**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, 2026

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 |

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 ☐

APPLICABLE ONLY TO CORPORATE ISSUERS

As of November 12, 2026, there were 6,766,616 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, 2026 (Unaudited) | December 31, 2025 (1) |
|---|---|---|
| **ASSETS** | | |
| Cash and due from banks | $ 91,340 | $ 65,524 |
| Investment securities: | | |
| Available-for-sale, less allowance for credit losses of $0 and $3 (at fair value; amortized cost of $70,688 and $75,428) | 59,076 | 66,375 |
| Loans held for investment, less allowance for credit losses of $18,003 and $14,487 | 745,351 | 831,793 |
| Bank premises and equipment, net | 4,864 | 4,822 |
| Investment in Federal Home Loan Bank stock (FHLB), at cost | 5,889 | 5,889 |
| Other real estate owned | 2,294 | 2,294 |
| Affordable housing tax credit investments | 5,846 | 6,479 |
| Accrued interest receivable and other assets | 22,785 | 21,410 |
| Total assets | $ 937,445 | $ 1,004,586 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Deposits: | | |
| Demand - non interest-bearing | $ 191,334 | $ 182,723 |
| Demand - interest-bearing | 223,622 | 217,158 |
| Savings | 38,493 | 46,213 |
| Money market | 181,032 | 203,897 |
| Time deposits that meet or exceed the FDIC insurance limit | 55,228 | 70,728 |
| Other time deposits | 136,901 | 170,392 |
| Total deposits | 826,610 | 891,111 |
| Junior subordinated debt, net | 5,960 | 5,949 |
| Affordable housing commitment | 458 | 458 |
| Accrued interest payable and other liabilities | 5,587 | 5,897 |
| Total liabilities | 838,615 | 903,415 |
| Commitments and contingencies (Note 7) | | |
| Shareholders' equity | | |
| Common stock, no par value; shares authorized - 30,000,000 shares; 6,766,616 and 6,771,526 shares issued and outstanding | 38,087 | 37,954 |
| Retained earnings | 68,941 | 69,668 |
| Accumulated other comprehensive loss, net | (8,198) | (6,451) |
| Total shareholders' equity | 98,830 | 101,171 |
| Total liabilities and shareholders' equity | $ 937,445 | $ 1,004,586 |

(1) Information derived from audited financial statements.

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

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

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2026 (unaudited) | September 30, 2025 (unaudited) | September 30, 2026 (unaudited) | September 30, 2025 (unaudited) |
| Interest and dividend income: | | | | |
| Interest and fees on loans | $ 11,882 | $ 13,067 | $ 36,953 | $ 40,446 |
| Interest on deposits with banks | 877 | 539 | 2,701 | 1,656 |
| Interest on investment securities | 441 | 484 | 1,349 | 1,502 |
| Dividends on FHLB stock | 144 | 130 | 453 | 388 |
| Total interest and dividend income | 13,344 | 14,220 | 41,456 | 43,992 |
| Interest expense: | | | | |
| Deposits | 4,272 | 5,373 | 13,752 | 17,533 |
| FHLB advances | - | 54 | 5 | 94 |
| Junior subordinated debt | 116 | 127 | 356 | 389 |
| Total interest expense | 4,388 | 5,554 | 14,113 | 18,016 |
| Net interest income before provision for (reversal of) credit losses | 8,956 | 8,666 | 27,343 | 25,976 |
| Provision for credit losses on loans | 5,688 | 2,709 | 12,669 | 2,132 |
| Provision for (reversal of) credit losses on unfunded loan commitments | 5 | 49 | (24) | (44) |
| Reversal of credit losses on investments | (1) | (21) | (3) | (33) |
| Net interest income after provision for (reversal of) credit losses on loans, unfunded loan commitments and investments | 3,264 | 5,929 | 14,701 | 23,921 |
| Non-interest income: | | | | |
| Service charges on deposit accounts | 138 | 238 | 660 | 678 |
| Rental income | 54 | 45 | 162 | 159 |
| Net gain on loan sales | 230 | 308 | 1,035 | 360 |
| Net realized loss on securities | - | (7) | - | (12) |
| Other income | 292 | 303 | 794 | 609 |
| Total non-interest income | 714 | 887 | 2,651 | 1,794 |
| Non-interest expense: | | | | |
| Salaries and employee benefits | 3,449 | 3,476 | 11,443 | 11,104 |
| Occupancy and equipment | 392 | 435 | 1,105 | 1,323 |
| Other expenses | 1,798 | 1,634 | 6,137 | 5,676 |
| Total non-interest expense | 5,639 | 5,545 | 18,685 | 18,103 |
| (Loss) income before provision for income taxes | (1,661) | 1,271 | (1,333) | 7,612 |
| Provision for income tax (benefit) expense | (563) | 453 | (602) | 1,883 |
| Net (loss) income | $ (1,098) | $ 818 | $ (731) | $ 5,729 |
| | | | | |
| Basic (loss) earnings per common share | $ (0.16) | $ 0.12 | $ (0.11) | $ 0.85 |
| Diluted (loss) earnings per common share | $ (0.16) | $ 0.12 | $ (0.11) | $ 0.85 |
| Basic weighted average shares of common stock outstanding | 6,747,800 | 6,734,158 | 6,728,170 | 6,719,127 |
| Diluted weighted average shares of common stock outstanding | 6,747,800 | 6,734,158 | 6,728,170 | 6,719,127 |

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

**SUMMIT STATE BANK**
**STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**
(In thousands)

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2026 (unaudited) | September 30, 2025 (unaudited) | September 30, 2026 (unaudited) | September 30, 2025 (unaudited) |
| Net (loss) income | $ (1,098) | $ 818 | $ (731) | $ 5,729 |
| Change in securities available-for-sale: | | | | |
| Unrealized holding (losses) gains on available-for-sale securities arising during the period | (2,168) | 1,087 | (2,563) | 3,091 |
| Reclassification adjustment for losses realized in net income on available-for-sale securities | - | 7 | - | 12 |
| Net unrealized (losses) gains, before provision for income tax | (2,168) | 1,094 | (2,563) | 3,103 |
| Income tax benefit (expense) | 690 | (348) | 816 | (987) |
| Total other comprehensive (loss) income, net of tax | (1,478) | 746 | (1,747) | 2,115 |
| Comprehensive (loss) income | $ (2,576) | $ 1,564 | $ (2,478) | $ 7,844 |

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, 2025 and 2026**
**(Unaudited)**

| (In thousands except per share data) | Common Stock Shares | Common Stock Amount | Retained Earnings | Accumulated Other Comprehensive Loss | Total Shareholders' Equity |
|---|---|---|---|---|---|
| Balance, June 30, 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 |
| Balance, June 30, 2026 | 6,766,616 | $ 38,039 | $ 70,038 | $ (6,720) | $ 101,357 |
| Net loss | - | - | (1,098) | - | (1,098) |
| Other comprehensive loss, net of tax | - | - | - | (1,478) | (1,478) |
| Restricted stock dividend forfeiture adjustment | - | - | 1 | - | 1 |
| Stock based compensation - restricted stock | - | 48 | - | - | 48 |
| Balance, September 30, 2026 | 6,766,616 | $ 38,087 | $ 68,941 | $ (8,198) | $ 98,830 |

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, 2025 and 2026**
**(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, 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 |
| Balance, January 1, 2026 | 6,771,526 | $ 37,954 | $ 69,668 | $ (6,451) | $ 101,171 |
| Net loss | - | - | (731) | - | (731) |
| Other comprehensive loss, net of tax | - | - | - | (1,747) | (1,747) |
| Restricted stock withheld to cover tax withholding obligations | (1,216) | (17) | - | - | (17) |
| Restricted stock forfeited | (3,694) | - | - | - | - |
| Restricted stock dividend forfeiture adjustment | - | - | 4 | - | 4 |
| Stock based compensation - restricted stock | - | 150 | - | - | 150 |
| Balance, September 30, 2026 | 6,766,616 | $ 38,087 | $ 68,941 | $ (8,198) | $ 98,830 |

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, 2026 (unaudited) | 2025 (unaudited) |
|---|---|---|
| Cash flows from operating activities: | | |
| Net (loss) income | $ (731) | $ 5,729 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization | 263 | 289 |
| Securities amortization and accretion, net | (49) | (36) |
| Accretion of net deferred loan fees | (1,591) | (1,311) |
| Provision for credit losses on loans | 12,669 | 2,132 |
| Reversal of credit losses on unfunded loan commitments | (24) | (44) |
| Reversal of credit losses on investments | (3) | (33) |
| Net realized loss on securities | - | 12 |
| Net gain on loan sales | (1,035) | (360) |
| Amortization of debt issuance cost related to junior subordinated debt | 11 | 10 |
| Amortization of affordable housing tax credit investment | 633 | 700 |
| Net change in accrued interest receivable and other assets | (568) | (3,686) |
| Net change in accrued interest payable and other liabilities | (307) | (219) |
| Stock-based compensation expense | 167 | 767 |
| Net cash from operating activities | 9,435 | 3,950 |
| Cash flows from investing activities: | | |
| Proceeds from calls and maturities of available-for-sale investment securities | 4,788 | 4,700 |
| Loans held for investment origination and principal collections, net | 58,245 | 58,806 |
| Proceeds from sales of loans other than loans originated for resale | 18,154 | 7,406 |
| Purchases of bank premises and equipment, net | (305) | (27) |
| Net cash from investing activities | 80,882 | 70,885 |
| Cash flows used in financing activities: | | |
| Net change in demand, savings and money market deposits | (15,510) | (9,660) |
| Net change in time deposits | (48,991) | (64,118) |
| Proceeds from short term advances from FHLB | 34,000 | 446,300 |
| Repayment of short term advances from FHLB | (34,000) | (440,800) |
| Net cash used in financing activities | (64,501) | (68,278) |
| Net change in cash and cash equivalents | 25,816 | 6,557 |
| Cash and cash equivalents at beginning of period | 65,524 | 51,403 |
| Cash and cash equivalents at end of period | $ 91,340 | $ 57,960 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | $ 14,240 | $ 19,488 |
| Income taxes | $ 825 | $ 60 |
| Non-Cash Investing and Financing Activities: | | |
| Net unrealized (losses) gains on available-for-sale securities | $ (2,563) | $ 3,103 |
| Restricted stock dividend forfeiture adjustment | $ 4 | $ 4 |
| Restricted stock withheld to cover tax withholding obligations | $ (17) | $ (12) |
| Right-of-use assets obtained in exchange for operating lease liabilities | $ - | $ 644 |
| Right-of-use assets obtained in exchange for financing lease liabilities | $ 9 | $ - |

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, 2026 and for the three and nine months ended September 30, 2026 and 2025 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, 2026 are not necessarily indicative of the results that may be expected for the year ending December 31, 2026. 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, 2025 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.

### *Operating Segments*

The Bank adopted Accounting Standards Update 2023-07 "Segment Reporting (Topic 280) - Improvements 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 (loss) income calculated on the same basis as net income reported in the Bank's statements of (loss) income and other comprehensive (loss) income. Segment assets are measured by total assets as reported in the Bank's balance sheets. The CODM is also regularly provided with expense information at a level consistent with that disclosed in the Bank's statements of (loss) income and other comprehensive (loss) income.

