March 14, 2025

Dear Shareholders:

We are sincerely grateful for the steady commitment of our shareholders, customers, and community in this past year. We are pleased to share with you the 2024 Exchange Bank Annual Report. Included below is an update on the year and overview of the Bank's activities.

Financial Performance:

Net income for 2024 was $23.85 million and the Bank paid total dividends of $8.91 million equaling a dividend payout ratio of 37.4%. The net interest margin (NIM) for 2024 was 2.59%. The Bank achieved a return on average equity (ROAE) of 9.55%. The Bank's average equity number on a Generally Accepted Accounting Principle ("GAAP") basis includes unrealized losses associated with the Bank's available-for-sale investment portfolio. Total assets as of December 31, 2024 were $3.30 billion.

Capital Adequacy:

The Bank's capital ratios remain well in excess of the regulatory minimums to be considered "well capitalized." As of December 31, 2024, the Bank's regulatory total risk-based capital ratio was 19.43% and the leverage ratio was 11.07%.

Asset Quality:

Gross loans increased by 1.50% in 2024. The loan portfolio continues to perform well, non-accrual loans totaled only $11.14 million or less than 0.70% of total gross loans of $1.62 billion. The Bank held no OREO as of December 31, 2024. Supporting the strength of the loan portfolio is a well-funded allowance for credit losses of $35.10 million, or 2.17% of gross loans. During the year, the Bank released $5.8 million of allowance for credit loss related to the maturation of construction loans to permanent financing. The allowance was considered adequately funded and the credit metrics of the Bank have remained stable.

The Bank's available-for-sale investment portfolio ended 2024 with a market value of $1.36 billion, down $135.1 million over the prior year, primarily related to paydowns and maturities in the portfolio. The portfolio has an effective duration of approximately 3.6 years. A significant majority of the portfolio is comprised of investments that are backed by the full faith and credit of the United States government. The Bank continues to maintain our entire portfolio as available for sale, providing full transparency and management flexibility. The Bank's portfolio has unrealized losses that are a direct result of market interest rates and not a result of credit quality related factors. The Bank does not view the temporary nature of the book unrealized losses to be a significant risk to its long-term capital position.

Deposits and Liquidity:

Deposit balances remained relatively constant to 2023, decreasing by only 0.22% to $2.83 million. While the balance in total remained constant, the mix of deposits has changed. There were decreases in low interest-bearing accounts that were offset by increases in higher interest-bearing categories. During the year, the Bank's cost of funds increased from 0.82% in 2023 to 1.44% in 2024 due to an elevated interest rate environment and significant competition for deposits. Even with the increase year-over-year, the Bank's cost of funds remains in the lowest 10% of all similarly sized peer banks nationwide. The Bank estimates approximately 76% of all deposits were fully insured by the FDIC as of December 31, 2024.

As of December 31, 2024, the Bank had $140.00 million in borrowed funds from both the Federal Reserve Bank of San Francisco and the Federal Home Loan Bank of San Francisco, a decrease of $85.00 million from the prior year, and remaining borrowing capacity of $1.02 billion. On January 16, 2025, the Bank repaid in full the $100 million borrowing outstanding from the Federal Reserve Bank of San Francisco using liquidity on hand.

Non-Interest Income and Expense:

The generation of non-interest income remains a strength of Exchange Bank with a significant contribution coming from the Bank's Trust and Investment Management group. Total non-interest income in 2024 was $23.39 million, of which $10.33 million came from the important work performed by our Trust team in 2024. This team continues to provide good opportunities for non-interest income growth at the Bank. The Bank's Trust and Investment Management group has offices in Santa Rosa, Roseville, Marin County and Silicon Valley. All offices are performing well and are meeting expectations.

Non-interest expenses were $76.87 million for the year ended December 31, 2024 consistent with the prior year excluding the one-time charge in the second quarter of 2023 related to the voluntary termination of the Exchange Bank Pension Plan.

Community Involvement:

Exchange Bank has been built upon the significant contributions of many great leaders over our 134-year history. Their dedication to the mission and culture of Exchange Bank brought this institution to the place it is now, and their commitment to our community continues to inspire us today. Both Bruce DeCrona and Greg Steele retired from the Bank's Board of Directors after many years of dedicated service. Their contributions to the success of the Bank were deeply impactful, and their leadership and vision will be greatly missed. During 2024, the Bank continued the tradition of community connection, donating a total of $726 thousand to over 200 organizations and contributing 2,921 hours of community service. Additionally, 50.44% of the dividends paid by the Bank in 2024, or $4.49 million, went directly to the Doyle Trust to fund scholarships at Santa Rosa Junior College.

