FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2025

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

FDIC Certificate No. 32203

Summit State Bank

(Exact Name of Registrant as Specified in its Charter)

California	94-2878925
(State of Incorporation)	(I.R.S. Employer Identification No.)
500 Bicentennial Way, Santa Rosa, CA 95403	707-568-6000
(Address of Principal Executive Offices)	(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	SSBI	The NASDAQ Stock Market LLC

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☒ Smaller reporting company ☒
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.☐

Indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No☒

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ☐ No ☐

As of November 7, 2025, there were 6,771,526 shares of common stock outstanding.

SUMMIT STATE BANK

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Part I Financial Information
Item 1 Financial Statements

SUMMIT STATE BANK
BALANCE SHEETS
(In thousands except share data)

	September 30, 2025 (Unaudited)	December 31, 2024 (1)
ASSETS		
Cash and due from banks	$ 57,952	$ 51,403
Investment securities:		
Available-for-sale, less allowance for credit losses of $3 and $36 (at fair value; amortized cost of $76,211 and $80,887)	66,688	68,228
Loans held for investment, less allowance for credit losses of $14,042 and $13,693	838,402	905,075
Bank premises and equipment, net	4,893	5,155
Investment in Federal Home Loan Bank stock (FHLB), at cost	5,889	5,889
Other real estate owned	4,437	4,437
Affordable housing tax credit investments	6,713	7,413
Accrued interest receivable and other assets	21,548	19,494
Total assets	$ 1,006,522	$ 1,067,094
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand - non interest-bearing	$ 185,258	$ 185,756
Demand - interest-bearing	215,522	193,355
Savings	39,659	47,235
Money market	203,126	226,879
Time deposits that meet or exceed the FDIC insurance limit	73,162	70,717
Other time deposits	172,057	238,620
Total deposits	888,784	962,562
FHLB advances	5,500	-
Junior subordinated debt, net	5,945	5,935
Affordable housing commitment	511	511
Accrued interest payable and other liabilities	6,054	6,363
Total liabilities	906,794	975,371
Commitments and contingencies (Note 7)		
Shareholders' equity		
Common stock, no par value; shares authorized - 30,000,000 shares; issued and outstanding 6,771,526 and 6,776,563	37,897	37,740
Retained earnings	68,602	62,869
Accumulated other comprehensive loss, net	(6,771)	(8,886)
Total shareholders' equity	99,728	91,723
Total liabilities and shareholders' equity	$ 1,006,522	$ 1,067,094

(1) Information derived from audited financial statements.

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

SUMMIT STATE BANK
STATEMENTS OF INCOME
(In thousands except earnings per share data)

	Three Months Ended		Nine Months Ended	
	September 30, 2025 (unaudited)	September 30, 2024 (unaudited)	September 30, 2025 (unaudited)	September 30, 2024 (unaudited)
Interest and dividend income:				
Interest and fees on loans	$ 13,067	$ 13,594	$ 40,446	$ 39,952
Interest on deposits with banks	539	592	1,656	1,405
Interest on investment securities	484	663	1,502	2,084
Dividends on FHLB stock	130	128	388	386
Total interest and dividend income	14,220	14,977	43,992	43,827
Interest expense:				
Deposits	5,373	7,563	17,533	21,396
FHLB advances	54	4	94	332
Junior subordinated debt	127	138	389	325
Total interest expense	5,554	7,705	18,016	22,053
Net interest income before provision for (reversal of) credit losses	8,666	7,272	25,976	21,774
Provision for credit losses on loans	2,709	1,320	2,132	1,311
Provision for (reversal of) credit losses on unfunded loan commitments	49	(8)	(44)	(99)
Reversal of credit losses on investments	(21)	(19)	(33)	(20)
Net interest income after provision for (reversal of) credit losses on loans, unfunded loan commitments and investments	5,929	5,979	23,921	20,582
Non-interest income:				
Service charges on deposit accounts	238	241	678	701
Rental income	45	60	159	180
Net gain on loan sales	308	474	360	1,257
Net realized loss on securities	(7)	-	(12)	-
Other income	303	255	609	641
Total non-interest income	887	1,030	1,794	2,779
Non-interest expense:				
Salaries and employee benefits	3,476	3,988	11,104	12,210
Occupancy and equipment	435	420	1,323	1,348
Other expenses	1,634	1,773	5,676	5,651
Total non-interest expense	5,545	6,181	18,103	19,209
Income before provision for income taxes	1,271	828	7,612	4,152
Provision for income tax expense	453	202	1,883	1,203
Net income	$ 818	$ 626	$ 5,729	$ 2,949
Basic earnings per common share	$ 0.12	$ 0.09	$ 0.85	$ 0.44
Diluted earnings per common share	$ 0.12	$ 0.09	$ 0.85	$ 0.44
Basic weighted average shares of common stock outstanding	6,734,158	6,719,127	6,719,127	6,711,803
Diluted weighted average shares of common stock outstanding	6,734,158	6,719,127	6,719,127	6,711,803

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

SUMMIT STATE BANK
STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Three Months Ended		Nine Months Ended	
	September 30, 2025 (unaudited)	September 30, 2024 (unaudited)	September 30, 2025 (unaudited)	September 30, 2024 (unaudited)
Net income	$ 818	$ 626	$ 5,729	$ 2,949
Change in securities available-for-sale:				
Unrealized holding gains on available-for-sale securities arising during the period	1,087	3,264	3,091	2,448
Reclassification adjustment for losses realized in net income on available-for-sale securities	7	-	12	-
Net unrealized gains, before provision for income tax	1,094	3,264	3,103	2,448
Income tax expense	(348)	(966)	(987)	(725)
Total other comprehensive income, net of tax	746	2,298	2,115	1,723
Comprehensive income	$ 1,564	$ 2,924	$ 7,844	$ 4,672

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

SUMMIT STATE BANK
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Three Months Ended
September 30, 2024 and 2025
(Unaudited)

(In thousands except per share data)	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, July 1, 2024	6,784,099	$ 37,623	$ 69,651	$ (9,325)	$ 97,949
Net income	-	-	626	-	626
Other comprehensive income, net of tax	-	-	-	2,298	2,298
Restricted stock forfeited	(7,536)	-	-	-	-
Stock based compensation - restricted stock	-	54	-	-	54
Cash dividends - $0.04 per share	-	-	(265)	-	(265)
Balance, September 30, 2024	6,776,563	$ 37,677	$ 70,012	$ (7,027)	$ 100,662
Balance, July 1, 2025	6,771,526	$ 37,843	$ 67,782	$ (7,517)	$ 98,108
Net income	-	-	818	-	818
Other comprehensive income, net of tax	-	-	-	746	746
Restricted stock dividend forfeiture adjustment	-	-	2	-	2
Stock based compensation - restricted stock	-	54	-	-	54
Balance, September 30, 2025	6,771,526	$ 37,897	$ 68,602	$ (6,771)	$ 99,728

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

SUMMIT STATE BANK
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Nine Months Ended
September 30, 2024 and 2025
(Unaudited)

(In thousands except per share data)	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, January 1, 2024	6,784,099	$ 37,471	$ 68,957	$ (8,750)	$ 97,678
Net income	-	-	2,949	-	2,949
Other comprehensive income, net of tax	-	-	-	1,723	1,723
Restricted stock forfeited	(7,536)	-	-	-	-
Stock based compensation - restricted stock	-	206	-	-	206
Cash dividends - $0.28 per share	-	-	(1,894)	-	(1,894)
Balance, September 30, 2024	6,776,563	$ 37,677	$ 70,012	$ (7,027)	$ 100,662
Balance, January 1, 2025	6,776,563	$ 37,740	$ 62,869	$ (8,886)	$ 91,723
Net income	-	-	5,729	-	5,729
Other comprehensive income, net of tax	-	-	-	2,115	2,115
Restricted stock withheld to cover tax withholding obligations	(1,311)	(12)	-	-	(12)
Restricted stock forfeited	(3,726)	-	-	-	-
Restricted stock dividend forfeiture adjustment	-	-	4	-	4
Stock based compensation - restricted stock	-	169	-	-	169
Balance, September 30, 2025	6,771,526	$ 37,897	$ 68,602	$ (6,771)	$ 99,728

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

SUMMIT STATE BANK
STATEMENTS OF CASH FLOWS

(In thousands)	Nine Months Ended September 30, 2025 (unaudited)	2024 (unaudited)
Cash flows from operating activities:		
Net income	$ 5,729	$ 2,949
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	289	293
Securities amortization and accretion, net	(36)	(18)
Accretion of net deferred loan fees	(1,311)	(1,477)
Provision for credit losses on loans	2,132	1,311
Reversal of credit losses on unfunded loan commitments	(44)	(99)
Reversal of credit losses on investments	(33)	(20)
Net realized loss on securities	12	-
Net gain on loan sales	(360)	(1,257)
Amortization of debt issuance cost related to junior subordinated debt	10	11
Amortization of affordable housing tax credit investment	700	707
Net change in accrued interest receivable and other assets	(3,686)	1,237
Net change in accrued interest payable and other liabilities	(219)	1,075
Stock-based compensation expense	767	(526)
Net cash from operating activities	3,950	4,186
Cash flows from investing activities:		
Proceeds from calls and maturities of available-for-sale investment securities	4,700	10,827
Purchase of Federal Home Loan Bank stock	-	(348)
Loans held for investment origination and principal collections, net	58,806	(6,633)
Proceeds from sales of loans other than loans originated for resale	7,406	24,185
Purchases of bank premises and equipment, net	(27)	(228)
Cash paid for affordable housing tax credit commitment	-	(33)
Net cash from investing activities	70,885	27,770
Cash flows used in financing activities:		
Net change in demand, savings and money market deposits	(9,660)	(43,264)
Net change in time deposits	(64,118)	36,341
Proceeds from short term advances from FHLB	446,300	1,544,350
Repayment of short term advances from FHLB	(440,800)	(1,544,350)
Dividends paid on common stock	-	(1,894)
Proceeds from forfeited restricted stock dividend adjustment	4	-
Proceeds from restricted stock for tax withholding obligations	(12)	-
Net cash used in financing activities	(68,286)	(8,817)
Net change in cash and cash equivalents	6,549	23,139
Cash and cash equivalents at beginning of period	51,403	57,789
Cash and cash equivalents at end of period	$ 57,952	$ 80,928
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 19,488	$ 21,357
Income taxes	$ 60	$ 420
Non-Cash Investing and Financing Activities:		
Net unrealized gains on available-for-sale securities	$ 3,103	$ 2,448
Transfer from loans to other real estate owned	$ -	$ (5,130)

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

SUMMIT STATE BANK

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

On January 15, 1999, Summit State Bank (the "Bank") received authority to transact business as a California state-chartered commercial bank and is subject to regulation, supervision and examination by the State of California Department of Financial Protection & Innovation and the Federal Deposit Insurance Corporation. The Bank was incorporated on December 20, 1982 under the name Summit Savings. The Bank provides a variety of banking services to individuals and businesses in its primary service area of Sonoma County, California. The Bank's branch locations include Santa Rosa, Petaluma, Rohnert Park, and Healdsburg. The Bank offers depository and lending services primarily to meet the needs of its business, nonprofit organization and individual clientele. These services include a variety of transaction, money market, savings and time deposit account alternatives. The Bank's lending activities are directed primarily towards commercial real estate, construction and business loans.

The financial statements as of September 30, 2025 and for the three and nine months ended September 30, 2025 and 2024 are unaudited. In the opinion of management, these unaudited financial statements contain all adjustments, consisting only of normal recurring accruals necessary to present fairly the financial statements of the Bank.

The accompanying unaudited interim financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles for interim financial information and Article 8 of Regulation S-X of the Securities and Exchange Commission. Operating results for the three and nine months ended September 30, 2025 are not necessarily indicative of the results that may be expected for the year ending December 31, 2025. These unaudited financial statements do not include all disclosures associated with the Bank's annual financial statements and notes thereto and accordingly, should be read in conjunction with the financial statements and notes thereto included in the Bank's Annual Report for the year ended December 31, 2024 on Form 10-K, on file with the FDIC (the Form 10-K may also be found at www.summitstatebank.com).

The accompanying accounting and reporting policies of the Bank conform to U.S. Generally Accepted Accounting Principles and prevailing practices within the banking industry.

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The allowance for credit losses, fair values of investment securities and the determination of potential impairment of affordable housing tax credit investment are particularly subject to change.

Change in Allowance for Credit Losses – Loans

As part of the Bank's ongoing efforts to enhance the accuracy of its credit loss estimation process, the Bank transitioned from a Life of Loan Loss Model to a Discounted Cash Flow (DCF) Model for

estimating the allowance for credit losses. This change, which was implemented December 31, 2024, is intended to improve the precision of the expected credit loss calculations.

Nature of the Change

The Life of Loan Loss Model previously used a combination of historical loss rates, qualitative adjustments, and forward-looking macroeconomic factors to estimate expected credit losses. The new DCF Model introduces a more dynamic and granular approach by incorporating:

- Loan-Level Discounted Cash Flow Analysis – The new model evaluates credit losses at an individual loan level, applying prepayment and loss estimated cash flows that are discounted using an effective interest rate.
- Incorporation of Peer Data – Utilizing peer loss experience to help enhance the Bank's limited loss experience by incorporating more historical loss activity over various economic cycles.
- Enhanced Economic Forecasting – The model integrates a reasonable and supportable forecast from FOMC forecasts. The quantitative loss drivers utilized in the model are based on a regression of economic factors to historical loss experience which best aligns the expected credit losses to the economic forecast.
- More Detailed Portfolio Segmentation – The transition allows for the Bank to evaluate the portfolio at the call code level as opposed to total portfolio, so the Bank can model fluctuations in portfolio mix. This leads to more accurate risk assessments and expected loss estimates.
- Qualitative Factors – Framework for qualitative factors are more robust and detailed at the call code level allowing for more accurate risk assessments and expected loss estimates.
- Framework for qualitative factors incorporates a calculated max loss scenario representing a severe economic environment as a basis to bound the upper end of the qualitative adjustments. These qualitative adjustments are more robust and detailed at the call code level, allowing for more accurate risk assessments and expected loss estimates.

Impact on Financial Statements

This change is considered a change in accounting estimate, rather than a change in accounting principle, as it results from an improved estimation methodology rather than a fundamental change in the underlying accounting framework. The transition to the DCF Model impacted the Bank's financial results for the year ended December 31, 2024 in the following ways:

- Allowance for Credit Losses (ACL): The updated model resulted in a $76,000 decrease in the ACL as of December 31, 2024, reflecting adjustments in expected credit losses due to the incorporation of discounted cash flow modeling.
- Provision for Credit Losses: The shift in methodology led to a net increase of $70,000, made up of a $146,000 increase in ACL for unfunded loan commitments and a $76,000 decrease in the loan loss provision for the three and twelve months ending December 31, 2024, compared to what would have been recorded under the previous model.
- Earnings Volatility: While the DCF Model provides a more accurate estimate of expected losses, it may introduce increased volatility in the provision for credit losses, particularly during periods of significant economic uncertainty.

Operating Segments

The Bank adopted Accounting Standards Update 2023-07 "Segment Reporting (Topic 280) - Improvement to Reportable Segment Disclosures" on January 1, 2024. The Bank has determined that all of its banking divisions meet the aggregation criteria of ASC 280, Segment Reporting, as its current operating model is structured whereby banking divisions serve a similar base of clients utilizing a bank-wide offering of similar products and services managed through similar processes and platforms that are collectively reviewed by the Bank's Chief Executive Officer and Chief Financial Officer, who have been identified as the chief operating decision makers ("CODM").

The CODM regularly assesses the performance of the aggregated single operating and reporting segment and decides how to allocate resources based on net income calculated on the same basis as is net income reported in the Bank's statements of income and other comprehensive income. The CODM is also regularly provided with expense information at a level consistent with that disclosed in the Bank's statements of income and other comprehensive income.

Earnings Per Common Share

Basic earnings per common share (EPS), which excludes dilution, is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is computed by dividing income available to common shareholders by the weighted-average common shares outstanding plus the weighted average number of dilutive shares for the period. The Bank has two forms of outstanding common stock: common stock and unvested restricted stock awards. Holders of unvested restricted stock awards receive forfeitable dividends at the same rate as common shareholders. Stock options or unvested restricted stock awards that are considered anti-dilutive, such as options whose exercise prices exceed the current common stock price, are not included in computing diluted earnings per share as they would not reduce EPS under the treasury method. Stock options for 37,000 shares of common stock for the three and nine months ended September 30, 2025 were not considered in computing diluted earnings per share because they were anti-dilutive. Stock options for 57,000 shares of common stock for the three and nine months ended September 30, 2024 were not considered in computing diluted earnings per share because they were anti-dilutive.

The factors used in the earnings per common share computation follow:

	Three Months Ended		Nine Months Ended	
(in thousands except per share data)	**September 30, 2025**	**September 30, 2024**	**September 30, 2025**	**September 30, 2024**
Basic				
Net income	$ 818	$ 626	$ 5,729	$ 2,949
Weighted average common shares outstanding (1)	6,734,158	6,719,127	6,719,127	6,711,803
Basic earnings per common share	$ 0.12	$ 0.09	$ 0.85	$ 0.44
Diluted				
Net income	$ 818	$ 626	$ 5,729	$ 2,949
Weighted average common shares outstanding for basic earnings per common share (1)	6,734,158	6,719,127	6,719,127	6,711,803
Add: Dilutive effects of assumed exercises of stock options and restricted stock awards	-	-	-	-
Average shares and dilutive potential common shares	6,734,158	6,719,127	6,719,127	6,711,803
Diluted earnings per common share	$ 0.12	$ 0.09	$ 0.85	$ 0.44

(1) excludes unvested RSAs

Accounting Standards Adopted

In November 2023, the FASB issued ASU 2023-07 – Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The amendments in this ASU improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The new ASU adds required disclosure of significant segments expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, as well as the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance. The ASU also clarifies that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance, an entity may report one or more of those additional measures of segment profit; however, at least one of the reported segment profit or loss measures should be the measure that is most consistent with the measurement principals used in measuring the corresponding amounts in the entity's financial statements. Finally, the new ASU requires that an entity that has only one reportable segment provide all the disclosures required by this ASU and all existing segment disclosures in Topic 280. The provisions of this ASU became effective, on a prospective basis, for the Bank for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption was permitted. The amendments in this ASU do not affect the Bank's financial position or results of operations; however, the required disclosures have been added to the Bank's financial statements after the ASU was adopted. Management has evaluated potential reportable segments and has concluded that none meet the requirements for separate disclosure under ASU 2023-07.