### *(Loss) 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. Unvested restricted stock awards that are considered anti-dilutive, such as awards 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. Unvested restricted stock awards for 19,000 shares of common stock for the three and nine months ended September 30, 2026 were not considered in computing diluted earnings per share because they were anti-dilutive. Unvested restricted stock awards 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.

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

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| (in thousands except per share data) | **September 30, 2026** | **September 30, 2025** | **September 30, 2026** | **September 30, 2025** |
| Basic | | | | |
| Net (loss) income | $ (1,098) | $ 818 | $ (731) | $ 5,729 |
| Weighted average common shares outstanding (1) | 6,747,800 | 6,734,158 | 6,728,170 | 6,719,127 |
| Basic (loss) earnings per common share | $ (0.16) | $ 0.12 | $ (0.11) | $ 0.85 |
| Diluted | | | | |
| Net (loss) income | $ (1,098) | $ 818 | $ (731) | $ 5,729 |
| Weighted average common shares outstanding for basic earnings per common share (1) | 6,747,800 | 6,734,158 | 6,728,170 | 6,719,127 |
| Add: Dilutive effects of assumed exercises of stock options and restricted stock awards | - | - | - | - |
| Average shares and dilutive potential common shares | 6,747,800 | 6,734,158 | 6,728,170 | 6,719,127 |
| Diluted (loss) earnings per common share | $ (0.16) | $ 0.12 | $ (0.11) | $ 0.85 |

(1) excludes unvested RSAs

### *Affordable Housing Tax Credit Investments*

The Bank invested in a limited partnership that was formed to develop and operate affordable housing projects for low or moderate-income tenants. The investment fund covers four separate

housing projects and the Bank's ownership percentage in the fund is 13%. The Bank holds a variable interest in this limited partnership, but it is not the primary beneficiary and, therefore, does not consolidate the variable interest entity in its financial statements. The investment is in qualified affordable housing tax credit funds and is accounted for using the proportional amortization method, where the initial cost of the investment is amortized in proportion to the tax credits and other tax benefits received. Low-income housing tax credits and other tax benefits received, net of the amortization of the investment, are recognized as part of provision for income tax (benefit) expense on the statements of (loss) income and in net (loss) income within operating activities on the statements of cash flow. For the three and nine months ended September 30, 2026, the Bank recognized income tax credits and other income tax benefits of $277,000 and $835,000 and amortization of $209,000 and $633,000. This compared to income tax credits and other income tax benefits of $282,000 and $933,000 and amortization of $212,000 and $700,000 for the same periods in 2025.

The partnership must meet the regulatory minimum requirements for affordable housing for a minimum 15- year compliance period to fully utilize the tax credits. If the partnership ceases to qualify during the compliance period, the credit may be denied for any period in which the project is not in compliance and a portion of the credit previously taken is subject to recapture with interest. The Bank will record an impairment charge if the value of the future tax credits and other tax benefits is less than the carrying value of the investment. The Bank did not recognize any impairment losses on these low-income housing tax credit investments during the three or nine months ended September 30, 2026 or 2025 as the value of the future tax benefits exceeds the carrying value of the investments.

### *Accounting Standards Adopted*

None

### *Accounting Standards Pending Adoption*

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

In September 2025, the FASB issued ASU 2025-06 – Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Improvements to Accounting for 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.

In December 2025, the FASB issued ASU 2025-11 - Interim Reporting (Topic 270): Narrow-Scope Improvements, which clarifies certain interim disclosure requirements. The ASU is effective for public business entities for interim periods within fiscal years beginning after December 15, 2027. The Bank currently prepares interim financial statements in accordance with Topic 270 and does not expect adoption of this ASU to have a material impact on its financial statements.

## 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, 2026 | | | | |
|---|---|---|---|---|---|
| (in thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Allowance for Credit Losses | Estimated Fair Value |
| Government agencies | $ 47,062 | $ - | $ (9,691) | $ - | $ 37,371 |
| Mortgage-backed securities - residential | 7,263 | - | (1,454) | - | 5,809 |
| Corporate debt | 16,363 | - | (467) | - | 15,896 |
| Total investment securities available-for-sale | $ 70,688 | $ - | $ (11,612) | $ - | $ 59,076 |

| | December 31, 2025 | | | | |
|---|---|---|---|---|---|
| (in thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Allowance for Credit Losses | Estimated Fair Value |
| Government agencies | $ 48,483 | $ - | $ (7,621) | $ - | $ 40,862 |
| Mortgage-backed securities - residential | 8,067 | - | (1,213) | - | 6,854 |
| Corporate debt | 18,878 | 134 | (349) | (4) | 18,659 |
| Total investment securities available-for-sale | $ 75,428 | $ 134 | $ (9,183) | $ (4) | $ 66,375 |

The unrealized loss on the investment portfolio, including mortgage-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. All the Bank's securities remain investment grade.

The Bank continues to monitor all its securities for changes in credit rating or other indications of credit deterioration. The Bank determined that no securities were below investment grade so a $3,000 reversal of credit losses was recorded as of September 30, 2026 compared to a $4,000 allowance for credit losses as of December 31, 2025.

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. No 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, 2026 or December 31, 2025. 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, 2026 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | $ - | $ - | $ 37,371 | $ (9,691) | $ 37,371 | $ (9,691) |
| Mortgage-backed securities - residential | - | - | 5,809 | (1,454) | 5,809 | (1,454) |
| Corporate debt | 6,018 | (82) | 9,878 | (385) | 15,896 | (467) |
| Total investment securities | $ 6,018 | $ (82) | $ 53,058 | $ (11,530) | $ 59,076 | $ (11,612) |

| | December 31, 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 | $ - | $ - | $ 40,862 | $ (7,621) | $ 40,862 | $ (7,621) |
| Mortgage-backed securities - residential | - | - | 6,854 | (1,213) | 6,854 | (1,213) |
| Corporate debt | - | - | 12,213 | (349) | 12,213 | (349) |
| Total investment securities | $ - | $ - | $ 59,929 | $ (9,183) | $ 59,929 | $ (9,183) |

At September 30, 2026, the Bank held eleven investment securities in an unrealized loss position for less than 12 months and forty eight investment securities in an unrealized loss position for greater than 12 months. This compared to no investment securities in an unrealized loss position for less than 12 months and fifty four investment securities in an unrealized loss position for greater than 12 months as of December 31, 2025.

There were no securities sold during the three and nine months ended September 30, 2026 and 2025.

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, 2024 | $ - | $ - | $ 36 |
| Reversal of credit losses | - | - | (33) |
| Balance, September 30, 2025 | $ - | $ - | $ 3 |
| | | | |
| Balance, December 31, 2025 | $ - | $ - | $ 3 |
| Reversal of credit losses | - | - | (3) |
| Balance, September 30, 2026 | $ - | $ - | $ - |

At September 30, 2026 and December 31, 2025, there were no investment securities pledged to secure public deposits as the Bank now utilizes a letter of credit for this purpose.

The amortized cost and estimated fair value of investment securities by contractual maturity at September 30, 2026 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 | Fair Value |
|---|---|---|
| Within one year | $ 3,132 | $ 3,104 |
| After one year through five years | 23,303 | 22,024 |
| After five years through ten years | 31,494 | 23,923 |
| After ten years | 5,496 | 4,216 |
| | 63,425 | 53,267 |
| Investment securities not due at a single maturity date: | | |
| Mortgage-backed securities - residential | 7,263 | 5,809 |
| | $ 70,688 | $ 59,076 |

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, 2026 | December 31, 2025 |
|---|---|---|
| Commercial & agricultural (1) | $ 104,386 | $ 121,262 |
| Real estate - commercial | 584,739 | 634,917 |
| Real estate - construction and land | 6,085 | 9,055 |
| Real estate - single family | 44,082 | 47,817 |
| Real estate - multifamily | 17,951 | 31,409 |
| Consumer & lease financing (2) | 6,111 | 1,820 |
| | 763,354 | 846,280 |
| Allowance for credit losses | (18,003) | (14,487) |
| Net loans held for investment | $ 745,351 | $ 831,793 |

(1) Includes loans secured by farmland.

(2) Consumer & lease financing includes overdrafts of $62 as of September 30, 2026 and $28 as of December 31, 2025.

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 directly originate consumer loans but in 2025 began purchasing pools of consumer loans secured by exotic and classic automobiles. The loans are originated by a third party and acquired by the Bank in the secondary market. The underlying borrowers are individuals with strong credit profiles and documented income sufficient to support repayment. The loans are collateralized by high-value automobiles and are underwritten pursuant to the originator's established credit standards, which are evaluated by the Bank prior to purchase. The Bank also has a small legacy portfolio and balances fluctuate based primarily on changes in overdraft activity. 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, 2026 and 2025 are as follows:

| | Three Months Ended September 30, 2026 | | | | |
|---|---|---|---|---|---|
| (in thousands) | Balance at June 30, 2026 | Provision (reversal) (1) | Charge-offs | Recoveries | Balance at September 30, 2026 |
| Commercial & agricultural | $ 1,769 | $ (30) | $ (120) | $ 9 | $ 1,628 |
| Real estate - commercial | 9,988 | 5,707 | (387) | - | 15,308 |
| Real estate - construction and land | 164 | 42 | - | - | 206 |
| Real estate - single family | 574 | (21) | - | - | 553 |
| Real estate - multifamily | 242 | (37) | - | - | 205 |
| Consumer, lease financing & other | 76 | 27 | - | - | 103 |
| Total | $ 12,813 | $ 5,688 | $ (507) | $ 9 | $ 18,003 |

(1) Changes in the ACL are driven by both shifts in portfolio volume and changes in the loss rate by loan category

| | Nine Months Ended September 30, 2026 | | | | |
|---|---|---|---|---|---|
| (in thousands) | Balance at December 31, 2025 | Provision (reversal) (1) | Charge-offs | Recoveries | Balance at September 30, 2026 |
| Commercial & agricultural | $ 1,715 | $ 3,979 | (4,106) | $ 40 | $ 1,628 |
| Real estate - commercial | 11,574 | 8,821 | (5,087) | - | 15,308 |
| Real estate - construction and land | 216 | (10) | - | - | 206 |
| Real estate - single family | 598 | (45) | - | - | 553 |
| Real estate - multifamily | 377 | (172) | - | - | 205 |
| Consumer, lease financing & other | 7 | 96 | - | - | 103 |
| Total | $ 14,487 | $ 12,669 | $ (9,193) | $ 40 | $ 18,003 |

(1) Changes in the ACL are driven by both shifts in portfolio volume and changes in the loss rate by loan category

| | Three Months Ended September 30, 2025 | | | | |
|---|---|---|---|---|---|
| (in thousands) | Balance at June 30, 2025 | Provision (reversal) (1) | 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 |

(1) Changes in the ACL are driven by both shifts in portfolio volume and changes in the loss rate by loan category

| | Nine Months Ended September 30, 2025 | | | | |
|---|---|---|---|---|---|
| (in thousands) | Balance at December 31, 2024 | Provision (reversal) (1) | 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 |

(1) Changes in the ACL are driven by both shifts in portfolio volume and changes in the loss rate by loan category