Technology and Risk Management:

In 2024, the Bank continued the commitment to a robust technology footprint supporting our intense focus on digital banking products, cybersecurity and fraud prevention. The Bank continues to significantly invest in cutting-edge solutions and protections that allow our customers to bank how they want, when they want and where they want – safely.

Commitment to Quality and People Development:

We continue to acknowledge that our employees are our greatest asset. This is especially true for a community bank with strong and diverse ties to our marketplace. We are proud to announce that once again, and for the 19th year in a row, Exchange Bank was recognized as a Best Place to Work by the North Bay Business Journal. We constantly strive to maximize productivity and create opportunities for our existing employees by strategically realigning our workforce as normal turnover occurs. The velocity of change within our industry is dramatic, and we believe it is critical that the structure of our workforce flexes to align with the changing environment.

Continued Commitment:

With the largest branch footprint in Sonoma County that includes 17 well-located branches deeply embedded into their individual communities, and with a 134-year history of connectivity to generations of families and businesses in Sonoma County, this Bank and our employees are closely connected to the vast majority of current and potential customers in this market. The Bank also has a retail branch in Roseville and Trust and Investment Management offices in Santa Rosa, Roseville, Marin County and Silicon Valley

Shareholder Meeting:

We would like to invite you to our Annual Shareholders' Meeting on Friday, April 25, 2025 at 2:00 p.m. If you are unable to attend, we would request your proxy vote be given to management. In the interim, if you have any specific questions you would like answered, please direct them in writing to:

Marlene Soiland, Corporate Secretary
Exchange Bank
P.O. Box 403
Santa Rosa CA 95402

You may also contact the Chairman directly via e-mail at: bill.schrader@exchangebank.com.

On behalf of the Board of Directors, our Executive Management Team, and our remarkable employees, we would like to take this opportunity to thank you, our shareholders, for your support.

Sincerely,

William R. Schrader
Chairman of the Board

Troy J. Sanderson
President and Chief Executive Officer

EXCHANGE BANK
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 25, 2025

The Annual Meeting of the Shareholders of Exchange Bank, a California corporation (the "Bank"), will be held at the Andrew J. Shepard Building Administrative Services Building, 444 Aviation Boulevard, 2^{nd} Floor, Santa Rosa, CA 95403, on Friday, the 25^{th} day of April, 2025, at 2:00 p.m. (Pacific Time), for the following purposes:

1. To elect members of the Board of Directors.
2. To ratify the Bank's appointment of its independent auditor.
3. To transact such other business as may properly be brought before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on March 7, 2025, as the record date for the determination of the shareholders entitled to notice of, and to vote at, the meeting. Accordingly, only shareholders of record at the close of business on that date will be entitled to vote at the meeting, or any adjournments thereof.

TO ENSURE YOUR REPRESENTATION AT THE MEETING, THE BOARD OF DIRECTORS OF THE BANK REQUESTS THAT YOU TO MARK, SIGN, DATE AND RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED ENVELOPE, OR, ALTERNATIVELY, TO VOTE YOUR SHARES BY TELEPHONE OR INTERNET BY FOLLOWING THE INSTRUCTIONS PROVIDED ALONG WITH YOUR PROXY CARD. YOUR PROXY MAY BE REVOKED AT ANY TIME BEFORE IT IS EXERCISED. IF YOU ARE ABLE TO ATTEND THE MEETING AND WISH TO VOTE YOUR SHARES PERSONALLY, YOU MAY WITHDRAW YOUR PROXY AND DO SO.

We encourage you to review all of the important information contained in the attached proxy statement before voting. Please contact Kathy Sutliff, at 707-524-3121 if you would like information on how to obtain directions to be able to attend the meeting and vote in person.

Date: March 14, 2025

By Order of the Board of Directors

Exchange Bank
545 4^{th} Street
Santa Rosa CA 95401

EXCHANGE BANK
545 4TH STREET
SANTA ROSA CA 95401

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

To Be Held on April 25, 2025

This Proxy Statement is furnished to shareholders of Exchange Bank (the "Bank") in connection with the solicitation of proxies by the Board of Directors of the Bank for the Annual Meeting of Shareholders to be held at the Andrew J. Shepard Building Administrative Services Building, 444 Aviation Boulevard, 2nd Floor, Santa Rosa, CA 95403, on Friday, April 25, 2025, at 2:00 p.m. (Pacific Time), and any adjournments or postponements thereof, which we refer to as the "meeting" or "Annual Meeting". This Proxy Statement and form of Proxy enclosed herewith are being sent to the shareholders of the Bank entitled to vote at the Annual Meeting on or about March 14, 2025.

