

2025 was a defining year for **Banesco USA** marked by record growth, strategic expansion, and lasting impact. The Bank surpassed \$5 billion in assets, and it has strengthened its presence across Florida as well as Puerto Rico, while expanding its innovative lending and client-focused services. Grounded in trusted customer relationships coupled with disciplined execution, Banesco USA enters its 20th year with momentum, purpose, and a clear vision for the future.





Banesco USA Financial Highlights

As of December 31, 2025
Audited

Total Assets	\$5.48 billion
Total Loans	\$3.89 billion
Net Loans	\$3.84 billion
Total Deposits	\$4.58 billion
Net Profit	\$57.16 million
Banking Centers	6
Employees	460
BauerFinancial Rating	5 Star

Kroll Rating

Action: Affirm	12/5/2025
Outlook/Watch LTR	Positive
Deposit	BBB
Senior Unsecured Debt	BBB
Subordinated Debt	BBB-
Short-Term Deposit	K3
Short-Term Debt	K3

A Letter from Banesco USA President & CEO

Building on a strong foundation of strategic execution and client trust, 2025 marked a year of sustained growth for Banesco USA, one defined by record-breaking performance, deliberate expansion, and an unwavering focus on creating lasting value for clients, employees, and communities. Over the past five years, the Bank has more than doubled its footprint, growing from approximately \$2 billion in assets in 2020 to surpassing \$5 billion in total assets by 2025, driven by robust deposit growth, expanded loan portfolios across commercial, residential, and small business segments, and strategic investments. This remarkable trajectory was fueled by continuously strengthening each of our core divisions, including the addition of a dedicated team and new office in Broward County, and the launch of SBA lending capabilities in late 2025 to better serve small businesses and entrepreneurs.

This achievement reflects not only the Bank’s sound financial performance, but also the profound trust clients place in our talented teams, innovative solutions, and client-first mission.

Our strategy continues to revolve around: delivering personalized, high-touch client experiences; cultivating exceptional talent and leadership; harnessing innovation for operational excellence and superior service; and driving community service through meaningful partnerships. Together, these pillars anchor the Bank’s role as a resilient, adaptive financial partner in an evolving economic landscape.



BanESCO USA Geographical Expansion

Expanding Our Presence Across South Florida

As South Florida continues to experience unprecedented growth momentum, with businesses relocating, populations increasing, and economic conditions surging, BanESCO USA is strategically positioned to address the evolving needs of our clients through targeted expansions, solidifying our role as a premier community banking partner throughout the tri-county area.

In 2025, BanESCO USA relocated our Hialeah banking center to a new location at 1950 West 49th Street. This upgraded facility offers modern amenities, expanded services, and greater convenience for clients seeking personalized banking solutions.

Led by First Vice President and Business Banker Luis Gonzalez, the Hialeah team focuses on deepening client relationships through broader servicing to empower professionals and small to mid-sized businesses in one of Miami-Dade County’s most dynamic economic corridors. The timing aligned perfectly with the City of Hialeah’s 100th anniversary, celebrating a century of cultural richness, resilience, and entrepreneurial spirit, values that reflect our deep-rooted community ties.

BanESCO USA also strengthened its Broward County foothold, building on 2024 momentum with a new Loan and Deposit Production office in Plantation, poised for a full-service banking center in the future. Under the leadership of Broward Market Executive Joshua Montagna, the Broward team targets corporate and commercial banking opportunities for middle-market clients with \$10 million to \$1 billion in annual revenue.

The team emphasizes true relationship banking with focused, personalized solutions that empower the Bank’s local Relationship Managers to swiftly make informed decisions tailored to clients’ unique needs.

Supported by strategic investments in Commercial & Industrial (C&I), Business & Professional (B&P), International, and Commercial Real Estate (CRE) lines of business, these efforts position BanESCO USA to meet unmet demands in Broward’s dynamic marketplace while fostering long-term economic growth for the businesses and communities we serve.

Growing Our Lending Capabilities

BanESCO USA continues to strengthen its service capabilities and diversify its offerings to secure a stronger foothold across Florida and beyond, exemplified by the acquisition of a proven SBA lending business and an approximately \$95 million portfolio including its servicing rights. This strategic move brings national small business lending capabilities to our clients while expanding our footprint into the Greater Tampa Bay region, supported by a team of more than 50 highly experienced professionals.

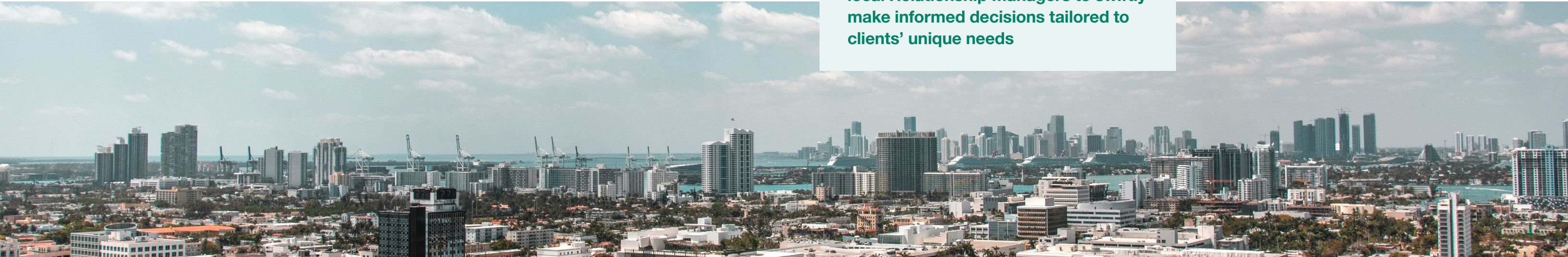
Leading this initiative is Senior Vice President and SBA Market Executive Elijah Gray, who has over 20 years of specialized SBA lending expertise. Under her leadership, BanESCO USA will deliver SBA financing solutions on a national scale, providing small and mid-sized businesses across Florida and throughout the U.S. and Puerto Rico with access to the capital they need to launch, scale, and thrive.

This move reflects our broader vision to become the go-to financial partner for established business owners and entrepreneurs by diversifying our lending capabilities and meeting clients where their growth opportunities arise.

We also launched new services, including Cash Services through a partnership with secure cash handling nationwide. We also introduced BanESCOSelect, our premium brand, to our clients in Florida and Puerto Rico, delivering banking experiences with elevated support and customized solutions.

Our ongoing focus on strengthening C&I, B&P, International, and CRE lending and client relationships, plus enhancements to our Treasury Management services ensure BanESCO USA remains agile and responsive to the evolving needs of businesses in the markets we serve.

The team emphasizes true relationship banking with focused, personalized solutions that empower the Bank’s local Relationship Managers to swiftly make informed decisions tailored to clients’ unique needs



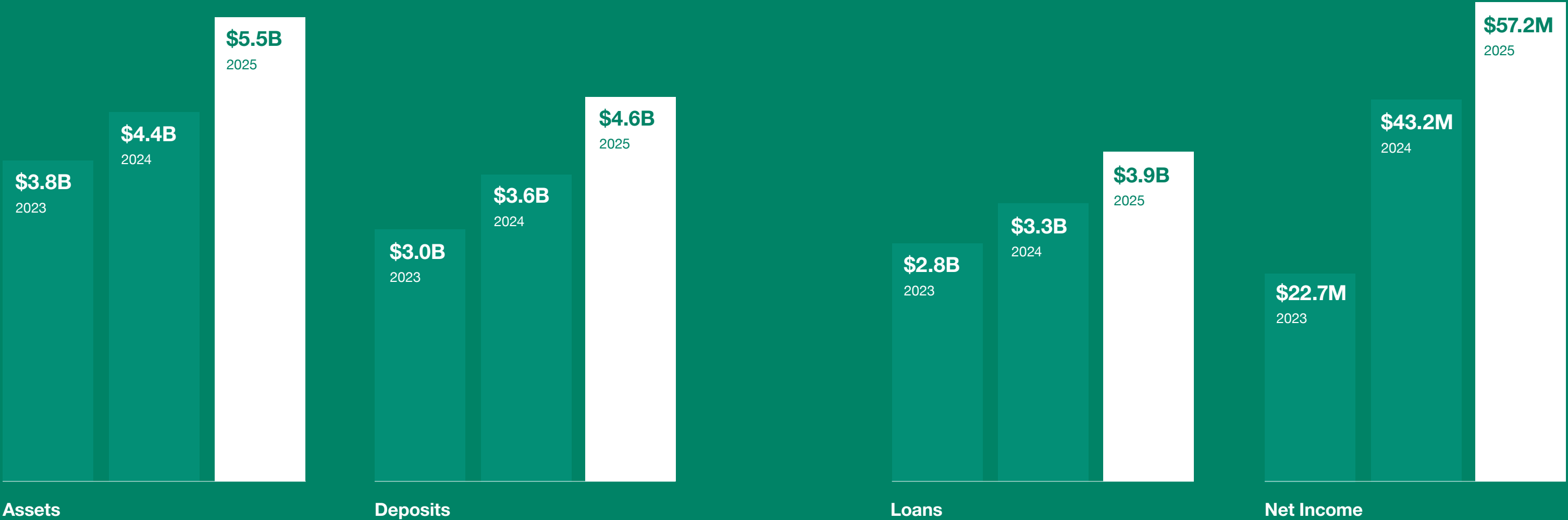
2025 Year in Review: A Year of Record Growth, Strategic Expansion, and Building Stronger Communities

2025 marked a defining chapter for Banesco USA, one shaped by meaningful growth, strategic expansion, and a deepened commitment to the clients and communities we serve across South Florida and Puerto Rico. The Bank reached new heights this year, surpassing \$5 billion in total assets, a historic milestone achieved less than a year after crossing the \$4 billion asset mark. This accomplishment reflects not only our financial strength but also the trust our clients place in our people, products, and mission.

Throughout the year, loans – including deep impact lending – and customer deposits rose significantly, exceeding goals and fueling the Bank’s continued upward trajectory.

Internally, Banesco USA reinforced its culture of development and well-being. Organization-wide employee activities were held to promote health and connection across teams, and another class of summer interns successfully completed the Bank’s internship program, one of our investments in cultivating future talent. Employees also participated in a robust schedule of training sessions, equipping

teams with the tools to better serve clients and grow professionally. Through initiatives like our LEAP literacy classes and support for the FICPA Scholarship Foundation, Banesco USA helped empower new beginnings and open doors for current and future CPAs. Our team also dedicated over 200 volunteer hours, continuing a tradition of meaningful community service across the markets we serve in Florida and Puerto Rico.





Impactful Contributions Across Our Communities

The Bank’s dedication to corporate social responsibility remains at the heart of our mission, exemplified by deepened partnerships with nearly 20 diverse non-profits across South Florida that empower women, children, minorities, small businesses, and the homeless while addressing issues including affordable housing, education, and support for the underprivileged. Under the leadership of Community Relations Director Erbi Blanco-True, key partners such as AAA Scholarship Foundation, Camillus House, Casa Familia, Florida International University, Habitat for Humanity of Greater Miami, MDC Foundation, Miami Homes for All, Survivors Pathway, and The Women’s Fund thrive through our corporate financial support, employee volunteerism, mentorship, and hands-on engagement.

Our headquarters building has become a vital hub for business and community events, regularly hosting nonprofit gatherings. Notable commitments include the appointment of Nelson Hidalgo, Executive Vice President, Chief Corporate Banking Officer, to Branches’ board of directors to advance wellness services, financial literacy, and mentorship, lead their toy drive, and sponsor their annual gala. We are also partners with United Way Miami, and our employees raised over \$50,000 to support its programs.

Our team serves on the boards of directors for 18 community organizations focused on economic empowerment, minority business development, affordable housing, education, and nonprofit leadership. Employee volunteers also dedicate significant time to financial literacy programs, at-risk youth development, and family assistance.

These efforts reflect our unwavering commitment to build stronger communities where we operate and create shared prosperity that extends far beyond banking services. By investing in the people and organizations that drive South Florida’s vitality, we reinforce our role as a true community partner dedicated to lasting positive impact.

A Growing Workforce, A Growing Headquarters

The Banesco USA talent base grew by 32.4 percent in 2025, marking one of the most significant workforce expansions in the Bank’s history. To support this momentum, we began occupying the third floor at our Doral headquarters, an open-concept design that fosters collaboration, innovation, and flexibility. We also established a facility in St. Petersburg, Florida to accommodate more than 50 new employees.

Awards & Recognitions

Banesco USA sustained our five-star superior rating from BauerFinancial, and our long-term rating outlook was upgraded from Stable to Positive by the Kroll Bond Rating Agency, affirming our enduring financial strength and stability.

Our leadership garnered numerous prestigious accolades, including: the South Florida Business Journal’s Power Leaders 250 and Ultimate CEO Awards; the Julia Tuttle Award for Community Leadership and Corporate Citizenship from the Greater Miami Chamber of Commerce; Top Corporate Entrepreneurs from Negocios Magazine; a finalist nomination in the Finance category for the Miami-Dade Beacon Council Awards; and the Latino Leaders Index 500 Award. In Puerto Rico, Market President Maritza Abadía received the Banker of the Year Zenit Award from the Puerto Rico Chamber of Commerce. Carlos Palomares, Chairman of the Board, was inducted into the 2025 Cuban Banking Hall of Fame.

Looking Ahead

As Banesco USA marks our 20th Anniversary, we celebrate two decades of building trust, fostering growth, and serving as a steadfast pillar for South Florida and Puerto Rico businesses, entrepreneurs, and communities, especially amid industry consolidation where local banks like ours provide unmatched reliability, personalized service, and unwavering commitment to philanthropy.

Our focus remains on people, valuing our employees as our greatest asset while expanding innovative services, deepening community ties, and executing our growth strategy with discipline. As we progress through 2026, we are excited for the journey ahead and look forward to continuing to deliver value to all of our stakeholders.

Calixto (Cali) García-Vélez
President & CEO



Leadership in Puerto Rico



During the second quarter of 2025, Banesco USA reached the \$1 billion deposit milestone in Puerto Rico

During her 12-year tenure at the Bank,

Maritza Abadía, Senior Executive Vice President and Puerto Rico Market President, has played a pivotal role in the institution’s remarkable strategic growth within the island’s commercial banking sector, growing the local operation by venturing into new business segments while exceeding customer satisfaction levels.

