MISSION VALLEY BANCORP

2024

Annual Report

MISSION
VALLEY
BANCORP

MISSION VALLEY BANCORP

YOUR SUCCESS IS OUR MISSION, DRIVING US TO CHALLENGE THE STATUS QUO AND REDEFINE WHAT IS POSSIBLE.

TAMARA GURNEY

TO OUR SHAREHOLDERS, CLIENTS, AND FRIENDS

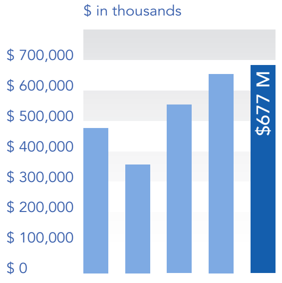
On behalf of Management and the Board of Directors, I am proud to report that Mission Valley Bancorp ("Mission Valley" or the "Company") had another successful year, largely driven by our strong earnings and strategic initiatives, resulting in net income of $6.2 million or $1.87 per diluted share, deposit growth of $27.1 million, or 5.2%, and loan growth of $28.0 million, or 5.4%, for the year ended December 31, 2024. Our 2024 net income of $6.2 million compares favorably to our record breaking 2023 net income of $7.4 million, when considering the one-time grant income of $3.5 million, net of tax, that was received in the prior year.

2024 Performance Highlights:

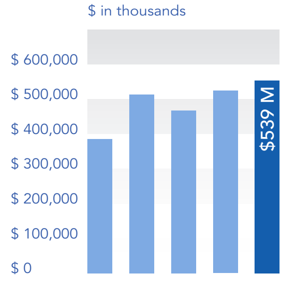
- Net Income of $6.2 million, or $1.87 per diluted share.
- Net Interest Income increased by $3.3 million, or 13.58%, to $27.5 million in 2024.
- Net Interest Margin of 4.42% for 2024.
- Non-Interest Income decreased by $2.7 million, or 22.12%, to $9.6 million in 2024. Non-Interest Income includes grant income and gain on sale of Small Business Administration ("SBA") loans.
- Sold $77.0 million in SBA loans resulting in gain on sale of $3.7 million in 2024, compared to $39.1 million in SBA loans sold and gain on sale of $2.6 million in 2023.
- Completed a securitization of $33.6 million in SBA unguaranteed loan principal in the second quarter of 2024, which resulted in $25.4 million in net proceeds at closing, $6.8 million in a new cost method investment, and $0.3 million in net gain.
- Sold available-for-sale investment securities totaling $9.8 million in book value, resulting in $0.5 million loss on sale recognized in Non-Interest Income, to reposition the investment portfolio with the purchase of available-for-sale investment securities totaling $9.3 million in book value.
- Gross Loans increased by $28.0 million, or 5.4%.
- Total Deposits increased by $27.1 million, or 5.2%.
- Opening of new branch in Burbank, California.

Regardless of the market conditions throughout the year, loan demand remained strong, enabling Mission Valley to close 2024 with Net Loans of $539.1 million as of December 31, 2024, up $28.1 million or 5.5% from the $511.0 million reported as of December 31, 2023. Provision for Credit Losses decreased by $0.3 million in 2024, to $1.1 million, compared to $1.4 million in 2023.

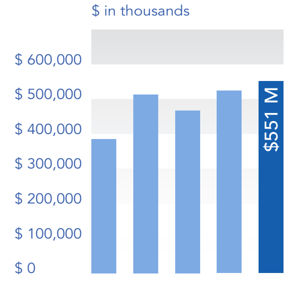
TOTAL ASSETS
$ in thousands



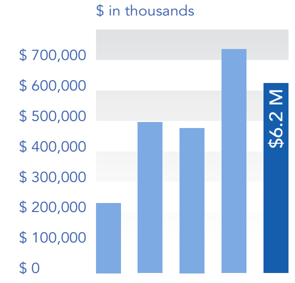
NET LOANS
$ in thousands



TOTAL DEPOSITS
$ in thousands



NET INCOME
$ in thousands



2024 loan production was strong, reaching $146.3 million, through the origination of Commercial, Commercial Real Estate, SBA and Accounts Receivable Financing loans. This strength of production allowed for the sale of $77.0 million in SBA loans, resulting in a gain on sale of $3.7 million during 2024. The strong production also drove a 13.58%, or $3.3 million, increase in Net Interest Income in 2024.

Total Deposits grew by 5.2%, reaching $551.3 million, closing the year up $27.1 million. Total interest expense rose $6.6 million to $15.9 million for the year ended December 31, 2024 due to the growth in deposits and interest rates continuing to remain high.

Mission Valley Bancorp's capital position remains healthy, reporting a Leverage Ratio of 10.09%, Common Equity Tier 1 Capital Ratio of 10.00%, Tier 1 Capital ratio of 10.95%, and total Risk Based Capital Ratio of 12.20%. All continuing to exceed regulatory requirements.

The strong financial performance Mission Valley experienced during 2024 is a direct reflection of the quality of our team, our platform, and our commitment to building a resilient balance sheet. Entering 2025, our balance sheet is well positioned with a solid capital base to carry us forward and a tremendous team dedicated to our success and to the success of our clients and shareholders.

As we look ahead, we remain focused on navigating both challenges and opportunities with resilience and purpose. In the wake of recent events such as the Southern California fires, our commitment to supporting our clients and communities is stronger than ever.

A key milestone for 2024 was the opening of our new branch in Burbank, reinforcing our presence in the region and laying the groundwork for additional branch expansion currently in the planning stages. Strengthening our net core deposit base continues to be a top priority as we work to drive sustainable liquidity and deepen client relationships.

At the same time, our digital transformation efforts are advancing, with a focus on improving operational efficiency, enhancing the overall client experience, and expanding our reach. With a disciplined approach to growth and a strong foundation, Mission Valley Bancorp is well-positioned to continue delivering steady, controlled progress throughout 2024 and beyond. On behalf of our entire team, thank you for your continued confidence and support.

Tamara Gurney

Tamara Gurney
President and CEO

Mission Valley Bancorp
Mission Valley Bank

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MOSSADAMS

Report of Independent Auditors

The Board of Directors and Shareholders
Mission Valley Bancorp

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Mission Valley Bancorp and its subsidiaries, which comprise the consolidated statements of financial condition as of December 31, 2024 and 2023, 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 consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mission Valley Bancorp and its subsidiaries as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mission Valley Bancorp and its subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mission Valley Bancorp and its subsidiaries' internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mission Valley Bancorp and its subsidiaries' ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial condition and income are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Moss Adams LLP

Los Angeles, California
April 9, 2025

Financial Statements

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

	Years Ended December 31, 2024	2023
ASSETS		
CASH AND DUE FROM BANKS	$ 45,963	$ 52,479
INTEREST BEARING DEPOSITS IN OTHER BANKS	2,375	2,615
SECURITIES AVAILABLE-FOR-SALE, net of allowance for credit losses of $0 as of December 31, 2024 and 2023	45,056	50,402
EQUITY SECURITIES	752	701
LOANS, net of allowance for credit losses of $8,099 and $7,215 as of December 31, 2024 and 2023, respectively	539,082	511,018
PREMISES AND EQUIPMENT, net	1,196	281
DEFERRED TAX ASSET, net	4,945	4,888
BANK OWNED LIFE INSURANCE	11,824	11,484
RESTRICTED EQUITY SECURITIES	10,165	3,200
ACCRUED INTEREST RECEIVABLE	3,548	2,911
OTHER ASSETS	12,399	13,728
Total assets	$ 677,305	$ 653,707
LIABILITIES AND SHAREHOLDERS' EQUITY		
DEPOSITS		
Non-interest-bearing demand	$ 193,871	$ 187,712
Interest-bearing demand	122,157	143,378
Savings	106,107	49,493
Time deposits $250,000 and under	96,470	102,296
Time deposits over $250,000	32,732	41,377
Total deposits	551,337	524,256
JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES	6,186	6,186
NOTES PAYABLE	1,850	1,650
OTHER BORROWINGS	45,000	55,000
ACCRUED INTEREST PAYABLE AND OTHER LIABILITIES	13,669	13,605
Total liabilities	618,042	600,697
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; 3,345,882 and 3,328,554 shares issued and outstanding at December 31, 2024 and 2023, respectively	12,747	12,747
Additional paid-in capital	3,791	3,551
Retained earnings	46,863	41,130
Accumulated other comprehensive loss	(4,138)	(4,418)
Total shareholders' equity	59,263	53,010
Total liabilities and shareholders' equity	$ 677,305	$ 653,707

See accompanying notes

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

	Years Ended December 31, 2024	2023
INTEREST INCOME		
Interest and fees on loans	$ 39,214	$ 30,549
Interest on securities	2,091	1,578
Other interest income	2,115	1,418
Total interest income	43,420	33,545
INTEREST EXPENSE		
Interest on deposits	13,261	7,611
Interest on borrowings	2,670	1,732
Total interest expense	15,931	9,343
NET INTEREST INCOME	27,489	24,202
PROVISION FOR CREDIT LOSSES	1,100	1,350
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	26,389	22,852
NONINTEREST INCOME		
Service charges and other fees	1,526	1,503
Gain on sale of loans	3,680	2,567
Loan servicing fees	1,878	1,401
Net merchant income	677	769
Increase in cash surrender value of bank owned life insurance	340	315
Loss on sale of securities available-for-sale	(497)	(906)
Gain on sale of other real estate owned	-	35
Gain on loan securitization	489	-
Grant income	200	5,395
Change in fair value of servicing assets	(567)	(542)
Other income	1,900	1,812
Total noninterest income	9,626	12,349
NON-INTEREST EXPENSES		
Salaries, wages, and employee benefits	18,399	17,179
Legal, professional, and consulting	2,002	1,603
Furniture and equipment	1,489	1,223
Data processing	721	796
Occupancy	931	868
Advertising	870	334
Insurance	431	366
Other operating expenses	2,408	2,598
Total noninterest expenses	27,251	24,967
NET INCOME BEFORE PROVISION FOR INCOME TAXES	8,764	10,234
Provision for income taxes	2,531	2,877
NET INCOME	$ 6,233	$ 7,357
EARNINGS PER COMMON SHARE – basic	$ 1.87	$ 2.22
EARNINGS PER COMMON SHARE – diluted	$ 1.87	$ 2.22