Accounting Standards Pending Adoption

In December 2023, the FASB issued ASU 2023-09 – Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments in this ASU address investor requests for more transparency about income tax information through improvements to income tax disclosures. The ASU enhances existing requirements that an entity disclose a tabular reconciliation, using both reporting currency amounts and percentages, of the entity's reported income tax expense and the amount computed by multiplying income from continuing operations before income taxes by the applicable statutory Federal income tax rate by including specific categories in the rate reconciliation table and requiring additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income or loss by the applicable statutory income tax rate). The ASU also includes requirements to disclose the amount of income taxes paid (net of refunds received) disaggregated by Federal, state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid is equal to or greater than 5 percent of total income taxes paid. The amendments in this ASU are effective, on a prospective basis, for annual periods beginning after December 31, 2024. Early adoption is permitted. The amendments in this ASU will not affect the Bank's financial position or results of operations; however, the required disclosures will be added to the Bank's financial statements after the ASU is adopted.

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. The amendments are intended to improve income statement expense disclosure requirements, primarily through enhanced disclosures about certain costs and expenses included in income statement expense captions. The amendments are effective for annual reporting periods beginning after December 15, 2026 (i.e., 2027 Form 10-K) and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. Since this ASU only requires additional disclosure, adoption of this ASU will not have an impact on our financial condition, results

of operations or cash flows; however, the required disclosures will be added to the Bank's financial statements after the ASU is adopted.

In January 2025, the FASB issued ASU 2025-01 Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date. The amendments in this ASU are intended to clarify that all public business entities should initially adopt the disclosure requirements in ASU 2024-03 in the first annual reporting period beginning after December 15, 2026, and interim reporting periods within annual reporting periods beginning after December 15, 2027. Since this ASU only requires additional disclosure, adoption of this ASU will not have an impact on our financial condition, results of operations or cash flows.

In September 2025, the FASB issued ASU 2025-06 – Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Improvements to Accounting for and Disclosure of Internal-Use Software. The amendments in this ASU modernize the accounting framework for internal-use software by eliminating prescriptive project stages and requiring capitalization once management commits funding and it is probable that the software will be completed. The ASU also consolidates guidance related to website development and introduces an evaluation of "significant development uncertainty" to determine when capitalization is appropriate. The Bank will update its policies for internal software projects, including digital banking platforms and reporting systems, to reflect the new guidance. The amendments in this ASU are effective for fiscal years beginning after December 15, 2027, with early adoption permitted. The Bank does not expect adoption of this ASU to have a material impact on its financial position or results of operations.

2. INVESTMENT SECURITIES – AVAILABLE-FOR-SALE

The amortized costs and estimated fair value of investment securities available-for-sale are reflected in the tables below; the Bank has no investment securities held-to-maturity:

	September 30, 2025				
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value
Government agencies	$ 48,456	$ -	$ (7,981)	$ -	$ 40,475
Mortgage-backed securities - residential	8,144	-	(1,253)	-	6,891
Corporate debt	19,611	128	(414)	(3)	19,322
Total investment securities available-for-sale	$ 76,211	$ 128	$ (9,648)	$ (3)	$ 66,688

	December 31, 2024				
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value
Government agencies	$ 48,379	$ -	$ (10,154)	$ -	$ 38,225
Mortgage-backed securities - residential	8,612	-	(1,618)	-	6,994
Corporate debt	23,896	21	(872)	(36)	23,009
Total investment securities available-for-sale	$ 80,887	$ 21	$ (12,644)	$ (36)	$ 68,228

The unrealized loss on the investment portfolio, including asset-backed securities, corporate bonds, and agency securities, was primarily driven by changes in required yields by investors for these types of securities and by changes in interest rates. During the quarter ended September 30, 2025, the Bank received and accepted a tender offer that settled on one sub-investment-grade corporate security with a par value of $500,000. Following this transaction, all the Bank's securities remain investment grade with the exception of one security with a total par value of $250,000. A

separate evaluation was performed for this remaining sub-investment-grade security, and management determined that it will continue to be specifically reserved. This conclusion reflects the continued and significant deterioration in the issuer's credit profile and the adverse impact that current economic conditions are expected to have on its future earnings potential, asset quality, liquidity, and projected cash flows.

The Bank continues to monitor all its securities for changes in credit rating or other indications of credit deterioration. The Bank continues to determine the one security below investment grade could result in a credit loss and as such the Bank recorded an allowance for credit losses of $3,000 as of September 30, 2025 and $36,000 as of December 31, 2024.

Management has concluded the decline in fair value of its investment securities is attributable to changes in short-term interest rates, market shifts of the treasury yield curve and other variable market and economic conditions. Except for the two securities mentioned above, no other allowance for credit losses has been recognized on the available-for-sale securities in an unrealized loss position. Management does not believe any of those securities are impaired due to credit risk factors at either September 30, 2025 or December 31, 2024. In addition, for the available-for-sale securities in an unrealized loss position, the Bank assessed whether it intended to sell the securities, or if it was more likely than not that it would be required to sell the securities before recovery of its amortized cost basis, which would require a write-down to fair value through net income. Because the Bank did not intend to sell any of its securities, and it was not more-likely-than-not that the Bank would be required to sell the securities before recovery of their amortized cost bases, the Bank determined that no write-down was necessary as of the reporting date.

Investment securities with unrealized losses are summarized and classified according to the duration of the loss period as follows:

	September 30, 2025					
	Less than 12 Months		12 Months or More		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale:						
Government agencies	$ -	$ -	$ 40,475	$ (7,981)	$ 40,475	$ (7,981)
Mortgage-backed securities - residential	-	-	6,891	(1,253)	6,891	(1,253)
Corporate debt	-	-	13,382	(414)	13,382	(414)
Total investment securities	$ -	$ -	$ 60,748	$ (9,648)	$ 60,748	$ (9,648)

	December 31, 2024					
	Less than 12 Months		12 Months or More		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale:						
Government agencies	$ -	$ -	$ 38,225	$ (10,154)	$ 38,225	$ (10,154)
Mortgage-backed securities - residential	-	-	6,994	(1,618)	6,994	(1,618)
Corporate debt	1,898	(29)	17,268	(843)	19,166	(872)
Total investment securities	$ 1,898	$ (29)	$ 62,487	$ (12,615)	$ 64,385	$ (12,644)

At September 30, 2025, the Bank held no investment securities in an unrealized loss position for less than 12 months and fifty seven investment securities in an unrealized loss position for greater than 12 months.

There were no securities sold during the three or nine months ended September 30, 2025 and 2024.

The following table sets forth an analysis of the allowance for credit losses on available for sale securities for the periods indicated.

(in thousands)	Government agencies	Mortgage-backed securities	Corporate debt
Balance, December 31, 2023	$ -	$ -	$ 58
Reversal of credit losses	-	-	(20)
Balance, September 30, 2024	$ -	$ -	$ 38
Balance, December 31, 2024	$ -	$ -	$ 36
Reversal of credit losses	-	-	(33)
Balance, September 30, 2025	$ -	$ -	$ 3

At September 30, 2025, there were no investment securities pledged to secure public deposits as the Bank now utilizes a letter of credit for this purpose. At December 31, 2024, investment securities with a fair value of $8,160,000, or 12% of the investment portfolio, were pledged.

The amortized cost and estimated fair value of investment securities by contractual maturity at September 30, 2025 are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

(in thousands)	Amortized Cost	Estimated Fair Value
Within one year	$ 3,090	$ 3,076
After one year through five years	23,136	22,579
After five years through ten years	17,350	14,613
After ten years	24,491	19,529
	68,067	59,797
Investment securities not due at a single maturity date:		
Mortgage-backed securities - residential	8,144	6,891
	$ 76,211	$ 66,688

The Bank does not own securities of any single issuer (other than U.S. Government agencies) whose aggregate book value was in excess of 10% of the Bank's total shareholders' equity at the time of purchase.

3. LOANS

Outstanding loans are summarized as follows:

(in thousands)	September 30, 2025	December 31, 2024
Commercial & agricultural (1)	$ 116,949	$ 138,460
Real estate - commercial	645,773	682,355
Real estate - construction and land	9,116	9,419
Real estate - single family	47,967	54,922
Real estate - multifamily	32,299	33,602
Consumer & lease financing (2)	340	10
	852,444	918,768
Allowance for credit losses	(14,042)	(13,693)
Net loans held for investment	$ 838,402	$ 905,075

(1) Includes loans secured by farmland.

(2) Consumer & lease financing includes overdrafts of $21 as of September 30, 2025 and $10 as of December 31, 2024.

The following is a discussion of the risks across each loan portfolio segment:

Commercial and agricultural – Commercial and agricultural credit is extended to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, farmland, or other projects. Most of these borrowers are customers doing business within the Bank's geographic locations. These loans are generally underwritten individually and secured with the assets of the company and the personal guarantee of the business owners. Commercial and agricultural loans are made based primarily on the historical and projected cash flow of the borrower and the underlying collateral provided by the borrowers. The cash flows of borrowers may not occur as expected, or the collateral securing these loans may fluctuate in value. A weakened economy, and the resulting decrease in consumer or business spending, may also have an impact on the credit quality of commercial and agricultural loans.

Real estate - commercial – Commercial real estate loans are subject to underwriting standards and processes similar to commercial loans. These loans are viewed primarily as cash flow loans and the repayment of these loans is largely dependent on the successful operation of the property but are collateralized by underlying real estate. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market.

Real estate - construction and land – Construction and land real estate loans are extended to qualified commercial and individual customers and are underwritten and secured by the assets of the company or individual. Commercial construction credits are generally secured with personal guarantees of the business owner. Credits are underwritten to meet the general credit policy criteria for current and projected cash flow coverage and loan-to-value. Both types of credit are generally written as construction to permanent loans with terms consistent with policy and property type.

The Bank extends construction loans to borrowers in California, Arizona, Missouri, Texas, Colorado, Utah and Washington with a majority under the SBA 7(a) or U.S. Department of Agriculture (USDA) loan guarantee programs. The majority of land real estate loans are with

customers doing business within the Bank's geographic region, Northern California. Repayment of construction loans is largely dependent on the ultimate success of the project and can be impacted by the inherent volatility in real estate values, delays due to weather, and labor or material shortages.

Real estate - single family – Single family residential mortgage loans represent loans to consumers for the purchase or refinance of a residence. These loans are generally financed up to 30 years, and in most cases, are extended to borrowers to finance their primary residence. Real estate market values at the time of origination directly affect the amount of credit extended, and in the event of default, subsequent changes in these values may impact the severity of losses. Additionally, commercial loans may be categorized as Single Family Residential if the loan is secured by a mortgage on a home. Commercial loans categorized as Single Family Residential are underwritten as described in Commercial and Agricultural Loans section above and have terms such as interest rates and maturities as a standard Commercial Loan.

Real estate - multifamily – Multifamily real estate loans are subject to underwriting standards and processes similar to commercial loans. These loans are viewed primarily as cash flow loans and the repayment of these loans is largely dependent on the successful operation of the property. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the rental real estate market.

Consumer and lease financing – The Bank does not generally fund consumer loans with the exception of temporary loans to fund overdrafts. The balance in this category will adjust based on changes in investment provisions or reversals and increases or decreases to overdrafts. Consumer and lease financing loans are primarily comprised of loans made directly to consumers. These loans have a specific underwriting matrix which consists of several factors including debt to income, type of collateral and loan to collateral value, credit history and relationship to the borrower. Consumer and lease financing lending uses risk-based pricing in the underwriting process. Consumer and lease financing loans are impacted by factors that impact consumers' ability to repay the loans, such as unemployment rates.

Changes in the allocation of allowance for credit losses by class for the three and nine months ended September 30, 2025 and 2024 are as follows:

	Three Months Ended September 30, 2025				
(in thousands)	Balance at June 30, 2025	Provision (reversal)	Charge-offs	Recoveries	Balance at September 30, 2025
Commercial & agricultural	$ 1,442	$ 97	$ -	$ -	$ 1,539
Real estate - commercial	10,332	2,706	(1,800)	-	11,238
Real estate - construction and land	305	(67)	-	-	238
Real estate - single family	640	4	-	-	644
Real estate - multifamily	414	(32)	-	-	382
Consumer, lease financing & other	-	1	-	-	1
Total	$ 13,133	$ 2,709	$ (1,800)	$ -	$ 14,042

	Nine Months Ended September 30, 2025				
(in thousands)	Balance at December 31, 2024	Provision (reversal)	Charge-offs	Recoveries	Balance at September 30, 2025
Commercial & agricultural	$ 2,439	$ (917)	$ (504)	$ 521	$ 1,539
Real estate - commercial	9,872	3,166	(1,800)	-	11,238
Real estate - construction and land	209	29	-	-	238
Real estate - single family	598	46	-	-	644
Real estate - multifamily	382	-	-	-	382
Consumer, lease financing & other	193	(192)	-	-	1
Total	$ 13,693	$ 2,132	$ (2,304)	$ 521	$ 14,042

	Three Months Ended September 30, 2024				
(in thousands)	Balance at June 30, 2024	Provision (reversal)	Charge-offs	Recoveries	Balance at September 30, 2024
Commercial & agricultural	$ 4,184	$ 1,154	$ -	$ -	$ 5,338
Real estate - commercial	7,680	177	-	-	7,857
Real estate - construction and land	887	(25)	-	-	862
Real estate - single family	607	24	-	-	631
Real estate - multifamily	525	15	-	-	540
Consumer, lease financing & other	262	(25)	-	-	238
Total	$ 14,145	$ 1,320	$ -	$ -	$ 15,466

	Nine Months Ended September 30, 2024				
(in thousands)	Balance at December 31, 2023	Provision (reversal)	Charge-offs	Recoveries	Balance at September 30, 2024
Commercial & agricultural	$ 1,395	$ 3,662	$ -	$ 281	$ 5,338
Real estate - commercial	8,812	392	(1,347)	-	7,857
Real estate - construction and land	3,413	(2,551)	-	-	862
Real estate - single family	721	(90)	-	-	631
Real estate - multifamily	634	(94)	-	-	540
Consumer, lease financing & other	246	(8)	-	-	238
Total	$ 15,221	$ 1,311	$ (1,347)	$ 281	$ 15,466

For the three months ending September 30, 2025, the ACL for real estate – commercial increased $906,000 due to a provision of $2,706,000 resulting from an increase in individually assessed loan balances offset by a charge-off of a credit of $1,800,000. The ACL for all other loan categories changed nominally.

For the nine months ending September 30, 2025, the ACL for commercial & agricultural decreased $900,000 due to a charge-off of a credit of $504,000, a subsequent recovery of a charge-off of $521,000 and reversal of provision of $917,000 due to reduced balances. The ACL for real estate – commercial increased $1,366,000 resulting from a provision of $3,166,000 resulting from increased individually assessed loan balances offset by a charge-off of a credit of $1,800,000. The ACL for all other loan categories changed nominally.

The following table presents the amortized cost basis of collateral dependent loans by class of loans and by collateral type as of September 30, 2025 and December 31, 2024:

	September 30, 2025							
	Amortized Cost by Collateral Type							
(in thousands)	Commercial & agricultural	Real estate - commercial	Real estate - construction and land	Real estate - single family	Real estate - multifamily	Consumer & lease financing	Total	Allowance for Credit Losses
Hotel/Motel	$ -	$ 9,295	$ -	$ -	$ -	$ -	$ 9,295	$ 1,195
Multi Family 5+	-	-	-	-	2,105	-	2,105	-
Non Owner Occupied - Commercial Special Purpose	-	5,487	-	-	-	-	5,487	1,580
Non Owner Occupied - Mixed Use	-	729	-	-	-	-	729	-
Owner Occupied - Mixed Use	-	632	-	-	-	-	632	-
UCC Blanket	146	-	-	-	-	-	146	-
UCC Crops	535	-	-	-	-	-	535	-
Vineyard	8,321	-	-	-	-	-	8,321	-
Winery Property	338	-	-	-	-	-	338	-
Total collateral dependent loans	**$ 9,340**	**$ 16,143**	**$ -**	**$ -**	**$ 2,105**	**$ -**	**$ 27,588**	**$ 2,775**

	December 31, 2024							
	Amortized Cost by Collateral Type							
(in thousands)	Commercial & agricultural	Real estate - commercial	Real estate - construction and land	Real estate - single family	Real estate - multifamily	Consumer & lease financing	Total	Allowance for Credit Losses
Farmland	$ 8,016	$ -	$ -	$ -	$ -	$ -	$ 8,016	$ 546
Hotel/Motel	-	15,444	-	-	-	-	15,444	1,199
Multi Family 5+	-	-	-	-	2,146	-	2,146	-
Non Owner Occupied - Commercial Office	-	12,996	-	-	-	-	12,996	-
Non Owner Occupied - Commercial Special Purpose	-	7,297	-	-	-	-	7,297	-
Non Owner Occupied - Mixed Use	-	1,458	-	-	-	-	1,458	-
UCC Blanket	1,154	-	-	-	-	-	1,154	136
UCC Crops	535	-	-	-	-	-	535	268
Unsecured	37	-	-	-	-	-	37	-
Vineyard	17,451	-	-	-	-	-	17,451	-
Total collateral dependent loans	**$ 27,193**	**$ 37,195**	**$ -**	**$ -**	**$ 2,146**	**$ -**	**$ 66,534**	**$ 2,149**

Certain loans that were classified as collateral dependent in prior periods, are no longer considered collateral dependent as of September 30, 2025, based on updated borrower financial information and independent analysis confirming that repayment is expected from ongoing cash flows and guarantor support rather than solely from collateral realization. The change does not reflect payoffs or charge-offs, but rather updated assessments of repayment capacity.

