.93	1.30	0.95	1.06	0.82	0.78	0.92
Loans to individuals	1.17	0.94	0.66	1.18	1.06	1.24	1.14	1.47	0.77	1.15	0.89	1.23
Credit card loans	1.62	2.06	1.04	3.37	1.60	1.59	1.93	2.00	1.11	1.44	0.30	1.69
Other loans to individuals	0.56	0.93	0.65	0.54	0.62	0.50	0.67	0.58	0.29	0.35	0.96	0.72
All other loans and leases (including farm)	0.16	0.86	0.63	0.56	0.22	0.11	0.15	0.14	0.19	0.11	0.33	0.13
Total loans and leases	0.96	1.18	0.82	0.83	1.07	0.95	1.05	0.94	0.91	0.93	1.19	0.87
Percent of Loans Past-Due and Nonaccrual***												
All real estate loans	1.78	2.44	1.41	1.19	1.92	2.09	1.95	1.60	1.69	1.89	2.20	1.23
Construction and development	1.34	3.37	1.51	1.38	0.98	1.84	1.57	0.98	1.45	1.64	1.03	1.60
Nonfarm nonresidential	1.63	2.81	1.46	1.12	1.28	3.23	1.98	1.64	1.39	2.40	1.22	1.16
Multifamily residential real estate	1.42	0.76	0.86	0.85	2.04	1.13	2.63	0.87	0.87	1.67	0.74	0.48
Home equity loans	2.13	1.55	0.96	1.15	1.79	3.16	2.07	1.54	2.49	4.07	1.48	1.48
Other 1-4 family residential	2.02	2.65	1.53	1.37	2.79	1.86	1.69	1.75	1.99	1.76	4.33	1.44
Commercial and industrial loans	1.39	3.55	2.15	1.65	1.36	1.30	1.62	1.27	1.58	1.12	1.22	1.50
Loans to individuals	2.84	2.66	2.70	2.92	2.70	2.91	2.67	3.68	1.78	2.49	2.69	3.11
Credit card loans	3.15	5.86	2.83	6.48	3.04	3.11	3.74	3.90	2.19	2.78	0.81	3.20
Other loans to individuals	2.42	2.64	2.70	1.88	2.42	2.50	2.04	3.33	1.23	1.64	2.90	3.00
All other loans and leases (including farm)	0.31	1.46	1.07	0.87	0.42	0.23	0.22	0.29	0.41	0.28	0.52	0.23
Total loans and leases	1.56	2.44	1.52	1.33	1.73	1.52	1.56	1.67	1.39	1.42	1.88	1.67
Percent of Loans Charged-Off (net, YTD)												
All real estate loans	0.09	0.03	0.05	0.05	0.12	0.09	0.13	0.11	0.06	0.06	0.07	0.08
Construction and development	0.09	0.02	0.09	0.07	0.10	0.08	0.16	0.04	0.04	0.09	0.08	0.14
Nonfarm nonresidential	0.22	0.11	0.07	0.07	0.22	0.53	0.28	0.31	0.24	0.21	0.10	0.14
Multifamily residential real estate	0.13	0.12	0.05	0.07	0.26	0.03	0.24	0.09	0.11	0.04	0.05	0.07
Home equity loans	-0.03	0.00	0.01	0.02	0.03	-0.12	0.02	-0.05	-0.07	-0.18	0.04	0.05
Other 1-4 family residential	0.00	0.01	0.04	0.01	0.00	-0.01	-0.01	0.00	-0.01	0.01	0.03	0.01
Commercial and industrial loans	0.57	0.65	0.54	0.58	0.67	0.51	0.47	0.53	0.73	0.29	0.51	1.06
Loans to individuals	2.93	0.64	1.43	3.26	2.57	3.13	2.39	3.39	2.10	3.53	1.12	3.15
Credit card loans	4.24	18.57	5.78	8.80	4.12	4.17	4.77	4.71	3.27	4.28	1.32	4.37
Other loans to individuals	1.24	0.54	1.32	1.80	1.32	1.08	1.04	1.40	0.60	1.39	1.10	1.77
All other loans and leases (including farm)	0.13	0.10	0.13	0.38	0.19	0.09	0.08	0.10	0.16	0.14	0.22	0.12
Total loans and leases	0.62	0.15	0.16	0.31	0.64	0.74	0.40	0.82	0.50	0.64	0.19	1.13
Loans Outstanding (in billions)												
All real estate loans	$6,132.0	$14.1	$554.2	$1,352.5	$2,089.2	$2,122.0	$1,288.5	$1,085.6	$1,401.9	$928.2	$780.5	$647.3
Construction and development	456.3	0.9	54.1	136.4	175.5	89.3	79.4	75.0	88.0	64.9	105.5	43.5
Nonfarm nonresidential	1,905.9	2.9	197.7	576.5	762.5	366.4	406.2	364.8	327.1	230.4	315.3	262.1
Multifamily residential real estate	659.5	0.4	34.2	152.5	269.1	203.4	198.1	69.2	193.3	67.0	52.5	79.4
Home equity loans	299.7	0.3	19.4	53.1	117.7	109.2	85.8	64.6	72.7	25.6	25.9	25.1
Other 1-4 family residential	2,640.0	7.1	195.5	387.3	746.9	1,303.2	513.0	495.9	691.2	455.7	256.8	227.4
Commercial and industrial loans	2,398.6	2.2	78.4	269.3	776.1	1,272.7	358.3	593.6	606.7	441.0	194.5	204.6
Loans to individuals	2,090.2	1.3	25.4	95.8	673.6	1,294.1	236.7	589.3	437.4	329.6	32.5	464.7
Credit card loans	1,204.4	0.0	0.6	21.6	303.9	878.3	88.5	368.3	253.6	244.0	3.3	246.7
Other loans to individuals	885.8	1.3	24.8	74.2	369.7	415.8	148.1	221.1	183.8	85.6	29.2	218.0
All other loans and leases (including farm)	2,857.8	2.8	45.0	93.3	592.4	2,124.4	583.5	641.8	732.3	557.3	107.4	235.5
Total loans and leases (plus unearned income)	13,478.7	20.3	703.0	1,810.9	4,131.3	6,813.2	2,466.9	2,910.2	3,178.4	2,256.2	1,114.9	1,552.0
Memo: Other Real Estate Owned (in millions)												
All other real estate owned	4,369.1	27.7	584.2	1,479.2	1,224.8	1,053.2	595.8	625.7	723.2	906.8	1,115.5	402.1
Construction and development	588.3	1.2	118.4	329.6	133.7	5.3	69.8	51.7	36.4	85.1	332.7	12.5
Nonfarm nonresidential	2,436.0	11.6	295.2	750.6	642.2	736.5	275.1	412.7	354.5	609.1	515.7	269.0
Multifamily residential real estate	302.2	2.3	27.9	149.2	115.5	7.3	42.7	4.4	122.9	66.4	51.9	13.9
1-4 family residential	997.7	11.3	125.2	237.9	320.3	303.0	208.2	149.3	208.5	136.9	198.9	96.0
Farmland	37.3	1.3	17.5	11.8	6.6	0.0	0.0	7.5	0.9	8.4	16.2	4.2

* See Table IV-A for explanations.

** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

*** Past-due and nonaccrual loan rates represent the percentage of loans in each category that are past due 30 days or more or that are in nonaccrual status.

TABLE VI-A. Derivatives, All FDIC-Insured Call Report Filers

(dollar figures in millions; notional amounts unless otherwise indicated)	4th Quarter 2025	3rd Quarter 2025	2nd Quarter 2025	1st Quarter 2025	4th Quarter 2024	%Change 24Q4-25Q4	Asset Size Distribution: Less Than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	$10 Billion to $250 Billion	Greater Than $250 Billion
ALL DERIVATIVE HOLDERS											
Number of institutions reporting derivatives	1,197	1,222	1,217	1,214	1,203	-0.5	9	451	594	127	16
Total assets of institutions reporting derivatives	$23,411,493	$23,288,015	$23,176,090	$22,719,547	$22,313,728	4.9	$555	$239,036	$1,876,839	$6,057,238	$15,237,824
Total deposits of institutions reporting derivatives	18,538,307	18,228,277	18,150,725	17,947,680	17,719,947	4.6	423	200,966	1,559,081	4,940,910	11,836,926
Total derivatives	211,213,559	235,471,816	227,097,554	213,858,223	188,652,906	12.0	52	11,489	254,708	4,118,080	206,829,231
Derivative Contracts by Underlying Risk Exposure											
Interest rate	135,808,990	154,586,517	148,718,952	141,006,894	125,865,562	7.9	52	11,172	248,519	2,182,090	133,367,158
Foreign exchange*	60,372,471	64,985,683	64,575,725	59,251,668	50,723,462	19.0	0	0	144	1,737,635	58,634,692
Equity	7,990,541	8,167,712	7,101,065	6,766,331	6,335,668	26.1	0	40	13	28,468	7,962,020
Commodity & other (excluding credit derivatives)	1,998,875	1,914,870	1,759,198	1,749,951	1,593,706	25.4	0	0	70	91,902	1,906,902
Credit	5,041,876	5,816,289	4,941,256	5,082,516	4,133,592	22.0	0	5	5,427	77,985	4,958,459
Total	211,212,753	235,471,072	227,096,196	213,857,359	188,651,989	12.0	52	11,217	254,174	4,118,080	206,829,231
Derivative Contracts by Transaction Type											
Swaps	124,951,963	140,182,785	133,965,933	126,167,530	112,129,176	11.4	0	1,056	174,171	2,438,218	122,338,519
Futures & forwards	37,651,741	42,452,487	42,058,900	38,504,266	31,732,268	18.7	0	773	7,192	1,214,775	36,429,001
Purchased options	19,859,228	21,357,160	21,058,772	20,150,776	19,030,855	4.4	0	456	26,141	188,404	19,644,227
Written options	20,562,410	22,026,962	21,506,471	20,519,021	19,192,698	7.1	0	773	10,081	150,121	20,401,434
Total	203,025,342	226,019,395	218,590,076	205,341,593	182,084,997	11.5	0	3,059	217,585	3,991,518	198,813,181
Fair Value of Derivative Contracts											
Interest rate contracts	74,959	69,439	69,586	71,568	73,289	2.3	0	18	729	2,154	72,056
Foreign exchange contracts	16,820	30,798	19,888	7,462	27,704	-39.3	0	0	3	594	16,224
Equity contracts	-21,635	-18,218	-17,715	-13,664	-19,057	N/M	0	21	2	136	-21,794
Commodity & other (excluding credit derivatives)	4,179	6,925	5,307	8,143	3,649	14.5	0	0	2	-42	4,219
Credit derivatives as guarantor**	34,686	33,660	30,210	24,290	23,288	48.9	0	0	3	3	34,679
Credit derivatives as beneficiary**	-39,721	-41,943	-37,493	-29,661	-25,945	N/M	0	0	-3	-362	-39,356
Derivative Contracts by Maturity* **											
Interest rate contracts < 1 year	91,362,948	106,567,189	100,238,445	93,874,373	81,415,921	12.2	0	1,664	43,403	1,109,071	90,208,810
1-5 years	29,944,004	32,110,495	31,540,210	29,556,910	27,552,336	8.7	5	2,609	121,218	733,270	29,086,902
> 5 years	21,499,351	22,419,652	23,007,130	22,048,193	21,278,603	1.0	0	1,253	47,477	240,503	21,210,118
Foreign exchange and gold contracts < 1 year	44,692,617	47,582,927	47,039,674	43,299,462	37,250,886	20.0	0	0	102	1,611,274	43,081,241
1-5 years	8,146,801	8,168,860	8,120,816	7,322,637	6,793,915	19.9	0	0	5	64,550	8,082,246
> 5 years	3,925,033	3,929,110	3,878,112	3,515,093	3,300,596	18.9	0	0	0	3,599	3,921,434
Equity contracts < 1 year	7,673,860	7,960,108	7,394,387	6,604,067	6,283,286	22.1	0	13	11	19,945	7,653,891
1-5 years	2,041,410	2,101,693	1,860,800	1,523,551	1,431,493	42.6	0	27	2	6,203	2,035,177
> 5 years	215,995	236,799	188,049	153,866	149,079	44.9	0	0	0	595	215,400
Commodity & other contracts (including credit derivatives, excluding gold contracts) < 1 year	3,800,318	4,206,115	3,110,180	3,274,359	2,831,796	34.2	0	3	359	56,113	3,743,842
1-5 years	3,207,247	3,347,168	3,589,240	3,360,241	2,941,981	9.0	0	63	2,500	50,045	3,154,639
> 5 years	333,497	794,102	322,949	702,904	268,429	24.2	0	54	2,353	5,553	325,537
Risk-Based Capital: Credit Equivalent Amount											
Total current exposure to tier 1 capital (%)	11.6	12.1	13.0	12.2	13.4		0.0	0.4	1.2	2.7	17.5
Total potential future exposure to tier 1 capital (%)	34.9	35.5	33.6	32.4	31.4		0.0	0.2	0.9	4.6	54.9
Total exposure (credit equivalent amount) to tier 1 capital (%)	46.4	47.6	46.5	44.6	44.8		0.0	0.6	2.0	7.3	72.4
Credit losses on derivatives** **	0.3	-2.8	-2.4	-2.5	6.9	-95.4	0.0	0.1	1.3	-2.1	0.9
HELD FOR TRADING											
Number of institutions reporting derivatives	140	145	150	147	155	-9.7	0	8	68	51	13
Total assets of institutions reporting derivatives	17,686,682	17,738,684	17,682,219	17,092,403	16,759,886	5.5	0	3,096	340,712	2,959,716	14,383,158
Total deposits of institutions reporting derivatives	13,819,649	13,659,451	13,641,532	13,322,486	13,170,831	4.9	0	2,656	282,408	2,434,294	11,100,290
Derivative Contracts by Underlying Risk Exposure											
Interest rate	129,960,997	148,765,734	143,116,757	135,592,650	120,722,424	7.7	0	76	42,370	797,535	129,121,016
Foreign exchange	56,626,139	60,785,455	60,390,759	55,256,160	47,714,974	18.7	0	0	84	1,636,941	54,989,114
Equity	7,921,302	8,099,764	7,030,629	6,698,933	6,279,015	26.2	0	0	0	21,127	7,900,175
Commodity & other	1,958,426	1,868,065	1,711,578	1,701,844	1,552,874	26.1	0	0	8	81,176	1,877,242
Total	196,466,865	219,519,017	212,249,723	199,249,587	176,269,287	11.5	0	76	42,463	2,536,780	193,887,546
Trading Revenues: Cash & Derivative Instruments											
Interest rate**	2,051	3,762	4,412	8,695	-454	N/M	0	0	1	12	2,038
Foreign exchange**	6,365	5,196	4,102	543	9,729	-34.6	0	0	0	338	6,027
Equity**	4,712	6,998	6,599	4,308	5,459	-13.7	0	0	0	139	4,573
Commodity & other (including credit derivatives)**	1,743	1,815	1,652	1,832	824	111.6	0	0	0	-13	1,756
Total trading revenues**	14,871	17,771	16,765	15,379	15,558	-4.4	0	0	1	475	14,395
Share of Revenue											
Trading revenues to gross revenues (%)**	5.5	6.4	6.3	5.9	5.9		0.0	0.0	0.0	1.1	6.5
Trading revenues to net operating revenues (%)**	28.1	32.3	35.7	31.1	32.0		0.0	0.0	0.1	5.3	33.6
HELD FOR PURPOSES OTHER THAN TRADING											
Number of institutions reporting derivatives	530	538	537	536	533	-0.6	1	78	312	123	16
Total assets of institutions reporting derivatives	22,552,628	22,434,940	22,320,460	21,855,976	21,312,722	5.8	55	44,139	1,322,249	5,948,362	15,237,824
Total deposits of institutions reporting derivatives	17,816,590	17,510,965	17,433,443	17,220,000	16,891,819	5.5	50	36,872	1,093,627	4,849,114	11,836,926
Derivative Contracts by Underlying Risk Exposure											
Interest rate	5,808,634	5,780,154	5,561,937	5,376,020	5,105,944	13.8	0	2,943	174,994	1,384,554	4,246,142
Foreign exchange	640,156	605,470	660,361	600,481	612,282	4.6	0	0	52	52,117	587,986
Equity	69,239	67,948	70,435	67,397	56,652	22.2	0	40	13	7,341	61,845
Commodity & other	40,449	46,805	47,619	48,107	40,832	-0.9	0	0	62	10,726	29,661
Total notional amount	6,558,477	6,500,378	6,340,353	6,092,005	5,815,710	12.8	0	2,983	175,122	1,454,738	4,925,634

All line items are reported on a quarterly basis. N/M - Not Meaningful

* Includes spot foreign exchange contracts. All other references to foreign exchange contracts in which notional values or fair values are reported exclude spot foreign exchange contracts.

** Does not include banks filing the FFIEC 051 report form, which was introduced in first quarter 2017.

*** Derivative contracts subject to the risk-based capital requirements for derivatives.

**** Credit losses on derivatives is applicable to all banks filing the FFIEC 031 report form and banks filing the FFIEC 041 report form that have $300 million or more in total assets, but is not applicaable to banks filing the FFIEC 051 form.

TABLE VII-A. Servicing, Securitization, and Asset Sales Activities (All FDIC-Insured Call Report Filers)*

(dollar figures in millions)	4th Quarter 2025	3rd Quarter 2025	2nd Quarter 2025	1st Quarter 2025	4th Quarter 2024	%Change 24Q4-25Q4	Asset Size Distribution: Less Than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	$10 Billion to $250 Billion	Greater Than $250 Billion
Assets Sold and Securitized with Servicing Retained or with Recourse or Other Seller-Provided Credit Enhancements											
Number of institutions reporting securitization activities	65	67	67	66	66	-1.5	0	4	13	37	11
Outstanding Principal Balance by Asset Type**											
1-4 family residential loans	$240,938	$265,116	$276,401	$280,765	$288,407	-16.5	$0	$389	$7,320	$56,508	$176,722
Home equity loans	525	562	604	653	696	-24.6	0	0	0	2	523
Credit card receivables	0	0	0	77	87	-100.0	0	0	0	0	0
Auto loans	10,659	10,472	10,225	8,280	9,014	18.2	0	0	0	4,842	5,816
Other consumer loans	5,151	5,406	5,714	6,031	6,618	-22.2	0	0	0	365	4,786
Commercial and industrial loans	3,494	4,272	4,272	4,078	3,312	5.5	0	0	0	0	3,494
All other loans, leases, and other assets	88,286	86,808	85,738	85,183	134,162	-34.2	0	41	7,287	19,514	61,443
Total securitized and sold	349,053	372,637	382,953	385,067	442,297	-21.1	0	430	14,607	81,231	252,785
Maximum Credit Exposure by Asset Type**											
1-4 family residential loans	938	895	792	703	655	43.3	0	0	0	278	660
Home equity loans	15	15	16	16	16	-6.3	0	0	0	0	15
Credit card receivables	0	0	0	0	0	0.0	0	0	0	0	0
Auto loans	329	322	266	301	338	-2.6	0	0	0	53	276
Other consumer loans	0	0	0	0	0	0.0	0	0	0	0	0
Commercial and industrial loans	144	186	175	185	159	-9.4	0	0	0	0	144
All other loans, leases, and other assets	1,947	1,901	1,950	1,840	1,784	9.2	0	8	88	499	1,352
Total credit exposure	3,373	3,320	3,198	3,046	2,951	14.3	0	8	88	830	2,447
Total unused liquidity commitments provided to institution's own securitizations	159	182	172	153	110	44.5	0	0	0	0	159
Securitized Loans, Leases, and Other Assets 30-89 Days Past Due (%)**											
1-4 family residential loans	3.6	3.6	3.5	3.2	3.8		0.0	1.2	1.1	3.4	3.8
Home equity loans	2.9	2.2	1.7	2.2	2.6		0.0	0.0	0.0	5.7	2.9
Credit card receivables	0.0	0.0	0.0	6.5	5.7		0.0	0.0	0.0	0.0	0.0
Auto loans	5.2	4.6	4.4	3.8	3.8		0.0	0.0	0.0	9.9	1.2
Other consumer loans	0.1	0.1	0.1	0.2	0.4		0.0	0.0	0.0	1.3	0.0
Commercial and industrial loans	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0
All other loans, leases, and other assets	0.7	0.8	0.9	0.8	0.6		0.0	0.0	0.4	2.6	0.2
Total loans, leases, and other assets	2.9	2.9	2.9	2.6	2.7		0.0	1.1	0.8	3.6	2.7
Securitized Loans, Leases, and Other Assets 90 Days or More Past Due (%)**											
1-4 family residential loans	2.1	1.5	1.4	1.5	1.5		0.0	1.8	0.8	2.3	2.1
Home equity loans	0.8	1.1	0.9	0.8	0.6		0.0	0.0	0.0	24.5	0.8
Credit card receivables	0.0	0.0	0.0	7.8	9.2		0.0	0.0	0.0	0.0	0.0
Auto loans	0.7	0.6	0.7	0.6	0.6		0.0	0.0	0.0	1.4	0.2
Other consumer loans	0.1	0.1	0.1	0.1	0.3		0.0	0.0	0.0	0.9	0.0
Commercial and industrial loans	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0
All other loans, leases, and other assets	1.6	1.5	1.1	1.1	1.5		0.0	0.0	0.6	1.4	1.8
Total loans, leases, and other assets	1.9	1.4	1.3	1.4	1.4		0.0	1.6	0.7	2.1	1.9
Securitized Loans, Leases, and Other Assets Charged-Off (net, YTD, annualized, %)**											
1-4 family residential loans	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Home equity loans	1.7	0.9	0.8	0.5	0.0		0.0	0.0	0.0	-0.8	1.7
Credit card receivables	0.0	0.0	0.0	9.1	41.4		0.0	0.0	0.0	0.0	0.0
Auto loans	1.8	1.3	0.8	0.5	1.6		0.0	0.0	0.0	3.1	0.7
Other consumer loans	0.1	0.1	0.1	0.0	0.2		0.0	0.0	0.0	1.7	0.0
Commercial and industrial loans	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0
All other loans, leases, and other assets	0.6	0.4	0.3	0.1	0.3		0.0	0.0	0.0	2.7	0.0
Total loans, leases, and other assets	0.2	0.1	0.1	0.0	0.1		0.0	0.0	0.0	0.8	0.0
Seller's Interests in Institution's Own Securitizations - Carried as Securities or Loans***											
Home equity loans	0	0	0	0	0	0.0	0	0	0	0	0
Credit card receivables	0	0	0	0	0	0.0	0	0	0	0	0
Commercial and industrial loans	0	0	0	0	0	0.0	0	0	0	0	0
Assets Sold with Recourse and Not Securitized											
Number of institutions reporting asset sales	289	293	292	296	302	-4.3	2	76	139	62	10
Outstanding Principal Balance by Asset Type											
1-4 family residential loans	29,889	28,284	27,022	26,113	25,619	16.7	2	1,984	13,560	13,514	830
All other loans, leases, and other assets	158,803	157,355	156,605	157,209	156,517	1.5	0	20	64	53,258	105,461
Total sold and not securitized	188,692	185,639	183,627	183,322	182,136	3.6	2	2,004	13,624	66,771	106,291
Maximum Credit Exposure by Asset Type											
1-4 family residential loans	9,090	8,414	8,150	7,924	7,313	24.3	0	285	4,169	4,090	547
All other loans, leases, and other assets	47,851	47,224	46,662	46,280	45,993	4.0	0	20	63	16,597	31,171
Total credit exposure	56,941	55,638	54,812	54,204	53,306	6.8	0	304	4,233	20,686	31,718
Support for Securitization Facilities Sponsored by Other Institutions											
Number of institutions reporting securitization facilities sponsored by others	33	33	32	33	33	0.0	0	12	10	4	7
Total credit exposure	13,101	12,847	10,972	10,565	11,061	18.4	0	79	225	389	12,410
Total unused liquidity commitments	2,958	2,703	2,014	1,635	1,564	89.1	0	0	0	0	2,958
Other											
Assets serviced for others****	5,556,961	5,537,072	5,630,714	5,623,866	6,018,211	-7.7	2,639	81,086	421,794	1,527,701	3,523,742
Asset-backed commercial paper conduits											
Credit exposure to conduits sponsored by institutions and others	4,918	4,930	6,036	5,878	6,125	-19.7	0	0	0	0	4,918
Unused liquidity commitments to conduits sponsored by institutions and others	58,593	66,360	64,169	64,753	63,789	-8.1	0	0	0	0	58,593
Net servicing income (for the quarter)	2,274	2,143	2,189	1,634	3,203	-29.0	5	71	483	864	850
Net securitization income (for the quarter)	221	264	78	146	99	123.2	0	0	2	105	114
Total credit exposure to Tier 1 capital (%)*****	3.2	3.1	3.0	3.0	3.0		0.0	0.3	1.6	3.5	3.7

* Does not include banks filing the FFIEC 051 report form, which was introduced in first quarter 2017.