See accompanying notes

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

	Years Ended December 31, 2024	2023
NET INCOME	$ 6,233	$ 7,357
Other comprehensive income		
Reclassification adjustment for realized loss on securities available-for-sale, net of tax of $147 and $268 in 2024 and 2023, respectively	350	638
Change in unrealized gain (loss) on cash flow hedge, net of tax of $85 and $(12) in 2024 and 2023, respectively	202	(29)
Change in unrealized (loss) gain on securities available-for-sale, net of tax of $(114) and $7 in 2024 and 2023, respectively	(272)	16
Other comprehensive income	280	625
Total comprehensive income	$ 6,513	$ 7,982

See accompanying notes

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

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
BALANCE, December 31, 2022	3,308,219	$ 12,747	$ 3,135	$ 34,575	$ (5,043)	$ 45,414
Cumulative effect of change in accounting principle, net of tax (1)	-	$ -	$ -	$ (306)	$ -	$ (306)
Share-based compensation expense	-	-	416	-	-	416
Issuance of stock awards	20,335	-	-	-	-	-
Cash dividends paid on common stock	-	-	-	(496)	-	(496)
Total comprehensive income	-	-	-	7,357	625	7,982
BALANCE, December 31, 2023	3,328,554	12,747	3,551	41,130	(4,418)	53,010
Share-based compensation expense	-	-	240	-	-	240
Issuance of stock awards	17,328	-	-	-	-	-
Cash dividends paid on common stock	-	-	-	(500)	-	(500)
Total comprehensive income	-	-	-	6,233	280	6,513
BALANCE, December 31, 2024	3,345,882	$ 12,747	$ 3,791	$ 46,863	$ (4,138)	$ 59,263

[1] Related to the adoption of Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses* (Topic 326) on January 1, 2023.

See accompanying notes

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

	Years Ended December 31, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 6,233	$ 7,357
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization of premises and equipment	149	162
Provision for credit losses	1,100	1,350
Accretion of deferred loan fees, costs, and premium, net	(2,243)	(414)
Loss on sale of securities available-for-sale	497	906
Gain on sale of loans	(3,680)	(2,567)
Gain on sale of other real estate owned	-	(35)
Gain on loan securitization	(489)	-
Amortization of securities, net	(518)	32
Shared-based compensation expense	240	416
Deferred taxes	(174)	(784)
Increase in cash surrender value of bank owned life insurance	(340)	(315)
Net change in		
Accrued interest receivable and other assets	4,786	(5,539)
Accrued interest payable and other liabilities	(486)	5,551
Net cash provided by operating activities	5,075	6,120
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in interest bearing deposits in other banks, net	240	(5)
Purchases of securities available-for-sale	(9,337)	(10,822)
Proceeds from repayments, maturities, and sales of securities available-for-sale	14,764	14,985
Proceeds from loans held for sale previously classified as held for investment	83,006	45,746
Proceeds from loan securitization	32,953	-
Proceeds from the sale of other real estate owned	-	184
Purchases of restricted equity securities	(6,965)	(648)
Net increase in loans	(141,969)	(125,542)
Purchases of premises and equipment	(1,064)	(81)
Net cash used in investing activities	(28,372)	(76,183)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (decrease) increase in time deposits	(14,471)	54,370
Net increase in notes payable	200	201
Net (decrease) increase in short-term other borrowings	(5,000)	25,000
Proceeds from long-term other borrowings	5,000	10,000
Repayment on long-term other borrowings	(10,000)	(5,000)
Net increase in other deposits	41,552	2,702
Cash dividends paid on common stock	(500)	(496)
Net cash provided by financing activities	16,781	86,777
CHANGE IN CASH AND DUE FROM BANKS	(6,516)	16,714
Cash and due from banks, beginning of year	52,479	35,765
Cash and due from banks, end of year	$ 45,963	$ 52,479
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 15,902	$ 9,662
Taxes paid	$ 2,190	$ 4,165
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfers of loans receivable held for investment to loans receivable held for sale	$ 77,037	$ 39,054
Lease liabilities arising from obtaining right-of-use assets	$ 550	$ 4,392

See accompanying notes

Note 1 – Summary of Significant Accounting Policies

Nature of operations – Mission Valley Bancorp (the “Company”) is a bank holding company headquartered in Sun Valley, California with two wholly owned subsidiaries Mission Valley Bank (the "Bank") and Mission SBA Loan Servicing LLC (“Mission SBA”). The Bank was founded in 2001, as 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”). The Bank provides a full range of banking services to corporate and individual customers and has three branches located in Sun Valley, Valencia, and Burbank, California.

Mission SBA was established in 2021, as a lender service provider (“LSP”) that provides lending services, such as underwriting, processing, closing, servicing, and referral/placement services, to other financial institutions.

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 subsidiaries, Mission Valley Bank and Mission SBA. 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, a variable interest entity. The Company determined that it is not the primary beneficiary of Mission Valley Statutory Trust I, therefore Mission Valley Statutory Trust I is not consolidated in the Company’s financial statements. 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 credit losses, valuation of investment securities, valuation of deferred tax assets, and share-based compensation.

Note 1 – Summary of Significant Accounting Policies (continued)

Adoption of new accounting standards – In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, to provide financial statement users with more disaggregated expense information about a public entity’s reportable segments. The amendments in the ASU are intended to improve reportable segment disclosure requirements including requiring the disclosure of significant segment expenses that are regularly provided to the chief operating decision maker (“CODM”), qualitative disclosure of other segment items, and allowing the disclosure of multiple measures of segment profit or loss. This ASU is effective for all entities for fiscal years beginning after December 15, 2023 and was implemented by the Company as of December 31, 2024. The amendments in the ASU have been applied retrospectively to all prior periods presented.

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, 2024 and 2023, the Company did not have any significant concentrations in its business with any one customer.

As of December 31, 2024 and 2023, 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 65% and 70% of total gross loans held for investment at December 31, 2024 and 2023, respectively. Management has taken this factor into account in the determination of the allowance for credit losses.

Cash and due from banks – 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, 2024 and 2023.

Cash equivalents include federal funds sold, securities, and interest-bearing deposits in other banks with original maturities of ninety days or less. There were no cash equivalents as of December 31, 2024 and 2023.

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 deposit in major financial institutions located throughout the United States of America.

Note 1 – Summary of Significant Accounting Policies (continued)

Securities – In accordance with generally accepted accounting principles, the Company is required to designate its readily marketable investment securities as “held-to-maturity,” “available-for-sale,” or “trading.” Debt securities that 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 are classified as “held-to-maturity” and reported at amortized cost. The Company did not classify any debt securities as “held-to-maturity” at December 31, 2024 and 2023.

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.

The Company did not designate any of its investments as trading securities at December 31, 2024 and 2023.

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.

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 income as of the trade date and determined using the amortized cost of the specific security sold.

Each reporting period management evaluates impairment where there has been a decline in fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline in fair value. Management considers the nature of the collateral, potential future changes in collateral values, default rates, delinquency rates, third-party guarantees, credit ratings, interest rate changes since purchase, volatility of the security’s fair value and historical loss information for financial assets secured with similar collateral among other factors. Credit losses are calculated individually, rather than collectively, using a discounted cash flow method, whereby management compares the present value of expected cash flows with the amortized cost basis of the security. The credit loss component is recognized through the provision for credit losses on the consolidated statements of income.

Note 1 – Summary of Significant Accounting Policies (continued)

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

Changes in the allowance for credit losses on securities available-for-sale are recorded as a provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of a security available-for-sale is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on available-for-sale debt securities is not included in the estimate of credit losses.

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

Restricted equity securities – Restricted equity securities include equity investments without a readily determinable fair value and are carried at the alternative cost method. The alternative cost method results in these investments being recorded at cost, less any impairment, plus or minus changes resulting from observable market transactions with adjustments reported as a component of other income on the consolidated statements of income.

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, 2024 and 2023, the Company held $2,849,000 and $2,669,000, respectively, of shares of FHLB stock, which is carried at cost and classified as restricted equity securities.

The Company 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, 2024 and 2023, the Company held $531,000 of PCBB stock, which is carried at cost and classified as restricted equity securities.

The Company accounts for its equity interest in a securitization trust as a restricted equity security. This equity investment totaled $6,785,000 at December 31, 2024. Refer to Note 21 for additional information related to the securitization.

The Company evaluates restricted equity securities for impairment on a periodic basis. No impairment was recorded on restricted equity securities for the years ended December 31, 2024 and 2023.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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.

Allowance for credit losses on loans – The Company to records an allowance for credit losses ("allowance" or "ACL") on loans that represents an amount that is adequate to absorb the expected lifetime credit losses on loans at the time of origination or acquisition. The ACL is maintained at a level deemed appropriate by management to provide for expected credit losses in the portfolio as of the date of the consolidated statements of financial condition. Estimating expected credit losses requires management to use relevant available information, from internal and external sources, relating to past events, current conditions, historical loss experience, and reasonable and supportable forecasts. Determination of the adequacy of the allowance is inherently complex and requires the use of significant and highly subjective estimates.

The ACL on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed and recoveries are credited to the allowance when received. In the case of recoveries, amounts may not exceed the aggregate of amounts previously charged off. Adjustments to the allowance are reported in our consolidated income statement as a component of the provision for credit losses.

Management has made an accounting policy election to exclude accrued interest receivable on loans from the estimate of credit losses for loans.

Note 1 – Summary of Significant Accounting Policies (continued)

The Company has segmented the loan portfolio according to loans that share similar attributes and risk characteristics. Each segment possesses varying degrees of risk based on, among other things, the type of loan and collateral. These segment groupings are real estate loans, commercial loans, SBA loans, accounts receivable loans, advanced restaurant financing loans, consumers loans, and overdrafts. Within each segment grouping there are various classes of loans as described below. The Company determines the ACL for loans based on this more detailed loan segmentation and classification.