The following table presents the amortized cost basis of collateral dependent loans by class of loans and by collateral type as of September 30, 2026 and December 31, 2025:

| | September 30, 2026 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | $ - | $ 850 | $ - | $ - | $ - | $ - | $ 850 | $ - |
| Multi Family 5+ | - | - | - | - | 2,055 | - | 2,055 | - |
| Non Owner Occupied - Commercial Office | - | 6,538 | - | - | - | - | 6,538 | - |
| Non Owner Occupied - Mixed Use | - | 650 | - | - | - | - | 650 | - |
| Own Occ Comml Restaurant | - | 6,439 | - | - | - | - | 6,439 | 6,113 |
| Single Family Residence | 140 | - | - | - | - | - | 140 | - |
| UCC Blanket | 2,629 | - | - | - | - | - | 2,629 | 233 |
| Winery Property | 325 | - | - | - | - | - | 325 | 30 |
| **Total collateral dependent loans** | **$ 3,094** | **$ 14,477** | **$ -** | **$ -** | **$ 2,055** | **$ -** | **$ 19,626** | **$ 6,376** |

| | December 31, 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 | $ - | $ 9,192 | $ - | $ - | $ - | $ - | $ 9,192 | $ 1,105 |
| Multi Family 5+ | - | - | - | - | 2,097 | - | 2,097 | - |
| Non Owner Occupied - Commercial Office | - | 6,604 | - | - | - | - | 6,604 | - |
| Non Owner Occupied - Commercial Special Purpose | - | 5,487 | - | - | - | - | 5,487 | 1,580 |
| Non Owner Occupied - Mixed Use | - | 716 | - | - | - | - | 716 | - |
| Own Occ Comml Restaurant | - | 6,787 | - | - | - | - | 6,787 | - |
| Owner Occupied - Mixed Use | - | 626 | - | - | - | - | 626 | - |
| Single Family Residence | 147 | - | - | - | - | - | 147 | - |
| UCC Crops | 535 | - | - | - | - | - | 535 | - |
| Vineyard | 8,496 | - | - | - | - | - | 8,496 | - |
| Winery Property | 338 | - | - | - | - | - | 338 | - |
| **Total collateral dependent loans** | **$ 9,516** | **$ 29,412** | **$ -** | **$ -** | **$ 2,097** | **$ -** | **$ 41,025** | **$ 2,685** |

Accrued interest receivable for the total loan portfolio was $2,706,000 and $2,900,000 and net deferred loan fees were $1,565,000 and $2,008,000 as of September 30, 2026 and December 31, 2025, 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, 2026 and September 30, 2025.

| (in thousands) | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **September 30, 2026** | **September 30, 2025** | **September 30, 2026** | **September 30, 2025** |
| Commercial & agricultural | $ 40 | $ 3 | $ 105 | $ 3 |
| Real estate - commercial | - | 129 | 126 | 129 |
| Real estate - construction and land | - | - | - | - |
| Real estate - single family | - | - | - | - |
| Real estate - multifamily | - | - | - | - |
| Consumer & lease financing | - | - | - | - |
| Total | $ 40 | $ 132 | $ 231 | $ 132 |

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, 2026 and December 31, 2025:

| | September 30, 2026 | | | | December 31, 2025 | | | |
|---|---|---|---|---|---|---|---|---|
| (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 | $ 1,567 | $ 648 | $ 2,215 | $ - | $ - | $ 9,030 | $ 9,030 | $ - |
| Real estate - commercial | 15,163 | 827 | 15,990 | - | 6,613 | 16,196 | 22,809 | - |
| Real estate - construction and land | - | - | - | - | - | - | - | - |
| Real estate - single family | - | - | - | - | - | - | - | - |
| Real estate - multifamily | - | - | - | - | - | - | - | - |
| Consumer & lease financing | - | - | - | - | - | - | - | - |
| Total | $ 16,730 | $ 1,475 | $ 18,205 | $ - | $ 6,613 | $ 25,226 | $ 31,839 | $ - |

There were no loans past due over 90 days that were still accruing as of September 30, 2026 or December 31, 2025.

The following table presents the aging of the recorded investment in past due loans as of September 30, 2026, 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 | $ 457 | $ 533 | $ - | $ 990 | $ 103,396 | $ 104,386 |
| Real estate - commercial | - | - | - | - | 584,739 | 584,739 |
| Real estate - construction and land | - | - | - | - | 6,085 | 6,085 |
| Real estate - single family | - | - | - | - | 44,082 | 44,082 |
| Real estate - multifamily | - | - | - | - | 17,951 | 17,951 |
| Consumer & lease financing | - | - | - | - | 6,111 | 6,111 |
| Total | $ 457 | $ 533 | $ - | $ 990 | $ 762,364 | $ 763,354 |

The following table presents the aging of the recorded investment in past due loans as of December 31, 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 | $ 973 | $ - | $ - | $ 973 | $ 120,289 | $ 121,262 |
| Real estate - commercial | - | - | - | - | 634,917 | 634,917 |
| Real estate - construction and land | - | - | - | - | 9,055 | 9,055 |
| Real estate - single family | - | - | - | - | 47,817 | 47,817 |
| Real estate - multifamily | - | - | - | - | 31,409 | 31,409 |
| Consumer & lease financing | - | - | - | - | 1,820 | 1,820 |
| Total | $ 973 | $ - | $ - | $ 973 | $ 845,307 | $ 846,280 |

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

**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, 2026. Revolving loans that are converted to term loans are treated as new originations in the table below:

| | September 30, 2026 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in thousands) | Term Loans by Year of Origination | | | | | | Revolving | |
| | 2026 | 2025 | 2024 | 2023 | 2022 | Prior | Loans | Total Loans |
| Commercial & agricultural | | | | | | | | |
| Risk Rating | | | | | | | | |
| Pass | $ 13,731 | $ 3,807 | $ 4,932 | $ 2,604 | $ 6,159 | $ 27,896 | $ 31,181 | $ 90,310 |
| Special Mention | - | - | - | - | - | 7,065 | 199 | 7,264 |
| Substandard | - | - | - | - | 319 | 5,889 | 604 | 6,812 |
| Doubtful | - | - | - | - | - | - | - | - |
| Total Commercial & agricultural | $ 13,731 | $ 3,807 | $ 4,932 | $ 2,604 | $ 6,478 | $ 40,850 | $ 31,984 | $ 104,386 |
| Current-period gross charge-offs | $ - | $ - | $ - | $ - | $ - | $ 4,106 | $ - | $ 4,106 |
| Real estate - commercial | | | | | | | | |
| Risk Rating | | | | | | | | |
| Pass | $ 36,881 | $ 17,068 | $ 27,334 | $ 57,731 | $ 168,988 | $ 229,140 | $ 4,852 | $ 541,994 |
| Special Mention | - | - | 619 | 2,680 | 6,376 | 8,341 | - | 18,016 |
| Substandard | 1,750 | - | - | - | 1,050 | 15,490 | - | 18,290 |
| Doubtful | - | - | - | - | - | 6,439 | - | 6,439 |
| Total Real estate - commercial | $ 38,631 | $ 17,068 | $ 27,953 | $ 60,411 | $ 176,414 | $ 259,410 | $ 4,852 | $ 584,739 |
| Current-period gross charge-offs | $ - | $ - | $ - | $ - | $ - | $ 5,087 | $ - | $ 5,087 |
| Real estate - construction and land | | | | | | | | |
| Risk Rating | | | | | | | | |
| Pass | $ - | $ 337 | $ - | $ 165 | $ - | $ 4,069 | $ 1,514 | $ 6,085 |
| Special Mention | - | - | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - | - | - |
| Total Real estate - construction and land | $ - | $ 337 | $ - | $ 165 | $ - | $ 4,069 | $ 1,514 | $ 6,085 |
| Current-period gross charge-offs | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Real estate - single family | | | | | | | | |
| Risk Rating | | | | | | | | |
| Pass | $ 12,500 | $ 273 | $ 995 | $ 659 | $ 5,363 | $ 22,632 | $ 1,155 | $ 43,577 |
| Special Mention | - | - | - | - | - | 505 | - | 505 |
| Substandard | - | - | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - | - | - |
| Total Real estate - single family | $ 12,500 | $ 273 | $ 995 | $ 659 | $ 5,363 | $ 23,137 | $ 1,155 | $ 44,082 |
| Current-period gross charge-offs | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Real estate - multifamily | | | | | | | | |
| Risk Rating | | | | | | | | |
| Pass | $ 4,725 | $ - | $ - | $ 1,841 | $ 1,683 | $ 6,422 | $ - | $ 14,671 |
| Special Mention | - | - | - | - | - | 1,225 | - | 1,225 |
| Substandard | - | - | - | - | - | 2,055 | - | 2,055 |
| Doubtful | - | - | - | - | - | - | - | - |
| Total Real estate - multifamily | $ 4,725 | $ - | $ - | $ 1,841 | $ 1,683 | $ 9,702 | $ - | $ 17,951 |
| Current-period gross charge-offs | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Consumer & lease financing (1) | | | | | | | | |
| Risk Rating | | | | | | | | |
| Pass | $ 4,917 | $ 1,194 | $ - | $ - | $ - | $ - | $ - | $ 6,111 |
| Special Mention | - | - | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - | - | - |
| Total Consumer & lease financing (1) | $ 4,917 | $ 1,194 | $ - | $ - | $ - | $ - | $ - | $ 6,111 |
| Current-period gross charge-offs | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

(1) Consumer & lease financing includes overdrafts of $62 as of September 30, 2026

The following tables present the Bank's portfolio by grade, presented by year of origination, as of December 31, 2025. Revolving loans that are converted to term loans are treated as new originations in the table below:

| | December 31, 2025 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in thousands) | Term Loans by Year of Origination | | | | | | Revolving | |
| | 2025 | 2024 | 2023 | 2022 | 2021 | Prior | Loans | Total Loans |
| Commercial & agricultural | | | | | | | | |
| Risk Rating | | | | | | | | |
| Pass | $ 5,291 | $ 5,904 | $ 3,805 | $ 7,814 | $ 6,856 | $ 30,617 | $ 38,258 | $ 98,545 |
| Special Mention | - | - | - | - | - | 7,822 | 197 | 8,019 |
| Substandard | 1,000 | - | - | 342 | 3,386 | 8,740 | 1,230 | 14,698 |
| Doubtful | - | - | - | - | - | - | - | - |
| Total Commercial & agricultural | $ 6,291 | $ 5,904 | $ 3,805 | $ 8,156 | $ 10,242 | $ 47,179 | $ 39,685 | $ 121,262 |
| Current-period gross charge-offs | $ - | $ - | $ - | $ - | $ - | $ 504 | $ - | $ 504 |
| Real estate - commercial | | | | | | | | |
| Risk Rating | | | | | | | | |
| Pass | $ 20,966 | $ 27,997 | $ 80,688 | $ 167,924 | $ 105,702 | $ 157,356 | $ 8,958 | $ 569,591 |
| Special Mention | - | 820 | - | 9,768 | 480 | 3,896 | - | 14,964 |
| Substandard | 626 | - | - | 1,192 | 21,074 | 21,733 | 250 | 44,875 |
| Doubtful | - | - | - | | 5,487 | | - | 5,487 |
| Total Real estate - commercial | $ 21,592 | $ 28,817 | $ 80,688 | $ 178,884 | $ 132,743 | $ 182,985 | $ 9,208 | $ 634,917 |
| Current-period gross charge-offs | $ - | $ - | $ - | $ - | $ 1,800 | $ - | $ - | $ 1,800 |
| Real estate - construction and land | | | | | | | | |
| Risk Rating | | | | | | | | |
| Pass | $ 348 | $ 3,178 | $ 178 | $ - | $ 844 | $ 3,830 | $ - | $ 8,378 |
| Special Mention | - | - | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | 677 | - | 677 |
| Doubtful | - | - | - | - | - | - | - | - |
| Total Real estate - construction and land | $ 348 | $ 3,178 | $ 178 | $ - | $ 844 | $ 4,507 | $ - | $ 9,055 |
| Current-period gross charge-offs | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Real estate - single family | | | | | | | | |
| Risk Rating | | | | | | | | |
| Pass | $ 278 | $ 1,003 | $ 673 | $ 6,352 | $ 4,734 | $ 33,828 | $ 430 | $ 47,298 |
| Special Mention | - | - | - | - | - | 519 | - | 519 |
| Substandard | - | - | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - | - | - |
| Total Real estate - single family | $ 278 | $ 1,003 | $ 673 | $ 6,352 | $ 4,734 | $ 34,347 | $ 430 | $ 47,817 |
| Current-period gross charge-offs | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Real estate - multifamily | | | | | | | | |
| Risk Rating | | | | | | | | |
| Pass | $ - | $ - | $ 1,849 | $ 1,721 | $ 5,205 | $ 19,294 | $ - | $ 28,069 |
| Special Mention | - | - | - | - | - | 1,243 | - | 1,243 |
| Substandard | - | - | - | - | - | 2,097 | - | 2,097 |
| Doubtful | - | - | - | - | - | - | - | - |
| Total Real estate - multifamily | $ - | $ - | $ 1,849 | $ 1,721 | $ 5,205 | $ 22,634 | $ - | $ 31,409 |
| Current-period gross charge-offs | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Consumer & lease financing (1) | | | | | | | | |
| Risk Rating | | | | | | | | |
| Pass | $ 1,820 | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,820 |
| Special Mention | - | - | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - | - | - |
| Total Consumer & lease financing (1) | $ 1,820 | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,820 |
| Current-period gross charge-offs | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

(1) Consumer & lease financing includes overdrafts of $28 as of December 31, 2025

The following table presents the amortized cost basis of loans at September 30, 2026 that were both experiencing financial difficulty and modified during the nine months ended September 30, 2026, 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, 2026 | | | |
|---|---|---|---|---|
| (in thousands) | Number of Loans | Amortized Cost Basis | Amortized Cost Basis of Modified Loans to Gross Loans by Category | Financial Effect |
| **Term Extension** | | | | |
| Commercial & Agricultural | 1 | $ 351 | 0.3% | Extended loan term 1/1/27 to 11/1/31 to reduce monthly payments |
| **Total** | **1** | **$ 351** | **0.3%** | |
| **Combination - Term Extension and Interest Rate Reduction** | | | | |
| Real Estate - Commercial | 1 | $ 6,439 | 1.1% | Reduced interest rate from 7.25% to 6.50%; extended loan term to 12/27/26 |
| **Total** | **1** | **$ 6,439** | **1.1%** | |

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

| | September 30, 2026 | | | |
|---|---|---|---|---|
| (in thousands) | Current | 30-89 Days Past Due | 90+ Days Past Due | Total |
| Commercial & Agricultural | $ 351 | $ - | $ - | $ 351 |
| Real Estate - Commercial | 6,439 | - | - | 6,439 |
| Real Estate - Const & Land | - | - | - | - |
| Real Estate - Single Family | - | - | - | - |
| Real Estate - Multifamily | - | - | - | - |
| Consumer & Lease financing | - | - | - | - |
| **Total modified loans** | **$ 6,790** | **$ -** | **$ -** | **$ 6,790** |

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 | 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, 2026 and 2025, there were no payment defaults on loans modified in the last twelve months to borrowers experiencing financial difficulty.

**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 $295,287,000 at September 30, 2026 and $327,673,000 at December 31, 2025 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 $289,231,000 at September 30, 2026 and $320,030,000 at December 31, 2025 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 $3,045,000 at September 30, 2026 and $3,037,000 at December 31, 2025. Unfunded commitments to related parties were $260,000 at September 30, 2026 and $450,000 at December 31, 2025.

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

| (in thousands) | Nine Months Ended |
|---|---|
| Balance, December 31, 2025 | $ 3,037 |
| New borrowings | 420 |
| Amounts repaid | (412) |
| Balance, September 30, 2026 | $ 3,045 |
| Unfunded commitments to related parties | $ 260 |

| (in thousands) | Nine Months Ended |
|---|---|
| Balance, December 31, 2024 | $ 2,960 |
| New borrowings | 715 |
| Amounts repaid | (811) |
| Balance, September 30, 2025 | $ 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 $384,000 and $408,000 at September 30, 2026 and December 31, 2025, 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, 2026 and September 30, 2025.

| (in thousands) | Nine Months Ended |
|---|---|
| Balance, December 31, 2025 | $ 408 |
| Reversal of credit losses on unfunded loan commitments | (24) |
| Balance, September 30, 2026 | $ 384 |
| Unfunded Loan Commitments | $ 95,630 |

| (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 |

## 4. OTHER REAL ESTATE OWNED

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

| (in thousands) | Nine Months Ended 2026 | 2025 |
|---|---|---|
| Balance, January 1 | $ 2,294 | $ 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 | $ 2,294 | $ 4,437 |

At September 30, 2026 the balance of other real estate owned was $2,294,000. The balance resulted from a foreclosed real estate-commercial loan recorded when the Bank obtained physical possession of the property. This compared to a balance of $4,437,000 in other real estate owned at September 30, 2025. There was a loss on valuation adjustment of $2,143,000 recorded in December 2025.

## 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, plant 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 three branches located in Healdsburg, Rohnert Park and Petaluma, a lending office in Roseville and photocopier equipment. These leases have variable terms maturing prior to 2035. 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 remaining fixed lease 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, 2026 | December 31, 2025 |
|---|---|---|---|
| **Operating Leases** | **Classification** | | |
| Lease right-of-use assets | Accrued Int Rec & Other Assets | $ 1,231 | $ 1,472 |
| Lease liabilities | Accrued Int Payable & Other Liabilities | 1,278 | 1,516 |
| **Financing Leases** | | | |
| Lease right-of-use assets | Bank Premises & Equip | $ 7 | $ 4 |
| Lease liabilities | Accrued Int Payable & Other Liabilities | 7 | 3 |

The following table represents lease costs for the three and nine months ended September 30, 2026 and 2025:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| (in thousands) | September 30, 2026 | September 30, 2025 | September 30, 2026 | September 30, 2025 |
| **Lease Costs** | | | | |
| Operating lease cost | $ 105 | $ 124 | $ 296 | $ 368 |
| Financing lease cost | | | | |
| Interest on lease liabilities | - | - | - | - |
| Amortization of right-of-use assets | 1 | 1 | 4 | 4 |
| Rental income | (54) | (45) | (162) | (159) |
| **Net lease cost** | $ 52 | $ 80 | $ 138 | $ 213 |

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| (in thousands) | September 30, 2026 | September 30, 2025 | September 30, 2026 | September 30, 2025 |
| **Other Information** | | | | |
| **Cash paid for amounts included in the measurement of lease liabilities:** | | | | |
| Operating cash flows from operating leases | $ 101 | $ 123 | $ 288 | $ 370 |
| 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 | $ - | $ 644 |
| Right-of-use assets obtained in exchange for financing lease liabilities | - | - | 9 | - |

| | September 30, 2026 |
|---|---|
| **Weighted-average remaining lease term** | |
| Operating leases | 5.6 years |
| Financing leases | 2.4 years |
| **Weighted-average discount rate** | |
| Operating leases | 4.33% |
| Financing leases | 4.15% |

Rent expense for the three and nine months ended September 30, 2026 was $102,000 and $309,000 compared to $137,000 and $420,000, respectively, for the same period in 2025.

Future minimum payments for finance leases and operating leases as of September 30, 2026 were as follows:

| (in thousands) Twelve Months Ended: | Operating Leases | Financing Leases |
|---|---|---|
| September 30, 2027 | $ 407 | $ 3 |
| September 30, 2028 | 341 | 3 |
| September 30, 2029 | 257 | 1 |
| September 30, 2030 | 92 | - |
| September 30, 2031 | 86 | - |
| Thereafter | 348 | - |
| **Total Future Minimum Lease Payments** | 1,531 | 7 |
| Amounts Representing Interest | (253) | - |
| **Present Value of Net Future Minimum Lease Payments** | $ 1,278 | $ 7 |

## 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 $295,287,000 and $327,673,000 of loans under a blanket lien arrangement at September 30, 2026 and December 31, 2025. Based on this collateral, the Bank was eligible to borrow up to a total of $176,061,000 and $184,525,000 of which $128,555,000 and $137,019,000 were available for additional advances as of September 30, 2026 and December 31, 2025, respectively.

There were no advances outstanding from the FHLB at September 30, 2026 or December 31, 2025.

**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 $289,231,000 and $320,030,000 of loans under a Borrower-in-Custody arrangement at September 30, 2026 and December 31, 2025, respectively. The Bank had borrowing capacity under this line totaling $148,250,000 and $170,310,000 at September 30, 2026 and December 31, 2025, respectively, and had no outstanding borrowings with the Federal Reserve Bank at either period end date.

**Federal Funds Purchased – Unsecured Borrowings**

The Bank has a $20,000,000 Federal funds unsecured line of credit with a correspondent bank to cover any short or long-term borrowing needs. The line of credit was undrawn as of September 30, 2026 and December 31, 2025.

**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 June 30, 2024. As of September 30, 2026 the interest rate was 7.56%. 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 June 30, 2024, or in whole but not in part under certain other circumstances. The Notes are reported net of any unamortized debt issuance cost which totaled $40,000 and $51,000 at September 30, 2026 and December 31, 2025.

**Other Obligations**

The Bank leases certain premises and equipment under finance leases, which are included in bank premises and equipment in the balance sheet. 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 is not expected to have a material adverse effect on the Bank's financial condition or results of operations.

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, 2026, loans with real estate collateral approximated $652,857,000 or 86% of the loan portfolio compared to $723,198,000 or 85% at December 31, 2025.

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 $52,087,000 and $48,592,000 at September 30, 2026 and December 31, 2025, 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 $43,543,000 and $33,476,000 at September 30, 2026 and at December 31, 2025, 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. A portion of our standby letters of credit are cash secured and are excluded from the unfunded commitments credit loss reserve. 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, 2026 and December 31, 2025. 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, 2026, 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 (Loss) Income in the regulatory capital calculations.