** Beginning in June 2018, for banks that file the FFIEC 041 report form, all other loans include home equity loans, credit card receivables, auto loans, other consumer loans, and commercial and industrial loans.

*** Beginning in June 2018, only includes banks that file the FFIEC 031 report form.

**** The amount of financial assets serviced for others, other than closed-end 1-4 family residential mortgages, is reported when these assets are greater than $10 million.

***** Total credit exposure includes the sum of the three line items titled "Total credit exposure" reported above.

TABLE VIII-A. Trust Services (All FDIC-Insured Institutions)

	All Insured Institutions					Asset Size Distribution				
(dollar figures in millions)	Dec. 31 2025	Dec. 31 2024	Dec. 31 2023	Dec. 31 2022	% Change 2024-2025	Less Than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	$10 Billion to $250 Billion	Greater Than $250 Billion
Number of institutions reporting	4,336	4,487	4,587	4,706	-3.4	572	2,712	900	136	16
Number of institutions with fiduciary powers	1,406	1,438	1,453	1,492	-2.2	78	774	441	99	14
Commercial banks	1,305	1,333	1,348	1,383	-2.1	70	734	395	92	14
Savings institutions	101	105	105	109	-3.8	8	40	46	7	0
Number of institutions exercising fiduciary powers	1,023	1,052	1,081	1,113	-2.8	48	534	342	86	13
Commercial banks	945	971	998	1026	-2.7	40	502	310	80	13
Savings institutions	78	81	83	87	-3.7	8	32	32	6	0
Number of institutions reporting fiduciary activity	962	994	1,016	1,054	-3.2	44	490	331	84	13
Commercial banks	893	922	942	975	-3.1	36	465	301	78	13
Savings institutions	69	72	74	79	-4.2	8	25	30	6	0
Fiduciary and related assets - managed assets										
Personal trust and agency accounts	871,497	822,596	768,208	722,407	5.9	7,772	87,251	116,812	330,487	329,175
Employee benefit and retirement-related trust and agency accounts:										
Employee benefit - defined contribution	1,098,245	874,802	738,112	601,080	25.5	3,255	96,491	15,017	37,991	945,491
Employee benefit - defined benefit	630,134	557,357	551,959	528,136	13.1	3,909	4,715	19,145	18,753	583,612
Other employee benefit and retirement-related accounts	558,685	465,720	437,464	427,499	20.0	9,139	172,591	47,450	82,539	246,966
Corporate trust and agency accounts	15,442	15,650	19,509	21,655	-1.3	654	3,556	2,742	3,592	4,898
Investment management and investment advisory agency accounts	3,447,060	3,052,184	2,727,310	2,382,040	12.9	27,004	216,660	187,174	647,937	2,368,285
Other fiduciary accounts	761,174	688,878	647,365	629,601	10.5	3,714	18,845	25,126	114,845	598,644
Total managed fiduciary accounts:										
Number of accounts	2,551,644	2,379,864	2,183,886	2,145,826	7.2	70,748	1,021,144	376,276	476,564	606,912
Assets	7,382,238	6,477,187	5,889,926	5,312,418	14.0	55,447	600,108	413,467	1,236,144	5,077,072
Noninterest-bearing deposits	1,250	1,336	1,437	3,217	-6.5	10	-52	252	331	709
Interest-bearing deposits	85,625	79,970	90,217	89,968	7.1	130	3,323	10,810	15,374	55,988
U.S. Treasury and U.S. Government agency obligations	242,437	239,069	237,709	199,327	1.4	3,125	11,985	18,796	80,182	128,349
State, county and municipal obligations	307,697	278,615	254,772	233,454	10.4	3,318	13,740	19,546	92,333	178,760
Money market mutual funds	211,710	201,767	205,906	169,164	4.9	2,170	20,500	25,276	77,103	86,660
Other short-term obligations	259,827	252,554	246,137	272,614	2.9	73	462	304	8,052	250,937
Other notes and bonds	374,954	321,829	345,106	336,396	16.5	7,395	7,154	16,145	59,107	285,153
Common and preferred stocks	5,695,704	4,907,489	4,304,618	3,793,636	16.1	37,188	521,139	288,790	833,241	4,015,346
Real estate mortgages	1,144	1,154	1,492	1,771	-0.9	0	121	132	609	282
Real estate	65,269	64,272	63,950	60,810	1.6	497	7,792	11,889	19,810	25,280
Miscellaneous assets	136,621	129,133	138,582	152,063	5.8	1,541	13,943	21,527	50,003	49,607
Fiduciary and related assets - non-managed assets										
Personal trust and agency accounts	432,945	452,029	416,922	422,262	-4.2	13,478	45,550	33,355	148,922	191,639
Employee benefit and retirement-related trust and agency accounts:										
Employee benefit - defined contribution	2,489,179	2,283,406	2,060,197	2,015,782	9.0	7,392	118,762	64,776	1,173,611	1,124,639
Employee benefit - defined benefit	2,493,211	2,505,169	2,473,832	2,350,618	-0.5	15	19,095	17,993	851,257	1,604,851
Other employee benefit and retirement-related accounts	783,387	653,738	595,328	583,290	19.8	105,394	7,615	20,647	201,585	448,147
Corporate trust and agency accounts	4,887,035	4,288,359	4,284,864	4,022,683	14.0	11	153,540	351,483	365,918	4,016,084
Other fiduciary accounts	21,891,015	19,690,973	17,491,990	3,375,658	11.2	4,076	49,902	55,426	506,747	21,274,864
Total non-managed fiduciary accounts:										
Assets	32,976,773	29,873,673	27,323,132	12,770,292	10.4	130,365	394,465	543,680	3,248,039	28,660,224
Number of accounts	6,806,990	5,979,902	5,365,233	4,904,184	13.8	4,489,793	244,276	72,369	257,193	1,743,359
Custody and safekeeping accounts:										
Assets	164,115,784	138,124,399	126,559,706	127,318,122	18.8	10,789	2,666,597	1,476,290	15,371,037	144,591,071
Number of accounts	16,611,547	16,372,159	16,140,340	15,727,365	1.5	4,667	11,760,647	157,510	2,719,092	1,969,631
Fiduciary and related services income										
Personal trust and agency accounts	5,332	5,222	4,907	4,978	2.1	92	384	721	2,055	2,079
Retirement-related trust and agency accounts:										
Employee benefit - defined contribution	1,340	1,179	1,029	1,051	13.6	18	268	154	308	592
Employee benefit - defined benefit	830	837	868	996	-0.8	10	28	27	234	532
Other employee benefit and retirement-related accounts	3,282	2,890	2,520	2,701	13.6	92	1,464	343	620	764
Corporate trust and agency accounts	2,021	1,785	1,649	1,580	13.2	0	210	185	680	946
Investment management agency accounts	14,022	12,757	11,146	11,003	9.9	130	1,496	1,354	4,074	6,968
Other fiduciary accounts	2,388	2,331	2,247	523	2.5	0	7	7	155	2,219
Custody and safekeeping accounts	17,820	16,069	15,172	17,050	10.9	4	696	358	2,452	14,310
Other fiduciary and related services income	1,194	1,442	1,289	1,057	-17.2	10	83	237	201	663
Total gross fiduciary and related services income	48,753	44,741	41,070	41,162	9.0	358	4,733	3,489	11,101	29,073
Less: Expenses	40,230	41,047	39,442	36,320	-2.0	259	1,546	2,470	8,990	26,964
Less: Net losses from fiduciary and related services	321	318	352	438	0.8	1	18	7	72	222
Plus: Intracompany income credits for fiduciary and related services	20,386	23,294	22,404	9,407	-12.5	0	401	343	2,154	17,488
Net fiduciary and related services income	28,050	26,430	23,422	13,577	6.1	98	3,469	1,251	3,867	19,365
Collective investment funds and common trust funds (market value)										
Domestic equity funds	1,466,379	1,283,327	1,076,210	893,341	14.3	1,353	50,726	14,423	4,790	1,395,088
International/global equity funds	528,568	396,777	360,540	296,903	33.2	0	50,840	46	1,435	476,246
Stock/bond blend funds	226,273	200,151	191,920	166,117	13.1	214	2,083	0	25,015	198,961
Taxable bond funds	123,568	103,546	96,719	82,052	19.3	0	19,519	2,124	3,226	98,699
Municipal bond funds	1,430	1,434	1,505	1,589	-0.2	0	0	34	668	728
Short-term investments/money market funds	163,549	171,134	159,176	143,746	-4.4	0	2,453	0	2,753	158,343
Specialty/other funds	114,045	58,147	52,886	66,439	96.1	0	76,093	0	1,111	36,841
Total collective investment funds	2,627,643	2,218,400	1,942,097	1,653,795	18.4	1,642	201,896	17,930	39,747	2,366,427

COMMUNITY BANK PERFORMANCE

Community banks are defined by criteria identified in the *2012 FDIC Community Banking Study*.[1] When comparing community bank performance across quarters, prior-quarter dollar amounts are based on community banks designated as such in the current quarter, adjusted for mergers. Prior-quarter ratios are based on community banks designated during the prior quarter.

- ***Full-Year Pretax Return on Assets (ROA) and Net Income Improved Significantly from 2024***
- ***Quarterly Net Income and Pretax ROA Decreased from the Prior Quarter, Led by Higher Noninterest Expense***
- ***Net Interest Margin (NIM) Widened from the Prior Quarter and the Year-Ago Quarter***
- ***Loan Growth Continued in Most Portfolios***
- ***Domestic Deposits Increased from the Prior Quarter and the Year-Ago Quarter***
- ***Asset Quality Metrics Deteriorated Slightly but Remained Generally Favorable***

Full-Year Pretax ROA and Net Income Improved Significantly from 2024

Community banks reported full-year net income of $29.9 billion, up $5.5 billion (22.5 percent) from 2024. The pretax ROA ratio increased 18 basis points to 1.32 percent in 2025. The increase was driven by higher net interest income (up $11.3 billion, or 13.9 percent) that offset an increase in noninterest expense (up $4.6 billion, or 7.0 percent). The community bank full-year NIM widened 31 basis points to 3.65 percent in 2025.

Quarterly Net Income and Pretax ROA Decreased from the Prior Quarter, Led by Higher Noninterest Expense

Fourth quarter net income for the 3,909 community banks decreased $307.6 million (3.8 percent) from the prior quarter to $7.9 billion. The pretax ROA ratio at community banks decreased 11 basis points from the prior quarter and increased 28 basis points from the year-ago quarter to 1.35 percent. More than half (53.4 percent) of all community banks reported a quarter-over-quarter decrease in net income. Higher noninterest expense (up $841.0 million, or 4.8 percent) and higher securities losses (up $157.9 million) more than offset increases in net interest income (up $640.3 million, or 2.7 percent). The share of community banks that were unprofitable during the quarter was 7.2 percent, up from 5.1 percent in the prior quarter.

NIM Widened from the Prior Quarter and the Year-Ago Quarter

The community bank NIM widened 4 basis points from the prior quarter and 33 basis points from the year-ago quarter to 3.77 percent. Quarter over quarter, average earning asset yields decreased 5 basis points to 5.75 percent, while average funding costs decreased 9 basis points to 1.98 percent. From the year-ago quarter, average earning asset yields rose 9 basis points and average funding costs declined 23 basis points.

Net Operating Revenue Increased in the Fourth Quarter

Community bank net operating revenue (net interest income plus noninterest income) increased $495.6 million (1.7 percent) to $29.4 billion during the quarter due to increases in net interest income. Quarter

[1] The 2012 FDIC Community Banking Study can be accessed here, https://www.fdic.gov/resources/community-banking/cbi-study.html. Additionally, https://www.fdic.gov/community-banking-research-program/reference-data provides a listing of all reporters and their community bank status going back to 1984.

over quarter, increases in interest income (up $640.3 million, or 2.7 percent) were driven by increases in real estate loan income and decreases in interest expense. Noninterest income declined $144.7 million (2.8 percent) from the prior quarter, driven by lower net gains of other assets and decreases in "all other" noninterest income.[2]

Net operating revenue increased $3.3 billion (12.8 percent) from the year-ago quarter as net interest income rose $3.1 billion and noninterest income increased $248.5 million. Higher net gains on loan sales drove the annual increase in noninterest income.

Noninterest Expense Increased from the Prior Quarter

Noninterest expense increased $841.0 million (4.8 percent) from the prior quarter and $1.3 billion (7.7 percent) from the year-ago quarter to $18.4 billion. Salaries and employee benefits expense and "all other" noninterest expense led the quarterly and annual increase. The quarterly efficiency ratio (noninterest expense as a share of net operating revenue) increased to 62.46 percent from 60.57 percent in third quarter 2025.

Provision Expense Declined from the Prior Quarter

Quarterly provision expense of $1.4 billion was down $1.4 million (0.1 percent) from the prior quarter but was up $105.3 million (8.1 percent) from the year-ago quarter. The reserve coverage ratio (the ratio of the allowance for credit losses to noncurrent loans) decreased 2.9 percentage points from the prior quarter to 154.3 percent as the allowance for credit losses decreased and noncurrent loan balances increased.

Asset Quality Metrics Deteriorated Slightly but Remained Generally Favorable

The share of loans and leases 30 days or more past due or in nonaccrual (PDNA) status increased 10 basis points from third quarter 2025 to 1.36 percent. PDNA loan balances for most major loan portfolios increased from the prior quarter, including 1-4 family loans (up 23 basis points to 1.44 percent) and nonfarm nonresidential commercial real estate (CRE) loans (up 7 basis points to 1.19 percent). The fourth quarter PDNA ratio was 14 basis points below the pre-pandemic average of 1.50 percent.[3]

The community bank net charge-off ratio increased 6 basis points from the prior quarter and 4 basis points from the year-ago quarter to 0.29 percent. This ratio was above the pre-pandemic average of 0.15 percent. The largest portion of the annual increase in net charge-off volume occurred in "all other" consumer loans (excluding auto and credit card loans), which increased $159.4 million, or 166 basis points, to 4.02 percent.

Unrealized Losses on Securities Decreased from the Prior Quarter

Unrealized losses on securities totaled $30.0 billion in fourth quarter 2025, down $3.2 billion (9.8 percent) from the prior quarter and down $18.6 billion (38.2 percent) from the year-ago quarter.[4] Unrealized losses on available-for-sale securities ($24.9 billion) and held-to-maturity securities ($5.1 billion) both decreased quarter over quarter.

---

[2] "All other" noninterest income includes income related to wire transfers and ATM fees, bank card fees, credit card interchange fees, safe deposit box rent, printing and sale of checks, and earnings on/increase in the cash surrender value of life insurance.

[3] The "pre-pandemic average" is the average from first quarter 2015 through fourth quarter 2019.

[4] Unrealized losses on securities reflect the difference between the market value as of quarter-end and the book value of non-equity securities. This calculation does not account for any unrealized gains or losses in accumulated other comprehensive income because these cannot be derived from Consolidated Reports of Condition and Income (Call Reports).

Total Assets Increased from the Prior Quarter and Year-Ago Quarter

Total assets at community banks increased $40.2 billion (1.5 percent) from the prior quarter and $132.0 billion (5.0 percent) from the year-ago quarter to $2.8 trillion. The quarterly increase was led by higher total loans and leases (up $26.8 billion, or 1.4 percent), higher cash and balances due from depository institutions (up $9.4 billion, or 4.9 percent), and increased securities (up $1.9 billion, or 0.4 percent). On an annual basis, growth in total loans and leases (up $98.7 billion, or 5.4 percent), cash and balances due from depository institutions (up $22.1 billion, or 12.3 percent), and securities (up $7.3 billion, or 1.5 percent) drove the increase.

Loan Growth Continued in Most Portfolios

Loan and lease balances increased $26.8 billion (1.4 percent) from the prior quarter to $1.9 trillion. Nearly 70 percent of community banks reported quarterly growth in total loan balances. Growth was broad-based across all major portfolios, except auto loans. Increases in nonfarm nonresidential CRE loans (up $11.0 billion, or 1.9 percent) led the quarter-over-quarter growth.

Loan and lease balances increased 5.4 percent from the year-ago quarter. Increases in nonfarm nonresidential CRE loans (up $38.5 billion, or 6.9 percent), 1–4 family residential real estate loans (up $15.1 billion, or 3.4 percent), and commercial and industrial loans (up $10.9 billion, or 4.9 percent) led the growth from the year-ago quarter.

Domestic Deposits Increased from the Prior Quarter and the Year-Ago Quarter

Community banks reported an increase in domestic deposits of 1.5 percent ($34.3 billion) to $2.3 trillion in fourth quarter 2025. About 65 percent of community banks reported an increase in total domestic deposit balances from the prior quarter. Community banks reported an increase in estimated uninsured domestic deposits (up $21.1 billion, or 3.0 percent) and an increase in estimated insured domestic deposits (up $12.4 billion, or 0.8 percent). Quarter over quarter, community banks reported an increase in interest-bearing deposits (up $28.7 billion, or 1.6 percent) and an increase in noninterest-bearing deposits (up $5.6 billion, or 1.1 percent). Domestic deposits rose $111.7 billion (5.0 percent) from the year-ago quarter.

Capital Ratios Remained Relatively Stable

The tier 1 risk-based capital ratio for community banks that did not opt into the community bank leverage ratio (CBLR) framework was 14.30 percent, up 3 basis points from the prior quarter. The average CBLR for the 1,661 community banks that elected to use the CBLR framework was 12.37 percent, down 7 basis points from the prior quarter. The leverage capital ratio for all community banks was 11.05 percent, down 4 basis points from the prior quarter.

No Community Banks Failed in Fourth Quarter 2025

The number of community banks declined to 3,909 in the fourth quarter, down 44 from the prior quarter. Seven banks transitioned from community to noncommunity banks, and two transitioned from noncommunity to community banks. No community bank failed; four community banks were sold to non-FDIC-insured institutions; two community banks closed voluntarily and liquidated their assets; one community bank opened; and 32 community banks merged or consolidated during the quarter.

Author:

Nathan Greenwell
Senior Financial Analyst
Division of Insurance and Research

Table I-B. Selected Indicators, FDIC-Insured Community Banks

	2025	2024	2023	2022	2021	2020	2019
Return on assets (%)	1.11	0.95	1.01	1.15	1.26	1.09	1.20
Return on equity (%)	10.65	9.58	10.68	11.93	11.69	9.70	10.24
Core capital (leverage) ratio (%)	11.05	10.82	10.70	10.50	10.16	10.32	11.14
Noncurrent assets plus other real estate owned to assets (%)	0.61	0.52	0.40	0.33	0.40	0.60	0.65
Net charge-offs to loans (%)	0.21	0.17	0.12	0.07	0.07	0.12	0.13
Asset growth rate (%)	0.96	1.70	-1.13	-1.42	9.03	12.16	0.48
Net interest margin (%)	3.65	3.34	3.39	3.45	3.28	3.39	3.66
Net operating income growth (%)	15.30	-4.29	-12.14	-3.68	30.14	-2.33	-1.68
Number of institutions reporting	3,909	4,042	4,141	4,264	4,391	4,560	4,754
Percentage of unprofitable institutions (%)	5.30	7.17	5.53	3.61	3.26	4.54	3.95

Table II-B. Aggregate Condition and Income Data, FDIC-Insured Community Banks

(dollar figures in millions)	4th Quarter 2025	3rd Quarter 2025	4th Quarter 2024	% Change 24Q4-25Q4
Number of institutions reporting	3,909	3,953	4,042	-3.3
Total employees (full-time equivalent)	350,263	354,241	360,400	-2.8
CONDITION DATA				
Total assets	$2,780,179	$2,782,765	$2,753,856	1.0
Loans secured by real estate	1,518,661	1,518,432	1,499,304	1.3
1-4 Family residential mortgages	464,501	467,170	464,817	-0.1
Nonfarm nonresidential	597,734	596,449	586,333	1.9
Construction and development	152,984	154,867	155,334	-1.5
Home equity lines	56,163	54,613	51,878	8.3
Commercial & industrial loans	235,009	235,024	240,000	-2.1
Loans to individuals	71,515	72,009	73,590	-2.8
Credit cards	3,159	2,944	2,965	6.6
Farm loans	57,600	55,861	55,228	4.3
Other loans & leases	58,984	61,924	55,235	6.8
Less: Unearned income	631	650	702	-10.0
Total loans & leases	1,941,138	1,942,601	1,922,656	1.0
Less: Reserve for losses*	23,608	23,847	23,461	0.6
Net loans and leases	1,917,530	1,918,753	1,899,195	1.0
Securities**	503,168	506,513	510,095	-1.4
Other real estate owned	1,576	1,492	1,162	35.7
Goodwill and other intangibles	15,938	16,590	17,370	-8.2
All other assets	341,967	339,415	326,034	4.9
Total liabilities and capital	2,780,179	2,782,765	2,753,856	1.0
Deposits	2,339,655	2,340,380	2,318,097	0.9
Domestic office deposits	2,336,625	2,337,513	2,315,215	0.9
Foreign office deposits	3,030	2,867	2,882	5.1
Brokered deposits	118,930	121,915	124,045	-4.1
Estimated insured deposits	1,619,450	1,626,934	1,613,685	0.4
Other borrowed funds	114,172	116,007	129,479	-11.8
Subordinated debt	435	475	440	-1.1
All other liabilities	28,178	29,124	28,861	-2.4
Total equity capital (includes minority interests)	297,738	296,461	276,950	7.5
Bank equity capital	297,685	296,382	276,826	7.5
Loans and leases 30-89 days past due	11,048	9,331	10,078	9.6
Noncurrent loans and leases	15,301	15,176	13,055	17.2
Restructured loans and leases	4,207	4,478	4,080	3.1
Mortgage-backed securities	238,218	234,518	224,747	6.0
Earning assets	2,608,013	2,608,050	2,577,281	1.2
FHLB Advances	96,526	97,756	108,267	-10.8
Unused loan commitments	384,236	395,357	389,461	-1.3
Trust assets	382,782	309,930	403,893	-5.2
Assets securitized and sold	20,334	20,908	24,027	-15.4
Notional amount of derivatives	151,876	161,368	163,257	-7.0

INCOME DATA	Full Year 2025	Full Year 2024	% Change	4th Quarter 2025	4th Quarter 2024	% Change 24Q4-25Q4
Total interest income	$144,016	$140,853	2.2	$37,197	$36,311	2.4
Total interest expense	51,686	56,566	-8.6	12,804	14,210	-9.9
Net interest income	92,329	84,286	9.5	24,393	22,101	10.4
Provision for credit losses***	5,250	4,130	27.1	1,405	1,327	5.9
Total noninterest income	19,116	19,887	-3.9	4,977	5,207	-4.4
Total noninterest expense	70,078	68,700	2.0	18,449	18,070	2.1
Securities gains (losses)	-446	-632	-29.4	-204	-578	-64.7
Applicable income taxes	5,762	4,957	16.2	1,448	1,097	32.1
Extraordinary gains, net****	-3	1	N/M	-3	1	N/M
Total net income (includes minority interests)	29,907	25,755	16.1	7,860	6,238	26.0
Bank net income	29,898	25,739	16.2	7,858	6,236	26.0
Net charge-offs	4,023	3,180	26.5	1,376	1,170	17.6
Cash dividends	14,466	13,322	8.6	4,730	4,483	5.5
Retained earnings	15,432	12,417	24.3	3,127	1,752	78.5
Net operating income	30,287	26,269	15.3	8,036	6,703	19.9

* For institutions that have adopted ASU 2016-13, this item represents the allowance for credit losses on loans and leases held for investment and allocated transfer risk. Beginning in 2024, almost all institutions
** For institutions that have adopted ASU 2016-13, securities are reported net of allowances for credit losses. Beginning in 2024, almost all institutions have adopted ASU 2016-13.
*** For institutions that have adopted ASU 2016-13, this item represents provisions for credit losses on a consolidated basis; for institutions that have not adopted ASU 2016-13, this item represents the provision
**** See Notes to Users for explanation.
N/M - Not Meaningful

Table II-B. Aggregate Condition and Income Data, FDIC-Insured Community Banks
Prior Periods Adjusted for Mergers

