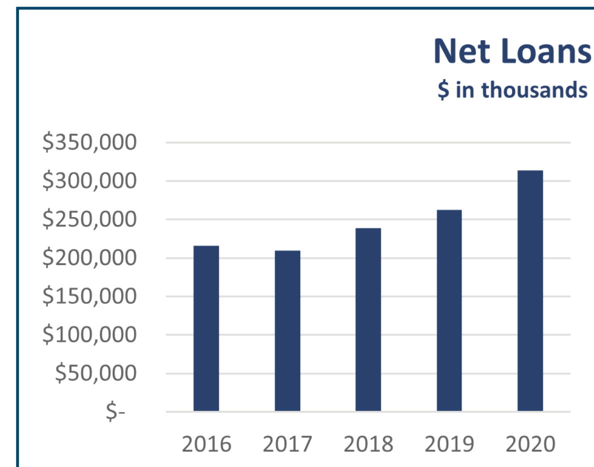
2020 FINANCIAL STATEMENTS

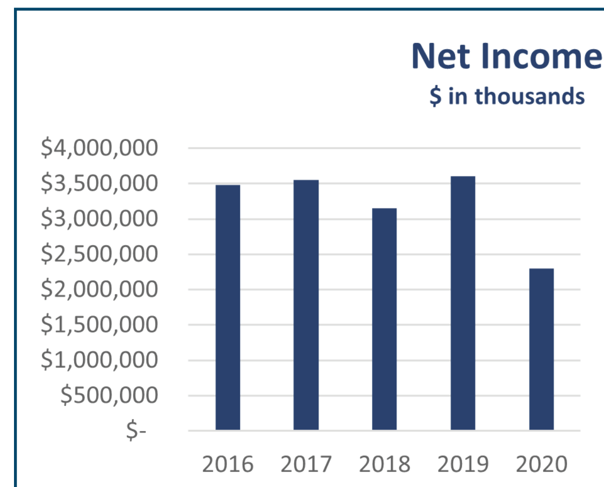
MISSION
VALLEY
BANCORP

To our Shareholders, Clients & Friends,

Looking back a little over one year ago as we prepared to enter 2020, we were looking forward to welcoming in a new decade with great anticipation. Our hopes were quickly dashed by the COVID-19 pandemic, an unprecedented event that we could not have anticipated and which changed all of our lives almost overnight. Businesses were forced to close and quickly pivot to remote operations wherever possible. For many, the challenges were insurmountable and thousands of small businesses across the country were lost. Mission Valley Bank found itself on the frontlines and quickly began to focus on doing everything possible to aide our clients and communities through the ever-changing economic challenges of an extraordinary situation.

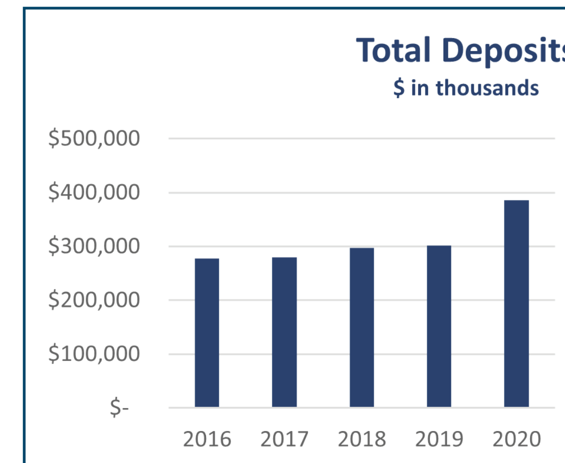


Despite the significant impact that the pandemic has had on Mission Valley's operations, we are proud of the many accomplishments achieved by our Team. As an essential business, it was imperative that the Bank remain open. We successfully transitioned the majority of our team to a productive, remote workforce in a matter of days and were able to quickly put into place all of the necessary precautions to protect those team members that were required to be onsite as well as those clients who were coming into our branches. With the passage of the CARES Act came the Paycheck Protection Program (PPP). Working day and night our team hustled with intense focus to secure desperately needed loans for our small and mid-sized business clients, successfully funding 350 loans, totaling $70 million. Our team worked as Trusted Advisors, informing clients and community members on the availability of other much needed resources, assisting them in accessing additional funding sources and other available assistance programs. Our credit team worked with our existing borrowers on a case by case basis to provide loan deferrals, particularly in the hardest hit industries such as hospitality that remained shuttered over a longer period of time as the pandemic dragged on.



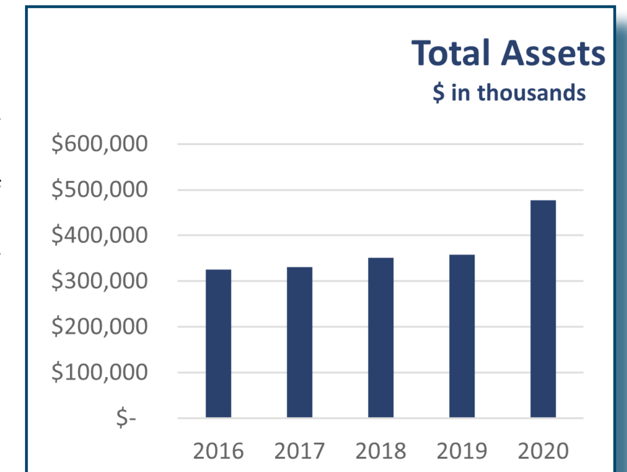
The pandemic created operational and financial challenges throughout our industry during 2020, and the impact was felt at Mission Valley Bank as well. Having entered the year with a strong balance sheet, as the year wore on we took proactive measures to preserve and further strengthen our balance sheet. Net income for the year ended December 31, 2020 was down from 2019, closing the year at $2.30 million, or $0.71 per diluted share, compared to $3.60 million, or $1.12 per diluted share for the year ended December 31, 2019. However, through the proactive measures taken, we finished the year strong, reporting fourth quarter 2020 net income of $1.09 million, or $0.33 per diluted share, as compared to net income of $633 thousand, or $0.20 per diluted share, in the fourth quarter of 2019. This significant upswing was largely driven by improved credit costs, higher loan fee income from PPP loan forgiveness, and sale of SBA loans.

2020 began with the Federal Reserve federal funds interest rate set at 1.60% (January 30, 2020). In response to the anticipated economic fallout related to the Pandemic, in mid-March 2020, the Federal Reserve dropped interest rates to the unprecedented range of .25% to 0% where they have held steady and are not expected to increase until marked economic improvement is seen. The low rate environment continues to spur loan demand. Mission Valley's net loans grew to $314.01 million, up $51.25 million at December 31, 2020, a 19.50% increase from the $262.76 million reported at December 31, 2019. It should be noted that this significant growth in loans was due in large part to the PPP loan activity.



Over the course of the year total deposits increased $84.43 million, reaching $385.59 million as of December 31, 2020, a 28.03% increase from the $301.17 million reported at year end 2019. The significant growth in deposits is primarily attributable to growth from our business/corporate depositors and impact from PPP loans where some of the proceeds deposited in the Bank have remained on deposit. Total interest income held steady, reporting $16.03 million for the year ended December 31, 2020 as compared to $15.94 million for the year ended December 31, 2019. Improvement was seen in total interest expense, finishing the year down $211 thousand, a 17.31% decrease, to $1.01 million for the year ended December 31, 2020, from the $1.22 million reported for the year ended December 31, 2019. Net interest income closed the year up slightly to $15.02 million for the year ended December 31, 2020, a 2.03% increase from the $14.72 million reported for the year ended December 31, 2019.

As 2020 drew to a close, Mission Valley's balance sheet and capital positions are strong. Mission Valley Bancorp and Mission Valley Bank's capital ratios continue to exceed regulatory requirements with Mission Valley Bancorp reporting Tier 1 Leverage ratio of 10.27%, Common Equity Tier 1 Capital ratio of 13.34%, Tier 1 Capital ratio of 15.33%, and Total Risk Based Capital ratio of 16.59%. Mission Valley Bank reported Tier 1 Leverage ratio of 10.06%, Common Equity Tier 1 Capital ratio of 14.87%, Tier 1 Capital ratio of 14.87%, and Total Risk Based Capital ratio of 16.13%.



As we work toward recovery and the end of the pandemic, we look back and celebrate all that was accomplished during such a difficult time and the good work we continue to do. A second round of PPP was authorized under the CARES Act in early 2021. In addition to the 350 loans, totaling $70 million funded in the first round, we continue to assist clients in round two of PPP, and expect to surpass 500 PPP loans funded totaling more than $100 million. In addition, in November we relocated our Santa Clarita Valley branch to a beautiful, new state-of-the-art location in the heart of downtown Valencia. Many lessons were learned throughout 2020 that will help us to navigate the gradual reopening of our communities and a return to the "new normal." We found strengths we didn't know we had, along with the innovation and creativity to solve new problems and challenges the environment and pandemic threw at us along the way. While we've observed unimaginable events over the past year, from great acts of heroism and kindness to scenes of violence, we also learned to deal with isolation and to stay connected through technology like Zoom.

As 2021 progresses, we continue to strengthen our organization's health in terms of culture, leadership, and talent – the core foundational elements of long-term success. Looking forward to the return of life's balance and the economic recovery, Mission Valley Bank is well positioned to continue to support our small business clients and our communities as together, we pivot from survival to prosperity.

Sincerely,

Tamara Gurney	**Earle S. Wasserman**
President & CEO	Chairman of the Board
Mission Valley Bancorp	Mission Valley Bancorp
Mission Valley Bank	Mission Valley Bank

2020 FINANCIAL STATEMENTS

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MOSSADAMS

Report of Independent Auditors

The Board of Directors and Shareholders
Mission Valley Bancorp

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Mission Valley Bancorp and its subsidiary, which comprise the consolidated statements of financial condition as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mission Valley Bancorp and its subsidiary as of December 31, 2020 and 2019, and the results of their operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Los Angeles, California
March 19, 2021

Mission Valley Bancorp
Consolidated Statements of Financial Condition
(In Thousands, Except Share Data)

ASSETS

	December 31, 2020	December 31, 2019
CASH AND DUE FROM BANKS	$ 90,681	$ 23,977
FEDERAL FUNDS SOLD	-	28,225
Total cash and cash equivalents	90,681	52,202
INTEREST BEARING DEPOSITS IN OTHER BANKS	2,915	5,469
INVESTMENT SECURITIES		
Available-for-sale, at fair value	46,518	17,243
Held-to-maturity, at amortized cost	-	1
EQUITY SECURITIES	805	788
LOANS, net	314,012	262,764
PREMISES AND EQUIPMENT, net	419	297
DEFERRED TAX ASSET, net	2,188	1,425
BANK OWNED LIFE INSURANCE	10,584	10,302
RESTRICTED EQUITY SECURITIES	1,984	1,921
ACCRUED INTEREST RECEIVABLE	2,545	972
OTHER ASSETS	4,166	4,489
Total assets	$ 476,817	$ 357,873