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

| | September 30, 2026 | | December 31, 2025 | |
|---|---|---|---|---|
| (in thousands) | Amount | Ratio | Amount | Ratio |
| Common Equity Tier 1 Capital Ratio | | | | |
| Summit State Bank | $ 104,284 | 13.0% | $ 104,875 | 12.0% |
| Minimum requirement with capital conservation buffer | $ 56,202 | 7.0% | $ 61,042 | 7.0% |
| Minimum requirement for "Well-Capitalized" institution | $ 52,188 | 6.5% | $ 56,682 | 6.5% |
| Minimum regulatory requirement | $ 36,130 | 4.5% | $ 39,241 | 4.5% |
| Tier 1 Capital Ratio | | | | |
| Summit State Bank | $ 104,284 | 13.0% | $ 104,875 | 12.0% |
| Minimum requirement with capital conservation buffer | $ 68,246 | 8.5% | $ 74,122 | 8.5% |
| Minimum requirement for "Well-Capitalized" institution | $ 64,231 | 8.0% | $ 69,762 | 8.0% |
| Minimum regulatory requirement | $ 48,173 | 6.0% | $ 52,322 | 6.0% |
| Total Capital Ratio | | | | |
| Summit State Bank | $ 116,807 | 14.6% | $ 119,393 | 13.7% |
| Minimum requirement with capital conservation buffer | $ 84,303 | 10.5% | $ 91,563 | 10.5% |
| Minimum requirement for "Well-Capitalized" institution | $ 80,289 | 10.0% | $ 87,203 | 10.0% |
| Minimum regulatory requirement | $ 64,231 | 8.0% | $ 69,762 | 8.0% |
| Tier 1 Leverage Ratio | | | | |
| Summit State Bank | $ 104,284 | 11.0% | $ 104,875 | 10.4% |
| Minimum requirement for "Well-Capitalized" institution | $ 47,289 | 5.0% | $ 50,581 | 5.0% |
| Minimum regulatory requirement | $ 37,831 | 4.0% | $ 40,465 | 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, 2026.

The Plan requires that the awarded 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 and nine months ended September 30, 2026 or September 30, 2025.

**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, 2026 or September 30, 2025.

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, 2026 and December 31, 2025, the total SAR liability was $620,000 and $746,000, respectively. The total expense accrued for the three and nine months ending September 30, 2026 related to employee SARs was $(154,000) and $36,000 which is reflected in the Salaries and Benefits line of the statements of income and $(98,000) and $(19,000) 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, 2025, total expense accrued was $118,000 and $418,000 related to employee SARs and $49,000 and $180,000 related to director SARs. The decrease in the SAR liability at September 30, 2026 is due to the exercise of 53,900 shares offset by the Bank's stock price increasing to $12.29 at September 30, 2026 compared to $11.63 at December 31, 2025.

There were SAR agreements based on 234,520 and 288,420 common shares as of September 30, 2026 and December 31, 2025, respectively. Of the SAR agreements, all 234,520 and 288,420 were vested as of September 30, 2026 and December 31, 2025, respectively.

## Stock Appreciation Rights

**September 30, 2026**
(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, 2026 | September 30, 2026 | September 30, 2026 | Cumulative |
| - | - | | - | December 2016 | $ 10.545 | $ 3.204 | $ 1.834 | - | - |
| 22,000 | - | | 22,000 | December 2017 | $ 11.364 | $ 3.013 | $ 1.580 | (31) | 35 |
| 59,400 | - | | 59,400 | August 2018 | $ 14.273 | $ 1.880 | $ 0.928 | (57) | 55 |
| 33,000 | - | | 33,000 | December 2018 | $ 10.527 | $ 4.260 | $ 3.220 | (34) | 106 |
| 34,100 | - | | 34,100 | October 2019 | $ 10.718 | $ 4.640 | $ 3.447 | (41) | 118 |
| 33,000 | - | | 33,000 | December 2019 | $ 11.627 | $ 4.228 | $ 3.179 | (35) | 105 |
| 3,300 | - | | 3,300 | January 2020 | $ 11.786 | $ 4.162 | $ 3.121 | (3) | 10 |
| 16,720 | 880 | (880) | 16,720 | February 2020 | $ 11.273 | $ 4.546 | $ 3.490 | (18) | 58 |
| 33,000 | - | | 33,000 | December 2020 | $ 11.018 | $ 5.015 | $ 4.014 | (33) | 133 |
| 234,520 | 880 | (880) | 234,520 | | | | | $ (252) | $ 620 |

| Outstanding Rights | | | | | Exercise Price | Fair Value | | Vested Expense Nine Months Ended | |
|---|---|---|---|---|---|---|---|---|---|
| Vested | Unvested | Forfeited | Total | Settlement Date | at Grant | December 31, 2025 | September 30, 2026 | September 30, 2026 | Cumulative |
| - | - | | - | December 2016 | $ 10.545 | $ 1.822 | $ 1.834 | $ (50) | $ - |
| 22,000 | - | | 22,000 | December 2017 | $ 11.364 | $ 1.605 | $ 1.580 | $ (1) | $ 35 |
| 59,400 | - | | 59,400 | August 2018 | $ 14.273 | $ 1.345 | $ 0.928 | $ (25) | $ 55 |
| 33,000 | - | | 33,000 | December 2018 | $ 10.527 | $ 3.092 | $ 3.220 | $ 4 | $ 106 |
| 34,100 | - | | 34,100 | October 2019 | $ 10.718 | $ 3.337 | $ 3.447 | $ 4 | $ 118 |
| 33,000 | - | | 33,000 | December 2019 | $ 11.627 | $ 3.002 | $ 3.179 | $ (27) | $ 105 |
| 3,300 | - | | 3,300 | January 2020 | $ 11.786 | $ 2.945 | $ 3.121 | $ 1 | $ 10 |
| 16,720 | 880 | (880) | 16,720 | February 2020 | $ 11.273 | $ 3.219 | $ 3.490 | $ (10) | $ 58 |
| 33,000 | - | | 33,000 | December 2020 | $ 11.018 | $ 3.524 | $ 4.014 | $ (23) | $ 133 |
| 234,520 | 880 | (880) | 234,520 | | | | | $ (127) | $ 620 |

**September 30, 2025**
(In thousands except per share data)

| Outstanding Rights | | | | | Exercise Price | Fair Value | | Vested Expense | |
|---|---|---|---|---|---|---|---|---|---|
| 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 |

**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 and nine months ended September 30, 2026 or during the three and nine months ended September 30, 2025.

There were 18,816 unvested RSAs outstanding as of September 30, 2026; this includes a total of 101,560 RSAs granted with 17,176 forfeited and 65,568 vested. There were 37,368 unvested RSAs outstanding as of December 31, 2025; this includes a total of 101,560 RSAs granted with 13,482 forfeited and 50,710 vested.

As of September 30, 2026 and December 31, 2025, there was $184,000 and $391,000 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 Grant Date Fair Value |
|---|---|---|
| Outstanding Unvested Balance, December 31, 2025 | 37,368 | $ 15.05 |
| Granted | - | - |
| Vested | (14,858) | 15.33 |
| Forfeited | (3,694) | 14.82 |
| Outstanding Unvested Balance, September 30, 2026 | 18,816 | $ 14.87 |

9. OTHER EXPENSES

Other expenses consisted of the following:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| (in thousands) | September 30, 2026 | September 30, 2025 | September 30, 2026 | September 30, 2025 |
| Information technology | $ 583 | $ 561 | $ 1,800 | $ 1,628 |
| Professional fees | 531 | 209 | 1,340 | 852 |
| Director fees and expenses | 35 | 171 | 377 | 573 |
| Nasdaq listing and regulatory license expense | 84 | 123 | 265 | 278 |
| Marketing and donations | 379 | 285 | 1,134 | 858 |
| Deposit and other insurance premiums | 29 | 12 | 469 | 975 |
| Other real estate owned expense | 2 | 6 | 88 | 6 |
| Other expenses | 155 | 267 | 664 | 506 |
| | $ 1,798 | $ 1,634 | $ 6,137 | $ 5,676 |

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, 2026 and December 31, 2025:

| | September 30, 2026 | | | December 31, 2025 | | |
|---|---|---|---|---|---|---|
| (in thousands) | Carrying Amount | Fair Value | Fair Value Hierarchy | Carrying Amount | Fair Value | Fair Value Hierarchy |
| Financial assets: | | | | | | |
| Cash and due from banks | $ 91,340 | $ 91,340 | Level 1 | $ 65,524 | $ 65,524 | Level 1 |
| Investment securities - available-for-sale | 59,076 | 59,076 | Level 2 | 66,375 | 66,375 | Level 2 |
| Loans held for investment, net of allowance | 745,351 | 723,972 | Level 3 | 831,793 | 806,146 | Level 3 |
| Investment in FHLB stock | 5,889 | 5,889 | Level 2 | 5,889 | 5,889 | Level 2 |
| Accrued interest receivable | 3,289 | 3,289 | Level 1 | 3,338 | 3,338 | Level 1 |
| Financial liabilities: | | | | | | |
| Deposits | $ 826,610 | $ 826,194 | Level 2 | $ 891,111 | $ 891,129 | Level 2 |
| Junior subordinated debt | 5,960 | 5,487 | Level 2 | 5,949 | 5,381 | Level 2 |
| Accrued interest payable | 162 | 162 | Level 1 | 300 | 300 | 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, 2026 and December 31, 2025.

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 tied to the 90-day average SOFR floating rate plus a constant spread. 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 rates.

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, 2026** | | | |
| Assets: | | | | |
| Securities available-for-sale: | | | | |
| Government agencies | $ 37,371 | $ - | $ 37,371 | $ - |
| Mortgage-backed securities - residential | 5,809 | - | 5,809 | - |
| Corporate debt | 15,896 | - | 15,896 | - |
| Total securities available-for-sale | $ 59,076 | $ - | $ 59,076 | $ - |

| | | 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, 2025** | | | |
| Assets: | | | | |
| Securities available-for-sale: | | | | |
| Government agencies | $ 40,862 | $ - | $ 40,862 | $ - |
| Mortgage-backed securities - residential | 6,854 | - | 6,854 | - |
| Corporate debt | 18,659 | - | 18,659 | - |
| Total securities available-for-sale | $ 66,375 | $ - | $ 66,375 | $ - |

No liabilities were measured at fair value on a recurring basis at September 30, 2026 or December 31, 2025.

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 and nine months ended September 30, 2026 or 2025.

Assets and Liabilities Measured on a Non-Recurring Basis

The fair value of loans that are collateral dependent is 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.

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 of 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 valuation adjustments and adjusted accordingly.

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

| | | Fair Value Measurements (In thousands) | | |
|---|---|---|---|---|
| | September 30, 2026 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Individually assessed loans, net of allowance | $ 9,433 | $ - | $ - | $ 9,433 |
| Other real estate owned | 2,294 | - | - | 2,294 |

| | | Fair Value Measurements (In thousands) | | |
|---|---|---|---|---|
| | December 31, 2025 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Individually assessed loans, net of allowance | $ 3,928 | $ - | $ - | $ 3,928 |
| Other real estate owned | 2,294 | - | - | 2,294 |

For Level 3 assets and liabilities measured at fair value on a nonrecurring basis as of September 30, 2026 and December 31, 2025, the significant unobservable inputs used in the fair value measurement were as follows:

| (in thousands) | Valuation Technique | Description | September 30, 2026 Range | Weighted Average | Fair Value | December 31, 2025 Range | Weighted Average | Fair Value |
|---|---|---|---|---|---|---|---|---|
| Individually assessed loans, net of allowance | Appraised Value | Discounts to appraisals for estimated holding or selling costs | 6.0%- 10.0% | 7.90% | $ 9,433 | 6.0%- 10.0% | 6.00% | $ 3,928 |
| Other real estate owned | Appraised Value / Comparable Sales | Discounts to appraisals for estimated holding or selling costs | 6.00% | 6.00% | 2,294 | 6.00% | 6.00% | 2,294 |

Significant increases or decreases in any of these inputs in isolation could result in a significantly lower or higher fair value measurement.