(dollar figures in millions)	4th Quarter 2025	3rd Quarter 2025	4th Quarter 2024	% Change 24Q4-25Q4
Number of institutions reporting	3,909	3,908	3,906	0.1
Total employees (full-time equivalent)	350,263	348,870	345,467	1.4
CONDITION DATA				
Total assets	$2,780,179	$2,739,944	$2,648,175	5.0
Loans secured by real estate	1,518,661	1,499,291	1,441,093	5.4
1-4 Family residential mortgages	464,501	462,371	449,426	3.4
Nonfarm nonresidential	597,734	586,733	559,215	6.9
Construction and development	152,984	152,860	149,482	2.3
Home equity lines	56,163	54,132	48,755	15.2
Commercial & industrial loans	235,009	230,808	224,079	4.9
Loans to individuals	71,515	71,664	71,520	0.0
Credit cards	3,159	2,943	2,940	7.5
Farm loans	57,600	55,444	53,780	7.1
Other loans & leases	58,984	57,759	52,708	11.9
Less: Unearned income	631	629	694	-9.0
Total loans & leases	1,941,138	1,914,337	1,842,487	5.4
Less: Reserve for losses*	23,608	23,534	22,472	5.1
Net loans and leases	1,917,530	1,890,803	1,820,015	5.4
Securities**	503,168	501,238	495,895	1.5
Other real estate owned	1,576	1,473	1,120	40.7
Goodwill and other intangibles	15,938	15,850	16,015	-0.5
All other assets	341,967	330,579	315,131	8.5
Total liabilities and capital	2,780,179	2,739,944	2,648,175	5.0
Deposits	2,339,655	2,305,221	2,227,796	5.0
Domestic office deposits	2,336,625	2,302,354	2,224,914	5.0
Foreign office deposits	3,030	2,867	2,882	5.1
Brokered deposits	118,930	118,226	123,509	-3.7
Estimated insured deposits	1,619,450	1,607,051	1,560,010	3.8
Other borrowed funds	114,172	114,714	126,980	-10.1
Subordinated debt	435	441	440	-1.1
All other liabilities	28,178	28,512	27,076	4.1
Total equity capital (includes minority interests)	297,738	290,739	265,854	12.0
Bank equity capital	297,685	290,688	265,801	12.0
Loans and leases 30-89 days past due	11,048	9,261	9,891	11.7
Noncurrent loans and leases	15,301	14,948	12,823	19.3
Restructured loans and leases	4,207	4,401	4,104	2.5
Mortgage-backed securities	238,218	231,987	216,495	10.0
Earning assets	2,608,013	2,568,836	2,478,877	5.2
FHLB Advances	96,526	96,923	106,971	-9.8
Unused loan commitments	384,236	382,867	364,077	5.5
Trust assets	382,782	305,899	353,592	8.3
Assets securitized and sold	20,334	20,908	22,686	-10.4
Notional amount of derivatives	151,876	154,294	154,173	-1.5

INCOME DATA	**Full Year 2025**	**Full Year 2024**	**% Change**	**4th Quarter 2025**	**4th Quarter 2024**	**% Change 24Q4-25Q4**
Total interest income	$144,016	$135,410	6.4	$37,197	$34,988	6.3
Total interest expense	51,686	54,370	-4.9	12,804	13,679	-6.4
Net interest income	92,329	81,040	13.9	24,393	21,308	14.5
Provision for credit losses***	5,250	4,031	30.2	1,405	1,300	8.1
Total noninterest income	19,116	18,114	5.5	4,977	4,729	5.3
Total noninterest expense	70,078	65,492	7.0	18,449	17,136	7.7
Securities gains (losses)	-446	-554	-19.5	-204	-553	-63.2
Applicable income taxes	5,762	4,661	23.6	1,448	1,034	40.1
Extraordinary gains, net****	-3	1	N/M	-3	1	N/M
Total net income (includes minority interests)	29,907	24,417	22.5	7,860	6,015	30.7
Bank net income	29,898	24,401	22.5	7,858	6,012	30.7
Net charge-offs	4,023	3,094	30.0	1,376	1,146	20.0
Cash dividends	14,466	12,623	14.6	4,730	4,248	11.4
Retained earnings	15,432	11,778	31.0	3,127	1,765	77.2
Net operating income	30,287	24,869	21.8	8,036	6,461	24.4

* For institutions that have adopted ASU 2016-13, this item represents the allowance for credit losses on loans and leases held for investment and allocated transfer risk. Beginning in 2024, almost all
** For institutions that have adopted ASU 2016-13, securities are reported net of allowances for credit losses. Beginning in 2024, almost all institutions have adopted ASU 2016-13.
*** For institutions that have adopted ASU 2016-13, this item represents provisions for credit losses on a consolidated basis; for institutions that have not adopted ASU 2016-13, this item represents the
**** See Notes to Users for explanation. N/M - Not Meaningful

Table III-B. Aggregate Condition and Income Data by Geographic Region, FDIC-Insured Community Banks
Fourth Quarter 2025

(dollar figures in millions)	All Community Banks	Geographic Regions*					
		New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	3,909	417	437	857	1,064	905	229
Total employees (full-time equivalent)	350,263	65,664	36,049	71,690	66,843	81,360	28,657
CONDITION DATA							
Total assets	$2,780,179	$636,156	$278,138	$513,722	$515,585	$580,614	$255,964
Loans secured by real estate	1,518,661	384,157	153,199	278,409	261,046	305,463	136,387
1-4 Family residential mortgages	464,501	136,906	48,472	82,103	73,783	94,792	28,444
Nonfarm nonresidential	597,734	143,567	65,954	105,103	88,533	125,782	68,795
Construction and development	152,984	26,214	17,632	25,686	26,710	45,331	11,411
Home equity lines	56,163	12,663	7,504	13,269	7,450	8,327	6,950
Commercial & industrial loans	235,009	46,799	23,284	45,677	49,673	49,014	20,561
Loans to individuals	71,515	16,518	7,777	10,895	13,013	13,536	9,776
Credit cards	3,159	379	123	166	1,051	241	1,200
Farm loans	57,600	520	1,413	8,831	34,863	9,292	2,681
Other loans & leases	58,984	20,449	2,926	15,961	6,905	9,524	3,220
Less: Unearned income	631	87	75	73	99	191	106
Total loans & leases	1,941,138	468,355	188,524	359,700	365,401	386,639	172,519
Less: Reserve for losses**	23,608	4,919	2,389	4,260	4,689	4,808	2,541
Net loans and leases	1,917,530	463,435	186,135	355,440	360,712	381,831	169,978
Securities***	503,168	99,456	50,567	97,061	94,187	114,803	47,093
Other real estate owned	1,576	226	142	275	261	598	74
Goodwill and other intangibles	15,938	3,769	728	3,338	3,170	3,012	1,920
All other assets	341,967	69,269	40,566	57,608	57,255	80,370	36,899
Total liabilities and capital	2,780,179	636,156	278,138	513,722	515,585	580,614	255,964
Deposits	2,339,655	522,652	239,905	427,089	432,977	500,188	216,843
Domestic office deposits	2,336,625	521,863	239,905	427,089	432,977	500,188	214,602
Foreign office deposits	3,030	789	0	0	0	0	2,241
Brokered deposits	118,930	39,540	9,512	19,049	23,734	19,243	7,853
Estimated insured deposits	1,619,450	363,196	162,998	304,175	320,670	333,365	135,047
Other borrowed funds	114,172	36,647	6,245	27,740	23,614	13,504	6,423
Subordinated debt	435	110	1	14	1	299	10
All other liabilities	28,178	7,991	2,802	4,752	4,684	4,675	3,274
Total equity capital (includes minority interests)	297,738	68,755	29,185	54,128	54,308	61,948	29,414
Bank equity capital	297,685	68,754	29,194	54,082	54,306	61,938	29,413
Loans and leases 30-89 days past due	11,048	2,502	1,023	1,852	1,883	2,887	901
Noncurrent loans and leases	15,301	3,835	1,489	2,602	2,592	3,329	1,453
Restructured loans and leases	4,207	1,468	310	770	625	668	366
Mortgage-backed securities	238,218	58,667	24,183	42,528	33,816	50,536	28,489
Earning assets	2,608,013	597,824	261,416	481,743	483,657	543,559	239,813
FHLB Advances	96,526	33,393	5,250	23,911	19,479	10,707	3,786
Unused loan commitments	384,236	84,843	34,281	74,245	82,581	68,248	40,039
Trust assets	382,782	62,872	19,888	100,651	112,809	63,806	22,757
Assets securitized and sold	20,334	9,418	4	3,279	5,167	1,710	755
Notional amount of derivatives	151,876	63,480	9,862	26,594	25,246	17,261	9,433

INCOME DATA	All Community Banks	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Total interest income	$37,197	$8,124	$3,787	$6,803	$7,037	$8,022	$3,423
Total interest expense	12,804	3,163	1,222	2,349	2,472	2,580	1,018
Net interest income	24,393	4,961	2,565	4,454	4,566	5,442	2,405
Provision for credit losses****	1,405	302	160	199	270	249	225
Total noninterest income	4,977	983	483	990	1,030	1,012	479
Total noninterest expense	18,449	3,947	1,925	3,398	3,408	3,973	1,799
Securities gains (losses)	-204	-2	-28	-29	-29	-40	-77
Applicable income taxes	1,448	330	159	279	244	267	170
Extraordinary gains, net*****	-3	0	0	0	0	-3	0
Total net income (includes minority interests)	7,860	1,364	776	1,538	1,645	1,922	614
Bank net income	7,858	1,364	777	1,537	1,645	1,922	614
Net charge-offs	1,376	253	111	186	260	211	353
Cash dividends	4,730	501	467	887	850	1,639	386
Retained earnings	3,127	862	310	650	795	283	228
Net operating income	8,036	1,363	799	1,564	1,671	1,964	674

* See Table IV-A for explanation.

** For institutions that have adopted ASU 2016-13, this item represents the allowance for credit losses on loans and leases held for investment and allocated transfer risk. Beginning in

*** For institutions that have adopted ASU 2016-13, securities are reported net of allowances for credit losses. Beginning in 2024, almost all institutions have adopted ASU 2016-13.

**** For institutions that have adopted ASU 2016-13, this item represents provisions for credit losses on a consolidated basis; for institutions that have not adopted ASU 2016-13, this item represents the

***** See Notes to Users for explanation.

Table IV-B. Fourth Quarter 2025, FDIC-Insured Community Banks

	All Community Banks		Fourth Quarter 2025, Geographic Regions*					
	4th Quarter 2025	3rd Quarter 2025	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Performance ratios (annualized, %)								
Yield on earning assets	5.75	5.80	5.47	5.85	5.68	5.89	5.96	5.75
Cost of funding earning assets	1.98	2.07	2.13	1.89	1.96	2.07	1.92	1.71
Net interest margin	3.77	3.73	3.34	3.96	3.72	3.82	4.04	4.04
Noninterest income to assets	0.72	0.81	0.62	0.70	0.77	0.81	0.70	0.75
Noninterest expense to assets	2.68	2.62	2.50	2.80	2.66	2.67	2.76	2.83
Loan and lease loss provision to assets	0.20	0.21	0.19	0.23	0.16	0.21	0.17	0.35
Net operating income to assets	1.17	1.23	0.86	1.16	1.22	1.31	1.37	1.06
Pretax return on assets	1.35	1.46	1.07	1.36	1.42	1.48	1.52	1.23
Return on assets	1.14	1.22	0.86	1.13	1.20	1.29	1.34	0.96
Return on equity	10.69	11.55	8.05	10.78	11.51	12.28	12.53	8.45
Net charge-offs to loans and leases	0.29	0.23	0.22	0.24	0.21	0.29	0.22	0.82
Loan and lease loss provision to net charge-offs	100.55	126.98	115.21	140.90	106.59	103.29	117.63	61.92
Efficiency ratio	62.46	60.57	66.05	63.00	62.03	60.45	61.20	62.05
Net interest income to operating revenue	83.05	81.19	83.46	84.15	81.81	81.59	84.32	83.40
% of unprofitable institutions	7.24	5.14	11.03	9.38	5.83	5.36	6.96	11.35
% of institutions with earnings gains	73.32	77.99	73.62	72.54	76.08	75.09	69.83	69.43

*See Table IV-A for explanation.

Table V-B. Full Year 2025, FDIC-Insured Community Banks

	All Community Banks		Full Year 2025, Geographic Regions*					
	Full Year 2025	Full Year 2024	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Performance ratios (%)								
Yield on earning assets	5.69	5.57	5.40	5.81	5.61	5.80	5.93	5.70
Cost of funding earning assets	2.04	2.24	2.20	1.93	2.02	2.13	1.99	1.76
Net interest margin	3.65	3.34	3.21	3.87	3.58	3.67	3.94	3.94
Noninterest income to assets	0.71	0.74	0.60	0.72	0.76	0.75	0.73	0.71
Noninterest expense to assets	2.60	2.55	2.41	2.72	2.61	2.56	2.69	2.76
Loan and lease loss provision to assets	0.19	0.15	0.24	0.20	0.14	0.18	0.15	0.31
Net operating income to assets	1.12	0.97	0.76	1.17	1.14	1.27	1.38	1.03
Pretax return on assets	1.32	1.14	0.98	1.43	1.35	1.45	1.56	1.21
Return on assets	1.11	0.95	0.77	1.16	1.13	1.26	1.37	0.95
Return on equity	10.65	9.58	7.35	11.46	11.09	12.33	13.19	8.41
Net charge-offs to loans and leases	0.21	0.17	0.23	0.17	0.16	0.19	0.17	0.47
Loan and lease loss provision to net charge-offs	127.32	130.02	138.08	163.48	124.08	132.42	130.33	94.68
Efficiency ratio	62.36	65.20	66.20	62.15	62.19	60.48	60.62	62.68
Net interest income to operating revenue	82.85	80.91	83.27	83.45	81.52	82.08	83.47	83.90
% of unprofitable institutions	5.30	7.17	10.55	7.09	5.72	2.26	3.76	10.92
% of institutions with earnings gains	80.92	51.36	82.01	80.78	84.13	84.68	75.14	72.49

*See Table IV-A for explanation.

Table VI-B. Loan Performance, FDIC-Insured Community Banks

December 31, 2025	All Community Banks	Geographic Regions* New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Percent of Loans 30-89 Days Past Due							
All loans secured by real estate	0.52	0.48	0.48	0.53	0.48	0.68	0.38
Construction and development	0.50	0.46	0.32	0.47	0.46	0.57	0.74
Nonfarm nonresidential	0.39	0.40	0.34	0.42	0.36	0.42	0.36
Multifamily residential real estate	0.31	0.39	0.17	0.32	0.28	0.29	0.06
Home equity loans	0.52	0.60	0.41	0.51	0.42	0.63	0.50
Other 1-4 family residential	0.77	0.58	0.81	0.78	0.77	1.11	0.44
Commercial and industrial loans	0.59	0.44	0.76	0.48	0.55	0.66	0.95
Loans to individuals	1.94	2.62	1.19	1.00	1.41	3.00	1.70
Credit card loans	3.20	2.67	1.52	1.37	4.98	1.34	2.61
Other loans to individuals	1.89	2.62	1.19	0.99	1.10	3.03	1.57
All other loans and leases (including farm)	0.33	0.16	0.32	0.23	0.39	0.49	0.45
Total loans and leases	0.57	0.53	0.54	0.51	0.52	0.75	0.52
Percent of Loans Noncurrent							
All loans secured by real estate	0.75	0.78	0.69	0.72	0.65	0.84	0.75
Construction and development	0.92	1.53	0.62	0.55	1.01	0.75	1.34
Nonfarm nonresidential	0.80	0.75	0.76	0.88	0.79	0.86	0.73
Multifamily residential real estate	0.67	0.88	0.25	0.61	0.46	0.73	0.51
Home equity loans	0.59	0.73	0.38	0.41	0.37	0.53	1.25
Other 1-4 family residential	0.67	0.63	0.68	0.66	0.49	0.91	0.54
Commercial and industrial loans	1.22	1.44	1.42	1.04	1.26	0.98	1.33
Loans to individuals	0.78	0.55	0.52	0.54	0.69	1.37	0.93
Credit card loans	2.83	2.09	0.70	0.45	2.78	0.63	4.11
Other loans to individuals	0.68	0.52	0.52	0.54	0.50	1.39	0.49
All other loans and leases (including farm)	0.45	0.26	1.38	0.27	0.43	0.55	1.13
Total loans and leases	0.79	0.82	0.79	0.72	0.71	0.86	0.84
Percent of Loans Charged-Off (net, YTD)							
All loans secured by real estate	0.08	0.13	0.04	0.08	0.04	0.06	0.05
Construction and development	0.10	0.27	0.04	0.02	0.10	0.06	0.15
Nonfarm nonresidential	0.11	0.24	0.05	0.09	0.06	0.06	0.05
Multifamily residential real estate	0.16	0.15	0.07	0.38	0.05	0.05	0.02
Home equity loans	0.03	0.01	0.01	0.00	0.00	0.03	0.15
Other 1-4 family residential	0.02	0.00	0.01	0.01	0.02	0.07	0.01
Commercial and industrial loans	0.56	0.59	0.69	0.53	0.50	0.53	0.66
Loans to individuals	2.02	1.52	1.09	0.54	2.15	1.35	6.13
Credit card loans	9.84	5.57	2.14	1.61	14.69	2.03	10.67
Other loans to individuals	1.68	1.42	1.07	0.52	1.10	1.34	5.55
All other loans and leases (including farm)	0.17	0.14	0.54	0.20	0.09	0.21	0.35
Total loans and leases	0.21	0.23	0.17	0.16	0.19	0.17	0.47
Loans Outstanding (in billions)							
All real estate loans	$1,518.7	$384.2	$153.2	$278.4	$261.0	$305.5	$136.4
Construction and development	153.0	26.2	17.6	25.7	26.7	45.3	11.4
Nonfarm nonresidential	597.7	143.6	66.0	105.1	88.5	125.8	68.8
Multifamily residential real estate	157.2	62.3	8.7	32.9	22.6	13.8	16.9
Home equity loans	56.2	12.7	7.5	13.3	7.5	8.3	7.0
Other 1-4 family residential	464.5	136.9	48.5	82.1	73.8	94.8	28.4
Commercial and industrial loans	235.0	46.8	23.3	45.7	49.7	49.0	20.6
Loans to individuals	71.5	16.5	7.8	10.9	13.0	13.5	9.8
Credit card loans	3.2	0.4	0.1	0.2	1.1	0.2	1.2
Other loans to individuals	68.4	16.1	7.7	10.7	12.0	13.3	8.6
All other loans and leases (including farm)	116.6	21.0	4.3	24.8	41.8	18.8	5.9
Total loans and leases (plus unearned income)	1,941.8	468.4	188.6	359.8	365.5	386.8	172.6
Memo: Unfunded Commitments (in millions)							
Total Unfunded Commitments	384,236	84,843	34,281	74,245	82,581	68,248	40,039
Construction and development: 1-4 family residential	31,021	4,921	4,348	4,754	5,377	9,458	2,163
Construction and development: CRE and other	80,244	17,500	8,200	15,887	12,104	18,967	7,586
Commercial and industrial	114,531	26,939	9,244	24,655	22,171	19,703	11,820

* See Table IV-A for explanation.

Note: Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

INSURANCE FUND INDICATORS

- ***Deposit Insurance Fund Increases by $3.7 Billion***
- ***DIF Reserve Ratio Rises 2 Basis Points, Ends Fourth Quarter at 1.42 Percent***
- ***No Institutions Failed During the Fourth Quarter***

During the fourth quarter, the Deposit Insurance Fund (DIF) balance increased by $3.7 billion to $153.9 billion. The rise in the DIF was primarily driven by assessment income of $3.0 billion, followed by $1.2 billion in interest earned on investment securities. Negative provisions for insurance losses, unrealized gains on securities, and all other income also contributed a combined $149 million to the fund during the quarter. These gains were partially offset by operating expenses of $0.6 billion. There were no institutions that failed during the fourth quarter.

The deposit insurance assessment base—average consolidated total assets minus average tangible equity—increased by 0.8 percent in the fourth quarter and is above balances reported a year ago by 3.5 percent.

The quarterly change to total estimated insured deposits was 1.0 percent for the fourth quarter, and remains above balances reported a year ago by 1.3 percent. The DIF's reserve ratio (the fund balance as a percent of insured deposits) was 1.42 percent on December 31, 2025, up 2 basis points from the previous quarter and 14 basis points higher than the previous year.

Table I-C. Insurance Fund Balances and Selected Indicators*

(dollar figures in millions)	Deposit Insurance Fund**												
	4th Quarter 2025	3rd Quarter 2025	2nd Quarter 2025	1st Quarter 2025	4th Quarter 2024	3rd Quarter 2024	2nd Quarter 2024	1st Quarter 2024	4th Quarter 2023	3nd Quarter 2023	2nd Quarter 2023	1st Quarter 2023	4th Quarter 2022
Beginning Fund Balance	$150,109	$145,343	$140,895	$137,101	$133,111	$129,236	$125,300	$121,778	$119,339	$116,968	$116,071	$128,218	$125,457
Changes in Fund Balance:													
Assessments earned	2,996	3,251	3,624	3,171	3,211	3,260	3,218	3,248	3,107	3,225	3,127	3,306	2,142
Interest earned on investment securities	1,219	1,170	1,104	1,065	1,057	1,118	981	795	574	828	673	661	498
Realized gain on sale of investments				0	0	0	0	0	-450	-272	96	-1,666	0
Operating expenses	618	570	630	617	666	594	609	564	604	517	497	508	515
Provision for insurance losses	-76	-797	-291	-83	-370	-35	-320	9	856	1,237	2,033	16,402	-48
All other income, net of expenses	16	19	20	19	15	22	19	32	30	4	3	12	114
Unrealized gain/(loss) on available-for-sale securities***	57	99	39	73	3	34	7	20	638	340	-472	2,450	474
Total fund balance change	3,745	4,766	4,448	3,794	3,990	3,875	3,936	3,522	2,439	2,371	897	-12,147	2,761
Ending Fund Balance	153,854	150,109	145,343	140,895	137,101	133,111	129,236	125,300	121,778	119,339	116,968	116,071	128,218
Percent change from four quarters earlier	12.22	12.77	12.46	12.45	12.58	11.54	10.49	7.95	-5.02	-4.88	-6.02	-5.66	4.12
Reserve Ratio (%)	1.42	1.40	1.36	1.31	1.28	1.25	1.21	1.17	1.15	1.13	1.11	1.11	1.25
Estimated Insured Deposits	10,821,824	10,715,657	10,707,332	10,791,995	10,682,951	10,645,669	10,647,738	10,749,991	10,626,143	10,571,964	10,572,548	10,466,559	10,273,566
Percent change from four quarters earlier	1.30	0.66	0.56	0.39	0.53	0.70	0.71	2.71	3.43	3.94	4.89	3.22	3.78
Percent of Total Deposit Liabilites After Exclusions	57.08	57.49	57.74	58.52	58.41	58.99	59.66	59.58	59.53	59.05	59.06	58.17	55.70
Estimated Uninsured Deposits	8,138,545	7,924,819	7,836,006	7,649,627	7,607,492	7,402,211	7,200,848	7,293,157	7,224,440	7,332,836	7,329,917	7,525,574	8,172,253
Percent change from four quarters earlier	6.98	7.06	8.82	4.89	5.30	0.95	-1.76	-3.09	-11.60	-11.66	-13.94	-14.10	-7.18
Percent of Total Deposit Liabilites After Exclusions	42.92	42.51	42.26	41.48	41.59	41.01	40.34	40.42	40.47	40.95	40.94	41.83	44.30
Total Deposit Liabilities After Exclusions**	18,960,369	18,640,476	18,543,338	18,441,622	18,290,443	18,047,881	17,848,586	18,043,148	17,850,584	17,904,801	17,902,464	17,992,133	18,445,819
Percent change from four quarters earlier	3.66	3.28	3.89	2.21	2.46	0.80	-0.30	0.28	-3.23	-3.07	-3.73	-4.81	-1.38
Assessment Base***	22,098,999	21,924,282	21,657,285	21,334,172	21,347,877	21,160,189	21,013,846	20,969,858	20,866,154	20,695,563	20,813,810	20,702,038	20,976,840
Percent change from four quarters earlier	3.52	3.61	3.06	1.74	2.31	2.25	0.96	1.29	-0.53	-1.38	-0.95	-0.94	1.45
Number of Institutions Reporting	4,345	4,388	4,430	4,471	4,496	4,526	4,547	4,577	4,596	4,623	4,654	4,681	4,715

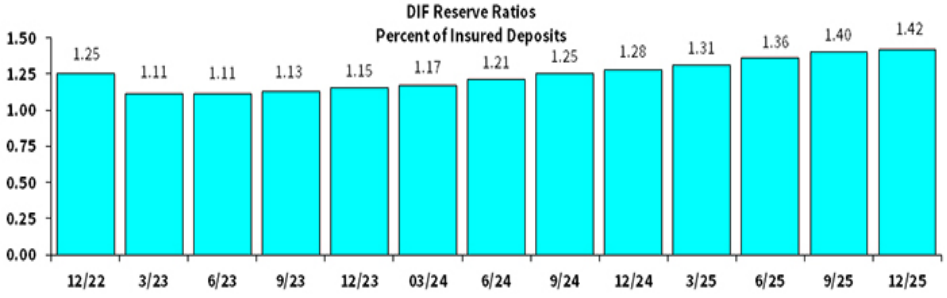
* Includes insured branches of foreign banks (IBAs) and any revisions to prior quarter data

** Quarterly financial statement results are unaudited, components may not add up to total figures due to rounding.

*** Includes unrealized postretirement benefit gain (loss).

**** Does not equal total deposits and domestic office deposits in the tables above due to adjustments to align with the determination of deposit insurance coverage in the event of a bank failure.