LIABILITIES AND SHAREHOLDERS' EQUITY

	2020	2019
LIABILITIES		
Deposits:		
Non-interest-bearing demand	$ 266,138	$ 206,756
Interest-bearing demand	78,641	64,880
Savings	19,578	9,340
Time deposits under $250,000	4,953	5,798
Time deposits $250,000 and over	16,283	14,392
Total deposits	385,593	301,166
Junior subordinated deferrable interest debentures	6,186	6,186
Notes payable	5,833	6,692
Other borrowings	31,570	-
Accrued interest payable and other liabilities	8,555	7,095
Total liabilities	437,737	321,139
COMMITMENTS AND CONTINGENCIES – Note 14		
SHAREHOLDERS' EQUITY		
Preferred stock – 10,000,000 shares authorized; zero shares issued and outstanding	-	-
Common stock – 10,000,000 shares authorized; no par value; 3,245,871 and 3,233,365 shares issued and outstanding	12,747	12,747
Additional paid in capital	2,070	1,689
Retained earnings	25,339	23,037
Accumulated other comprehensive loss	(1,076)	(739)
Total shareholders' equity	39,080	36,734
Total liabilities and shareholders' equity	$ 476,817	$ 357,873

See accompanying notes

Mission Valley Bancorp
Consolidated Statements of Income
(In Thousands, Except Per Share Data)

	Years Ended December 31, 2020	2019
INTEREST INCOME		
Interest and fees on loans	$ 15,210	$ 14,270
Interest on investment securities	433	317
Other interest income	387	1,356
Total interest income	16,030	15,943
INTEREST EXPENSE		
Interest on deposits	293	506
Interest on borrowings	715	713
Total interest expense	1,008	1,219
NET INTEREST INCOME	15,022	14,724
PROVISION FOR LOAN LOSSES	1,850	563
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	13,172	14,161
NON-INTEREST INCOME		
Service charges and other income	1,947	1,858
Gain on sale of loans	496	978
Net merchant income	722	569
Increase in cash surrender value of bank owned life insurance	282	278
Other income	665	505
Total non-interest income	4,112	4,188
NON-INTEREST EXPENSES		
Salaries, wages, and employee benefits	8,254	8,548
Legal, professional, and consulting	1,263	907
Furniture and equipment	945	918
Data processing	758	709
Occupancy and equipment expenses	717	646
Advertising	178	159
Insurance	189	86
Other operating expenses	1,805	1,359
Total non-interest expenses	14,109	13,332
NET INCOME BEFORE PROVISION FOR INCOME TAXES	3,175	5,017
Provision for income taxes	873	1,413
NET INCOME	$ 2,302	$ 3,604
EARNINGS PER SHARE – basic and diluted	$ 0.71	$ 1.12

See accompanying notes

Mission Valley Bancorp
Consolidated Statements of Comprehensive Income
(In Thousands)

	Years Ended December 31, 2020	2019
NET INCOME	$ 2,302	$ 3,604
Other comprehensive loss:		
Net change in unrealized losses on cash flow hedge	(525)	(362)
Change in unrealized gains on available for sale securities, net of taxes of $79 and $108 and in 2020 and 2019, respectively	188	256
Other comprehensive loss	(337)	(106)
Total comprehensive income	$ 1,965	$ 3,498

See accompanying notes

Mission Valley Bancorp
Consolidated Statements of Changes in Shareholders' Equity
(In Thousands, Except Share Data)

	Common Stock					
	Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
BALANCE, December 31, 2018	3,208,365	$ 12,747	$ 1,400	$ 19,754	$ (633)	$ 33,268
Share-based compensation expense	-	-	109	-	-	109
Issuance of stock awards	25,000	-	180	-	-	180
Dividends on common stock	-	-	-	(321)		(321)
Total comprehensive (loss) income	-	-	-	3,604	(106)	3,498
BALANCE, December 31, 2019	3,233,365	12,747	1,689	23,037	(739)	36,734
Share-based compensation expense	-	-	381	-	-	381
Issuance of stock awards	12,506	-	-	-	-	-
Total comprehensive (loss) income	-	-	-	2,302	(337)	1,965
BALANCE, December 31, 2020	3,245,871	$ 12,747	$ 2,070	$ 25,339	$ (1,076)	$ 39,080

See accompanying notes

Mission Valley Bancorp
Consolidated Statements of Cash Flows
(In Thousands)

	Years Ended December 31, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,302	$ 3,604
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	160	142
Provision for loan losses	1,850	563
(Accretion) Amortization of deferred loan fees, costs, and premium, net	(631)	2,439
(Gain) loss on sale of loans	(496)	(978)
(Gain) loss on sale of other real estate owned	(12)	-
Amortization (Accretion) and amortization on investments	175	(115)
Shared-based compensation expense	381	289
Deferred taxes	(621)	549
Increase in cash surrender value of bank owned life insurance	(282)	(278)
Net change in:		
Accrued interest receivable and other assets	(758)	(2,292)
Accrued interest payable and other liabilities	714	1,196
Net cash provided by operating activities	2,782	5,119
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in interest bearing deposits in other banks, net	2,554	(1,175)
Purchases of available-for-sale investments	(36,346)	(9,467)
Proceeds from repayments, sales, and maturities of available-for-sale investments	7,146	3,983
Proceeds from prepayments and maturities of held-to-maturity investments	1	16
Proceeds from loans held for sale previously classified as held for investment	10,855	1,824
Proceeds from the sale of other real estate owned	88	-
Net purchases of restricted equity securities	(63)	(32)
Net increase in loans	(63,394)	(22,709)
Purchases of premises and equipment	(282)	(153)
Net cash used in investing activities	(79,441)	(27,713)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in time deposits	1,046	(5,302)
Decrease in notes payable	(859)	(3,644)
Net increase in other borrowings	31,570	-
Net increase in other deposits	83,381	9,728
Dividends on common stock	-	(321)
Net cash provided by financing activities	115,138	461
CHANGE IN CASH AND CASH EQUIVALENTS	38,479	(22,133)
Cash and cash equivalents, beginning of year	52,202	74,335
Cash and cash equivalents, end of year	$ 90,681	$ 52,202
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 938	$ 1,238
Taxes paid	$ 1,064	$ 1,993
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfers of loans receivable held for investment to loans receivable held for sale	$ 10,028	$ 3,302
Transfers from loans receivables held for investments to other real estate owned	$ 568	$ 550
Lease liabilities arising from obtaining right-of-use-assets	$ 589	$ 1,450

See accompanying notes

Note 1 – Summary of Significant Accounting Policies

Nature of operations – Mission Valley Bank (the "Bank") was formed during 2001 and on May 24, 2005, the shareholders of the Bank approved the exchange of common stock in Mission Valley Bank for common stock of a newly formed holding company, Mission Valley Bancorp (the "Company"). The transaction was consummated on August 20, 2005. The Bank is the Company's only subsidiary and it is wholly owned by the Company. The Company provides a full range of banking services to individual and corporate customers through the Bank. The Bank has two branches located in Sun Valley and Santa Clarita, California. The Company has been authorized by the Federal Reserve Bank of San Francisco to engage in lending activities separate from the Bank but to date has not done so.

Mission Valley Bank is a state chartered depository institution subject to regulation and examination by the California Department of Financial Protection & Innovation ("DFPI") and Federal Deposit Insurance Corporation ("FDIC").

Basis of presentation and consolidation – The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and general practices within the banking industry. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Mission Valley Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

In 2005, the Company issued $6,186,000 of junior subordinated deferrable interest debentures through Mission Valley Statutory Trust I. The Company follows U.S. GAAP that determines when variable interest entities should be consolidated and determined that the Mission Valley Statutory Trust I should not be consolidated. As a result, the consolidated statements of financial condition include $6,186,000 as junior subordinated deferrable interest debentures. Also included in other assets in the consolidated statements of financial condition is $186,000 of investments in Mission Valley Statutory Trust I, which is reported using the cost method.

Use of estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated statements of financial condition, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, valuation of investment securities, valuation of deferred tax assets, and share-based compensation.

Concentrations of credit risk – Assets and liabilities that subject the Company to concentrations of credit risk consist of interest-bearing deposits at other banks, investments available-for-sale, loans, and deposits. Most of the Company's customers are located within Los Angeles County and surrounding areas. For the years ended December 31, 2020 and 2019, the Company did not have any significant concentrations in its business with any one customer.

Note 1 – Summary of Significant Accounting Policies (continued)

As of December 31, 2020 and 2019, the Company has cash deposits at other financial institutions in excess of the FDIC insured limits. The Company places these deposits with major financial institutions and monitors the financial condition of these institutions. Management believes the risk of loss associated with such deposits to be minimal.

The Company's loan portfolio consists primarily of loans to borrowers within Southern California. Although the Company has a diversified loan portfolio, a substantial part of the debtors' ability to honor their contracts is dependent upon the economic conditions in this region. Real estate secured loans represented approximately 48% and 56% of total gross loans held for investment at December 31, 2020 and 2019, respectively. Management has taken this factor into account in the determination of the allowance for loan losses.

Cash and cash equivalents – For purposes of reporting cash and cash equivalents in the consolidated statements of financial condition and the consolidated statements of cash flows, cash and cash equivalents include cash, due from banks, and federal funds sold, all of which have original maturities of ninety days or less.

Banking regulations require that banks maintain a percentage of their deposits as reserves in cash or on deposit with the Federal Reserve Bank. The Company was in compliance with its reserve requirements as of December 31, 2020 and 2019.

Interest-bearing deposits in other banks – Interest-bearing deposits in other banks are purchased with an original maturity date greater than ninety days and are carried at amortized cost. Interest-bearing deposits in other banks include certificates of deposits in major financial institutions located throughout the United States of America.

Investment securities – In accordance with generally accepted accounting principles, the Company is required to designate its readily marketable investments securities as "held-to-maturity," "available-for-sale," or "trading." The Company did not designate any of its investments as trading securities. Debt securities are classified as held-to-maturity if the Company has both the intent and ability to hold those securities to maturity regardless of changes in market conditions, liquidity needs, or changes in general economic conditions. These securities are carried at cost adjusted for amortization of premium and accretion of discount, computed by the effective interest method over their contractual lives. Debt securities classified as available-for-sale are reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of shareholders' equity as an item of other comprehensive income. Investment transactions are recorded on the trade date. Gains and losses realized on disposition of investment securities are recognized at the time of sale based upon the specific identification method. Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

Note 1 – Summary of Significant Accounting Policies (continued)

Interest income from the investment securities portfolio is accrued as earned including the accretion of discounts and the amortization of premiums based on the original cost of each security owned. Discounts and premiums are accreted and amortized on a method that approximates the effective interest method to the maturity date of the security with the exception of the mortgage-backed securities. Discounts and premiums on mortgage-backed securities are accreted and amortized to the expected maturity date of the investment security. Realized gains or losses on the sale of investment and mortgage-backed securities are reported in the consolidated statement of operations as of the trade date and determined using the amortized cost of the specific security sold. Declines in the fair value of individual securities below their cost that are deemed other than temporary result in write-downs of the individual securities to their fair value.