Accrued interest receivable for the total loan portfolio was $2,761,000 and $3,017,000 and net deferred loan fees were $1,926,000 and $2,547,000 as of September 30, 2025 and December 31, 2024, respectively. Accrued interest and unamortized net deferred loan fees are not included in the Bank's ACL calculation.

The following table represents the accrued interest receivable written off by reversing interest income during the three and nine months ended September 30, 2025 and September 30, 2024.

(in thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2025	**September 30, 2024**	**September 30, 2025**	**September 30, 2024**
Commercial & agricultural	$ 3	$ 9	$ 3	$ 9
Real estate - commercial	129	-	129	109
Real estate - construction and land	-	-	-	-
Real estate - single family	-	-	-	-
Real estate - multifamily	-	-	-	-
Consumer & lease financing	-	-	-	-
Total	$ 132	$ 9	$ 132	$ 118

The following table presents the recorded investment in nonaccrual loans and loans past due over 90 days still accruing by class of loans as of September 30, 2025 and December 31, 2024:

	September 30, 2025				**December 31, 2024**			
(in thousands)	Nonaccrual With Allowance for Credit Losses	Nonaccrual With No Allowance for Credit Losses	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Nonaccrual With Allowance for Credit Losses	Nonaccrual With No Allowance for Credit Losses	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing
Commercial & agricultural	$ -	$ 8,031	$ 8,031	$ -	$ 6,753	$ 19,974	$ 26,727	$ -
Real estate - commercial	14,585	925	15,510	-	-	1,027	1,027	-
Real estate - construction and land	-	-	-	-	-	-	-	-
Real estate - single family	-	-	-	-	-	-	-	-
Real estate - multifamily	-	-	-	-	-	-	-	-
Consumer & lease financing	-	-	-	-	-	-	-	-
Total	$ 14,585	$ 8,956	$ 23,541	$ -	$ 6,753	$ 21,001	$ 27,754	$ -

The following table presents the aging of the recorded investment in past due loans, inclusive of nonaccrual loans, as of September 30, 2025, by class of loans:

(in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
Commercial & agricultural	$ -	$ 338	$ 8,031	$ 8,369	$ 108,580	$ 116,949
Real estate - commercial	-	6,119	-	6,119	639,654	645,773
Real estate - construction and land	-	-	-	-	9,116	9,116
Real estate - single family	-	-	-	-	47,967	47,967
Real estate - multifamily	-	-	-	-	32,299	32,299
Consumer & lease financing	-	-	-	-	340	340
Total	$ -	$ 6,457	$ 8,031	$ 14,488	$ 837,956	$ 852,444

The following table presents the aging of the recorded investment in past due loans, inclusive of nonaccrual loans, as of December 31, 2024 by class of loans:

(in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
Commercial & agricultural	$ 63	$ 417	$ 26,328	$ 26,808	$ 111,652	$ 138,460
Real estate - commercial	1,458	687	-	2,145	680,210	682,355
Real estate - construction and land	-	-	-	-	9,419	9,419
Real estate - single family	-	-	-	-	54,922	54,922
Real estate - multifamily	2,146	-	-	2,146	31,456	33,602
Consumer & lease financing	-	-	-	-	10	10
Total	$ 3,667	$ 1,104	$ 26,328	$ 31,099	$ 887,669	$ 918,768

A loan is considered past due if a scheduled payment of interest or principal that is due is unpaid for 30 days or more.

The following table presents the amortized cost basis of loans at September 30, 2025 that were both experiencing financial difficulty and modified during the nine months ended September 30, 2025, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

	September 30, 2025			
	Number of Loans	Amortized Cost Basis	Amortized Cost Basis of Modified Loans to Gross Loans by Category	Financial Effect
Interest Rate Reduction				
Real Estate - Commercial	2	9,131	1.4%	Reduced weighted-average contractual interest rate from 5.50% to 4.00%
Total	**2**	**$ 9,131**	**1.4%**	

The following table presents an aging analysis of the recorded investments of loans modified as of the date stated.

	September 30, 2025				
	Current	30-89 Days Past Due	90+ Days Past Due	Nonaccrual	Total
Commercial & Agricultural	$ -	$ -	$ -	$ -	$ -
Real Estate - Commercial	-	-	-	9,131	9,131
Real Estate - Const & Land	-	-	-	-	-
Real Estate - Single Family	-	-	-	-	-
Real Estate - Multifamily	-	-	-	-	-
Consumer & Lease financing	-	-	-	-	-
Total modified loans	**$ -**	**$ -**	**$ -**	**$ 9,131**	**$ 9,131**

For the three and nine months ended September 30, 2024, there were no loan modifications to borrowers experiencing financial difficulty. For the three and nine months ended September 30, 2025 and 2024, there were no payment defaults on loans modified in the last twelve months to borrowers experiencing financial difficulty.

During the quarter ended September 30, 2025, two modified loans with one borrower were moved to nonaccrual status even though the borrower remains current on all contractual payments. The change in status reflects the loan's restructured terms and the project's extended timeline and cost overruns. The Bank maintains a specific reserve on these credits and determined that nonaccrual classification is appropriate notwithstanding the borrower's continued payment performance.

Credit Quality Indicators

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a quarterly basis for loans in excess of $100,000. Smaller balances are graded at origination and updated based on payment status and other information obtained from borrowers. The Bank uses the following definitions for risk ratings:

PASS - Loans not meeting any of the three criteria below that are analyzed individually as part of the above described process are considered to be pass rated loans.

SPECIAL MENTION - Loans in this category are considered "criticized" from a regulatory point of view but are not considered "classified" until the risk classification becomes substandard or worse. Loans in this category represent above average risk and potential weakness which may, if not corrected, weaken the loan and threaten repayment at some future date.

SUBSTANDARD - Loans in this category have a well-defined weakness that jeopardizes full repayment of the debt, although loss may not seem likely. Loss potential does not have to exist in individual loans in the Substandard classification but will be apparent in the aggregate. Typically, these loans have not met repayment plans as agreed. The primary source of repayment may have failed to materialize; repayment may be dependent on collateral liquidation or other secondary sources. Bankrupt borrowers and those with continuously past due payments are considered substandard.

DOUBTFUL - Loans in this category have all the characteristics of substandard loans with the added weakness that payment in full or liquidation in full is highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors, which may work to the strengthening of the loan, its classification as an estimated loss is deferred until the amount of the loss may be more accurately determined.

The following tables present the Bank's portfolio by loan type, risk category, and year of origination, as of September 30, 2025. Revolving loans that are converted to term loans are treated as new originations in the table below:

	September 30, 2025							
(in thousands)	Term Loans by Year of Origination						Revolving	
	2025	2024	2023	2022	2021	Prior	Loans	Total Loans
Commercial & agricultural								
Risk Rating								
Pass	$ 7,294	$ 6,466	$ 5,101	$ 8,071	$ 7,100	$ 31,311	$ 28,991	$ 94,334
Special Mention	-	-	-	354	3,063	8,252	456	12,125
Substandard	825	-	-	-	338	8,177	1,150	10,490
Doubtful	-	-	-	-	-	-	-	-
Total Commercial & agricultural	$ 8,119	$ 6,466	$ 5,101	$ 8,425	$ 10,501	$ 47,740	$ 30,597	$ 116,949
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 504	$ -	$ 504
Real estate - commercial								
Risk Rating								
Pass	$ 6,348	$ 30,278	$ 87,021	$ 171,123	$ 108,469	$ 180,196	$ 10,460	$ 593,895
Special Mention	-	823	-	11,025	293	3,932	-	16,073
Substandard	-	-	-	-	20,995	9,323	-	30,318
Doubtful	-	-	-	-	5,487	-	-	5,487
Total Real estate - commercial	$ 6,348	$ 31,101	$ 87,021	$ 182,148	$ 135,244	$ 193,451	$ 10,460	$ 645,773
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ 1,800	$ -	$ -	$ 1,800
Real estate - construction and land								
Risk Rating								
Pass	$ -	$ 3,220	$ 182	$ 350	$ 848	$ 4,516	$ -	$ 9,116
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total Real estate - construction and land	$ -	$ 3,220	$ 182	$ 350	$ 848	$ 4,516	$ -	$ 9,116
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real estate - single family								
Risk Rating								
Pass	$ -	$ 1,005	$ 678	$ 6,407	$ 4,808	$ 34,345	$ 200	$ 47,443
Special Mention	-	-	-	-	-	524	-	524
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total Real estate - single family	$ -	$ 1,005	$ 678	$ 6,407	$ 4,808	$ 34,869	$ 200	$ 47,967
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real estate - multifamily								
Risk Rating								
Pass	$ -	$ -	$ 1,852	$ 1,733	$ 5,230	$ 21,379	$ -	$ 30,194
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	2,105	-	2,105
Doubtful	-	-	-	-	-	-	-	-
Total Real estate - multifamily	$ -	$ -	$ 1,852	$ 1,733	$ 5,230	$ 23,484	$ -	$ 32,299
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer & lease financing (1)								
Risk Rating								
Pass	$ 340	$ -	$ -	$ -	$ -	$ -	$ -	$ 340
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total Consumer & lease financing (1)	$ 340	$ -	$ -	$ -	$ -	$ -	$ -	$ 340
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(1) Consumer & lease financing includes overdrafts of $21 as of September 30, 2025

The following tables present the Bank's portfolio by grade, presented by year of origination, as of December 31, 2024. Revolving loans that are converted to term loans are treated as new originations in the table below:

	December 31, 2024							
(in thousands)	Term Loans by Year of Origination						Revolving	
	2024	2023	2022	2021	2020	Prior	Loans	Total Loans
Commercial & agricultural								
Risk Rating								
Pass	$ 8,894	$ 6,744	$ 8,990	$ 11,271	$ 6,147	$ 20,351	$ 36,408	$ 98,805
Special Mention	-	-	650	-	-	7,931	950	9,531
Substandard	-	37	-	-	977	28,508	19	29,541
Doubtful	-	-	-	-	-	-	583	583
Total Commercial & agricultural	$ 8,894	$ 6,781	$ 9,640	$ 11,271	$ 7,124	$ 56,790	$ 37,960	$ 138,460
Current-period gross charge-offs	$ -	$ -	$ 127	$ 710	$ 43	$ 3,268	$ 4,195	$ 8,343
Real estate - commercial								
Risk Rating								
Pass	$ 29,108	$ 87,002	$ 180,916	$ 111,122	$ 81,502	$ 132,610	$ 9,796	$ 632,056
Special Mention	-	-	8,690	296	840	3,193	-	13,019
Substandard	-	-	-	27,775	653	8,852	-	37,280
Doubtful	-	-	-	-	-	-	-	-
Total Real estate - commercial	$ 29,108	$ 87,002	$ 189,606	$ 139,193	$ 82,995	$ 144,655	$ 9,796	$ 682,355
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 1,347	$ -	$ 1,347
Real estate - construction and land								
Risk Rating								
Pass	$ 3,433	$ 195	$ 350	$ 859	$ 497	$ 4,085	$ -	$ 9,419
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total Real estate - construction and land	$ 3,433	$ 195	$ 350	$ 859	$ 497	$ 4,085	$ -	$ 9,419
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real estate - single family								
Risk Rating								
Pass	$ 1,051	$ 691	$ 6,550	$ 6,199	$ 20,786	$ 18,387	$ 720	$ 54,384
Special Mention	-	-	-	-	-	538	-	538
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total Real estate - single family	$ 1,051	$ 691	$ 6,550	$ 6,199	$ 20,786	$ 18,925	$ 720	$ 54,922
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real estate - multifamily								
Risk Rating								
Pass	$ -	$ 1,859	$ 1,769	$ 5,304	$ 12,823	$ 9,701	$ -	$ 31,456
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	2,146	-	2,146
Doubtful	-	-	-	-	-	-	-	-
Total Real estate - multifamily	$ -	$ 1,859	$ 1,769	$ 5,304	$ 12,823	$ 11,847	$ -	$ 33,602
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer & lease financing (1)								
Risk Rating								
Pass	$ 10	$ -	$ -	$ -	$ -	$ -	$ -	$ 10
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total Consumer & lease financing (1)	$ 10	$ -	$ -	$ -	$ -	$ -	$ -	$ 10
Current-period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(1) Consumer & lease financing includes overdrafts of $10 as of December 31, 2024

Pledged Loans

The Bank maintains two lines of credit where the line is secured by pledging qualifying loans with unpaid principal balances. The first line is held at the Federal Home Loan Bank (FHLB) and secured under terms of a blanket collateral agreement; loans with unpaid principal balances of $316,996,000 at September 30, 2025 and $335,020,000 at December 31, 2024 are pledged to secure the line of credit with the FHLB. The second line is held at the Federal Reserve Bank of San Francisco (FRB) and

secured under terms of a Borrower-in-Custody arrangement; loans with unpaid principal balances of $325,721,000 at September 30, 2025 and $344,340,000 at December 31, 2024 secure the line of credit with FRB.

Related Party Loans

The Bank has, and expects to have, in the future, banking transactions in the ordinary course of its business with non-employee Directors, Executive Officers, principal shareholders, as well as their businesses, associates, and members of their immediate family. The Bank makes available an Employee Loan Program which offers a preferred interest rate reduction on primary home mortgage loans; this program is compliant with the applicable restrictions of Section 22(h) of the Federal Reserve Act. Prior to August 1, 2020, non-employee Directors were also eligible to participate in the Bank's Employee Loan Program; after August 1, 2020, non-employee Directors are no longer eligible to participate in this program. Otherwise, all other transactions, including loans and commitments to lend, are made in the ordinary course of business on the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons of similar creditworthiness not related to the Bank. These transactions do not involve more than the normal risk of collectability or present other unfavorable features. Loans to individual non-employee Directors and Executive Officers must comply with the Bank's lending policies and statutory lending limits. In addition, in some cases, prior approval of the Bank's Board of Directors must be obtained for such loans, as required by federal and state regulations applicable to the Bank.

Related party loans totaled $2,864,000 at September 30, 2025 and $2,960,000 at December 31, 2024. Unfunded commitments to related parties were $650,000 at September 30, 2025 and December 31, 2024, respectively.

The following is a summary of the aggregate activity involving related party borrowers.

	2025
(in thousands)	
Balance, January 1	$ 2,960
New borrowings	715
Amounts repaid	(811)
Balance, September 30	$ 2,864
Unfunded commitments to related parties	$ 650

Unfunded Commitments

The Unfunded Reserve represents the expected credit losses on off-balance sheet commitments such as unfunded commitments to extend credit (available balance on lines of credit including construction lines of credit) and standby letters of credit. The ACL on unfunded loan commitments is recognized as a liability within other liabilities in the balance sheets, with adjustments to the reserve recognized in provision for credit losses in the statements of income. The ACL on unfunded loan commitments is updated each reporting period and determined by taking the maximum unfunded credit limit as of the report date and applying an estimated funding rate and expected loss rate on draws by loan segment. The ACL for unfunded loan commitments was $378,000 and $422,000 at September 30, 2025 and December 31, 2024, respectively.

The following table presents the balance and activity in the allowance for credit losses for unfunded loan commitments for the nine months ended September 30, 2025 and September 30, 2024.

(in thousands)	Nine Months Ended
Balance, December 31, 2024	$ 422
Reversal of credit losses on unfunded loan commitments	(44)
Balance, September 30, 2025	$ 378
Unfunded Loan Commitments	87,701

(in thousands)	Nine Months Ended
Balance, December 31, 2023	$ 367
Reversal of credit losses on unfunded loan commitments	(99)
Balance, September 30, 2024	$ 268
Unfunded Loan Commitments	89,930

4. OTHER REAL ESTATE OWNED

The following table represents other real estate owned (OREO) activity for the periods indicated.

(in thousands)	Nine Months Ended
Balance, January 1, 2025	$ 4,437
Loans transferred to other real estate owned	-
Valuation adjustments of other real estate owned	-
Sale of other real estate owned	-
Balance, September 30, 2025	$ 4,437

At September 30, 2025 the balance of other real estate owned was $4,437,000 which was the result of a foreclosed real estate-commercial loan recorded as a result of obtaining physical possession of the property. There was no other real estate owned at September 30, 2024. There were no valuation adjustments recorded for properties held during the periods ended September 30, 2025 and 2024.

5. LEASES

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plan or equipment for a period of time in exchange for consideration.

The types of leases where the Bank is a lessee are real estate properties for four branches located in Healdsburg, Rohnert Park, Petaluma and Santa Rosa, office spaces in Santa Rosa, a lending office in Roseville and photocopier equipment. These leases have variable terms maturing prior to 2030. The Bank's leases do not include residual value guarantees or covenants. A majority of the leases are classified as operating leases.

The calculated amount of the right-of-use ("ROU") assets and lease liabilities in the table below are calculated by discounting the minimum contractual balance due of all future payments through the end of the current term to present value. When the Bank determines exercising the renewal option for any lease agreement is reasonably certain, it will include the extended term in the calculation of the ROU asset and lease liability.

As it pertains to the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Bank uses its incremental borrowing rate in calculating the discounted present value. The discount rate is determined at the lease commencement date and is not changed during the life of the lease unless the lease period is modified.