With a deep understanding of the banking and business landscape on the island, Ms. Abadía has consistently demonstrated exceptional leadership and an unwavering commitment to her team, the Bank’s clients, and the economic development of the island. She is the only female to hold the presidency of a bank in the island and the second woman in the history of Puerto Rican commercial banking to hold such a position.

In 2025, Ms. Abadía was named “Mujer del Año” (Woman of the Year) by Magacín, a publication from El Nuevo Día, the main newspaper in Puerto Rico. The award recognizes Puerto Rican women from different walks of life whose dedication inspires, mobilizes, and paves the way for a more promising future. She also received the Banker of the Year Zenit Award during the Puerto Rico Chamber of Commerce Convention in June 2025.

Ms. Abadía joined the Puerto Rico Builders Association convention in September 2025 as a panelist for the session titled “From Vision to Value: Unlocking Capital for Real Estate Projects,” highlighting the critical role of financial institutions in driving reconstruction efforts in Puerto Rico and supporting the local construction industry.

Growth Milestone

During the second quarter of 2025, Banesco USA reached the \$1 billion deposit milestone in Puerto Rico. This significant increase in deposits can be attributed to a targeted strategy among Banesco USA customers throughout all business segments and the Bank’s certification as a Public Funds Depository Institution in Puerto Rico.

The Puerto Rico team surpassed expectations by achieving loan and deposit growth of 26 percent and 59 percent, respectively, compared to the prior year. During 2025, Banesco USA granted \$254 million in ECIP loans in Puerto Rico.

Client Retention

Banesco USA maintains a retention index of more than 90 percent in Puerto Rico. Our personalized service model has been a key differentiating factor in the market, fostering strong client relationships that drive high retention while effectively expanding the organization’s growth potential.

Increase in Local Work Team

By analyzing market opportunities in Puerto Rico, Banesco USA successfully aligned talent strategies to meet evolving business demands and drive growth. The team has increased 30 percent, with 50 percent of positions occupied by women.

Recognizing Excellence Across the Bank

In 2025, Banesco USA was proud to be recognized throughout South Florida and Puerto Rico for excellence in banking, leadership, and community impact.

The Bank and its executives earned a series of prestigious honors from national rankings celebrating top financial institutions and Latino business leadership to statewide industry awards, plus local recognitions highlighting civic engagement and executive excellence. These included distinctions for our banking performance, as well as individual honors for Calixto (Cali) García-Vélez, Maritza Abadía, and Erbi Blanco-True, whose work continues to shape both our institution and the communities we serve.

Among the recognitions the Bank received in 2025 were being named the 2025 recipient of the Greater Miami Chamber of Commerce's prestigious Julia Tuttle Award for Community Involvement and Corporate Citizenship and selected as a finalist in the 2025 Miami-Dade Beacon Council Awards. Carlos Palomares, Chairman of the Board, was named to the 2025 Cuban Banking Hall of Fame.

Calixto (Cali) García-Vélez was recognized as a 250 Power Leaders and a 2025 Ultimate CEO by South Florida Business Journal and a 2025 Top Corporate Entrepreneur in the USA by Negocios Magazine. Erbi Blanco-True was recognized with the 2025 Prestigious Women Awards by South Florida Business & Wealth Magazine. In Puerto Rico, Maritza Abadía, Senior Executive Vice President and Puerto Rico Market President, was recognized by the Puerto Rico Chamber of Commerce as the recipient of the Banker of the Year Zenit Award.

Together, these accolades underscore the Bank's commitment to community engagement, professional development, innovation, and service at every level of our organization.

The Bank also continued to strengthen its presence in Puerto Rico, where the team reached a major milestone by surpassing \$1 billion in deposits on the island.

Strategic Expansion Across Key Markets

Every market accomplishment this year was aligned directly with the Bank's long-term strategic growth plan. In South Florida, the Bank expanded its footprint by hiring a team of experienced banking professionals in Broward County led by Joshua Montagna and establishing a new Loan and Deposit Production Office in Plantation. This follows our expansion into Palm Beach County last year when the Bank opened a Loan and Deposit Production Office in West Palm Beach led by Palm Beach native Roland Valdivieso, Senior Vice President, Corporate Banking Leader.

In Miami-Dade County, Banesco USA relocated its Hialeah banking center to a larger, more modern facility enhancing service capabilities for businesses and professionals across the community. The Bank also continued to strengthen its presence in Puerto Rico, where the team reached a major milestone by surpassing \$1 billion in deposits on the island.

Banesco USA significantly expanded its small business lending capabilities with the acquisition of the SBA lending business and approximately \$95 million in SBA loan balances from BayFirst Financial Corp., the parent company of BayFirst National Bank. As part of the transaction, Banesco USA also acquired the servicing rights for all SBA loans BayFirst continues to own. In addition, nearly 50 highly experienced SBA professionals will join the Bank, bringing deep expertise under the leadership of seasoned industry veteran Elijah Gray, Senior Vice President and SBA Market Executive.

This strategic acquisition not only strengthens our SBA lending capacity but also positions the Bank to tap into the greater Tampa Bay market, one of Florida's fastest-growing commercial corridors, with a physical presence and local team office. Coupled with the launch of a dedicated Banesco USA SBA Division, the Bank is now even better equipped to support small and mid-sized businesses seeking long-term growth and greater access to capital.

Deepening Our Community Commitment



Community impact continues to be one of the Bank's most important responsibilities and one that begins at the top.

President & CEO Calixto (Cali) García-Vélez serves as Treasurer of United Way Miami, embodying the leadership-driven community engagement that defines our culture. Kenneth Schoeni, Executive Vice President, Chief Financial Officer, was appointed a Board Member of Chapman Partnership.

Across the organization, Banesco USA team members are involved in nearly 30 nonprofits, contributing time, resources, and expertise.

In 2025, Banesco USA invested in organizations that create opportunities and enrich lives, including:

Families First of Palm Beach
Amigos Together for Kids
Boys & Girls Clubs of Broward Branches
Habitat for Humanity
I Have a Dream Foundation
Cristo Rey

and significant Puerto Rico-based partners such as:

ECO Recursos Comunitarios
COFECC/Lendreams

The Bank also continued its support of the

AAA Foundation

allocating \$2 million in tax revenue to support education and community development initiatives.



Board of Directors

 Carlos Palomares Chairman of the Board	 Juan Carlos Escotet Rodríguez Vice Chairman of the Board	 Calixto (Cali) García-Vélez President & CEO	 Seno Bril Director
 Carlos Eduardo Escotet Alviarez Director	 Alvaro Morales Director	 Edward Holden Director	 José B. Carrión III Director

Board of Directors: Guiding Leadership and Strategic Oversight

Members of the Banesco USA Board of Directors provide meaningful guidance and oversight, helping shape the Bank’s strategic direction and ensure its continued success. Through their collective expertise, leadership, and commitment, the Board of Directors fulfills a critical role in strengthening the Bank’s operations and supporting sustainable growth.

Their contributions extend beyond oversight; Board members support efforts to innovate, provide sound oversight and governance, and assist the development of solutions that meet the evolving needs of our clients. Their guidance ensures Banesco USA remains financially strong, agile to respond to market opportunities and challenges, and dedicated to delivering exceptional service and value to the communities we serve.



Building a Global Financial Brand

In 1991, Juan Carlos Escotet Rodríguez, a successful Spanish economist, businessman and banker, acquired Bancentro Group. Renamed Banesco, the organization pursued a strategy of growth. Independent banks with a presence in Panama, the Dominican Republic, Puerto Rico, Venezuela, Curaçao, and the United States were established, forming the Banesco International brand.

In 2012, Mr. Escotet Rodríguez purchased ownership of Banco Echevarría, a 300-year-old Spanish bank. The organization later acquired ABANCA, resulting in his majority ownership in Spain-based ABANCA with a presence in 11 countries.



Banesco International together with ABANCA

As of December 31, 2025

Total Assets	\$113 billion
Total Loans	\$71 billion
Total Deposits	\$90 billion
Net Profit	\$1,520 million
Net Equity	\$9.3 billion
Countries	14
Clients	7.4 million
Branches	1,079
Employees	13.1 thousand

Banesco

Curaçao
Dominican Republic
Panama
Puerto Rico
United States
Venezuela

ABANCA

Brazil
France
Germany
Mexico
Panama
Portugal
Spain
Switzerland
United Kingdom
United States
Venezuela

BANESCO USA AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

TABLE OF CONTENTS:	
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING	3
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Balance Sheets	4
Consolidated Statements of Operations	5
Consolidated Statements of Comprehensive Income (Loss)	6
Consolidated Statements of Changes in Stockholders' Equity	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 43



INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
Banesco USA and Subsidiaries
Miami, Florida

Opinion

We have audited the consolidated financial statements of Banesco USA and Subsidiaries ("Banesco USA"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Banesco USA's internal control over financial reporting as of December 31, 2025, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated April 23, 2026 expressed an unmodified opinion.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Banesco USA's ability to continue as a going concern for a reasonable period of time.

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

Crowe LLP
Crowe LLP

Fort Lauderdale, Florida
April 23, 2026

Management’s Report on Internal Control Over Financial Reporting

BanESCO USA and subsidiaries internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable consolidated financial statements in accordance with generally accepted accounting principles (GAAP) accepted in the United States of America and financial statements for regulatory purposes and the Consolidated Reports of Condition and Income. Because management's assessment was conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our assessment of internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory purposes. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Management of BanESCO USA and subsidiaries is responsible for designing, implementing, and maintaining effective internal control over financial reporting, including controls over the preparation of regulatory financial statements. Management assessed the effectiveness of BanESCO USA and subsidiaries internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Reports of Condition and Income as of December 31, 2025, based on criteria established in the Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to internal reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA). Based on that assessment, management concluded that, as of December 31, 2025, BanESCO USA and subsidiaries internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the Federal Financial Institutions Examination Council instructions for the Consolidated Reports of Condition and Income is effective, based on criteria established in the Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to internal reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA).

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of BanESCO USA and subsidiaries has assessed the compliance with the federal laws and regulations pertaining to insider loans and the federal and, if applicable, state laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2025. Based upon its assessment, management has concluded that the BanESCO USA and subsidiaries complied with the federal laws and regulations pertaining to insider loans and the federal and, if applicable, state laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2025.

The effectiveness of internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the Federal Financial Institutions Examination Council instructions for the Consolidated Reports of Condition and Income, as of December 31, 2025, has been audited by Crowe LLP, an independent public accounting firm, as stated in their report dated April 23, 2026.

BanESCO USA and Subsidiaries



Miami, Florida
April 23, 2026

BANESCO USA AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31,

ASSETS	2025	2024
CASH AND CASH EQUIVALENTS:		
Cash and due from banks	\$ 33,190,804	\$ 15,127,185
Interest bearing deposits in other financial institutions	248,627,566	192,614,244
TOTAL CASH AND CASH EQUIVALENTS	281,818,370	207,741,429
Investment securities available for sale, at fair value (amortized cost \$968,622,852 and \$547,373,819) as of December 31, 2025 and 2024, respectively	950,249,782	514,951,092
Investment securities held to maturity, at amortized cost (fair value \$156,593,730 and \$171,196,762) as of December 31, 2025 and 2024, respectively	162,460,417	183,328,874
Equity securities	10,805,981	6,831,299
Federal Home Loan Bank stock, at cost	15,675,100	13,355,900
Loans, net of allowance for credit losses of \$42,389,461 and \$37,513,326 as of December 31, 2025 and 2024, respectively	3,839,202,938	3,278,346,319
Property and equipment, net	31,795,643	32,739,025
Accrued interest receivable	14,888,911	14,422,854
Net Deferred tax assets	33,795,645	31,625,384
Bank-owned life insurance ("BOLI")	115,762,941	111,310,773
Prepaid expenses and other assets	20,323,448	12,109,320
TOTAL ASSETS	\$ 5,476,779,176	\$ 4,406,762,269
LIABILITIES AND STOCKHOLDERS' EQUITY		
DEPOSITS:		
Noninterest bearing demand deposits	\$ 1,449,796,803	\$ 1,293,101,999
Interest bearing demand deposits	587,645,810	389,913,123
Money market and savings accounts	1,448,743,415	792,224,081
Time deposits of \$250,000 or more	523,288,645	394,142,229
Time deposits of less than \$250,000	574,818,681	750,730,970
TOTAL DEPOSITS	4,584,293,354	3,620,112,402
Federal Home Loan Bank advances	265,000,000	225,000,000
Subordinated Debt	-	14,934,082
Accrued interest payable	3,747,513	3,740,358
Accrued expenses and other liabilities	36,068,367	22,129,053
TOTAL LIABILITIES	4,889,109,234	3,885,915,895
COMMITMENTS AND CONTINGENCIES (NOTES 13 AND 15)		
STOCKHOLDERS' EQUITY:		
Preferred Stock, \$1,000 par value, 250,000 shares authorized, issued and outstanding in 2025 and 2024	250,000,000	250,000,000
Common stock, \$5 par value; 16,000,000 shares authorized; 8,986,044 and 8,986,044 shares issued and outstanding in 2025 and 2024	44,930,220	44,930,220
Additional paid-in capital	109,747,936	109,747,936
Retained earnings	218,795,077	164,292,148
Accumulated other comprehensive (loss) income, net of taxes	(35,803,291)	(48,123,930)
TOTAL STOCKHOLDERS' EQUITY	587,669,942	520,846,374
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 5,476,779,176	\$ 4,406,762,269