Management performs regular impairment analyses on the securities portfolio in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") guidance related to the consideration of impairment related to certain debt and equity securities. If it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the debt security not impaired at acquisition, an other-than-temporary impairment is considered to have occurred. When an other-than-temporary impairment ("OTTI") occurs, the cost basis of the security is written down to its fair value (as the new cost basis) and the write-down is accounted for as a realized loss if it is credit related. In assessing whether impairment represents OTTI, the Company must consider whether it intends to sell a security or if it is likely that they would be required to sell the security before recovery of the amortized cost basis of the investment, which may be maturity. For debt securities, if the Company intends to sell the security or it is likely that a sale of the security may be required before recovering the cost basis, the entire impairment loss would be charged to results of operations as an OTTI. If the Company does not intend to sell the security and it is not likely the sale of the security is required by the Company, and the Company does not expect to recover the entire amortized cost basis of the security, only the portion of the impairment loss representing credit losses would be charged to results of operations. The credit loss on a security is measured as the difference between the amortized cost basis and the present value of the cash flows to be expected to be collected. Projected cash flows are discounted by the original or current effective interest rate depending on the nature of the security being measured for potential OTTI. The remaining impairment related to other factors, the difference between the present value of the cash flows to be expected to be collected and fair value, is recognized as a charge to other comprehensive income ("OCI").

Loans – Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs or specific valuation amounts and net of any deferred fees or costs on originated loans or unamortized premiums or discounts on purchased loans. Interest income on loans is calculated by the simple-interest method on daily balances of the principal amount outstanding. Loan origination fees and origination costs are capitalized and recognized as an adjustment to yield over the life of the related loan using the effective interest method. The accrual of interest on loans is discontinued at the time the loan becomes ninety-days delinquent unless the credit is well secured and in process of collection. In some cases, loans can be placed on nonaccrual status or charged off at an earlier date if collection of principal or interest is considered doubtful. Subsequent collections of interest are applied to unpaid balances or included in interest income based upon management's assessment of the likelihood that principal will be collected.

Note 1 – Summary of Significant Accounting Policies (continued)

When loans are placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on nonaccrual loans is subsequently recognized only to the extent that cash is received and the loan's principal balance is deemed collectible. Interest accruals are resumed on such loans only when they are brought current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to all principal and interest.

Loans are reported as Troubled Debt Restructuring (TDR) when the Company grants concession(s) to a borrower experiencing financial difficulties that it would not otherwise consider. Examples of such concession include forgiveness of principal or accrued interest, extending the maturity date(s), or providing a lower interest rate than would be normally available for a transaction of similar risk. As a result of these concessions, TDR loans are impaired as the Company will not collect all amounts due, both principal and interest, in accordance with the terms of the original loan agreement. Impairment allowances on non-collateral dependent TDR loans are measured by comparing the present value of expected future cash flows on the TDR loans discounted at the interest rate of the original loan agreement to the loan's carrying value. These impairment allowances are recognized as a specific component to be provided for in the allowance for loan losses.

The Coronavirus Aid, Relief and Economic Security ("CARES") Act, as amended by the Consolidated Appropriations Act, 2021 ("CAA"), permits financial institutions to suspend TDR classification requirements under U.S. GAAP for any COVID-19 pandemic related loan modifications for borrowers who were less than 30 days past due as of December 31, 2019 that were executed after March 1, 2020 and earlier of (i) 60 days after the end of the COVID-19 national emergency declaration under the National Emergencies Act, or (ii) January 1, 2022.

The Company implemented a short-term modification program to provide temporary payment relief from the economic impacts of the COVID-19 pandemic under the CARES Act, in the form of interest only payment deferrals or principal and interest payment deferrals, to borrowers who meet the program's qualifications. The Company is not adjusting the aging of loans for customers granted a payment deferral in response to the COVID-19 pandemic. These loans remain in the aging category that was applicable at the time of payment deferral and interest continues to accrue on these loans.

Allowance for loan losses – The provision for loan losses charged to results of operations is an amount sufficient to bring the allowance for loan losses to an estimated balance considered adequate to absorb probable losses inherent in the portfolio at the date of the consolidated financial statements. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

Note 1 – Summary of Significant Accounting Policies (continued)

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans that considers historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as impaired. The general component covers non-impaired loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when it is probable that the Company will not be able to collect all principal and interest amounts due according to the loan's contractual terms based upon available information and events. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. The amount of the valuation allowance for impaired loans is determined by comparing the recorded investment in each loan with its value measured by one of three methods: (i) the estimated present value of total expected future cash flows, discounted at the loan's effective interest rate; (ii) the loan's observable market price, if available from a secondary market; or (iii) by the fair value of the underlying collateral if the loan is collateral dependent. If the measure of impairment for an impaired loan is less than the related recorded investment, the shortfall is charged-off or a specific valuation allowance (impairment allowance) is established as a component of the allowance for loan losses through a charge to the provision for loan losses. Subsequent permitted adjustments to the impairment allowance are made through a corresponding charge or credit to the provision for loan losses.

The Company utilizes qualitative factors adjustments to the allowance for loan loss analysis in order to systematically quantify the credit risk impact of other trends and changes within the loan portfolio. The qualitative factors consider the following nine factors, which are patterned after the guidelines provided under the Federal Financial Institutions Examination Council Interagency Policy Statement on the Allowance for Loan and Lease Losses issued in 2006:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;
- Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments;
- Changes in the nature and volume of the portfolio and in the terms of loans;
- Changes in the experience and ability of lending management and other relevant staff;

Note 1 – Summary of Significant Accounting Policies (continued)

- Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans;
- Changes in the quality of the institution's loan review system;
- Changes in the value of underlying collateral for collateral-dependent loans;
- The existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institutions' existing portfolio.

Loans held for sale – Loans held for sale are recorded at the lower of aggregate cost or estimated fair value. The fair value of loans held for sale is based primarily on prices that secondary markets are currently offering for loans with similar characteristics. Net unrealized losses, if any, are recognized through a valuation allowance through a charge to earnings. The carrying value of loans held for sale is net of premiums as well as deferred origination fees and costs. Premiums and net origination fees and costs are deferred and included in the basis of the loans in calculating gains and losses upon sale.

Loans that are originated with the intent to sell them in the secondary market are initially classified as loans held for sale. The Company may also periodically review loans held for investment for subsequent sale. Once a decision has been made to sell loans not previously classified as held for sale, such loans shall be transferred into the loans held for sale classification and measured at the lower of cost or fair value.

Servicing assets – The Company recognizes servicing assets when loans are sold with servicing retained. The Company initially recognizes and measures at fair value servicing assets obtained from the sale of loan as a component of the gain or loss on sale. Fair value is based on market prices for comparable servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The Company subsequently measures these servicing assets by using the fair value method to recognize servicing assets at fair value at each reporting date with changes in fair value of servicing assets reported in earnings.

Premises and equipment – Premises and equipment are reported at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives, which typically range from three to seven years for furniture and equipment. Leasehold improvements are amortized over the shorter of the remaining lease term and the subsequent option period that is likely to be exercised or the estimated useful lives of the leasehold improvements.

Expenditures for betterments or major repairs are capitalized and those for ordinary repairs and maintenance are charged to results of operations as incurred. Gains and losses on dispositions are included in current results of operations.

Note 1 – Summary of Significant Accounting Policies (continued)

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. If the sum of the expected future cash flows is less than the stated amount of the asset, an impairment loss is recognized for the difference between the fair value of the asset and its carrying amount.

Other real estate owned – Assets acquired in settlement of loans are recorded at fair value less estimated disposal costs. Any excess of the carrying amount of the loan over the fair value of the asset is charged against the allowance for loan losses at the time of transfer. Subsequent to the transfer, any losses on disposition or write-downs as a result of declines in market value of specific assets are charged against current results of operations. Real estate acquired through foreclosure sale, deed-in-lieu of foreclosure, and bank property for which banking use is no longer contemplated are classified as other real estate owned on the consolidated statements of financial condition. Operating income and expenses incurred on these properties are reflected in current earnings within non-interest expense. There were three other real estate owned properties acquired and one sold for the year ended December 31, 2020. There was one other real estate owned property that was acquired and sold for the year ended December 31, 2019.

Derivative financial instruments and hedging activities – The Company enters into derivative transactions principally to protect against the risk of adverse price or interest rate movements on the future cash flows of certain assets. ASC Topic 815, *Derivatives and Hedging (“ASC 815”)*, establishes accounting and reporting standards requiring that every derivative instrument be recorded in the consolidated statements of financial condition as either an asset or liability measured at its fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and on the type of hedging relationship. On the date the derivative contract is entered into, the Company designates the derivative as a fair value hedge, a cash flow hedge, or a non-designated derivative. The Company’s derivative contract is designated as a cash flow hedge.

Cash flow hedges are accounted for by recording the changes in the fair value of the effective portion of the derivative instrument in other comprehensive income (loss) and are recognized in the consolidated statements of operations when the hedged item affects earnings.

The Company formally documents the relationship between a derivative instrument and a hedged asset or liability, as well as its risk management objective and strategy for undertaking various hedge transactions.

The Company also formally assesses, both at the hedge’s inception and on an ongoing basis, whether the derivatives that are used in the hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Income taxes – The Company uses the asset and liability method to account for income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the income tax basis of the Company’s assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. Changes in enacted tax rates result in a revaluation of deferred tax assets and liabilities through the income tax provision in the period that the tax rate changes are enacted.

Note 1 – Summary of Significant Accounting Policies (continued)

The Company’s annual tax rate is based on its income, statutory tax rates, and tax planning opportunities available in which it operates. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties. Accounting for income taxes prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Benefits from tax positions are recognized in the financial statements only when it is more-likely-than-not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Company reviews its tax positions periodically and adjusts the balances as new information becomes available. It is the Company’s policy to recognize interest and penalties associated with uncertain tax positions as components of other operating expenses in the income statement.

Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carry forwards. The Company evaluates the recoverability of these future tax deductions by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings, and available tax planning strategies. These sources of income inherently rely heavily on estimates. The Company uses historical experience and short- and long-range business forecasts to provide insight. Deferred tax assets could be reduced in the near term if estimates of taxable income are significantly reduced or available tax planning strategies are no longer viable.

Bank Owned Life Insurance – The Company invests in Bank Owned Life Insurance (“BOLI”). BOLI involves the purchasing of life insurance by the Company on a chosen group of employees. The Company is the owner and beneficiary of these policies. BOLI is recorded as an asset at cash surrender value. Increases in the cash value of these policies, as well as insurance proceeds received, are recorded in other non-interest income and are not subject to income tax.

Equity securities – Equity securities are carried at fair value with changes in fair value reported in earnings.

Restricted equity securities –The Bank is a member of the Federal Home Loan Bank (“FHLB”) system. Members are required to own a certain amount of FHLB stock based on the level of borrowing and other factors. At December 31, 2020 and 2019, the Company held $1,453,000 and $1,391,000, respectively, of shares of FHLB stock, which is carried at cost and classified as restricted equity securities.

The Company also invests in the stock of Pacific Coast Bankers Bank (“PCBB”) in connection with its correspondent banking arrangement with PCBB. PCBB stock is restricted as to purchase, sale, and redemption. At December 31, 2020 and 2019, the Company held $531,000 of PCBB stock, which is carried at cost and classified as restricted equity securities.

Note 1 – Summary of Significant Accounting Policies (continued)

The Company evaluates restricted equity securities for impairment on a periodic basis. No impairment was recorded on restricted equity securities for the year ended December 31, 2020 and December 31, 2019, respectively.