Cash payments from subleases originated by the Bank are recorded as rental income and included in non-interest income. Rental income is recognized on a straight-line basis over the sublease term. Leasehold improvements and operational expenses associated with the rental property are recorded separate from the income as an expense.

The following table represents the balance sheet classification of the Bank's ROU assets and lease liabilities. The Bank elected not to include short-term leases (i.e., leases with initial terms of twelve months or less) on the balance sheet.

(in thousands)		September 30, 2025	December 31, 2024
Operating Leases	**Classification**		
Lease right-of-use assets	Accrued Int Rec & Other Assets	$ 1,559	$ 1,233
Lease liabilities	Accrued Int Payable & Other Liabilities	1,602	1,279
Financing Leases			
Lease right-of-use assets	Bank Premises & Equip	$ 6	$ 9
Lease liabilities	Accrued Int Payable & Other Liabilities	5	9

The following table represents lease costs for the three and nine months ended September 30, 2025 and 2024:

	Three Months Ended		Nine Months Ended	
(in thousands)	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Lease Costs				
Operating lease cost	$ 124	$ 122	$ 368	$ 363
Financing lease cost				
Interest on lease liabilities	-	-	-	-
Amortization of right-of-use assets	1	1	4	4
Rental income	(45)	(60)	(158)	(180)
Net lease cost	$ 80	$ 63	$ 214	$ 187

(in thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Other Information				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 123	$ 124	$ 370	$ 246
Operating cash flows from finance leases	-	-	-	-
Financing cash flows from finance leases	1	1	4	3
Noncash investing and financing activities:				
Right-of-use assets obtained in exchange for operating lease liabilities	$ 644	$ 386	$ 644	$ 386
Right-of-use assets obtained in exchange for financing lease liabilities	-	-	-	-

	September 30, 2025
Weighted-average remaining lease term	
Operating leases	6.2 years
Financing leases	1.0 years
Weighted-average discount rate	
Operating leases	4.26%
Financing leases	2.70%

Rent expense for the three and nine months ended September 30, 2025 was $137,000 and $420,000 compared to $128,000 and $389,000, respectively, for the same periods in 2024.

Future minimum payments for finance leases and operating leases as of September 30, 2025 were as follows:

(in thousands) **Twelve Months Ended:**	**Operating Leases**	**Financing Leases**
September 30, 2026	$ 388	$ 5
September 30, 2027	388	-
September 30, 2028	321	-
September 30, 2029	236	-
September 30, 2030	87	-
Thereafter	417	-
Total Future Minimum Lease Payments	1,837	5
Amounts Representing Interest	(235)	-
Present Value of Net Future Minimum Lease Payments	$ 1,602	$ 5

6. BORROWINGS AND OTHER OBLIGATIONS

Federal Home Loan Bank Borrowings

The Bank uses FHLB advances to manage balance sheet liquidity and gap fund daily fluctuations on a short-term basis, as needed. Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances. The line was collateralized by $316,996,000 and $335,020,000 of loans under a blanket lien arrangement at September 30, 2025 and December 31, 2024. Based on this collateral, the Bank was eligible to borrow up to a total of $172,844,000 and $183,565,000 of which $127,337,000 and $143,558,000 were available for additional advances as of September 30, 2025 and December 31, 2024, respectively.

There were $5,500,000 in advances outstanding from the FHLB at September 30, 2025 and no advances outstanding at December 31, 2024.

(in thousands)	Weighted Average Interest Rate	September 30, 2025
Due on or before December 31, 2025	4.49%	$ 5,500
		$ 5,500

Federal Reserve Line of Credit

The Bank has a secured line of credit with the Federal Reserve Bank of San Francisco secured by certain agricultural, real estate, construction, and land loans. The line was collateralized by $325,721,000 and $344,340,000 of loans under a Borrower-in-Custody arrangement at September 30, 2025 and December 31, 2024, respectively. The Bank had borrowing capacity under this line totaling $173,728,000 and $180,380,000 at September 30, 2025 and December 31, 2024, respectively, and had no outstanding borrowings with the Federal Reserve Bank at either period end date.

Federal Funds Purchased – Unsecured Borrowings

The Bank has no unsecured lines of credit with correspondent banks for overnight borrowings at September 30, 2025 and had $20,000,000 at December 31, 2024. The Bank had no overnight borrowing under this credit facility as of December 31, 2024.

Subordinated Debenture

On June 28, 2019, the Bank completed a private placement of $6,000,000 in fixed-to-floating rate subordinated notes (the "Notes") to support organic growth and for general corporate purposes. The Notes are for a 10-year term and have been structured to qualify as Tier 2 capital for regulatory purposes. The Notes bear interest at a fixed rate of 6.0% per annum for the first half of the term and adjust to a floating rate tied to SOFR beginning September 30, 2024. As of September 30, 2025 the interest rate was 8.22%. Interest is payable quarterly in arrears and due on March 31, June 30, September 30, and December 31 of each year through the maturity date. The Notes are redeemable by the Bank at its option, in whole or in part, on or after September 30, 2025, or in whole but not in part under certain other circumstances. The Notes are reported net of any unamortized debt issuance cost which totaled $55,000 and $65,000 at September 30, 2025 and December 31, 2024.

Other Obligations

The Bank leases certain premises and equipment under finance leases, which are included in borrowings and other obligations in the statements of income, See Note 5 Leases, for additional information.

7. COMMITMENTS AND CONTINGENCIES

The Bank is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially affect the financial condition or results of operations of the Bank.

The Bank's business activity is primarily with clients located within Northern California. Although the Bank has a diversified loan portfolio, a significant portion of its clients' ability to repay loans is dependent upon the real estate market and various economic factors within Sonoma County. Generally, loans are secured by various forms of collateral. The Bank's credit policy requires sufficient collateral to be obtained as necessary to meet the Bank's relative risk criteria for each borrower. The Bank's collateral for the lending portfolio consists primarily of real estate, accounts receivable, inventory and other financial instruments. At September 30, 2025, loans with real estate collateral approximated $733,798,000 or 86% of the loan portfolio compared to $778,901,000 or 85% at December 31, 2024.

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business in order to meet the financing needs of its clients and to reduce its own exposure to fluctuations in interest rates. These financial instruments consist of commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the balance sheets.

The Bank's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and standby letters of credit as it does for loans included on the balance sheet.

Commitments to extend credit, which totaled $87,701,000 and $84,557,000 at September 30, 2025 and December 31, 2024, respectively, are agreements to lend to a client 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 upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each client's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of the credit, is based on management's credit evaluation of the borrower. Collateral held relating to these commitments varies, but may include securities, equipment, accounts receivable, inventory and deeds of trust on residential real estate and owner-occupied or income-producing commercial properties.

Standby letters of credit, which totaled $31,024,000 and $23,835,000 at September 30, 2025 and at December 31, 2024, respectively, are conditional commitments issued by the Bank to guarantee the performance of a client to a third-party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to clients. The fair value of the liability related to these standby letters of credit, which represent the fees received for issuing the guarantees, was not significant at September 30, 2025 and December 31, 2024. The Bank recognizes these fees as revenue over the term of the commitment or when the commitment is used.

8. SHAREHOLDERS' EQUITY

Regulatory Capital

At September 30, 2025, The Bank's capital levels exceeded the minimums necessary to be considered well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum common equity Tier 1 capital, total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth below.

The Bank elected not to include Accumulated Other Comprehensive Income in the regulatory capital calculations.

The Bank's actual and required capital amounts and ratios consisted of the following:

	September 30, 2025		December 31, 2024	
(in thousands)	Amount	Ratio	Amount	Ratio
Common Equity Tier 1 Capital Ratio				
Summit State Bank	$ 103,604	11.6%	$ 97,173	10.1%
Minimum requirement with capital conservation buffer	$ 62,798	7.0%	$ 67,058	7.0%
Minimum requirement for "Well-Capitalized" institution	$ 58,313	6.5%	$ 62,268	6.5%
Minimum regulatory requirement	$ 40,370	4.5%	$ 43,109	4.5%
Tier 1 Capital Ratio				
Summit State Bank	$ 103,604	11.6%	$ 97,173	10.1%
Minimum requirement with capital conservation buffer	$ 76,255	8.5%	$ 81,428	8.5%
Minimum requirement for "Well-Capitalized" institution	$ 71,769	8.0%	$ 76,638	8.0%
Minimum regulatory requirement	$ 53,827	6.0%	$ 57,478	6.0%
Total Capital Ratio				
Summit State Bank	$ 118,424	13.2%	$ 113,922	11.9%
Minimum requirement with capital conservation buffer	$ 94,197	10.5%	$ 100,587	10.5%
Minimum requirement for "Well-Capitalized" institution	$ 89,712	10.0%	$ 95,797	10.0%
Minimum regulatory requirement	$ 71,769	8.0%	$ 76,638	8.0%
Tier 1 Leverage Ratio				
Summit State Bank	$ 103,604	10.2%	$ 97,173	8.9%
Minimum requirement for "Well-Capitalized" institution	$ 50,584	5.0%	$ 54,772	5.0%
Minimum regulatory requirement	$ 40,467	4.0%	$ 43,818	4.0%

Stock-Based Compensation Plans

The shareholders approved the 2023 Equity Incentive Plan ("Plan") on May 22, 2023. The Plan allows for various equity-based incentives such as options, stock appreciation rights (SARs), restricted stock awards (RSAs), restricted stock units, and other stock-based awards. The Plan reserves a total of 330,000 shares of common stock for issuance to Bank employees and directors. There are 330,000 shares that remain available for future grants under the Plan at September 30, 2025.

The Plan requires that the award exercise price may not be less than the fair value of the stock at the date it is granted. Awards have vesting periods of 5 years, unless otherwise approved by the Board of Directors. Expiration dates are determined by the Board of Directors but may not be later than ten years from the date of grant. There were no awards granted during the three or nine months ended September 30, 2025 or September 30, 2024.

Stock-Based Compensation Plans – Stock Appreciation Rights

Prior to 2021, the Bank granted Stock Appreciation Rights "SARs" to executive officers and directors. SARs provide long-term incentives to the employees and directors by providing a cash payment for the difference between the market price of the Bank's common stock at time of exercise and the price at the grant date. SARs expire ten years from the date of grant and typically have an annual vesting of 20% per year, unless otherwise approved by the Board of Directors. SARs granted to the Board of Directors typically vested immediately in their entirety or partially vest immediately with annual vesting for the next two years; these SARs also have an expiration of ten years. The compensation expense is accrued quarterly as a liability.

Vested SARs are settled in the form of cash payments when the Bank receives written notification from an employee to exercise a SAR payment, the tenth anniversary of the effective date, or at termination of employment. Obligations associated with SARs are accounted for as liabilities and are included in accrued interest payable and other liabilities on the balance sheet. The Bank's SARs are valued based on the number of vested shares times the fair value of the SARs as of the report date. The Bank discontinued issuing SARs beginning in 2021 and instead has been issuing RSAs; because of this there were no SAR grants for the three or nine months ended September 30, 2025 or 2024.

The fair value of each vested SAR award is estimated quarterly using a closed form option valuation (Black-Scholes) model. The output of this valuation is updated quarterly and based on the Bank's actual historical stock price volatility, days to expirations, strike price, the current dividend yield, and the discount rate based on the current U.S. Treasury yield curve that matches the remaining term of each tranche.

At September 30, 2025 and December 31, 2024, the total SAR liability was $827,000 and $228,000, respectively. The total expense accrued for the three and nine months ending September 30, 2025 related to employee SARs was $118,000 and $418,000 which is reflected in the Salaries and Benefits line of the statements of income and $49,000 and $180,000 related to director SARs which is reflected in the Other Expenses line of the statements of income. For the three and nine months ended September 30, 2024, total expense accrued was $21,000 and $(481,000) related to employee SARs and $4,000 and $(251,000) related to director SARs. The increase in the SAR liability at September 30, 2025 is due to the Bank's stock price increasing to $11.91 at September 30, 2025 compared to $8.45 at December 31, 2024.

There were SAR agreements based on 288,420 common shares as of September 30, 2025 and December 31, 2024. Of the SAR agreements, there were 279,620 vested, 8,800 unvested and 880 forfeited as of September 30, 2025 and December 31, 2024.

Stock Appreciation Rights

September 30, 2025

(In thousands except per share data)

Outstanding Rights					Exercise Price	Fair Value		Vested Expense Three Months Ended	
Vested	Unvested	Forfeited	Total	Settlement Date	at Grant	June 30, 2025	September 30, 2025	September 30, 2025	Cumulative
27,500	-	-	27,500	December 2016	$ 10.545	$ 1.367	$ 2.200	23	$ 60
22,000	-	-	22,000	December 2017	$ 11.364	$ 2.084	$ 2.480	9	$ 55
59,400	-	-	59,400	August 2018	$ 14.273	$ 1.392	$ 1.770	23	$ 105
33,000	-	-	33,000	December 2018	$ 10.527	$ 2.840	$ 3.477	21	$ 115
34,100	-	-	34,100	October 2019	$ 10.718	$ 2.966	$ 3.709	25	$ 126
44,000	-	-	44,000	December 2019	$ 11.627	$ 2.579	$ 3.291	31	$ 145
3,300	-	-	3,300	January 2020	$ 11.786	$ 2.526	$ 3.226	2	$ 11
21,120	880	(880)	21,120	February 2020	$ 11.273	$ 2.770	$ 3.490	15	$ 74
35,200	8,800	-	44,000	December 2020	$ 11.018	$ 3.362	$ 3.872	18	$ 136
279,620	9,680	(880)	288,420					$ 167	$ 827

Outstanding Rights					Exercise Price	Fair Value		Vested Expense Nine Months Ended	
Vested	Unvested	Forfeited	Total	Settlement Date	at Grant	December 31, 2024	September 30, 2025	September 30, 2025	Cumulative
27,500	-	-	27,500	December 2016	$ 10.545	$ 0.508	$ 2.200	$ 46	$ 60
22,000	-	-	22,000	December 2017	$ 11.364	$ 0.529	$ 2.480	$ 43	$ 55
59,400	-	-	59,400	August 2018	$ 14.273	$ 0.257	$ 1.770	$ 90	$ 105
33,000	-	-	33,000	December 2018	$ 10.527	$ 0.823	$ 3.477	$ 88	$ 115
34,100	-	-	34,100	October 2019	$ 10.718	$ 1.155	$ 3.709	$ 87	$ 126
44,000	-	-	44,000	December 2019	$ 11.627	$ 1.031	$ 3.291	$ 99	$ 145
3,300	-	-	3,300	January 2020	$ 11.786	$ 0.994	$ 3.226	$ 7	$ 11
21,120	880	(880)	21,120	February 2020	$ 11.273	$ 1.131	$ 3.490	$ 50	$ 74
35,200	8,800	-	44,000	December 2020	$ 11.018	$ 1.370	$ 3.872	$ 88	$ 136
279,620	9,680	(880)	288,420					$ 598	$ 827

September 30, 2024

(In thousands except per share data)

Outstanding Rights					Exercise Price	Fair Value		Vested Expense Three Months Ended	
Vested	Unvested	Forfeited	Total	Settlement Date	at Grant	June 30, 2024	September 30, 2024	September 30, 2024	Cumulative
27,500	-	-	27,500	December 2016	$ 10.545	$ 0.421	$ 0.469	$ 1	$ 13
22,000	-	-	22,000	December 2017	$ 11.364	$ 0.261	$ 0.385	$ 3	$ 8
62,700	-	-	62,700	August 2018	$ 14.273	$ 0.179	$ 0.126	$ (3)	$ 8
33,000	-	-	33,000	December 2018	$ 10.527	$ 0.842	$ 0.758	$ (3)	$ 25
37,400	-	-	37,400	October 2019	$ 10.718	$ 0.858	$ 1.028	$ 7	$ 39
35,200	8,800	-	44,000	December 2019	$ 11.627	$ 0.689	$ 0.853	$ 6	$ 30
3,300	-	-	3,300	January 2020	$ 11.786	$ 0.672	$ 0.832	$ 1	$ 3
21,120	-	(880)	20,240	February 2020	$ 11.273	$ 0.747	$ 0.957	$ 4	$ 20
26,400	17,600	-	44,000	December 2020	$ 11.018	$ 0.740	$ 1.099	$ 9	$ 29
268,620	26,400	(880)	294,140					$ 25	$ 175

Outstanding Rights					Exercise Price	Fair Value		Vested Expense Nine Months Ended	
Vested	Unvested	Forfeited	Total	Settlement Date	at Grant	December 31, 2023	September 30, 2024	September 30, 2024	Cumulative
27,500	-	-	27,500	December 2016	$ 10.545	$ 2.852	$ 0.469	$ (66)	$ 13
22,000	-	-	22,000	December 2017	$ 11.364	$ 3.190	$ 0.385	$ (62)	$ 8
62,700	-	-	62,700	August 2018	$ 14.273	$ 2.168	$ 0.126	$ (128)	$ 8
33,000	-	-	33,000	December 2018	$ 10.527	$ 4.117	$ 0.758	$ (111)	$ 25
37,400	-	-	37,400	October 2019	$ 10.718	$ 4.202	$ 1.028	$ (119)	$ 39
35,200	8,800	-	44,000	December 2019	$ 11.627	$ 3.757	$ 0.853	$ (102)	$ 30
3,300	-	-	3,300	January 2020	$ 11.786	$ 3.687	$ 0.832	$ (9)	$ 3
21,120	-	(880)	20,240	February 2020	$ 11.273	$ 3.994	$ 0.957	$ (50)	$ 20
26,400	17,600	-	44,000	December 2020	$ 11.018	$ 4.330	$ 1.099	$ (85)	$ 29
268,620	26,400	(880)	294,140					$ (732)	$ 175

Stock-Based Compensation Plans – Restricted Stock Awards

Beginning in 2022, the Board started issuing Restricted Stock Awards "RSAs" in lieu of SARs as long-term equity incentives to key employees and directors. All vested and unvested RSAs are included in the common share count. RSAs vest in five equal installments on each of the first five anniversaries of the grant date. Holders are entitled to dividends on the same per-share ratio as holders of common stock. Dividends for unvested RSAs will accrue at grant and be paid out at the time of vesting. Unvested RSAs and the associated accrued but unpaid dividends are forfeited if the grantee's service with the Bank is terminated prior to the vesting of the RSAs.