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

BANESCO USA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,

	2025	2024
INTEREST AND DIVIDEND INCOME:		
Loans and fees on loans	\$ 220,752,648	\$ 188,009,502
Investment securities	37,898,029	28,343,966
Federal funds sold and other	15,088,637	13,173,104
Federal Home Loan Bank stock	1,088,051	1,022,807
TOTAL INTEREST AND DIVIDEND INCOME	274,827,365	230,549,379
INTEREST EXPENSES:		
Deposits	105,198,291	94,571,516
Federal Home Loan Bank advances	12,463,014	10,350,390
Subordinated Debt	886,335	900,085
Other borrowings	510	2,714,691
TOTAL INTEREST EXPENSES	118,548,150	108,536,682
NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES	156,279,215	122,012,697
Provision for Credit Losses - Loans	4,513,821	4,843,905
Provision for Credit Losses - Off Balance Sheet Credit Exposures	1,479,175	(244,790)
PROVISION FOR CREDIT LOSSES	5,992,996	4,599,115
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	150,286,219	117,413,582
NONINTEREST INCOME:		
Service fees on loans and deposits	12,569,330	11,566,227
Other service charges	8,349,017	7,631,032
Bank-owned life insurance income	4,452,168	5,855,406
Net gain/(loss) on sales of investment securities	546,414	1,720,881
Unrealized gain/(loss) on equity securities	171,569	(20,514)
Gain on resolution of acquired assets	-	13,924
TOTAL NONINTEREST INCOME	26,088,498	26,766,956
NONINTEREST EXPENSES:		
Salaries and employee benefits	68,361,971	56,474,688
Occupancy	3,479,566	3,166,748
Electronic data processing	8,108,510	6,771,888
Professional fees	7,027,053	5,444,914
Depreciation and amortization	3,099,895	2,865,252
FDIC insurance	2,113,253	1,708,383
Advertising	1,996,137	1,586,927
Insurance and license fees	1,531,121	1,344,973
Communication	1,034,631	966,485
Travel and entertainment	749,439	486,464
Other	4,791,807	4,241,100
TOTAL NONINTEREST EXPENSES	102,293,383	85,057,822
INCOME BEFORE INCOME TAXES	74,081,334	59,122,716
PROVISION FOR INCOME TAXES	16,922,155	15,906,556
NET INCOME	57,159,179	43,216,160
PREFERRED STOCK DIVIDENDS	2,656,250	1,501,736
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$ 54,502,929	\$ 41,714,424

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

BANESCO USA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
NET INCOME	\$ 57,159,179	\$ 43,216,160
OTHER COMPREHENSIVE INCOME(LOSS)		
Available for sale securities:		
Unrealized holding gain/(losses) on available for sale investments	14,596,070	(2,444,239)
Reclassification adjustment for (gain) losses included in net income	(546,414)	(1,720,881)
Tax effect	(3,512,414)	1,041,280
Other comprehensive gain/(losses) on available for sale investments	10,537,242	(3,123,840)
Held to maturity securities:		
Reclassification adjustment for amortization/(accretions) realized in income	3,549,278	3,764,770
Tax effect	(887,320)	(941,193)
Other comprehensive gain/(losses) on held to maturity investments	2,661,958	2,823,577
Derivatives:		
Change in fair value of derivatives	(1,171,415)	1,714,850
Tax effect	292,854	(428,713)
Other comprehensive gain/(losses) on derivatives	(878,561)	1,286,137
TOTAL OTHER COMPREHENSIVE INCOME	12,320,639	985,875
COMPREHENSIVE INCOME	\$ 69,479,818	\$ 44,202,035

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

BANESCO USA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Common Stock		Preferred Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Taxes	Total
	Shares	Par value	Shares	Par value				
BALANCES AT DECEMBER 31, 2023	8,214,277	41,071,385	250,000	250,000,000	83,606,771	122,577,724	(49,109,805)	448,146,076
Net Income	-	-	-	-	-	43,216,160	-	43,216,160
Other comprehensive Income	-	-	-	-	-	-	985,875	985,875
Dividend on Preferred Shares	-	-	-	-	-	(1,501,736)	-	(1,501,736)
Capital contribution	771,767	3,858,835	-	-	26,141,165	-	-	30,000,000
BALANCES AT DECEMBER 31, 2024	8,986,044	44,930,220	250,000	250,000,000	109,747,936	164,292,148	(48,123,930)	520,846,374
Net Income	-	-	-	-	-	57,159,179	-	57,159,179
Other comprehensive Income	-	-	-	-	-	-	12,320,639	12,320,639
Dividend on Preferred Shares	-	-	-	-	-	(2,656,250)	-	(2,656,250)
Capital contribution	-	-	-	-	-	-	-	-
BALANCES AT DECEMBER 31, 2025	8,986,044	\$ 44,930,220	250,000	\$ 250,000,000	\$ 109,747,936	\$ 218,795,077	\$ (35,803,291)	\$ 587,669,942

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

BANESCO USA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 57,159,179	\$ 43,216,160
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	4,513,821	4,843,905
Depreciation and amortization	3,099,895	2,865,252
Net (accretion) amortization of premium/discounts on investment securities available for sale	(7,614,825)	597,176
Net amortization of discounts on investment securities held to maturity	427,497	433,182
Gain on sales of investment securities available for sale	(546,414)	(1,720,881)
(Gain) / Loss on equity securities	(171,569)	20,514
Change in cash surrender value of bank owned life insurance	(4,452,168)	(5,855,406)
Amortization of deferred loan fees	(3,432,705)	(2,757,607)
Amortization of intangible assets	19,286	19,286
Deferred income tax benefit	(1,571,219)	(3,135,050)
Net purchase/use of tax credits	(4,705,922)	-
Changes in operating assets and liabilities:		
Accrued interest receivable	(466,057)	(854,986)
Prepaid expenses and other assets	(9,404,828)	2,123,794
Accrued interest payable	7,155	(12,478,020)
Accrued expenses and other liabilities	13,939,313	3,202,658
Debt issuance cost	65,918	65,918
NET CASH PROVIDED BY OPERATING ACTIVITIES	46,866,357	30,585,895
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investment securities available for sale	(1,103,236,246)	(313,817,015)
Increase of Federal Home Loan Bank stock	(2,319,200)	(8,884,800)
(Purchase) of equity securities	(3,803,113)	(250,249)
Maturities and principal repayments on investment securities available for sale	631,605,408	68,606,346
Proceeds from sales of investment securities available for sale	58,543,043	109,590,947
Principal repayments on investment securities held to maturity	23,990,237	13,657,558
Net increase in loans	(468,282,613)	(434,551,592)
Acquisition of portfolio of SBA 7(a) loans	(93,655,122)	-
Proceeds from bank owned life insurance	-	3,958,773
Net purchase of property and equipment	(2,156,512)	(3,147,273)
NET CASH USED IN INVESTING ACTIVITIES	(959,314,118)	(564,837,305)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	964,180,952	648,553,911
Net Decrease in Bank Term Funding Program borrowings	-	(284,000,000)
Proceeds from Federal Home Loan Bank advances	2,125,000,000	1,240,000,000
Repayments on Federal Home Loan Bank advances	(2,085,000,000)	(1,065,000,000)
Repayments on Subordate Debt	(15,000,000)	-
Additional capital	-	30,000,000
Cash Dividend Paid	(2,656,250)	(1,501,736)
NET CASH PROVIDED BY FINANCING ACTIVITIES	986,524,702	568,052,175
NET INCREASE IN CASH AND CASH EQUIVALENTS	74,076,941	33,800,765
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	207,741,429	173,940,664
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 281,818,370	\$ 207,741,429
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid on deposits and borrowed funds	\$ 118,540,995	\$ 121,014,702
Cash paid for income taxes	\$ 13,716,924	\$ 17,050,000
SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION:		
Settlement of Federal tax liability using solar tax credits	\$ 8,223,892	\$ -
Settlement of PR tax liability using tourism tax credits	\$ 4,870,000	\$ -
Settlement of Florida tax liability using scholarship tax credits	\$ 2,000,000	\$ 1,000,000
Lease Liability Arising from Obtaining Right-of-Use Assets	\$ 1,777,132	\$ 1,829,457

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

1. GENERAL

BanESCO USA and subsidiaries (collectively the “Bank”) was founded in 2006 and is an independent, Florida state-chartered bank with six branches between South Florida and Puerto Rico, and loan and deposit production offices in Broward and West Palm Beach. The Bank is a member of the Federal Deposit Insurance Corporation (“FDIC”) and is supervised and regulated by the Office of the Financial Regulation of the State of Florida and by the FDIC.

BanESCO USA serves the commercial real estate sector, small and middle-market businesses, as well as professionals who work in the community. The Bank services domestic and international clients and operating companies with a suite of products and services.

Additionally, as of December 31, 2025 and 2024, the Bank owned 100% of BanESCO Estate Holdings, LLC, Floridavest Ventures, LLC, Brickell Global Markets, Inc. (“BGM”), Brickell Global Advisors (“BGA”) and Brickell Global Insurance, Inc. (“BGI”), all Florida corporations.

Effective November 25, 2024, the Bank became the sole Member of BanESCO Foundation, Inc. (the “Foundation”), a Florida not-for-profit corporation organized to provide community and economic development services in Florida and Puerto Rico. The Foundation is a separate legal entity, and its activities are not consolidated with those of the Bank. As of December 31, 2025 and 2024, the Foundation has had no significant operational activity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The accounting policies and reporting practices of the Bank conform to the predominant practices in the banking industry and are based on U.S. GAAP. The following is a summary of the significant accounting policies followed by the Bank.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Acquisitions

The Bank accounts for all business combinations under the acquisition method of accounting in accordance with Accounting Standard Codification (“ASC”) Topic 805. Accordingly, the acquiring institution should recognize and measure the identifiable assets acquired, the liabilities assumed, and any non-controlling interests in the acquiree, if any.

Intangible Assets

Intangible assets other than goodwill, which are determined to have finite lives, are amortized over the period benefited, generally five to fifteen years and are periodically reviewed for reasonableness. The recoverability of other intangibles is evaluated if events or circumstances indicate possible impairment. At December 31, 2025 and 2024, intangible assets amounted to \$12,857 and \$32,143, respectively and are included in prepaid expenses and other assets on the accompanying consolidated balance sheets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Bank considers cash and cash equivalents with a maturity of three months or less from their original purchase date to be cash equivalents. Cash equivalents include cash and due from banks and interest-bearing deposits in other financial institutions.

Investment Securities

Investment securities consist of U.S. treasuries, U.S. government agency issued securities, collateralized mortgage obligations, mortgage-backed securities, corporate bonds, and municipal securities. Certain debt securities that management has the positive intent and ability to hold to maturity are classified as “held-to-maturity” and recorded at amortized cost. Trading securities are recorded at fair value with changes in fair value included in earnings. Securities not classified as held-to-maturity or trading, including equity securities with readily determinable fair values, are classified as “available for sale” and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Transfers of debt securities into the held-to-maturity category from the available-for-sale category are made at fair value at the date of transfer. Any unrealized holding gains or losses at the date of transfer are retained in other comprehensive income and in the amortized cost of the held-to-maturity securities. Such amounts are amortized or accreted over the remaining life of the security.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Equity Securities

Equity securities are carried at fair value, with changes in fair value reported in net income. As of December 31, 2025 and 2024, total equity securities amounted to \$10,805,981 and \$6,831,299, respectively. Total equity securities are comprised of one community development fund and one SBIC fund. In 2025 and 2024, the Bank had investments in a Small Business Investment Company (SBIC) in Puerto Rico of \$803,362 and \$800,249, respectively.

Federal Home Loan Bank Stock

Federal Home Loan Bank (“FHLB”) stock is a restricted asset, carried at cost, and evaluated for impairment. As of December 31, 2025 and 2024, FHLB stock amounted to \$15,675,100 and \$13,355,900, respectively.

Loans

Loans are reported at their amortized cost net of deferred loan fees or costs, unearned income and the allowance for credit losses. Interest income is generally recognized when income is earned using the simple interest or effective yield method.

In many lending transactions, collateral is obtained to provide an additional measure of security. Generally, the cash flow and earnings power of the borrower represent the primary source of repayment and collateral is considered as an additional safeguard on an acceptable credit risk. The need for collateral is determined on a case-by-case basis after considering the current and prospective creditworthiness of the borrower, terms of the lending transaction and economic conditions.

The Bank classifies all loans and leases past due when the payment of principal and interest, based upon contractual terms, is not made as of its due date. Charge-offs on commercial loans are recorded when available information confirms the loan is not fully collectible and the loss is reasonably quantifiable. Consumer loans are subject to mandatory charge off at a specified delinquency date consistent with regulatory guidelines.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Purchased Loans:

Loans acquired in a business combination are recorded at their fair value at the acquisition date. The fair value estimates associated with the loans include estimates related to expected prepayments and the amount and timing of expected principal, interest, and other cash flows.

Loans acquired with evidence of impairment are classified as Purchased Credit Deteriorated (“PCD”) loans. Loans are identified as PCD when they have experienced more-than-insignificant deterioration in credit quality since origination. An allowance for expected credit losses on PCD loans is recorded using the same methodology as other loans on the date of acquisition through an adjustment to the loans’ amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through credit loss expense.

Purchased Seasoned Loans (PSL):

Effective January 1, 2025, the Bank early adopted ASU 2025-08, which expands the gross-up method to most acquired loans that do not meet the criteria for Purchased Credit Deteriorated (PCD) assets. A loan is considered "seasoned" and subject to the gross-up approach if it is:

- Obtained through a business combination; or
- Obtained through an asset acquisition or transfer more than 90 days after its origination date, provided the Bank was not involved in the origination.

For purchased seasoned loans, the Bank recognizes an initial allowance for expected credit losses (ACL) at the acquisition date by increasing the loan's amortized cost basis rather than recording a charge to credit loss expense. The initial amortized cost basis is the sum of the purchase price and the initial ACL. Any non-credit discount or premium is subsequently accreted into interest income over the remaining life of the loan using the effective interest method. Subsequent changes to the ACL are recognized through the provision for credit losses.

Acquired loans that do not meet the criteria for Purchased Credit Deteriorated (PCD) or Purchased Seasoned Loans (PSL)—specifically those acquired within 90 days of origination or where the Bank had involvement in the origination—are accounted for consistently with originated financial assets. These loans are initially recognized at their fair value (purchase price). An initial allowance for expected credit losses is recorded immediately upon acquisition through a charge to the provision for credit loss expense in the consolidated statements of operations. Any purchase discount or premium is accreted or amortized into interest income over the remaining life of the loan using the effective interest method.