***** Average consolidated total assets minus tangible equity, with adjustments for banker's banks and custodial banks.



Deposit Insurance Fund Balance and Insured Deposits ($ Millions)

	DIF Balance	DIF-Insured Deposits
12/22	$128,218	$10,273,566
3/23	116,071	10,466,559
6/23	116,968	10,572,548
9/23	119,339	10,571,964
12/23	121,778	10,626,143
3/24	125,300	10,749,991
6/24	129,236	10,647,738
9/24	133,111	10,645,669
12/24	137,101	10,682,951
3/25	140,895	10,791,995
6/25	145,343	10,707,332
9/25	150,109	10,715,657
12/25	153,854	10,821,824

Table II-C. Problem Institutions and Failed Institutions*

(dollar figures in millions)	2025	2024	2023	2022	2021	2020	2019	2018
Problem Institutions								
Number of institutions	60	66	52	39	44	56	51	60
Failed Institutions								
Number of institutions	2	2	5	0	0	4	4	0
Total assets**	$109	$5,303	$552,539	$0	$0	$455	$209	$0

* Through December 31.

** Total assets are based on final Call Reports submitted by failed institutions.

Table III-C. Estimated FDIC-Insured Deposits by Type of Institution

(dollar figures in millions) **December 31, 2025**	Number of Institutions	Total Assets	Domestic Deposits*	Est. Insured Deposits
Commercial Banks and Savings Institutions				
FDIC-Insured Commercial Banks	3,815	$24,067,919	$17,460,816	$9,976,225
FDIC-Supervised	2,473	3,638,277	2,944,571	1,955,729
OCC-Supervised	673	16,267,164	11,445,882	6,335,359
Federal Reserve-Supervised	669	4,162,477	3,070,364	1,685,137
FDIC-Insured Savings Institutions	521	1,189,994	976,903	786,735
OCC-Supervised	222	536,920	422,825	352,371
FDIC-Supervised	265	319,337	253,510	187,872
Federal Reserve-Supervised	34	333,737	300,568	246,492
Total Commercial Banks and Savings Institutions	4,336	25,257,913	18,437,719	10,762,960
Other FDIC-Insured Institutions				
U.S. Branches of Foreign Banks	9	134,988	68,262	58,864
Total FDIC-Insured Institutions	4,345	25,392,901	18,505,981	10,821,824

* Excludes $1.6 trillion in foreign office deposits, which are not FDIC insured.

Table IV-C. Distribution of Institutions and Assessment Base by Assessment Rate Range

Quarter Ending September 30, 2025 (dollar figures in billions)

Annual Rate in Basis Points	Number of Institutions	Percent of Total Institutions	Amount of Assessment Base	Percent of Total Assessment Base
2.50 - 5.00	2,683	61.1	$ 8,565.4	39.1
5.01 - 8.00	1,122	25.6	11,751.5	53.6
8.01 - 12.00	440	10.0	1,328.4	6.1
12.01 - 17.00	66	1.5	102.8	0.5
>17.00	77	1.8	176.2	0.8

Notes to Users

This publication contains financial data and other information for depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). These notes are an integral part of this publication and provide information regarding the comparability of source data and reporting differences over time.

Tables I-A through VIII-A.
The information presented in Tables I-A through VIII-A of the *FDIC Quarterly Banking Profile* is aggregated for all FDIC-insured Call Report filers, both commercial banks and savings institutions. Some tables are arrayed by groups of FDIC-insured institutions based on predominant types of asset concentration, while other tables aggregate institutions by asset size and geographic region. Quarterly and full-year data are provided for selected indicators, including aggregate condition and income data, performance ratios, condition ratios, and structural changes, as well as past-due, noncurrent, and charge-off information for loans outstanding and other assets.

Tables I-B through VI-B.
The information presented in Tables I-B through VI-B is aggregated for all FDIC-insured commercial banks and savings institutions meeting the criteria for community banks that were developed for the FDIC's *Community Banking Study*, published in December, 2012: https://www.fdic.gov/resources/community-banking/cbi-study.html.

The determination of which insured institutions are considered community banks is based on five steps.

The first step in defining a community bank is to aggregate all charter-level data reported under each holding company into a single banking organization. This aggregation applies both to balance-sheet measures and the number and location of banking offices. Under the FDIC definition, if the banking organization is designated as a community bank, every charter reporting under that organization is also considered a community bank when working with data at the charter level.

The second step is to exclude any banking organization where more than 50 percent of total assets are held in certain specialty banking charters, including credit card specialists, consumer nonbank banks, industrial loan companies, trust companies, bankers' banks, and banks holding 10 percent or more of total assets in foreign offices.

Once the specialty organizations are removed, the third step involves including organizations that engage in basic banking activities as measured by the total loans-to-assets ratio (greater than 33 percent) and the ratio of core deposits to assets (greater than 50 percent). Core deposits are defined as non-brokered deposits in domestic offices. Analysis of the underlying data shows that these thresholds establish meaningful levels of basic lending and deposit gathering and still allow for a degree of diversity in how individual banks construct their balance sheets.

The fourth step includes organizations that operate within a limited geographic scope. This limitation of scope is used as a proxy measure for a bank's relationship approach to banking. Banks that operate within a limited market area have more ease in managing relationships at a personal level. Under this step, four criteria are applied to each banking organization. They include both a minimum and maximum number of total banking offices, a maximum level of deposits for any one office, and location-based criteria. The limits on the number of and deposits per office are adjusted upward quarterly. For banking offices, banks must have more than one office, and the maximum number of offices is 40 in 1985 and reached 109 in 2025. The maximum level of deposits for any one office is $1.25 billion in deposits in 1985 and reached $11.49 billion in deposits in 2025. The remaining geographic limitations are also based on maximums for the number of states (fixed at three) and large metropolitan areas (fixed at two) in which the organization maintains offices. Branch office data are based on the most recent data from the annual June 30 *Summary of Deposits Survey* that are available at the time of publication.

Finally, the definition establishes an asset-size limit, also adjusted upward quarterly and below which the limits on banking activities and geographic scope are waived. The asset-size limit is $250 million in 1985 and reached $2.30 billion in 2025. This final step acknowledges the fact that most of those small banks that are not excluded as specialty banks meet the requirements for banking activities and geographic limits in any event.

Summary of FDIC Research Definition of Community Banking Organizations
Community banks are designated at the level of the banking.
(All charters under designated holding companies are considered community banking charters.)
Exclude: Any organization with:
- No loans or no core deposits
- Assets held in foreign branches ≥ 10 percent of total assets
- More than 50 percent of assets in certain specialty banks,
  including:
  - credit card specialists

- consumer nonbank banks[1]
- industrial loan companies
- trust companies
- bankers' banks

Include: All remaining banking organizations with:

- Total assets < indexed size threshold[2]
- Total assets ≥ indexed size threshold, where:
  - Loan to assets > 33 percent
  - Core deposits to assets > 50 percent
  - More than 1 office but no more than the indexed maximum number of offices.[3]
  - Number of large MSAs with offices ≤ 2
  - Number of states with offices ≤ 3
  - No single office with deposits > indexed maximum branch deposit size.[4]

[1] Consumer nonbank banks are financial institutions with limited charters that can make commercial loans or take deposits, but not both.
[2] Asset size threshold indexed to equal $250 million in 1985 and $2.30 billion in 2025.
[3] Maximum number of offices indexed to equal 40 in 1985 and 109 in 2025.
[4] Maximum branch deposit size indexed to equal $1.25 billion in 1985 and $11.49 billion in 2025.

Tables I-C through IV-C.

A separate set of tables (Tables I-C through IV-C) provides comparative quarterly data related to the Deposit Insurance Fund (DIF), problem institutions, failed institutions, estimated FDIC-insured deposits, as well as assessment rate information. Depository institutions that are not insured by the FDIC through the DIF are not included in the *FDIC Quarterly Banking Profile*. U.S. branches of institutions headquartered in foreign countries and non-deposit trust companies are not included unless otherwise indicated. Efforts are made to obtain financial reports for all active institutions. However, in some cases, final financial reports are not available for institutions that have closed or converted their charters.

DATA SOURCES

The financial information appearing in this publication is obtained primarily from the Federal Financial Institutions Examination Council (FFIEC) *Consolidated Reports of Condition and Income* (*Call Reports)* and the OTS *Thrift Financial Reports* (TFR) submitted by all FDIC-insured depository institutions. (TFR filers began filing Call Reports effective with the quarter ending March 31, 2012.) This information is stored on and retrieved from the FDIC's Research Information System (RIS) database.

COMPUTATION METHODOLOGY

Parent institutions are required to file consolidated reports, while their subsidiary financial institutions are still required to file separate reports. Data from subsidiary institution reports are included in the *Quarterly Banking Profile* tables, which can lead to double-counting. No adjustments are made for any double-counting of subsidiary data. Additionally, certain adjustments are made to the OTS *Thrift Financial Reports* to provide closer conformance with the reporting and accounting requirements of the FFIEC *Call Reports*. (TFR filers began filing Call Reports effective with the quarter ending March 31, 2012.)

All condition and performance ratios represent weighted averages, which is the sum of the individual numerator values divided by the sum of individual denominator values. All asset and liability figures used in calculating performance ratios represent average amounts for the period (beginning-of-period amount plus end-of-period amount plus any interim periods, divided by the total number of periods). For "pooling-of-interest" mergers, the assets of the acquired institution(s) are included in average assets, since the year-to-date income includes the results of all merged institutions. No adjustments are made for "purchase accounting" mergers. Growth rates represent the percentage change over a 12-month period in totals for institutions in the base period to totals for institutions in the current period. For the community bank subgroup, growth rates will reflect changes over time in the number and identities of institutions designated as community banks, as well as changes in the assets and liabilities, and income and expenses of group members. Unless indicated otherwise, growth rates are not adjusted for mergers or other changes in the composition of the community bank subgroup. When community bank growth rates are adjusted for mergers, prior period balances used in the calculations represent totals for the current group of community bank reporters, plus prior period amounts for any institutions that were subsequently merged into current community banks.

All data are collected and presented based on the location of each reporting institution's main office. Reported data may include assets and liabilities located outside of the reporting institution's home state. In addition, institutions may relocate across state lines or change their charters, resulting in an inter-regional or inter-industry migration; institutions can move their home offices between regions, savings institutions can convert to commercial banks, or commercial banks may convert to savings institutions.

ACCOUNTING CHANGES

Financial accounting pronouncements by the Financial Accounting Standards Board (FASB) can result in changes in an individual bank's accounting policies and in the Call Reports they submit. Such accounting changes can affect the aggregate amounts presented in the QBP for the current period and the period-to-period comparability of such financial data.

The current quarter's Financial Institution Letter (FIL) and related Call Report supplemental instructions

can provide additional explanation to the QBP reader beyond any material accounting changes discussed in the QBP analysis.

https://www.fdic.gov/news/financial-institution-letters/2026/consolidated-reports-condition-and-income-fourth-quarter

https://www.fdic.gov/bank-financial-reports/current-quarter-call-report-forms-instructions-and-related-materials

Further information on changes in financial statement presentation, income recognition, and disclosure is available from the FASB.

https://www.fasb.org/standards

DEFINITIONS (in alphabetical order)

All other assets – total cash, balances due from depository institutions, premises, fixed assets, direct investments in real estate, investment in unconsolidated subsidiaries, customers' liability on acceptances outstanding, assets held in trading accounts, federal funds sold, securities purchased with agreements to resell, fair market value of derivatives, prepaid deposit insurance assessments, and other assets.

All other liabilities – bank's liability on acceptances, limited-life preferred stock, allowance for estimated off-balance-sheet credit losses, fair market value of derivatives, and other liabilities.

Assessment base – Effective April 1, 2011, the deposit insurance assessment base changed to "average consolidated total assets minus average tangible equity" with an additional adjustment to the assessment base for banker's banks and custodial banks. Previously, the assessment base consisted of deposit liabilities after exclusions.

Assessment rate schedule – Initial base assessment rates for small institutions (except new institutions) are based on a combination of financial ratios and CAMELS component ratings. Initial rates for large institutions—generally those with at least $10 billion in assets—are also based on CAMELS component ratings and certain financial measures combined into two scorecards—one for most large institutions and another for the remaining very large institutions that are structurally and operationally complex or that pose unique challenges and risks in case of failure (highly complex institutions). The FDIC may take additional information into account to make a limited adjustment to a large institution's scorecard results, which are used to determine a large institution's initial base assessment rate.

Initial rates for small institutions are subject to minimums and maximums based on an institution's CAMELS composite rating.

The current assessment rate schedule became effective January 1, 2023. Under the current schedule, initial base assessment rates range from 5 to 32 basis points. An institution's total base assessment rate may differ from its initial rate due to three possible adjustments: (1) Unsecured Debt Adjustment: An institution's rate may decrease by up to 5 basis points for unsecured debt. The unsecured debt adjustment cannot exceed the lesser of 5 basis points or 50 percent of an institution's initial base assessment rate (IBAR). For example, an institution with an IBAR of 5 basis points would have a maximum unsecured debt adjustment of 2.5 basis points and could not have a total base assessment rate lower than 2.5 basis points. (2) Depository Institution Debt Adjustment: For institutions that hold long-term unsecured debt issued by another insured depository institution, a 50 basis point charge is applied to the amount of such debt held in excess of 3 percent of an institution's tier 1 capital. (3) Brokered Deposit Adjustment: Rates for large institutions that are not well capitalized or do not have a composite CAMELS rating of 1 or 2 may increase (not to exceed 10 basis points) if their brokered deposits exceed 10 percent of domestic deposits.

The assessment rate schedule effective January 1, 2023, is shown in the following table:

Total Base Assessment Rates*

	Established Small Banks			Large & Highly Complex Institutions
	CAMELS Composite			
	1 or 2	3	4 or 5	
Initial Base Assessment Rate	5 to 18	8 to 32	18 to 32	5 to 32
Unsecured Debt Adjustment	–5 to 0	–5 to 0	–5 to 0	–5 to 0
Brokered Deposit Adjustment	N/A	N/A	N/A	0 to 10
Total Base Assessment Rate	2.5 to 18	4 to 32	13 to 32	2.5 to 42

* All amounts for all categories are in basis points annually. Total base rates that are not the minimum or maximum rate will vary between these rates. Total base assessment rates do not include the depository institution debt adjustment.

Each institution is assigned a risk-based rate for a quarterly assessment period near the end of the quarter following the assessment period. Payment is generally due on the 30th day of the last month of the quarter following the assessment period. Supervisory rating changes are effective for assessment purposes as of the examination transmittal date.

Assets securitized and sold – total outstanding principal balance of assets securitized and sold with

servicing retained or other seller-provided credit enhancements.

Capital Purchase Program (CPP) – As announced in October 2008 under the TARP, the Treasury Department purchase of noncumulative perpetual preferred stock and related warrants that is treated as tier 1 capital for regulatory capital purposes is included in "total equity capital." Such warrants to purchase common stock or noncumulative preferred stock issued by publicly traded banks are reflected as well in "surplus." Warrants to purchase common stock or noncumulative preferred stock of not-publicly-traded bank stock are classified in a bank's balance sheet as "Other liabilities."

Common equity tier 1 capital ratio – ratio of common equity tier 1 capital to risk-weighted assets. Common equity tier 1 capital includes common stock instruments and related surplus, retained earnings, accumulated other comprehensive income (AOCI), and limited amounts of common equity tier 1 minority interest, minus applicable regulatory adjustments and deductions. Items that are fully deducted from common equity tier 1 capital include goodwill, other intangible assets (excluding mortgage servicing assets) and certain deferred tax assets; items that are subject to limits in common equity tier 1 capital include mortgage servicing assets, eligible deferred tax assets, and certain significant investments. Beginning March 2020, this ratio does not include institutions that have a Community Bank Leverage Ratio election in effect at the report date.

Construction and development loans – includes loans for all property types under construction, as well as loans for land acquisition and development.

Core capital – common equity capital plus noncumulative perpetual preferred stock plus minority interest in consolidated subsidiaries, less goodwill and other ineligible intangible assets. The amount of eligible intangibles (including servicing rights) included in core capital is limited in accordance with supervisory capital regulations.

Cost of funding earning assets – total interest expense paid on deposits and other borrowed money as a percentage of average earning assets.

Credit enhancements – techniques whereby a company attempts to reduce the credit risk of its obligations. Credit enhancement may be provided by a third party (external credit enhancement) or by the originator (internal credit enhancement), and more than one type of enhancement may be associated with a given issuance.

Deposit Insurance Fund (DIF) – the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) were merged in 2006 by the Federal Deposit Insurance Reform Act to form the DIF.

Deposits liabilities after exclusions – amount equal to gross total deposit liabilities meeting the statutory definition of a deposit in Section 3(l) of the Federal Deposit Insurance Act, before deducting allowable exclusions. Deposit liabilities after exclusions may differ from amounts reported for total deposits or total domestic deposits due to adjustments made to align with the determination of deposit insurance coverage in the event of a bank failure, including reporting based on an unconsolidated single FDIC certificate number basis.

Derivatives notional amount – the notional, or contractual, amounts of derivatives represent the level of involvement in the types of derivatives transactions and are not a quantification of market risk or credit risk. Notional amounts represent the amounts used to calculate contractual cash flows to be exchanged.

Derivatives credit equivalent amount – the fair value of the derivative plus an additional amount for potential future credit exposure based on the notional amount, the remaining maturity and type of the contract.

Derivatives transaction types:

Futures and forward contracts – contracts in which the buyer agrees to purchase, and the seller agrees to sell, at a specified future date, a specific quantity of an underlying variable or index at a specified price or yield. These contracts exist for a variety of variables or indices, (traditional agricultural or physical commodities, as well as currencies and interest rates). Futures contracts are standardized and are traded on organized exchanges which set limits on counterparty credit exposure. Forward contracts do not have standardized terms and are traded over the counter.

Option contracts – contracts in which the buyer acquires the right to buy from or sell to another party some specified amount of an underlying variable or index at a stated price (strike price) during a period or on a specified future date, in return for compensation (such as a fee or premium). The seller is obligated to purchase or sell the variable or index at the discretion of the buyer of the contract.

Swaps – obligations between two parties to exchange a series of cash flows at periodic intervals (settlement dates) for a specified period. The cash flows of a swap are either fixed or determined for each settlement date by multiplying the quantity (notional principal) of the underlying variable or index by specified reference rates or prices. Except for currency swaps, the notional principal is used to calculate each payment but is not exchanged.

Derivatives underlying risk exposure – the potential exposure characterized by the level of banks'

concentration in particular underlying instruments, in general. Exposure can result from market risk, credit risk, operational risk, and interest rate risk.

Domestic deposits to total assets – total domestic office deposits as a percent of total assets on a consolidated basis.

Earning assets – all loans and other investments that earn interest or dividend income.

Efficiency ratio – Noninterest expense less amortization of intangible assets as a percent of net interest income plus noninterest income. This ratio measures the proportion of net operating revenues that are absorbed by overhead expenses, so that a lower value indicates greater efficiency.

Estimated insured deposits – In general, insured deposits are total deposit liabilities after exclusions minus estimated uninsured deposits. Beginning September 30, 2009, insured deposits reflect an increase in the FDIC's standard maximum deposit insurance amount from $100,000 to $250,000. From December 31, 2010, through December 31, 2012, insured deposits also include all funds held in noninterest-bearing transaction accounts, without limit.

Estimated uninsured deposits – In general, institutions with $1 billion or more in total assets report estimated uninsured deposits in domestic offices of the bank and in insured branches in U.S. territories and possessions, including related interest accrued and unpaid. For institutions that do not report estimated uninsured deposits, the FDIC calculates this amount as the amount of deposit and retirement accounts with balances greater than the standard maximum deposit insurance amount (SMDIA), currently $250,000, minus the portion that is insured. The amount that is insured is estimated by multiplying the number of accounts with balances greater than the SMDIA, as reported on the Call Report, by the SMDIA. For example, under the current SMDIA, if an institution reports a number and amount of deposit and retirement accounts with balances greater than $250,000 of 1,000 and $500 million, respectively, estimated uninsured deposits as calculated by the FDIC would equal $250 million ($500,000,000 – 1,000 * $250,000).

Failed/assisted institutions – An institution fails when regulators take control of the institution, placing the assets and liabilities into a bridge bank, conservatorship, receivership, or another healthy institution. This action may require the FDIC to provide funds to cover losses. An institution is defined as "assisted" when the institution remains open and receives assistance in order to continue operating.

Fair value – the valuation of various assets and liabilities on the balance sheet—including trading assets and liabilities, available-for-sale securities, loans held for sale, assets and liabilities accounted for under the fair value option, and foreclosed assets—involves the use of fair values. During periods of market stress, the fair values of some financial instruments and nonfinancial assets may decline.

FHLB advances – all borrowings by FDIC-insured institutions from the Federal Home Loan Bank System (FHLB), as reported by Call Report filers, and by TFR filers prior to March 31, 2012.

Goodwill and other intangibles – Intangible assets include servicing rights, purchased credit card relationships, and other identifiable intangible assets. Goodwill is the excess of the purchase price over the fair market value of the net assets acquired, less subsequent impairment adjustments. Other intangible assets are recorded at fair value, less subsequent quarterly amortization and impairment adjustments.

Liquidity ratio – liquid assets to total assets. Liquid assets include cash, federal funds sold, and securities including unrealized gains/losses on held-to-maturity securities less pledged securities.

Loans secured by real estate – includes home equity loans, junior liens secured by 1–4 family residential properties, and all other loans secured by real estate.

Loans to individuals – includes outstanding credit card balances and other secured and unsecured consumer loans.

Long-term assets (5+ years) – loans and debt securities with remaining maturities or repricing intervals of over five years.

Maximum credit exposure – the maximum contractual credit exposure remaining under recourse arrangements and other seller-provided credit enhancements provided by the reporting bank to securitizations.

Mortgage-backed securities – certificates of participation in pools of residential mortgages and collateralized mortgage obligations issued or guaranteed by government-sponsored or private enterprises. Also, see "Securities," below.

Net charge-offs – total loans and leases charged off (removed from balance sheet because of uncollectability), less amounts recovered on loans and leases previously charged off.

Net interest margin – the difference between interest and dividends earned on interest-bearing assets and interest paid to depositors and other creditors, expressed as a percentage of average earning assets. No adjustments

are made for interest income that is tax exempt.

Net loans to total assets – loans and lease financing receivables, net of unearned income, allowance and reserves, as a percent of total assets on a consolidated basis.

Net operating income – income excluding discretionary transactions such as gains (or losses) on the sale of investment securities and extraordinary items. Income taxes subtracted from operating income have been adjusted to exclude the portion applicable to securities gains (or losses).

Noncurrent assets – the sum of loans, leases, debt securities, and other assets that are 90 days or more past due, or in nonaccrual status.

Noncurrent loans and leases – the sum of loans and leases 90 days or more past due and loans and leases in nonaccrual status.

Number of institutions reporting – the number of institutions that actually filed a financial report.

New reporters – insured institutions filing quarterly financial reports for the first time.

Other borrowed funds – federal funds purchased, securities sold with agreements to repurchase, demand notes issued to the U.S. Treasury, FHLB advances, other borrowed money, mortgage indebtedness, obligations under capitalized leases and trading liabilities, less revaluation losses on assets held in trading accounts.

Other real estate owned – primarily foreclosed property. Direct and indirect investments in real estate ventures are excluded. The amount is reflected net of valuation allowances. For institutions that filed a Thrift Financial Report (TFR), the valuation allowance subtracted also includes allowances for other repossessed assets. Also, for TFR filers the components of other real estate owned are reported gross of valuation allowances. (TFR filers began filing Call Reports effective with the quarter ending March 31, 2012.)

Percent of institutions with earnings gains – the percent of institutions that increased their net income (or decreased their losses) compared to the same period a year earlier.

"Problem" institutions – Federal regulators assign a composite rating to each financial institution, based upon an evaluation of financial and operational criteria. The rating is based on a scale of 1 to 5 in ascending order of supervisory concern. "Problem" institutions are rated either a "4" or "5," depending upon the degree of risk and supervisory concern. The number of "problem" institutions is based on FDIC composite ratings. Prior to March 31, 2008, for institutions whose primary federal regulator was the OTS, the OTS composite rating was used.

Recourse – an arrangement in which a bank retains, in form or in substance, any credit risk directly or indirectly associated with an asset it has sold (in accordance with generally accepted accounting principles) that exceeds a pro rata share of the bank's claim on the asset. If a bank has no claim on an asset it has sold, then the retention of any credit risk is recourse.

Reserves for losses – the allowance for loan and lease losses on a consolidated basis.

Restructured loans and leases – loan and lease financing receivables with terms restructured from the original contract. Excludes restructured loans and leases that are not in compliance with the modified terms.

Retained earnings – net income less cash dividends on common and preferred stock for the reporting period.

Return on assets – bank net income (including gains or losses on securities and extraordinary items) as a percentage of average total (consolidated) assets. The basic yardstick of bank profitability.

Return on equity – bank net income (including gains or losses on securities and extraordinary items) as a percentage of average total equity capital.

Risk-weighted assets – assets adjusted for risk-based capital definitions which include on-balance-sheet as well as off-balance-sheet items multiplied by risk-weights that range from zero to 200 percent. A conversion factor is used to assign a balance sheet equivalent amount for selected off-balance-sheet accounts.