No liabilities were measured at fair value on a non-recurring basis at September 30, 2026 and December 31, 2025.

## 11. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Bank recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including these estimates inherent in the process of preparing the financial statements. The Bank's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are issued. The Bank has evaluated subsequent events after September 30, 2026 for potential recognition and disclosure matters and noted no items requiring accrual or disclosure.

**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, 2026 and December 31, 2025, and results of operations for the three and nine months ended September 30, 2026 and 2025. 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 2025 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, 2026 and 2025 is 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's 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, 2025 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.

**Results of Operations**

*Three and nine months ended September 30, 2026 and September 30, 2025*

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 (Loss) Income**

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

| (Dollars in thousands) | Three Months Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | September 30, 2026 | September 30, 2025 | Change | September 30, 2026 | September 30, 2025 | Change |
| Net (loss) income | $ (1,098) | $ 818 | $(1,916) | $ (731) | $ 5,729 | $(6,460) |
| (Loss) earnings per diluted share | $ (0.16) | $ 0.12 | $ (0.28) | $ (0.11) | $ 0.85 | $ (0.96) |
| Annualized (loss) return on average assets | (0.46)% | 0.32% | (0.78)% | (0.10)% | 0.74% | (0.84)% |
| Annualized (loss) return on average common shareholders' equity | (4.24)% | 3.25% | (7.49)% | (0.94)% | 7.91% | (8.85)% |

The decrease in net income was primarily due the bank recording a $5,688,000 provision for credit losses on loans offset by a provision for income tax benefit recognized for the three months ended September 30, 2026. The decrease in net income was primarily due to the Bank recording a provision for credit losses on loans of $12,669,000 offset by an increase in non-interest income due to larger gain on loan sales recognized for the nine months ended September 30, 2026.

**Net Interest Income and Net Interest Margin**

Net interest income increased $290,000 or 3% for the three months ended September 30, 2026 compared to September 30, 2025. The annualized net interest margin was 3.87% for the three months ended September 30, 2026, compared to 3.51% for the same period of 2025. Net interest income increased $1,367,000 or 5% for the nine months ended September 30, 2026 compared to September 30, 2025. The annualized net interest margin was 3.86% for the nine months ended September 30, 2026, compared to 3.45% for the same period of 2025. The increase in net interest income when comparing the three and nine months ending September 30, 2026 to September 30, 2025 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 6% to $918,985,000 for the three months ended September 30, 2026. For the three months ended September 30, 2026, the annualized yield on average earning assets was 5.76% and the annualized cost of average interest-bearing liabilities was 2.67%, as compared to the annualized yield on average earning assets of 5.76% and annualized cost of interest-bearing liabilities of 3.06% for the same period of 2025. Average earning assets decreased 6% to $946,743,000 for the nine months ended September 30, 2026. For the nine months ended September 30, 2026, the annualized yield on average earning assets was 5.85% and the annualized cost of average interest-bearing liabilities was 2.78%, as compared to the annualized yield on average earning assets of 5.84% and annualized cost of interest-bearing liabilities of 3.22% for the same period of 2025.

The annualized rate on loans increased to 6.22% for the three months ended September 30, 2026 when compared to 6.02% for the same period in 2025. The annualized rate on loans increased to 6.33% for the nine months ended September 30, 2026 when compared to 6.12% for the same period in 2025.

Interest and dividend income decreased to $13,344,000 or 6% for the three months ended September 30, 2026 compared to September 30, 2025. The decrease during the three month period was attributable to a $1,185,000 decrease in interest and fees on loans due to lower loan portfolio volume offset by an increase in interest on deposits with banks of $338,000. Interest and dividend income decreased to $41,456,000 or 6% for the nine months ended September 30, 2026 compared to September 30, 2025. The decrease during the nine month period was attributable to a $3,493,000 decrease in interest and fees on loans due to lower loan portfolio volume and a decrease of $153,000

in interest on investment securities offset by an increase of $1,045,000 in interest on deposits with banks.

Interest expense for the three months ended September 30, 2026 was $4,388,000, a decrease of $1,166,000 from $5,554,000 for the three months ended September 30, 2025. Interest expense on deposits for the three months ended September 30, 2026 was $4,272,000 compared to $5,373,000 for the three months ended September 30, 2025. Interest expense for the nine months ended September 30, 2026 was $14,113,000, a decrease of $3,903,000 from $18,016,000 for the nine months ended September 30, 2025. Interest expense on deposits for the nine months ended September 30, 2026 was $13,752,000 compared to $17,533,000 for the nine months ended September 30, 2025. 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, 2026, was 2.03% compared to 2.38% for the three months ended September 30, 2025. The average cost of deposits, including the impact of noninterest bearing deposits, for the nine months ended September 30, 2026, was 2.14% compared to 2.53% for the nine months ended September 30, 2025. A majority of the decrease in the cost of funds for the three and nine months ended September 30, 2026 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 $417,788,000 and $452,029,000 for the three and nine months ended September 30, 2026 from $497,188,000 and $538,151,000 for the three and nine months ended September 30, 2025.

The following tables present 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.

| (Dollars in thousands) | Three Months Ended September 30, 2026 Average Balance | Interest Income/ Expense | Average Rate (4) | Three Months Ended September 30, 2025 Average Balance | Interest Income/ Expense | Average Rate (4) |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Interest earning assets: | | | | | | |
| Interest-bearing deposits with banks | $ 93,076 | $ 877 | 3.74% | $ 47,316 | $ 539 | 4.52% |
| Taxable investment securities | 61,544 | 441 | 2.84% | 66,456 | 484 | 2.89% |
| FHLB Stock | 5,889 | 144 | 9.70% | 5,889 | 130 | 8.76% |
| Loans held for investment, net of unearned income (1) | 758,476 | 11,882 | 6.22% | 860,496 | 13,067 | 6.02% |
| Total earning assets/interest income | 918,985 | 13,344 | 5.76% | 980,157 | 14,220 | 5.76% |
| Non-earning assets | 42,418 | | | 47,562 | | |
| Allowance for credit losses | (12,872) | | | (13,143) | | |
| Total assets | $ 948,531 | | | $ 1,014,576 | | |
| **Liabilities and Shareholders' Equity** | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Deposits: | | | | | | |
| Interest-bearing demand deposits | $ 227,898 | $ 1,217 | 2.12% | $ 211,126 | $ 1,211 | 2.28% |
| Savings and money market | 217,549 | 1,393 | 2.54% | 241,013 | 1,730 | 2.85% |
| Time deposits | 200,239 | 1,662 | 3.29% | 256,175 | 2,432 | 3.77% |
| FHLB advances | - | - | 0.00% | 4,673 | 54 | 4.58% |
| Subordinated debt | 5,958 | 116 | 7.72% | 5,943 | 127 | 8.48% |
| Total interest-bearing liabilities/interest expense | 651,644 | 4,388 | 2.67% | 718,930 | 5,554 | 3.06% |
| Non interest-bearing deposits | 187,634 | | | 188,854 | | |
| Other liabilities | 6,602 | | | 6,963 | | |
| Total liabilities | 845,880 | | | 914,747 | | |
| Shareholders' equity | 102,651 | | | 99,829 | | |
| Total liabilities and shareholders' equity | $ 948,531 | | | $ 1,014,576 | | |
| Net interest income and margin (2) | | $ 8,956 | 3.87% | | $ 8,666 | 3.51% |
| Net interest spread (3) | | | 3.09% | | | 2.70% |

(1) Average balances on loans outstanding include non-performing loans. The net amortization of deferred costs on loans included in interest income was $54,000 and $46,000 for the three months ended September 30, 2026 and 2025, 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, 2026 Average Balance | Interest Income/ Expense | Average Rate (4) | Nine Months Ended September 30, 2025 Average Balance | Interest Income/ Expense | Average Rate (4) |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Interest earning assets: | | | | | | |
| Interest-bearing deposits with banks | $ 97,284 | $ 2,701 | 3.71% | $ 49,465 | $ 1,656 | 4.48% |
| Taxable investment securities | 63,384 | 1,349 | 2.85% | 67,585 | 1,502 | 2.97% |
| FHLB stock | 5,889 | 453 | 10.28% | 5,889 | 388 | 8.81% |
| Loans held for investment, net of unearned income (1) | 780,186 | 36,953 | 6.33% | 883,906 | 40,446 | 6.12% |
| Total earning assets/interest income | 946,743 | 41,456 | 5.85% | 1,006,845 | 43,992 | 5.84% |
| Non-earning assets | 42,323 | | | 46,861 | | |
| Allowance for credit losses | (14,289) | | | (13,408) | | |
| Total assets | $ 974,777 | | | $ 1,040,298 | | |
| **Liabilities and Shareholders' Equity** | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Deposits: | | | | | | |
| Interest-bearing demand deposits | $ 220,455 | $ 3,652 | 2.21% | $ 201,886 | $ 3,544 | 2.35% |
| Savings and money market | 230,320 | 4,490 | 2.61% | 248,371 | 5,501 | 2.96% |
| Time deposits | 221,709 | 5,610 | 3.38% | 289,780 | 8,488 | 3.92% |
| FHLB advances | 176 | 5 | 3.80% | 2,728 | 94 | 4.61% |
| Subordinated debt | 5,954 | 356 | 7.99% | 5,940 | 389 | 8.76% |
| Total interest-bearing liabilities/interest expense | 678,614 | 14,113 | 2.78% | 748,705 | 18,016 | 3.22% |
| Non interest-bearing deposits | 186,159 | | | 188,060 | | |
| Other liabilities | 6,495 | | | 6,648 | | |
| Total liabilities | 871,268 | | | 943,413 | | |
| Shareholders' equity | 103,509 | | | 96,885 | | |
| Total liabilities and shareholders' equity | $ 974,777 | | | $ 1,040,298 | | |
| Net interest income and margin (2) | | $ 27,343 | 3.86% | | $ 25,976 | 3.45% |
| Net interest spread (3) | | | 3.07% | | | 2.62% |

(1) Average balances on loans outstanding include non-performing loans. The net amortization of deferred fees on loans included in interest income was $64,000 and $270,000 for the nine months ended September 30, 2026 and 2025, 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, 2026 to September 30, 2025

| (Dollars in thousands) | Change Due to Net | Volume | Yield/Rate |
|---|---|---|---|
| Interest income: | | | |
| Interest-bearing deposits with banks | $ 338 | $ 445 | $ (107) |
| Taxable investment securities | (43) | (37) | (6) |
| Dividends on FHLB stock | 14 | - | 14 |
| Loans held for investment, net | (1,185) | (1,510) | 325 |
| Total interest income | (876) | (1,102) | 226 |
| Interest expense: | | | |
| Interest-bearing demand deposits | $ 6 | $ 92 | $ (86) |
| Savings and money market | (337) | (177) | (160) |
| Time deposits | (770) | (574) | (196) |
| FHLB advances | (54) | (54) | - |
| Subordinated Debt | (11) | - | (11) |
| Total interest expense | (1,166) | (713) | (453) |
| Increase in net interest income | $ 290 | $ (389) | $ 679 |