The Bank makes an estimate of the loans’ contractual principal and contractual interest payments as well as the total cash flows it expects to collect from the pools of loans, which includes undiscounted expected principal and interest. The excess of contractual amounts over the total cash flows expected to be collected from the loans is referred to as non-accretable difference, which is not accreted into income. The excess of the expected undiscounted cash flows over the fair value of the loans is referred to as accretable discount. Accretable discount is recognized as interest income on a level-yield basis over the life of the loans. Management has not included prepayment assumptions in its modeling of contractual or expected cash flows. The Bank continues to estimate cash flows expected to be collected over the life of the loans. Subsequent increases in total cash flows expected to be collected are recognized as an adjustment to the accretable yield with the amount of periodic accretion adjusted over the remaining life of the loans. Subsequent decreases in cash flows expected to be collected over the life of the loans are recognized as impairment in the current period through allowance for credit losses. Gain on resolution of acquired assets represents the net settlement amount between the proceeds received and the carrying amount of the loans.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-accrual Loans and Restructured Loans:

The Bank generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal balance has been charged off, the loan has been restructured but is not meeting the terms of the restructure, or the loan reaches 90 days past due. All interest accrued but not collected for loans that are placed on non-accrual status or loans that are charged off is reversed against interest income. The interest on these loans is accounted for on a cash-basis or via the cost-recovery method, until qualifying to return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The Bank has determined that the entire balance of a loan is contractually delinquent for all classes if the minimum payment is not received by the specified due date on the borrower’s statement. Interest and fees continue to accrue on past due loans until the date the loan goes into non-accrual status, if applicable.

When the ultimate collectability of the total principal of a loan is doubtful and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of a loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method.

Allowance for Credit Losses (“ACL”) - Loans

The Bank licensed three models from Moody's Analytics (MA) along with its Impairment Studio (IS) platform to calculate lifetime loss rates for their entire loan portfolio, excluding individually evaluated loans. The Bank only has historical data on its loan performance from 2010 onwards, with low defaults cases, and a shorter horizon for other data points. For that reason, it chose to use Off the Shelf (OTS) models that followed the Current Expected Credit Losses (CECL) best practice of using development data that includes a full economic cycle. MA used proprietary data from multiple sources to develop and calibrate their lifetime loss rate models.

The Bank uses three MA models, each with loan portfolio sub-segments based on portfolio composition, risk exposure, and MA’s model capabilities: 1) MA’s CRE Loss Rate: Commercial Real Estate (CRE) Income Producer, Residential Corporate (since it behaves as a CRE Multifamily but with a longer lifetime) and Construction loans; 2) MA’s C&I Loss Rate: C&I loans and CRE Owner Occupied loans; 3) MA’s ECCL: Residential Mortgage and Other Retail. While the MA’s C&I Loss rate and ECCL models have prepayment amounts implied, the MA CRE loss rate model does not and BUSA has estimated and applied a prepayment rate with internal data except for Construction loans, where a 0% rate is applied.

The three MA lifetime loss rate models are bucket-level and a product of Probability-of-Default (PD), Loss-given-Default (LGD), and Exposure-at-Default (EAD) components throughout the lifetime of the loan. While EAD is a function of the loan’s structure, both PD and LGD are directly influenced by macroeconomic components, and their estimation relies on economic scenarios and borrower specific variables such as FICO score for ECCL, Regulatory Rating for MA’s C&I Loss Rate, and delinquency for MA’s CRE Loss Rate.

The three MA lifetime loss rates models are used in conjunction with the Bank’s credit data and MA’s weighted economic scenario (baseline, upside, and downside). MA’s economic scenarios are created using a U.S. level structural econometric model with thousands of simultaneous equations describing the entire economy. Each month MA’s economic team generates a detailed Baseline scenario for the U.S. economy and from it generates several other scenarios by adjusting the assumptions included in the Baseline that would improve or worsen economic conditions to represent upside and downside alternatives and cover other segments of the probability distribution that the Baseline alone cannot properly represent. MA’s scenarios revert to a historical and long-term trend within 5 to 6 years. In general, changes in expectation indicated by the CRE price index have the most significant impact on the estimate of the expected losses for CRE loans and the Unemployment Rate has the most significant impact for the other portfolio segments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the assumptions and forecast of economic conditions could significantly affect the estimate for the Bank’s estimate of expected credit losses at the balance sheet date or lead to significant changes in the estimate from one reporting period to the next.

The Bank also developed a Qualitative Factor Framework aligned with regulatory guidelines. A Qualitative ACL is applied when one of the 9 factors is not embedded in the Model, based on a specific quantitative criterion developed for each applicable factor for which a measurement or scale was developed to determine the need and level of qualitative adjustments on each balance sheet date. The Qualitative Factor Framework includes Lending Policy Changes, Economic Changes, Portfolio Composition, Staff Changes, Changes in Credit Quality Volumes, Loan Review System, Collateral Values, Concentration Volume, and External Influences.

For purchased seasoned loans, the Bank has made an accounting policy election to measure subsequent expected credit losses using the amortized cost basis rather than the unpaid principal balance. This election is made on an acquisition-by-acquisition basis and allows for the pooling of purchased seasoned loans with originated loans that share similar risk characteristics. This election does not apply to loans where the ACL is estimated using a discounted cash flow method.

Loans fully backed by insurance or government guarantees are treated with a zero-loss assumption given that recoveries typically cover any losses.

Non-performing loans and loans rated substandard, doubtful or loss are individually evaluated considering collateral values on a case-by-case basis.

Allowance for Credit Losses (“ACL”) – Held-to-Maturity (“HTM”) Securities

The Bank measures credit losses on HTM securities on a collective basis by major security type and industry using Moody’s Industry Probability-of-Default and Loss Given Default assumptions, evaluating expected cash flows for security types other than those issued by U.S. government entities or agencies (which do not require an ACL, as detailed below).

The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

The Bank classifies the HTM portfolio into the following major security types: U.S. Treasuries, U.S. Government Agency Issued Securities, Collateralized Mortgage Obligations, and Residential Mortgage-backed Securities. At December 31, 2025, all of the Bank’s HTM securities are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses.

Allowance for Credit Losses (“ACL”) – Available-for-Sale (“AFS”) Securities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

At December 31, 2025, the Bank did not intend to sell, nor was it more likely than not that the Bank will be required to sell, any of the AFS securities in an unrealized loss position. For these AFS securities, the Bank concluded that the decline in fair value did not result from credit losses but was predominantly a result of market interest rate movements. At December 31, 2025 an ACL was not required for the AFS securities.

Derivative Instruments and Hedging Activities

As required by ASC 815, the Bank records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Bank has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Bank may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Bank elects not to apply hedge accounting.

In accordance with the FASB’s fair value measurement guidance in ASU 2011-04, the Bank made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Property and Equipment, Net

Property and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the remaining term of the applicable leases or their useful lives, whichever is shorter. Estimated useful lives of these assets are as follows:

Buildings	39 years
Computer equipment and software	3 to 5 years
Furniture and equipment	3 to 7 years
Leasehold improvements	Shorter of life or term of lease

Maintenance and repairs are charged to expense as incurred; improvements and betterments are capitalized. When items are retired or are otherwise disposed of, the related costs and accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are credited or charged to income.

Leases

Arrangements are analyzed at inception to determine the existence of a lease. Right-of-use assets (ROUAs) represent the right to use the underlying asset and lease liabilities represent the obligation to make lease payments for the lease term. Operating lease ROUAs and liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As most of the Bank's leases do not provide an implicit rate, the Bank uses its incremental borrowing rate based on the appropriate term and information available at commencement date in determining the present value of lease payments.

ROUAs and operating lease liabilities are reported in Prepaid expenses and other Assets and Accrued expenses and other Liabilities, respectively, in the Consolidated Balance Sheet. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Foreclosed Assets

Assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value less estimated costs to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of carrying amount or fair value less cost to sell. At December 31, 2025 and 2024, the Bank did not hold foreclosed assets.

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase are classified as secured borrowings and are reflected at the amount of cash in connection with the transaction. The Bank may be required to provide additional collateral based on the fair value of the underlying securities.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Bank recognizes positions taken or expected to be taken in a tax return in accordance with existing accounting guidance on income taxes which prescribes a recognition threshold and measurement process. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other noninterest expense, respectively.

Impairment of Long-Lived Assets

The Bank's long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. The Bank did not recognize an impairment charge during the years ended December 31, 2025 and 2024.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. The Bank is also party to various litigation actions. However, such actions are in their early stages and, therefore, it is management's belief that it is too soon to determine the eventual financial impact, if any.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Risk and Uncertainties**

We are subject to risks and uncertainties that could potentially negatively impact our business, financial condition, results of operations, and cash flows. This section describes the risks and uncertainties identified by management that could, individually or in combination, harm our business, results of operations, liquidity, and financial condition, as well as our financial instruments and our securities. We may face other risks not listed here, including additional risks that are not presently known, or that we presently deem immaterial. Liquidity remains essential to our business; an inability to raise funds through deposits, borrowings, proceeds from loan repayments or sales, or other sources could have a substantial negative effect on our financial position. While the banking environment reached a period of relative stability in 2025, continued vigilance and proactive liquidity management remain crucial as we navigate the unique economic landscape of 2026.

The Bank's primary source of funds consists of core deposits from both consumer and commercial customers. To supplement this, the Bank maintains a wide array of secondary funding sources, including brokered deposits, listing service time deposits, various federal fund lines from correspondent banks, and secured lending via collateralized loans held at the Federal Home Loan Bank or through the Bank's investment portfolio. Market conditions and external factors may unpredictably impact the competitive landscape for these deposits. While the interest rate environment showed signs of stabilization throughout 2025, competition for deposits remains heightened in 2026.

The Bank believes its current sources of liquidity are sufficient to meet its needs; however, an unexpected increase in deposit withdrawals could necessitate a greater reliance on secondary liquidity sources. Such a shift could increase the Bank's overall cost of funding and subsequently reduce net income.

The Bank believes its liquidity management, through both on-balance sheet and off-balance sheet sources, is adequate to fund operations and meet potential stress events by maintaining enough liquidity to cover all deposits beyond the FDIC insurance coverage amount. Nevertheless, a decline in general economic conditions—whether caused by inflation, recessionary pressures, unemployment, or geopolitical events—could negatively affect our earnings. The potential for economic shifts in 2026, coupled with ongoing global uncertainties, requires constant monitoring and proactive risk management to protect the Bank's financial condition.

Commercial Real Estate (CRE) loans, along with other loans in our portfolio, are secured by real estate, making us susceptible to nonperforming loan growth if economic conditions in our operating markets deteriorate. The value of the collateral securing these loans and the associated revenue streams could be negatively impacted by distressed market conditions, potentially requiring additional provisions for the Allowance for Credit Losses. While interest rates stabilized somewhat in 2025, the current 2026 environment carries the potential for future rate fluctuations that could impact a borrower's ability to repay or refinance, particularly regarding variable-rate instruments or those approaching maturity in a higher-rate environment.

The Bank believes it has implemented sound risk practices to manage CRE concentrations under challenging conditions, ensuring alignment with current regulatory guidance. We maintain a strong capital risk appetite framework to ensure adequacy relative to exposures, which is complemented by satisfactory allowance levels and conservative underwriting standards. These efforts are supported by robust systems, a granular monitoring process including frequent stress tests, and established workout capacity. We continue to assess and refine these practices in light of the evolving economic conditions and regulatory expectations of 2026.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Rate Risk

The Bank's performance is dependent to a large extent on its net interest income, which is the difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities. The Bank, like most financial institutions, is affected by changes in general interest rate levels and by other economic factors beyond its control. Interest rate risk arises from mismatches between the dollar amount of repricing or maturing assets and liabilities (the interest rate sensitivity gap). More liabilities repricing or maturing than assets over a given time frame is considered liability-sensitive, or a negative gap.

An asset-sensitive position will generally enhance earnings in a rising interest rate environment and will negatively impact earnings in a falling interest rate environment, while a liability-sensitive position will generally enhance earnings in a falling interest rate environment and negatively impact earnings in a rising interest rate environment. Fluctuations in interest rates are not predictable or controllable. The Bank has implemented asset and liability management strategies to mitigate the impact to net interest income resulting from changes in market interest rates.

Concentration of Credit Risk

Credit risk represents the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. Concentrations of credit risk (whether on or off-balance sheet) arising from financial instruments exist in relation to certain groups of customers. A group concentration arises when a number of counterparties have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank does not have a significant exposure to any individual customer or counterparty. Most of the Bank's business activity is with customers located within its primary market area, which includes South Florida and Puerto Rico. The Bank's loan portfolio is concentrated largely in real estate and commercial loans in South Florida. Circumstances, which negatively impact the South Florida real estate industry or the South Florida economy, in general, could adversely impact the Bank's loan portfolio.

At various times during the year, the Bank has maintained deposits with other financial institutions in excess of amounts received. The exposure to the Bank from these transactions is solely dependent upon daily balances and the financial strength of the respective institution.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains (losses) on securities available for sale, and unrealized losses related to factors other than credit on debt securities.

Fair Value Measurement

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in NOTE 16. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Reclassifications

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Bank has evaluated subsequent events through April 23, 2026, which is the date the consolidated financial statements were available to be issued.

Adopted Accounting Pronouncements

ASU 2025-08, Financial Instruments—Credit Losses (Topic 326): Purchased Loans

This amendment expands the use of the "gross-up" approach—previously reserved for Purchased Credit Deteriorated (PCD) assets—to most acquired loans, now categorized as Purchased Seasoned Loans (PSL). This change eliminates the previous requirement to record an immediate "Day 1" credit loss expense through earnings for high-quality acquired loans.

The Bank elected to early-adopt this standard to reduce the complexity of distinguishing between PCD and non-PCD assets and to prevent the "double counting" of expected credit losses that are already factored into the fair value purchase price.

The adoption resulted in a higher initial amortized cost basis for qualifying acquired loans, as the initial allowance for credit losses (ACL) is now recorded as a gross-up to the asset's basis rather than an operating expense. As the amendment is applied prospectively, the impact of this amendment is an increase of \$1,201,184 to both the amortized cost basis of acquired loans and the allowance for credit losses as a Day 1 gross-up adjustment.