Securities – excludes securities held in trading accounts. Banks' securities portfolios consist of securities designated as "held-to-maturity" (reported at amortized cost (book value)), securities designated as "available-for-sale" (reported at fair (market) value), and equity securities with readily determinable fair values not held for trading.

Securities gains (losses) – realized gains (losses) on held-to-maturity and available-for-sale securities, before adjustments for income taxes. Thrift Financial Report (TFR) filers also include gains (losses) on the sales of assets held for sale. (TFR filers began filing Call Reports effective with the quarter ending March 31, 2012.)

Seller's interest in institution's own securitizations – the reporting bank's ownership interest in loans and other assets that have been securitized, except an interest that is a form of recourse or other seller-provided credit enhancement. Seller's interests differ from the securities issued to investors by the securitization structure. The principal amount of a seller's interest is generally equal to the total principal amount of the pool of assets included in the securitization structure less the principal amount of those assets

attributable to investors, i.e., in the form of securities issued to investors.

Small Business Lending Fund – The Small Business Lending Fund (SBLF) was enacted into law in September 2010 as part of the Small Business Jobs Act of 2010 to encourage lending to small businesses by providing capital to qualified community institutions with assets of less than $10 billion. The SBLF Program is administered by the U.S. Treasury Department (https://home.treasury.gov/policy-issues/small-business-programs/small-business-lending-fund). Under the SBLF Program, the Treasury Department purchased noncumulative perpetual preferred stock from qualifying depository institutions and holding companies (other than Subchapter S and mutual institutions). When this stock has been issued by a depository institution, it is reported as "Perpetual preferred stock and related surplus." For regulatory capital purposes, this noncumulative perpetual preferred stock qualifies as a component of tier 1 capital. Qualifying Subchapter S corporations and mutual institutions issue unsecured subordinated debentures to the Treasury Department through the SBLF. Depository institutions that issued these debentures report them as "Subordinated notes and debentures." For regulatory capital purposes, the debentures are eligible for inclusion in an institution's tier 2 capital in accordance with their primary federal regulator's capital standards. To participate in the SBLF Program, an institution with outstanding securities issued to the Treasury Department under the Capital Purchase Program (CPP) was required to refinance or repay in full the CPP securities at the time of the SBLF funding. Any outstanding warrants that an institution issued to the Treasury Department under the CPP remain outstanding after the refinancing of the CPP stock through the SBLF Program unless the institution chooses to repurchase them.

Subchapter S Corporation – A Subchapter S corporation is treated as a pass-through entity, similar to a partnership, for federal income tax purposes. It is generally not subject to any federal income taxes at the corporate level. This can have the effect of reducing institutions' reported taxes and increasing their after-tax earnings.

Trust assets – market value, or other reasonably available value of fiduciary and related assets, to include marketable securities and other financial and physical assets. Common physical assets held in fiduciary accounts include real estate, equipment, collectibles, and household goods. Such fiduciary assets are not included in the assets of the financial institution.

Unearned income and contra accounts – unearned income for Call Report filers only.

Unused loan commitments – includes credit card lines, home equity lines, commitments to make loans for construction, loans secured by commercial real estate, and unused commitments to originate or purchase loans. (Excluded are commitments after June 2003 for originated mortgage loans held for sale, which are accounted for as derivatives on the balance sheet.)

Yield on earning assets – total interest, dividend, and fee income earned on loans and investments as a percentage of average earning assets.

APPENDIX F
ECONOMIC OUTLOOK

ECONOMIC UPDATE AT A GLANCE 4Q 2025 SUMMARY

Because of the government shutdown, some of our data sources haven't yet been updated with figures for November and December. For certain parts of this report, we are using the most recent data and will update them once the U.S. federal government data are released.

1. GROSS DOMESTIC PRODUCT

The Bureau of Economic Analysis (BEA) reported that the nation's economy—as indicated by its estimate for the third quarter 2025 GDP—increased at an annual rate of 4.4%, indicating that the U.S. economy expanded after rising at an annual rate of 3.8% in the second quarter of 2025.

The third-quarter GDP increase reflected increases in consumer spending, exports, government spending, and investment. Furthermore, imports, which are a subtraction in the calculation of GDP, decreased. Real GDP increased 2.8% in 2024 compared to an increase of 2.9% in 2023.

Current-dollar GDP increased at an annual rate of 8.3% in the third quarter, or $612.3 billion, to $31.1 trillion. This followed the second-quarter increase of 6.0%. In 2024, the current-dollar GDP increased 5.3%, compared to 6.7% in 2023.

1.1 CONSUMER SPENDING

Consumer spending increased at an annual rate of 3.5% in the third quarter of 2025, after rising at a rate of 2.5% in the prior quarter. The increase in consumer spending reflected an increase in spending on both services and goods. Consumer spending's increase in the third quarter contributed 2.34 points to the third-quarter GDP figure. In 2024, consumer spending increased 2.9% and contributed 2.00 points to the GDP. Consumer spending, also referred to as "personal consumption," accounts for approximately 70% of the U.S. GDP.

Consumer spending on durable goods—items meant to last three years or more, such as computers, cars, and machinery—rose at an annual rate of 1.6% in the third quarter after increasing at a rate of 2.3% in the previous quarter. Consumer spending on durable goods added 0.12 points to the third-quarter GDP rate.

Consumer spending on nondurable goods—items such as food and gasoline—rose at an annual rate of 3.9% in the third quarter after rising at a rate of 2.2% in the previous quarter. Overall, consumer spending on nondurable goods made a 0.53-point contribution to the third-quarter GDP rate.

Services expenditures grew at an annual rate of 3.6% in the third quarter of 2025, after rising at a rate of 2.6% in the previous quarter. Spending on services contributed 1.70 points to the third-quarter GDP figure.

Consumer spending was unchanged in December, as the U.S. Census Bureau reported total retail and food services sales were $735.0 billion. Retail sales were up 2.4% from one year ago. Economists view retail sales as a key economic indicator since consumer spending accounts for nearly two-thirds of the U.S. economy.

The "Advance Monthly Retail Trade Report," which highlights sales figures across most retail categories, reported that five of the 13 major retail categories saw sales increases in December, while eight declined.

Sales at building material, garden equipment, and supplies dealers increased the most, by 1.2%, while the rest reported increases of less than 1.0%. Sales in sporting goods, hobby, musical instrument, and book stores increased 0.4%, sales at gasoline stations reported a 0.3% increase, while non-store retailers reported the smallest increase of 0.1%. The largest declines in sales were in furniture and home furnishings stores and miscellaneous store retailers, each down 0.9%. Sales were down 0.7% in clothing and clothing accessories stores, while the smallest declines of 0.1% were seen in both food services and drinking places and general merchandise stores.

Eleven of 13 retail categories saw increased spending over the past 12 months, while two saw a decrease. The category with the largest 12-month increase in spending was miscellaneous store retailers, up 9.4%, followed by health and personal care stores with a 6.4% increase. Sporting goods, hobby, musical instrument, and book stores reported a 6.0% increase in sales, while non-store retailers saw a 5.3% increase. The category that reported the largest decrease was furniture and home furnishing stores, with a 5.6% decline in sales over the 12 months, while sales in motor vehicle and parts dealers fell by 1.1%.

Core retail sales were unchanged in December and increased 3.5% over the past 12 months. The core retail sales figure excludes sales of automobiles, gasoline, building materials, and food services and corresponds most closely with the consumer-spending component of gross domestic product.

E-commerce retail sales increased 1.9% in the third quarter of 2025 from the second quarter of 2025. Online sales were $310.3 billion in the third quarter of 2025, up from the $304.5 billion reported in the second quarter. Over the past 12 months, e-commerce sales have increased 5.1%.

In the third quarter of 2025, e-commerce retail sales accounted for 16.4% of overall retail sales, higher than the 16.3% in the second quarter.

1.2 GOVERNMENT SPENDING

Total government spending rose at an annual rate of 2.2% in the third quarter of 2025, after decreasing at a rate of 0.1% in the prior quarter. In 2024, total government spending increased 3.8%. Government spending added 0.38 percentage points to the third-quarter GDP rate.

Federal government spending increased at an annual rate of 2.7% in the third quarter of 2025 after dropping at a 5.3% rate in the second quarter. Federal government spending increased 3.8% in 2024. Federal government spending contributed 0.17 percentage points to the GDP rate in the third quarter of 2025.

National defense spending rose at an annual rate of 5.7% in the third quarter of 2025, after increasing at a rate of 0.9% in the prior quarter. Federal nondefense spending fell at an annual rate of 1.4% in the third quarter of 2025 after plummeting at a rate of 13.0% in the prior quarter. In 2024, national defense spending increased 4.0%, while federal nondefense spending rose 3.6%.

State and local government spending increased at an annual rate of 2.0% in the third quarter of 2025. For the year 2024, state and local government spending increased 3.8%. State and local government spending contributed 0.21 percentage points to the third-quarter GDP rate.

1.3 FIXED INVESTMENT

Business investment, also referred to as “nonresidential fixed investment,” increased at an annual rate of 3.2% in the third quarter of 2025 after rising at a rate of 7.3% in the second quarter. The third-quarter increase was primarily driven by an increase in investment in intellectual property products. In 2024, business investment increased by 2.9%. Business investment added 0.44 percentage points to the third-quarter GDP rate.

Business spending on intellectual property products increased at an annual rate of 5.6% in the third quarter of 2025, after soaring at a 15.0% rate in the prior quarter. In 2024, business spending on intellectual property products increased by 3.5%. Business spending on structures decreased at an annual rate of 5.0% in the third quarter after falling at an annual rate of 7.5% in the prior quarter. Business spending on equipment rose at an annual rate of 5.2% in the third quarter.

Residential fixed investment, often considered a proxy for the housing market, fell at an annual rate of 7.1% in the third quarter of 2025. Residential fixed investment increased 3.2% in 2024. The decline in residential fixed investment subtracted 0.29 points from the third-quarter GDP rate.

1.4 BUSINESS INVENTORIES

In the current quarter, private inventories investment subtracted 0.12 percentage points from the GDP rate, after deducting 3.44 percentage points from the second-quarter GDP rate. Business inventory investment added 0.01 percentage points to the GDP in 2024.

1.5 EXPORTS AND IMPORTS

The Bureau of Economic Analysis reported that America’s goods and services deficit increased by 94.6% in November. The trade deficit at the end of November 2025 was $56.8 billion, compared with the revised rate of $29.2 billion at the end of October. Year to date, the goods and services deficit increased by $32.9 billion, or 4.1%, compared to the same period in 2024.

Exports increased at an annual rate of 9.6% in the third quarter of 2025, after decreasing at a rate of 1.8% in the second quarter. In 2024, exports increased 3.6%. Exported goods rose at an annual rate of 8.5% in the third quarter after dropping at a rate of 4.7% in the previous quarter. Exported services rose at an annual rate of 11.5% in the third quarter after rising at an annual rate of 3.5% in the previous quarter. The third-quarter increase in exports added 1.00 percentage point to the third-quarter GDP rate.

Imports, which added 0.62 percentage points to the third-quarter calculation of GDP, decreased at an annual rate of 4.4% in the third quarter of 2025, after plunging at an annual rate of 29.3% in the second quarter. In 2024, imports increased 5.8%. Imported goods decreased at an annual rate of 7.1% in the third quarter of 2025, and imported services rose at an annual rate of 6.4%.

Net exports (the value of exports minus the value of imports) added 1.62 percentage points to the third-quarter GDP rate after contributing 4.83 percentage points in the previous quarter.

2. CONSUMER PRICES AND INFLATION RATES

According to the Bureau of Economic Analysis, the price index for gross domestic purchases increased 3.4% in the third quarter of 2025, the same rate as previously estimated. The index for gross domestic purchases measures the prices U.S. residents pay for goods and services. The personal consumption expenditure (PCE) price index increased 2.8% in the third quarter, identical to the increase in the prior quarter. The "core" (less food and energy prices) PCE price index increased 2.9% in the third quarter of 2025, the same rate of increase as in the previous quarter. The core PCE price index measures the prices consumers pay for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation trends.

The U.S. Bureau of Labor Statistics reported that consumer prices, as measured by the Consumer Price Index (CPI), increased 0.3% on a seasonally adjusted basis in December. Over the last 12 months, the CPI has increased by 2.7%. The CPI is a measure of a basket of products and services—including housing, electricity, food, and transportation—and is used as a measure of inflation. The CPI is comprised of three main indexes: the food index, the energy index, and the all items less food and energy index (also known as "Core CPI"). Due to the government shutdown, some of the October 2025 and November 2025 data values are not available due to the 2025 lapse in appropriations. The December CPI increase was largely attributed to the increase in the index for shelter.

The food index increased 0.7% in December, after increasing 0.3% in September. The food index has increased by 3.1% over the past 12 months. The food-away-from-home index also increased by 0.7% in December, after increasing 0.1% in September. The food at home index increased by 0.7%, after increasing 0.3% in September. The food-away-from-home index increased by 4.1% from one year ago, while the food-at-home index rose 2.4% over the last year.

The index for energy rose 0.3% in December following a 1.5% increase in September. The energy index was up 2.3% over the past 12 months. The gasoline index fell 0.5% after increasing 3.0% in November. Gasoline was down 3.4% from a year ago. The index for natural gas increased 4.4% in December after dropping 1.2% in September. The natural gas index was up 10.8% from one year ago. The index for electricity fell 0.1% in December but was 6.7% higher than one year ago.

Core CPI rose 0.2% in December, following an identical increase of 0.2% in September. Core CPI has risen 2.6% over the past 12 months. Core CPI is a measure of inflation that excludes volatile food and energy costs. In December, the index for shelter rose 0.4%, following a 0.2% increase in September. The index for owners' equivalent rent rose 0.3%, as did the index for rent. The lodging away from home index rose 2.9% in December. The medical care index rose 0.4% in December, the index for prescription drugs increased 0.1%, and hospital services increased by 1.0%. The index for dental services rose 0.7%, while the physicians' services index was up 0.3%.

The index for household furnishings and operations dropped 0.5% in December. The recreation index rose 1.2%, which was the largest monthly increase ever reported for the index since it was first published in 1993. The airline fares index increased 5.2% in December, while the communication index decreased by 1.9%. The index for used cars and trucks fell 1.1% over the month, but the new vehicles index was unchanged.

The index for shelter increased by 3.2% over the past 12 months. Other indexes with significant increases over the past year include medical care, which rose 3.2%; recreation, which increased 3.0%; household furnishings and operations, which increased 4.0%; and personal care, which increased 3.7%.

The Chained Consumer Price Index for all urban consumers decreased 0.1% in December but was up 2.5% over the past 12 months. The Chained Consumer Price Index was designed to be a closer approximation of a cost-of-living index in that it, in its final form, accounts for any substitution that consumers make across item categories in response to changes in relative prices. The report noted that indexes for the past 10 to 12 months are subject to revision.

The Producer Price Index (PPI) for final demand rose 0.5% in December after increasing 0.2% in November. The index for final demand rose 3.0% over the past 12 months. The PPI for final demand is comprised of two main indexes: final demand services and final demand goods.

The index for final demand goods was unchanged in December after rising 0.8% in November. Prices for final demand energy plunged by 1.4%, and prices for final demand food decreased 0.3%. A major factor in the decrease was an 14.6% drop in prices of diesel fuel, while prices for gasoline, jet fuel, beef and veal, and iron and steel scrap also decreased in December. These declines were offset by the increase of 0.4% in the index for final demand goods less foods and energy.

The index for final demand services rose 0.7% in December, after remaining unchanged in November. This was the largest monthly increase since July, when the index registered 0.9%. The price index for final demand trade services jumped 1.7% and accounted for two-thirds of the broad-based December rise. (Trade indexes measure changes in margins received by wholesalers and retailers.) Over 40.0% of the December increase in prices for final demand services was driven by a 4.5% rise in margins for machinery and equipment wholesaling. The indexes for final demand services less trade, transportation, and warehousing and for final demand transportation and warehousing services also increased, to 0.3% and 0.5%, respectively.

The index for final demand less foods, energy, and trade services, also referred to as Core PPI, increased 0.4% in December, after increasing 0.2% in the previous month. Core PPI increased by 3.5% in the past 12 months.

3. ENERGY PRICES

The Energy Information Administration (EIA) predicts that the West Texas Intermediate crude oil spot price will average $52.21 per barrel in 2026, higher than the $51.42 per barrel predicted in the previous forecast, before dropping to $50.36 per barrel in 2027. The average price for West Texas Intermediate crude oil in 2025 was $65.40 per barrel. The EIA expects retail prices for regular-grade gas to average $2.92 per gallon in 2026 and $2.95 in 2027, compared with $3.30 per gallon in 2025.

The EIA believes the Henry Hub natural gas spot price will average $3.46 per million Btu (MMBtu) in 2026, lower than the previous forecast of $4.01, before rising to $4.59 per MMBtu in 2027. The average Henry Hub natural gas spot price was $3.53 per MMBtu in 2025.

The cost of coal delivered to electricity-generating plants, which averaged $2.42 per MMBtu in 2025, is expected to average $2.38 per MMBtu in 2026 and $2.38 in 2027. Residential electricity prices, which averaged 17.29 cents per kilowatt-hour (kWh) in 2025, are expected to average 17.94 cents per kWh in 2026, then increase to 18.45 cents per kWh in 2027.

4. INTEREST RATES

The Federal Open Market Committee (FOMC) held a meeting on December 9-10 and released a statement on December 10. FOMC holds eight regularly scheduled meetings each year. At these meetings, the committee reviews economic and financial conditions, determines the appropriate stance on monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

At its meeting, the FOMC decided to lower the target range for the federal funds rate by 0.25 percentage points, to 3.50% to 3.75%. The committee seeks to achieve maximum employment and inflation at the rate of 2.0% over the long run. The committee judges that the uncertainty about the economic outlook remains elevated. The committee is attentive to the risks to both sides of its dual mandate and judges that downside risks to employment rose in recent months. The federal funds rate is the interest rate at which a commercial bank lends immediately available funds in balances at the Federal Reserve to another commercial bank. The FOMC announced it will continue to reduce its holdings of Treasury securities, agency debt, and agency mortgage-backed securities.

The FOMC stated that recent indicators suggested that economic activity has been expanding at a moderate pace. It also mentioned that the unemployment rate has edged up through September, and inflation has increased at the beginning of the year and remains elevated.

The FOMC also unanimously approved the decrease of the primary credit rate by 0.25 percentage points, to 3.75%. The primary credit rate is the basic interest rate charged to most banks.

The FOMC will continue to monitor the implications of incoming information for the economic outlook and assess information related to labor-market conditions, inflation pressures, inflation expectations, and financial and international developments and will use its tools and act as appropriate to support the economy and return inflation to its 2.0% objective.

The next FOMC meeting is scheduled for January 27-28.

5. UNEMPLOYMENT AND PERSONAL INCOME

The U.S. Bureau of Labor Statistics reported that the U.S. economy added 50,000 jobs in December. Total nonfarm payroll employment has shown little net change. The unemployment rate also changed little, to 4.4%, in December. The number of unemployed persons decreased by 278,000, to 7.503 million, in December, compared with 7.781 million in November.

In December, job gains were reported in the healthcare, food services and drinking places, and social assistance sectors. The retail trade sector continued to lose jobs, and employment showed little or no change over the month in other major industries, including mining, quarrying, and oil and gas extraction; construction; manufacturing; wholesale trade; transportation and warehousing; information; financial activities; professional and business services; and other services. Employment in the food services and drinking places sector added 27,000 jobs. The sector added an average of 12,000 jobs per month in 2025, in line with the average of 11,000 per month seen in 2024.

In December, employment in healthcare added 21,000 jobs in December. Over the month, job growth was led by hospitals, with the addition of 16,000 jobs, followed by ambulatory healthcare services, which added 5,000 jobs. December employment growth in healthcare was below the average monthly gain of 34,000 over the last 12 months. In 2024, healthcare employment rose by an average monthly gain of 56,000.

Social assistance added 17,000 jobs in December, primarily due to the addition of 13,000 jobs in individual and family services. The gains were followed by the addition of 3,000 jobs in both vocational rehabilitation services and child care services.

The government sector added 13,000 jobs in December, led by an 18,000-job increase in the local government. The federal government added 2,000 jobs in December but has declined by 277,000 jobs since reaching a recent peak in January.

Employment in retail trade trended down in December, losing 25,000 jobs, led by the loss of 19,000 jobs in warehouse clubs, supercenters, and other general merchandise retailers. Food and beverage retailers lost 9,000 jobs, while electronics and appliance retailers added 5,000 jobs. Employment in retail trade showed little net change in both 2024 and 2025.

The number of persons who permanently lost their jobs increased to 1.969 million in December, compared to 1.936 million in November. The number of persons on temporary layoff decreased to 929,000 in December from 1.002 million in the prior month.

The report stated that the labor-force participation rate in December was 62.4%, compared to 62.5% in November. One year ago, the labor-force participation rate was 62.5%. The employment-population ratio, which represents the share of the working-age population with a job, inched up to 59.7% but was lower than 59.9% reading in December 2024.

The number of long-term unemployed (those jobless for 27 weeks or more) increased by 38,000 in December, to 1.948 million, representing 26.0% of all unemployed persons. The month's figure was higher than November's figure of 1.910 million and much higher than the reading from a year ago of 1.551 million.

The broadest measure of labor underutilization, the U-6 unemployment rate, decreased by 0.3 percentage points in December, to 8.4%. The U-6 unemployment rate has continued to improve after reaching its highest level on record, 22.8%, in April 2020. U-6 unemployment is broader than U-3 and includes "marginally attached workers" and people who are looking for and want full-time work but have settled for part-time employment. Marginally attached workers are people who are not actively looking for work but have indicated they want a job and have looked for work (without success) sometime in the past 12 months. This class also includes "discouraged workers," those who have completely given up on finding a job because they feel they would be unable to do so.

In the jobs report published by ADP, private-sector employment increased by 41,000 in December. All three establishment sizes increased, led by the rise of 34,000 jobs in midsized businesses. The small-sized companies saw an increase of 9,000 jobs, and large-sized business establishments added 2,000 jobs. The services sector added 44,000 jobs in December. Within the services sector, the education and health services sector led the increases with the addition of 39,000 jobs, followed by the leisure and hospitality sector, which added 24,000 jobs. The trade, transportation, and utilities and health services sector added 11,000 jobs, while the financial activities and other services each added 6,000 and 5,000 jobs, respectively. These increases were offset by the loss of 29,000 jobs in the professional and business services and 12,000 jobs in the information sectors. Employment in the goods-producing sectors declined by 3,000 jobs in December, driven by the manufacturing sector, which lost 5,000 jobs, while both the natural resources and mining and construction sectors gained 1,000 jobs.

The four-week average of initial claims for unemployment insurance in the last week of December, ending on December 27, was 200,000. The total number of continued weeks claimed for benefits in all programs for the week ending December 27 was 2,218,506. This is an increase of 313,297 from the previous week. The number of weekly claims filed for benefits in all programs was 2,213,451 in the comparable week in 2024.

The average wages of all private employees increased by 12 cents in December, or 0.3%, to $37.02. Average hourly earnings have increased by 3.8% over the past 12 months. The average hourly earnings of private-sector production and nonsupervisory employees increased by three cents, to $31.76, in December and were up $1.09 over the past year, representing a 3.6% increase.

The average workweek for all private workers in December was 34.2 hours, which was 0.1 hour lower than in November but identical to the figure from one year ago. The manufacturing workweek edged down to 39.9 hours, while the number of manufacturing overtime hours was unchanged, at 2.9 hours. The average workweek for production and nonsupervisory employees was unchanged from the previous month and from one year ago, at 33.7 hours.

The U.S. Bureau of Labor Statistics reported that compensation costs for civilian workers for the fourth quarter of 2025, as measured by the Employment Cost Index, increased by 0.7%. Wages and salaries (which comprise 70% of compensation costs) increased by 0.7%, and benefit costs (which make up the remaining 30%) increased by 0.7% from the previous quarter. Over the past 12 months, compensation costs for civilian workers increased by 3.4%, compared with a 3.5% increase in the 12-month period ending September 2024.

Compensation costs for private-industry workers increased 3.4% over the past year, lower than the 3.5% increase in the third quarter of 2025 and lower than the 3.6% increase for the 12-month period ending December 2024. Wages and salaries for private workers increased 3.3% over the 12-month period ending December 2025, compared with 3.7% over the period ending December 2024. Furthermore, when adjusted for inflation, wages and salaries increased 0.7% for the 12-month period ending December 2025. Employer costs of benefits increased by 3.4% for the 12-month period ending December 2025 and increased 0.7% when adjusted for inflation over the same period. Employer (unadjusted) costs for healthcare benefits increased to 6.4% for the 12-month period ending December 2025.

The Employment Cost Index is published quarterly by the Bureau of Labor Statistics and draws from a sample of 28,700 observations from 6,700 private businesses, as well as 7,300 observations from 1,400 government offices.