Real estate loans - Real estate loans are comprised of various types of loans for which the Company holds real property as collateral including commercial real estate ("CRE") loans, multi-family loans, and construction loans. We make commercial mortgage loans collateralized by owner-occupied and non-owner-occupied real estate, as well as multi-family residential loans. The primary risks of CRE loans include the borrower's inability to pay, material decreases in the value of the collateralized real estate and significant increases in interest rates, which may make the real estate loan unprofitable. CRE loans may be more adversely affected by conditions in the real estate markets or in the general economy. Construction loans are considered to have higher risks due to construction completion and timing risk, the ultimate repayment being sensitive to interest rate changes, government regulation of real property and the availability of long-term financing. Additionally, economic conditions may impact the Company's ability to recover its investment in construction loans, as adverse economic conditions may negatively impact the real estate market, which could affect the borrower's ability to complete and sell the project. Additionally, the fair value of the underlying collateral may fluctuate as market conditions change.

Commercial loans - Commercial loans are comprised of commercial and industrial ("C&I") loans secured by business assets including inventory, receivables and machinery and equipment of businesses located generally in the Company's primary market area. Loan types in this segment include revolving lines of credit, term loans, and loans secured by liquid collateral such as cash deposits. Risks associated with C&I loans arises primarily due to the difference between expected and actual cash flows of the borrowers. In addition, the recoverability of the Company's investment in these loans is also dependent on other factors primarily dictated by the type of collateral securing these loans. The fair value of the collateral securing these loans may fluctuate as market conditions change. In the case of loans secured by accounts receivable, the recovery of the Company's investment is dependent upon the borrower's ability to collect amounts due from its customers.

Small Business Administration ("SBA") loans – The Company originates certain C&I and CRE loans under the SBA's 7(a) and 504(a) loan programs, in conformity with SBA underwriting and documentation standards. These loans contain additional credit enhancements provided by the SBA, and SBA 7(a) loans are guaranteed in part by the SBA. The risks inherent in this portfolio include increases in interest rates due to variable rate structures, generally lower levels of borrower equity or net worth, fluctuations in real estate values and changes in the local and national economy.

Accounts receivable loans – Accounts receivable ("AR") loans are comprised of factored AR financing and AR formula revolving loans. These loans are secured by accounts receivable and business assets. Risks associated with AR loans arises primarily relate to the borrower's ability to collect amounts due from its customers. The fair value of the collateral securing these loans may fluctuate as market conditions change.

Note 1 – Summary of Significant Accounting Policies (continued)

Advanced restaurant financing loans – Advanced restaurant financing ("ARF") loans are comprised of homogenous low dollar commercial loans to restaurants that the Company acquires a participating interest from the direct lender. ARF loans are secured by business assets including inventory and machinery and equipment. Risks associated with ARF loans arises primarily due to the difference between expected and actual cash flows of the borrowers. In addition, the recoverability of the Company's investment in these loans is also dependent on other factors primarily dictated by the type of collateral securing these loans. The fair value of the collateral securing these loans may fluctuate as market conditions change.

Consumer and other loans - The Company originates a limited number of consumer loans, generally for banking customers only, which consist primarily of home equity lines of credit and overdrafts. Repayment of these loans is dependent on the borrower's ability to pay and the fair value of the underlying collateral.

The ACL for the loan portfolio segments identified above, with the exception of ARF loans, are calculated using a historical loss rate methodology, which utilizes the Company's historical loss experience adjusted for future economic forecasts. The reasonable and supportable forecast period represents a one-year economic outlook for the applicable economic variables. Following the end of the reasonable and supportable forecast period expected losses revert back to the historical loss experience immediately. Economic variables that have the most significant impact on the allowance include unemployment rate and gross domestic product ("GDP"). Adjustments to historical loss experience are made for differences in the current loan-specific risk characteristics such as differences in lending policies and procedures including underwriting standards, concentration, nature and volume of the loan portfolio, or lending management/staff as well as for changes in environmental conditions, such as changes in economic conditions, collateral values, delinquency level or other relevant factors. Contractual loan level cash flows are adjusted for the Company's historical prepayment and curtailment rate experience.

Two smaller portfolios, ARF loans and a small pool of participated C&I loans, are evaluated using a simplified loss-rate method that calculates lifetime expected credit losses for the respective pools (simplified approach).

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines foreclose is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs.

When the discounted cash flow method is used to determine the allowance for credit losses, management does not adjust the effective interest rate used to discount expected cash flows to incorporate expected prepayments.

Note 1 – Summary of Significant Accounting Policies (continued)

Contractual Term: Expected credit losses are estimated over the contractual term of loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date than an extension or renewal option are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Allowance for credit losses on off-balance sheet credit exposures – The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposure is adjusted through a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The estimate utilizes the same factors and assumptions as the allowance for credit losses on loans and is applied at the same collective segmentation and classification level.

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.

Sales and securitizations of financial assets – The Company sells financial assets in the normal course of business, the majority of which are the sale of the guaranteed portion of SBA loans with the Company retaining the unguaranteed portion, as well as commercial loan sales through participation agreements, and other individual or portfolio loan and securities sales. The Company may at times also securitize loans. Transfers of an entire financial asset, a group of entire financial assets, a participating interest in an entire financial asset, or a securitization are accounted for as sales when control over the assets have been surrendered. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Note 1 – Summary of Significant Accounting Policies (continued)

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. Servicing assets are reported as a component of other assets on the consolidated statements of financial condition with changes in the fair value of servicing assets reported as a component of non-interest income on the consolidated statements of income.

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.

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 no other real estate owned properties acquired and none sold for the year ended December 31, 2024. One other real estate owned property was sold for the year ended December 31, 2023.

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 noninterest income and are not subject to income tax.

Note 1 – Summary of Significant Accounting Policies (continued)

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. FASB 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 income 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 accounts for income taxes in accordance with FASB ASC Topic 740, Income Taxes (“ASC 740”). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income. The Company determines deferred income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are established 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. A valuation allowance, if needed, reduces deferred assets to the amount expected to be realized.

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 50% likely of being realized upon ultimate settlement. Interest and penalties associated with uncertain tax positions are recognized as components of other operating expenses in the consolidated statements of income. The Company did not recognize any uncertain tax positions at December 31, 2024 and 2023.

Note 1 – Summary of Significant Accounting Policies (continued)

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 income 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 $870,000 and $334,000 for the years ended December 31, 2024 and 2023, 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.

Operating segments – As defined in FASB ASC Topic 280, Segment Reporting ("ASC 280"), an operating segment is a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the enterprise's chief operating decision makers ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company's Chief Financial Officer, who is the designated CODM, determined the Company has three operating segments: the community bank, Mission SBA, and holding company/administration. The community bank business is that of a traditional banking institution, gathering deposits and originating loans for portfolio in its market areas. Mission SBA provides lending services, such as underwriting, processing, closing, servicing, and referral/placement services, to other financial institutions. The holding company/administration segment includes all aspects of the parent company and intercompany eliminations. The performance of the Company is reviewed and monitored by the Company's executive management, including CODM, on a daily basis and the Board of Directors reviews and monitors the performance of the Company on a monthly basis at minimum.

Mission Valley Bancorp
Notes to Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Earnings per common share ("EPS") – Earnings per common share amounts have been computed using the weighted average number of shares outstanding of common stock for the purposes of computing basic EPS. 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 17,328 and 20,335 restricted stock awards that vested during the years ended December 31, 2024 and 2023, respectively. There were no restricted stock awards issued during the year ended December 31, 2024 and 2023. 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 and diluted EPS is calculated as follows:

(In thousands, except per share data)	2024	2023
BASIC EARNINGS PER COMMON SHARE		
Net income	$ 6,233	$ 7,357
Weighted-average common shares outstanding	3,335	3,315
Earnings per common share – basic	$ 1.87	$ 2.22
DILUTED EARNINGS PER COMMON SHARE		
Net income	$ 6,233	$ 7,357
Weighted-average common shares outstanding	3,335	3,315
Dilutive effect of stock options and restricted stock awards	5	2
Weighted-average shares outstanding, including potentially dilutive effect of stock options and restricted stock awards	3,340	3,317
Earnings per common share – diluted	$ 1.87	$ 2.22

Note 1 – Summary of Significant Accounting Policies (continued)

Fair value measurements – FASB ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), 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. 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 the Company's 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.

Revenue recognition – The Company records revenue from contracts with customers in accordance with FASB ASC 606, Revenue from Contracts with Customers ("ASC 606"). Under ASC 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the Company satisfies a performance obligation. A large portion of the Company's revenue are derived from interest and fees earned on loans, investment securities and other financial instruments that are not within the scope of ASC 606. The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed, charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying ASC 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

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, 2024 and 2023, were as follows:

	December 31, 2024				
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credt Losses	Estimated Fair Value
Available-for-Sale					
Agency securities	$ 2,962	$ -	(333)	$ -	$ 2,629
Mortgage and asset-backed securities	40,810	21	(5,188)	-	35,643
Corporate bonds	7,709	-	(925)	-	6,784
	$ 51,481	$ 21	$ (6,446)	$ -	$ 45,056

	December 31, 2023				
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credt Losses	Estimated Fair Value
Available-for-Sale					
Agency securities	$ 5,963	$ -	$ (692)	$ -	$ 5,271
Mortgage and asset-backed securities	43,252	50	(4,689)	-	38,613
Corporate bonds	7,723	-	(1,205)	-	6,518
	$ 56,938	$ 50	$ (6,586)	$ -	$ 50,402

Note 2 – Investment Securities (continued)`

Information pertaining to investment securities with gross unrealized losses at December 31, 2024 and 2023, aggregated by investment category and length of time that individual securities have been in continuous loss position is as follows:

	December 31, 2024					
	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	$ -	$ -	$ 2,629	$ (333)	$ 2,629	$ (333)
Corporate bonds	-	-	6,784	(925)	6,784	(925)
Mortgage and asset-backed securities	10,817	(636)	23,153	(4,552)	33,970	(5,188)
	$ 10,817	$ (636)	$ 32,566	$ (5,810)	$ 43,383	$ (6,446)

	December 31, 2023					
	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	$ -	$ -	$ 5,271	$ (692)	$ 5,271	$ (692)
Corporate bonds	-	-	6,518	(1,205)	6,518	(1,205)
Mortgage and asset-backed securities	7,845	(132)	27,582	(4,557)	35,427	(4,689)
	$ 7,845	$ (132)	$ 39,371	$ (6,454)	$ 47,216	$ (6,586)

As of December 31, 2024, the Company has fifty-five available-for-sale securities in an unrealized loss position. The Company has sixty available-for-sale securities in an unrealized loss position as of December 31, 2023. There were forty-seven available-for-sale securities in an unrealized loss position for twelve months or more as of December 31, 2024. There were fifity-five available-for-sale securities in an unrealized loss position for twelve months or more as of December 31, 2023.