Recent Accounting Pronouncements, Not Yet Adopted

ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the FASB issued Accounting Standards Update (ASU) 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This ASU pertains to disclosures regarding effective tax rates and cash income taxes paid with the goal of providing stakeholders with more transparent and relevant information. This ASU is effective entities for other than public business entities for annual periods beginning after December 15, 2025. The Bank is currently assessing the potential impact of this ASU on its financial reporting and has not yet concluded whether the changes will materially affect its business operations or consolidated financial statements.

3. INVESTMENT SECURITIES

Available for Sale

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of investment securities available for sale, by major security type, as of December 31, 2025 and 2024 are as follows:

	December 31, 2025			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Securities available for sale:				
U.S. treasury securities	\$ 259,432,767	\$ 7,427	\$ -	\$ 259,440,194
U.S. government agencies issued securities	80,877,497	149,401	(2,081,619)	78,945,279
Municipals	22,704,543	-	(4,370,363)	18,334,180
Collateralized mortgage obligations	48,842,153	99,573	(131,044)	48,810,682
Collateralized loan obligations	7,531,408	1,982	(50,981)	7,482,409
Mortgage-backed securities	472,731,820	3,502,982	(9,962,469)	466,272,333
Asset backed Securities	2,865,133	8,216	-	2,873,349
Corporate bonds	73,637,531	77,923	(5,624,098)	68,091,356
	\$ 968,622,852	\$ 3,847,505	\$ (22,220,574)	\$ 950,249,782
	December 31, 2024			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Securities available for sale:				
U.S. treasury securities	\$ 9,992,539	\$ 10,293	\$ -	\$ 10,002,832
U.S. government agencies issued securities	80,636,293	45,005	(2,998,191)	77,683,107
Municipals	22,746,272	-	(5,689,987)	17,056,285
Collateralized mortgage obligations	36,062,672	15,377	(153,344)	35,924,705
Collateralized loan obligations	47,219,189	137,069	(124,814)	47,231,444
Mortgage-backed securities	262,187,542	71,333	(15,481,553)	246,777,322
Asset backed Securities	3,438,962	-	(18,490)	3,420,472
Corporate bonds	85,090,350	204,239	(8,439,664)	76,854,925
	\$ 547,373,819	\$ 483,316	\$ (32,906,043)	\$ 514,951,092

Proceeds from the sales of investment securities available for sale for the year ended December 31, 2025 and 2024, amounted to \$58,543,043 and \$109,590,947, respectively. For the year ended December 31, 2025 and 2024, the Bank realized net gains of \$546,414 and \$1,720,881 with an estimated tax expense of \$137,000 and \$454,000, respectively. As of December 31, 2025 and 2024, there were no holdings of securities of any one issuer in an amount greater than 10% of stockholders' equity.

3. INVESTMENT SECURITIES (CONTINUED)

Available for Sale (continued)

Expected maturities of securities available for sale will differ from contractual maturities because borrowers have the right to call or repay obligations with or without call or repayment penalties. The amortized cost and fair value of securities available for sale by contractual maturity are as follows, as of December 31:

	2025 Securities Available for Sale	
	Amortized Cost	Fair Value
Within one year	\$ 263,636,687	\$ 263,675,781
One to five years	37,664,136	35,372,752
Five to ten years	85,042,025	79,302,563
Beyond ten years	50,309,490	46,459,914
Collateralized mortgage obligations	48,842,153	48,810,682
Collateralized loan obligations	7,531,408	7,482,409
Mortgage-backed securities	472,731,820	466,272,333
Asset backed securities	2,865,133	2,873,349
	\$ 968,622,852	\$ 950,249,782

Information pertaining to securities with gross unrealized holding losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position at December 31 are as follows:

	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
December 31, 2025						
U.S. treasury securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. government agencies issued securities	13,858,379	(62,151)	29,309,096	(2,019,468)	43,167,475	(2,081,619)
Municipals	-	-	18,334,180	(4,370,363)	18,334,180	(4,370,363)
Collateralized mortgage obligations	2,696,197	(11,574)	6,498,340	(119,470)	9,194,537	(131,044)
Collateralized loan obligations	-	-	5,004,000	(50,981)	5,004,000	(50,981)
Mortgage-backed securities	170,712,492	(893,386)	74,680,976	(9,069,083)	245,393,468	(9,962,469)
Asset backed Securities	-	-	-	-	-	-
Corporate bonds	-	-	53,844,027	(5,624,098)	53,844,027	(5,624,098)
	\$ 187,267,068	\$ (967,111)	\$ 187,670,619	\$ (21,253,463)	\$ 374,937,687	\$ (22,220,574)
	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
December 31, 2024						
U.S. treasury securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. government agencies issued securities	13,342,492	(53,614)	35,858,198	(2,944,577)	49,200,690	(2,998,191)
Municipals	-	-	17,056,285	(5,689,987)	17,056,285	(5,689,987)
Collateralized mortgage obligations	23,347,254	(73,880)	5,216,146	(79,464)	28,563,400	(153,344)
Collateralized loan obligations	15,064,350	(124,814)	-	-	15,064,350	(124,814)
Mortgage-backed securities	184,792,665	(4,236,105)	43,709,178	(11,245,447)	228,501,843	(15,481,553)
Asset backed Securities	3,420,472	(18,490)	-	-	3,420,472	(18,490)
Corporate bonds	3,942,218	(25,266)	56,680,950	(8,414,398)	60,623,168	(8,439,664)
	\$ 243,909,451	\$ (4,532,169)	\$ 158,520,757	\$ (28,373,873)	\$ 402,430,208	\$ (32,906,043)

3. INVESTMENT SECURITIES (CONTINUED)

Available for Sale (continued)

The Bank is proactive in determining what possible negative effects could impact the investment portfolio. In accordance with ASC 326, the Bank measures its credit losses on its investment portfolio on a quarterly basis. The Bank performs assessments to determine whether a security on which there is an unrealized loss declined in fair value below amortized cost as a result of credit loss or other factors. Management considers many factors in their analysis including (1) the severity and duration of the impairment, (2) the specific credit rating of the security, (3) the intent and ability to hold these securities for a period of time until the value of the security recovers, (4) whether the current market is considered an inactive market where most sales are considered distressed sales or disorderly transactions, and (5) management estimates of the portion of loss attributable to credit using a discounted cash flow model. The Bank estimates the expected cash flows of the underlying collateral using interest rate and prepayment risk models that incorporate management's best estimate of current key assumptions, such as default rates, loss severity and prepayment rates. If a portion of the decline in fair value below amortized cost is due to credit factors, then an allowance for credit losses will be taken.

At December 31, 2025, the Bank concluded that the decline in fair value did not result from credit losses but was predominantly a result of market interest rate movements and other market conditions. The Bank's AFS securities are reflected on the balance sheet at fair value. Based on the expected cash flows derived from the model, the Bank expects the fair value to recover as the securities approach maturity. In addition, Management does not intend to sell any of the AFS securities with unrealized losses and it is likely that management will not be required to sell any of these securities prior to their anticipated recovery. Thus, at December 31, 2025 an ACL was not required for the AFS securities.

At December 31, 2025, the Bank had \$2,081,619 in unrealized losses relating to twelve U.S. government agencies issued securities. The losses relate principally to interest rate changes, credit spread widening and reduced liquidity in applicable markets. However, the contractual cash flows of these securities are guaranteed by an agency of the U.S. government. As of December 31, 2025, the Bank does not consider those investments to require an allowance for credit losses because the Bank does not intend to sell the securities before recovery of their amortized cost basis, which may be maturity, and it is more likely than not that the Bank will not be required to sell the securities.

At December 31, 2025, the Bank had \$182,025 in unrealized losses relating to four collateralized loan obligation and collateralized mortgage obligation. Recent changes in interest rates and central bank activity in financial markets have caused changes in the value of collateralized mortgage obligations to fluctuate unsteadily. As of December 31, 2025, the Bank does not consider those investments to require an allowance for credit losses because the Bank does not intend to sell the securities before recovery of their amortized cost basis, which may be maturity, and it is more likely than not that the Bank will not be required to sell the securities.

At December 31, 2025, the Bank had \$9,962,469 in unrealized losses relating to twenty-four mortgage-backed securities and asset-backed securities. Recent changes in interest rates and central bank activity in financial markets have caused changes in the value of mortgage-backed securities to fluctuate unsteadily. The contractual cash flows of these securities are from U.S. government sponsored agencies. As of December 31, 2025, the Bank does not consider those investments to require an allowance for credit losses because the Bank does not intend to sell the securities before recovery of their amortized cost basis, which may be maturity, and it is more likely than not that the Bank will not be required to sell the securities.

At December 31, 2025, the Bank had \$4,370,363 in unrealized loss relating to seven municipal bonds. As of December 31, 2025, the Bank does not consider the municipal bonds to require an allowance for credit losses because the decline in market value is mainly attributable to changes in interest rates and not credit quality, the Bank does not intend to sell the securities before recovery of their amortized cost basis, which may be maturity, and it is more likely than not that the Bank will not be required to sell the securities.

At December 31, 2025, the Bank had \$5,624,098 in unrealized loss relating to ten corporate bonds. As of December 31, 2025, the Bank does not consider the corporate bonds to require an allowance for credit losses because the decline in market value is mainly attributable to changes in interest rates and not credit quality, the Bank does not intend to sell the securities before recovery of their amortized cost basis, which may be maturity, and it is more likely than not that the Bank will not be required to sell the securities.

3. INVESTMENT SECURITIES (CONTINUED)

Held to Maturity

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of investment securities held to maturity, by major security type, as of December 31, 2025 and 2024 are as follows:

December 31, 2025				
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
U.S. treasury securities	\$ -	\$ -	\$ -	\$ -
U.S. government agencies issued securities	9,203,497	-	(1,007,083)	8,196,414
Collateralized mortgage obligations	236,510	411	-	236,921
Mortgage-backed securities	153,020,409	-	(4,860,014)	148,160,395
	\$ 162,460,417	\$ 411	\$ (5,867,097)	\$ 156,593,730
December 31, 2024				
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
U.S. treasury securities	\$ 9,912,612	\$ -	\$ (7,221)	\$ 9,905,391
U.S. government agencies issued securities	9,122,670	-	(1,380,957)	7,741,713
Collateralized mortgage obligations	254,832	-	(2,817)	252,015
Mortgage-backed securities	164,038,760	-	(10,741,117)	153,297,643
	\$ 183,328,874	\$ -	\$ (12,132,111)	\$ 171,196,762

During the second and fourth quarters of 2022, the Bank reclassified debt securities with an amortized cost of \$259,022,719 from available for sale to held to maturity, as it has the ability and intent to hold these securities to maturity. These securities had net unrealized losses of \$42,136,815 at the date of transfer, which will continue to be reported in accumulated other comprehensive loss and will be amortized over the remaining life of the transferred securities as an adjustment of yield. The Bank did not transfer any securities from available for sale to held to maturity in 2025 or 2024.

Expected maturities of securities held to maturity will differ from contractual maturities because borrowers have the right to call or repay obligations with or without call or repayment penalties. The amortized cost and fair value of securities held to maturity by contractual maturity are as follows, as of December 31:

2025 Securities Held to Maturity	
	Amortized Cost
Within one year	\$ -
One to five years	-
Five to ten years	4,313,314
Beyond ten years	4,890,184
Collateralized mortgage obligations	236,510
Collateralized loan obligations	-
Mortgage-backed securities	153,020,409
Asset backed securities	-
	\$ 162,460,417
	\$ 156,593,730

BANESCO USA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES

The following is a summary of loans outstanding as of December 31:

	2025	2024
Land and land development	\$ 36,900,967	\$ 7,485,325
Real estate construction	169,793,567	123,662,055
Residential real estate	700,061,802	675,901,909
Commercial real estate	2,044,622,290	1,856,809,667
Commercial and Industrial	933,507,468	653,585,503
Consumer	289,485	577,332
	3,885,175,579	3,318,021,791
Less:		
Allowance for credit losses	(42,389,461)	(37,513,326)
Deferred loan fees/unamortized discount	(3,583,180)	(2,162,146)
Net Loans	\$ 3,839,202,938	\$ 3,278,346,319

A reconciliation of the recorded investment in loans, is as follows:

	2025	2024
Gross Loans	\$ 3,885,175,579	\$ 3,318,021,791
Plus: Accrued interest receivable	11,108,944	10,348,717
Less: Unearned income	(3,583,180)	(2,162,146)
Recorded investments in loans	\$ 3,892,701,343	\$ 3,326,208,362

The Bank has pledged \$1,393,898,485 and \$1,530,448,007 of mortgage loans as collateral for advances from the Federal Home Loan Bank of Atlanta as of December 31, 2025 and 2024, respectively.

Management has an established methodology to determine the adequacy of the allowance for credit losses that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the allowance for credit losses, the Bank has segmented the loans in the portfolio by product type. Loans are segmented into the following pools: land and land development, real estate construction, residential real estate, commercial real estate, commercial and industrial, and consumer.

BANESCO USA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The allowance for credit losses represents management’s estimate of expected credit losses over the contractual life of the loan portfolio, considering relevant information about past events, current conditions, and reasonable and supportable forecasts. The allowance is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. Management believes the allowance for credit losses of \$42,389,461 and \$37,513,326 is appropriate as of December 31, 2025 and 2024, respectively.