General Information about the Meeting and Voting Securities and Procedures

Who may vote at the meeting?

The Board of Directors has fixed the close of business on March 7, 2024 as the record date for the determination of shareholders who are entitled to notice of and to vote at the meeting. You are entitled to one vote for each share of common stock you held on the record date, including shares:

- held directly in your name; and/or
- held for you in an account with a broker, bank or other nominee.

How many shares must be present to hold the meeting?

The presence at the meeting of a majority of the Bank's common shares entitled to vote at the Annual Meeting shall constitute a quorum for purposes of holding the meeting and conducting business. On the record date there were 1,714,344 shares of the Bank's common stock outstanding. Each of the holders of the outstanding shares, totaling 1,714,344 shares, are entitled to one vote per share. Your shares are counted as present at the meeting if you:

- are present and vote in person at the meeting; or
- have properly submitted a proxy card prior to the meeting via mail, telephone or internet.

What proposals will be voted on at the meeting?

There are two proposals scheduled to be voted on at the meeting: (i) the election of members to serve on the Bank's Board of Directors and (ii) the ratification of the selection of our independent auditor.

Who is requesting my vote?

The solicitation of proxies on the enclosed form is made on behalf of the Board of Directors of the Bank and will be conducted through the mail. Please mail your completed proxy in the envelope included with these proxy materials. The cost of preparing, assembling and mailing this Proxy Statement, the Notice of Meeting and the enclosed Proxy will be borne by the Bank.

How many votes are required to approve each proposal?

Proposal One:

Because the election of Directors is determined by a plurality, the nominees receiving the most votes "FOR" will be elected.

In connection with the election of directors, shares may be voted cumulatively if a shareholder present at the meeting gives notice at the meeting, prior to the voting for the election of directors, of his or her intention to vote cumulatively. If any shareholder of the Bank gives such notice, then all shareholders eligible to vote will be entitled to cumulate their shares in voting for the election of directors. Cumulative voting allows a shareholder to cast a number of votes equal to the number of shares held in his or her name as of the record date, multiplied by the number of directors to be elected. These votes may be cast for any one nominee or may be distributed among as many nominees as the shareholder sees fit. If cumulative voting is declared at the meeting, votes represented by proxies delivered pursuant to this proxy statement may be cumulated at the discretion of the proxyholders, in accordance with management's recommendation.

Proposal Two:

An affirmative vote of a majority of the votes cast by holders of the Bank's common stock is required to approve Proposal Two, to ratify the appointment of the independent auditor.

How does the Board recommend that I vote?

The Board of Directors urges you to read the Proxy Statement carefully and then vote your shares. The Board of Directors recommends that you vote **FOR** each of the Director nominees named in this Proxy Statement and **FOR** Proposal Two, to ratify the appointment of the independent auditor.

How are shares voted?

For Proposal One, a shareholder may:

- Vote "FOR" each of the nominees for election to the Board of Directors
- "WITHHOLD" authority for each nominee for election to the Board of Directors.

For Proposal Two, a shareholder may:

- Vote "FOR" the proposal
- Vote "AGAINST" the proposal
- Abstain from voting on the proposal

If the accompanying proxy is properly signed and returned and is not withdrawn or revoked, the shares represented thereby will be voted in accordance with the specifications thereon. If the manner of voting such shares is not indicated on the proxy, the shares will be voted **FOR** the election of the nominees for Directors named herein and **FOR** the ratification of the appointment of the independent auditor. Your shares will also be voted at the discretion of the Board of Directors on any other business properly brought before the meeting.

How do I vote my shares?

Whether you hold shares directly or in "street name", you may direct your vote without attending the Annual Meeting. If you are a shareholder of record, you may vote by granting a proxy as follows:

- By Mail - You may vote by mail by signing and dating your proxy card and mailing it in the envelope provided. You should sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example, as guardian, trustee, custodian, attorney or officer of a corporation), you should indicate your name and title or capacity. Proxies submitted by mail must be received by Computershare, the Bank's stock transfer agent, prior to the vote taken at the Annual Meeting.

- By Telephone or Internet – you may vote by telephone or internet by following the instructions provided by Computershare along with your proxy card.

For shares held in "street name," you should follow the voting instructions provided by your broker or nominee. You may complete and mail a voting instruction card to your broker or nominee or, in some cases, submit voting instructions by telephone or the internet. If you provide specific voting instructions by mail, telephone, or internet, your broker or nominee will vote your shares as you have directed.