As of December 31, 2024, the majority of Company's available-for-sale investments are mortgage and asset-backed securities, corporate bonds, and agency securities. The Company does not intend to sell these securities, nor anticipates that these securities will be required to be sold before recovery. The unrealized losses are due to changes in market interest rates or widening of market spreads subsequent to the initial purchase of the securities. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such securities decline. The Company does not believe any of these securities are impaired due to reasons of credit quality. If the Company assesses the need to sell a security due to a corporate's risk rating decline, the related losses are recognized in earnings. There was no allowance for credit losses on debt securities available-for-sale as of December 31, 2024 and 2023.

Note 2 – Investment Securities (continued)`

The amortized cost and estimated fair values of investment securities at December 31, 2024 and 2023, 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, 2024		December 31, 2023	
(In thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Available-for-Sale				
Due in one year or less	$ 1,503	$ 1,492	$ -	$ -
Due from one to five years	2,254	1,740	3,985	3,522
Due in more than five years	47,724	41,824	52,953	46,880
	$ 51,481	$ 45,056	$ 56,938	$ 50,402

The Company realized sales proceeds of $9,323,000 and gross losses of $497,000 related to the sale of available-for-sale securities in the year ended December 31, 2024. The Company realized sales proceeds of $8,006,000 and gross losses of $906,000 related to the sale of available-for-sale securities in the year ended December 31, 2023.

Note 3 – Loans and Allowance for Credit Losses

The composition of the Company's loan portfolio at December 31, 2024 and 2023, was as follows:

(In thousands)	2024	2023
Real estate loans	$ 274,796	$ 265,040
Commercial loans	113,733	89,034
Consumer loans	75	802
SBA loans	88,405	113,505
Accounts receivable loans	54,647	39,453
Advanced restaurant financing loans	14,526	10,429
Overdrafts	835	725
Gross loans	547,017	518,988
Less		
Deferred loan fees (costs), net	(2,096)	(1,934)
Discount on retained loans	1,932	2,689
Allowance for credit losses	8,099	7,215
Loans, net	$ 539,082	$ 511,018

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

The following tables present the activity in the allowance for credit losses by loan portfolio segment for the years ended December 31, 2024 and 2023.

	Allowance for Credit Losses As of and For the Year Ended December 31, 2024				
(In thousands)	Beginning Balance	Provision (Recapture) for Credit Losses Charged to Expense	Charge-offs	Recoveries on Loans Previously Charged-off	Ending Balance
Real estate loans	$ 4,435	$ (423)	$ -	$ -	$ 4,012
Commercial loans	1,551	111	(35)	65	1,692
Consumer loans	23	(23)	-	-	-
SBA loans	923	623	(120)	14	1,440
Accounts receivable loans	218	598	-	-	816
Advance restaurant financing loans	52	20	-	-	72
Overdrafts	-	-	-	-	-
Unallocated	13	54	-	-	67
Total	$ 7,215	$ 960	$ (155)	$ 79	$ 8,099

	Allowance for Loan Losses As of and For the Year Ended December 31, 2023					
(In thousands)	Beginning Balance Prior to Adoption of ASC 326	Impact of Adopting ASC 326	Provision (Recapture) for Credit Losses Charged to Expense	Charge-offs	Recoveries on Loans Previously Charged-off	Ending Balance
Real estate loans	$ 3,182	$ 812	$ 441	$ -	$ -	$ 4,435
Commercial loans	771	256	482	-	42	1,551
Consumer loans	7	32	(16)	-	-	23
SBA loans	1,238	(459)	600	(456)	-	923
Accounts receivable loans	668	(273)	(177)	-	-	218
Advance restaurant financing loans	40	-	12	-	-	52
Overdrafts	4	(4)	-	-	-	-
Unallocated	(1)	6	8	-	-	13
Total	$ 5,909	$ 370	$ 1,350	$ (456)	$ 42	$ 7,215

Note 3 – Loans and Allowances for Credit Losses (continued)

Management believes that the allowance for credit losses was adequate as of December 31, 2024 and 2023. There is, however, no assurance that future loan losses will not exceed the levels provided for in the allowance for credit losses and could possibly result in additional charges to the provision for credit losses.

As of December 31, 2024, loans evaluated on an individual basis were comprised of $11,303,000 in accounts receivable loans with corresponding allowance for credit losses of $600,000, $3,516,000 in commercial loans with corresponding allowance for credit losses of $400,000, $5,836,000 in real estate loans with no corresponding allowance for credit loss, and $5,764,4000 in SBA loans with corresponding allowance for credit losses of $200,000.

As of December 31, 2023, loans evaluated on an individual basis was comprised of $1,380,000 in commercial loans with corresponding allowance for credit losses of $400,000 and $333,000 in SBA loans with corresponding allowance for credit losses of $240,000.

The Company maintains an allowance for credit losses on off-balance sheet credit exposures related to unfunded loans and lines of credit, which is included in other liabilities of the consolidated statements of financial condition. The allowance for credit losses related to off-balance sheet credit exposures were $214,000 and $74,000 as of December 31, 2024 and 2023, respectively. The provision for credit losses related to off-balance sheet credit exposures totaled $140,000 for the year ended December 31, 2024. There was no provision for credit losses related to off-balance sheet credit exposures for the year ended December 31, 2023.

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

The following tables present the loan portfolio by credit quality indicator as of December 31, 2024 and 2023:

Credit Quality Indicator by Loan Segment and Vintage
As of December 31, 2024

	Term Loans by Origination Year						
	2024	2023	2022	2021	Prior	Revolving Loans	Total
(In thousands)							
Real estate loans:							
Pass/watch	$ 29,357	$ 47,973	$ 59,163	$ 42,200	$ 64,742	$ 12,513	$ 255,948
Special mention	-	-	6,565	6,447	-	-	13,012
Substandard	-	-	3,905	-	1,931	-	5,836
Total	$ 29,357	$ 47,973	$ 69,633	$ 48,647	$ 66,673	$ 12,513	$ 274,796
Commercial loans:							
Pass/watch	$ 29,189	$ 40,796	$ 6,251	$ 92	$ 6,902	$ 26,433	$ 109,663
Special mention	-	-	94	97	333	-	524
Substandard	-	227	2,809	-	-	510	3,546
Total	$ 29,189	$ 41,023	$ 9,154	$ 189	$ 7,235	$ 26,943	$ 113,733
Consumer loans:							
Pass/watch	$ -	$ -	$ -	$ -	$ -	$ 75	$ 75
Total	$ -	$ -	$ -	$ -	$ -	$ 75	$ 75
SBA loans:							
Pass/watch	$ 16,033	$ 10,666	$ 23,560	$ 6,885	$ 4,262	$ 19,085	$ 80,491
Special mention	-	-	243	52	1,854	-	2,149
Substandard	-	-	3,322	-	718	1,725	5,765
Total	$ 16,033	$ 10,666	$ 27,125	$ 6,937	$ 6,834	$ 20,810	$ 88,405
Accounts receivable loans:							
Pass/watch	$ -	$ -	$ -	$ -	$ -	$ 42,347	$ 42,347
Special mention	-	-	-	-	-	997	997
Substandard	-	-	-	-	-	11,303	11,303
Total	$ -	$ -	$ -	$ -	$ -	$ 54,647	$ 54,647
Advanced restaurant financing loans:							
Pass/watch	$ 13,397	$ 1,129	$ -	$ -	$ -	$ -	$ 14,526
Total	$ 13,397	$ 1,129	$ -	$ -	$ -	$ -	$ 14,526
Overdrafts:							
Pass/watch	$ -	$ -	$ -	$ -	$ -	$ 835	$ 835
Total	$ -	$ -	$ -	$ -	$ -	$ 835	$ 835

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

Credit Quality Indicator by Loan Segment and Vintage
As of December 31, 2023

	Term Loans by Origination Year					
	2023	2022	2021	Prior	Revolving Loans	Total
(In thousands)						
Real estate loans:						
Pass/watch	$ 53,588	$ 77,370	$ 53,972	$ 72,649	$ 2,053	$ 259,632
Special mention	-	-	2,040	3,368	-	5,408
Total	$ 53,588	$ 77,370	$ 56,012	$ 76,017	$ 2,053	$ 265,040
Commercial loans:						
Pass/watch	$ 34,658	$ 17,695	$ 10,715	$ 10,209	$ 14,015	$ 87,292
Special mention	-	-	164	-	-	164
Substandard	240	1,338	-	-	-	1,578
Total	$ 34,898	$ 19,033	$ 10,879	$ 10,209	$ 14,015	$ 89,034
Consumer loans:						
Pass/watch	$ -	$ -	$ -	$ 716	$ 86	$ 802
Total	$ -	$ -	$ -	$ 716	$ 86	$ 802
SBA loans:						
Pass/watch	$ 21,977	$ 46,209	$ 15,807	$ 13,561	$ 13,997	$ 111,551
Special mention	-	-	114	1,391	-	1,505
Substandard	-	-	-	449	-	449
Total	$ 21,977	$ 46,209	$ 15,921	$ 15,401	$ 13,997	$ 113,505
Accounts receivable loans:						
Pass/watch	$ -	$ -	$ -	$ -	$ 37,969	$ 37,969
Special mention	-	-	-	-	1,484	1,484
Total	$ -	$ -	$ -	$ -	$ 39,453	$ 39,453
Advanced restaurant financing loans:						
Pass/watch	$ 9,614	$ 815	$ -	$ -	$ -	$ 10,429
Total	$ 9,614	$ 815	$ -	$ -	$ -	$ 10,429
Overdrafts:						
Pass/watch	$ -	$ -	$ -	$ -	$ 725	$ 725
Total	$ -	$ -	$ -	$ -	$ 725	$ 725