The Bureau of Economic Analysis reported that current-dollar personal income increased at an annual rate of $26.2 trillion in the third quarter of 2025, after rising at an annual rate of $26.0 trillion in the second quarter. The third-quarter increase in income primarily reflected increases in compensation.

Current-dollar disposable personal income increased at an annual rate of $67.0 trillion in the third quarter of 2025, following an annual rate of $66.6 trillion in the previous quarter. Real disposable personal income increased by 2.4% in the third quarter of 2025 from one year ago.

Personal savings—disposable personal income less personal outlays—was at an annual rate of $954.8 billion in the third quarter of 2025, compared to an annual rate of $1.14 trillion in the second quarter. The personal saving rate—saving as a percentage of disposable personal income—was 4.2% in the third quarter of 2025, down from the 5.0% rate in the prior quarter.

6. INDEX OF LEADING INDICATORS

The U.S. Leading Economic Index (LEI) declined by 0.3% in November, to 97.9, after decreasing 0.1% in the previous month. The index was down 1.2% over the six months ending in November 2025, a smaller contraction than the decline of 2.6% in the previous six-month period from November 2024 to May 2025. The Conference Board noted that, throughout 2025, weak consumer expectations led to a decline in the LEI, followed by new orders. In November, the remaining components of the index were somewhat subdued, with initial claims for unemployment insurance and weekly hours worked in manufacturing being the strongest positive contributors. The Conference Board projected the U.S. economy will slow in 2026, despite real GDP reaching 4.4% in the third quarter of 2025.

The Conference Board Coincident Economic Index (CEI) for the U.S. increased by 0.3% in November, to 115.0, after declining in August, September, and October. The CEI increased 0.3% over the six-month period ending in November 2025, lower than the 0.9% rise over the prior six months. All of CEI's four component indicators included among the data used to determine recessions in the U.S.—payroll, employment, personal income less transfer payments, and manufacturing and trade sales—improved in November.

The Conference Board Lagging Economic Index (LAG) for the U.S. inched up by 0.1%, to 119.7, in November, following a 0.1% decline in October. The LAG fell by 0.1% over the six-month period ending in November 2025, compared to the increase of 0.9% in the previous six months. Indicators included in the LAG are average unemployment duration, the ratio of manufacturing and trade inventories to sales, change in manufacturing labor costs per unit of output, average prime rates, commercial and industrial loans outstanding, the ratio of consumer installment credit outstanding to personal income, and the change in the Consumer Price Index for services.

The LEI is a leading American economic indicator intended to forecast future activity. The Conference Board, a nongovernmental organization, calculates the index from the values of 10 key variables:

- Average weekly hours in manufacturing;
- Average weekly initial claims for unemployment insurance;
- Manufacturers' new orders, consumer goods and materials;
- Institute for Supply Management's Index of New Orders;
- Manufacturers' new orders, nondefense capital goods excluding aircraft orders;
- Building permits, new private housing units;
- Stock prices, 500 common stocks;
- Leading Credit Index;
- Interest rate spread, 10-year Treasury bonds less federal funds; and
- Average consumer expectations for business conditions.

In its most recent release, the Federal Reserve Bank of Chicago reported that the Chicago Fed National Activity Index (CFNAI) increased to -0.04 in November from -0.42 in October. Three of the four broad categories of indicators increased from October, but three categories made negative contributions to the index.

The CFNAI's three-month moving average increased to -0.23 in November from -0.34 in October. The CFNAI Diffusion Index, which is also a three-month moving average, increased to -0.24 in November from -0.43 in the prior month. Forty of the 85 individual indicators made positive contributions to the CFNAI in November, while 45 made negative contributions. Fifty-eight indicators improved in November, while 27 deteriorated. Of the indicators that improved, 22 made negative contributions.

Production-related indicators contributed 0.08 to the CFNAI in November, up from a contribution of -0.26 in October. The sales, orders, and inventories category made a -0.03 contribution to the CFNAI in November, unchanged from the previous month.

Employment-related indicators made a -0.07 contribution to the CFNAI in November, up from -0.11 in October. The personal consumption and housing category made a -0.02 contribution in November, up from -0.03 in the previous month.

The National Activity Index is designed to gauge overall economic activity and related inflationary pressure and includes 85 economic indicators that are drawn from four broad categories of data: production and income; employment, unemployment, and hours; personal consumption and housing; and sales, orders, and inventories. Each of these data series measures some aspect of overall macroeconomic activity. The derived index provides a single, summary measure of a factor common to these national economic data. In the history of the data series, the lowest score, -18.22, was recorded in April 2020, and the highest score, 6.29, was recorded in June 2020.

7. CONSUMER CONFIDENCE

The Consumer Confidence Index declined in December. The index decreased by 3.8 points, to 89.1, down from a revised reading of 92.9 in November. Consumers' assessment of current business and labor-market conditions retreated, and their short-term outlook for income, business, and labor conditions was unchanged.

The report noted that consumer confidence continued to fall and was below 2025's peak in January, with four out of five components of the overall index remaining weak. Consumers' responses indicated that the leading factors that continued to affect the economy were: price and inflation, tariffs and trade, and politics. The chief economist at The Conference Board stated that "December saw increases in mentions of immigration, war, and topics related to personal finances—including interest rates, taxes, and income, banks, and insurance. The responses continued to skew pessimistic but less so than in November, potentially due to fewer negative comments about prices and inflation, politics, as well as a rebound in positive responses about interest rates. Notably, the Federal Reserve Board cut monetary policy rates on December 10 for a third time in 2025, which landed in the second half of the survey sample interval."

The Present Situation Index dropped by 9.5 points from November, to 116.8, while the Expectations Index was unchanged, at 70.7. The Expectations Index has remained below the 80.0 threshold for 11 consecutive months, a level that typically signals a recession ahead. The Present Situation Index measures consumers' assessment of current business and labor-market conditions, while the Expectations Index tracks consumers' short-term outlook for income, business, and labor-market conditions.

In December, the decline in confidence was seen among all age groups. Consumers under 35 years old, however, continued to be more confident than consumers aged 35 and older. The report noted differences in confidence based on generations, with the Silent Generation being more hopeful than others, while millennials and Gen Z were the most optimistic. By income, consumer confidence, on a six-month moving average basis, fell for most cohorts except those earning less than $15,000 and more than $125,000. Nonetheless, the first group remained the least optimistic among all income groups. By political affiliation, consumer confidence dropped among all groups.

The proportion of consumers anticipating a recession over the next 12 months continued to decline in December, but the share of consumers who stated that the economy was already in a recession climbed higher. Average and median 12-month inflation expectations both retreated, following an uptick in November. Furthermore, consumers' outlook on stock prices over the next 12 months was balanced and was the most positive since January 2025. The share of respondents who anticipated interest rates would rise was higher than the share in the previous month, and the share of consumers expecting interest rates to drop decreased.

Consumers were more cautious regarding purchasing plans for big-ticket items in the next six months. In December, the share of consumers' overall buying plans for autos decreased for new cars but increased for used cars. Plans to purchase homes declined, as did plans to buy household appliances, PCs and laptops, and video game consoles. On the other hand, consumers' intentions to purchase smartphones, tablets, and digital cameras increased on a six-month moving average basis. Furthermore, plans to spend on services were little changed in December, with top categories for planned services spending over the next six months still including restaurants; bars; take-out; streaming; internet; mobile services; beauty and personal care; utilities; and healthcare.

Consumers' appraisal of current business conditions turned mildly pessimistic in December, with 18.7% stating that business conditions were "good," down from 21.0% in November. The percentage of those saying business conditions were "bad" was 19.1%, up from 15.8% in the previous month.

Consumers' assessment of the labor market was weaker in December. The percentage of consumers stating jobs were "plentiful" was 26.7%, down from 28.2% in November. The percentage of those claiming jobs were "hard to get" was 20.8%, up from 20.1% in the prior month.

Consumers' outlook for short-term business conditions was less pessimistic in December. The survey results showed that the percentage of consumers expecting business conditions to improve over the next six months was down 0.1 percentage point, to 18.0%. The percentage of those expecting business conditions to worsen was 21.8%, 4.0 percentage points lower than in November.

Consumers' assessment of the short-term outlook for the labor market was more worrisome in December. The percentage of those expecting more jobs in the months ahead was unchanged, at 16.5%. The percentage of those expecting fewer jobs in the months ahead was 27.4%, an increase from 26.8% in the previous month.

Consumers' assessments of their income prospects were slightly less positive in December. The percentage of consumers expecting an improvement in their incomes increased by 0.8 percentage points, to 18.4%. However, the percentage of consumers expecting a decrease in their income increased to 14.7%, compared to 12.5% last month.

The Consumer Confidence Index is an indicator designed to measure the degree of optimism about the state of the economy that consumers express through their savings and spending. A decreasing month-over-month trend in the Consumer Confidence Index suggests that consumers have a negative outlook about their ability to secure and retain good jobs, whereas a rising trend in consumer confidence indicates improvements in consumer buying patterns. Opinions on current conditions make up 40.0% of the index (the Present Situation Index), while expectations of future conditions comprise the remaining 60% (the Expectations Index).

8. SMALL-BUSINESS OPTIMISM

The National Federation of Independent Business' (NFIB) Small Business Optimism Index rose 0.8 points in December, to 99.5, and remained above its 52-year average of 98.0. The month's report highlighted that the indicator that contributed most to the December index increase was a rise in those expecting better business conditions. As the optimism level rose, the uncertainty level declined to its lowest reading since June 2024.

Two of the 10 components that comprise the Small Business Optimism Index increased in December, three decreased, and five were unchanged.

The report found that the reported frequency of positive profit trends increased by 3.0 points from November, to a net -20.0%. Business owners' plans to fill open positions were down 2.0 points from November, with a seasonally adjusted net 17.0% planning to create new jobs in the next three months. Finding qualified employees remains a challenge, and the labor market remains tight as business owners struggle to fill open positions. The report stated that 48.0% of all owners (91.0% of those hiring or trying to hire) reported few or no qualified applicants for the positions they were trying to fill, down 2.0 points from November. The share of owners who identified labor quality as their top business problem was down 2.0 points from November, to 19.0%. Labor quality ranked as the second problem and was 1.0 point lower than taxes, which ranked first.

In December, the percentage of owners who made capital outlays in the last six months was up 4.0 points, to 56.0%. Of those making expenditures, 37.0% spent on new equipment, unchanged from last month; 27.0% acquired vehicles, up 8.0 points from the prior month; 19.0% improved or expanded facilities, up 5 points from the previous month; 13.0% spent money on new fixtures, up 3.0 points from last month; and 7.0% acquired new buildings or land for expansion in December, up 2.0 points from the previous month. Further, the percentage of owners planning capital outlays in the next six months was 19.0%, down 1.0 point from the previous month, which was a historically weak reading.

Small-business sales were up 1.0 point in December, with a net -8.0% of all owners reporting higher nominal sales in the past three months. The net percentage of owners expecting higher real sales volumes in the next quarter dropped by 5.0 points from November, to a net 10.0%. NFIB found that the net percentage of owners reporting inventory increases rose by 6.0 points from November, to a net of -1.0%, which was the highest reading in 2025. Not seasonally adjusted, 13.0% reported increases in stocks, up 1.0 point from the previous month, and 15.0% reported reductions, down 3.0 points from November. Owners' views that current inventory stocks are "too low" were unchanged in December, at a net -1.0%. Further, a net -1.0% of owners plan to invest in the coming months, unchanged from the previous month.

The percentage of owners who reported raising compensation in December was at a net 31.0%, up 5.0 points from November. The number of owners planning to raise compensation in the next three months was unchanged, at a seasonally adjusted net of 24.0%. Among owners reporting lower profits, 41.0% blamed weaker sales, 13.0% noted the rise in material costs, 12.0% attributed the issue to usual seasonal change, 9.0% cited price changes for their products or services, and 7.0% reported labor costs. For business owners reporting higher profits, 64.0% credited sales volumes, 14.0% cited usual seasonal change, and 3.0% cited higher selling prices.

In December, 5.0% of owners reported that their last loan was harder to get, up 1.0 point from November. Twenty-five percent of owners reported borrowing regularly, up 2.0 points from November. The share of owners who reported paying higher interest rates on their most recent loan was a net -3.0%, a 5.0-point drop from the prior month and the lowest reading since January 2021.

The net percentage of owners who raised average selling prices in December was down 4.0 points from November, to a net 30.0%. Price increases remained above the historical average of a net 13.0%, suggesting continued inflationary pressure. Thirty-four percent reported higher average prices, down 5.0 points from the previous month, while only 8.0% reported lower average selling prices, unchanged from the prior month. Furthermore, a net 28.0% of business owners plan to raise prices, down 2.0 points from November. Twelve percent of small-business owners reported that inflation was their most important problem in operating their business in December, down 2.0 points from the prior month.

In addition, the report noted that owners' responses indicated that the overall business health was mixed from the previous month. When respondents were asked to rate the overall health of their business, 9.0% reported it as excellent (down 2.0 points), 54.0% reported it as good (up 1.0 point), and only 3.0% reported it as poor (down 2.0 points). The net percentage of owners expecting better business conditions rose 9.0 points, to a net 24.0%, contributing the most to the rise in the Optimism Index. Furthermore, the Uncertainty Index dropped by 7.0 points, to a reading of 84.0, in December. The improvement was driven by a decrease in owners reporting uncertainty about whether it is a good time to expand their business. After the highest year on record for the Uncertainty Index, such a meaningful decline is exceptionally welcome.

The Small Business Optimism Index is compiled from a survey of the NFIB's 350,000 members that is conducted each month. NFIB, founded in 1943, began conducting its survey quarterly in 1973, transitioning to a monthly survey in 1986. The index is a composite of 10 seasonally adjusted components based on questions about the following: plans to increase employment, plans to make capital outlays, plans to increase inventories, whether members expect the economy to improve, whether they expect real sales will be higher, current inventory, current job openings, expected credit conditions, whether now is a good time to expand, and earnings trends. Analysts watch the index because small businesses are responsible for most of the new job creation, and the NFIB focuses on this sector of the economy.

MetLife and the U.S. Chamber of Commerce published their fourth-quarter 2025 survey, reporting that the Small Business Index reading indicated small businesses were slightly moderating in their view of their local and the U.S. economies compared to the previous quarter. The index now stands at 68.4, a decrease from last quarter's reading of 72.0. Further, the fourth-quarter index was in line with the reading from 12 months ago of 69.1%. The survey also reported that small businesses' concerns about inflation continued to be stable for the past two quarters, despite being the biggest challenge for them to run their businesses.

In the fourth quarter of 2025, concerns about inflation fell slightly, to 45.0%, from the previous quarter, remained below the 50.0% threshold for the third consecutive quarter, and were in line with the reading from the second quarter of 2022 of 44.0%. Despite the slight decrease, inflation remained a lingering issue for small businesses and continued to affect their bottom line. Further, 79.0% of business owners stated that the holiday season is vital for their bottom line, higher by 9.0 percentage points from last year. They also expected challenges, as 58.0% plan to raise prices due to inflation, although the number was lower compared to the reading of 69.0% in the fourth quarter of 2022. By industry, inflation concerns are the highest among retail businesses (53.0%) and the lowest among manufacturing businesses (38.0%). In addition, 55.0% of minority-owned businesses also expressed a high level of concern over inflation, as did 53.0% of small businesses with 20 to 500 employees.

Nonetheless, 70.0% of small businesses reported that their businesses are in good health. In the fourth quarter, 74.0% of small businesses reported that they are comfortable with their current cash flow, in line with the share in the last quarter. By sector, small businesses in the manufacturing and professional services sectors were more likely to report being comfortable with their cash flow, while the retail sector was less likely to do so. Furthermore, the report noted that small businesses with younger owners tend to have better business health compared to their older counterparts. Small businesses owned by Gen Z/millennials are more likely to report that their business is in good health (74.0%), compared to baby boomers (58.0%). This trend also applied to cash-flow comfort and increased staff in the past year.

In the fourth quarter of 2025, the second biggest challenge facing small businesses was revenue. Concerns over revenue saw an increase from 26.0% in the previous quarter to 30.0%, and it was the second-highest reading since 2021, below the 35.0% reading in the first quarter of 2025. Fifty-two percent of small-business owners expect lower revenue this holiday season. Owners reported that they are planning activities to help bring revenue in, 56.0% plan to offer seasonal discounts, 48.0% extend business hours, and 29.0% plan to hire seasonal employees. Revenue concerns are reportedly greatest among small businesses in the services industry (38.0%), businesses owned by baby boomers and older (38.0%), and small businesses of less than five employees (34.0%).

The survey also asked small-business owners about their plans to give back to their community or volunteer during the holiday season. Sixty-five percent stated that they plan to donate to charitable organizations, an increase of 11 percentage points from 12 months ago. Fifty-one percent planned to volunteer for charitable organizations, higher than the share of 40.0% last year. By size, larger companies are more likely to donate to or volunteer for charitable organizations compared to those with fewer than five employees. Beyond the holiday season, 64.0% of small businesses stated that they have donated to local charities, 62.0% said that they encouraged shopping at local small businesses, and 60.0% have sponsored or donated goods/services to local events in the past year.

The RSM U.S. Middle Market Business Index increased considerably, by 8.2 points, in the fourth quarter of 2025, to 131.5 from 123.3 in the third quarter. This was a statistically significant increase on a seasonally adjusted basis, supported by rising revenues and net earnings. As trade taxes stabilize and tax legislation takes effect, the report suggested that this is the beginning of a modest acceleration in overall growth in 2026.

In this quarter, middle-market businesses were growing more optimistic, even though their attitudes on the general economy remain sour, with 38.0% stating the economy improved, while 36.0% said it had deteriorated. Almost half, or 46.0%, expect it to improve over the next six months, and 32% anticipate it will weaken. Nonetheless, middle businesses are currently preparing for an environment of eased regulations, tax cuts, the retroactive full expensing of capital expenditures, and lower interest rates. This is evident as 52.0% of respondents stated an increase in general revenues, and 58.0% anticipated revenues to rise further over the next six months.

Further, 56.0% expected that the upward trend would continue in the first six months of 2026. With the improvement of capital expenditures, 48.0% of respondents stated that they increased outlays in the fourth quarter of 2025, and 53.0% indicated that they intend to do so in the next two quarters.

In the final quarter of the year, concerns over inflation persisted. Over the past year, inflation increased by 3.6% on a three-month annualized basis. Seventy-one percent of respondents reported a rise in prices paid, and 72.0% anticipate paying higher prices through the middle of 2026. As a result, they have attempted to pass the increased costs along to their customers, with 61.0% reported that they have done so in the current quarter, and 64.0% intended to do so in the next six months. In addition, only 40.0% of respondents reported they increased hiring in the current quarter, higher than the 34.0% reading in the third quarter, while 50.0% stated an intent to do so through the middle of next year. Over the past several months, data showed that midmarket hiring is contracting. The U.S. Chamber of Commerce's executive vice president and chief policy officer commented: "Tax relief, eased regulations, and new AI efficiencies are giving the economy a solid boost, which is critical in helping offset higher costs from tariffs. Profit margins are lifting as companies pass these costs on to customers, but so is inflationary pressure. Slower demand for labor will be something to watch amid a tight labor market that could stifle growth."

The RSM U.S. Middle Market Business Index (MMBI) is based on quarterly survey data collected by RSM U.S. LLP and Nielsen N.V. and has been developed in partnership with Moody's Analytics. The MMBI survey and data began in the first quarter of 2015, and the survey panel consists of 700 middle-market executives. An MMBI reading above 100 generally indicates that the middle market is expanding, and a reading below 100 generally indicates that the middle market is contracting. The most recent survey results are based on responses 405 survey participants provided.

9. STOCK MARKETS AND VOLATILITY

The major U.S. equity indexes ended the fourth quarter of 2025 with positive returns following positive returns in the prior two quarters. The Nasdaq Composite saw a 2.6% rise in its price return in the fourth quarter of 2025, after rising 11.2% in the previous quarter. The 2025 return for the Nasdaq Composite was 20.4%. The Nasdaq Composite Index consists mainly of high-tech stocks.

The large-cap-focused Dow Jones Industrial Average ended the fourth quarter with a 3.6% increase in its price return after increasing 5.9% in the third quarter. The 2025 price return for the Dow was 13.0%. The Dow is an index of 30 of the largest and most widely held public companies in the U.S. and is considered the most-watched index in the world

The S&P 500 index increased 2.3% in the fourth quarter of 2025 on a price return basis after rising 7.8% in the prior quarter. In 2025, the price return for the S&P 500 was 16.4%. The S&P 500 consists of a representative sample of 500 leading companies of the U.S. economy and is one of the most commonly used benchmarks for the overall U.S. stock market.

The small-cap Russell 2000 Index was up 1.9% in the fourth quarter of 2025 on a price return basis after increasing 12.0% in the third quarter. The index's 2025 return was 11.3%. The S&P MidCap 400 index's price return increased in the fourth quarter of 2025 by 1.3% after increasing 5.2% in the previous quarter. The 2025 return for the S&P MidCap 400 was 5.9%. The S&P MidCap 400, which is distinct from the large-cap S&P 500, measures the performance of midsized companies and is the most widely followed midcap index.

Average market volatility in December was lower than in November, with the Chicago Board Options Exchange Volatility Index (VIX) averaging 15.6, compared to the 19.9 average in November. VIX reached a high of 17.6 in December, lower than November's high of 26.4.

The VIX represents the implied volatility of 30-day options on the Standard & Poor's 500 stocks and has been termed by analysts and investors as the "fear gauge." Accordingly, the VIX represents the expected volatility of the market, as represented by the Standard & Poor's 500 index. Stock market professionals use the VIX to gauge investor sentiment. Values greater than 30 are generally associated with a large amount of volatility because of investor fear or uncertainty, while values below 20 generally correspond to less stressful, even complacent, times in the markets.

10. BOND MARKETS

Treasury yields fluctuated throughout the fourth quarter of 2025 but mostly increased slightly at the end of the quarter. The 30-day T-bill rate yield was at 4.3% at the beginning of the third quarter, then hovered around 4.0% and 4.1% throughout the quarter. The rates then declined and ended the quarter at 3.7%. The five-year Treasury bill started the third quarter with a yield of 3.7% and closed the quarter at 3.7%. The 10-year Treasury yield started the fourth quarter at 4.1%, remained at the rate for most of the quarter, then increased to 4.2% at the end of the quarter. The 20-year Treasury yield started the quarter at 4.7% and finished at 4.8%.

The prime lending rate started the fourth quarter of 2025 at 7.3%, fell to 7.0% for most of the quarter, and dropped to 6.8% in the end. Similarly, the federal funds and discount window (primary credit) started the quarter at 4.1% and 4.3%, respectively, then gradually decreased and settled at 3.6% and 3.8%, respectively.

The Moody's Corporate Aaa started the fourth quarter with a yield of 5.2% and closed the quarter at a higher rate of 5.4%. The Moody's Corporate Baa yield started the fourth quarter at 5.8%, fluctuated throughout the quarter, and ended the quarter at 5.9%.

11. CONSTRUCTION

The Census Bureau reported that housing starts decreased 4.6% in October, to an annual rate of 1.246 million, compared to the September rate of 1.306 million. October's rate was 7.8% below the October 2024 rate of 1.352 million. Single-family housing starts increased by 5.4% in October, to an annual rate of 874,000, compared to September's rate of 829,000. Single-family starts were down 7.8% from one year ago. Multifamily housing starts decreased by 25.9% from September, reaching an annual rate of 347,000, but were down 10.8% from the same time last year. The multifamily-home sector, which comprises buildings with five units or more, generally tends to be more volatile than the single-family-home sector.

The number of building permit authorizations for privately owned housing units, considered a leading indicator of demand for new homes, fell 0.2% in October, to an annual rate of 1.412 million, and was down 1.1% from one year ago. Single-family housing permits decreased 0.5% from September, to an annual rate of 876,000, and were 9.4% below the rate from October 2024. Building permits for multifamily housing units increased 0.4% in October, to an annual rate of 481,000, and were up 17.9% from the same period a year ago.

Housing completions increased 8.4% in August, to an annual rate of 1.608 million, but were 8.4% below the rate from one year ago. Single-family housing completions increased 6.7% in August, to an annual rate of 1.090 million, and were 5.6% above August 2024. The rate for multifamily housing completions increased 10.8% in August, to an annual rate of 503,000, but fell 28.7% from one year ago.

In the most recent release of the "Value of Construction Put in Place Survey," the U.S. Census Bureau reported that overall spending on construction was at a seasonally adjusted annual rate of $2,175.2 billion in October. This figure was 0.5% higher than the revised September estimate of $2,164.3 billion but was 1.0% below the $2,197.1 billion rate from one year ago. During the first 10 months of 2025, construction spending amounted to $1,825.3 billion, 1.4% lower than the reading of $1,851.4 billion for the same period in 2024.

Spending on all private construction was at an annual rate of $1,651.3 billion in October, 0.6% higher than September's revised estimate of $1,640.8 billion but 1.9% below the rate from one year ago. Spending on nonresidential construction was at a seasonally adjusted annual rate of $737.4 billion in October, a 0.2% decrease from the revised September estimate of $738.5 billion, and 2.6% lower than one year ago.