Even if you plan to attend the meeting, we encourage you to submit your proxy by mail so your vote will be counted if you later decide not to attend the meeting.

If you choose to vote at the Annual Meeting:

- If you are a shareholder of record, to vote your shares at the meeting you should bring the enclosed proxy card and proof of identity.

- If you hold your shares in "street name," you must obtain a proxy in your name from your bank, broker or other holder of record in order to vote at the meeting and bring proof of beneficial ownership (such as a recent brokerage statement or a letter from your bank or broker) and proof of identity.

What does it mean if I receive more than one proxy?

It likely means you hold shares registered in more than one account. To ensure that all of your shares are voted, sign and return each proxy. You may also vote each proxy by telephone or online.

May I change my vote?

Yes. You may revoke your proxy at any time prior to the voting thereof by filing with the Corporate Secretary of the Bank at the Bank's principal office at 545 4th Street, Santa Rosa, CA 95401, a written revocation or a duly executed proxy bearing a later date. Any such revocation must be executed prior to 2:00 p.m. (Pacific Time) on the day of the Annual Meeting. A shareholder may also withdraw the proxy in person at the meeting at any time before it is exercised. The presence of a shareholder at the Annual Meeting, however, will not automatically revoke such shareholder's previously submitted proxy.

When will the proxy and annual report be mailed to shareholders?

This Proxy Statement and the accompanying Notice of Annual Meeting of Shareholders and Consolidated Financial Statements are being mailed to the Bank's shareholders on or about March 14, 2024.

PROPOSAL ONE
ELECTION OF DIRECTORS
INFORMATION CONCERNING NOMINEES FOR ELECTION AS DIRECTORS

The Bank currently has nine Directors, all of which are slated for election. Each of the nominees for election presently serves on the Board of Directors and is being nominated to serve a one-year term. The Board of Directors has no reason to believe that any nominee will be unable to serve as a Director, if elected. However, in the event any nominee should become unavailable for election, the proxy will be voted for such substitute, if any, as the Board of Directors may designate, or the Board of Directors may choose to reduce the number of directors to be elected at the Annual Meeting.

Set forth below are the names of the nine persons nominated by the Board of Directors for election as Directors of the Bank at the Annual Meeting, along with certain other information concerning such persons.

Name and Year first Became Director	Age	Position Held within the Bank	Principal Occupation or Employment During the Past Five Years and Education Pertaining to Board of Director Qualifications
Steven G. Dutton, 2014	58	Director	President and Co-Owner, Dutton Ranch Corp.
Barry D. Friedman, 2025	46	Director	President and CEO, Friedman's Home Improvement
Gary T. Hartwick, 2014	70	Director	Retired Banker
Eric D. McHenry, 2021	66	Director	Retired Executive
Deborah A. Meekins, 2018	72	Director	Retired Banker
James M. Ryan, 1997	66	Director	President, Ryan Mortgage Company
Troy J. Sanderson, 2021	60	Director	President and CEO, Exchange Bank
William R. Schrader, 2008	74	Director	Retired Banker
Marlene K. Soiland, 1997	69	Director	President and CEO, Soiland Management Company

Additional information regarding the nine nominees for election to the Board of Directors is as follows:

Steven G. Dutton *President and Co-owner, Dutton Ranch Corp.*
Mr. Dutton was appointed to the Board in 2014. He currently serves as the chair of the Board's Trust Committee and is a member of the Community Reinvestment Act and Loan Committees. Mr. Dutton is a fifth-generation Sonoma County farmer and lifelong resident of Sebastopol. He is a partner in Dutton-Goldfield Winery and is also partners with his brother, Joe Dutton, in Dutton Ranch Corp. and Dutton Bros. Farming. Mr. Dutton is actively involved in the agricultural community, contributing to many local associations and Boards. He is past president and current Board member of the Sonoma County Farm Bureau, past president and Board member of the Sonoma County Farm Bureau Foundation, president of the Russian River Valley Winegrowers Foundation, past Board member of the Sonoma County Farm Trails, and is a member and chair of the Santa Rosa Junior College Viticulture Advisory Committee.

Barry D. Friedman, *President and CEO, Friedman's Home Improvement*
Mr. Friedman was appointed to the Board in January 2025. A lifelong Sonoma County resident, Mr. Friedman represents the third generation of his family to lead Friedman's Home Improvement since its founding in 1946. He was named CEO in 2013. Mr. Friedman holds a business degree from Lewis & Clark College. He is deeply connected to the community and currently serves on the Executive Committee of the North Bay Leadership Council, is a member of the Community Board and the chair of the Community Benefit Committee for Providence Santa Rosa Memorial Hospital. He also helps to lead the annual Schools Plus Golf Tournament. Mr. Friedman's past community involvement includes Board member of Rebuilding Together Santa Rosa.