Financial instruments – In the ordinary course of business, the Company has entered into off-balance sheet agreements consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or the related fees are incurred or received.

Share-based compensation – The Company accounts for stock option awards whereby the compensation cost relating to share-based payment transactions be recognized in the statements of operations based upon the grant-date fair value of the stock options granted by the Company. The effect of stock-based accounting rules is to require entities to measure the cost of employee services received in exchange for stock options and to recognize the cost over the period the employee is required to provide services for the award. The fair value of stock options is measured using a Black-Scholes pricing model.

The Company's 2017 Stock Option and Restricted Stock Grant Plan provides for granting of restricted stock awards for the benefit of certain members of the board of directors, executives, and key employees of the Company and its affiliates. Restricted stock grants are subject to performance-based vesting as well as other approved vesting conditions. Compensation expense is recognized over the service period to the extent restricted stock units are expected to vest.

Advertising costs – Advertising costs of $178,000 and $160,000 for the years ended December 31, 2020 and 2019, respectively, were expensed as incurred.

Comprehensive income – Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) consists of unrealized gains and losses on the Company's cash flow hedge and securities available-for-sale, which are also recognized as separate components of consolidated shareholders' equity.

Common stock – The Company has authorized 10 million shares of common stock. Each share entitles the holder to one vote. There are no dividend or liquidation preferences, participation rights, call prices or dates, conversion prices or rates, sinking fund requirements, or unusual voting rights associated with these shares.

Preferred stock – The Company has authorized 10 million shares of preferred stock.

Note 1 – Summary of Significant Accounting Policies (continued)

Earnings per share (EPS) – Earnings per share amounts have been computed using the weighted average number of shares outstanding of common stock for the purposes of computing basic EPS. There were no common stock equivalents outstanding that would have a dilutive impact on EPS at December 31, 2020 or 2019. Basic EPS is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Basic EPS excludes the dilutive effect that could occur if any securities or other contracts to issue common stock were exercised or converted into or resulted in the issuance of common stock. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as stock options, result in the issuance of common stock which shares in the earnings available to common shareholders of the Company. The Company's restricted stock awards outstanding are not eligible to be issued or to receive dividends until fully vested. There were 12,506 and 25,000 restricted stock awards that vested and issued during the years ended December 31, 2020 and 2019, respectively. The treasury stock method is applied to determine the dilutive effect of stock options and restricted stock awards in computing dilutive earnings per share. Basic EPS is calculated as follows:

(In thousands, except per share data)	2020	2019
BASIC EARNINGS PER SHARE		
Net income	$ 2,302	$ 3,604
Weighted average common shares outstanding	3,242	3,231
Earnings per share – basic and diluted	$ 0.71	$ 1.12

Fair value measurements – FASB ASC 820, *Fair Value Measurements and Disclosures,* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect our estimates about market data. In general, fair values determined by Level 1 inputs utilize quoted prices for identical assets or liabilities traded in active markets that the Company has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Note 1 – Summary of Significant Accounting Policies (continued)

Reclassification – Certain amounts from the prior year footnotes have been reclassified, in order to conform to the current year presentation. There was no impact on net income or retained earnings.

Note 2 – Investment Securities

The carrying amounts of securities and their estimated fair values at December 31, 2020 and 2019, were as follows:

	December 31, 2020			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-Sale				
Agency securities	$ 967	$ -	$ (19)	$ 948
Mortgage- and asset-backed securities	39,218	363	(40)	39,541
Corporate bonds	6,041	3	(15)	6,029
	$ 46,226	$ 366	$ (74)	$ 46,518

There were no held-to-maturity securities as of December 31, 2020.

	December 31, 2019			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-Sale				
Mortgage- and asset-backed securities	$ 14,142	$ 48	$ (26)	$ 14,164
Corporate bonds	3,074	7	(2)	3,079
	$ 17,216	$ 55	$ (28)	$ 17,243

	December 31, 2019			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Held-to-Maturity				
Mortgage- and asset-backed securities	$ 1	$ -	$ -	$ 1
	$ 1	$ -	$ -	$ 1

Mission Valley Bancorp
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Note 2 – Investment Securities (continued)

Information pertaining to investment securities with gross unrealized losses at December 31, 2020 and 2019, aggregated by investment category and length of time that individual securities have been in continuous loss position is as follows:

	2020					
	Less Than 12 Months		12 Months or Longer		Total	
(In thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Available-for-Sale						
Agency securities	$ 948	$ (19)	$ -	$ -	$ 948	$ (19)
Corporate bonds	5,019	(15)	-	-	5,019	(15)
Mortgage- and asset-backed securities	33,906	(40)	-	-	33,906	(40)
	$ 39,873	$ (74)	$ -	$ -	$ 39,873	$ (74)

	2019					
	Less Than 12 Months		12 Months or Longer		Total	
(In thousands)	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Available-for-Sale						
Corporate bonds	$ 2,057	$ (2)	$ -	$ -	$ 2,057	$ (2)
Mortgage- and asset-backed securities	$ 4,053	$ (19)	$ 1,499	$ (7)	$ 5,552	$ (26)
	$ 6,110	$ (21)	$ 1,499	$ (7)	$ 7,609	$ (28)

As of December 31, 2020, the Company had thirteen available-for-sale securities in an unrealized loss position. The Company had eight available-for-sale securities and one held-to-maturity security in an unrealized loss position as of December 31, 2019. There were no available-for-sale securities in an unrealized loss position for twelve months or more as of December 31, 2020. There was one available-for-sale security in an unrealized loss position for twelve months or more as of December 31, 2019.

Management evaluates securities for OTTI at least on a quarterly basis and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value, which may be maturity. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. The Company does not have any securities that were considered to be other than temporarily impaired in 2020 or 2019.

Note 2 – Investment Securities (continued)

The amortized cost and estimated fair values of investment securities at December 31, 2020 and 2019, by contractual maturity, are shown below. Expected and actual maturities may differ from contractual maturities because issuers or borrowers may have the right to call or prepay obligations with or without prepayment penalties.

	December 31, 2020		December 31, 2019	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
(In thousands)				
Available-for-Sale				
Due in one year or less	$ 197	$ 203	$ 354	$ 354
Due from one to five years	9,031	9,092	5,825	5,837
Due in more than five years	36,998	37,223	11,037	11,052
	$ 46,226	$ 46,518	$ 17,216	$ 17,243

	December 31, 2020		December 31, 2019	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
(In thousands)				
Held-to-Maturity				
Due in one year or less	$ -	$ -	$ 1	$ 1
Due from one to five years	-	-	-	-
Due in more than five years	-	-	-	-
	$ -	$ -	$ 1	$ 1

There were no sales of available-for-sale securities for the year ended December 31, 2020 or 2019.

Note 3 – Loans and Allowance for Loan Losses

The composition of the Company’s loan portfolio at December 31, 2020 and 2019, was as follows:

(In thousands)	2020	2019
Real estate loans	$ 153,602	$ 149,016
Commercial loans	50,530	51,116
Consumer loans	2,281	2,455
SBA loans	97,889	40,820
Accounts receivable loans	9,044	20,221
Advanced restaurant financing	6,749	1,310
Overdrafts	66	1,404
Gross loans	320,161	266,342
Less:		
Allowance for loan losses	4,514	3,731
Discount on retained loans	1,378	1,254
Deferred loan fees (costs), net	257	(1,407)
Net loans	$ 314,012	$ 262,764

From April to August 2020, the Company accepted Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) applications and originated loans to qualified small businesses under the PPP established by the CARES Act. The CAA extends the PPP to March 31, 2021. PPP loans are included in the SBA loans portfolio, carrying an interest rate of 1%, and are 100% guaranteed by the SBA. No allowance for loan losses was recorded for these loans as of December 31, 2020. The SBA paid the Company fees for processing PPP loans and such fees are accounted for as loan origination fees, where net deferred fees are recognized over the term of the loan as a yield adjustment on the loans. The substantial majority of the Company’s PPP loans have a term of two years. Under the terms of the PPP, if certain conditions are satisfied, such loans are eligible to be forgiven in which case the SBA will make payments to the Company for the forgiven amounts. If a loan is paid off or forgiven by the SBA prior to its projected estimated life, the remaining unamortized deferred fees will be recognized as interest income in that period. The Company originated approximately 350 PPP loans totaling $70.3 million during the year ended December 31, 2020. Fees totaling $2.3 million were collected for these PPP loans. At December 31, 2020, the outstanding loan balance of PPP loans was $62.5 million and net deferred fees remaining was $1.3 million.

Note 3 – Loans and Allowance for Loan Losses (continued)

The following tables present by portfolio segment the activity in the allowance for loan losses for the years ended December 31, 2020 and 2019. The following also presents by loan type the balance and activity for the allowance for loan losses disaggregated on the basis of the Company's impairment measurement method and the related recorded investment in loans and leases as of and for the years December 31, 2020 and 2019. Recorded investment is defined as the unpaid principal balance, adjusted for deferred fees/costs, premiums, discounts, accrued interest, and may also reflect a previous write-down of the investment. However, for reporting purposes, recorded investments for the Company approximate unpaid principal balance as the other components are not deemed material.

	Allowance for Loan Losses As of and For the Year Ended December 31, 2020					
(In thousands)	Beginning Balance	Provision (Recapture) for Loan Losses Charged to Expense	Charge-offs	Recoveries on Loans Previously Charged-off	Ending Balance	Ending Balance Individually Evaluated for Impairment
Real estate loans	$ 1,962	$ 662	$ -	$ -	$ 2,624	$ 40
Commercial loans	623	736	(1,015)	457	801	15
Consumer loans	25	75	(77)	1	24	-
SBA loans	497	661	(434)	-	724	12
Accounts receivable loans	308	(146)	-	-	162	-
Advance restaurant financing loans	12	86	-	-	98	-
Overdrafts	211	(201)	-	-	10	-
Unallocated	94	(23)	-	-	71	-
Total	$ 3,732	$ 1,850	$ (1,526)	$ 458	$ 4,514	$ 67

	Allowance for Loan Losses As of and For the Year Ended December 31, 2019					
(In thousands)	Beginning Balance	Provision (Recapture) of Loan Losses Charged to Expense	Charge-offs	Recoveries on Loans Previously Charged-off	Ending Balance	Ending Balance Individually Evaluated for Impairment
Real estate loans	$ 2,234	$ (273)	$ -	$ -	$ 1,961	$ 1
Commercial loans	528	549	(582)	128	623	83
Consumer loans	35	(9)	(1)	-	25	-
SBA loans	517	148	(399)	231	497	-
Accounts receivable loans	472	(164)	-	-	308	-
Leasing	1	(1)	-	-	-	-
Advance restaurant financing loans	-	12	-	-	12	-
Overdrafts	4	207	-	-	211	-
Unallocated	-	94	-	-	94	-
Total	$ 3,791	$ 563	$ (982)	$ 359	$ 3,731	$ 84

Management believes that the allowance for loan losses was adequate as of December 31, 2020 and 2019. There is, however, no assurance that future loan losses will not exceed the levels provided for in the allowance for loan losses and could possibly result in additional charges to the provision for loan losses.