Changes in the allowance for credit losses and the outstanding balances in loans are as follows:

For the Year Ended December 31, 2025	Land and Land Development	Real Estate Construction	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Consumer	Total
Allowance for Credit Losses:							
Beginning balance	\$ 178,635	\$ 1,842,435	\$ 8,780,517	\$ 23,389,477	\$ 3,311,009	\$ 11,254	\$ 37,513,326
Credit loss expense	456,600	856,539	310,564	456,881	2,431,599	1,637	4,513,821
Initial Allowance on loans purchased with credit deterioration	-	-	-	-	77,011	-	77,011
Initial Allowance on seasoned loans purchased	-	-	-	502,372	698,812	-	1,201,184
Recoveries	-	-	-	15,540	1,582	96,150	113,272
Chargeoffs	-	-	-	(71,636)	(861,367)	(96,150)	(1,029,153)
Total ending allowance balance	\$ 635,235	\$ 2,698,974	\$ 9,091,081	\$ 24,292,634	\$ 5,658,646	\$ 12,891	\$ 42,389,461
Loans:							
Ending balance	\$ 36,900,967	\$ 169,793,567	\$ 700,061,802	\$ 2,044,622,290	\$ 933,507,468	\$ 289,485	\$ 3,885,175,579
For the Year Ended December 31, 2024							
Allowance for Credit Losses:							
Beginning balance	\$ 169,559	\$ 4,598,656	\$ 8,464,210	\$ 19,247,112	\$ 3,115,279	\$ 412	\$ 35,595,228
Credit loss expense	9,076	(2,756,221)	316,307	4,142,365	3,135,782	(3,403)	4,843,906
Recoveries	-	-	-	-	141,986	14,245	156,231
Chargeoffs	-	-	-	-	(3,082,038)	-	(3,082,038)
Total ending allowance balance	\$ 178,635	\$ 1,842,435	\$ 8,780,517	\$ 23,389,477	\$ 3,311,009	\$ 11,254	\$ 37,513,326
Loans:							
Ending balance	\$ 7,485,325	\$ 123,662,055	\$ 675,901,909	\$ 1,856,809,667	\$ 653,585,503	\$577,332	\$3,318,021,791

During the year ended December 31, 2025 and 2024, the provision for credit losses - loans amounted to \$4,513,821 and \$4,843,906, respectively.

The Bank maintains a separate reserve for credit losses on off-balance-sheet credit exposures, including unfunded loan commitments, which is included in other liabilities on the consolidated balance sheet. The reserve for credit losses on off-balance-sheet credit exposures is adjusted as a provision for credit losses in the income statement. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life, utilizing the same models and approaches for the Bank's other loan portfolio segments described above, as these unfunded commitments share similar risk characteristics as its loan portfolio segments. The Bank has identified the unfunded portion of certain lines of credit as unconditionally cancellable credit exposures, meaning the Bank can cancel the unfunded commitment at any time. No credit loss estimate is reported for off-balance-sheet credit exposures that are unconditionally cancellable by the Bank or for undrawn amounts under such arrangements that may be drawn prior to the cancellation of the arrangement.

For the year ended December 31, 2025 and 2024, the Bank recorded a provision for credit losses for unfunded commitments of \$1,479,175 and (\$244,791), respectively. At December 31, 2025 and 2024, the liability for credit losses on off-balance-sheet credit exposures included in other liabilities was \$4,218,693 and \$2,739,518, respectively.

BANESCO USA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

In December 2025, the Bank completed the acquisition of a portfolio of SBA 7(a) loans from BayFirst Financial Corp. (the "Seller"). The transaction was accounted for as an asset purchase in accordance with FASB ASC 805. The Bank acquired 338 loans with a total unpaid principal balance of \$96,551,672 and an initial recorded fair value of \$93,655,122.

Effective with this acquisition, the Bank elected to early adopt ASU 2025-08, which extends the "Gross-up" accounting model to all Purchased Seasoned Loans (PSL). Accordingly, for both Purchased Credit Deteriorated (PCD) loans and PSLs (defined as performing loans acquired more than 90 days after origination), the initial allowance for credit losses (ACL) of \$1,278,195 was added to the purchase price ("grossed-up") rather than being recognized as a Day 1 provision expense. For non-seasoned loans acquired within 90 days of origination, an initial provision for credit losses of \$119,049 was recognized in the consolidated statement of income on the date of acquisition.

As of the acquisition date, one commercial loan with a principal balance of \$595,024 was identified as PCD due to its criticized risk grading and delinquency history. The fair value of this loan at acquisition was \$455,570, which reflects an allocated ACL of \$77,011 and a non-credit discount of \$62,443.

Credit Quality Indicators:

Total loan credit exposures by internally assigned grades are as follows:

December 31, 2025	Pass	Special Mention	Substandard	Doubtful	Total
Land and land development	\$ 36,900,967	\$ -	\$ -	\$ -	\$ 36,900,967
Real estate construction	\$ 169,793,567	-	-	-	169,793,567
Residential real estate					
1-4 family first lien	\$ 696,222,438	-	484,591	-	696,707,029
1-4 family second lien	\$ 3,354,773	-	-	-	3,354,773
Commercial real estate					
Commercial real estate term	\$ 1,598,917,237	6,606,822	15,970,270	-	1,621,494,329
Owner occupied commercial real estate	\$ 414,826,708	2,380,095	5,921,158	-	423,127,961
Commercial and industrial	\$ 932,043,698	-	1,093,452	370,318	933,507,468
Consumer	\$ 289,485	-	-	-	289,485
Total loans	\$ 3,852,348,873	\$ 8,986,917	\$ 23,469,471	\$ 370,318	\$ 3,885,175,579
December 31, 2024					
Land and land development and real estate construction	Pass	Special Mention	Substandard	Doubtful	Total
Land and land development	\$ 7,485,325	\$ -	\$ -	\$ -	\$ 7,485,325
Real estate construction	123,662,055	-	-	-	123,662,055
Residential real estate					
1-4 family first lien	669,478,264	-	4,758,926	-	674,237,190
1-4 family second lien	1,664,719	-	-	-	1,664,719
Commercial real estate					
Commercial real estate term	1,475,603,698	-	18,512,797	-	1,494,116,495
Owner occupied commercial real estate	352,939,809	-	9,753,363	-	362,693,172
Commercial and industrial	634,896,409	-	17,439,094	1,250,000	653,585,503
Consumer	577,332	-	-	-	577,332
Total loans	\$ 3,266,307,611	\$ -	\$ 50,464,180	\$ 1,250,000	\$ 3,318,021,791

BANESCO USA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Performing and nonperforming loans based on payment activity are as follows:

December 31, 2025	Performing	Non Performing	Total
Land and land development and real estate construction			
Land and land development	\$ 36,900,967	\$ -	\$ 36,900,967
Real estate construction	169,793,567	-	169,793,567
Residential real estate			
1-4 family first lien	696,707,029	-	696,707,029
1-4 family second lien	2,870,182	484,591	3,354,773
Commercial real estate			
Commercial real estate term	1,606,583,207	14,911,122	1,621,494,329
Owner occupied commercial real estate	417,588,993	5,538,968	423,127,961
Commercial and industrial	933,062,069	445,399	933,507,468
Other Loans			
Consumer	289,485	-	289,485
Total loans	\$ 3,863,795,499	\$ 21,380,080	\$ 3,885,175,579

December 31, 2024	Performing	Non Performing	Total
Land and land development and real estate construction			
Land and land development	\$ 7,485,325	\$ -	\$ 7,485,325
Real estate construction	123,662,055	-	123,662,055
Residential real estate			
1-4 family first lien	670,197,989	4,039,201	674,237,190
1-4 family second lien	1,664,719	-	1,664,719
Commercial real estate			
Commercial real estate term	1,494,116,495	-	1,494,116,495
Owner occupied commercial real estate	357,154,204	5,538,968	362,693,172
Commercial and industrial	651,054,596	2,530,907	653,585,503
Other Loans			
Consumer	577,332	-	577,332
Total loans	\$ 3,305,912,715	\$ 12,109,076	\$ 3,318,021,791

Nonperforming loans also include certain loans that have been modified where economic concessions have been granted to borrowers who have experienced financial difficulties.

Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Loans are considered to be nonperforming when the loan is greater than 90 days delinquent. Certain modified loans that are greater than 90 days past due are considered performing, based on their adherence with their modified terms.

Nonperforming loans, non-accrual loans and 90 days or more past due loans represent 0.55% and 0.36% of total loans as of December 31, 2025 and 2024, respectively.

BANESCO USA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The following tables include an aging analysis of the outstanding balances of past due loans as of December 31, 2025 and 2024.

As of December 31, 2025

Age Analysis of Past Due Loans by Loan Class	30-90 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans
Land and land development and real estate construction					
Land and land development	\$ -	\$ -	\$ -	\$ 36,900,967	\$ 36,900,967
Real estate construction	-	-	-	169,793,567	169,793,567
Residential real estate					
1-4 family first lien	3,707,374	484,591	4,191,965	692,515,064	696,707,029
1-4 family second lien	-	-	-	3,354,773	3,354,773
Commercial real estate					
Commercial real estate term	-	1,119,476	1,119,476	1,620,374,853	1,621,494,329
Owner occupied commercial real estate	-	5,538,968	5,538,968	417,588,993	423,127,961
Commercial and industrial	333,605	445,399	779,004	932,728,464	933,507,468
Other Loans					
Consumer	-	-	-	289,485	289,485
Total loans	\$ 4,040,979	\$ 7,588,434	\$ 11,629,413	\$ 3,873,546,166	\$ 3,885,175,579

As of December 31, 2024

Age Analysis of Past Due Loans by Loan Class	30-90 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans
Land and land development and real estate construction					
Land and land development	\$ -	\$ -	\$ -	\$ 7,485,325	\$ 7,485,325
Real estate construction	-	-	-	123,662,055	123,662,055
Residential real estate					
1-4 family first lien	7,239,080	2,184,304	9,423,384	664,813,806	674,237,190
1-4 family second lien	-	-	-	1,664,719	1,664,719
Commercial real estate					
Commercial real estate term	-	-	-	1,494,116,495	1,494,116,495
Owner occupied commercial real estate	550,030	5,538,968	6,088,998	356,604,174	362,693,172
Commercial and industrial	6,895	2,530,907	2,537,802	651,047,701	653,585,502
Other Loans					
Consumer	-	-	-	577,332	577,332
Total loans	\$ 7,796,005	\$ 10,254,179	\$ 18,050,184	\$ 3,299,971,607	\$ 3,318,021,791

BANESCO USA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Loans on non-accrual status by loan segment are as follows:

	December 31, 2025	December 31, 2024
Residential real estate		
1-4 family first lien	\$ 484,591	\$ 4,039,201
1-4 family second lien	-	-
Commercial real estate		
Commercial real estate term	14,911,122	-
Owner occupied commercial real estate	5,538,968	5,538,968
Commercial and industrial	445,399	2,530,907
Total loans	\$ 21,380,080	\$ 12,109,076

Loans on non-accrual with no allowance for credit loss:

	Nonaccrual With No Allowance for Credit Loss	Nonaccrual loans with an allowance for credit losses	Loans > 90 days and Accruing
As of December 31, 2025			
Residential real estate			
1-4 family first lien	\$ 484,591	\$ -	\$ -
Commercial real estate			
Commercial real estate term	1,119,476	13,791,646	-
Owner occupied commercial real estate	5,538,968	-	-
Commercial and industrial	75,081	370,318	-
	\$ 7,218,116	\$ 14,161,964	\$ -
As of December 31, 2024			
Residential real estate			
1-4 family first lien	\$ 4,039,201	\$ -	\$ -
Commercial real estate			
Owner occupied	5,538,968	-	-
Commercial and industrial	75,081	2,455,826	-
	\$ 9,653,250	\$ 2,455,826	\$ -

As of December 31, 2025, the Bank did have a Commercial real estate loan modify during the year with an outstanding balance of \$13,791,646. This was a participated loan, in which the Bank was not the lead bank.

The following table includes the amortized cost basis of collateral-dependent loans for individually evaluated loans as of December 31:

	2025	2024
Residential real estate		
1-4 family first lien	\$ 484,591	\$ 4,758,926
Commercial real estate		
Commercial real estate term	15,970,270	18,512,797
Owner occupied commercial real estate	5,921,158	9,753,363
Commercial and industrial	1,090,989	16,233,268
	\$ 23,467,008	\$ 49,258,354

5. DERIVATIVES AND HEDGING ACTIVITIES

Cash Flow Hedges of Interest Rate Risk

The Bank’s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Bank primarily uses interest rate caps as part of its interest rate risk management strategy. Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium. During 2025 and 2024, such derivatives were used to hedge the variable cash flows associated with existing variable-rate FHLB.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in Accumulated Other Comprehensive Income and subsequently reclassified into interest expense in the same period(s) during which the hedged transaction affects earnings. Gains and losses on the derivative representing hedge components excluded from the assessment of effectiveness are recognized over the life of the hedge on a systematic and rational basis, as documented at hedge inception in accordance with the Bank’s accounting policy election. The earnings recognition of excluded components is presented in interest expense. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Bank’s variable-rate debt. During the next 12 months, the Bank estimates that an additional \$99,300 will be reclassified as a reduction to interest expense.

Fair Value Hedges of Interest Rate Risk

The Bank is exposed to changes in the fair value of certain pools of fixed-rate assets due to changes in benchmark interest rates. The Bank uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate. Interest rate swaps designated as fair value hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Bank receiving variable-rate payments over the life of the agreements without the exchange of the underlying notional amount.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in interest income.

In 2025, the Bank terminated its fair value hedge. While the hedging relationship was discontinued, the underlying remains on the Consolidated Balance Sheet.

The cumulative gain/loss on the derivatives at the time of termination resulted in a basis adjustment to the carrying amount of the underlying portfolio. Because the underlying portfolio remains outstanding, this basis adjustment is being amortized as a reduction/increase to Interest Expense over the remaining life of the portfolio using the effective interest method.

As of December 31, the following amounts were recorded on the balance sheet related to cumulative basis adjustment for fair value hedges:

	Carrying Amount of the Hedged Assets/(Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)	
	2025	2024	2025	2024
AFS Securities	\$ 65,799,146	\$ 65,238,682	\$ 24,921	\$ -
Fixed Rate Loans	-	-	-	-
Total ^{[1][2]}	\$ 65,799,146	\$ 65,238,682	\$ 24,921	\$ -

[1] At December 31, 2025 and 2024, the amortized cost basis of the closed portfolios used in these hedging relationships was \$147,256,579 and \$157,223,052, respectively. These amounts represent the amortized cost basis of closed portfolios used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolios anticipated to be outstanding for the designated hedged period.

[2] The balance represents the balance of the hedging adjustment on discontinued hedging relationships.