There were no RSAs awarded during the three or nine months ended September 30, 2025 or during the three or nine months ended September 30, 2024.

There were 37,368 RSAs outstanding as of September 30, 2025; this includes a total of 101,560 RSAs granted with 13,482 forfeited and 50,710 vested. There were 57,436 RSAs outstanding as of December 31, 2024; this includes a total of 101,560 RSAs granted with 9,756 forfeited and 34,368 vested.

As of September 30, 2025 and December 31, 2024, there was $442,000 and $680,000 of total unrecognized compensation costs related to non-vested RSAs granted, respectively.

All RSAs are released in the form of stock upon vesting. The Bank will recognize an income tax deduction in an amount equal to the taxable income reported by the holders of the restricted stock, generally when vested or settled.

The following table presents unvested restricted stock awards activity for the periods indicated:

	Number of Shares	Weighted-Average Price per Share
Outstanding Unvested Balance, December 31, 2024	57,436	$ 15.13
Granted	-	-
Vested	(16,342)	15.33
Forfeited	(3,726)	15.04
Outstanding Unvested Balance, September 30, 2025	37,368	$ 15.05

9. OTHER EXPENSES

Other expenses consisted of the following:

	Three Months Ended		Nine Months Ended	
(in thousands)	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Information technology	$ 561	$ 529	$ 1,628	$ 1,589
Professional fees	209	339	852	1,149
Director fees and expenses	171	200	573	373
Nasdaq listing and regulatory license expense	123	50	278	216
Marketing and donations	285	213	858	710
Deposit and other insurance premiums	12	261	975	945
Other real estate owned expense	6	-	6	-
Other expenses	267	181	506	669
	$ 1,634	$ 1,773	$ 5,676	$ 5,651

10. FAIR VALUE

Accounting standards establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

> Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
>
> Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Estimated fair values are disclosed for financial instruments for which it is practicable to estimate fair value. These estimates are made at a specific point in time based on relevant market data and information about the financial instruments. These estimates do not reflect any premium or discount that could result from offering the Bank's entire holdings of a particular financial instrument for sale at one time, nor do they attempt to estimate the value of anticipated future business related to the instruments. In addition, the tax ramifications related to the realization of unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of these estimates.

Because no active market exists for a significant portion of the Bank's financial instruments, fair value estimates are based on judgments regarding current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the fair values presented.

The following table presents a summary of the carrying value and fair value by level of financial instruments on the Bank's balance sheet at September 30, 2025 and December 31, 2024:

	September 30, 2025			December 31, 2024		
(in thousands)	Carrying Amount	Fair Value	Fair Value Hierarchy	Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets:						
Cash and due from banks	$ 57,952	$ 57,952	Level 1	$ 51,403	$ 51,403	Level 1
Investment securities - available-for-sale	66,688	66,688	Level 2	68,228	68,228	Level 2
Loans held for investment, net of allowance	838,402	800,498	Level 3	905,075	854,429	Level 3
Investment in FHLB stock	5,889	5,889	Level 2	5,889	5,889	Level 2
Other real estate owned	4,437	4,437	Level 3	4,437	4,437	Level 3
Originated servicing rights	2,895	2,895	Level 3	3,436	3,436	Level 3
Accrued interest receivable	3,322	3,322	Level 1	3,484	3,484	Level 1
Financial liabilities:						
Deposits	$ 888,784	$ 888,800	Level 2	$ 962,562	$ 962,529	Level 2
Junior subordinated debt	5,945	5,356	Level 2	5,935	5,213	Level 2
Accrued interest payable	191	191	Level 1	1,674	1,674	Level 1

The fair values of securities available for sale are determined by a third-party vendor who uses matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). Level 2 available-for-sale securities include US agencies or government-sponsored agencies' debt securities, mortgage-backed securities, and corporate bonds. Management periodically reviews the pricing information received from third-party pricing services and tests those prices against other sources to validate the reported fair values.

The fair value of loans held for investment is based on exit price techniques and obtained from an independent third-party that uses its proprietary valuation model and methodology and may differ from actual price from a prospective buyer. The discounted cash flow valuation approach reflects key inputs and assumptions that are unobservable, such as loan probability of default, loss given default, prepayment speed, and market discount rates. Loans held for investment are classified as Level 3 measurements due to the use of significant unobservable inputs, as well as significant judgment and estimation.

The Bank holds Federal Home Loan Bank ("FHLB") of San Francisco stock which is recorded at cost as there is no impairment or changes resulting from observable price transactions for identical investments as of September 30, 2025 and 2024.

The fair value of fixed-rate time deposits is estimated by discounting future contractual cash flows using discount rates that reflect the current observable market rates offered for time deposits of similar remaining maturities.

Junior subordinated debt fair valuation is estimated by discounting future contractual cash flows net of discounted premiums and amortized fees. The discount rate is adjusted to a floating rate tied to a rate equal to the forward-looking term SOFR rate for a corresponding period. This item is classified as a Level 2 measurement due to the use of observable inputs, judgements and estimations for projected cash flows and discount rate.

The fair value of loan servicing assets is performed by an independent third-party that calculates the discounted cash flow using a proprietary valuation model and may differ from actual price from a prospective buyer. The valuation is performed at the loan level and is based on objective attributes of the portfolio including note rate, fixed versus variable, term, interest rate, as well as observable market-based assumptions for servicing costs and prepayment speeds. The internal rate of return is used to discount the expected future cash flow stream of the portfolio.

Servicing assets are classified as Level 3 measurements due to the use of significant unobservable inputs, judgement and estimations, such as prepayment speeds, inflation rate, and market discount rates. The discount rates used on servicing assets for SBA 7(a) and USDA were 13.5% and 13.75% at September 30, 2025 and December 31, 2024, respectively. The Bank was servicing approximately $155,853,000 and $175,398,000 in loans as of September 30, 2025 and December 31, 2024, respectively.

Other real estate owned assets are initially recorded at fair value less costs to sell when acquired to establish a new cost basis. Fair value is commonly based on recent real estate appraisals which are updated at least annually. These appraisals may utilize a single valuation approach or a combination or approaches including comparable sales and the income approach from data from comparable properties. Adjustments are routinely made during the appraisal process by the independent appraisers to adjust for differences between the comparable sale prices and income data available. Appraisals may be adjusted or discounted based on management's historical

knowledge, change in market conditions from the time of the valuation, and/or management's expertise and knowledge of the collateral. Such adjustments result in a Level 3 classification of the inputs for determining fair value. OREO properties are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

The fair value of accrued interest receivable and accrued interest payable are recorded at carrying value.

Assets and Liabilities Measured on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized below:

		Fair Value Measurements (In thousands)		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2025				
Assets:				
Securities available-for-sale:				
Government agencies	$ 40,475	$ -	$ 40,475	$ -
Mortgage-backed securities - residential	6,891	-	6,891	-
Corporate debt	19,322	-	19,322	-
Total securities available-for-sale	$ 66,688	$ -	$ 66,688	$ -

		Fair Value Measurements (In thousands)		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Assets:				
Securities available-for-sale:				
Government agencies	$ 38,225	$ -	$ 38,225	$ -
Mortgage-backed securities - residential	6,994	-	6,994	-
Corporate debt	23,009	-	23,009	-
Total securities available-for-sale	$ 68,228	$ -	$ 68,228	$ -

No liabilities were measured at fair value on a recurring basis at September 30, 2025 or December 31, 2024.

Transfers between levels of the fair value hierarchy are recognized on the actual date of the event or circumstances that caused the transfer, which generally corresponds with the Bank's quarterly valuation process. There were no transfers between any levels during the three or nine months ended September 30, 2025 or 2024.

Assets and Liabilities Measured on a Non-Recurring Basis

The fair value of loans that are collateral dependent are generally based on real estate appraisals. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, less cost to sell, and the amortized cost. If the fair value of the collateral is greater than the amortized cost, no allowance is required. Appraisals may

utilize a single valuation approach or a combination of approaches including comparable sales, primarily for owner occupied properties, and the income approach, primarily for non-owner-occupied loans. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Collateral values are subject to market forces or other circumstances that may cause deterioration in the value of the collateral, such as cap rates, vacancy and general economic weakness. Deterioration in valuations could result in additional reserves or charge-off of a portion of the loan to the extent the amortized cost exceeds the fair value of collateral.

Commercial real estate loans can be secured by owner occupied or non-owner occupied commercial real estate. Typically, owner occupied commercial real estate loans are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner occupied commercial real estate loans are generally secured by office buildings and complexes, retail facilities, hotels, multifamily, complexes, land under development, industrial properties, as well as other commercial or industrial real estate.

Residential real estate loans are typically secured by first mortgages, and in some cases could be secured by a second mortgage.

Assets measured at fair value on a non-recurring basis are summarized below:

		Fair Value Measurements (In thousands)		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	September 30, 2025			
Assets:				
Individually assessed loans, net of allowance	$ 11,810	$ -	$ -	$ 11,810
Other real estate owned	4,437	-	-	4,437
Originated servicing rights	2,895	-	-	2,895

		Fair Value Measurements (In thousands)		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	December 31, 2024			
Assets:				
Individually assessed loans, net of allowance	$ 13,726	$ -	$ -	$ 13,726
Other real estate owned	4,437	-	-	4,437
Originated servicing rights	3,436	-	-	3,436

For Level 3 assets and liabilities measured at fair value on a nonrecurring basis as of September 30, 2025 and December 31, 2024, the significant unobservable inputs used in the fair value measurement were as follows:

			September 30, 2025			December 31, 2024		
(in thousands)	Valuation Technique	Description	Range	Weighted Average	Fair Value	Range	Weighted Average	Fair Value
Individually assesed loans, net of allowance	Appraised Value	Discounts to appraisals for estimated holding or selling costs	10.00%	10.00%	$ 11,810	10.00%	10.00%	$ 13,726
Other real estate owned	Appraised Value / Comparable Sales	Discounts to appraisals for estimated holding or selling costs	10.00%	10.00%	4,437	10.00%	10.00%	4,437
Originated servicing rights	Discounted Cash Flow	Constant Prepayment Rate	14.14% - 17.45%	16.85%	2,895	14.13% - 16.87%	16.27%	3,436
		Discount Rate	13.50%	13.50%		13.75%	13.75%	

Significant increases or decreases in any of these inputs in isolation could result in a significantly lower or higher fair value measurement. Although the constant prepayment rate and the discount rate are not directly interrelated, they generally move in the opposite direction of each other.

No liabilities were measured at fair value on a non-recurring basis at September 30, 2025 and December 31, 2024.

11. SUBSEQUENT EVENTS

On October 24, 2025, the Bank closed its Montgomery Village Branch located at 2300 Midway Drive in Santa Rosa, California.

On July 4, 2025, new U.S. tax legislation, the One Big, Beautiful Bill Act, was signed into law making permanent much of the federal tax legislation enacted in 2017 as part of the Tax Cuts and Jobs Act that were set to expire at the end of 2025. These latest changes amend certain U.S. corporate tax provisions. The bank is evaluating the impact of this legislation.

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion provides additional information about the financial condition of the Bank at September 30, 2025 and December 31, 2024, and results of operations for the three and nine months ended September 30, 2025 and 2024. The following analysis should be read in conjunction with the financial statements of the Bank and with the audited financial statements and accompanying notes included in our 2024 Annual Report on Form 10-K, which were prepared in accordance with U.S. Generally Accepted Accounting Principles. The interim financial information provided as of and for the three and nine months ended September 30, 2025 and 2024 are unaudited. In the opinion of management of the Bank, the interim financial information presented reflects all adjustments (consisting solely of normal recurring accruals) considered necessary for a fair representation of the results of such periods.

All references to yields, cost of liabilities and net interest margin are annualized for the periods discussed.

Forward Looking Statements. This report includes forward-looking statements within the meaning of the "safe harbor" provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are based on the current beliefs of the Bank management as well as assumptions made by and information currently available to the Bank's management. Forward-looking statements are those that predict or describe future events or trends or that do not relate solely to historical matters. However, our actual results and financial performance in the future will be affected by known and currently unknown risks, uncertainties and other factors that may cause our actual results or financial performance in the future to differ materially from the results or financial performance that may be expressed, predicted or implied by such forward-looking statements. In this report, the words "anticipate," "believe," "estimate," "expect," "should," "intend," "project," "may," "will," "would," variations of such words and words or phrases of similar meaning identify forward-looking statements may relate to, among other things, expectations as to the Bank's financial performance or condition, economic trends, the business environment in which the Bank operates, and perceived opportunities in the market.

We caution readers that a number of important factors could cause actual results to differ materially from those expressed in, implied or projected by such forward-looking statements. Forward looking statements involve inherent risks and uncertainties, many of which are difficult to predict and are generally beyond our control. Risks and uncertainties include, but are not limited to:

- general economic conditions, either nationally or in the market areas in which we do or anticipate doing business;
- adverse changes in the economy;
- adverse changes in the market for real estate, which serves as collateral for the loans that we make;
- lower revenues than expected;
- credit quality deterioration which could cause an increase in the provision for credit losses;
- competitive pressure among depository institutions increases significantly;
- the cost and availability of additional capital;
- changes in the interest rates and inflation;
- asset/liability repricing risks and liquidity risks;
- legislative or regulatory requirements or changes adversely affecting our business;
- changes in the securities markets;
- potential weakness of real estate collateral values;
- the adverse impact of a pandemic and governmental responses to the pandemic on the Bank and its customers, employees and third-party service providers;
- the risk of fraud and cybersecurity incidents; and
- the economic and regulatory effects of terrorism, events of war and civil unrest.

Also, other important factors that could cause actual results to differ materially from the Bank's expectations are disclosed under Item 1A. "RISK FACTORS," in our Annual Report on Form 10-K for the year ended December 31, 2024 on file with the Federal Deposit Insurance Corporation ("FDIC"), Item 1A of Part II of this report, and below under this "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – *Critical Accounting Policies*" and elsewhere in this report.

If any of these risks or uncertainties materialize, or if any of the assumptions underlying such forward-looking statements prove to be incorrect, our results could differ materially from those expressed in, implied, or projected by, such forward-looking statements. We assume no obligation to update such forward-looking statements.

Forward-looking statements are not guarantees of performance. By their nature, they involve risks, uncertainties, and assumptions. Our future results and shareholder values may differ significantly from those expressed in these forward-looking statements. You are cautioned not to put undue reliance on any forward-looking statement. Any such statement speaks only as of the date of this discussion, regardless of the time of delivery of this document. We do not undertake any obligation to update or release any revisions to any forward-looking statements, to report any new information, future event or other circumstances after the date of this filing or to reflect the occurrence of unanticipated events, except as required by law. However, your attention is directed to any further disclosures made on related subjects in any subsequent reports we may file with the FDIC, including on Forms 10-K, 10-Q, and 8-K.

Government and Regulatory Oversight. The Bank is subject to regulatory oversight by the Department of Financial Protection & Innovation (DFPI) of the State of California and the Federal Deposit Insurance Corporation (FDIC). These regulatory bodies periodically perform examinations of the Bank. There is a potential that a regulatory examination may derive different estimates than those reached by management and could require material adjustments or restatements.

Critical Accounting Policies and Estimates. The discussion and analysis of the Bank's results of operations and financial condition are based upon financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Bank's management to make estimates and judgments that affect the reported amounts of assets and liabilities, income and expense, and the related disclosures of contingent assets and liabilities at the date of these financial statements.

The Bank believes these estimates and assumptions to be reasonably accurate; however, actual results may differ from these estimates under different assumptions or circumstances. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for credit losses, consideration of potential impairment of investment securities and determination of potential impairment of affordable housing tax credit investment.

Change in Allowance for Credit Losses – Loans. As part of the Bank's ongoing efforts to enhance the accuracy of its credit loss estimation process, the Bank transitioned from a Life of Loan Loss Model to a Discounted Cash Flow (DCF) Model for estimating the allowance for credit losses. This change, which was implemented December 31, 2024, is intended to improve the precision of the expected credit loss calculations.

Nature of the Change

The Life of Loan Loss Model previously used a combination of historical loss rates, qualitative adjustments, and forward-looking macroeconomic factors to estimate expected credit losses. The new DCF Model introduces a more dynamic and granular approach by incorporating:

- Loan-Level Discounted Cash Flow Analysis – The new model evaluates credit losses at an individual loan level, applying prepayment and loss estimated cash flows that are discounted using an effective interest rate.
- Incorporation of Peer Data – Utilizing peer loss experience to help enhance the Bank's limited loss experience by incorporating more historical loss activity over various economic cycles.
- Enhanced Economic Forecasting – The model integrates a reasonable and supportable forecast from FOMC forecasts. The quantitative loss drivers utilized in the model are based

on a regression of economic factors to historical loss experience which best alights the expected credit losses to the economic forecast.

- More Detailed Portfolio Segmentation – The transition allows for the Bank to evaluate the portfolio at the call code level allowing for greater disaggregation, so the Bank can model fluctuations in portfolio mix. This leads to more accurate risk assessments and expected loss estimates.
- Qualitative Factors – Framework for qualitative factors are more robust and detailed at the call code level allowing for more accurate risk assessments and expected loss estimates.
- Framework for qualitative factors incorporates a calculated max loss scenario representing a severe economic environment as a basis to bound the upper end of the qualitative adjustments. These qualitative adjustments are more robust and detailed at the call code level, allowing for more accurate risk assessments and expected loss estimates.