Note 3 – Loans and Allowance for Loan Losses (continued)

	Recorded Investment in Loans As of December 31, 2020		
(In thousands)	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment	Ending Balance
Real estate	$ 2,260	$ 151,342	$ 153,602
Commercial	179	50,351	50,530
Consumer	-	2,281	2,281
SBA	814	97,075	97,889
Accounts receivable	-	9,044	9,044
Advance restaurant financing	-	6,749	6,749
Overdrafts	-	66	66
Total	$ 3,253	$ 316,908	$ 320,161

	Recorded Investment in Loans As of December 31, 2019		
(In thousands)	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment	Ending Balance
Real estate	$ 437	$ 148,579	$ 149,016
Commercial	1,233	49,883	51,116
Consumer	-	2,455	2,455
SBA	1,126	39,694	40,820
Accounts receivable	-	20,221	20,221
Advance restaurant financing	-	1,310	1,310
Overdrafts	-	1,404	1,404
Total	$ 2,796	$ 263,546	$ 266,342

Note 3 – Loans and Allowance for Loan Losses (continued)

The Company uses several credit quality indicators to manage credit risk in an ongoing manner by assigning a risk rating to each loan upon loan origination and is periodically reassessed and validated during the term of the loan through the Company's credit review processes. The Company's primary credit quality indicators are to use an internal credit risk rating system that categorizes loans and leases into pass, special mention, or classified categories. Credit risk ratings are applied individually to all loans that have significant or unique credit characteristics that benefit from a case-by-case evaluation. The following are the definitions of the Company's credit quality indicators:

- Pass/watch: Loans in all classes that comprise the commercial and consumer portfolio segments that are not adversely rated, are contractually current as to principal and interest, and are otherwise in compliance with the contractual terms of the loan or lease agreement. Management believes that there is a low likelihood of loss related to those loans that are considered pass.

- Special mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date.

- Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

- Doubtful/loss: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors, which may work towards strengthening of the asset, classification as a loss (and immediate charge-off) is deferred until more exact status may be determined. In certain circumstances, a doubtful rating will be temporary, while the Company is awaiting an updated collateral valuation. In these cases, once the collateral is valued and appropriate margin applied, the remaining un-collateralized portion will be charged off. The remaining balance, properly margined, may then be upgraded to substandard; however, it must remain on nonaccrual. A loss rating is assigned to loans considered un-collectible and of such little value that the continuance as an active Company asset is not warranted. This rating does not mean that the loan has no recovery or salvage value, but rather that the loan should be charged off now, even though partial or full recovery may be possible in the future.

Note 3 – Loans and Allowance for Loan Losses (continued)

The following tables present, by portfolio segment and by credit quality indicator, the recorded investment in the Company's loans as of December 31, 2020 and 2019:

	Internal Risk Rating by Loan Class For the Year Ended December 31, 2020				
	Pass/Watch	Special Mention	Substandard	Doubtful/Loss	Total
(In thousands)					
Real estate loans	$ 142,082	$ 7,318	$ 4,202	$ -	$ 153,602
Commercial loans	49,568	783	179	-	50,530
Consumer loans	2,281	-	-	-	2,281
SBA loans	96,415	-	1,219	255	97,889
Accounts receivable loans	9,044	-	-	-	9,044
Advanced restaurant financing	6,749	-	-	-	6,749
Overdrafts	66	-	-	-	66
Total	$ 306,205	$ 8,101	$ 5,600	$ 255	$ 320,161

	Internal Risk Rating by Loan Class For the Year Ended December 31, 2019				
	Pass/Watch	Special Mention	Substandard	Doubtful/Loss	Total
(In thousands)					
Real estate loans	$ 145,584	$ -	$ 3,432	$ -	$ 149,016
Commercial loans	49,860	-	1,256	-	51,116
Consumer loans	2,455	-	-	-	2,455
SBA loans	38,963	-	1,765	92	40,820
Accounts receivable loans	20,221	-	-	-	20,221
Advanced restaurant financing	1,310	-	-	-	1,310
Overdrafts	1,404	-	-	-	1,404
Total	$ 259,797	$ -	$ 6,453	$ 92	$ 266,342

Note 3 – Loans and Allowance for Loan Losses (continued)

The following tables present, by portfolio segment, an aging analysis and the recorded investment in loans and leases past due as of December 31, 2020 and 2019:

Aging Analysis of Past Due Loans
As of December 31, 2020

(In thousands)	30–59 Days Past Due	60–89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable
Real estate	$ -	$ 636	$ -	636	152,966	$ 153,602
Commercial	131	-	178	309	50,221	50,530
Consumer	-	-	-	-	2,281	2,281
SBA	443	-	-	443	97,446	97,889
Accounts receivable	-	-	-	-	9,044	9,044
Advanced restaurant financing	-	-	-	-	6,749	6,749
Overdrafts	-	-	-	-	66	66
Total	$ 574	$ 636	$ 178	$ 1,388	$ 318,773	$ 320,161

Aging Analysis of Past Due Loans
As of December 31, 2019

(In thousands)	30–59 Days Past Due	60–89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable
Real estate	$ -	$ -	$ -	$ -	$ 149,016	$ 149,016
Commercial	100	-	-	100	51,016	51,116
Consumer	-	-	-	-	2,455	2,455
SBA	595	-	353	948	39,872	40,820
Accounts receivable	-	-	-	-	20,221	20,221
Advanced restaurant financing	-	-	-	-	1,310	1,310
Overdrafts	-	-	-	-	1,404	1,404
Total	$ 695	$ -	$ 353	$ 1,048	$ 265,294	$ 266,342

There were no loans that were greater than ninety days past due and still accruing interest at December 31, 2020 and 2019. The recorded investment in loans and leases on nonaccrual status as of December 31, 2020, consisted of $178,000 in SBA loans. The recorded investment in loans and leases on nonaccrual status as of December 31, 2019, consisted of $530,000 in SBA loans.

Note 3 – Loans and Allowance for Loan Losses (continued)

The following tables present information related to impaired loans as of and for the years ended December 31, 2020 and 2019. There were no impaired loans that were fully reserved with an allowance for loan loss for the years ended December 31, 2020 and 2019:

Impaired Loans
For the Year Ended December 31, 2020

(In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Real estate	$ 1,470	$ 1,470	$ -	$ 937	$ 73
Commercial	48	48	-	115	9
SBA	178	178	-	652	8
With an allowance recorded:					
Real estate	$ 790	$ 790	$ 40	$ 395	$ 33
Commercial	131	131	15	591	6
SBA	636	636	12	318	50
Total:					
Real estate	$ 2,260	$ 2,260	$ 40	$ 1,332	$ 106
Commercial	179	179	15	706	15
SBA	814	814	12	970	58

Impaired Loans
For the Year Ended December 31, 2019

(In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Real estate	$ 437	$ 437	$ -	$ 390	$ 21
Commercial	181	181	-	91	12
SBA	1,126	1,126	-	974	310
With an allowance recorded:					
Real estate	$ -	$ -	$ 1	$ 29	$ -
Commercial	1,052	1,052	83	1,205	62
SBA	-	-	-	-	-
Total:					
Real estate	$ 437	$ 437	$ 1	$ 419	$ 21
Commercial	1,233	1,233	83	1,296	74
SBA	1,126	1,126	-	974	310

Note 3 – Loans and Allowance for Loan Losses (continued)

Troubled debt restructurings – The Company offers a variety of modifications to borrowers. The modification categories offered can generally be described in the following categories:

Rate modification – A modification in which the interest rate is changed.

Term modification – A modification in which the maturity date, timing of payments, or frequency of payments is changed.

Interest only modification – A modification in which the loan is converted to interest only payments for a period of time.

Payment modification – A modification in which the dollar amount of the payment is changed, other than an interest only modification described above.

Combination modification – Any other type of modification, including the use of multiple categories above.

As of December 31, 2020, there were two restructured loans in the amount of $402,000 with no allocated allowance included within the impaired loan balance as of December 31, 2020.

As of December 31, 2019, there were two restructured loans in the amount of $586,000 with no allocated allowance included within the impaired loan balance as of December 31, 2019.

There were no newly restructured loans that met the definition of a troubled debt restructuring in the year ended December 31, 2020. There was one newly restructured loan that met the definition of a troubled debt restructuring in the year ended December 31 2019.

As of December 31, 2020, the Company had approximately 76 loans with an aggregate loan balance of $66.2 million that were granted payment deferral in response to the COVID-19 pandemic and were excluded from TDR classification as permitted under the CARES Act and guidance from federal banking regulators.

Note 4 – Premises and Equipment

Premises and equipment as of December 31, 2020 and 2019, are summarized as follows:

(In thousands)	2020	2019
Building improvements	$ 1,550	$ 1,521
Furniture, fixtures, and equipment	2,702	2,547
	4,252	4,068
Less: accumulated depreciation and amortization	(3,833)	(3,771)
	$ 419	$ 297

Depreciation and amortization expense for the years ended December 31, 2020 and 2019, amounted to $160,000 and $142,000, respectively.

Note 5 – Servicing Assets

Activity for servicing assets and the related changes in fair value for the years ended December 31, 2020 and 2019, is as follows:

(In thousands)	2020	2019
Beginning balance	$ 1,008	$ 1,442
Additions, net	33	(404)
Changes in fair value	(23)	(30)
Ending balance	$ 1,018	$ 1,008

Loans serviced for others, consisting solely of SBA loans, are not included in the consolidated statements of financial condition. The unpaid principal balances of these loans serviced for others were $65,060,054 and $62,175,847 as of December 31, 2020 and 2019, respectively. Net servicing fees totaled $417,000 and $216,000 for the years ended December 31, 2020 and 2019, respectively.

Note 6 – Deposits

At December 31, 2020, the scheduled maturities of time deposits are as follows:

(In thousands) Matures During Years Ending December 31,	Time Deposits Under $250,000	Time Deposits $250,000 and Over
2021	$ 4,039	$ 11,584
2022	533	4,156
2023	48	-
2024	35	-
2025	298	543
	$ 4,953	$ 16,283

Note 7 – Notes Payable and Other Borrowings

On May 1, 2017, the Company entered into three unsecured term notes for $1,750,000 with a maturity date of May 1, 2022, bearing interest at a rate of 5.00% with interest only paid semi-annually and principal due at maturity. At December 31, 2020 and 2019, the outstanding balance of these notes was $1,750,000 and interest paid on these notes was $88,000 for both the years ended December 31, 2020 and 2019.

On August 1, 2017, the Company entered into an unsecured note agreement for $8,586,000 with a maturity date of August 14, 2022, and bears interest at a rate of 5.23%. At December 31, 2020 and 2019, the outstanding balance on this note was $4,083,000 and $4,942,000, respectively, and interest paid was $238,000 and $324,000 for the years ended December 31, 2020 and 2019, respectively.

The Company has a line of credit available from the FHLB, which is secured by pledged loans. Borrowings may include overnight advances as well as loans with terms of up to 30 years. At December 31, 2020, there was $5,000,000 in outstanding FHLB advances with a maturity date of May 26, 2021 and bearing interest at a rate of 0%. There were no outstanding borrowings at December 31, 2019. The Company had $83,381,000 and $114,209,000 of borrowing capacity from the FHLB at December 31, 2020 and 2019, respectively, based upon loans available to be pledged. The carrying value of loans pledged to the FHLB as collateral was $237,567,000 at December 31, 2020.