Spending on private residential construction was at an annual rate of $913.9 billion in October, 1.3% above the revised rate of $902.3 billion in September but 1.3% lower than the October 2024 rate of $926.4 billion.

Spending on total public construction was at an annual rate of $524.0 billion in October, 0.1% above the revised rate of $523.5 billion in September and 2.1% higher than the $513.4 billion rate from one year ago. Spending on educational construction was at an annual rate of $114.8 billion in October, 0.7% above the revised September figure of $114.0 billion but 2.5% below the rate from October 2024. Spending on highway and street construction was at an annual rate of $141.6 billion in October, 0.1% higher than the revised September rate of $141.5 billion, but 1.1% lower than the October 2024 rate of $143.1 billion.

12. MANUFACTURING

The Federal Reserve reported that total industrial production increased 0.4% in December, matching the increase in November. Industrial production grew 0.7% in the fourth quarter of 2025. The index for total industrial production stood at 102.3% of its 2017 average and was 2.0% higher than it was one year ago. Manufacturing output rose 0.2% in December, following a 0.3% rise in the prior month, and was 2.0% higher than one year ago. Durable manufacturing rose 0.1%, following a 0.1% decrease in November, while nondurable manufacturing was up by 0.3%. Other manufacturing, which is publishing and logging, plummeted by 1.6% in December.

Within durable manufacturing, the industry with the highest increase was primary metals, up 2.4%. The electrical equipment, appliances, and components saw a 1.7% increase in December, followed closely by the aerospace and miscellaneous transportation equipment, with a 1.5% increase. Other sectors that reported a rise posted increases of less than 1.0%. These increases were offset mostly by a 2.3% decrease in wood products and a 1.1% decline in both nonmetallic mineral products and motor vehicle and parts. Other sectors that reported declines posted decreases of less than 1.0%.

In nondurable manufacturing, the largest increase was seen from petroleum and coal products, with a 1.8% rise, followed by food, beverage, and tobacco products, which had a 0.5% increase. Plastic and rubber products reported a 0.3% rise. On the other hand, textile and product mills reported the largest decrease in December of 1.3%, followed by apparel and leather, which posted a 1.1% decline. Both paper and printing and support fell by 0.3%, and chemicals posted a 0.1% decline in December.

The mining index was down by 0.7% in December, following a 1.7% increase in the previous month, but increased 1.7% from one year ago. The index for utilities rose by 2.6% in December and was up 2.3% from one year ago. Within the utilities group, electric utilities increased 1.2% in December, and the natural gas utilities surged by 12.0%. Electric utilities were up 1.3% from one year ago, while natural gas was up 8.7% from one year ago.

Capacity utilization in the industrial sector rose in December to 76.3%, 0.2 percentage points higher than in November, and was 3.2 percentage points below its long-run (1972-to-2024) average. Capacity utilization for manufacturing was unchanged, at 75.6%, but remained 2.6 percentage points below its long-run average. The operating rate for mining was down 0.5 percentage points from November, to 85.7%, while the operating rate for utilities moved up 1.6 percentage points, to 72.3%. The rate for utilities remained below its long-run average of 84.3%, while the rate for mining was 0.5 percentage points above its long-run average.

The U.S. Census Bureau announced that new orders for manufactured durable goods increased by 5.3% in November, to $323.8 billion. The November increase in new orders followed a 2.1% fall in October. Total new orders for manufactured durable goods were 7.3% higher than one year ago. Excluding defense, new orders rose 6.6% in November after decreasing 1.3% in October. Excluding the volatile transportation orders, new orders rose 0.5% in November. Orders for transportation equipment increased by 14.7% in November after dropping 6.3% in October. New orders for nondefense capital goods excluding volatile aircraft orders—an indicator of business spending strength—rose 0.7% in November after increasing 0.3% in October.

The Institute for Supply Management's (ISM) manufacturing index (Manufacturing PMI) decreased by 0.3 percentage points in December, to 47.9%. The December reading indicated a contraction in economic activity in the manufacturing sector for the 10th consecutive month, following two consecutive months of expansion after 26 consecutive months of contraction. A Manufacturing PMI above 50.0% indicates that the manufacturing sector is generally expanding, while a reading below 50.0% indicates that it is generally contracting. Additionally, a manufacturing PMI above 42.3%, over a period of time, generally indicates an expansion of the overall economy. Therefore, December's Manufacturing PMI signified growth in the overall economy for 68 consecutive months after a single month of contraction in April 2020.

The report noted that two of the five subindexes (New Orders, Production, Employment, Supplier Deliveries, and Inventories) that directly factor into the Manufacturing PMI were in expansion territory: Production and Supplier Deliveries. Of the six largest manufacturing industries, only one reported growth in December: computer and electronic products.

The New Orders Index contracted for the fourth consecutive month in December after one month of expansion, registering 47.7%. This was a 0.3-percentage-point increase from November's reading of 47.4%. This reading is below the index's 12-month moving average of 48.9%. The New Orders Index has not shown consistent growth since a 24-month expansion streak ending in May 2022. The report noted a 1-to-1.3 ratio of positive comments to those expressing concern about near-term demand, mostly due to concerns over tariff costs and uncertainty. Of the six largest manufacturing sectors, only one reported an increase in new orders in December: computer and electronic products. Two of the 18 manufacturing industries—electrical equipment, appliances, and components and computer and electronic products—reported growth in new orders in December. Thirteen reported a decline, and three reported no change. Over time, a New Orders Index above 52.1% is generally consistent with an increase in the Census Bureau's series on manufacturing orders (in constant 2000 dollars).

The Production Index registered 51.0%, a drop of 0.4 percentage points from the 51.4% reading in November. Despite the decrease, the index remained in expansion territory in December. Over time, a Production Index above 52.1% is generally consistent with an increase in the Federal Reserve Board's industrial production figures. Two of the six largest manufacturing sectors reported an increase in production in December: computer and electronic products and transportation equipment. The report noted a 1-to-1 ratio of positive to negative comments on reduced output in production. Four of the 18 manufacturing industries—plastics and rubber products; computer and electronic products; electrical equipment, appliances, and components; and transportation equipment—reported growth in new orders in December. Nine reported a decline, and five reported no change.

ISM's Employment Index for the manufacturing sector registered a 0.9-percentage-point increase in December, to 44.9%. Nonetheless, the index reading indicated a contraction for the 11th consecutive month, following a single month of expansion in January. The Employment Index has contracted for 37 out of 44 months since May 2022. Over time, an Employment Index above 50.3% is generally consistent with an increase in the Bureau of Labor Statistics' data on manufacturing employment. Labor management sentiment at the panelists' companies indicated continued staff reductions, mainly through layoffs and not filling open positions. Further, panelists also mentioned the approximately 1-to-3 ratio of hiring to head-count reduction, as companies accelerated head-count reductions due to the uncertain near-term-to-midterm demand. Two of the six biggest manufacturing sectors recorded employment growth in December: transportation equipment and machinery. Three of the 18 manufacturing industries reported employment growth: miscellaneous manufacturing, transportation equipment, and machinery. Thirteen reported a decrease, and two reported no change in employment in December.

The Supplier Deliveries Index indicated slower deliveries in December after one month of faster deliveries. The index stands at 50.8%, a 1.5-percentage-point increase from the 49.3% reading in November. A reading below 50.0% indicates faster deliveries, while a reading above 50.0% indicates slower deliveries. Of the six big industries, three—food, beverage, and tobacco products; machinery; and computer and electronic products—reported slower supplier deliveries in December. Eight out of a total of 18 manufacturing industries reported slower supplier deliveries in December: textile mills; nonmetallic mineral products; fabricated metal products; primary metals; electrical equipment, appliances, and components; computer and electronic products; machinery; and food, beverage, and tobacco products. Four reported faster deliveries, while six reported no change in delivery performance in December.

The Inventories Index dropped 3.7 percentage points in December, to 45.2%, compared to 48.9% in November. Over time, an Inventories Index greater than 44.5% is generally consistent with expansion in the Bureau of Economic Analysis' figures on overall manufacturing inventories (in chained 2000 dollars). None of the six big industries grew input inventories in December. Two out of 18 manufacturing industries reported higher inventories in December: nonmetallic mineral products and electrical equipment, appliances, and components. Ten reported lower inventories, and six reported no change in raw materials inventories.

The Customers' Inventories Index decreased by 1.4 percentage points, to 43.3%, in December from its 44.7% reading in November. The ISM report indicated that customer inventory remained in "too low" territory. None of 18 manufacturing industries reported customers' inventories as too high in December. Eleven industries—wood products; plastics and rubber products; paper products; fabricated metal products; nonmetallic mineral products; primary metals; chemical products; computer and electronic products; food, beverage, and tobacco products; transportation equipment; and electrical equipment, appliances, and components—reported customers' inventories as too low in December, while six reported no change.

Output, measured by the Production and Employment indexes, indicated a mixed reading in December. The report noted that production remained in expansion territory, while the Employment Index contracted at a slower pace, with 63.0% of panelists indicating that managing head counts is still the norm at their companies, as opposed to hiring.

The inputs component, defined as supplier deliveries, inventories, prices, and imports, was also mixed in December. The Supplier Deliveries Index signified slower deliveries. The Inventories and Imports Indexes contracted at a faster rate.

The Prices Index was unchanged from November, at 58.5%, indicating that raw material prices rose for the 15th consecutive month. The increase in commodity prices of steel and aluminum continued to impact the entire value chain. The price increase is also a result of the tariffs applied to many imported goods. In December, 26.4% of panelists' companies reported higher prices, compared to 27.2% in November. Prior to this, the highest share was seen in June 2022, with 65.2%. A Prices Index reading above 52.8%, over time, is generally consistent with an increase in the Bureau of Labor Statistics' Index of Manufacturers' Prices for Intermediate Materials. Four of the six largest manufacturing industries—transportation equipment; machinery; computer and electronic products; and food, beverage, and tobacco products—reported price increases in December.

Eleven of the top 18 manufacturing industries reported paying higher prices for raw materials: fabricated metal products; electrical equipment, appliances, and components; furniture and related products; machinery; primary metals; transportation equipment; miscellaneous manufacturing; wood products; nonmetallic mineral products; computer and electronic products; and food, beverage, and tobacco products. Four industries reported decreased prices in December, and three reported no change.

The Imports Index was 44.6% in December, 4.3 percentage points lower than the 48.9% reading in November. The reading indicated that the index remained in contraction territory for the ninth consecutive month. Panelists' comments indicated that imports continued to decline due to low demand and tariff-related pricing pressures. Only one of the 18 industries reported an increase in imports in December: electrical equipment, appliances, and components. Thirteen industries reported lower import volumes, and four reported no change.

The New Export Orders Index was 46.8% in December, a 0.6-percentage-point rise from its November reading of 46.0%. Nonetheless, the index indicated a contraction for the 10th consecutive month after two months of expansions in January and February. December's panelists reported that continued contraction in new export levels suggests ongoing trade friction resulting in reduced demand. Further, many of the panelists reported softer international orders tied to tariffs and ongoing uncertainty in the U.S. economic policy. Five of the 18 industries reported growth in December: wood products; primary metals; plastics and rubber products; electrical equipment, appliances, and components; and computer and electronic products. Eight industries reported a decrease, and five reported no change.

The Backlog of Orders Index registered 45.8% in December, 1.8 percentage points higher than the previous month's reading of 44.0%. Despite the rise, the index reading indicated a contraction for the 39th consecutive month after 27 months of expansion. Only one of the six largest manufacturing industries reported expanded order backlogs in December: computer and electronic products. The report noted that trade issues and other geopolitical tensions continued to contribute to the contraction and that we should not expect a significant improvement until these issues are resolved. Of the 18 manufacturing industries, one industry, computer and electronic products, reported growth in order backlogs in December, while 11 sectors reported lower backlogs and six reported no change.

Buying Policy, the index that tracks the average commitment lead time for capital expenditures, was up by six days from November, to 177 days. The average lead time for production materials was down by four days from November, to 77 days. The average lead time for maintenance, repair, and operating supplies was up two days from the previous month, to 49 days.

The Institute for Supply Management published its December 2025 *Supply Chain Planning Forecast,* formerly known as the "Semiannual Economic Forecast," based on data received from purchasing and supply executives across the country. The survey reported that the manufacturing sector is expected to grow in 2026. The report stated that 56.0% of the panel of purchasing and supply executives anticipated revenues to be greater in 2026 than in 2025. The panel predicted a net 4.4% increase in overall revenues for 2026 compared to a 2.5% increase reported for 2025. Purchasing and supply executives were confident about overall business prospects for the first half of 2026 and more enthusiastic about faster growth in the second half. They reported that capital expenditures saw an increase of 3.5% in 2025 and expect first-half 2026 profit margins to improve over the second half of 2025. Further, employment in the sector is expected to grow by 0.4 percentage points in 2026, while labor and benefit costs are expected to increase an average of 2.5%.

Sixteen out of 18 manufacturing industries projected revenue increases in 2026. They are: food, beverage, and tobacco products; fabricated metal products; miscellaneous manufacturing; computer and electronic products; chemical products; petroleum and coal products; nonmetallic mineral products; transportation equipment; primary metals; machinery; paper products; furniture and related products; wood products; textile mills; plastics and rubber products; and electrical equipment, appliances, and components.

The purchasing and supply executives reported that production capacity increased by 2.8 percentage points for 2025. Further, 33.0% of panelists reported increases of 12.7% on average, and 15.0% saw decreases of an average of 8.8%, while 52.0% reported no change in production capacity in 2025. The survey respondents reported a 3.5% increase in capital expenditures in 2025, much higher than the 1.3% decrease predicted in May. Thirty-one percent of respondents reported an increase of 31.2% on average in capital expenditures in 2025, while 25.0% stated an average decrease of 25.4%, and 44.0% reported no change. In the previous report in May, respondents forecasted an increase of 7.5% in prices paid for raw material in 2025; they now reported prices increased by an average 5.4%. Seventy-one percent of the panel who reported their prices are higher now than at the end of 2024 stated an increase of 8.9%. Ten percent of respondents reported an average decrease of 9.5%, while 19.0% reported no changes in prices.

ISM's Manufacturing Business Survey asked respondents some questions specifically related to the use of artificial intelligence and the impact of the application of tariffs. When asked whether their organization uses certain AI applications, 32.0% reported that they do not use any AI applications, 29.0% stated that they are piloting the use of AI applications, while 8.0% are building one internally with or without an external company. In terms of changing selling prices for products or services in response to tariffs, 32.0% of the respondents stated they plan to pass on all of the cost increases to sales prices, while 42.0% plan to pass on some of the cost increases to sales prices and to absorb some through reduced margins. Only 8.0% stated that they will absorb all of the cost increases through reduced margins. When asked whether they plan to reshore final or intermediate production from abroad, 18.0% of the respondents are actively looking into shifting production to the U.S. from abroad, while 34.0% cited that they are not looking into changing their supply-chain partners.

The highlights of the forecast are:

- The operating rate is at 82.4% of the normal capacity;
- Production capacity is expected to increase by 5.2% in 2026;
- Capital expenditures are expected to increase 3.0% in 2026;
- Overall prices paid are expected to increase 4.4% in 2026;
- Labor and benefit costs are expected to increase 2.5% in 2026;
- U.S. exports growth is expected in 2026;
- U.S. imports are expected to stay the same in 2026; and
- The U.S. dollar is expected to strengthen in two of the seven major trading partners in 2026.

13. SERVICES

The Institute for Supply Management's Services PMI index increased by 1.8 percentage points in December, to 54.4%. The reading indicated that the index was in expansion territory for the 10th time in 2025 and was the highest reading of the year. A Services PMI reading above 50.0% indicates the services-sector economy is generally expanding, while a reading below 50.0% indicates it is generally contracting. Over the past 12 months, the Services PMI has averaged 51.7%. All of the four subindexes that directly factor into the Services PMI—business activity, employment, new orders, and supply deliveries—recorded an expansion in December. A Services PMI reading above 48.6%, over time, generally indicates an expansion of the overall economy. Therefore, the December Services PMI indicates the overall economy expanded for the 67th consecutive month.

The index that measures business activity rose 1.5 percentage points in December, to 56.0%, compared to the 54.5% recorded in November. The reading was the highest since the index registered 58.0% in December 2024. December's reading was reflected in participants' comments, such as: "construction budgets for renovation, and new projects have significantly swelled" and "reduced customer orders, reduced new business activities." Nine out of 18 industries reported an increase in business activity for December—finance and insurance; retail trade; transportation and warehousing; healthcare and social assistance; accommodation and food services; information; construction; wholesale trade; and public administration—while seven industries reported a decrease and two reported no change.

The New Orders Index increased 5.0 percentage points in December, to a reading of 57.9% from 52.9% in November. The reading indicated an expansion. The index has been in expansion territory in 34 of the last 36 months. Respondents' comments included: "We are seeing lower activity on hydrocarbon chemical construction, but higher in power plant construction," and "end-of-year bookings; seasonally expected increases." Nine of the 18 industries reported an increase in new orders for the month of December—mining; transportation and warehousing; finance and insurance; arts, entertainment, and recreation; other services; healthcare and social assistance; retail trade; information; and wholesale trade—while six industries reported a decline and three were unchanged.

The Employment Index increased by 3.1 percentage points in December, hitting 52.0% from 48.9% in November, which was the highest reading since May's 50.7%. The reading indicated that the index returned to expansion territory for the first time since May 2025. Respondents' comments included: "We are now able to hire more qualified people, as the labor market appears to be stabilizing" and "did a reduction in force of roughly 10% as a cost-containment measure." Seven of the 18 industries reported an increase in employment in December—accommodation and food services; arts, entertainment, and recreation; retail trade; agriculture, forestry, fishing, and hunting; real estate, rental, and leasing; utilities; and public administration—while seven reported a decrease and four reported no change in employment.

In December, the Supplier Deliveries Index was 51.8%, a 2.3-percentage-point drop from its November reading of 54.1%. This month's reading indicates slower performance for the 13th consecutive month. Supplier deliveries is the only Services PMI component that is inverted: A reading above 50.0% indicates slower deliveries, while a reading below 50.0% indicates faster deliveries.

Panelists' comments included: "The current data show that supplier deliveries have improved since October and November," and "longer lead times for equipment." Seven of the 18 industries reported slower deliveries in December: management of companies and support services; accommodation and food services; transportation and warehousing; information; professional, scientific, and technical services; healthcare and social assistance; and public administration—while two industries reported faster deliveries and nine reported no change in deliveries.

The Prices Index was 64.3% in December, a decrease of 1.1 percentage points from November's reading of 65.4%. The reading indicated that prices service organizations paid for materials and services increased in November for the 103rd consecutive month. Fifteen of the 18 industries reported an increase in prices paid in December: other services; professional, scientific, and technical services; finance and insurance; educational services; construction; information; wholesale trade; accommodation and food services; agriculture, forestry, fishing, and hunting; healthcare and social assistance; public administration; transportation and warehousing; management of companies and support services; utilities; and retail trade. Only one industry reported a decrease (mining), and two industries reported a decrease in prices paid.

The New Export Orders Index, which measures orders and requests for services and other nonmanufacturing activities to be provided outside the U.S. by U.S.-based companies, increased by 5.5 percentage points in December, to 54.2%. The December reading indicated an expansion for the fourth time in 2025 and was the highest reading since September 2024, when it registered 56.7%. Of those surveyed, 41.0% indicated that they do not perform or do not separate orders for work outside of the U.S. Respondent comments include: "With Lunar New Year approaching, exports are higher than last month but lower than the same month last year" and "preparing for the first quarter, our busiest time of year." Six of the 18 industries reported an increase in new export orders in December: arts, entertainment, and recreation; other services; transportation and warehousing; information; finance and insurance; and wholesale trade. Four industries reported a decrease, while eight industries reported no change in new exports.

The Inventories Index rose 0.8 percentage points in December, to 54.2%, compared to the 53.4% reading in November. The reading indicated that the index remained in expansion. The survey found that 28.0% of respondents stated that they do not measure their inventories or do not have inventories. Respondents' comments included: "trying to increase inventory to smooth out back orders" and "beginning to wind down for slowing winter business levels and end-of-year inventory counts." Nine out of 18 industries—arts, entertainment, and recreation; retail trade; finance and insurance; professional, scientific, and technical services; agriculture, forestry, fishing, and hunting; information; transportation and warehousing; educational services; and public administration—reported an increase in inventory levels, and two industries reported a drop in their inventories. Seven industries reported no change in December.

The Institute for Supply Management published its December 2025 *Supply Chain Planning Forecast,* formerly known as the "Semiannual Economic Forecast," based on data received from purchasing and supply executives across the country. The report noted that 54.0% of services supply management executives anticipated higher overall revenues in 2026, with an expected 4.6% increase compared to the 4.2% increase reported in 2025. They are optimistic about the first half of 2026 and expect growth to decline slightly in the second half, with a projected increase in capital investment. In 2025, services companies reported operating at 90.2% of normal capacity, higher than the 86.5% reported in May. Prices increased by 3.6% in 2025 and are expected to rise further in 2026, while profit margins decreased slightly in the second and third quarters of 2025 but are expected to grow between now and May 2026.

Sixteen industries reported increased revenues in 2025. They are: real estate, rental, and leasing; information; professional, scientific, and technical services; wholesale trade; healthcare and social assistance; accommodation and food services; other services; finance and insurance; arts, entertainment, and recreation; retail trade; public administration; transportation and warehousing; utilities; mining; construction; and educational services.

Services supply executives reported that their companies' capacity to produce products or provide services in the services sector increased 3.0% during 2025. This is much higher than the decrease of 1.1% predicted in the May report. Twenty-one percent of services supply managers expect increases averaging 11.1%, and 5.0% expect capacity to decrease by 4.9% on average. Seventy-three percent expect no change in production capacity. Further, services companies reported that their level of capital expenditures in 2025 increased 3.9% year over year, which is higher than the 3.3% decrease projected in May. Thirty-seven percent of respondents reported an average increase of 15.4% in 2025, 10.0% noted an average decrease of 17.2%, and 53.0% reported no change in capital expenditures in 2025 compared to 2024. Furthermore, nonmanufacturing purchasing and supply executives reported that their purchasing costs increased an average of 3.6% in 2025, which is much lower than the 7.3% increase predicted in May. Sixty-one percent of respondents reported price increases averaging 6.2%, while 3.0% reported prices decreased 6.1% on average, and 36.0% indicated no price changes in 2025.

ISM's Services Business Survey asked respondents some questions specifically related to the use of artificial intelligence and the impact of the application of tariffs. When asked whether their organization uses certain AI applications, 25.0% reported that they do not use any AI applications, 28.0% stated that they are piloting the use of AI applications, while 21.0% are building one internally with or without an external company. In terms of changing selling prices for products or services in response to tariffs, 16.0% of the respondents stated they plan to pass on all of the cost increases to sales prices, while 30.0% plan to pass on some of the cost increases to sales prices and to absorb some through reduced margins. Five percent stated that tariffs will not affect their costs, but they plan to use tariffs as an opportunity to raise prices. When asked whether they plan to reshore final or intermediate production from abroad, 7.0% of the respondents are actively looking into shifting production to the U.S. from abroad, while 68.0% cited that they are not looking into changing their supply-chain partners. The highlights of the forecast are:

- Production and provision capacity is expected to increase 2.1% in 2026;
- Capital expenditures are expected to increase 2.5% in 2026;
- Prices paid are expected to increase 4.2% in 2026;
- Labor and benefit costs are expected to increase 3.2%;
- Employment is expected to increase 2.5% in 2026;
- Export levels are expected to increase in 2026; and
- Import reduction is expected in 2026.

14. REAL ESTATE

National Association of Home Builders
The National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI) reported that the index rose in December by 1.0 point, to 39.0%, which was the highest reading since April. Sentiment levels have been well below the break-even point of 50.0 throughout 2025. Despite the small increase, builder confidence remained negative due to the economic uncertainty, tariffs, and rising construction costs. Many potential buyers remained hesitant because of concerns over affordability. The NAHB forecasted that there will be a slight gain in 2026. As the NAHB chief stated, "In positive signs for the market, builders report that future sales expectations have been above the key breakeven level of 50 for the past three months, and the recent easing of monetary policy should help builder loan conditions at the start of 2026."

Furthermore, the market remains challenging as builders continue to struggle with sales and offer incentives to encourage eligible homebuyers to enter the market. In December, 40.0% of builders cut home prices to boost sales. This was the second time this measure has hit 40.0% or higher since May 2020. Sixty-seven percent of builders offered some form of sales incentive in December, which was the highest reading in the post-COVID-19 period. The average price reduction in December was 5.0%, slightly down from 6.0% from the prior month.

The major HMI components reported mixed readings in December. The component measuring current sales conditions was up 1.0 point, to 42.0, and the component gauging sales expectations over the next six months was also up by 1.0 point, to 52.0. The component that measures prospective buyer traffic was unchanged, at 26.0.

The three-month moving averages for the regional HMI indexes mostly increased in December. The Northeast was down 1.0 point, to 47.0; the Midwest was up 2.0 points, to 43.0; the South was up 2.0 points, to 36.0; and the West was up 4.0 points, to 34.0.