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

The following tables present the loan portfolio by vintage as of December 31, 2024 and 2023:

Credit Quality Indicator by Vintage
As of December 31, 2024

	Term Loans by Origination Year						
	2024	2023	2022	2021	Prior	Revolving Loans	Total
(In thousands)							
Total by credit quality indicator:							
Pass/watch	$ 87,976	$ 100,564	$ 88,974	$ 49,177	$ 75,906	$ 101,288	$ 503,885
Special mention	-	-	6,902	6,596	2,187	997	16,682
Substandard	-	227	10,036	-	2,649	13,538	26,450
Total	$ 87,976	$ 100,791	$ 105,912	$ 55,773	$ 80,742	$ 115,823	$ 547,017

Credit Quality Indicator by Vintage
As of December 31, 2023

	Term Loans by Origination Year					
	2023	2022	2021	Prior	Revolving Loans	Total
(In thousands)						
Total by credit quality indicator:						
Pass/watch	$ 119,837	$ 142,089	$ 80,494	$ 97,135	$ 68,845	$ 508,400
Special mention	-	-	2,318	4,759	1,484	8,561
Substandard	240	1,338	-	449	-	2,027
Total	$ 120,077	$ 143,427	$ 82,812	$ 102,343	$ 70,329	$ 518,988

The following tables present the loan portfolio by aging analysis as of December 31, 2024 and 2023:

Aging Analysis of Past Due Loans
As of December 31, 2024

	30–59 Days Past Due	60–89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total
(In thousands)						
Real estate loans	$ -	$ -	$ 1,931	$ 1,931	$ 272,865	$ 274,796
Commercial loans	-	30	3,287	3,317	110,416	113,733
Consumer loans	-	-	-	-	75	75
SBA loans	91	-	-	91	88,314	88,405
Accounts receivable loans	-	-	-	-	54,647	54,647
Advance restaurant financing loans	-	-	-	-	14,526	14,526
Overdrafts	-	-	-	-	835	835
Total	$ 91	$ 30	$ 5,218	$ 5,339	$ 541,678	$ 547,017

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

Aging Analysis of Past Due Loans As of December 31, 2023						
(In thousands)	30–59 Days Past Due	60–89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total
Real estate loans	$ -	$ -	$ -	$ -	$ 265,040	$ 265,040
Commercial loans	-	-	1,339	1,339	87,695	89,034
Consumer loans	-	-	-	-	802	802
SBA loans	-	-	375	375	113,130	113,505
Accounts receivable loans	-	-	-	-	39,453	39,453
Advance restaurant financing loans	-	-	-	-	10,429	10,429
Overdrafts	-	-	-	-	725	725
Total	$ -	$ -	$ 1,714	$ 1,714	$ 517,274	$ 518,988

The following table presents the balance of loans on nonaccrual status by loan portfolio segment as of December 31, 2024 and 2023:

Nonaccrual Loans As of December 31, 2024				
(In thousands)	Nonaccrual with no Allowance for Credit Losses	Nonaccrual with Allowance for Credit Losses	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing
Real estate loans	$ 1,931	$ -	$ 1,931	$ -
Commercial loans	2,763	554	3,317	
SBA loans	36	-	36	-
Accounts receivable loans	-	4,889	4,889	-
Total	$ 4,730	$ 5,443	$ 10,173	$ -

Nonaccrual Loans As of December 31, 2023				
(In thousands)	Nonaccrual with no Allowance for Credit Losses	Nonaccrual with Allowance for Credit Losses	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing
Commercial loans	$ -	$ 1,339	$ 1,339	$ -
SBA loans	116	333	449	-
Total	$ 116	$ 1,672	$ 1,788	$ -

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

The following table presents collateral dependent loans by loan portfolio segment as of December 31, 2024 and 2023:

Collateral Dependent As of December 31, 2024			
(In thousands)	Commercial Real Estate	Residential Real Estate	Total
Real estate loans	$ 5,836	$ -	$ 5,836
SBA loans	5,728	36	5,764
	$ 11,564	$ 36	$ 11,600

Collateral Dependent As of December 31, 2023			
(In thousands)	Commercial Real Estate	Residential Real Estate	Total
SBA loans	$ 333	$ 75	$ 408

Loan modifications – The Company offers modifications to borrowers on an infrequent basis. The modification categories offered can include rate modification, term modification, interest only modification, payment modification, or a combination of modifications. The Company may agree to modify the contractual terms of a loan to a borrower experiencing financial difficulties as part of ongoing loss mitigation strategies. These modifications may result in principal forgiveness, other-than-significant payment delay, term extension, interest rate modification, or combination therein.

The following table presents the balance of loans modified for borrowers that were experiencing financial difficulty in the year ended December 31, 2024 by loan portfolio segment and type of modification.

Year Ended December 31, 2024					
(In thousands)	Principal Foregiveness	Payment Delay	Term Extension	Interst Rate Reduction	Combination Term Extension Interest Rate Reduction
Real estate loans	$ -	$ 11,315	$ -	$ -	$ -
SBA loans	-	402	-	-	371
Total	$ -	$ 11,717	$ -	$ -	$ 371

As of December 31, 2024, there were no loans modified in 2024 for borrowers experiencing financial difficulty that were past due thirty days or greater.

The Company did not grant any payment deferrals and there were no newly modified loans to borrowers experiencing financial difficulties in the year ended December 31, 2023.

Note 4 – Premises and Equipment

Premises and equipment as of December 31, 2024 and 2023, are summarized as follows:

(In thousands)	2024	2023
Building improvements	$ 1,217	$ 899
Furniture, fixtures, and equipment	2,859	2,220
	4,076	3,119
Less: accumulated depreciation and amortization	(2,880)	(2,838)
	$ 1,196	$ 281

Depreciation and amortization expense for the years ended December 31, 2024 and 2023, amounted to $149,000 and $162,000, respectively.

Note 5 – Servicing Assets

Activity for servicing assets and the related changes in fair value for the years ended December 31, 2024 and 2023, are as follows:

(In thousands)	2024	2023
Beginning balance	$ 2,481	$ 2,120
Additions, net	1,903	903
Change in fair value of servicing assets	(567)	(542)
Ending balance	$ 3,817	$ 2,481

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 $228,954,000 and $156,905,000 as of December 31, 2024 and 2023, respectively. Loan servicing fees totaled $1,878,000 and $1,401,000 for the years ended December 31, 2024 and 2023, respectively.

Note 6 – Deposits

At December 31, 2024, the scheduled maturities of time deposits are as follows:

(In thousands) Matures During Years Ending December 31,	Time Deposits $250,000 and Under	Time Deposits Over $250,000
2025	$ 96,087	$ 32,732
2026	295	-
2027	73	-
2028	15	-
	$ 96,470	$ 32,732

Note 7 – Notes Payable and Other Borrowings

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 interest rate of 5.23%. On January 15, 2021, the Company refinanced the $8,586,000 unsecured note agreement by entering into an Amended and Restated Loan Agreement for a $10,000,000 revolving loan. The $10,000,000 revolving loan under the Amended and Restated Loan Agreement bears interest at a rate of Prime Rate plus 1.00% with a floor rate of 4.50% and has a maturity date of January 15, 2023 plus two one-year renewal options, which were exercised by the Company extending the maturity date to January 12, 2025. On December 20, 2024, the maturity date was extended to May 12, 2025 upon the execution of the First Amendment to the Amended and Restated Loan Agreement. At December 31, 2024, the outstanding balance on the revolving loan was $1,850,000, and interest paid was $132,000 for the year ended December 31, 2024. At December 31, 2023, the outstanding balance on the revolving loan was $1,650,000, and interest paid was $198,000 for the year ended December 31, 2023.

The FHLB provides the Company with financing availability, which is secured by pledged loans. FHLB borrowings may include overnight advances as well as advances with terms of up to 30 years. The Company had $107,688,000 and $97,820,000 of available borrowing capacity from the FHLB at December 31, 2024 and 2023, respectively, based upon loans available to be pledged. The carrying value of loans pledged to the FHLB as collateral was $406,174,000 and $379,557,000 at December 31, 2024 and 2023, respectively.

Note 7 – Notes Payable and Other Borrowings (continued)

FHLB borrowings outstanding as of December 31, 2024 and 2023 are as follows:

December 31, 2024		
Maturity Date	Interest Rate	Balance Outstanding
September 17, 2025	4.06%	$ 2,500,000
March 17, 2025	4.63%	2,500,000
March 25, 2025	4.46%	2,500,000
September 25, 2025	3.94%	2,500,000
January 27, 2025	4.50%	10,000,000
January 10, 2025	4.56%	5,000,000
January 2, 2025	4.78%	20,000,000
		$ 45,000,000

December 31, 2023		
Maturity Date	Interest Rate	Balance Outstanding
May 6, 2024	4.72%	$ 2,500,000
June 28, 2024	5.45%	7,500,000
January 2, 2024	5.70%	45,000,000
		$ 55,000,000

The Company had $61,847,000 and $731,000 of borrowing capacity from the Federal Reserve Bank of San Francisco ("FRB") as of December 31, 2024 and 2023, respectively, based upon loans available to be pledged. The carrying balance of loans pledged to the FRB as collateral was $84,849,000 and $883,000 as of December 31, 2024 and 2023, respectively. There were no borrowings outstanding as of December 31, 2024 and 2023.

The Company has unsecured revolving lines of credit with PCBB and Zions Bank providing for federal fund purchases up to $20,000,000 and $11,000,000, 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, 2024 and 2023, the Company did not have any borrowings outstanding against these lines of credits.

Mission Valley Bancorp
Notes to Consolidated Financial Statements

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, with interest rate of 5.97% through September 15, 2010, variable interest rate equal to 3-month LIBOR plus 1.50% from September 15, 2010 through September 15, 2023, and variable interest rate equal to 3-month CME Term SOFR with 0.26161% tenor spread adjustment plus 1.50% from September 15, 2023 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 not beyond September 16, 2035 in any event.