Gary T. Hartwick *Retired, Banker*
Mr. Hartwick was appointed to the Board in 2014. He joined Exchange Bank in 2009 and has served as chief credit officer and chief operating officer. He became president and chief executive officer in 2014 and held that position until his retirement in 2021. He serves as chair of the Board's Loan Committee and also

serves on the Community Reinvestment Act, Risk, and Trust Committees. Mr. Hartwick is a seasoned banker with over 44 years of experience, including top level executive responsibility in areas of credit, budgeting, asset and liability management and strategic planning. He is a graduate of California State University Sacramento and the Pacific Coast Banking School. His community activities included serving as a Board member for the Volunteer Center of Sonoma County and the Redwood Empire Food Bank. He is a former Advisory Board member for the Boys & Girls Club of South Sonoma and Marin Counties, and a former member of the Board at the Luther Burbank Center for the Arts.

Eric D. McHenry *Retired Executive*
Mr. McHenry was appointed to the Board in 2021 and serves as the chair of the Board's Technology and Community Reinvestment Act Committees. Mr. McHenry is also a member of the Risk Committee. He retired from the City of Santa Rosa where from 2005 to 2021 he served as their chief information officer and director, Information Technology Department. He has extensive experience in technology management and business leadership from his career with Agilent and Hewlett Packard where he held the position of vice president and general manager. Mr. McHenry currently serves as Board president of Robert Ferguson Observatory and is a past Board member at the Redwood Empire Food Bank and KRCB North Bay Public Media.

Deborah A. Meekins *Retired, Banker*
Ms. Meekins was appointed to the Board in 2018 and serves as chair of the Board's Compensation and Management Succession Committee. She also serves on the Audit, Community Reinvestment Act, Risk, and Technology Committees. Before retiring, Ms. Meekins served most recently as president and chief executive officer of Poppy Bank from 2012 to 2018, as the chief executive officer of Sonoma National Bank, executive vice president and retail banking director, chief production officer and California market president of Sterling Savings Bank from 1985 to 2012. Ms. Meekins is the past chair of the Santa Rosa Chamber of Commerce, United Way, Santa Rosa Memorial Hospital Foundation, and the Rose Parade. She currently serves on the Providence Santa Rosa Memorial Hospital's Community Board and is a Board member for the California Bankers Association.

James M. Ryan *President, Ryan Mortgage Company*
Mr. Ryan was elected to the Board in 1997 and is vice chairman. In 2007, Mr. Ryan was named a Doyle Trustee. Mr. Ryan serves as the Chair of the Board's Audit Committee. He is also a member of the Community Reinvestment Act, Compensation and Management Succession, Governance and Nominating, Loan, and Trust Committees. He is a licensed real estate broker, certified public accountant (inactive) and a licensed general contractor. Mr. Ryan is the owner and president of both Ryan Mortgage Company, Inc. and Ryan Realty, Inc. in Santa Rosa. He serves on the Scholarship Committee at the Santa Rosa Junior College and on the Board of Directors of PEP Housing, a non-profit developer of affordable housing for seniors and veterans. He has also served as a director of the American Red Cross, Sonoma County Chapter, and numerous trade associations.

Troy J. Sanderson *President and CEO, Exchange Bank*
Mr. Sanderson was appointed to the Board and as president and chief executive officer in 2021. He also serves on the Board's Community Reinvestment Act, Loan, Risk, Technology, and Trust Committees. Mr. Sanderson joined Exchange Bank in 2018 and previously served as executive vice president and chief banking officer. He is a seasoned banker with over 30 years in commercial, mortgage and consumer lending, appraisal, training and development, retail banking, credit administration and executive leadership. Prior to joining Exchange Bank, he was president and chief credit officer of Bank of Rio Vista from 2011 to 2015, and that bank's president from 2015 until it was sold in 2018. A Sonoma County native, his family roots in the community go back over 100 years. Mr. Sanderson served for 10 years as an elected member of the Board of Education of the Petaluma City Schools District and is a past president of Petaluma National Little League. He currently serves on the Board for the Redwood Empire Food Bank, the Board for Santa Rosa Junior College Foundation, the North Bay Leadership Council, and is a member of the American Bankers Association Government Relations Council. He holds a bachelor's degree in business administration from California State University, Sacramento and graduated with honors from the Pacific Coast Banking School at the University of Washington.