The Company had $2,295,000 and $2,336,000 of borrowing capacity from the Federal Reserve Bank of San Francisco ("FRB") as of December 31, 2020 and 2019, respectively, based upon loans available to be pledged. The carrying balance of loans pledged to the FRB as collateral was $2,984,000 at December 31, 2020.

In April 2020, the Company entered into the FRB Paycheck Protection Program ("PPP") Liquidity Facility ("Facility"). Under the Facility, the FRB lends to eligible borrowers on a non-recourse basis, taking PPP loans as pledged collateral, at an interest rate of 0.35% and maturity date equal to the maturity date of the PPP loans pledged.. At December 31, 2020, the outstanding balance of the Facility was $26,570,000.

Note 7 – Notes Payable and Other Borrowings (continued)

The Company has an unsecured revolving line of credit with PCBB providing for federal fund purchases up to $8,200,000 with Zions Bank at December 31, 2020 and 2019, respectively. Borrowings are payable on demand and interest on outstanding borrowings accrues at rates negotiated at the time of the borrowing. As of December 31, 2020 and 2019, the Company did not have an outstanding balance against these lines of credits.

The following is a summary of principal maturities for the next five years and thereafter:

Fiscal Years	
2021	$ 5,858,000
2022	31,545,000
Total	$ 37,403,000

Note 8 – Junior Subordinated Deferrable Interest Debentures

The Mission Valley Statutory Trust I (the "Trust") was formed by the Company for the sole purpose of issuing trust preferred securities fully and unconditionally guaranteed by the Company. For financial reporting purposes, the Trust is not consolidated and the fixed rate junior subordinated deferrable interest debentures held by the Trust, issued and guaranteed by the Company, are reflected in borrowings within the Company's consolidated statements of financial condition.

On September 16, 2005, the Trust issued $6,000,000 fixed rate Capital Trust Pass-Through Securities ("TRUPS") with a liquidation value of $1,000 per security for gross proceeds of $6,000,000. The entire proceeds of the issuance were invested by the Trust in $6,186,000 of junior subordinated deferrable interest debentures issued by the Company with identical maturity, repricing, and payment terms as the TRUPS. These debentures represent the sole assets of the Trust and mature on December 15, 2035, and bore interest at 5.97% through September 15, 2010, and variable rate equal to 3-month LIBOR plus 1.50% from September 15, 2010, through maturity. Interest payments are due on a quarterly basis. The interest is deferrable at the Company's option for a period of up to twenty consecutive quarterly periods but in any event not beyond September 16, 2035.

Note 9 – Derivative Instrument and Hedge Activity

During the year ended December 31, 2018, the Company entered into an interest rate swap agreement with a counterparty to manage interest rate risk associated with its variable rate borrowings on the TRUPS. The interest rate swap is designated as a cash flow hedge with the aggregate fair value of the swap recorded in other assets or other liabilities with changes in fair value of the hedge accounted for within the statement of comprehensive income, net of taxes, to the extent effective. The amount included in accumulated other comprehensive income would be reclassified to current interest incurred from the hedged variable rate borrowings on the TRUPS when it affects earnings. The Company assesses the effectiveness of the hedging relationship by comparing the changes in fair value of the derivative hedging instrument with the changes in fair value of the designated hedged transaction. The Company expects the hedge to remain highly effective during the remaining terms of the swap and did not recognize any hedge ineffectiveness in current earnings during the year ended December 31, 2020. The notional amount of the swap agreement is $6,000,000 with a variable interest rate of 3-month LIBOR plus 1.50% maturing on December 15, 2035. The fixed rate paid on the instrument was 3.27% at December 31, 2020. The fair value of the swap is approximately $1,820,000 and $1,076,000 and is recorded in accrued interest payable and other liabilities at December 31, 2020 and 2019, respectively. The Company did not record any ineffectiveness on the cash flow hedge within the consolidated statements of income for the year ended December 31, 2020 or 2019.

Note 10 – Income Taxes

The provision for income taxes for years ended December 31, 2020 and 2019, consisted of the following:

(In thousands)	2020	2019
Current		
Federal	$ 963	$ 1,165
State	531	587
	1,494	1,752
Deferred		
Federal	(544)	(276)
State	(77)	(63)
	(621)	(339)
	$ 873	$ 1,413

Note 10 – Income Taxes (continued)

A reconciliation of the Company's effective tax rate with the statutory federal income tax rate for years ended December 31, 2020 and 2019, is as follows:

(In thousands)	2020		2019	
Statutory federal income tax rate	$ 667	21.0 %	$ 1,053	21.0 %
State franchise tax, net of federal benefit	272	8.6	430	8.6
Stock compensation	72	2.3	(8)	(0.2)
BOLI	(83)	(2.6)	(6)	(0.1)
Tax exempt interest	(4)	(0.1)	(82)	(1.6)
Other	(51)	(1.6)	26	0.5
	$ 873	27.6 %	$ 1,413	28.2 %

The following is a summary of the components of the net deferred tax asset at December 31, 2020 and 2019:

(In thousands)	2020	2019
Deferred tax assets:		
Allowance for loan losses	$ 1,217	$ 778
Lease liability	494	320
State tax	129	123
Net unrealized loss on interest rate swap and investment securities	452	310
Non-accrual interest	26	50
Deferred compensation	1,144	910
Total deferred tax assets	3,462	2,491
Deferred tax liabilities:		
Loan origination costs	(595)	(573)
Right of use asset	(492)	(320)
Depreciation and amortization	(56)	(60)
Certain prepaid assets	(131)	(113)
Total deferred tax liabilities	(1,274)	(1,066)
Net deferred tax asset	$ 2,188	$ 1,425

Management believes, based upon the Company's historical performance and future projections, it is more-likely-than-not the deferred tax asset will be realized in the normal course of operations and has determined that no valuation allowance is necessary as of December 31, 2020 and 2019, respectively.

The Company recognizes the tax benefit from uncertain tax positions only if it is more-likely-than-not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Note 10 – Income Taxes (continued)

The Company recognizes interest and penalties related to income tax matters in other operating expenses in the statements of operations. The Company does not anticipate that the amount of unrecognized tax benefits will significantly increase or decrease in the next twelve months. There were no interest and penalties accrued for the years ended December 31, 2020 and 2019. The Company files income tax returns in the U.S. federal jurisdiction and in California.

Note 11 – Employee Benefit Plans

The Company has established a 401(k) Plan for the benefit of eligible employees, whereby each employee being at least twenty-one years of age may become a participant at specified intervals. Employees may contribute up to 50% of their annual compensation to the 401(k) Plan each year subject to certain limits based on federal tax laws. The Company may elect to make some level of matching contributions to the plan at the discretion of the Board of Directors. Matching contributions of $148,000 and $147,000 were made for the years ended December 31, 2020 and 2019, respectively.

The Company sponsors a supplemental executive retirement plan (SERP), which is a nonqualified unfunded pension plan covering a select group of executives. The plan provides a retirement benefit payable in the form of a life annuity to the participants, which is based on a specified dollar amount as stated in the agreements. The accrued postretirement benefit balance was $2,650,000 and $2,511,000 at December 31, 2020 and 2019, respectively, and is reported in accrued interest payable and other liabilities within the consolidated statements of financial condition. The postretirement benefit expense reported within salaries, wages, and employee benefits in the consolidated statements of income was $276,000 and $421,000 for the years ended December 31, 2020 and 2019, respectively.

Note 12 – Share-Based Compensation

The Company approved the 2017 Omnibus Stock Equity Plan (the “Plan”), voted into effect by the majority of shares represented at its May 23, 2017 Annual Shareholders’ Meeting and set to expire March 28, 2027. Under the Plan, directors and key employees receive long-term incentives (“Awards”) in the form of incentive and nonqualified stock options and restricted stock. The Plan is administered by the Board of Directors, or a committee to be appointed by the Board, who will select the directors and key executives to receive options or Awards, the form of those Awards, the number of shares or dollar targets, and all terms and conditions. The Plan provides for terms with respect to accelerated vesting should a change in control occur.

Note 12 – Share-Based Compensation (continued)

Stock options expire no later than ten years from the date of grant. Stock options granted to an optionee who owns stock representing more than ten percent of the voting power of all classes of stock of the Company shall expire not more than five years from the date of grant.

	December 31, 2020		December 31, 2019	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	84,319	$ 14.69	49,250	$ 15.90
Exercised	-	-	-	-
Granted	-	-	59,578	14.05
Expired or forfeited	(4,619)	14.31	(24,509)	15.57
Outstanding at end of year	79,700	$ 14.71	84,319	$ 14.69
Options exercisable	36,448	$ 15.02	653	$ 15.90
Weighted average remaining contractual life of options outstanding	8.0 years		9.0 years	

No stock options were exercised during 2020 and 2019. As of December 31, 2020, there was $127,000 of total unrecognized compensation cost related to nonvested stock options granted under the Plan. The cost is expected to be recognized over a weighted-average remaining period of 1.3 years. Compensation cost associated with the fair value of stock options that vested in 2020 and 2019 was $139,000 and $109,000, respectively. The aggregate intrinsic value of the options exercisable plus options expected to vest in future years is $0 based on a stock price of $10.55 and $14.35 per share for the years ended December 31, 2020 and 2019, respectively.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model using the assumptions shown in the following table. The expected volatility was based on the volatility of the Company’s stock price over a period commensurate with the expected term of the option. The Company uses historical data on option exercises to determine the expected term within the valuation model.

	2020	2019
Risk free interest rate	Not applicable	1.85%–2.58%
Weighted-average expected life	Not applicable	6 years
Volatility	Not applicable	31.1%–31.6%
Dividends	Not applicable	None

The weighted-average fair value of options granted during the year ended December 31, 2019, $4.82.

Note 12 – Share-Based Compensation (continued)

The maximum number of shares available for all Awards under the 2017 Plan is up to 600,000 shares of the Bank's common stock. No more than 250,000 shares may be issued pursuant to Awards of restricted stock, and no more than 500,000 shares, may be issued pursuant to Awards of incentive stock options; provided, however, that in no event may the total of all the restricted stock awards ("RSA"), incentive stock options, and nonqualified stock options granted under the 2018 Plan exceed 600,000. Restricted stock awards are ineligible to received stock dividends during the period in which they are unvested. At December 31, 2020, there were 200,750 shares of restricted stock awards available for future grant. At December 31, 2020, there were 270,300 shares of incentive stock options and nonqualified stock options available for future grant.

The following table presents a summary of RSA activity for 2020 and 2019:

	December 31, 2020		December 31, 2019	
	RSA	Weighted-Average Grant-Date Fair Value	RSA	Weighted-Average Grant-Date Fair Value
Nonvested at beginning of year	50,250	$ 14.56	41,750	$ 11.29
Granted	-	-	37,500	14
Vested	(12,506)	15.95	(25,000)	8.17
Forfeited	(1,000)	14.12	(4,000)	15.95
Nonvested at end of year	36,744	$ 14.71	50,250	$ 14.56

Compensation expense related to the grant of restricted stock for the years ended December 31, 2020 and 2019, totaled $242,000 and $180,000, respectively. Restricted stock awards are ineligible to received stock dividends during the period in which they are unvested. As of December 31, 2020, there was $286,000 of total unrecognized compensation cost related to nonvested restricted stock awards granted under the Plan. The cost is expected to be recognized over a weighted-average remaining period of 1.4 years.