Note 9 – Derivative Instrument and Hedge Activity

The Company uses derivative instruments, such as interest rate swap agreements, to manage its exposure to interest rate risks. All derivatives are recorded at fair value with the derivative asset and liability fair values included in other assets and accrued interest payable and other liabilities in the consolidated balance sheet.

The Company has one interest rate swap with notional amount of $6,000,000 as of December 31, 2024 and 2023, respectively, that was designated as a cash flow hedge of the TRUPS and were determined to be effective during all periods presented. The Company expects the cash flow hedge to remain effective during the remaining term of the interest rate swap.

The following table presents the notional amounts and fair values of the Company's derivatives as of December 31, 2024 and 2023.

	December 31, 2024			December 31, 2023		
		Fair Value			Fair Value	
	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
(In thousands)						
Derivatives designated as hedging instruments:						
Cash flow hedges:						
Interest rate swaps related to TRUPS	$ 6,000	$ 551	$ -	$ 6,000	$ 264	$ -

The Company did not recognize any ineffectiveness on the cash flow hedge for the years ended December 31, 2024 and 2023.

Note 10 – Income Taxes

The provision for income taxes for years ended December 31, 2024 and 2023, consisted of the following:

(In thousands)	2024	2023
Current		
Federal	$ 1,642	$ 2,396
State	1,063	1,265
	2,705	3,661
Deferred		
Federal	(98)	(588)
State	(76)	(196)
	(174)	(784)
	$ 2,531	$ 2,877

A reconciliation of the Company's effective tax rate with the statutory federal income tax rate for years ended December 31, 2024 and 2023, is as follows:

(In thousands)	2024		2023	
Statutory federal income tax rate	$ 1,840	21.0 %	$ 2,149	21.0 %
State franchise tax, net of federal benefit	750	8.6	876	8.6
Stock compensation	15	0.2	33	0.3
BOLI	(101)	(1.1)	(93)	(0.9)
Tax exempt interest	(4)	-	(4)	-
Other	31	0.3	(84)	(0.8)
	$ 2,531	29.0 %	$ 2,877	28.2 %

Note 10 – Income Taxes (continued)

The following is a summary of the components of the net deferred tax asset at December 31, 2024 and 2023:

(In thousands)	2024	2023
Deferred tax assets		
Allowance for credit losses	$ 2,315	$ 1,994
Lease liability	1,654	1,589
State tax	223	266
Net unrealized loss on interest rate swap and investment securities	1,737	1,855
Deferred compensation	1,508	1,445
Other, net	535	387
	7,972	7,536
Deferred tax liabilities		
Loan origination costs	(1,187)	(1,042)
Right of use asset	(1,529)	(1,474)
Depreciation and amortization	(145)	(8)
Certain prepaid assets	(166)	(124)
Total deferred tax liabilities	(3,027)	(2,648)
Net deferred tax asset	$ 4,945	$ 4,888

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, 2024 and 2023, respectively.

There were no interest and penalties accrued for the years ended December 31, 2024 and 2023, respectively. 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 $502,000 and $459,000 were made for the years ended December 31, 2024 and 2023, 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 $2,875,000 and $2,866,000 at December 31, 2024 and 2023, 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 $175,000 and $230,000 for the years ended December 31, 2024 and 2023, 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.

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 10% of the voting power of all classes of stock of the Company shall expire not more than five years from the date of grant.

Note 12 – Share-Based Compensation (continued)

	December 31, 2024		December 31, 2023	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	135,954	$ 14.46	187,907	$ 14.43
Exercised	-	-	-	-
Granted	-	-	-	-
Expired or forfeited	(5,347)	15.00	(51,953)	14.35
Outstanding at end of year	130,607	$ 14.44	135,954	$ 14.46
Options exercisable	103,390	$ 14.30	83,114	$ 14.44
Weighted-average remaining contractual life of options outstanding	4.3 years		5.5 years	

No stock options were exercised during 2024 and 2023. As of December 31, 2024, there was $81,000 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 2.3 years. Compensation cost associated with the fair value of stock options that vested in 2024 and 2023 was $77,000 and $125,000, respectively. At December 31, 2024, the aggregate intrinsic value of options exercisable plus options expected to vest in future years is $280,000, based on a stock price of $17.

There were no options granted during the year ended December 31, 2024 and 2023.

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, 2024, there were 131,000 shares of restricted stock awards available for future grant. At December 31, 2024, there were 219,000 shares of incentive stock options and nonqualified stock options available for future grant.

The following table presents a summary of RSA activity for 2024 and 2023:

	December 31, 2024		December 31, 2023	
	RSA	Weighted-Average Grant-Date Fair Value	RSA	Weighted-Average Grant-Date Fair Value
Nonvested at beginning of year	17,328	$ 15.00	43,996	$ 15.00
Granted	-	-	-	-
Vested	(17,328)	15.00	(20,335)	15.00
Forfeited	-	-	(6,333)	15.00
Nonvested at end of year	-	$ -	17,328	$ 15.00

Compensation expense related to the grant of restricted stock for the years ended December 31, 2024 and 2023, totaled $163,000 and $292,000, respectively. Restricted stock awards are ineligible to receive stock dividends during the period in which they are unvested. As of December 31, 2024, there was no unrecognized compensation cost related to nonvested restricted stock awards granted under the Plan.

Note 13 – Leases

The operating lease right-of-use asset represents the right to use an underlying asset during the lease term. Operating lease liabilities represent the Company's 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 the Company's 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 consolidated statements of financial condition 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 $5,172,000 and $4,985,000 as of December 31, 2024 and 2023, respectively, and are recorded in other assets in the consolidated statements of financial condition. Operating lease liabilities were $5,594,000 and $5,375,000 as of December 31, 2024 and 2023, respectively, and are recorded in other liabilities in the consolidated statements of financial condition. The Company recorded lease expense of $717,000 and $729,000 for the years ended December 31, 2024 and 2023, respectively.

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

	2024	2023
(Dollars in thousands)		
Cash paid for amounts included in the measurement of lease liabilities for operating leases	$ 673	$ 381
ROU assets obtained in exchange for lease liabilities	5,172	4,985
Weighted-average remaining lease term in months	113	124
Weighted-average discount rate	3.43%	3.29%

Note 13 – Leases (continued)

The following table shows future minimum payments under operating leases with terms in excess of one year as of December 31, 2024:

Years Ending December 31 *(in thousands)*,	
2025	$ 684
2026	666
2027	642
2028	658
2029	679
Thereafter	3,288
Total undiscounted lease payments	6,617
Less: interest	(1,023)
Present value of lease liabilities	$ 5,594

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 credit exposures, the Company has established an allowance for credit losses on off-balance-sheet exposures totaling $214,000 and $74,000 as of December 31, 2024 and 2023, respectively, which is included in accrued interest payable and other liabilities on the consolidated 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.

Note 14 – Commitments and Contingencies (continued)

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

A summary of the contractual or notional amounts of the Company's significant off-balance-sheet financial instruments as of December 31, 2024 and 2023, is as follows:

(In thousands)	2024	2023
Commitments to extend credit	$ 91,825	$ 55,524
Standby letters of credit	1,178	150
	$ 93,003	$ 55,674

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 $7,185,000 and $4,896,000 at December 31, 2024 and 2023, respectively. There was one related-party loan in the amount of $561,000 and $586,000 at December 31, 2024 and 2023, respectively. 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 the Company's 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 nonrecurring basis as of December 31, 2024 and 2023, 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, 2024			
	Total	Level 1	Level 2	Level 3
(In thousands)				
Financial assets				
Securities available-for-sale				
Agency securities	$ 2,629	$ -	$ 2,629	$ -
Mortgage backed securities	35,643	-	35,643	-
Corporate bonds	6,784	-	6,784	-
Equity Securities	752	752	-	-
Servicing assets	3,817	-	-	3,817
Derivative asset	551	-	551	-
Nonrecurring Items				
Collateral dependent loans	11,600	-	-	11,600

	December 31, 2023			
	Total	Level 1	Level 2	Level 3
(In thousands)				
Financial assets				
Securities available-for-sale				
Agency securities	$ 5,271	$ -	$ 5,271	$ -
Mortgage backed securities	38,613	-	38,613	-
Corporate bonds	6,518	-	6,518	-
Equity Securities	702	702	-	-
Servicing assets	2,481	-	-	2,481
Derivative asset	264	-	264	-
Nonrecurring Items				
Collateral dependent loans	408	-	-	408

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, 2024:

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	11.22%–34.33%	20.57%	Decrease
		Discount rate	5.31%–51.67%	10.03%	Decrease
		Expected weighted average life on loan	1.10–5.00 years	3.51 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.

Collateral dependent loans – The loan balance shown in the table above represents all of the Company's collateral dependent loans recognized as of December 31, 2024 and December 31, 2023. These loans are measured at fair value on a non-recurring basis. Loans that are collateral-dependent are measured based on the fair value of their collateral. 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 Company generally uses 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 in the year ended December 31, 2024 and 2023.

Mission Valley Bancorp
Notes to Consolidated Financial Statements

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, 2024 and 2023.

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, 2024 and 2023, there were no transfers between levels of the fair value hierarchy.