Impact on Financial Statements

This change is considered a change in accounting estimate, rather than a change in accounting principle, as it results from an improved estimation methodology rather than a fundamental change in the underlying accounting framework. The transition to the DCF Model impacted the Bank's financial results for the year ended December 31, 2024 in the following ways:

- Allowance for Credit Losses (ACL): The updated model resulted in a $76,000 decrease in the ACL as of December 31, 2024, reflecting adjustments in expected credit losses due to the incorporation of discounted cash flow modeling.
- Provision for Credit Losses: The shift in methodology led to a net increase of $70,000, made up of a $146,000 increase in ACL for unfunded loan commitments and a $76,000 decrease in the loan loss provision for the three and twelve months ending December 31, 2024, compared to what would have been recorded under the previous model.
- Earnings Volatility: While the DCF Model provides a more accurate estimate of expected losses, it may introduce increased volatility in the provision for credit losses, particularly during periods of significant economic uncertainty.

Ongoing Model Monitoring and Adjustments

The Bank will continue to assess the performance of the DCF Model and refine assumptions as necessary to ensure accurate credit loss estimation. Any material changes to the DCF model will be disclosed in future filings.

Goodwill Impairment. Goodwill arises from the acquisition method of accounting for business combinations and represents the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill is tested annually for impairment, or more often if conditions change and indicate a possible impairment. Significant judgment is used in the assessment of goodwill, both in a qualitative assessment and a quantitative assessment. Assessments of goodwill often require the use of fair value estimates, which are dependent upon various factors, including estimates concerning the Bank's long-term growth prospects and comparability to industry data. Uncertainty and imprecision in estimates can affect the estimated fair value of the reporting unit in a goodwill assessment. Additionally, various events or circumstances could have a negative effect on the estimated fair value of a reporting unit, such as declines in business performance, increases in credit losses, and deterioration in economic or market conditions, which may result in a material impairment charge to earnings in future periods.

In 2024, the Bank assessed goodwill for impairment by performing a quantitative assessment, which encompassed an income approach and a market approach. The income approach considered such factors as the estimated future cash flows based on internal long-term forecasts, assumptions concerning potential synergies and other economic benefits, and a discount rate used to present value such cash flows to determine the fair value. The market approach utilized observable market data from comparable public companies, including price-to-tangible book value ratios, to estimate the Bank's fair value. The market approach also incorporated a control premium to represent the Bank's expectation of a hypothetical acquisition. Management used judgment in the selection of comparable companies and included those with similar business activities, and related operating environments. In addition, the selection and weighting of the various fair value techniques may result in higher or lower estimates of fair value. Judgment is applied in determining the weightings between the income approach and the market approach in determining fair value.

Due to the Bank's continued and sustained decline in stock price through 2024, Management identified this as a triggering event and selected November 30 as the date to perform the annual goodwill impairment test. The results of this assessment indicated that the value of goodwill was fully impaired as of the November 30, 2024 impairment testing date and an impairment loss of $4,119,000 was recognized by the Bank in the fourth quarter of 2024. Goodwill impairment is a non-cash charge that does not impact the Bank's cash flows, liquidity, or regulatory capital.

Results of Operations

Three and nine months ended September 30, 2025 and September 30, 2024

The Bank's primary source of income is net interest income, which is the difference between interest income and fees derived from earning assets and interest paid on liabilities which fund those assets. Net interest income, expressed as a percentage of total average interest earning assets, is referred to as the net interest margin. The Bank's net interest income is affected by changes in the volume and mix of interest earning assets and interest-bearing liabilities. It is also affected by changes in yields earned on interest earning assets and rates paid on interest bearing deposits and other borrowed funds. The Bank also generates non-interest income, including transactional fees, service charges, office lease income and gains and losses on loans. Non-interest expenses consist primarily of employee compensation and benefits, occupancy and equipment expenses and other operating expenses. The Bank's results of operations are also affected by its provision for credit losses. Results of operations may also be significantly affected by other factors including general economic and competitive conditions, natural disasters such as fires, floods, and earthquakes, interruptions of utility service in our markets for sustained periods, pandemics, mergers and acquisitions of other financial institutions within the Bank's market area, changes in market interest rates, government policies, and actions of regulatory agencies.

Net Income

A summary of the net income and annualized ratios are as follows:

	Three Months Ended			Nine Months Ended		
(Dollars in thousands)	September 30, 2025	September 30, 2024	Change	September 30, 2025	September 30, 2024	Change
Net income	$ 818	$ 626	$ 192	$ 5,729	$ 2,949	$2,780
Earnings per diluted share	$ 0.12	$ 0.09	$ 0.03	$ 0.85	$ 0.44	$ 0.41
Annualized return on average assets	0.32%	0.23%	0.09%	0.74%	0.36%	0.38%
Annualized return on average common shareholders' equity	3.25%	2.48%	0.77%	7.91%	4.00%	- 3.91%

Net Interest Income and Net Interest Margin

Net interest income increased $1,394,000 or 19% for the three months ended September 30, 2025 compared to September 30, 2024. The annualized net interest margin was 3.51% for the three months ended September 30, 2025, compared to 2.71% for the same period of 2024. Net interest income increased $4,202,000 or 19% for the nine months ended September 30, 2025 compared to September 30, 2024. The annualized net interest margin was 3.45% for the nine months ended September 30, 2025 compared to 2.74% for the same period of 2024. The increase in net interest income when comparing the three and nine months ending September 30, 2025 to September 30, 2024 is primarily due to the overall decrease in interest expense on deposits due to a decrease in savings, money market and time deposit balances.

Average earning assets decreased 8% to $980,157,000 for the three months ended September 30, 2025. For the three months ended September 30, 2025, the annualized yield on average earning assets was 5.76% and the annualized cost of average interest-bearing liabilities was 3.06%, as compared to the annualized yield on average earning assets of 5.59% and annualized cost of interest-bearing liabilities of 3.83% for the same period of 2024. Average earning assets decreased 5% to $1,006,845,000 for the nine months ended September 30, 2025. For the nine months ended September 30, 2025, the annualized yield on average earning assets was 5.84% and the annualized cost of average interest-bearing liabilities was 3.22%, as compared to the annualized yield on average earning assets of 5.52% and annualized cost of interest-bearing liabilities of 3.71% for the same period of 2024.

The annualized rate on loans increased to 6.02% for the three months ended September 30, 2025 when compared to 5.78% for the same period in 2024. The annualized rate on loans increased to 6.12% for the nine months ended September 30, 2025 when compared to 5.70% for the same period in 2024.

Interest and dividend income decreased to $14,220,000 or 5% for the three months ended September 30, 2025 compared to September 30, 2024. The decrease during the three month period was attributable to a $527,000 decrease in interest and fees on loans and a decrease of $179,000 in interest on investment securities. Interest and dividend income increased slightly to $43,992,000 or 0.4% for the nine months ended September 30, 2025 compared to September 30, 2024. The increase during the nine months was attributed to a $494,000 increase in interest and fees on loans, an increase of $251,000 in interest in deposits with banks offset by a $582,000 decrease in interest on investment securities.

Interest expense for the three months ended September 30, 2025 was $5,554,000, a decrease of $2,151,000 from $7,705,000 for the three months ended September 30, 2024. Interest expense on deposits for the three months ended September 30, 2025 was $5,373,000 compared to $7,563,000 for the three months ended September 30, 2024. Interest expense for the nine months ended September 30, 2025 was $18,016,000, a decrease of $4,037,000 from $22,053,000 for the nine months ended September 30, 2024. Interest expense on deposits for the nine months ended September 30, 2025 was $17,533,000 compared to $21,396,000 for the nine months ended September 30, 2024. Interest expense has been decreasing primarily due to an overall decrease in interest expense on deposits resulting from lower cost of funds and a decrease in savings, money market and time deposit balances.

The average cost of deposits, including the impact of noninterest bearing deposits, for the three months ended September 30, 2025, was 2.38% compared to 3.05% for the three months ended September 30, 2024. The average cost of deposits, including the impact of noninterest bearing deposits, for the nine months ended September 30, 2025, was 2.53% compared to 2.95% for the nine

months ended September 30, 2024. A majority of the decrease in the cost of funds for the three and nine months ended September 30, 2025 was the result of a decreased rate paid on deposits along with a decrease in savings, money market and time deposit volume, decreasing to a combined average balance of $497,188,000 and $538,151,000 for the three and nine months ended September 30, 2025 from $585,435,000 and $558,379,000 for the three and nine months ended September 30, 2024.

The following table presents condensed average balance sheet information for the Bank, together with interest rates earned and paid on the various sources and uses of its funds for each of the periods presented. Average balances are based on daily average balances. Nonaccrual loans are included in loans with any interest collected reflected on a cash basis.

	Three Months Ended September 30, 2025			Three Months Ended September 30, 2024		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Average Rate (4)	Average Balance	Interest Income/ Expense	Average Rate (4)
Assets						
Interest earning assets:						
Interest-bearing deposits with banks	$ 47,316	$ 539	4.52%	$ 42,958	$ 592	5.47%
Taxable investment securities	66,456	484	2.89%	81,414	663	3.23%
FHLB Stock	5,889	130	8.76%	5,889	128	8.62%
Loans held for investment, net of unearned income (1)	860,496	13,067	6.02%	933,215	13,594	5.78%
Total earning assets/interest income	980,157	14,220	5.76%	1,063,476	14,977	5.59%
Non-earning assets	47,562			49,159		
Allowance for credit losses	(13,143)			(14,166)		
Total assets	$ 1,014,576			$ 1,098,469		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Deposits:						
Interest-bearing demand deposits	$ 211,126	$ 1,211	2.28%	$ 205,734	$ 1,706	3.29%
Savings and money market	241,013	1,730	2.85%	261,841	2,283	3.46%
Time deposits	256,175	2,432	3.77%	323,594	3,574	4.38%
FHLB advances	4,673	54	4.58%	273	4	5.81%
Subordinated debt	5,943	127	8.48%	5,929	138	9.23%
Total interest-bearing liabilities/interest expense	718,930	5,554	3.06%	797,371	7,705	3.83%
Non interest-bearing deposits	188,854			191,654		
Other liabilities	6,963			9,482		
Total liabilities	914,747			998,507		
Shareholders' equity	99,829			99,962		
Total liabilities and shareholders' equity	$ 1,014,576			$ 1,098,469		
Net interest income and margin (2)		$ 8,666	3.51%		$ 7,272	2.71%
Net interest spread (3)			2.70%			1.76%

(1) Average balances on loans outstanding include non-performing loans. The net amortization of deferred fees (cost) on loans included in interest income was $-46,000 and $55,000 for the three months ended September 30, 2025 and 2024, respectively.

(2) Net interest margin is computed by dividing net interest income by average total earning assets.

(3) Net interest spread is the difference between the average rate earned on average total earning assets and the average rate paid on average total interest-bearing liabilities.

(4) Annualized.

(Dollars in thousands)	Nine Months Ended September 30, 2025 Average Balance	Interest Income/ Expense	Average Rate (4)	Nine Months Ended September 30, 2024 Average Balance	Interest Income/ Expense	Average Rate (4)
Assets						
Interest earning assets:						
Interest-bearing deposits with banks	$ 49,465	$ 1,656	4.48%	$ 34,159	$ 1,405	5.48%
Taxable investment securities	67,585	1,502	2.97%	82,543	2,084	3.36%
FHLB stock	5,889	388	8.81%	5,751	386	8.94%
Loans held for investment, net of unearned income (1)	883,906	40,446	6.12%	934,261	39,952	5.70%
Total earning assets/interest income	1,006,845	43,992	5.84%	1,056,714	43,827	5.52%
Non-earning assets	46,861			46,638		
Allowance for credit losses	(13,408)			(14,939)		
Total assets	$ 1,040,298			$ 1,088,413		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Deposits:						
Interest-bearing demand deposits	$ 201,886	$ 3,544	2.35%	$ 219,706	$ 5,340	3.24%
Savings and money market	248,371	5,501	2.96%	260,757	6,758	3.45%
Time deposits	289,780	8,488	3.92%	297,622	9,298	4.16%
FHLB advances	2,728	94	4.61%	7,850	332	5.63%
Subordinated debt	5,940	389	8.76%	5,925	325	7.31%
Total interest-bearing liabilities/interest expense	748,705	18,016	3.22%	791,860	22,053	3.71%
Non interest-bearing deposits	188,060			188,814		
Other liabilities	6,648			9,406		
Total liabilities	943,413			990,080		
Shareholders' equity	96,885			98,333		
Total liabilities and shareholders' equity	$ 1,040,298			$ 1,088,413		
Net interest income and margin (2)		$ 25,976	3.45%		$ 21,774	2.74%
Net interest spread (3)			2.62%			1.81%

(1) Average balances on loans outstanding include non-performing loans. The net amortization of deferred fees on loans included in interest income was $270,000 and $175,000 for the nine months ended September 30, 2025 and 2024, respectively.

(2) Net interest margin is computed by dividing net interest income by average total earning assets.

(3) Net interest spread is the difference between the average rate earned on average total earning assets and the average rate paid on average total interest-bearing liabilities.

(4) Annualized.

The following tables show the change in interest income and interest expense and the amount of change attributable to variances in volume and rates. The unallocated change in rate or volume variance has been allocated between the rate and volume variances in proportion to the absolute dollar amount of the change of each.

Volume and Yield/Rate Variances
Comparison of the Three Months Ended
September 30, 2025 to September 30, 2024

	Change Due to		
(Dollars in thousands)	Net	Volume	Yield/Rate
Interest income:			
Interest-bearing deposits with banks	$ (53)	$ 56	$ (109)
Taxable investment securities	(179)	(130)	(49)
Dividends on FHLB stock	2	-	2
Loans held for sale	-	-	-
Loans held for investment, net	(527)	(1,030)	503
Total interest income	(757)	(1,104)	347
Interest expense:			
Interest-bearing demand deposits	$ (495)	$ 44	$ (539)
Savings and money market	(553)	(192)	(361)
Time deposits	(1,142)	(807)	(335)
FHLB advances	50	51	(1)
Subordinated Debt	(11)	-	(11)
Total interest expense	(2,151)	(904)	(1,247)
Increase in net interest income	$ 1,394	$ (200)	$ 1,594

Volume and Yield/Rate Variances
Comparison of the Nine Months Ended
September 30, 2025 to September 30, 2024

	Change Due to		
(Dollars in thousands)	Net	Volume	Yield/Rate
Interest income:			
Interest-bearing deposits with banks	$ 251	$ 547	$ (296)
Taxable investment securities	(582)	(405)	(177)
Dividends on FHLB stock	2	9	(7)
Loans held for sale	-	-	-
Loans held for investment, net	494	(2,088)	2,582
Total interest income	165	(1,937)	2,102
Interest expense:			
Interest-bearing demand deposits	$ (1,796)	$ (461)	$ (1,335)
Savings and money market	(1,257)	(332)	(925)
Time deposits	(810)	(250)	(560)
FHLB advances	(238)	(248)	10
Subordinated Debt	64	1	63
Total interest expense	(4,037)	(1,290)	(2,747)
Increase in net interest income	$ 4,202	$ (647)	$ 4,849

Provision for Credit Losses

The Bank maintains an allowance for credit losses to absorb expected credit losses associated with the Bank's loan portfolio. Adjustments to the allowance for credit losses are made through a charge or credit against income referred to as the provision for credit losses. Loan write-offs are charged against the allowance for credit losses and recoveries are credited to the allowance; the provision is not directly impacted in either case.

The Bank's credit policy provides procedures designed to evaluate and assess the credit risk factors associated with the loan portfolio, to enable management to assess such credit risk factors prior to granting new loans and to evaluate the sufficiency of the allowance for credit losses. Management assesses the allowance for credit losses on a monthly basis and undertakes a more critical evaluation quarterly. At the time of the quarterly review, the Board of Directors evaluates and formally approves the adequacy of the allowance. The quarterly evaluation includes an assessment of the following factors: any external loan review and regulatory examination, estimated loss exposure on each pool of loans, concentrations of credit, value of collateral, the level of delinquent and non-accrual loans, trends in loan volume, effects of any changes in the lending policies and procedures, current economic conditions at the local, state and national level, and a migration analysis of historical losses and recoveries. Beginning on and for the year ended December 31, 2024 the Bank implemented a change in accounting estimate and converted to a discounted cash flow model that uses a combination of historical peer loss rates, qualitative adjustments, and forward-looking macroeconomic factors to estimate expected credit losses.

There was a $2,709,000 provision for credits losses on loans and a $2,132,000 provision for credit losses on loans for the three and nine months ended September 30, 2025 compared to a $1,320,000 provision for credit losses on loans and a $1,311,000 provision for credit losses on loans for the three and nine months ended September 30, 2024. There were $2,304,000 in gross charge-offs for the nine months ended September 30, 2025 related to the write-down on two properties to market value based on current appraisals. This compared to $1,347,000 in charge-offs for the nine months ended September 30, 2024 related to the write-down to market value of a foreclosed property. There were gross recoveries of $521,000 during the nine months ended September 30, 2025 compared to $281,000 for the same period in 2024. See Balance Sheet Activity – Nonperforming Assets and Allowance for Credit Losses for additional discussion.

Future provisions for credit losses are dependent on factors such as asset quality trends, loan portfolio growth and the general condition of the economy, such as the potential for a recession or economic impacts. The Bank expects some variability in its quarterly provision for credit losses going forward due to the CECL model's sensitivity to changes in the economic forecast. Also, since a significant portion of the Bank's loan portfolio is collateralized by real estate, the valuation of the underlying collateral can have a significant impact on the adequacy of the allowance for credit losses and specific allocations impaired loans, which may require additional future credit loss provisions.