5. DERIVATIVES AND HEDGING ACTIVITIES (CONTINUED)

The tables below present the fair value of the Bank’s derivative financial instruments as well as their classification on the Balance Sheet as of December 31:

Fair Values of Derivative Instruments						
	Derivative Assets			Derivative Liabilities		
	Notional Amount	Balance Sheet Location	2025 Fair Value	Notional Amount	Balance Sheet Location	2025 Fair Value
Derivatives designated as hedging instruments						
Interest Rate Products	50,000,000	Other Assets	\$ 7,962	-	Other Liabilities	\$ -
Total derivatives designated as hedging instruments			<u>\$ 7,962</u>			<u>\$ -</u>
Net Derivatives on the Balance Sheet			\$ 7,962			\$ -
Gross Amounts Not Offset in the Statement of Financial Position						
Financial Instruments			7,962			7,962
Cash collateral (1)			-			(7,962)
Net Derivative Amounts			<u>\$ -</u>			<u>\$ -</u>

(1) Cash collateral represents the amount that cannot be used to offset our derivative assets and liabilities from a gross basis to a net basis in accordance with the applicable accounting guidance. The application of the cash collateral cannot reduce the net derivative position below zero. Therefore, excess cash collateral, if any, is not reflected above.

	Derivative Assets			Derivative Liabilities		
	Notional Amount	Balance Sheet Location	2024 Fair Value	Notional Amount	Balance Sheet Location	2024 Fair Value
Derivatives designated as hedging instruments						
Interest Rate Products	90,000,000	Other Assets	\$ 327,183	25,000,000	Other Liabilities	\$ 314,495
Total derivatives designated as hedging instruments			\$ 327,183			\$ 314,495
Net Derivatives on the Balance Sheet			\$ 327,183			\$ 314,495
Gross Amounts Not Offset in the Statement of Financial Position						
Financial Instruments			327,183			327,183
Cash collateral (1)			-			(12,689)
Net Derivative Amounts			\$ -			\$ -

(1) Cash collateral represents the amount that cannot be used to offset our derivative assets and liabilities from a gross basis to a net basis in accordance with the applicable accounting guidance. The application of the cash collateral cannot reduce the net derivative position below zero. Therefore, excess cash collateral, if any, is not reflected above.

The table below presents the effect of fair value and cash flow hedge accounting on Accumulated Other Comprehensive Income as of December 31, 2025:

	Amount of Gain or (Loss) Recognized in OCI on Derivative	Amount of Gain or (Loss) Recognized in OCI Included Component	Amount of Gain or (Loss) Recognized in OCI Excluded Component
Derivatives in Cash Flow Hedging Relationships			
Interest Rate Products	\$ (1,103)	\$ -	\$ (1,103)
Total	\$ (1,103)	\$ -	\$ (1,103)

	Location of Gain or (Loss) Recognized from Accumulated Other Comprehensive Income into Income	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income Included Component	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income Excluded Component
Derivatives in Cash Flow Hedging Relationships				
Interest Rate Products	Interest Expense	\$ (14,965)	\$ -	\$ (4,651)
Total		\$ (14,965)	\$ -	\$ (4,651)

BANESCO USA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

5. DERIVATIVES AND HEDGING ACTIVITIES (CONTINUED)

The table below presents the effect of the Bank’s derivative financial instruments on the Income Statement as of December 31, 2025:

	Location and Amount of Gain or (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships	
	Interest Expense	Interest Income
Total amounts of income and expense line items presented in the statement of financial performance in which the effects of fair value or cash flow hedges are recorded	\$ 1,103	-
The effects of fair value and cash flow hedging:		
Interest contracts		
Hedged items		-
Derivatives designated as hedging instruments		-
Gain or (loss) on cash flow hedging relationships in Subtopic 815-20		
Interest contracts		
Amount of gain or (loss) reclassified from accumulated other comprehensive income into income	1,103	
Amount of gain or (loss) reclassified from accumulated other comprehensive income into income as a result that a forecasted transaction is no longer probable of occurring	-	
Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income - Included Component	-	
Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income - Excluded Component	(4,651)	

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, is summarized as follows at December 31:

	2025	2024
Land	4,638,710	4,638,710
Building	22,525,673	22,120,687
Leasehold improvements	4,862,405	3,946,828
Furniture and equipment	3,839,335	3,062,547
Computer equipment and software	9,988,547	9,530,671
Work in progress	1,019,905	1,732,999
Art work	569,258	483,070
	47,443,833	45,515,511
Less:		
Accumulated depreciation and amortization	15,648,190	12,776,486
Property and equipment, net	\$ 31,795,643	\$ 32,739,025

Depreciation and amortization of property and equipment amounted to \$3,099,895 and to \$2,865,252 for the years ended December 31, 2025 and 2024, respectively.

BANESCO USA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

7. DEPOSITS

At December 31, 2025, the scheduled maturities of time deposits are as follows:

2026	\$ 1,059,635,399
2027	\$ 37,839,341
2028	\$ 632,586
2029	\$ -
Thereafter	\$ -
	\$ 1,098,107,326

At December 31, 2025, the bank had a total of \$1.1 billion in time deposits maturing over the next 3 years. Callable Brokered deposits account for \$19.9 million.

8. FORECLOSED ASSETS, NET

The Bank did not have any inventory of foreclosed assets at December 31, 2025 and 2024.

Foreclosed assets are presented net of allowance for credit losses. At December 31, 2025 and December 31, 2024 there was no allowance for losses associated to foreclosed assets.

Expenses applicable to foreclosed assets include the following at December 31:

	2025	2024
Loss/(gain) on sales of foreclosed assets	\$ -	\$ -
Operating expenses	-	3,120
	\$ -	\$ 3,120

9. FEDERAL HOME LOAN BANK ADVANCES & OTHER BORROWINGS

At December 31, the Bank had Federal Home Loan Bank (“FHLB”) advances as follows:

Year of Maturity	2025 Interest Rate	2025	2024
2025	-	-	50,000,000
2026	4.17%	190,000,000	100,000,000
2027	4.08%	75,000,000	75,000,000
		\$ 265,000,000	\$ 225,000,000

The FHLB advances agreement requires the Bank to maintain certain loans or securities as collateral for these advances. As of December 31, 2025 and 2024, the Bank has pledged \$1,393,898,485 and \$1,530,448,007 of mortgage loans as collateral, respectively, and was in compliance with the FHLB membership agreement. At December 31, 2025 and 2024, FHLB stock held by the Bank amounted to \$15,675,100 and \$13,355,900, respectively.

The Bank’s line of credit with FHLB of Atlanta allows drawing up to 30% of total assets. As of December 31, 2025 and 2024, the Bank’s total line at FHLB amounts to \$1,610,925,900 and \$1,059,348,250, respectively. As of December 31, 2025 and 2024, the unused portion of the line amounted to approximately \$1,343,225,900 and \$831,648,250, respectively.

BANESCO USA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

9. FEDERAL HOME LOAN BANK ADVANCES & OTHER BORROWINGS (CONTINUED)

The Bank had an available line of credit totaling \$97,446,771 and \$90,612,619 with the Federal Reserve Bank of Atlanta secured by certain loans as of December 31, 2025 and 2024, respectively. No borrowings were outstanding with the FRB at December 31, 2025 or 2024.

The Bank had unsecured lines of credit with correspondent banks for overnight borrowings in an aggregate amount of \$160,000,000 and \$75,000,000 as of December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, there were no outstanding borrowings under these lines.

10. INCOME TAXES

The provision for (benefit from) income taxes is as follows as of December 31:

	December 31,	
	2025	2024
Current Expense (Benefit):		
Federal	\$ 12,597,842	\$ 10,291,828
State	2,744,590	2,345,691
Foreign	3,150,942	6,404,087
	<u>18,493,374</u>	<u>19,041,606</u>
Deferred (Benefit) Expense:		
Federal	\$ 1,624,905	\$ (2,549,264)
State	(184,014)	(485,574)
Foreign	(3,012,110)	(100,212)
	<u>(1,571,219)</u>	<u>(3,135,050)</u>
Total	<u>\$ 16,922,155</u>	<u>\$ 15,906,556</u>

The actual income tax expense for 2025 and 2024 differs from the statutory tax expense for the year (computed by applying the U.S. federal corporate tax rate of 21% to income before provision for (benefit from) income taxes) as follows:

	2025	Effective Tax Rate	2024	Effective Tax Rate
Federal taxes at statutory rate	\$ 15,557,080	21.0%	\$ 12,415,770	21.0%
State income taxes, net of federal tax benefit	2,712,365	3.7%	2,067,399	3.5%
Foreign taxes	846,760	1.1%	3,034,597	5.1%
Bank-owned life insurance	(934,955)	(1.3%)	(1,229,635)	(2.1%)
Other, net	<u>(1,259,095)</u>	<u>(1.7%)</u>	<u>(381,575)</u>	<u>(0.6%)</u>
	<u>\$ 16,922,155</u>	<u>22.8%</u>	<u>\$ 15,906,556</u>	<u>26.9%</u>

BANESCO USA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

10. INCOME TAXES (CONTINUED)

The Bank's deferred tax assets and deferred tax liabilities are as follows as of December 31:

	December 31,	
	2025	2024
Deferred tax assets:		
Net unrealized losses on securities available for sale	\$ 11,934,430	\$ 16,041,310
Allowance for loan losses	12,278,330	10,897,023
Net operating losses	2,123,390	2,165,193
Accruals & others	4,397,447	357,551
Loan discounts	294,435	200,732
Loan fees	1,745,352	1,632,202
Non-accrual interest	277,332	521,592
Provision for off balance sheet risk	1,109,402	726,046
Tax credits	<u>2,836,272</u>	<u>-</u>
	<u>36,996,390</u>	<u>32,541,649</u>
Less valuation allowance	<u>-</u>	<u>-</u>
Deferred tax assets	<u>36,996,390</u>	<u>32,541,649</u>
Deferred tax liabilities:		
Core deposit intangibles	13,501	13,272
Depreciable property	<u>3,187,244</u>	<u>902,993</u>
Deferred tax liability	<u>3,200,745</u>	<u>916,265</u>
Net deferred tax asset	<u>\$ 33,795,645</u>	<u>\$ 31,625,384</u>

As of December 31, 2025 and 2024, the Bank had federal and state net operating loss carryforwards remaining of approximately \$8,494,000 and \$8,661,000, respectively, which is available to reduce the taxable income of the consolidated federal and state tax returns. As a result of the Brickell Bank acquisition, the future utilization of these carryforwards is limited pursuant to the provisions of Internal Revenue Code section 382. The annual limitation amount is \$167,000. For the years ended on December 31, 2017 and prior, the net operating loss carryforwards expire in various years through 2037. For the years ended December 31, 2019 and 2018, the net operating loss carryforwards do not expire.

In assessing the realizability of deferred tax assets, management considered whether it is more likely than not some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment.

The U.S. Federal jurisdiction, Florida, and Puerto Rico are the major tax jurisdictions where the Bank files income tax returns. The Bank is generally no longer subject to U.S. Federal, State, or foreign examinations by tax authorities for years before 2022.

For the years ended December 31, 2025 and 2024, the Bank did not have any unrecognized tax benefits as a result of tax positions taken during a prior period or during the current period. No interest or penalties have been recorded as a result of tax uncertainties.

11. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank grants loans to and accepts deposits from its executive officers, principal shareholders, directors, and its affiliates. At December 31, these amounts are summarized as follows:

	2025	
	Range of Interest Rate	Balance
Loans	4.63% to 7.75%	\$ 27,537,315
Deposits	0.00% to 4.22%	\$ 74,925,725
	2024	
	Range of Interest Rate	Balance
Loans	4.63% to 8.50%	\$ 23,064,126
Deposits	0.00% to 5.14%	\$ 70,519,191

As of December 31, 2025, related party transactions amounted to \$2,979,859 in interest income and \$563,256 in interest expense. As of December 31, 2024, related party transactions amounted to \$1,599,510 in interest income and \$674,548 in interest expense. In 2025 and 2024, the Bank sold participations of approximately \$36 million and \$1 million in loans to related parties, respectively.

12. EMPLOYEE BENEFIT PLAN

The Bank has adopted a retirement savings plan (the “Retirement Plan”) (a 401k plan) covering substantially all eligible employees effective January 1, 2005. The Retirement Plan includes a provision that the Bank may contribute to the accounts of eligible employees for whom a salary deferral is made. Employees may contribute up to 90% of their compensation subject to certain limits based on federal tax laws. The Bank contributed \$1,412,609 and \$1,239,644 towards the Retirement Plan in 2025 and 2024, respectively.

In 2023, the Bank offered a Long-Term Incentive Plan (LTI) to align the interest of management, key employees and equity holders, to attract and retain key leadership, and to reward key executives and employees for the achievement of the Bank’s long-term strategies, priorities, and objectives. As of December 31, 2025 and 2024, the Bank provisioned \$4,540,784 and \$1,950,365 towards the LTI Plan, respectively.

13. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, unused lines of credit and standby letters of credit.

The Bank’s exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit, unused lines of credit, standby letters of credit are represented by the contractual amount of those instruments. The Bank uses the same credit policies in making these commitments as it does for on-balance-sheet instruments.

13. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK (CONTINUED)

Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are usually collateralized and usually do not contain a specified maturity date and ultimately may not be drawn upon to the total extent to which the Bank is committed.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management’s credit evaluation of the counterparty.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Bank’s standby letters of credit are secured by cash collateral at December 31, 2025 and 2024 in the amount of \$14,623,969 and \$9,973,811, respectively. A summary of the amounts of the Bank’s financial instruments, with off-balance sheet risk, is as follows at December 31:

	2025	2024
	Contract Amount	Contract Amount
Unused lines of credit	746,382,138	553,599,640
Commitment to extend credit	217,042,230	28,624,000
Standby letters of credit	19,857,845	15,879,010

14. REGULATORY CAPTIAL MATTERS

The Bank, as a state-chartered bank, is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank’s assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Management believes, as of December 31, 2025, that the Bank meets all capital adequacy requirements to which it is subject.