Volume and Yield/Rate Variances
Comparison of the Nine Months Ended
September 30, 2026 to September 30, 2025

| (Dollars in thousands) | Change Due to Net | Volume | Yield/Rate |
|---|---|---|---|
| Interest income: | | | |
| Interest-bearing deposits with banks | $ 1,045 | $ 1,369 | $ (324) |
| Taxable investment securities | (153) | (95) | (58) |
| Dividends on FHLB stock | 65 | - | 65 |
| Loans held for investment, net | (3,493) | (4,618) | 1,125 |
| Total interest income | (2,536) | (3,344) | 808 |
| Interest expense: | | | |
| Interest-bearing demand deposits | $ 108 | $ 315 | $ (207) |
| Savings and money market | (1,011) | (418) | (593) |
| Time deposits | (2,878) | (2,165) | (713) |
| FHLB advances | (89) | (75) | (14) |
| Subordinated Debt | (33) | 1 | (34) |
| Total interest expense | (3,903) | (2,342) | (1,561) |
| Increase in net interest income | $ 1,367 | $ (1,002) | $ 2,369 |

**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. 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 $5,688,000 and $12,669,000 provision for credit losses on loans for the three and nine months ended September 30, 2026 compared to a $2,709,000 and $2,132,000 provision for credit losses on loans for the three and nine months ended September 30, 2025. There were gross charge-offs of $9,193,000 for the nine months ended September 30, 2026. This compared to $2,304,000 in gross charge-offs for the nine months ended September 30, 2025. There were $40,000 in gross recoveries for the nine months ended September 30, 2026 compared to $521,000 in gross recoveries for the nine months ended September 30, 2025. The Bank recognized significant charge-offs and recorded additional provisions for credit losses during the nine months ended September 30, 2026 as part of a comprehensive review of certain higher-risk credits and obtaining new information pertaining to collateral values. These actions reflect the Board's and management's ongoing efforts to address identified credit risks and pursue appropriate resolution strategies. 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 on individually assessed loans, which may require additional future credit loss provisions.

**Non-interest Income**

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

| | Three Months Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| (in thousands) | September 30, 2026 | September 30, 2025 | Change | September 30, 2026 | September 30, 2025 | Change |
| Service charges on deposit accounts | $ 138 | $ 238 | $ (100) | $ 660 | $ 678 | $ (18) |
| Rental income | 54 | 45 | 9 | 162 | 159 | 3 |
| Net gain on loan sales | 230 | 308 | (78) | 1,035 | 360 | 675 |
| Net realized loss on securities | - | (7) | 7 | - | (12) | 12 |
| Other income | 292 | 303 | (11) | 794 | 609 | 185 |
| Total non-interest income | $ 714 | $ 887 | $ (173) | $ 2,651 | $ 1,794 | $ 857 |

The decrease in non-interest income during the three months ended September 30, 2026 compared to 2025 was primarily due to a reduction in service charges on deposits and lower loan sale activity on SBA and USDA guaranteed loans. The increase in non-interest income during the nine months ended September 30, 2026 compared to 2025 was primarily due to higher loan sale activity on SBA and USDA guaranteed loans and the accelerated amortization of originated servicing rights of $164,000 for the early payoff on sold SBA loans during the nine months ended September 30, 2025.

**Non-interest Expense**

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

| | Three Months Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| (in thousands) | September 30, 2026 | September 30, 2025 | Change | September 30, 2026 | September 30, 2025 | Change |
| Salaries and employee benefits | $ 3,449 | $ 3,476 | $ (27) | $ 11,443 | $ 11,104 | $ 339 |
| Occupancy and equipment | 392 | 435 | (43) | 1,105 | 1,323 | (218) |
| Information technology | 583 | 561 | 22 | 1,800 | 1,628 | 172 |
| Director fees and expenses | 35 | 171 | (136) | 377 | 573 | (196) |
| Marketing and donations | 379 | 285 | 94 | 1,134 | 858 | 276 |
| Nasdaq listing and regulatory license expense | 84 | 123 | (39) | 265 | 278 | (13) |
| Professional fees | 531 | 209 | 322 | 1,340 | 852 | 488 |
| Other expenses | 186 | 285 | (99) | 1,221 | 1,487 | (266) |
| Total non-interest expense | $ 5,639 | $ 5,545 | $ 94 | $ 18,685 | $ 18,103 | $ 582 |

Non-interest operating expenses remained relatively flat at $5,639,000 compared to $5,545,000 between the three month periods ending September 30, 2026 and 2025. Non-interest operating expense increased $582,000 between the nine month periods ending September 30, 2026 and 2025. The increase for the nine month period was primarily due to an increase in professional fees and salaries and employee benefits.

**Provision for Income Taxes**

The Bank records the provision for income tax expense based on the anticipated annual tax rates during the financial period covered. The provision for income tax benefit for Federal and State corporate income tax and effective tax benefit rates for the three and nine months ended September 30, 2026 were $563,000 (33.9%) and $602,000 (45.2%). This compared to a provision for income tax expense and effective tax rates of $453,000 (35.6%) and $1,883,000 (24.7%) for the same periods in 2025. The change in the effective tax rate for the three months ended September 30, 2026 primarily reflects the impact of pretax losses due to the Bank recording a $5,688,000 provision for credit losses on loans, which magnified the effect of fixed and credit-related tax items on the effective tax rate. The change in the effective tax rate for the nine months ended September 30, 2026 reflects the impact of pretax losses due to the Bank recording a $12,669,000 provision for credit losses on loans, which increased the relative impact of fixed and credit-related items on the effective tax rate.

**Balance Sheet Activity**

**At September 30, 2026 and December 31, 2025**

**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 $59,076,000 with an amortized cost of $70,688,000 at September 30, 2026 and comprised 6.3% of total assets. At December 31, 2025, investment securities comprised 6.6% of total assets with AFS investments at a fair value of $66,375,000 and amortized cost of $75,428,000. The decrease in AFS

investment securities was primarily due to calls and maturities during the nine months ended September 30, 2026. 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 increased to $8,198,000 at September 30, 2026, from $6,451,000 at December 31, 2025. The significant and sustained amount of the Bank's unrealized losses on its AFS investments has been caused by the increase in interest rates in 2025 and 2026. The Bank recorded a reversal of credit losses on investments of $3,000 as there were no securities that were below investment grade at September 30, 2026. Management does not believe any of the securities are impaired due to credit risk factors at either September 30, 2026 or December 31, 2025. 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, 2026 the Bank had no allowance for credit loss compared to an allowance for credit loss of $3,000 at December 31, 2025.

The Bank limits risk in its investment security portfolio by holding a modest portion of assets in investment securities, 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, $4,788,000 in bonds called or matured and no bonds sold during the nine months ended September 30, 2026. For the nine months ended September 30, 2025, there were no bonds purchased, $4,700,000 in bonds were called or matured and no bonds sold. There were no net gains or losses on the called bonds for the nine months ended September 30, 2026 and $12,000 in net losses on the called bonds for the nine months ended September 30, 2025.

The Bank may utilize the investment portfolio to manage liquidity and attract funding that requires collateralization. There were no investment securities pledged to secure public deposits at September 30, 2026 or December 31, 2025. At September 30, 2026 investment securities with a fair value of $39,666,000 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, 2026 | % | December 31, 2025 | % | Net Change | Percent Change |
|---|---|---|---|---|---|---|
| Commercial & agricultural (1) | $ 104,386 | 13.7% | $ 121,262 | 14.3% | $ (16,876) | (13.9)% |
| Real estate - commercial | 584,739 | 76.5% | 634,917 | 75.0% | (50,178) | (7.9)% |
| Real estate - construction and land | 6,085 | 0.8% | 9,055 | 1.1% | (2,970) | (32.8)% |
| Real estate - single family | 44,082 | 5.8% | 47,817 | 5.7% | (3,735) | (7.8)% |
| Real estate - multifamily | 17,951 | 2.4% | 31,409 | 3.7% | (13,458) | (42.8)% |
| Consumer & lease financing (2) | 6,111 | 0.8% | 1,820 | 0.2% | 4,291 | 235.8% |
| | 763,354 | 100% | 846,280 | 100% | (82,926) | (9.8)% |
| LESS: | | | | | | |
| Allowance for credit losses | (18,003) | | (14,487) | | (3,516) | 24.3% |
| Total loans held for investment, net | $ 745,351 | | $ 831,793 | | $ (86,442) | (10.4)% |

(1) Includes loans secured by farmland.
(2) Consumer & lease financing includes overdrafts of $62 as of September 30, 2026 and $28 as of December 31, 2025.

Gross loans decreased $82,926,000 (9.8%) to $763,354,000 at September 30, 2026 from December 31, 2025. The decrease was predominantly in the real estate – commercial, real estate – multifamily and commercial and agricultural categories offset by an increase in consumer & lease financing loans due to the Bank continuing to purchase pools of consumer loans secured by exotic and classic automobiles. 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, 2026, the Bank had approximately $95,630,000 in unfunded loan commitments, of which approximately $43,206,000 were related to commercial and agricultural and $8,881,000 related to real estate loan types and $43,543,000 were for standby letters of credit outstanding. At December 31, 2025, the Bank had approximately $82,068,000 in unfunded loan commitments, of which approximately $34,708,000 were related to commercial and agricultural, $13,884,000 related to real estate loan types and $33,476,000 were for standby letters of credit outstanding.

**Nonperforming Assets**

Nonperforming assets consist of nonaccrual loans and other real estate owned. Nonaccrual 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, 2026 | December 31, 2025 |
|---|---|---|
| Nonaccrual loans held for investment | $ 18,205 | $ 31,839 |
| Accruing loans past due 90 days or more | - | - |
| Total nonperforming loans held for investment | 18,205 | 31,839 |
| Other real estate owned | 2,294 | 2,294 |
| Total nonperforming assets | $ 20,499 | $ 34,133 |
| Nonperforming loans to total loans held for investment | 2.38% | 3.76% |
| Nonperforming assets to total assets | 2.19% | 3.40% |
| Allowance for credit losses to nonperforming loans | 98.89% | 45.50% |

Nonperforming assets were $20,499,000, or 2.19% of total assets, at September 30, 2026, and consisted primarily of two specific relationships for loans on nonaccrual totaling $15,163,000 and one OREO property for $2,294,000. Both of the two nonaccrual relationships are secured by commercial real estate and continue to perform as agreed but concessions made under the modified terms require nonaccrual classification. Both relationships are supported by adequate reserve levels calculated in accordance with GAAP and regulatory guidance and consistent with their risk characteristics based on management's assessment as of September 30, 2026.

All nonperforming assets are individually assessed resulting in a corresponding specific reserve on these nonperforming assets of $7,297,000 as of September 30, 2026. 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, 2025 nonperforming assets were $34,133,000 or 3.40% of total assets and included one OREO property for $2,294,000. The decrease in nonperforming assets since year-end was due to the sale of four notes on one relationship totaling $9,031,000 and partial charge-offs of $5,087,000 and $3,599,000 on two relationships.