For the nine months ended September 30, 2025, the Bank identified one corporate investment with adverse conditions specific to those companies that indicate a credit loss could exist. As such, the Bank recorded the decline in fair value as an allowance for credit loss and provision for the investment totaling $3,000 as of September 30, 2025.

Non-interest Income

The following are the sources of non-interest income for the periods indicated:

(in thousands)	Three Months Ended			Nine Months Ended		
	September 30, 2025	September 30, 2024	Change	September 30, 2025	September 30, 2024	Change
Service charges on deposit accounts	$ 238	$ 241	$ (3)	$ 678	$ 701	$ (23)
Rental income	45	60	(15)	159	180	(21)
Net gain on loan sales	308	474	(166)	360	1,257	(897)
Net loss on securities	(7)	-	(7)	(12)	-	(12)
Other income	303	255	48	609	641	(32)
Total non-interest income	$ 887	$ 1,030	$ (143)	$ 1,794	$ 2,779	$ (985)

The decrease in non-interest income during the three and nine months ended September 30, 2025 compared to 2024 was primarily due to lower loan sale activity on SBA and USDA guaranteed loans.

Non-interest Expense

The following are the sources of non-interest expense for the periods indicated:

(in thousands)	Three Months Ended			Nine Months Ended		
	September 30, 2025	September 30, 2024	Change	September 30, 2025	September 30, 2024	Change
Salaries and employee benefits	$ 3,476	$ 3,988	$ (512)	$ 11,104	$ 12,210	$(1,106)
Occupancy and equipment	435	420	15	1,323	1,348	(25)
Information technology	561	529	32	1,628	1,589	39
Director fees and expenses	171	200	(29)	573	373	200
Marketing and donations	285	213	72	858	710	148
Nasdaq listing and regulatory license expense	123	50	73	278	216	62
Professional fees	209	339	(130)	852	1,149	(297)
Other expenses	285	442	(157)	1,487	1,614	(127)
Total non-interest expense	$ 5,545	$ 6,181	$ (636)	$ 18,103	$ 19,209	$ (1,106)

Non-interest operating expenses decreased $636,000 and $1,106,000 between the three and nine month periods ending September 30, 2025 and 2024, respectively. The decrease for the three and nine month period was primarily due to a reduction in salaries and employee benefits due to an 8% reduction in force as part of a cost savings initiative in the fourth quarter of 2024 and $193,000 insurance claim reimbursement for branch losses recorded in 2024.

Provision for Income Taxes

The Bank accrues income tax expense based on the anticipated annual tax rates during the financial period covered. The provision for income taxes for Federal and State corporate income tax and effective rates for the three and nine months ended September 30, 2025 were $453,000 (35.6%) and $1,883,000 (24.7%) compared to $202,000 (24.4%) and $1,203,000 (29.0%) for the same period in 2024. The increase in the effective tax rate for the three months ended September 30, 2025 primarily reflects the impact of lower pretax income during the quarter, which magnified the effect of fixed and credit-related tax items on the effective tax rate. The decrease in the effective tax rate for the nine months ended September 30, 2025 was due to the Bank recording a one-time credit adjustment for the prior year of $188,000 and a net tax credit of $233,000 taken for the investment in affordable housing.

Balance Sheet Activity

At September 30, 2025 and December 31, 2024

Investment Portfolio

Securities classified as available-for-sale for accounting purposes are recorded at their fair value on the balance sheet. Available-for-sale (AFS) investment securities carried at fair value totaled $66,688,000 and amortized cost of $76,211,000 at September 30, 2025 and comprised 6.6% of total assets. At December 31, 2024, investment securities comprised 6.4% of total assets with AFS investments at a fair value of $68,228,000 and amortized cost of $80,887,000. Changes in the fair value of AFS securities (e.g., unrealized holding gains or losses) are reported as "other comprehensive income," net of tax, and carried as accumulated other comprehensive income or loss, net of tax, within shareholders' equity until realized, unless a credit loss exists and an allowance for credit loss is recorded. The Bank's accumulated other comprehensive loss has decreased to $6,771,000 at September 30, 2025, from $8,886,000 at December 31, 2024. The significant and sustained amount of the Bank's unrealized losses on its AFS investments has been caused by the drastic increase in interest rates in 2024 and 2025. Except for one security that is below investment grade with a par value of $250,000, no other allowance for credit losses has been recognized on the available-for-sale securities in an unrealized loss position. Management does not believe any of the securities are impaired due to credit risk factors at either September 30, 2025 or December 31, 2024. In addition, for the available-for-sale securities in an unrealized loss position, the Bank assessed whether it intended to sell the securities, or if it was more likely than not that it would be required to sell the securities before recovery of its amortized cost basis, which would require a write-down to fair value through net income. Because the Bank did not intend to sell any of its securities, and it was not more-likely-than-not that the Bank would be required to sell the securities before recovery of their amortized cost bases, the Bank determined that no write-down was necessary as of the reporting date. As of September 30, 2025 the bank had an allowance for credit loss of $3,000 compared to an allowance for credit loss of $36,000 at December 31, 2024.

The Bank limits risk in its investment security portfolio by holding a modest portion of assets in security investments, diversifies investments across various types of securities, diversifies corporate investments across various industries, and limits exposure on corporate debt by capping investments to a maximum of $750,000 per issuer.

There were no bonds purchased, $4,700,000 in bonds called or matured and no bonds sold during the nine months ended September 30, 2025. For the nine months ended September 30, 2024, there were no bonds purchased, $10,827,000 in bonds were called or matured and no bonds sold. There were $12,000 in net losses on the called bonds for the nine months ended September 30, 2025 and no gains on called bonds for the nine months ended September 30, 2024.

The Bank may utilize the investment portfolio to manage liquidity and attract funding that requires collateralization. At September 30, 2025, there were no investment securities pledged to secure public deposits. At December 31, 2024, investment securities with a fair value of $8,160,000, or 12% of the investment portfolio, were pledged to secure public deposits. At September 30, 2025 investment securities with a fair value of $43,699,000 were callable within one year.

Loan Portfolio

The following table shows the composition of the loan portfolio by amount, percentage of total loans for each major loan category and the dollar volume and percentage change between the dates indicated.

(in thousands)	September 30, 2025	%	December 31, 2024	%	Net Change	Percent Change
Commercial & agricultural (1)	$ 116,949	13.7%	$ 138,460	15.1%	$ (21,511)	(15.5)%
Real estate - commercial	645,773	75.7%	682,355	74.1%	(36,582)	(5.4)%
Real estate - construction and land	9,116	1.1%	9,419	1.0%	(303)	(3.2)%
Real estate - single family	47,967	5.6%	54,922	6.0%	(6,955)	(12.7)%
Real estate - multifamily	32,299	3.8%	33,602	3.7%	(1,303)	(3.9)%
Consumer & lease financing (2)	340	0.1%	10	0.1%	330	3300.0%
	852,444	100%	918,768	100%	(66,324)	(7.2)%
LESS:						
Allowance for credit losses	(14,042)		(13,693)		(349)	2.5%
Total loans held for invesetment, net	$ 838,402		$ 905,075		$ (66,673)	(7.4)%

(1) Includes loans secured by farmland.
(2) Consumer & lease financing includes overdrafts of $21 as of September 30, 2025 and $10 as of December 31, 2024.

Gross loans decreased $66,324,000 (7.2%) to $852,444,000 at September 30, 2025 from December 31, 2024. The decrease was predominantly in the real estate – commercial and commercial and agricultural categories. We have been selectively allowing credits to run off from a risk management perspective and strategically shrinking the balance sheet to improve our relative capital levels.

At September 30, 2025, the Bank had approximately $87,701,000 in unfunded loan commitments, of which approximately $40,020,000 were related to commercial and agricultural and $16,657,000 related to real estate loan types and $31,024,000 were for standby letters of credit outstanding. At December 31, 2024, the Bank had approximately $84,557,000 in undisbursed loan commitments, of which approximately $43,718,000 were related to commercial and agricultural, $17,004,000 related to real estate loan types and $23,835,000 were for standby letters of credit outstanding.

Nonperforming Assets

Nonperforming assets consist of nonperforming loans and other real estate owned. Nonperforming loans are those for which the borrower fails to perform under the terms of the obligation and consist of nonaccrual loans and accruing loans past due 90 days or more.

The following are the nonperforming assets for the respective periods:

(in thousands)	September 30, 2025	December 31, 2024
Nonaccrual loans held for investment	$ 23,541	$ 27,754
Accruing loans past due 90 days or more	-	-
Total nonperforming loans held for investment	23,541	27,754
Other real estate owned	4,437	4,437
Total nonperforming assets	$ 27,978	$ 32,191
Nonperforming loans to total loans held for investment	2.76%	3.02%
Nonperforming assets to total assets	2.78%	3.02%
Allowance for credit losses to nonperforming loans	59.65%	49.34%

Nonperforming assets were $27,978,000, or 2.78% of total assets, at September 30, 2025, and consisted primarily of three specific relationships for loans on nonaccrual totaling $22,906,000 and one OREO property for $4,437,000. Of the three nonaccrual relationships, one relationship is secured by farmland, and the other two are secured by commercial real estate. One relationship has two loans that remain current and continues to perform as agreed but concessions made under the modified terms require nonaccrual classification. The second relationship has one loan that has been written down to fair value based on a liquidation value appraisal, and the third relationship has three loans and is being prepared for auction. All three nonaccrual relationships are supported by adequate reserves consistent with their collateral positions and risk characteristics based on management's assessment as of September 30, 2025.

All nonperforming assets are individually assessed resulting in a corresponding reserve of $2,775,000 as of September 30, 2025. Management continues to actively monitor and work with borrowers to identify potential problem credits early, resolve problem credits in a timely manner where possible, and maintain reserves at levels deemed appropriate.

At December 31, 2024 nonperforming assets were $32,191,000 or 3.02% of total assets and included one OREO for $4,437,000. The decrease in nonperforming assets since year-end was primarily due to the resolution of two large nonaccrual relationships aggregating $18,010,000 through collateral sales completed in the first half of 2025, offset by $14,585,000 in additional nonperforming assets during the nine months ended September 30, 2025.

Allowance for Credit Losses

The Bank's processes for determining the adequacy of the allowance for credit losses are set forth in a formal credit policy. Loans with similar risk characteristics are evaluated on a collective basis and prior to December 31, 2024, the allowance for credit losses was calculated using an estimate of the life of loan losses based on actual historical losses adjusted for economic forecasts and current conditions. Beginning on and for the year ended December 31, 2024, the allowance for credit losses is calculated using a discounted cash flow model that uses a combination of historical peer loss rates, qualitative adjustments and forward-looking macroeconomic factors to estimate expected losses. The allowance for credit losses was $14,042,000 at September 30, 2025 compared to $13,693,000 at December 31, 2024.

The Bank maintains the allowance for credit losses to absorb expected credit losses associated with the Bank's loan portfolio. Additions to the allowance for credit losses are established through a provision for credit losses on its statements of income. All loans which are judged to be uncollectible are charged against the allowance while any recoveries are credited to the allowance. The Bank's policy is to charge-off any known losses at the time of determination. Any unsecured loan more than 90 days delinquent in payment of principal or interest and not in the process of collection is charged-off in total. Collateral-dependent loans are individually evaluated for impairment to determine the ultimate loss potential to the Bank subsequent to the liquidation of collateral. In those cases where management believes the Bank is inadequately protected, a charge-off will generally be made to reduce the loan balance to a level equal to the liquidation value of the collateral, unless management believes the collateral deficiency may be overcome by borrower cash flows.

The Bank's credit policy provides procedures designed to evaluate and assess the credit risk factors associated with the loan portfolio, enable the Bank to assess such credit risk factors prior to granting new loans, evaluate the sufficiency of the allowance for credit losses and maintain the allowance for credit losses at an appropriate level. The Bank conducts an assessment of the allowance for credit losses on a monthly basis and undertakes a more critical evaluation quarterly. At the time of the quarterly review, the Board of Directors examines and formally approves the adequacy of the allowance. Management estimates the allowance for credit losses using relevant information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The allowance for credit losses is maintained at a level sufficient to provide for expected credit losses over the life of the loan based on evaluating historical credit loss experience and making adjustments to historical loss information for differences in the specific risk characteristics in the current loan portfolio. These adjustments to historical loss factors include, among others, changes in the economic factors that are not contemplated in the quantitative portion of the analysis, changes to internal policies and process, changes in the expertise and turnover of staff, changes in the type of products contained in the underlying portfolio, results of audits and reviews of the credit portfolio, changes in collateral values that support the repayment of loans, changes in the credit quality of the portfolio including amount of criticized and non-accrual loans, changes in the legal and regulatory environment, and changes in loan concentrations in the portfolio.

A portion of the allowance for credit losses is based on qualitative factors that are adjusted due to volatility and uncertainty in the Bank's loan portfolio and the market that management believes is reasonable and supportable. These qualitative factors include the economic forecast scenarios, economic forecast weighting, and net-term loan loss stabilization.

The following table summarizes the activity in the Allowance for Credit Losses during the periods indicated.

Summary of Activity in Allowance for Credit Losses

(Dollars in thousands)	Nine Months Ended September 30, 2025	Nine Months Ended September 30, 2024
Balance at beginning of period	$ 13,693	$ 15,221
Charge-offs:		
Commercial & agricultural	(504)	-
Real estate - commercial	(1,800)	(1,347)
Real estate - construction and land	-	-
Real estate - single family	-	-
Real estate - multifamily	-	-
Consumer & lease financing	-	-
Total loans charged-off	(2,304)	(1,347)
Recoveries:		
Commercial & agricultural	521	281
Real estate - commercial	-	-
Real estate - construction and land	-	-
Real estate - single family	-	-
Real estate - multifamily	-	-
Consumer & lease financing	-	-
Total recoveries	521	281
Net loans charged-off	(1,783)	(1,066)
Provision for credit losses on loans	2,132	1,311
Allowance for credit losses - end of period	$ 14,042	$ 15,466
Loans:		
Average loans held for investment outstanding during period, net of unearned income	$ 883,906	$ 934,261
Total loans held for invesetment at end of period, net of unearned income	$ 852,444	$ 932,832
Ratios:		
Commercial & agricultural loans recovered to average net loans held for investment	0.00%	0.03%
Real estate - commercial loans charged off to average net loans held for investment	-0.20%	-0.14%
Net loans recovered to average net loans held for investment (1)	-0.27%	-0.15%
Net loans recovered to total loans held for investment (1)	-0.28%	-0.15%
Allowance for credit losses to average net loans held for investment	1.59%	1.66%
Allowance for credit losses to total loans held for investment	1.65%	1.66%

(1) Annualized

Allocation of Allowance for Credit Losses

	September 30, 2025		December 31, 2024	
(in thousands)	Allowance Allocation	Amount of Category Loans to Total Loans	Allowance Allocation	Amount of Category Loans to Total Loans
Commercial & agricultural	$ 1,539	13.7%	$ 2,439	15.1%
Real estate - commercial	11,238	75.7%	9,872	74.1%
Real estate - construction and land	238	1.1%	209	1.0%
Real estate - single family	644	5.6%	598	6.0%
Real estate - multifamily	382	3.8%	382	3.7%
Consumer, lease financing & other	1	0.1%	193	0.1%
Total	$ 14,042	100%	$ 13,693	100%

The allowance allocation is highly dependent on the current loan balance, net charge-off rate, and contractual loan terms, adjusted for expected prepayments when appropriate. The specific loan pools evaluated at one period versus another can result in variations in the allocations. Different loan pools have different loss expectations in a rising rate environment and at times of economic uncertainty.

In addition to the allowance for credit losses, the Bank maintains an ACL for unfunded loan commitments, which is reported in other liabilities on the balance sheets. This allowance was $378,000 at September 30, 2025 and $422,000 at December 31, 2024.

Deposits

At September 30, 2025, the Bank had a deposit mix of 28% in time deposits, 27% in money market and savings accounts, and 45% in demand accounts. At December 31, 2024, the Bank had a deposit mix of 32% in time deposits, 29% in money market and savings accounts, and 39% in demand accounts.

The following table sets forth the maturities of time deposits of $250,000 or more outstanding at September 30, 2025 and December 31, 2024.

Maturity of Time Deposits of $250,000 or More

(in thousands)	September 30, 2025	December 31, 2024
Time deposits of $250,000 or more maturing in:		
Three months or less	$ 36,691	$ 40,593
Over three through six months	20,822	16,258
Over six to twelve months	15,649	13,866
Over twelve months	-	-
Total time deposits of $250,000 or more	$ 73,162	$ 70,717

At September 30, 2025, the Bank had no wholesale brokered deposits compared to $62,347,000 at December 31, 2024.

The Bank can also obtain time deposits through an internet listing service. These deposits are primarily from other financial institutions. There were no internet-obtained deposits at September 30, 2025 and $897,000 at December 31, 2024.

The Bank's strategy is actively focused on increasing its funding from local deposits, lower its dependance on wholesale funding, increase liquidity and increase market share. Strategies employed to increase local deposits include non-profit business accounts that provides annual donation awards for average balances, offering time deposit products with competitive rates, promoting 12-month term time deposits, and continued focus on increasing customer retention and new customers through training staff.