National Association of Realtors (NAR)
The National Association of Realtors (NAR) reported that the number of existing-home sales increased 5.1% in December, to a seasonally adjusted annual rate of 4.35 million, following an increase in November. Over the last 12 months, the annual rate of existing-home sales, which account for the majority of all home sales, was 1.4% higher than it was in December 2024. The report recapped that 2025 was a tough year for homebuyers, marked by a historically low number of home sales and record-high home prices. However, as the year was closing, home sales in December picked up and were the strongest in nearly three years, due to lower mortgage rates and slower home price growth.

Total housing inventory stood at 1.18 million units at the end of December, down 18.1% from the previous month but 3.5% higher than the same period one year ago, when the figure was 1.14 million. At the current sales rate, unsold inventory remains at a 3.3-month supply, down from the 4.2 months in November but up from 3.2 months in December 2024. NAR's chief economist stated, "Inventory levels remain tight." He added, "With fewer sellers feeling eager to move, homeowners are taking their time deciding when to list or delist their homes. Similar to past years, more inventory is expected to come to market beginning in February."

The national median existing home price for all housing types was up 0.4% in December from a year ago, to $405,400. The median home price increase in December marked the 30th consecutive month of year-over-year price increases. NAR reported that all of the four major U.S. regions experienced an increase in home sales in December. Sales rose in one of the four regions year over year, declined in one, and were unchanged in two regions.

Existing home sales in the Northeast rose 2.0% in December, at an annual rate of 520,000, but were down 1.9% from December 2024. The median home price in the Northeast was $496,700, a 3.7% increase from December 2024.

Sales in the Midwest were at an annual rate of 1.00 million in December, a 2.0% increase from the prior month but were unchanged from one year ago. The median home price in the Midwest was 3.1% higher than one year ago, at $306,000.

Existing home sales in the South increased 6.9% from December, to an annual rate of 2.02 million, and were up 3.6% from 12 months ago. The median home price in the South was $360,200, down 0.3% from December 2024.

Sales in the West increased 6.6%, to an annual rate of 810,000, but were unchanged from the same period last year. The median home price in the West was $605,600, a 1.4% decrease from a year ago.

The Federal Housing Finance Agency's (FHFA) most recent House Price Index showed that house prices nationwide increased 0.6% in November and 1.9% over the last 12 months ending November 2025.

Across the nine census divisions, the FHFA reported that seasonally adjusted monthly house price changes from October 2025 to November 2025 ranged from 0.0% in the Middle Atlantic division to 1.1% in the East South Central division. The 12-month changes ranged from a 0.4% decline in the Pacific division to a 5.1% increase in the East North Central division.

According to Freddie Mac, the national average 30-year fixed mortgage rate ended the month of December at 6.15%. This was a 0.08-percentage-point decrease from the 6.23% rate at the end of November. The current rate is 0.70 percentage points, or 11.38%, lower than it was at the end of December 2024.

In December, NAR's Realtors' Confidence Index highlighted that the number of days a property stays on the market increased to 39 days, while the number of offers a seller received remained at 2.2. The report also noted that cash buyers remained unchanged, at 28.0%, and first-time buyers declined to 29.0%. Thirty-one percent of respondents expect an increase in buyer traffic in the next three months, an increase from the 22.0% reading in the prior month and from the 27.0% level one year ago. Twenty-eight percent of respondents expect an increase in seller traffic year over year in the next three months, higher than November's reading of 18.0% and slightly higher than 27.0% one year ago. The RCI is a key indicator of housing market strength based on a monthly survey of over 50,000 real estate practitioners.

The report noted that 83.0% of buyers purchased a property in a suburban, small-town, rural, or resort area, which was lower than the 84.0% mark in the previous month and lower than the 85.0% share in December 2024. The share of nonprimary residence buyers was 18.0%, identical to the share seen in the previous month and higher than the 16.0% share one year ago. The share of vacation home buyers was 7.0%, higher than the reading of 5.0% in the previous month and from 4.0% one year ago.

In its most recent quarterly U.S. economic outlook, NAR projects existing-home sales to increase by 3.0% in 2025, followed by a 14.0% rise in 2026. It expects new home sales to be neutral in 2025 and 3.0% in 2026.

NAR believes the median existing-home price will rise 1.0% by 2025, followed by a 4.0% increase in 2026. Mortgage rates will average 6.7% in 2025 and 6.0% in 2026. Further, the report noted that job gains will increase by 1.6 million in 2025 and rise further, by 2.0 million jobs, in 2026.

Pending home sales, as measured by the Pending Home Sales Index (PHSI), decrease 9.3% in December 2025, as reported by the National Association of Realtors, and the index was down 3.0% from a year ago. The report noted that December's data indicate there were only 1.18 million homes on the market, matching the lowest inventory level in 2025 and dampening potential buyers' enthusiasm for buying a home. Furthermore, the seasonal pattern played an important role in the housing market outlook due to public holidays and wintry weather conditions, especially in December. NAR's chief economist stated: "We'll be watching the data in the coming months to determine whether the soft contract signings were a one-month aberration or the start of an underlying trend."

Month over month, contract signings decreased in all four U.S. regions. Year over year, contract signings decreased in three of four U.S. regions. The PHSI in the Northeast closed the fourth quarter with an 11.0% decrease from November and was 3.6% lower than one year ago. The Midwest index fell 14.9% in December compared to the previous month and was down 9.8% from one year ago. The South reported a 4.0% decrease month over month but rose 2.0% from the previous year. The West index decreased 13.3% in December compared to the prior month and was down 5.1% from December 2024.

The PHSI is a forward-looking indicator for the housing sector, based on pending sales of existing homes. A sale is listed as pending when the contract has been signed, but the transaction has not closed, though the sale usually is finalized within one or two months of signing. There is a closer relationship between annual index changes (from the same month a year earlier) and year-ago changes in sales performance than there are with month-to-month comparisons. An index of 100 is equal to the average level of contract activity during 2001, which was the first year to be examined, as well as the first of five consecutive record years for existing-home sales.

Concurrently, a report published by Redfin stated that pending home sales fell 5.9% in December, which was the largest seasonally adjusted decline since September 2022, and dropped 7.4% year over year. The report also noted a decrease in listings by 1.4%, to 521,701 units, in December, the lowest seasonally adjusted level since January 2024, and fell 4.9% year over year. The number of homeowners selling their homes retreated because many of them were also in the market for their next home, and buying that next home is too expensive. The typical home that went under contract in December sat on the market for 60 days—the slowest December pace in 10 years, and six days higher than a year ago. Furthermore, the typical home that sold in December went for 1.8% less than its final list price, which was the biggest December discount since 2022, and only 22.0% of homes sold for more than their final list price—the lowest December share since 2019. A Redfin premier real estate agent in Sacramento, Calif., stated, “There aren’t a ton of homes on the market, but there are enough for house hunters to feel like they can take their time. One challenge is that many buyers’ purchases are contingent on the sale of their current property, and many sellers aren’t willing to take contingent offers. This has caused a standstill in the market.”

According to the most recent report by the Department of Housing and Urban Development, in the third quarter of 2025, the national homeownership rate rose to 65.3%. This was a 0.3-percentage-point increase from 65.0% in the second quarter, but down from 65.6% in the third quarter of 2024. Nonetheless, the rate is not statistically different from the rate a year ago. Further, the historic norm since 1964 is 65.3%. The report also noted that the rate of forbearance on mortgage loans increased. In September, data indicated that the share of homeowners with mortgages in forbearance were 0.40%, or 180,000 households, up from 0.36% in August and 0.34%, or 170,000 households, one year ago.

NAR’s most recent “Commercial Real Estate Market Insights” report analyzed the trends in the commercial real estate market in December 2025. The report stated that overall U.S. economic growth remained resilient, supported by steady consumer spending. Labor market conditions continued to weaken toward the end of 2025, as hiring slowed and revised data showed weaker job growth. As a result, the Federal Reserve shifted toward policy easing, delivering multiple rate cuts in the second half of 2025. However, financial conditions have been slower to adjust, with borrowing costs only beginning to edge lower. In December, total commercial real estate debt continued to increase, reaching $3.07 trillion, and reinforcing signs of gradual stabilization after an extended period of subdued growth. In the third quarter of 2025, the CRE delinquency rate decreased slightly, to 1.56%, 0.2 percentage points below residential loan delinquency rates. Over the past decade, commercial loan delinquencies have remained below 3.5%.

The office sector, having experienced the most severe and persistent challenges compared with any other commercial real estate category, continued to recover and turned to positive absorption of 0.8 million square feet. As a comparison, office net absorption at the end of 2024 was -30.7 million square feet. The vacancy rate edged up to 14.0%, while rent growth edged down to 0.8% as landlords became more competitive on pricing. Major markets such as Washington, D.C., saw the most substantial reductions in office space, vacating over 3.7 million square feet. Boston, however, saw a turnaround where office space outflows decreased significantly, dropping from 6.8 million square feet a year ago to 1.0 million square feet in December 2025. New York City recorded the largest 12-month absorption, improving from a 2.11-million-square-feet mark a year ago to approximately 3.31 million square feet. In December, the capitalization rate in the office sector was 9.0%.

At the end of December, the multifamily sector showed solid demand, although surplus units from prior construction cycles remain a hindrance to fundamentals, limiting rent growth and keeping vacancy elevated. In December, absorption declined by 19.0%, to 437,897 units in the last 12 months. The completion of new units declined by 26.0% over the year, while new supply still surpasses absorption by 19.0%. The multifamily vacancy rate rose to 8.5% in December, while rent growth declined to a cycle low of 0.3% over the past year, indicating that leasing activity weakened due to the winter months. The report highlighted high demand in metropolitan areas such as New York City and Dallas-Fort Worth, with more than 20,000 multifamily units absorbed over the year, underlining the strong performance of the rental market. In December, the capitalization rate in the multifamily sector was 6.1%.

Demand in the retail sector has softened since the strong pre-pandemic years as e-commerce growth increased. In the fourth quarter of 2025, net absorption turned positive following two consecutive quarters of negative absorption, to a modest 0.9 million square feet. As 29.1 million square feet of new space entered the market, vacancy rates held steady, at 4.3%. The report projected that vacancy pressure could build in the coming months. Further, general retail remained the most resilient in December 2025, absorbing 13.4 million square feet compared to 18.8 million square feet 12 months ago. Neighborhood centers recorded the largest decline, with 8.8 million square feet vacated, followed by power centers, with 2.6 million square feet vacated. General retail continued to have the lowest vacancy rate, at 2.6%, while rent growth edged up to 2.0% in the past 12 months. The highest rent was found in neighborhood centers and power centers, with a 2.6% and 2.7% increase, respectively. In December 2025, the capitalization rate for the retail sector was 7.3%.

At the end of December 2025, the industrial sector saw a slowdown due to softening demand and oversupply. Net absorption declined by 42.0% compared to 12 months ago, to 112.6 million square feet. Deliveries of new construction are outpacing absorption by a ratio of 2-to-1, resulting in a 7.5% increase in the vacancy rate. Nonetheless, the market shows signs of improvement as the gap is narrowing from recent quarters, suggesting the worst of the imbalance may come to an end. Logistics spaces continued to be the primary contributor to positive absorption, accounting for 91.9 million square feet over the past year, ending in December. This is followed by specialized facilities, with 28.1 million square feet, while flex space vacated 7.4 million square feet. Consequently, rent price growth eased to 1.3% year over year. Logistics spaces reported a 1.6% rent decrease over the past 12 months, and specialized facilities had a 0.6% decrease, while flex space slipped to 1.2%. In December 2025, the capitalization rate for the industrial sector was 7.3%.

The hospitality sector has remained stable as of December 2025. The hotel occupancy rates remained steady, at 62.2%, and remained below the pre-pandemic level, mainly due to ongoing remote work patterns and reduced corporate travel. Meanwhile, average daily rates (ADR) and revenue per available room (RevPAR) have surpassed the levels seen before the pandemic, due to steady leisure and mixed-purpose travel demand. In December, the ADR per room was $160.0, which is 22.0% higher compared to December 2019, and RevPAR increased to $100.0 per room, which is up 16.0% compared to the same period. However, sales acquisitions have declined since last year. In December 2025, the 12-month sales volume dropped to $21.8 billion from $22.7 billion in the previous year. This suggests a more cautious investor's standpoint amid elevated borrowing costs and economic uncertainty.

Mortgage Bankers Association
The Mortgage Bankers Association (MBA) finance forecast report stated it believes refinance origination volume for 2026 will be $760.0 billion, a 34.0% share of all mortgage originations. The MBA believes refinance originations will then fall to $693.0 billion in 2027, or 32.0% of all mortgage originations, and continue to decline to $672.0 billion in 2028, or 30.0% of all mortgage originations. The forecast for 2026 is higher than the refinance origination volume of $694.0 billion in 2025, where refinancing accounted for 34.0% of all mortgage originations. The MBA projects the 30-year mortgage rate will average 6.1% in 2026 before rising to 6.3% in 2027 and to 6.6% in 2028. The MBA believes purchase originations will total $1,443.0 billion in 2026, before rising to $1,506.0 billion in 2027 and $1,541.0 billion in 2028. The MBA expects overall origination volume to total $2,203.0 billion in 2026, then decline slightly to $2,199.0 billion in 2027, and then increase to $2,213.0 billion in 2028.

National Association of Real Estate Investment Trusts
Investment returns for properties, as measured by the National Association of Real Estate Investment Trusts (NAREIT), fell 2.1% in December 2025 but were up 4.9% in 2024 and 2.3% in year-to-date 2025. Four of the 13 sectors posted positive returns in the month, led by the timberland sector, with a 4.5% rise. The lodging/resorts sector experienced an increase of 0.8% in December, followed by gaming, with a 0.7% rise. The residential sector posted the smallest increase, with a 0.5% rise. Nine posted negative returns, with healthcare reporting the largest decrease of 8.4%, followed by the office sector, with a 6.4% loss. The self-storage sector decreased 3.1%, and the data centers saw a 0.1% decline.

National Council of Real Estate Investment Fiduciaries
National property index returns, as measured by the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index, increased 1.1% in the fourth quarter of 2025 after rising 1.2% in the third quarter. The index was up 4.9% from one year ago.

Of the property-type indexes, only one out of eight reported gains in the fourth quarter. The highest return was reported in the senior housing segment, at 3.3%, followed by the self-storage segment, at 1.8%. The retail segment was the third largest, with a 1.6% gain, while the hotel segment posted a 1.3% increase. The industrial and residential segments reported 1.2% and 1.1% rises, respectively, in the fourth quarter. The office segment posted the smallest gain, with a 0.8% rise in the fourth quarter, while the other segment reported a 1.0% decline. All four of the regional indexes improved in the fourth quarter of 2025. The East increased by 1.2%, and the West rose by 0.8%. The Midwest increased by 1.7%, and the South reported a 1.4% return.

The NCREIF Property Index (NPI) is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors—the great majority being pension funds. As such, all properties are held in a fiduciary environment.

At the national level, housing affordability increased at the end of the fourth quarter of 2025 compared to the previous quarter. NAR's Housing Affordability Index in December stood at 111.6, up 5.1 points from 106.5 at the end of the third quarter. The December 2025 index reading was up 10.7 points from its level one year ago and was the highest reading in the past year. The report cited mortgage rates as a factor impacting affordability, with the December rate of 6.28% being lower than the 6.43% in September. The average mortgage rate was 6.80% one year ago. NAR also cited home prices as a factor, with the median sale price for single-family homes at $409,500 in December, slightly higher than the December 2024 figure of $408,500 but lower than $417,600 in September.

Monthly payment as a percentage of income was 22.4% in December, lower by 1.1 percentage points than at the end of the third quarter of 2025 and lower by 2.4 percentage points from one year ago. The median family income rose slightly in December compared to November, to $108,391, and was up from $107,129 at the end of the previous quarter. In December 2024, the median family income was $103,148.

The Housing Affordability Index, published by NAR, measures whether a typical family earns enough income to qualify for a mortgage loan on a typical home at the national and regional levels based on the most recent price and income data.

16. ECONOMIC OUTLOOK

Consensus Economics Inc., the publisher of *Consensus Forecasts—USA,* reports that the consensus of U.S. forecasters is that real GDP will rise at an annual rate of 2.2% in the first quarter of 2026 and increase at an annual rate of 2.0% in the second quarter of 2026. Every month, Consensus Economics surveys a panel of prominent U.S. economic and financial forecasters for their predictions on a range of variables, including future growth, inflation, current account and budget balances, and interest rates. The forecasters expect GDP to increase by 2.0% in 2025 and 2.1% in 2026.

They forecast that consumer spending will increase at an annual rate of 1.7% in the first quarter of 2026 and increase further, to a rate of 1.9%, in the second quarter of 2026. They expect consumer spending to increase by 2.5% in 2025 and 1.9% in 2026.

The forecasters believe unemployment will average 4.5% in the first quarter of 2026 and average 4.5% in the second quarter of 2026. They predict that unemployment will average 4.3% in 2025 and 4.5% in 2026.

The forecasters believe that the three-month Treasury bill rate will be 3.5% at the end of the first quarter of 2026 before decreasing to 3.2% at the end of the second quarter of 2026. They believe the three-month Treasury bill rate will be 3.0% at the end of 2026. The forecasters predict the 10-year Treasury bond yield will be 4.1% at the end of the first quarter of 2025 and remain at the same rate of 4.1% at the end of the second quarter of 2026. They expect the 10-year Treasury Bond yield to be 4.1% at the end of 2026.

The forecasters also believe consumer prices will rise at an annual rate of 3.0% in the first quarter of 2026 and increase at an annual rate of 2.6% in the second quarter of 2026. They expect consumer prices to increase by 2.8% in 2025 and in 2026. They forecast producer prices will rise at an annual rate of 3.5% in the first quarter of 2025 and increase at an annual rate of 1.2% in the second quarter of 2026. The forecasters anticipate producer prices will rise 2.2% in 2025 and 2.2% in 2026.

The forecasters expect real disposable personal income will rise at an annual rate of 3.3% in the first quarter of 2026 and rise at an annual rate of 2.5% in the second quarter of 2026. They believe real disposable personal income will increase by 2.0% in 2025 and 2.2% in 2026.

The forecasters expect industrial production to increase at an annual rate of 0.6% in the first quarter of 2026 before increasing at an annual rate of 1.1% in the second quarter of 2026. They forecast that industrial production will increase by 1.1% in 2025 and rise by 0.9% in 2026.

They expect nominal pretax corporate profits to increase by 4.7% in 2025 and rise by 4.2% in 2026. Housing starts are projected to be 1,360,000 in 2025 and 2026.

The most recent release of The Livingston Survey (the Survey), published in December 2025, predicted GDP annualized growth to increase in the second half of 2025. The Survey, conducted by the Federal Reserve Bank of Philadelphia, is the oldest continuous survey of economists' expectations. The Survey summarizes the forecasts of economists from industry, government, banking, and academia.

The Survey forecasted higher output growth in 2025 as the participants projected a 2.0% growth rate of real GDP for the second half of 2025, which is an upward revision from the 0.9% in the previous survey. They predicted that real GDP would increase by an annual rate of 2.0% by the first half of 2026 and grow at an annual rate of 1.9% in the second half of 2026. The Survey's forecast on the employment rate was slightly lower than the previous prediction, at an expected unemployment rate of 4.5% in December 2025. The Survey then expected the rate to remain at 4.5% in June 2026 and maintain the same rate in December 2026. However, the forecasters projected that the outlook for year-over-year CPI inflation is lower. They believed CPI inflation would decrease 2.8% in 2025 and stay at 2.8% in 2026 from the 3.0% predicted for both 2025 and 2026 in June's survey. PPI inflation was expected to decrease 1.8% in 2025, a downward revision from the 2.5% in the previous survey. PPI inflation was predicted to increase to 2.2% in 2026, which was higher than the 1.8% prediction in June 2025. PPI inflation is projected to remain at 2.2% in 2027.

The Congressional Budget Office (CBO) provided its baseline economic forecast that is used as the basis for updating its budget projections for 2026 to 2036. CBO published its budget projection in February 2026 and periodically updates its economic forecast to ensure that its projections reflect recent economic development and current law.

In the report, it is expected that the overall economic output growth will strengthen in 2026 amid improved labor market, slower inflation, and declining interest rates. Real GDP is projected to rise to 2.2% in 2026 after increasing by 1.9% in 2025. It will then increase by 1.8% in 2027. Real GDP is predicted to grow at 1.8% per year, on average, through 2036. The unemployment rate will average 4.6% in 2026, then average 4.5% in 2027 and 2028. It will then average by 4.3% throughout 2029-2030, and 4.2% throughout 2031 to 2036. In 2025, the unemployment rate was 4.3%.

Inflation, as measured by the price index for personal consumption expenditures (PCE), will fall from 2.8% in 2025 to 2.7% in 2026 and 2.3% in 2027, and settle at a rate roughly in line with the Federal Reserve's long-run goal of 2.0% in 2029 and stabilize thereafter. Inflation softened as the effects of higher tariffs on inflation continue to decline. CBO projected that the Federal Reserve would continue to reduce the federal funds rate in 2026 to address downside risks to the labor market.

The report projected that the federal budget deficit will total $1.9 trillion in 2026, which is $0.1 trillion more than projected in January 2025. It forecasts the figure for the average annual deficit to continue to increase, to $3.1 trillion, in 2036. The cumulative total deficit over the 2027-to-2036 period is projected to be $24.4 trillion, which is large by historical standards. The large deficits over the next 10 years would lead to steady growth in federal debt held by the public. At the end of 2030, such debt is projected to increase from 101.0% of GDP at the end of 2026 to 108.0%. This figure surpasses its previous high of 106.0% in 1946. CBO estimates that the federal debt would equal 120.0% of GDP in 2036 and would continue to rise over the following two decades.

The Federal Reserve published its summary of economic projections, which was released with the FOMC press conference on Dec. 10, 2025. The Federal Reserve forecasts real GDP to increase by 2.3% in 2026, which is higher than the previous projection of 1.8% in September. Real GDP is forecasted to moderate to 2.0% in 2027 and 1.9% in 2028. The unemployment rate is projected to be 4.4% in 2026, which is the same rate as its earlier projection. The unemployment rate is expected to decline to 4.2% in 2027 and 2028. The Federal Reserve forecasts PCE inflation to be at 2.4% in 2026, lower than the previously forecasted rate of 2.6% in the September projection, and is then expected to decrease to 2.1% in 2027 and 2.0% in 2028. Core PCE inflation is forecasted to be 2.5% in 2026, slightly lower than the originally projected rate of 2.6%, and is projected to decrease to 2.1% in 2027 and 2.0% in 2028.

The most recent three-year outlook from the Urban Land Institute (ULI) and Ernst & Young (EY), published in November 2025, concluded that real estate economists' outlook on the economy improved as they predict a slightly better growth trajectory due to forthcoming policy changes and the benefits of deregulation. Respondents upgraded their projections and predicted that real GDP would grow by 2.0% in 2025, higher than the 1.3% in the spring 2025 prediction. The real GDP is predicted to remain at 2.0% in 2026 and 2027. As a comparison, real GDP was 2.8% in 2024. It further predicted employment growth to increase to 1.50 million jobs in 2025, compared to 1.13 million predicted in the spring, but lower than 2.01 million jobs in 2024. In 2026, employment growth is projected to decrease to 1.00 million but will increase to 1.10 million jobs in 2027. The *ULI/EY Real Estate Consensus Forecast,* a semiannual publication, is based on a survey of 36 of the industry's top economists and analysts representing the country's leading real estate investment, advisory, and research firms and organizations. They provide their three-year forecasts of 33 economic and real estate indicators. The forecast for each indicator is the median forecast from the survey respondents.

The key findings from the *Real Estate Consensus Forecast* include:

- Consumer Price Index increases in 2025 are predicted to be 3.0%, up from 2.9% in 2024 and higher than the 20-year average of 2.6%. Prices are predicted to remain at 3.0% in 2026 but decline to 2.5% in 2027.
- Total returns for institutional-quality direct real estate investments, as measured by the National Council of Real Estate Investment Fiduciaries (NCREIF), are forecasted to increase. The forecasted range for total returns in 2025 by property type was from 1.0% for office to 7.9% for senior housing. In 2026, returns are projected to range from 2.1% for office to 8.0% for the senior housing sector, and, for 2027, the ranges are 4.1% for the office sector to 10.0% for the senior housing sector.

DISCLAIMER AND PERMISSION STATEMENT

This Economic Outlook Update™ (EOU) reflects the general economic conditions at the end of the fourth quarter of 2025. All of the contents of the economic outlook section of this valuation report are quoted from the Economic Outlook Update™ 4Q 2025 published by Business Valuation Resources, LLC, © 2026 reprinted with permission. The editors and Business Valuation Resources, LLC, while considering the contents to be accurate as of the date of publication of the EOU, take no responsibility for the information contained therein. Relation of this information to this valuation engagement is the sole responsibility of the author of this valuation report."