**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 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 $18,003,000 at September 30, 2026 compared to $14,487,000 at December 31, 2025.

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 expected credit losses 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 fair value of the collateral less costs to sell, 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 near-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, 2026 | Nine Months Ended September 30, 2025 |
|---|---|---|
| Balance at beginning of period | $ 14,487 | $ 13,693 |
| Charge-offs: | | |
| Commercial & agricultural | (4,106) | (504) |
| Real estate - commercial | (5,087) | (1,800) |
| Real estate - construction and land | - | - |
| Real estate - single family | - | - |
| Real estate - multifamily | - | - |
| Consumer & lease financing | - | - |
| Total loans charged-off | (9,193) | (2,304) |
| Recoveries: | | |
| Commercial & agricultural | 40 | 521 |
| Real estate - commercial | - | - |
| Real estate - construction and land | - | - |
| Real estate - single family | - | - |
| Real estate - multifamily | - | - |
| Consumer & lease financing | - | - |
| Total recoveries | 40 | 521 |
| Net loans charged-off | (9,153) | (1,783) |
| Provision for credit losses on loans | 12,669 | 2,132 |
| Allowance for credit losses - end of period | $ 18,003 | $ 14,042 |
| Loans: | | |
| Average loans held for investment outstanding during period, net of unearned income | $ 780,186 | $ 883,906 |
| Total loans held for investment at end of period, net of unearned income | $ 763,354 | $ 852,444 |
| Ratios: | | |
| Commercial & agricultural loans charged-off to average net loans held for investment (1) | (0.70)% | 0.00% |
| Real estate - commercial loans charged-off to average net loans held for investment (1) | (0.87)% | (0.27)% |
| Net loans charged-off to average net loans held for investment (1) | (1.57)% | (0.27)% |
| Net loans charged-off to total loans held for investment (1) | (1.60)% | (0.28)% |
| Allowance for credit losses to average net loans held for investment | 2.31% | 1.59% |
| Allowance for credit losses to total loans held for investment | 2.36% | 1.65% |

(1) Annualized

**Allocation of Allowance for Credit Losses**

| (in thousands) | September 30, 2026 Allowance Allocation | September 30, 2026 Amount of Category Loans to Total Loans | December 31, 2025 Allowance Allocation | December 31, 2025 Amount of Category Loans to Total Loans |
|---|---|---|---|---|
| Commercial & agricultural | $ 1,628 | 13.7% | $ 1,715 | 14.3% |
| Real estate - commercial | 15,308 | 76.5% | 11,574 | 75.0% |
| Real estate - construction and land | 206 | 0.8% | 216 | 1.1% |
| Real estate - single family | 553 | 5.8% | 598 | 5.7% |
| Real estate - multifamily | 205 | 2.4% | 377 | 3.7% |
| Consumer, lease financing & other | 103 | 0.8% | 7 | 0.2% |
| Total | $ 18,003 | 100% | $ 14,487 | 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. During the nine months ending September 30, 2026, the real estate – commercial segment had an increase in the allowance allocated due to updated evaluations of individually analyzed credits. The updated information pertaining to collateral values resulted in the Bank recording a provision for credit losses of $12,669,000 and gross charge-offs of $9,193,000.

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 $384,000 at September 30, 2026 and $408,000 at December 31, 2025.

**Deposits**

At September 30, 2026, the Bank had a deposit mix of 23% in time deposits, 27% in money market and savings accounts, and 50% in demand accounts. At December 31, 2025, the Bank had a deposit mix of 27% in time deposits, 28% in money market and savings accounts, and 45% in demand accounts.

The following table sets forth the maturities of time deposits of $250,000 or more outstanding at September 30, 2026 and December 31, 2025.

Maturity of Time Deposits of $250,000 or More

| (in thousands) | September 30, 2026 | December 31, 2025 |
|---|---|---|
| Time deposits of $250,000 or more maturing in: | | |
| Three months or less | $ 33,682 | $ 42,172 |
| Over three through six months | 7,343 | 17,462 |
| Over six to twelve months | 13,533 | 11,094 |
| Over twelve months | 670 | - |
| Total time deposits of $250,000 or more | $ 55,228 | $ 70,728 |

At September 30, 2026 and December 31, 2025, the Bank had no wholesale brokered deposits.

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, 2026 or December 31, 2025.

The Bank's strategy is actively focused on increasing its funding from local deposits, lowering its dependence on wholesale funding, increasing liquidity and increasing market share. Strategies employed to increase local deposits include non-profit business accounts that provide 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, 2026. 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, 2026 there was $41,529,000 in reciprocal CDARS time deposits, $184,662,000 in reciprocal ICS demand and money market deposits and no one-way deposits. This compares to $56,126,000 in reciprocal CDARS time deposits, $177,097,000 in reciprocal ICS demand and money market deposits and $16,313,000 in one-way ICS deposits at December 31, 2025.

The following table sets forth the estimated deposits exceeding the FDIC insurance limit at September 30, 2026 and December 31, 2025.

| (in thousands) | September 30, 2026 | December 31, 2025 |
|---|---|---|
| Uninsured deposits | $ 200,655 | $ 216,796 |

**Shareholders' Equity**

Total shareholders' equity decreased $2,341,000 to $98,830,000 at September 30, 2026 compared to $101,171,000 at December 31, 2025. The decrease in shareholders' equity was primarily due to an increase in accumulated other comprehensive losses of $1,747,000 and lower retained earnings.

**Regulatory Developments**

On November 25, 2025, the Federal Deposit Insurance Corporation (FDIC) issued a final rule increasing certain regulatory thresholds under Part 363 of the FDIC Improvement Act. Among other provisions, the rule increased 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. This change reduces the regulatory burden by eliminating certain audit and internal control compliance requirements. As a result of this final rule, the Bank is no longer required to obtain an auditor's report on the effectiveness of internal control over financial reporting.

**Liquidity and Capital Resources**

Maintenance of adequate liquidity requires 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, 2026, the value of the unpledged agency securities that are eligible to be pledged to the Federal Reserve was $37,371,000. As of September 30, 2026, 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 $150,416,000 and constituted 16% of total assets at September 30, 2026 compared to $131,899,000 or 13% of total assets at December 31, 2025.

At September 30, 2026, the Bank had $296,805,000 in borrowing lines of credit from the FHLB and FRB with no outstanding FHLB advances. At December 31, 2025, the borrowing lines of credit available were $327,329,000 with no outstanding FHLB advances.

Cash was primarily provided in the first nine months of 2026 by $58,245,000 in net loan paydowns, $18,154,000 in proceeds from SBA loan sales and $4,788,000 in proceeds from calls and maturities of AFS investment securities. Cash was used in the first nine months of 2026 due to a net change in time deposits of $48,991,000 and a net change in demand, savings and money markets of $15,510,000.

Cash was primarily provided in the first nine months of 2025 by $58,806,000 in net 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.

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, 2026 | | December 31, 2025 | |
|---|---|---|---|---|
| (in thousands) | Amount | Ratio | Amount | Ratio |
| Common Equity Tier 1 Capital Ratio | | | | |
| Summit State Bank | $ 104,284 | 13.0% | $ 104,875 | 12.0% |
| Minimum requirement with capital conservation buffer | $ 56,202 | 7.0% | $ 61,042 | 7.0% |
| Minimum requirement for "Well-Capitalized" institution | $ 52,188 | 6.5% | $ 56,682 | 6.5% |
| Minimum regulatory requirement | $ 36,130 | 4.5% | $ 39,241 | 4.5% |
| Tier 1 Capital Ratio | | | | |
| Summit State Bank | $ 104,284 | 13.0% | $ 104,875 | 12.0% |
| Minimum requirement with capital conservation buffer | $ 68,246 | 8.5% | $ 74,122 | 8.5% |
| Minimum requirement for "Well-Capitalized" institution | $ 64,231 | 8.0% | $ 69,762 | 8.0% |
| Minimum regulatory requirement | $ 48,173 | 6.0% | $ 52,322 | 6.0% |
| Total Capital Ratio | | | | |
| Summit State Bank | $ 116,807 | 14.6% | $ 119,393 | 13.7% |
| Minimum requirement with capital conservation buffer | $ 84,303 | 10.5% | $ 91,563 | 10.5% |
| Minimum requirement for "Well-Capitalized" institution | $ 80,289 | 10.0% | $ 87,203 | 10.0% |
| Minimum regulatory requirement | $ 64,231 | 8.0% | $ 69,762 | 8.0% |
| Tier 1 Leverage Ratio | | | | |
| Summit State Bank | $ 104,284 | 11.0% | $ 104,875 | 10.4% |
| Minimum requirement for "Well-Capitalized" institution | $ 47,289 | 5.0% | $ 50,581 | 5.0% |
| Minimum regulatory requirement | $ 37,831 | 4.0% | $ 40,465 | 4.0% |

The Bank’s capital is supplemented through the retention of net income less dividends paid. The improvement in the Bank's capital ratios was primarily attributable to the strategic reduction of the balance sheet, specifically the reduction in the loan portfolio, which resulted in lower risk-weighted assets and strengthened regulatory capital ratios.

**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, 2026 and believes that there has been no material change in its liability-sensitive position since December 31, 2025.

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 the 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 September 30, 2026 the following changes over a one-year period in net interest income.

**Interest Rate Risk Simulation Model**

(in thousands)

| Interest Rate Shock | -4% | -3% | -2% | -1% | 1% | 2% | 3% | 4% |
|---|---|---|---|---|---|---|---|---|
| Net interest income change | $ 5,095 | $ 4,211 | $ 2,383 | $ 1,010 | $ 1,129 | $ 351 | $ (2,133) | $ (5,999) |
| Net interest percent change | 13.4% | 11.1% | 6.3% | 2.7% | 3.0% | 0.9% | -5.6% | -15.8% |

The Bank's investment portfolio has an average maturity of 8.1 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, 2026. 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 are 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, 2026, there were no 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 2025 Annual Report on Form 10-K (the "2025 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 policies. 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 Bank's cybersecurity program, significant cybersecurity risks and threats, assessments of the Bank's cybersecurity systems, and the planning, implementation, and status of initiatives to strengthen the Bank's information security. The Chief Financial Officer also regularly tracks and reports to the Enterprise Risk Management Committee on 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 12, 2026 | */s/ Brian J. Reed* |
| Date | Brian J. Reed<br>President and Chief Executive Officer<br>(Principal Executive Officer) |

| | |
|---|---|
| November 12, 2026 | */s/ Jason A. Hipkiss* |
| Date | Jason A. Hipkiss<br>Executive Vice President and Chief Financial Officer<br>(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, 2026;
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 12, 2026* */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, Jason A. Hipkiss, 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, 2026;
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 12, 2026* */s/ Jason A. Hipkiss*

Date

Jason A. Hipkiss
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, 2026, 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 12, 2026* | */s/ Brian J. Reed* |
| Date | Brian J. Reed<br>President and Chief Executive Officer<br>(Principal Executive Officer) |
| *November 12, 2026* | */s/ Jason A. Hipkiss* |
| Date | Jason A. Hipkiss<br>Executive Vice President and Chief Financial Officer<br>(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.