Approximately 76% of the Bank's deposit balances are insured by the FDIC as of September 30, 2025. The Bank holds a high percentage of insured deposits because it offers local customers with deposits in excess of $250,000 the option to enroll in deposit placement service programs called Certificate of Deposit Accounts Registry Services ("CDARS") and Insured Cash Sweep ("ICS"). Enrolling in these programs allows customer funds to go into certificates of deposit or demand accounts issued by other banks in the CDARS and ICS network in increments of less than $250,000, so that both principal and interest are eligible for complete FDIC protection. When we place funds through CDARS or ICS on behalf of a customer, we have the option of receiving matching deposits through the network's reciprocal deposit program or placing deposits "one-way" for which we receive no matching deposits. Under the reciprocal deposit program, which is on-balance-sheet, the network banks exchange deposits on a dollar-for-dollar basis, bringing the full amount of the original deposit back to the originating bank. Because the originating bank comes out "whole," it can make the full amount of deposits received available for community lending purposes or other initiatives of its choosing. Deposits placed using CDARS and ICS meet the pass-through insurance coverage guidelines established by the FDIC and the depositor can obtain up to a total of $150,000,000 in FDIC insurance coverage. At September 30, 2025 there was $56,429,000 in reciprocal CDARS time deposits and $170,164,000 in reciprocal ICS demand and money market deposits. This compares to $50,998,000 in reciprocal CDARS time deposits and $157,330,000 in reciprocal ICS demand and money market deposits at December 31, 2024.

The following table sets forth the estimated deposits exceeding the FDIC insurance limit at September 30, 2025 and December 31, 2024.

(in thousands)	September 30, 2025	December 31, 2024
Uninsured deposits	$ 212,724	$ 236,573

Shareholders' Equity

Total shareholders' equity increased $8,005,000 to $99,728,000 at September 30, 2025 compared to $91,723,000 at December 31, 2024. The increase in shareholders' equity was primarily a result of net income for the first three quarters of 2025 and a decrease of $2,115,000 in accumulated other comprehensive loss.

Regulatory Developments

On July 15, 2025, the FDIC issued a notice of proposed rulemaking that would increase certain regulatory thresholds in the FDIC's regulations to reflect inflation and provide for future adjustments indexed to inflation. Among other things, the proposal would increase the asset threshold for the applicability of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) annual

independent audit and internal control reporting requirements from $1 billion to $5 billion. If adopted, this change would reduce the regulatory burden for community banks with less than $5 billion in assets by eliminating certain audit and internal control compliance obligations. The comment period closed in September 2025, and the FDIC is currently evaluating feedback received. Management continues to monitor the rulemaking process and will assess the impact on the Bank's financial reporting and internal control framework if a final rule is issued.

Liquidity and Capital Resources

Maintenance of adequate liquidity requires that sufficient resources be available at all times to meet cash flow requirements of the Bank. Liquidity in a banking institution is required primarily to provide for deposit withdrawals and the credit needs of customers and to take advantage of investment opportunities as they arise. A bank may achieve desired liquidity from both assets and liabilities. Cash and deposits held in other banks, Federal funds sold, other short-term investments, maturing loans and investments, payments of principal and interest on loans and investments, and potential loan and investment securities sales are sources of asset liquidity. Deposit growth and access to credit lines established with correspondent banks, primarily with the FHLB and FRB, and access to brokered certificates of deposit are sources of liability liquidity. The Bank reviews and manages its liquidity position on a regular basis based upon its current position and expected trends of loans and deposits. Management believes that the Bank maintains adequate sources of liquidity to meet its liquidity needs.

The Bank can borrow from the Federal Reserve Discount Window by pledging investment securities or loans. The Bank is eligible to pledge the value of its unpledged agency securities at an amount that is dependent on the value of the security. As of September 30, 2025, the value of the unpledged agency securities that are eligible to be pledged to the Federal Reserve was $39,692,000. As of September 30, 2025, no securities were pledged to the Federal Reserve.

The Bank's liquid assets, defined as cash and cash equivalents, deposits with banks, Federal funds sold and the market value of unpledged available-for-sale investment securities, totaled $124,639,000 and constituted 12% of total assets at September 30, 2025 compared to $148,499,000 or 13% of total assets at September 30, 2024.

At September 30, 2025, the Bank had $301,066,000 in borrowing lines of credit from the FHLB and FRB with no outstanding FHLB advances. At December 31, 2024, the borrowing lines of credit available were $343,938,000 with no outstanding FHLB advances.

Cash was primarily provided in the first nine months of 2025 by $58,806,000 in loan paydowns, $7,406,000 in proceeds from SBA loan sales and $4,700,000 in proceeds from calls and maturities of AFS investment securities. Cash was used in the first nine months of 2025 due to a net change in certificates of deposits of $64,118,000 and a net change in demand, savings and money markets of $9,660,000.

Cash was primarily provided in the first nine months of 2024 by $24,185,000 in proceeds from SBA loan sales, $10,827,000 in proceeds from calls and maturities of AFS investment securities and a net change of $36,341,000 in certificates of deposits. Cash was used in the first nine months of 2024 due to a net change in demand, savings and money markets of $43,264,000, to fund $6,663,000 of loan originations net of repayments and dividends paid on common stock of $1,894,000.

Additional information on the Bank's cash flows can be reviewed in the *Statement of Cash Flows* in Part I, Item 1 of this report.

The following table presents the capital ratios for the Bank and the corresponding regulatory minimum requirements:

	September 30, 2025		December 31, 2024	
(in thousands)	Amount	Ratio	Amount	Ratio
Common Equity Tier 1 Capital Ratio				
Summit State Bank	$ 103,604	11.6%	$ 97,173	10.1%
Minimum requirement with capital conservation buffer	$ 62,798	7.0%	$ 67,058	7.0%
Minimum requirement for "Well-Capitalized" institution	$ 58,313	6.5%	$ 62,268	6.5%
Minimum regulatory requirement	$ 40,370	4.5%	$ 43,109	4.5%
Tier 1 Capital Ratio				
Summit State Bank	$ 103,604	11.6%	$ 97,173	10.1%
Minimum requirement with capital conservation buffer	$ 76,255	8.5%	$ 81,428	8.5%
Minimum requirement for "Well-Capitalized" institution	$ 71,769	8.0%	$ 76,638	8.0%
Minimum regulatory requirement	$ 53,827	6.0%	$ 57,478	6.0%
Total Capital Ratio				
Summit State Bank	$ 118,424	13.2%	$ 113,922	11.9%
Minimum requirement with capital conservation buffer	$ 94,197	10.5%	$ 100,587	10.5%
Minimum requirement for "Well-Capitalized" institution	$ 89,712	10.0%	$ 95,797	10.0%
Minimum regulatory requirement	$ 71,769	8.0%	$ 76,638	8.0%
Tier 1 Leverage Ratio				
Summit State Bank	$ 103,604	10.2%	$ 97,173	8.9%
Minimum requirement for "Well-Capitalized" institution	$ 50,584	5.0%	$ 54,772	5.0%
Minimum regulatory requirement	$ 40,467	4.0%	$ 43,818	4.0%

The Bank's capital is supplemented through the retention of net income less dividends paid.

Impact of Inflation

The primary impact of inflation on the Bank is its effect on interest rates. The Bank's primary source of income is net interest income, which is affected by changes in interest rates. The Bank attempts to limit the impact of inflation on its net interest margin through management of rate-sensitive assets and liabilities and analyses of interest rate sensitivity. The effect of inflation on premises and equipment as well as on non-interest expenses has not been significant for the periods presented.

Item 3 Quantitative and Qualitative Disclosures about Market Risk

Proper management of the rate sensitivity and maturities of assets and liabilities is required to provide an optimum and stable net interest margin. Interest rate sensitivity spread management is an important tool for achieving this objective and for developing ways in which to improve

profitability. Management has assessed its market risk at September 30, 2025 and believes that there has been no material change in its liability-sensitive position since December 31, 2024.

The Bank constantly monitors earning asset and deposit levels, developments and trends in interest rates, liquidity, capital adequacy and marketplace opportunities. Management responds to all of these to protect and possibly enhance net interest income while managing risks within acceptable levels as set forth in the Bank's policies. In addition, alternative business plans and transactions are contemplated for their potential impact. This process is known as asset/liability management and is carried out by changing the maturities and relative proportions of the various types of loans, investments, deposits and borrowings in the ways described above. Risks associated with interest rate changes and market risk are managed through the Bank's Interest Rate Risk Management Policy. This policy is reviewed and approved at least annually by the Board. The Board also monitors and establishes target positions for interest rate and market value risks through the Asset Liability Committee of the Board.

The tool most used to manage and analyze the interest rate sensitivity of a bank is known as a computer simulation model. To quantify the extent of risks in both the Bank's current position and transactions it might make in the future, the Bank uses a model to simulate the impact of different interest rate scenarios on net interest income. The hypothetical impact of an interest rate shock for incremental interest rate changes up to +/- 4.00% is modeled quarterly, representing the primary means the Bank uses for interest rate risk management decisions.

In addition to measuring net interest income changes, the Bank also uses the economic value of equity ("EVE") ratio to stress test longer-term interest rate risk exposure on capital. Stress testing EVE will show the impact that fluctuating interest rates will have on the Bank's capital and give insight into the Bank's earning capacity and risk. This ratio is calculated by taking in difference in the net present value of asset cash flows (loan and investment securities) and liability cash flows (deposits and borrowings). Major assumptions used in determining fair values include maturities, repricing periods, and decay rates of non-maturity deposits. As the calculation is highly dependent on assumptions, as well as the change in the shape of the yield curve being modeled, it is not considered to be an exact calculation and instead is used as an interest rate risk monitoring tool.

Based on results of the quarterly model, the Bank is liability sensitive during a one and two-year period, meaning that during that timeframe more liabilities will reprice than assets. Liability sensitive banks typically expect a decrease in the net interest margin if rates increase and the net interest margin would increase when rates decline. If the Bank were asset sensitive, the opposite would occur and the bank would expect a decrease in the net interest margin if rates decline, and an increase in the net interest margin when rates increase. Various factors influence the change in the Bank's margin when general market interest rates change. These factors include, but are not limited to, the growth and mix of new assets, deposit liabilities and borrowings, pricing changes, the extension or contraction of maturities of new and renewed assets and liabilities, the shape of the general economic yield curve, and the general influence on pricing by competition in the local market for loans and deposits. Additionally, when economic rates change, there may be an immediate impact to non-maturing deposits tied to an index rate and from loans that are tied to a daily prime lending rate or other index rate. Also, the repricing of term liabilities to offset this change requires time for those term deposits to mature and renew.

When preparing the model, the Bank makes assumptions about the lag in the rate of change and impacts of optionality in various asset and liability categories. The Bank bases its assumptions on past experience, current projections, comparisons with other banks, and annually tests to verify the validity of its assumptions by reviewing actual results with projected expectations. As the impact of changing interest rates depends on assumptions, actual experience can materially differ from

projections. The purpose of the model is to forecast the likely impact of changing interest rates so management can monitor potential exposures to interest rate risk and make adjustments to the balance sheet if needed.

The computer simulation model projects at June 30, 2025 the following changes over a one-year period in net interest income. Data as of September 30, 2025 was unavailable at the time of this filing.

Interest Rate Risk Simulation Model

(in thousands)

Interest Rate Shock	-4%	-3%	-2%	-1%	1%	2%	3%	4%
Net interest income change	$ 5,586	$ 4,945	$ 3,359	$ 1,671	$ (1,744)	$ (3,878)	$ (5,727)	$ (7,590)
Net interest percent change	15.2%	13.4%	9.1%	4.5%	-4.7%	-10.5%	-15.6%	-20.6%

The Bank's investment portfolio has an average maturity of 8.9 years and would be susceptible to a material decline in market value if interest rates were to materially rise. Management monitors this exposure in relation to the Bank's capital ratios and the interaction of the projected changes in other interest sensitive assets and liabilities to reach a desired balance between current earnings and market risk.

Item 4 Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Bank's management, including its Chief Executive Officer and Chief Financial Officer, the Bank conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as defined by Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act (the "Act") of 1934 as of September 30, 2025. The term disclosure controls and procedures means controls and other procedures that are designed to ensure that the information the Bank is required to disclose in its reports that are filed or submitted under the Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information the Bank is required to disclose in the reports that is filed or submitted under the Act is accumulated and communicated to management, including the principal executive and principal financial officers, or persons performing similar functions as applicable, to allow for timely decisions regarding required disclosures.

Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Bank's disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

During the quarter ended September 30, 2025, there were no significant changes that materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting. The term internal control over financial reporting, as defined by Rule 15d-15(f) of the Act, is a process designed by, or under the supervision of, the issuer's principal executive and principal financial officers, or persons performing similar functions, and effected by the issuer's Board of Directors, management and other personnel, to provide reasonable assurance regarding the

reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

PART II OTHER INFORMATION

Item 1 Legal Proceedings

The nature of our business causes us to be involved in legal proceedings from time to time. As of the date of this report, the Bank is not a party to any litigation where management anticipates that the outcome will have a material adverse effect on the financial position or results of operations.

Item 1A Risk Factors

In addition to the other information set forth in this Form 10-Q, you should carefully consider the risk factors that appeared under Item 1A, "Risk Factors" in the Bank's 2024 Annual Report on Form 10-K (the "2024 Form 10-K").

Item 1B Cybersecurity

As a financial institution, the Bank's business depends on the continuous operation of its information and data processing systems and the security of information received from customers, employees and others. The Bank has developed and implemented a cybersecurity program intended to protect the reliability of its critical systems and the confidentiality of nonpublic information.

The Bank's cybersecurity program is designed to assess, identify and manage the material risks from cybersecurity threats, including threats associated with third-party service providers, such as technology providers and cloud-based platforms. The program is based on the National Institute of Standards and Technology Cybersecurity Framework ("NIST CSF") and the guidance of banking and other regulatory agencies. As part of the program, the Bank has a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents and facilitates coordination and communication across multiple parts of the Bank.

The Bank's cybersecurity risk management process is integrated as part of its overall risk management program. The Bank's information security professionals have primary responsibility for overall cybersecurity risk management. The Bank's cybersecurity professionals are led by the Director of Information Technology who has over 20 years of experience in the information technology field, including experience with cybersecurity. The Bank's Director of Information Technology reports to the Chief Operating Officer and in conjunction they develop and maintain the cybersecurity program. In addition to its own employees, the Bank engages third-party service providers to provide security products and services as needed, using their technology and expertise to evaluate and enhance its cybersecurity program, perform penetration testing and security audits, and to inform employees regarding evolving threats, risks and defensive measures. Generally, these third-party service providers are managed by the Director of Information Technology.

The Bank periodically reviews, tests and assesses its cybersecurity systems, using both internal resources and third-party service providers with cybersecurity expertise. At least once per year, the Bank reviews and tests its incident response plan through simulations and assessments.

The Bank has developed processes to identify and oversee risks from cybersecurity threats associated with third-party service providers, which includes the Director of Information Technology

assisting with and evaluating cybersecurity readiness during vendor selection and onboarding, and the Finance Manager overseeing the risk-based monitoring of vendors on an ongoing basis.

The Bank requires periodic cybersecurity training for employees to learn about data security, how to identify and mitigate potential cybersecurity risks and how to protect our resources and information. Members of the risk management, cybersecurity and technology teams receive specialized training about evolving cybersecurity threats and new risk mitigation and detection technologies.

Cybersecurity Governance

The Bank's Board of Directors and its Information Technology Steering Committee are responsible for overseeing the Bank's cybersecurity program and polices. The Bank's management, led by the Director of Information Technology, is responsible for designing and implementing the program. The Director of Information Technology regularly reports to the Information Technology Steering Committee regarding management's implementation of the cybersecurity program, cybersecurity risks and threats, assessments of the Bank's cybersecurity systems and the planning and status project to strength the Bank's information security. The Finance Manager also regularly tracks and reports to the Enterprise Risk Management Committee general cybersecurity risks and threats to the Bank. The Bank's cybersecurity incident response plan requires that management promptly advise the Director of Information Technology, Chief Operating Officer and Board of any material cybersecurity incident. The Chair of the Information Technology Steering Committee and Chair of the Enterprise Risk Management Committee regularly reports to the Board on cybersecurity risks and other matters reviewed by the Committee. Board members may attend both the Information Technology Steering Committee and Enterprise Risk Management Committee meetings where cybersecurity issues are discussed and have access to the materials for each meeting.

Cybersecurity Incidents

None.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3 Defaults Upon Senior Securities

None.

Item 4 Mine Safety Disclosures

Not applicable.

Item 5 Other Information

None.

Item 6 Exhibit Index

The exhibits filed as part of this report are listed on the Exhibit Index filed as part of this report.

Exhibit Number	Description
31.01	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002
31.02	Certification of Principal Financial and Accounting Officer pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002
32.01	Certification of Principal Executive Officer and Principal Financial and Accounting Officer pursuant to 18 U.S.C. §1350 as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Summit State Bank

(registrant)

November 7, 2025	*/s/ Brian J. Reed*
Date	Brian J. Reed President and Chief Executive Officer (Principal Executive Officer)

November 7, 2025	*/s/ Camille D. Kazarian*
Date	Camille D. Kazarian Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.01

Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002

I, Brian J. Reed, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Summit State Bank (the registrant) for the quarter ended September 30, 2025;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 7, 2025 */s/ Brian J. Reed*

Date

Brian J. Reed
President and Chief Executive Officer
(Principal Executive Officer)
Summit State Bank

Exhibit 31.02

Certification of Principal Financial and Accounting Officer pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002

I, Camille D. Kazarian, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Summit State Bank (the registrant) for the quarter ended September 30, 2025;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 7, 2025 */s/ Camille D. Kazarian*

Date

Camille D. Kazarian
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)
Summit State Bank

EXHIBIT 32.01

Certification of Principal Executive Officer and Principal Financial and Accounting Officer pursuant to 18 U.S.C. §1350 as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report on Form 10-Q of Summit State Bank (the Registrant) for the quarter ended September 30, 2025, as filed with the Federal Deposit Insurance Corporation, the undersigned hereby certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1) such Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

November 7, 2025	*/s/ Brian J. Reed*
Date	Brian J. Reed President and Chief Executive Officer (Principal Executive Officer)
November 7, 2025	*/s/ Camille D. Kazarian*
Date	Camille D. Kazarian Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

This certification accompanies each report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Registrant for purposes of §18 of the Securities Exchange Act of 1934, as amended.