William R. Schrader *Retired, Banker*
Mr. Schrader was appointed to the Board in 2008. He joined Exchange Bank in 1978 and has served as senior loan officer, chief operating officer, and was president and chief executive officer from 2008 to 2014 when he retired from the Bank. Today, he serves as chairman of the Board and chair of the Risk Committee. Mr. Schrader also serves on the Board's Audit, Community Reinvestment Act, Compensation and Management Succession, Governance and Nominating, Loan, Technology, and Trust Committees. In 2020, he was named a Doyle Trustee. Mr. Schrader is a graduate of St. Mary's College and received his master's degree from Golden Gate University. He is also a graduate of the Pacific Coast School of Banking. Mr. Schrader has served as a director for the Family Justice Center, Board chair and director positions for the YMCA, Santa Rosa Diocesan School Board, Hanna Boys Center, NAMI, Santa Rosa Community Health Center, California Bankers Association and past vice-chair for the Committee for the Shelterless (COTS). He also serves on the Scholarship Committee at the Santa Rosa Junior College and has past service on advisory Boards for Roseland University Prep High School, Sonoma State University's Graduate School of Business, and Healdsburg Boys and Girls Club.

Marlene K. Soiland *President and CEO, Soiland Management Company*
Ms. Soiland was appointed to the Board in 1997 and is corporate secretary and chair of the Board's Governance and Nominating Committee. Ms. Soiland also serves on the Board's Audit, Community Reinvestment Act, Compensation and Management Succession, Loan, and Technology Committees. In January 2025, Ms. Soiland was named a Doyle Trustee. After graduation from Cal Poly in San Luis Obispo, she returned to Santa Rosa and her family business. She is currently president and owner of Soiland Management Co., Inc. Ms. Soiland is past president of the Sonoma County Alliance and currently serves on their Board and their Environmental and Small Business Grant Opportunities Committees. She has also been involved in several other community groups such as Sonoma County Innovation Council, Institute for Family Business, and Community Foundation Sonoma County.

None of the directors listed above have been a party to bankruptcy, criminal or regulatory proceedings in the prior 5 years.

The Board of Directors unanimously recommends to the Shareholders a vote "FOR" the election of the above-listed persons as Directors for the Bank.

PROPOSAL TWO
NON-BINDING ADVISORY VOTE ON THE APPOINTMENT OF THE INDEPENDENT AUDITOR

The Audit Committee of the Board of Directors proposes and recommends that the shareholders approve the selection by the Committee of the firm of Crowe LLP to serve as the Bank's independent auditor for the 2025 fiscal year. The firm has served as independent auditors for the Bank since 2011. While not legally required, the Board is asking shareholders to ratify the Audit Committee's selection in order to give the shareholders a voice in the designation of auditors. If the resolution approving Crowe LLP as the Bank's independent auditor is rejected by the shareholders, the Committee will reconsider its choice of independent auditors. Even if the resolution is approved, the Audit Committee, in its discretion, may direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of the Bank and its shareholders.

Proxies in the form solicited hereby which are returned to the Bank will be voted in favor of this non-binding proposal unless otherwise instructed by the shareholder. The affirmative vote of a majority of the shares of common stock cast at the meeting, in person or by proxy, and entitled to vote thereon is required to approve Proposal Two.

The Board of Directors unanimously recommends to the Shareholders a vote "FOR" the non-binding advisory proposal to approve the appointment of the Bank's independent auditor.

INFORMATION CONCERNING NON-DIRECTOR EXECUTIVE OFFICER

Shari J. DeMaris *Executive Vice President and Chief Operating Officer, Exchange Bank*
Ms. DeMaris joined Exchange Bank in October 2020 and was named Executive Vice President, Chief Financial Officer in January 2021. Ms. DeMaris was promoted to Chief Operating Officer in May 2023. She brings over 25 years of technical accounting and financial leadership experience and is a licensed CPA. Previously, Ms. DeMaris held leadership roles at several public accounting and financial institutions including Hills Bank and Trust Company from 2005 to 2020, acting as chief financial officer from 2012 to 2020. She holds bachelor's degrees in both Accounting and Spanish from DePaul University and the University of Iowa, respectively. Active in the community, Ms. DeMaris serves on the Board of the Santa Rosa Symphony, including the Finance and Audit Committees.