In 2023, the Bank elected to opt into the community bank leverage ratio framework (CBLR framework), which was established in 2019 by the federal banking agencies. The rule allows qualifying community banking organizations to opt-out of calculating and reporting risk-based capital and allows banks to only be required to calculate and report Tier 1 to average assets ratio, also known as Tier 1 Capital, or Leverage Ratio. In addition, to qualify for the CBLR framework, a bank must maintain a ratio greater than the required minimum of 9%. As of December 31, 2025, the Bank has maintained a ratio greater than 9%, which meets the requirements for the CBLR.

Additionally, the Bank has elected to permanently opt-out of the inclusion of accumulated other comprehensive income in our capital calculations, as permitted by the regulations. This opt-out will reduce the impact of market volatility on our regulatory capital levels.

As of December 31, 2025, the Bank was well-capitalized under the CBLR regulatory framework. There are no conditions or events since December 31, 2025 that management believes have changed the Bank’s category.

BANESCO USA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

14. REGULATORY CAPTIAL MATTERS (CONTINUED)

The Bank’s actual capital amounts and ratios as of December 31, 2025 and 2024 are presented in the following table:

As of December 31, 2025	Actual		To be Well Capitalized	
	Amount	Ratio	Amount	Ratio
Tier I capital (to average total assets) \$	621,342,087	11.3%	\$ 495,034,122	9.0%
As of December 31, 2024	Actual		To be Well Capitalized	
	Amount	Ratio	Amount	Ratio
Tier I capital (to average total assets) \$	566,780,641	12.9%	\$ 394,702,517	9.0%

On June 22, 2022, the Bank issued 250,000 shares of Senior Non-Cumulative Perpetual Preferred stock, Series (the “Designated Senior preferred Stock”), for the capital investment of \$250 million from the U.S. Treasury under the Emergency Capital Investment Program (“ECIP”). ECIP investment is treated as Tier 1 Capital for regulatory capital treatment.

The Designated Senior preferred Stock may be redeemed at the option of the Bank on or after the fifth anniversary of issuance (or earlier in the event of loss of regulatory capital treatment), subject to the approval of the appropriate federal banking regulator in accordance with the federal banking agencies’ regulatory capital regulations.

The initial dividend rate of the Designated Senior preferred Stock is zero percent for the first two years after issuance, and thereafter the floor dividend rate is 0.50% and the ceiling dividend rate is 2.00%. The Bank’s current dividend rate is 0.50%.

In 2024 the Bank received \$30,000,000 in additional capital from its shareholders to support continued organic growth in line with the Bank’s strategic plan.

15. LEASES

Lessee Arrangements

The Bank enters into leases in the normal course of business primarily for financial centers, back-office operations locations, business development offices, information technology data centers, and equipment. The Bank’s leases have remaining terms ranging from 1 to 5 years, some of which include renewal options to extend the lease for up to 5 years.

	2025	2024
Right-of-use assets:		
Operating leases	\$ 5,474,806	\$ 5,103,810
Finance leases	19,075	63,938
Total right-of-use assets	\$ 5,493,881	\$ 5,167,748
Lease liabilities:		
Operating leases	\$ 5,864,653	\$ 5,513,253
Finance leases	19,732	65,598
Total lease liabilities	\$ 5,884,385	\$ 5,578,851

BANESCO USA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

15. LEASES (CONTINUED)

Lease Expense

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

	2025	2024
Finance lease expense		
Amortization of ROU assets	\$ 39,290	\$ 39,576
Interest on lease liabilities	2,020	3,087
Operating lease expense	1,611,682	1,283,236
Total lease expense	\$ 1,652,992	\$ 1,325,899

Lease Obligations

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

	Operating Leases	Finance Leases
2026	\$ 1,521,126	\$ 13,529
2027	1,510,059	5,494
2028	1,519,113	1,563
2029	782,152	-
2030	198,406	-
Thereafter	919,449	-
Total undiscounted cash flows	6,450,305	20,586
Less: imputed interest	585,652	854
Total lease liabilities	\$ 5,864,653	\$ 19,732

15. LEASES (CONTINUED)

Supplemental Lease Information

	2025	2024
Finance lease weighted average remaining lease term (years)	1.61	1.85
Finance lease weighted average discount rate	5.10%	4.31%
Operating lease weighted average remaining lease term (years)	4.80	4.31
Operating lease weighted average discount rate	3.39%	2.71%
Cash paid for amounts included in the measurement of Lease Liabilities:		
Operating cash flows from finance leases (i.e. Interest)	\$ 2,048	\$ 2,998
Financing cash flows from finance leases (i.e. principal portion)	\$ 57,053	\$ 38,557
Operating cash flows from operating leases	\$ 1,617,619	\$ 1,146,873
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 13,224	\$ 21,579
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 1,763,908	\$ 1,807,878

16. FAIR VALUE MEASUREMENTS

Determination of Fair Value

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the fair value measurements accounting guidance, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank’s various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

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

16. FAIR VALUE MEASUREMENTS (CONTINUED)

In accordance with this guidance, the Bank groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. There have been no changes in the methodologies used at December 31, 2025 and 2024.

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used to estimate the fair value of each significant class of financial instruments for which it is practicable to estimate fair value:

Investment Securities Available for Sale and Held to Maturity - When instruments are traded in secondary markets and quoted market prices do not exist for such securities, management generally relies on prices obtained from independent vendors or third-party broker-dealers. Management reviews pricing methodologies provided by the vendors and third-party broker-dealers in order to determine if observable market information is being utilized. Securities measured with pricing provided by independent vendors or third-party broker-dealers are classified within Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models or discounted cash flow analyses utilizing inputs observable in the market where available. The specific investment holdings which are included in the Level 2 classification are U.S government issued securities; U.S. government agencies, collateralized mortgage obligations, mortgage-backed securities, corporate bonds and municipal securities.

Equity securities – The fair value of equity securities is based on quoted prices in active markets for identical assets or liabilities that the Bank can access at the measurement date and is considered a Level 1 classification. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions.

16. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table represents the Bank’s financial instruments measured at fair value on a recurring basis for each of the fair value hierarchy levels:

	Level 1	Level 2	Level 3	Total
December 31, 2025				
U.S. treasury securities	\$ -	\$ 259,440,194	\$ -	\$ 259,440,194
U.S. government agencies is sued securities	-	78,945,279	-	78,945,279
Municipals	-	18,334,180	-	18,334,180
Collateralized mortgage obligations	-	48,810,682	-	48,810,682
Collateralized loan obligations	-	7,482,409	-	7,482,409
Mortgage-backed securities	-	466,272,333	-	466,272,333
Asset backed securities	-	2,873,349	-	2,873,349
Corporate bonds	-	68,091,356	-	68,091,356
Equity Securities	10,002,619	-	803,362	10,805,981
	<u>\$ 10,002,619</u>	<u>\$ 950,249,782</u>	<u>\$ 803,362</u>	<u>\$ 961,055,763</u>
December 31, 2024				
U.S. treasury securities	\$ -	\$ 10,002,832	\$ -	\$ 10,002,832
U.S. government agencies is sued securities	-	77,683,107	-	77,683,107
Municipals	-	17,056,285	-	17,056,285
Collateralized mortgage obligations	-	35,924,705	-	35,924,705
Collateralized loan obligations	-	47,231,444	-	47,231,444
Mortgage-backed securities	-	246,777,322	-	246,777,322
Asset backed securities	-	3,420,472	-	3,420,472
Corporate bonds	-	76,854,925	-	76,854,925
Equity Securities	6,031,050	-	800,249	6,831,299
	<u>\$ 6,031,050</u>	<u>\$ 514,951,092</u>	<u>\$ 800,249</u>	<u>\$ 521,782,391</u>

There were no financial liabilities measured at fair value on a recurring basis at December 31, 2025 and 2024.

Items Measured at Fair Value on a Nonrecurring Basis

Individually Evaluated Loans

Certain assets that are considered individually evaluated are not measured at fair value on an ongoing basis but are subject to fair value measurements. These instruments are measured at fair value on a nonrecurring basis and include certain loans that have been deemed to necessitate an impairment analysis.

When a loan is deemed individually evaluated, the Bank’s management measures impairment based on the present value of expected future cash flows discounted at the loan’s effective interest rate, except that as a practical method, impairment may be measured based on the fair value of the loan or on the fair value of the underlying collateral if the loan is collateral dependent.

As of December 31, 2025 and 2024, loans deemed to be individually evaluated based on fair value measurement totaled \$14,161,964 and \$18,614,013, respectively, with the portion deemed to be individually evaluated included in the allowance for credit losses.

16. FAIR VALUE MEASUREMENTS (CONTINUED)

Items Measured at Fair Value on a Nonrecurring Basis (continued)

Collateral dependent loans and loans based on the present value of expected future cash flows discounted at the loan’s effective interest rate are classified in Level 3 of the fair value hierarchy as the valuation technique requires inputs that are both significant and unobservable.

The following table represents the Bank’s financial instruments measured at fair value on a nonrecurring basis for each of the fair value hierarchy levels:

	Level 1	Level 2	Level 3	Total
December 31, 2025				
Individually Evaluated loans	\$ -	\$ -	\$ 11,502,515	\$ 11,502,515
Foreclosed assets	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,502,515</u>	<u>\$ 11,502,515</u>
December 31, 2024				
Individually Evaluated loans	\$ -	\$ -	\$ 16,092,876	\$ 16,092,876
Foreclosed assets	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,092,876</u>	<u>\$ 16,092,876</u>

There were no financial liabilities measured at fair value on a nonrecurring basis at December 31, 2025 and 2024.

For collateral dependent loans measured at fair value as of December 31, 2025, the fair value measurement technique was based on the estimated fair value of the collateral. Unobservable inputs consisted of estimates for the cost to sell underlying collateral which range from 8% to 21%, with a weighted average of approximately 15%. For collateral dependent loans measured at fair value as of December 31, 2024, unobservable inputs included estimates for the cost to sell underlying collateral of approximately 10%.

17. BANK OWNED LIFE INSURANCE

Bank owned life insurance (“BOLI”) is carried at the amount that could be realized under the contract at the balance sheet date, which is typically the cash surrender value. Changes in cash surrender value are recorded in non-interest income. At December 31, 2025, the Bank maintained BOLI policies with five insurance carriers with a combined realizable cash surrender value of \$115,762,941. At December 31, 2024, the Bank maintained BOLI policies with five insurance carriers with a combined cash surrender value of \$111,310,773. The Bank is the beneficiary of these policies, which covers certain present and former executives and officers.

18. REVENUE RECOGNITION

Revenue from Contracts with Customers (Topic 606), ASU 2014-09, implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Bank has elected to apply the ASU and all related ASUs using the modified retrospective method. The implementation of the guidance had no material impact on the measurement or recognition of revenue of prior periods. The Bank generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity.

BANESCO USA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

18. REVENUE RECOGNITION (CONTINUED)

Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgement involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers. All of the Bank's revenue from contracts with customers in the scope of topic 606 is recognized within noninterest income on the accompanying consolidated statements of earnings.

A description of the Bank's revenue streams accounted for under Topic 606 follows:

Service Charges and Fees on Deposit Accounts – Deposits are included as liabilities in the consolidated balance sheets. Service charges and fees on deposit accounts include: overdraft fees, which are charged when customers overdraw their accounts beyond available funds; automated teller machine (ATM) fees charged for withdrawals by deposit customers from other financial institutions' ATMs; and a variety of other monthly or transactional fees for services provided to retail and business customers, mainly associated with checking accounts.

All non-maturity deposit liabilities are considered to have one-day terms and therefore related fees are recognized in income at the time when services are provided to the customers. Incremental cost of obtaining deposit contracts are not significant and are recognized within noninterest expense in the accompanying consolidated statements of operations.

19. SUBORDINATED DEBT

On December 29, 2020, the Bank completed an offering of \$15,000,000 in Subordinated Debt with various institutions. The issuance is of a 10-year term, which is callable after the first five years, with fixed semiannual payments at 5.50% for the first five years and floating rate quarterly payments thereafter. The issuance cost amounted to \$322,080 and is presented as a direct reduction of the debt payable on the accompanying consolidated balance sheets. The debt issuance cost is amortized over five years, which is the initial call date. On December 30, 2025, the bank exercised its call option of the subordinated debt full. As of December 31, 2025, the outstanding balance of subordinated debt was \$0.

Products & Services

Deposit Products

Certificates of Deposit
Checking
Money Market
Savings

Lending

Commercial & Industrial
Commercial Real Estate
Commercial Lines of Credit
Commercial Term Loans
Construction
Equipment Financing
Owner-Occupied
Commercial Real Estate
Residential Mortgage
SBA Loans

Treasury Management

ACH Services
ACH and Payee Positive Pay
Cash Services
Lockbox Services
Merchant Services
Remote Deposit Capture

Digital Banking

Intrabank & Interbank
Electronic Transfers
Mobile Banking
Online Banking
Visa Debit Card with
Card Controls
Wire Transfers
Zelle® and Zelle® for
your small business
Specialty Banking
& Services
Business & Professional
Banking
Foreign Correspondent
Banking
Multinational Client
Employee Accounts

Locations & Addresses

Corporate Headquarters

3155 NW 77th Ave.
Miami, FL 33122

Aventura

Aventura Parksquare
2980 NE 207th St., Suite #106
Aventura, FL 33180

Brickell

Brickell Arch
1395 Brickell Ave.
Miami, FL 33131

Coral Gables

150 Alhambra Cir., Suite #100
Coral Gables, FL 33134

East Doral

3155 NW 77th Ave.
Doral, FL 33122

Hialeah

1950 West 49th St., Unit #5
Hialeah, FL 33012

Plantation

Loan & Deposit Production Office
1250 S Pine Island Rd., Suite #200
Plantation, FL 33324

St. Petersburg

Loan & Deposit Production Office
700 Central Ave., Suite #106
St. Petersburg, FL 33701

West Palm Beach

Loan & Deposit Production Office
250 S Australian Ave.
West Palm Beach, FL 33401

Puerto Rico

Lobby MCS Plaza
255 Ponce de León Ave., Suite #124
Hato Rey, PR 00917



banescousa.com

© 2026 Banesco USA

DP 072026

EW 072026