Note 13 – Leases

On January 1, 2019, the Company adopted ASU No. 2016-02, *Leases (Topic 842)*, and subsequent amendments thereto, which requires the Company to recognize most leases on the balance sheet. The Company adopted the standard under a modified retrospective approach as of the date of adoption and elected to apply several of the available practical expedients, including:

1) Carry over of historical lease determination and lease classification conclusions
2) Carry over of historical initial direct cost balances for existing leases
3) Accounting for lease and non-lease components in contracts in which the Company is a lessee as a single lease component

Note 13 – Leases (continued)

Adoption of the leasing standard resulted in the recognition of operating lease right-of-use assets of $1,400,000 and operating lease liabilities of $1,400,000 as of January 1, 2019. There was no material impact to the timing of expense or income recognition in the Company's consolidated statement of operations and prior periods were not restated as a result of the adoption.

The operating lease right-of-use asset represents the right to use an underlying asset during the lease term. Operating lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of the remaining lease payments using a discount rate that represents our incremental borrowing rate at the date of implementation of the new accounting standard or lease commencement date for leases executed after the adoption of the new accounting standard. Short-term leases (initial term of less than 12 months) are not recorded on the balance sheet and lease expense is recognized on a straight-line basis over the lease term. The Company has no material finance leases. The Company currently has operating leases for its administrative offices and branches.

Operating lease right-of-use assets were $1,663,000 and $1,083,000 as of December 31, 2020 and 2019, respectively, and are recorded in other assets in the consolidated statements of financial condition. Operating lease liabilities were $1,672,000 and $1,086,000 as of December 31, 2020 and 2019, respectively, and are recorded in other liabilities in the consolidated statements of financial condition. The Company recorded lease expense of $423,000 and $447,000 for the years ended December 31, 2020 and 2019, respectively.

Additional information regarding operating leases is summarized below for the year ended December 31:

	2020	2019
Cash paid for amounts included in the measurement of lease liabilites for operating leases	$ 423	$ 447
ROU assets obtained in exchange for lease liabilities	$ 1,663	$ 1,082
Weighted average remaining lease term in months	81	40
Weighted average discount rate	2.66%	4.23%

Note 13 – Leases (continued)

The following table shows future minimum payments under operating leases with terms in excess of year as of December 31, 2020:

Years Ending December 31 *(in thousands)*,		
2021	$	382
2022		389
2023		274
2024		97
2025		100
Thereafter		527
Total undiscounted lease payments		1,769
Less: interest		(97)
Present value of lease liabilities	$	1,672

Note 14 – Commitments and Contingencies

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the statements of financial condition. To mitigate this risk posed by these off-balance-sheet exposures, the Company has established an off-balance-sheet reserve totaling $9,000 as of December 31, 2020 and 2019, respectively, included in accrued interest payable and other liabilities on the statements of financial condition.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are preliminarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. All standby letters of credit issued by the Company expire within one year of issuance.

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

Collateral held varies but may include receivables, inventory, property, plant, and equipment, residential properties, and income-producing commercial properties.

Note 14 – Commitments and Contingencies (continued)

A summary of the contractual or notional amounts of the Company’s significant off-balance-sheet financial instruments as of December 31, 2020 and 2019, is as follows:

(In thousands)	2020	2019
Commitments to extend credit	$ 58,274	$ 28,628
Standby letters of credit	1,085	1,085
	$ 59,359	$ 29,713

Litigation – In the ordinary course of business, the Company becomes involved in litigation. Management believes, based upon opinions of legal counsel, that the disposition of all suits pending against the Company will not have a material adverse effect on its financial position or results of operations.

Note 15 – Transactions with Related Parties

In the ordinary course of business, the Company enters into transactions with certain directors, officers, and shareholders, and certain affiliates of the Company.

As part of its normal banking activities, the Company has extended credit to and received deposits from certain members of its Board of Directors, major shareholders, and officers, as well as entities with which these individuals are associated. These related parties had deposits at the Company totaling approximately $9,881,927 and $35,048,000 at December 31, 2020 and 2019, respectively. There were three related-party loans in the amount of $1,894,000 at December 31, 2020, and one related party loan in the amount of $657,000 at December 31, 2019. Management believes these transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral requirements, as comparable loans and deposits with other customers, and the loans did not involve more than normal credit risk or present other unfavorable features.

Note 16 – Fair Value of Financial Instruments

Fair value measurements within the ASC defines fair value, establishes a framework for measuring fair value under U.S. GAAP, and expands disclosures about fair value measurement. Fair value measurements apply to all financial assets and liabilities that are being measured and reported at fair value on a recurring and non-recurring basis.

Note 16 – Fair Value of Financial Instruments (continued)

The fair value of a financial instrument is the amount at which the asset or obligation could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire holdings of a particular financial instrument. Because no market value exists for a significant portion of the financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature, involve uncertainties and matters of judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A three-level hierarchy is used for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect our estimates about market data.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) for identical instruments that are highly liquid, observable, and actively traded in over-the-counter markets. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable and can be corroborated by market data. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Note 16 – Fair Value of Financial Instruments (continued)

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis as of December 31, 2020 and 2019, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) for identical instruments that are highly liquid, observable, and actively traded in over-the-counter markets.

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
(In thousands)				
Recurring Items				
Financial assets				
Securities available-for-sale				
Agency securities	$ 948	$ -	$ 948	$ -
Mortgage backed securities	39,541	-	39,541	-
Corporate bonds	6,029	-	6,029	-
Other	805	805	-	-
Servicing assets	1,018	-	-	1,018
Financial liabilities				
Derivative liability	1,820	-	1,820	-
Nonrecurring Items				
Impaired loans	3,253	-	-	3,253

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
(In thousands)				
Recurring Items				
Financial assets				
Securities available-for-sale				
Mortgage backed securities	$ 14,164	$ -	$ 14,164	$ -
Corporate bonds	3,079	-	3,079	-
Municipal investments	-	-	-	-
Other	788	788	-	-
Servicing assets	1,008	-	-	1,008
Financial liabilities				
Derivative liability	1,076	-	1,076	-
Nonrecurring Items				
Impaired loans	2,764	-	-	2,764

Note 16 – Fair Value of Financial Instruments (continued)

The following table presents additional information about the unobservable inputs used in the fair value measurements on a recurring basis that were categorized within Level 3 of the fair value hierarchy as of December 31, 2020:

Financial Instrument	Valuation Technique	Unobservable Inputs	Range of Inputs	Weighted Average Input	Impact to Valuation from an Increased or Higher Input Value
Servicing assets	Discounted cash flow	Prepayment speeds	10.68%–26.16%	20.86%	Decrease
		Discount rate	4.93%–23.03%	10.65%	Decrease
		Expected weighted average life on loan	0.93–4.15 years	3.27 years	Increase

Securities available-for-sale – The table above presents the balance of securities available-for-sale, which is measured at fair value on a recurring basis. An independent third party performs market valuations of the Company's securities available-for-sale. The fair values are determined by using several sources for valuing securities. The techniques include pricing models that vary based on the type of asset being valued and incorporate available trade, bid, and other market information. Market valuation sources include observable market inputs and are therefore considered Level 2 inputs for purposes of determining the fair values.

Servicing assets – Fair value is based on a loan-by-loan basis, taking into consideration the original term to maturity, the current age of the loan, and the remaining term to maturity. The valuation methodology utilized for the servicing assets begins with generating future cash flows for each servicing asset, based on their unique characteristics and market-based assumptions for prepayment speeds. The present value of the future cash flows is then calculated utilizing market-based discount rate assumptions.

Derivative instruments – Interest rate swaps are valued by a third party, using models that primarily use market observable inputs, such as yield curves, and are validated by comparison with valuations provided by the respective counterparties. Derivative financial instruments are included in other assets and other liabilities in the consolidated statements of financial condition.

Impaired loans and other real estate owned – The loan balance shown in the table above represents all of the Company's impaired loans for which impairment was recognized during the period. These loans are measured at fair value on a non-recurring basis. Impaired loans that are collateral-dependent are measured based on the fair value of their collateral while non-collateral-dependent loans are measured on a discounted cash flow basis. The fair value of each loan's collateral is generally based on estimated market prices from an independently prepared appraisal, which is then adjusted for the cost related to liquidating such collateral. The estimated fair value of other real estate owned is based on the appraised values or other information for the estimated fair values of such assets. We generally use an 8–10% discount for selling costs which is applied to all properties, regardless of size. Appraised values may be adjusted to reflect changes in market conditions that have occurred subsequent to the appraisal date or for revised estimates regarding the timing or cost of the property sale. These adjustments are based on qualitative judgments made by management on a case-by-case basis. There have been no significant changes in the valuation techniques during the period ended December 31, 2020.

Note 16 – Fair Value of Financial Instruments (continued)

The following tables present information about the level in the fair value hierarchy for the Company's assets and liabilities that are not measured at fair value as of December 31, 2020 and 2019.

Transfers between levels of the fair value hierarchy are recognized on the actual date of the events or circumstances that caused the transfer, which generally corresponds to the Company's quarterly valuation process. During the years ended December 31, 2020 and 2019, there were no transfers between levels of the fair value hierarchy.

	2020				
			Fair Value Measurements Using		
(In thousands)	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	$ 90,681	$ 90,681	$ 90,681	$ -	$ -
Interest bearing deposit in other banks	2,915	2,915	-	2,915	-
Investment securities, held-to-maturity	-	-	-	-	-
Loans, net	314,012	327,845	-	-	327,845
Loans, held for sale	-	-	-	-	-
Bank owned life insurance	10,584	10,584	10,584	-	-
Restricted equity securities	1,984	1,984	1,984	-	-
Accrued interest receivable	2,545	2,545	2,545	-	-
Financial liabilities					
Deposits	$ 385,593	$ 371,645	$ -	$ -	$ 371,645
Subordinated debentures	6,186	6,061	-	-	6,061
Notes payable	5,833	5,928	-	-	5,928
Accrued interest payable	98	98	98	-	-

	2019				
			Fair Value Measurements Using		
(In thousands)	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	$ 52,202	$ 52,202	$ 52,202	$ -	$ -
Interest bearing deposit in other banks	5,469	5,450	-	5,450	-
Investment securities, held-to-maturity	1	1	-	1	-
Loans, net	262,764	265,718	-	-	265,718
Loans, held for sale	-	-	-	-	-
Bank owned life insurance	10,302	10,302	10,302	-	-
Restricted equity securities	1,921	1,921	1,921	-	-
Accrued interest receivable	972	972	972	-	-
Financial liabilities					
Deposits	$ 301,166	$ 278,805	$ -	$ -	$ 278,805
Subordinated debentures	6,186	4,983	-	-	4,983
Notes payable	6,692	6,692	-	-	6,692
Accrued interest payable	2	2	2	-	-

Note 17 – Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory—and possibly additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines, the Company and the Bank must meet specific capital adequacy guidelines that involve quantitative measures of the Company's and the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the following table) of Tier 1 capital (as defined in the regulations) to total average assets (as defined) and minimum ratios of Tier 1, common equity Tier 1 and total capital (as defined) to risk-weighted assets (as defined). Management believes, as of December 31, 2020 and 2019, that the Company and the Bank meets all capital requirements to which it is subject.