None of the executive officers were selected pursuant to any arrangement or understanding other than with the directors and executive officers of the Bank acting within their capacities as such. There are no family relationships between any of the directors and executive officers of the Bank. There are no material proceedings to which any executive officer of the Bank or any associate of any executive officer of the Bank is a party or has an interest materially adverse to the Bank.

TRANSACTIONS WITH DIRECTORS AND OFFICERS

The Bank has had and expects in the future to have banking transactions in the ordinary course of its business with some of its Directors and Officers and their associates, including transactions with corporations or partnerships of which such persons are directors, officers, controlling shareholders, or partners on substantially the same terms (including interest rates and collateral) as those prevailing for comparable transactions with others. Management believes that in 2024 such transactions did not involve more than the normal risk of collectability or present other unfavorable features.

CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS

Board of Directors of the Bank

The Board of Directors of the Bank meets on a regularly scheduled basis. During 2024, the Board of Directors of the Bank held an annual meeting, one special meeting and twelve regular meetings. During 2024, all Directors of the Bank attended at least seventy-five percent of the total number of meetings of the Board and a majority of the committees to which such Directors were appointed. Although the Bank does not have a formal policy regarding attendance by Directors at annual shareholder meetings, such attendance is encouraged. In 2024, nine of the Bank's ten Directors attended the Annual Shareholders' Meeting.

The composition of the Board committees as of December 31, 2024 is shown in the following table:

Director Name	Corporate Governance & Nominating	Audit	CRA	Compensation	Loan	Risk	Technology	Trust
Steven G. Dutton			X		X			Chair
Barry D. Friedman								
Gary T. Hartwick (I)			X		Chair	X		X
Eric D. McHenry (I)			Chair			X	Chair	
Deborah A. Meekins (I)		X (A)	X	Chair		X	X	
James M. Ryan (I)	X	Chair (A)	X	X	X			X
Troy J. Sanderson			X		X	X	X	X
William R. Schrader (I)	X	X	X	X	X	Chair	X	X
Marlene K. Soiland (I)	Chair	X	X	X	X		X	X

Mr. Friedman was not on any committees as of December 31, 2024 as he was not officially appointed to the Board of Directors. Committee assignments for Mr. Friedman will occur at the Board's organizational meeting.

(I) Independent Director
(A) Audit Committee Financial Expert
Chair Committee Chair
X Committee Member

The Board of Directors has established the Corporate Governance and Nominating Committee consisting of three non-employee Directors who are considered to be independent as defined under the rules of the FDIC and other applicable laws and regulations. The Corporate Governance and Nominating Committee assists in identifying individuals qualified to become Board members, recommends nominees for director, recommends the corporate governance guidelines applicable to the Bank, oversees an annual review of the Board's performance, recommends director nominees for each committee, recommends a determination of each outside director's "independence" under applicable rules and guidelines, oversees the Bank's engagement with shareholders and other interested parties concerning governance and other related matters, and oversees reputation risk related to the Committee's responsibilities. The Corporate Governance and Nominating Committee held two meetings in 2024. The Board of Directors has adopted a written charter for the Corporate Governance and Nominating Committee.

The Board of Directors of the Bank has established an Audit Committee. The Audit Committee is responsible for the engagement of the external audit firm and reviews the scope and results of the audits, the Bank's internal accounting controls and the professional services furnished by the independent auditor. All four members of the Audit Committee are "independent" as defined under the rules of the FDIC. Due to their experience as noted above, the Board has determined that Directors Meekins and Ryan qualify as Audit Committee Financial Experts under applicable regulations. The Audit Committee met four times in 2024.

The Board of Directors of the Bank has established the Community Reinvestment Act Committee. The Community Reinvestment Act Committee is responsible for establishing an effective program to balance regulatory risk management, promotion of community well-being and development of profitable business through meeting community needs. The Community Reinvestment Act Committee met two times in 2024.

The Board of Directors of the Bank has established a Compensation and Management Succession Committee. The Compensation and Management Succession Committee establishes and monitors effective compensation packages for Bank management and the Board. The Compensation and Management Succession Committee met two times in 2024.

The Board of Directors of the Bank has established a Loan Committee. This Committee reviews and approves loans that are outside of the authority of Bank management's Loan Committee. The Loan Committee met four times in 2024. In addition, the Loan Committee frequently reviewed and approved loans via virtual vote.

The Board of Directors of the Bank has established a Risk Committee. The Risk Committee is responsible for establishing an effective program to set risk tolerances, track risk-related activity, and being the Board's liaison for risk-related matters affecting the Bank. The Risk Committee met four times in 2024.