	December 31, 2024				
			Fair Value Measurements Using		
(In thousands)	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	$ 45,963	$ 45,963	$ 45,963	$ -	$ -
Interest bearing deposit in other banks	2,375	2,375	-	2,375	-
Loans, net	539,082	533,138	-	-	533,138
Bank owned life insurance	11,824	11,824	-	-	11,824
Financial liabilities					
Deposits	$ 551,337	$ 522,071	$ -	$ -	$ 522,071
Subordinated debentures	6,186	6,186	-	-	6,186
Notes payable	1,850	1,850	-	-	1,850
Other payable	45,000	45,000			45,000

	December 31, 2023				
			Fair Value Measurements Using		
(In thousands)	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	$ 52,479	$ 52,479	$ 52,479	$ -	$ -
Interest bearing deposit in other banks	2,615	2,615	-	2,615	-
Loans, net	511,018	510,329	-	-	510,329
Bank owned life insurance	11,484	11,484	-	-	11,484
Financial liabilities					
Deposits	$ 524,256	$ 495,655	$ -	$ -	$ 495,655
Subordinated debentures	6,186	6,186	-	-	6,186
Notes payable	1,650	1,650	-	-	1,650
Other payable	55,000	55,000			55,000

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, 2024 and 2023, that the Company and the Bank meet all capital requirements to which they are 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			Amount of Capital Required			
	Actual		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, 2024						
Total capital ratio	$ 76,833	12.20%	$ 66,112	10.50%	$ 62,964	10.00%
Tier 1 capital ratio	68,957	10.95%	53,519	8.50%	50,371	8.00%
Tier 1 leverage ratio	68,957	10.09%	34,182	5.00%	34,182	5.00%
Common equity Tier 1 capital ratio	62,957	10.00%	44,075	7.00%	40,927	6.50%
As of December 31, 2023						
Total capital ratio	$ 70,619	12.28%	$ 60,395	10.50%	$ 57,520	10.00%
Tier 1 capital ratio	63,428	11.03%	48,892	8.50%	46,016	8.00%
Tier 1 leverage ratio	63,428	10.33%	30,686	5.00%	30,686	5.00%
Common equity Tier 1 capital ratio	57,428	9.98%	40,264	7.00%	37,388	6.50%

Mission Valley Bancorp
Notes to Consolidated Financial Statements

Note 17 – Regulatory Matters (continued)

Mission Valley Bank			Amount of Capital Required			
	Actual		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, 2024						
Total capital ratio	$ 78,663	12.49%	$ 66,140	10.50%	$ 62,990	10.00%
Tier 1 capital ratio	70,784	11.24%	53,542	8.50%	50,392	8.00%
Tier 1 leverage ratio	70,784	10.36%	34,178	5.00%	34,178	5.00%
Common equity Tier 1 capital ratio	70,784	11.24%	44,093	7.00%	40,944	6.50%
As of December 31, 2023						
Total capital ratio	$ 71,811	12.48%	$ 60,403	10.50%	$ 57,527	10.00%
Tier 1 capital ratio	64,619	11.23%	48,898	8.50%	46,022	8.00%
Tier 1 leverage ratio	64,619	10.53%	30,680	5.00%	30,680	5.00%
Common equity Tier 1 capital ratio	64,619	11.23%	40,269	7.00%	37,393	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, 2022, 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 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:

(In thousands)	2024	2023
Non-interest income		
Service charges and other income	$ 1,526	$ 1,503
Gain (loss) on sale of loans [(a)]	3,680	2,567
Loan servicing fees [(a)]	1,878	1,401
Net merchant income	677	769
Increase in cash surrender value of bank owned life insurance [(a)]	340	315
Gain on sale of OREO [(a)]	-	35
Gain on loan securitization [(a)]	489	-
Grant income [(a)]	200	5,395
Change in fair value of servicing assets [(a)]	(567)	(542)
Loss on sale of securities available-for-sale [(a)]	(497)	(906)
Other income	1,900	1,812
Total non-interest income	$ 9,626	$ 12,349

(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 represents 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.

Credit card and interchange income and expenses – Credit card interchange income represents 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 18 – Revenue from Contracts with Customers (continued)

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 19 – Grant Income

In January 2024, the Bank was awarded a $200,000 grant under the California State Treasury's California Investment and Innovation Program, which is intended to enhance the capacity and ability of Community Development Financial Institutions ("CDFI") to provide programs including technical assistance and access to capital to economically disadvantaged communities throughout California. The $200,000 grant proceeds were received and recognized into income in the year ended December 31, 2024.

In September 2023, the Bank was awarded a $437,000 grant under the U.S. Department of Treasury's CDFI Bank Enterprise Award Program ("BEA Program"), which is intended to increase investments to communities experiencing severe economic distress. The $437,000 grant proceeds were received and recognized into income in the year ended December 31, 2023, after meeting the performance goals and measures of the grant award agreement.

In April 2023, the Bank was awarded a $4,958,000 grant from the U.S. Department of Treasury as part of the CDFI Equitable Recovery Program ("ERP") which aims to help CDFIs further their mission of helping low and low-to-moderate income communities recover from the impact of COVID-19. The ERP grant award proceeds were received and recognized into income in the year ended December 31, 2023, after meeting the performance goals and measures of the grant award agreement.

Note 20 – Segment Reporting

The Company's reportable segments are determined by CODMs based upon information provided about the Company's products and services offered, primarily distinguished between banking and non-banking operations. They are also distinguished by the level of information provided to CODMs, who uses such information to review performance of various components of the business. The CODMs evaluate the financial performance of the Company's business such as evaluating revenue streams, significant expenses, and budget to actual results in assessing the performance of the Company's segments and in the determination of allocating resources. Accounting policies for segments are the same as those described in Note 1. Segment performance is evaluated using income before income taxes and transactions among segments are made at fair value.

	As of December 31, 2024			
	Community Bank	Mission SBA	Holding Company/ Administration	Consolidated Total
ASSETS				
Cash and Due from Banks	$ 45,715	$ 146	$ 102	$ 45,963
Securities	55,973	-	-	55,973
Loans, net	539,697	-	(615)	539,082
All other assets	35,407	361	519	36,287
Total assets	$ 676,792	$ 507	$ 6	$ 677,305
LIABILITIES				
Total deposits	$ 551,535	$ -	$ (198)	$ 551,337
Total borrowings	45,000	-	8,036	53,036
All other liabilities	13,555	534	(420)	13,669
Total liabilities	$ 610,090	$ 534	$ 7,418	$ 618,042

	As of December 31, 2023			
	Community Bank	Mission SBA	Holding Company/ Administration	Consolidated Total
ASSETS				
Cash and Due from Banks	$ 52,471	$ 183	$ (175)	$ 52,479
Securities	54,303	-	-	54,303
Loans, net	511,589	-	(571)	511,018
All other assets	35,038	546	323	35,907
Total assets	$ 653,401	$ 729	$ (423)	$ 653,707
LIABILITIES				
Total deposits	$ 524,646	$ -	$ (390)	$ 524,256
Total borrowings	55,000	-	7,836	62,836
All other liabilities	13,739	523	(657)	13,605
Total liabilities	$ 593,385	$ 523	$ 6,789	$ 600,697

Note 20 – Segment Reporting (continued)

	Year Ended December 31, 2024			
	Community Bank	Mission SBA	Holding Company/ Administration	Consolidated Total
INTEREST INCOME				
Interest and fees on loans	$ 39,145	$ -	$ 69	$ 39,214
Interest on securities	2,091	-	-	2,091
Other interest income	2,102	-	13	2,115
Total interest income	43,338	-	82	43,420
INTEREST EXPENSE				
Interest on deposits	13,261	-	-	13,261
Interest on borrowings	2,238	-	432	2,670
Total interest expense	15,499	-	432	15,931
NET INTEREST INCOME	27,839	-	(350)	27,489
PROVISION FOR CREDIT LOSSES	1,100	-	-	1,100
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	26,739	-	(350)	26,389
NON-INTEREST INCOME	7,129	4,004	(1,507)	9,626
NON-IN Total non-interest expenses	23,881	4,483	(1,113)	27,251
NET INCOME BEFORE PROVISION FOR INCOME TAXES	$ 9,987	$ (479)	$ (744)	$ 8,764

	Year Ended December 31, 2023			
	Community Bank	Mission SBA	Holding Company/ Administration	Consolidated Total
INTEREST INCOME				
Interest and fees on loans	$ 30,452	$ -	$ 97	$ 30,549
Interest on securities	1,578	-	-	1,578
Other interest income	1,405	-	13	1,418
Total interest income	33,435	-	110	33,545
INTEREST EXPENSE				
Interest on deposits	7,611	-	-	7,611
Interest on borrowings	1,227	-	505	1,732
Total interest expense	8,838	-	505	9,343
NET INTEREST INCOME	24,597	-	(395)	24,202
PROVISION FOR CREDIT LOSSES	1,350	-	-	1,350
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	23,247	-	(395)	22,852
NON-INTEREST INCOME	10,349	3,288	(1,288)	12,349
NON-INTEREST EXPENSES	21,445	4,293	(771)	24,967
NET INCOME BEFORE PROVISION FOR INCOME TAXES	$ 12,151	$ (1,005)	$ (912)	$ 10,234

Note 21 – Securitization

On June 13, 2024, the Bank entered into a transaction to transfer unguaranteed portions of a pool of SBA loans to a securitization trust for inclusion in a multi-party securitization transaction. The Bank transferred $33,923,000 of unguaranteed portions of SBA loans as a part of this transaction. In return, the Bank received net cash of $26,168,000 from loan securitization proceeds of $32,953,000 less $6,785,000 from the purchase of an ownership interest in the sponsor ("securitization trust"). The Bank is not obligated to provide additional financial support to the securitization trust or related entity. The Bank received an equity interest initially valued at $6,785,000, representing its ownership certificate in the securitization trust equal to 19% of the amount of SBA loans that it contributed and an amount held in the securitization trust for reserves equal to 1% of the amount of SBA loans that it contributed. The Company accounts for its equity interest in the securitization trust as an equity security without a readily determinable fair value, measured at cost and evaluated for impairment each reporting period, which is reported in restricted equity securities in the consolidated statements of financial condition. Securitization expenses totaling $970,000 were expensed and included in the gain on loan securitization in the consolidated statements of income for the year ended December 31, 2024.

Note 22 – Subsequent Events

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 consolidated statements of financial condition but arose after the consolidated statements of financial condition date and before consolidated financial statements are available to be issued. The Company has evaluated subsequent events through April 9, 2025, which is the date the consolidated financial statements were available to be issued.