The Bank has been notified by its regulator that, as of its most recent regulatory examination, the Bank is regarded as "well capitalized" under the regulatory framework for prompt corrective action. Such determination has been made based on the Bank's Tier 1, common equity Tier 1, total capital, and leverage ratios. There have been no conditions or events since this notification that management believes would change the Bank's categorization as well capitalized under the ratios listed below.

The Company's and the Bank's actual and required capital amounts and ratios are (dollars in thousands):

Mission Valley Bancorp	Actual		Amount of Capital Required: Minimum Capital Requirement		Minimum to Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
As of December 31, 2020						
Total capital ratio	$ 49,930	16.59%	$ 24,080	8.00%	$ 30,100	10.00%
Tier 1 capital ratio	46,158	15.33%	18,060	6.00%	24,080	8.00%
Tier 1 leverage ratio	46,158	10.27%	17,972	4.00%	22,465	5.00%
Common equity Tier 1 capital ratio	40,158	13.34%	13,545	4.50%	19,565	6.50%
As of December 31, 2019						
Total capital ratio	$ 47,147	16.00%	$ 23,503	8.00%	$ 29,379	10.00%
Tier 1 capital ratio	43,473	14.80%	17,628	6.00%	23,503	8.00%
Tier 1 leverage ratio	47,147	12.10%	14,339	4.00%	17,924	5.00%
Common equity Tier 1 capital ratio	37,473	12.80%	13,221	4.50%	19,097	6.50%

Note 17 – Regulatory Matters (continued)

Mission Valley Bank	Actual		Amount of Capital Required: Minimum Capital Requirement		Minimum to Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
As of December 31, 2020						
Total capital ratio	$ 48,440	16.13%	$ 24,030	8.00%	$ 30,037	10.00%
Tier 1 capital ratio	44,676	14.87%	18,022	6.00%	24,030	8.00%
Tier 1 leverage ratio	44,676	10.06%	17,771	4.00%	22,214	5.00%
Common equity Tier 1 capital ratio	44,676	14.87%	13,517	4.50%	19,524	6.50%
As of December 31, 2019						
Total capital ratio	$ 45,437	15.52%	$ 23,414	8.00%	$ 29,268	10.00%
Tier 1 capital ratio	41,778	14.27%	17,561	6.00%	23,414	8.00%
Tier 1 leverage ratio	45,437	11.74%	14,231	4.00%	17,789	5.00%
Common equity Tier 1 capital ratio	41,778	14.27%	13,170	4.50%	19,024	6.50%

The Bank was required to establish and phase-in a "conservation buffer," consisting of a common equity Tier 1 capital amount equal to 2.5% of risk-weighted assets by 2019. As of December 31, 2020, the "conservation buffer" amount was 2.50% and fully phased-in. An institution that does not meet the conservation buffer requirement will be subject to restrictions on certain activities including payment of dividends, stock repurchases, and discretionary bonuses to executive officers.

The difference in common equity Tier 1 capital ratio between Mission Valley Bancorp and Mission Valley Bank is due to the TRUPS securities disclosed in Note 8.

Note 18 – Revenue from Contracts with Customers

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized in non-interest income. Gains/losses on the sale of other real estate owned are included in non-interest expense and are generally recognized when the performance obligation is completed. This is typically at delivery of control over the property to the buyer at time of each real estate closing.

Note 18 – Revenue from Contracts with Customers (continued)

The following table presents the Company's sources of non-interest income for the twelve months ended December 31:

	2020	2019
(In thousands)		
Non-interest income		
Service charges and other income	$ 1,947	$ 1,858
Gain (loss) on sale of loans [(a)]	496	978
Net merchant income	722	569
Increase in cash surrender value of bank owned life insurance [(a)]	282	278
Gain on sale of OREO	12	-
Other income	653	505
Total non-interest income	$ 4,112	$ 4,188

(a) Not within the scope of ASC 606.

Deposit service charges – The Company earns fees from its deposit customers for account maintenance, transaction-based activity, and overdraft services. Account maintenance fees consist primarily of account fees and analyzed account fees charged on deposit accounts on a monthly basis. The performance obligation is satisfied and the fees are recognized on a monthly basis as the service period is completed. Transaction-based fees on deposit accounts are charged to deposit customers for specific services provided to the customer, such as non-sufficient funds fees, overdraft fees, and wire fees. The performance obligation is completed as the transaction occurs and the fees are recognized at the time each specific service is provided to the customer.

Debit and ATM interchange fee income and expenses – Debit and ATM interchange income represent fees earned when a debit card issued by the Company is used. The Company earns interchange fees from debit cardholder transactions through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The performance obligation is satisfied and the fees are earned when the cost of the transaction is charged to the cardholders' debit card. Certain expenses directly associated with the credit and debit card are recorded on a net basis with the interchange income.

Merchant fee income – Merchant fee income represents fees earned by the Company for card payment services provided to its merchant customers. The Company has a contract with a third party to provide card payment services to merchants that contract for those services. The third-party provider passes the payments made by the merchants through to the Company. The Company, in turn, pays the third-party provider for the services it provides to the merchants. These payments to the third party-provider are recorded as expenses as a net reduction against fee income. In addition, a portion of the payment received represents interchange fees, which are passed through to the card issuing bank. Income is primarily earned based on the dollar volume and number of transactions processed. The performance obligation is satisfied and the related fee is earned when each payment is accepted by the processing network.

Note 18 – Revenue from Contracts with Customers (continued)

Credit card and interchange income and expenses – Credit card interchange income represent fees earned when a credit card issued by the Company is used. Similar to the debit card interchange, the Company earns an interchange fee for each transaction made with the Company's branded credit cards. The performance obligation is satisfied and the fees are earned when the cost of the transaction is charged to the cardholders' credit card. Certain expenses and rebates directly related to the credit card interchange contract are recorded net to the interchange income.

Note 19 – Subsequent Events

In January 2021, the Company entered into an Amended and Restated Loan Agreement for a $10,000,000 revolving loan to refinance its $8,586,000 unsecured note agreement with a maturity date of August 14, 2022 and interest rate of 5.23%, and outstanding balance $4,083,000 as of December 31, 2020. The $10,000,000 revolving loan under the Amended and Restated Loan Agreement has a maturity date of January 15, 2023 (plus two one year renewal options) and bears interest at a rate of Prime Rate plus 1.00% with a floor rate of 4.50%.

In February 2021, the Company paid off the remaining balance of the FRB Paycheck Protection Program Liquidity Facility, which had an outstanding balance of $26,570,000 as of December 31, 2020.

The Company recognizes in the consolidated financial statements the effect of all subsequent events (transactions or events that occur after the balance sheet date but before the consolidated financial statements are issued) that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company's consolidated 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 consolidated financial statements are available to be issued. The Company has evaluated subsequent events through March 19, 2021, which is the date the consolidated financial statements were available to be issued.

Board of Directors

Tamara Gurney
President, CEO & Director of
Mission Valley Bancorp & Bank

Ara Oghoorian, CFA, CFP®, CPA
Director of Mission Valley Bancorp & Bank
Mr. Oghoorian is the Founder & President of ACap Advisors & Accountants, LLC

Kathleen Kellogg
Director of Mission Valley Bancorp & Bank
Ms. Kellogg is an experienced banking executive and director.

John Parker
Director of Mission Valley Bancorp & Bank
Mr. Parker is the Executive Officer and Co-Founder of Parker Brown Inc.

John Miller
Director of Mission Valley Bancorp & Bank
Mr. Miller is Co-Founder and serves on the Board of Lexicon Bank, an investment advisory professional and community bank consultant.

Eric Sato, CPA
Director of Mission Valley Bancorp & Bank
Mr. Sato is a Partner in the Certified Public Accounting firm of Edwards, Sato & Yang, CPAs.

Jerold B. Neuman, ESQ
Director of Mission Valley Bancorp & Bank
Mr. Neuman is a partner with the law firm of DLA Piper, LLP.

Earle S. Wasserman
Director and Chairman of the Board of
Mission Valley Bancorp & Bank
Mr. Wasserman is the Chairman of the Hallmark Group Inc.

Senior Management

Tamara Gurney
President
Chief Executive Officer

Jeffrey Watson
Chief Operating Officer

Brian Carlson
Executive Vice President
Managing Director SBA

Anthony Chuan
Executive Vice President
Chief Financial Officer

Linda Rousseau
Executive Vice President
Chief Administrative Officer

Frank Abraham
Senior Vice President
Senior Credit Officer

Steve Choe
Senior Vice President
Regional Sales Manager

Roy Fisher
Senior Vice President
Operations Administrator

Paul Foster
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SBA Credit & Operations Manager

Petra Hatzesberger
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Head of People & Culture

Debbie Hefner
Senior Vice President
SBA Processing Manager

Yolanda Ortiz
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Compliance & Risk Manager

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Michael Bindman
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Information Technology Manager

Carrie Burrell
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Dennis Byun
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SBA Business Development Manager

Michael Carlson
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SBA Business Development Manager

Maria Gonzalez
Vice President
Central Operations Manager

Jean Grall
Vice President
BSA Officer

Allen Hafizi
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Loan Operations Manager

Cody Lam
Assistant Vice President
AR Portfolio Manager

Lucas Olson
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Sun Valley Office

Griselda De Mel
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Relationship Manager

Lola Forbis
Vice President
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Relationship Manager

Tony Rodriguez
Vice President
Operations Manager

Santa Clarita Valley

Rachel Carrillo
Assistant Vice President
Junior Business Development Officer

Welmer Jurado
Vice President
Relationship Manager

Steve Nuñez
Vice President
Relationship Manager

Laura Soto
Assistant Vice President
Operations Manager

Investor Information

Common Stock:

Effective July 23, 2014, Mission Valley Bancorp's stock began trading on the OTCQX market under the symbol "MVLY". As of December 31, 2020 there were 156 shareholders of record and 3,245,871 shares of common stock outstanding.

Stock Information:

D.A. Davidson & Co.
Community Bank & Wealth Management Group
Michael R. Natzic, CWS® | Senior Vice President, Branch Manager
Katy E. Ehlers, CWS® | Associate Vice President
(909) 584-4500 | (800) 288-2811
cbwm@dadco.com

Stock Transfer Agent:

Shareholders with inquiries regarding accounts, lost stock certificates or changes of address, may contact Lisa Mora, Corporate Secretary of Mission Valley Bancorp at (818) 394-2300 during regular business hours or Computershare at (800) 962-4284 24 hours a day.

Written correspondence may be sent to:

Computershare
462 South 4th Street, Suite 1600
Louisville, KY 40202

MISSION VALLEY BANCORP

2020 FINANCIAL STATEMENTS

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