Supplemental Information

Mission Valley Bancorp
Consolidating Statement of Financial Condition
December 31, 2024
(In Thousands)

	Mission Valley Bancorp	Mission Valley Bank	Mission SBA Loan Servicing LLC	Eliminating Entries	Consolidated Total
ASSETS					
CASH AND DUE FROM BANKS	$ 301	$ 45,715	$ 146	$ (199)	$ 45,963
INTEREST BEARING DEPOSITS IN OTHER BANKS	-	2,375	-	-	2,375
SECURITIES AVAILABLE-FOR-SALE, at fair value	-	45,056	-	-	45,056
EQUITY SECURITIES	-	752	-	-	752
LOANS, net	-	539,697	-	(615)	539,082
PREMISES AND EQUIPMENT, net	-	1,186	10	-	1,196
DEFERRED TAX ASSET, net	(121)	5,066	-	-	4,945
BANK OWNED LIFE INSURANCE	-	11,824	-	-	11,824
RESTRICTED EQUITY SECURITIES	-	10,165	-	-	10,165
ACCRUED INTEREST RECEIVABLE	-	3,548	-	-	3,548
OTHER ASSETS	67,454	11,408	351	(66,814)	12,399
Total assets	$ 67,634	$ 676,792	$ 507	$ (67,628)	$ 677,305
LIABILITIES AND SHAREHOLDERS' EQUITY					
DEPOSITS					
Non-interest-bearing demand	$ -	$ 194,069	$ -	$ (198)	$ 193,871
Interest-bearing demand	-	122,157	-	-	122,157
Savings	-	106,107	-	-	106,107
Time deposits $250,000 and under	-	96,470	-	-	96,470
Time deposits over $250,000	-	32,732	-	-	32,732
Total deposits	-	551,535	-	(198)	551,337
JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES	6,186	-	-	-	6,186
NOTES PAYABLE	1,850	-	-	-	1,850
OTHER BORROWINGS	-	45,000	-	-	45,000
ACCRUED INTEREST PAYABLE AND OTHER LIABILITIES	(280)	13,555	534	(140)	13,669
Total liabilities	7,756	610,090	534	(338)	618,042
SHAREHOLDERS' EQUITY					
Common stock	12,747	9,717	-	(9,717)	12,747
Additional paid-in capital	3,791	18,916	-	(18,916)	3,791
Member's capital	-	-	3,225	(3,225)	-
Retained earnings	47,478	42,595	(3,252)	(39,958)	46,863
Accumulated other comprehensive loss	(4,138)	(4,526)	-	4,526	(4,138)
Total shareholders' equity	59,878	66,702	(27)	(67,290)	59,263
Total liabilities and shareholders' equity	$ 67,634	$ 676,792	$ 507	$ (67,628)	$ 677,305

Mission Valley Bancorp
Consolidating Statement of Income
Year Ended December 31, 2024
(In Thousands)

	Mission Valley Bancorp	Mission Valley Bank	Mission SBA Loan Servicing LLC	Eliminating Entries	Consolidated Total
INTEREST INCOME					
Interest and fees on loans	$ -	$ 39,145	$ -	$ 69	$ 39,214
Interest on securities	-	2,091	-	-	2,091
Other interest income	13	2,102	-	-	2,115
Total interest income	13	43,338	-	69	43,420
INTEREST EXPENSE					
Interest on deposits	-	13,261	-	-	13,261
Interest on borrowings	432	2,238	-	-	2,670
Total interest expense	432	15,499	-	-	15,931
NET INTEREST INCOME	(419)	27,839	-	69	27,489
PROVISION FOR CREDIT LOSSES	-	1,100	-	-	1,100
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	(419)	26,739	-	69	26,389
NON-INTEREST INCOME					
Service charges and other fees	-	1,526	-	-	1,526
Gain on sale of loans	-	3,130	-	550	3,680
Loan servicing fees	-	1,878	-	-	1,878
Net merchant income	-	677	-	-	677
Increase in cash surrender value of bank owned life insurance	-	341	-	-	341
Loss on sale of securities available-for-sale	-	(497)	-	-	(497)
Gain on loan securitization	-	306	-	183	489
Grant income	-	200	-	-	200
Change in fair value of servicing assets	-	(567)	-	-	(567)
Other income	6,626	135	4,004	(8,866)	1,899
Total non-interest income	6,626	7,129	4,004	(8,133)	9,626
NON-INTEREST EXPENSES					
Salaries, wages, and employee benefits	151	14,884	3,806	(442)	18,399
Legal, professional, and consulting	67	1,844	94	(3)	2,002
Furniture and equipment	2	1,263	224	-	1,489
Data processing	-	721	-	-	721
Occupancy	15	852	64	-	931
Advertising	-	674	196	-	870
Insurance	-	427	4	-	431
Other operating expenses	46	3,216	95	(949)	2,408
Total non-interest expenses	281	23,881	4,483	(1,394)	27,251
NET INCOME BEFORE PROVISION FOR INCOME TAXES	5,926	9,987	(479)	(6,670)	8,764
Provision for income taxes	(351)	2,878	4	-	2,531
NET INCOME	$ 6,277	$ 7,109	$ (483)	$ (6,670)	$ 6,233

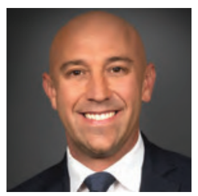
BOARD OF DIRECTORS

Tamara Gurney

President, CEO & Director of
Mission Valley Bancorp & Bank

Kathleen Kellogg

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



John Miller

Director of Mission Valley Bancorp & Bank
Mr. Miller is President & CEO of Summit National Bank, and Co-Founder/Board Member of Lexicon Bank.

Jerold B. Neuman, ESQ

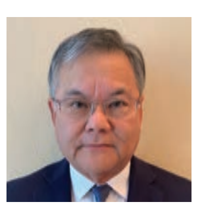
Director of Mission Valley Bancorp & Bank
Mr. Neuman is a partner with the law firm of DLA Piper, LLP.

Ara Oghoorian, CFA, CFP®, CPA

Director of Mission Valley Bancorp & Bank
Mr. Oghoorian is the Founder & President of ACap Advisors & Accountants, LLC.

John Parker

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



Eric Sato, CPA

Director of Mission Valley Bancorp & Bank
Mr. Sato is a CPA and Consultant to Edwards, Sato & Yang, CPAs.

The Mission Valley Bank Spirit Award

The 2024 recipient of the Mission Valley Bank Spirit Award is Alexandria Macias – Assistant Vice President, Branch Manager. Alexandria serves as an integral member of the Mission Valley Bank Leadership team and is an invaluable Branch Manager for both her team and clients.

EXECUTIVE LEADERSHIP

Tamara Gurney
President
Chief Executive Officer

Rich Christensen
Executive Vice President
Chief Banking Officer

Anthony Chuan
Executive Vice President
Chief Financial Officer

Michael Henry
Executive Vice President
Chief Credit Officer

Brian Carlson
Executive Vice President
Managing Director SBA

SENIOR MANAGEMENT

Justin Stewart
Senior Vice President
Community Banking

Paula Bahamon
Senior Vice President
Community Development

Frank Abraham
Senior Vice President
Deputy Chief Credit Officer

Heidi DeMattos
Senior Vice President
Accounts Receivable Financing

Paul Foster
Senior Vice President
SBA Credit & Operations

Maria Gonzalez
Senior Vice President
Central Operations - Treasury Mgmt.

Debbie Hefner
Senior Vice President
SBA Processing

Michael Carlson, CFA
Senior Vice President
SBA Sales

Tim Moore
Senior Vice President
Credit Administrator

Yolanda Ortiz
Senior Vice President
Compliance & Risk

Tony Rodriquez
Senior Vice President
Operations Solutions

Leigh Wren
Senior Vice President
Loan Operations

Christina Kim
Senior Vice President
Controller

ADMINISTRATIVE OFFICERS

Christina Ahn
Vice President
SBA Portfolio Manager

Tim Rademaker
Vice President
Cannabis Banking

Ryan Miklusak
Vice President
Cannabis Banking

Meeta Autrey
Vice President
Information Technology

John Beaubien
Vice President
SBA Business Development Officer

Dennis Byun
Vice President
SBA Business Development Officer

Nancy Camacho
Vice President
Human Resources

Philip Demings
Vice President
SBA Business Development Officer

Kathy Dunkin
Vice President
Marketing

Jonathan Debonnaire, CSM, PMP
Vice President
Project Management

Anca Finger
Vice President
Portfolio Manager

Steve Nunez
Vice President
Portfolio Manager

Janet Dillavou
Vice President
BSA Officer

Lucas Olson
Vice President
SBA Business Development Officer

Binu Tandon
Vice President
SBA Business Development Officer

Lloyd Moromisato
Vice President
Manager of FP&A and Treasury

Jaci Gonzalez
Assistant Vice President
Commercial Credit Underwriter

SUN VALLEY OFFICE

Alexandra Macias
Assistant Vice President
Branch Manager

Carlos Huerta
Vice President
Relationship Manager

SANTA CLARITA VALLEY

Laura Soto
Vice President
Branch Manager

Rachel Carrillo
Vice President
Relationship Manager

BURBANK OFFICE

Schanel Lofton
Branch Manager

Elisa Salvador
Client Service Manager

Griselda Cervantes
Vice President
Relationship Manager

Ben Buskey
Vice President
Relationship Banking

Eric Karasawa
Vice President
Relationship Manager

Jonathan Zong
Assistant Vice President
Relationship 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, 2024 there were 361 shareholders of record and 3,345,882 shares of common stock outstanding.

Stock Information:

Hilltop Securities
Community Bank & Wealth Management Group
Michael R. Natzic, CWS®, Senior Vice President
Katy E. Ehlers, CWS®, Vice President
909.584.4500 | 800.288.2811
www.communitybankinggroup.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
150 Royall St., Suite 101
Canton, MA 02021

MISSION VALLEY BANCORP

MISSION VALLEY BANCORP

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9116 Sunland Boulevard
Sun Valley, CA 91352
(818) 394-2300

Santa Clarita Valley Branch Office
26701 McBean Parkway, Suite 100
Santa Clarita, CA 91355
(661) 253-9500

Burbank Branch Office
2777 North Ontario Street
Suite 115
Burbank, CA 91504
(818) 433-3560

Administrative Offices
2777 North Ontario Street
Suite 130
Burbank, CA 91504
(818) 394-2300

Total SBA
880 Apollo Street
Suite 235
El Segundo, CA 90245
(310) 321-9500