The Board of Directors of the Bank has established a Technology Committee. The Technology Committee is responsible for reviewing the technical budget and projections and being the Board's liaison for matters affecting the Bank's technology. The Technology Committee met four times in 2024.

The Board of Directors of the Bank has established a Trust Committee. The Trust Committee oversees the activities of the Bank's Trust Department to assure that the department is administered in accordance with applicable laws and regulations and sound fiduciary principles. The Trust Committee met four times in 2024.

Directors Compensation Table

The following table provides information concerning the compensation of all the Directors other than Director Sanderson for the fiscal year ended December 31, 2024. Compensation information for Director Sanderson is discussed below in the section captioned "Summary of Cash and Certain Other Compensation Paid to Executive Officers."

Name	Fees or Earnings Paid in Cash ($)(1)	Other Compensation ($)	Total ($)	
Bruce E. DeCrona	$ 102,000	$ -	$102,000	(3)
Steven G. Dutton	102,000	-	$102,000	
Gary T. Hartwick	102,000	-	$102,000	
Eric D. McHenry	102,000	-	$102,000	
Deborah A. Meekins	102,000	-	$102,000	
James M. Ryan	102,000	-	$102,000	
William R. Schrader	287,000	17,616 (2)	$304,616	
Marlene K. Soiland	109,200	-	$109,200	
Gregory S. Steele	85,000	-	$ 85,000	(3)

NOTES:

(1) During 2024, each non-employee Director received a $102,000 retainer. The Chairperson received an additional $185,000 retainer. The Corporate Secretary received an additional $7,200 retainer.
(2) Other compensation includes an auto allowance of $12,000, $3,528 in Bank-paid supplemental health care premium, $1,490 in health club dues and $598 in security and other services.
(3) Mr. Steele completed his board service on October 31, 2024. Mr. DeCrona completed his board service on December 31, 2024.

Former employee Directors of the Bank (Directors DeCrona, Hartwick and Schrader) may have received certain compensation related to their tenure as employees of the Bank. This compensation is not included above as it is not related to their Board duties.

The Compensation Committee periodically reviews the compensation levels of the Board of Directors. In its review, the committee looks to ensure that the compensation is fair, reasonably competitive, and commensurate with the responsibilities of both the individual directors as well as the Board in aggregate. The committee's compensation philosophy is to target director compensation at or near the median 50th percentile of regional peer group banks. In determining levels of cash compensation, the committee considered that, unlike most of its peer banks, the Bank does not issue equity-linked compensation to its directors. The committee believes paying total compensation near the 50th percentile is critical for attracting and retaining the qualified directors it needs to achieve and oversee its business objectives and good governance practices.

Independent assessments of market compensation are made with the most recent being a report commissioned in December 2022 from AON, a large independent compensation consulting firm. After the Compensation Committee's review of applicable rules for independence, the committee determined that there are no known conflicts of interest between AON and the Bank. AON services included a review and recommendation to refine a peer group based upon the Bank's and peers' size and total compensation levels provided by both.

The peer group included 16 peer banks located in the Pacific region with assets ranging evenly from $2 billion to $7.5 billion (the 50th percentile being $3.7 billion). None of the institutions had any unique business models or were targets of mergers or acquisitions. The Bank's director compensation ranked at the 50th percentile of these peers.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Set forth in the following table is certain information on each person who is known to the Board of Directors to be the beneficial owner as of March 14, 2025 of more than 5% of the Bank's Common Stock, which is the only class of equity securities that the Bank has outstanding.

Amount and Nature of Beneficial Ownership

Name and Address of Beneficial Owner	Total Shares Beneficially Owned	Sold Voting and Investment Power	Shared Voting and Investment Power	Percent of Class
Frank P. Doyle Trust 545 4th Street Santa Rosa, CA 95401	864,764	-	864,764	50.44%

The three trustees of the Frank P. Doyle Trust, Directors Ryan, Schrader and Soiland, serve on the Bank's Board of Directors, and may be deemed to share voting authority over such shares.

The following table sets forth as of March 14, 2025 the number of shares of the Bank's Common Stock beneficially owned by each Director. Beneficial ownership is determined in accordance with Securities and Exchange Commission rules and includes shares over which the director has voting of dispositive authority and any shares the director has the right to acquire within 60 days of such date. The Bank's Bylaws note a 100-share ownership policy for the Directors.

Amount and Nature of Beneficial Ownership

Name	Total Shares Beneficially Owned	Sole Voting and Investment Power	Shared Voting and Investment Power (1)	Percent of Class
Steven G. Dutton	675	675	-	0.04%
Barry D. Friedman	1,000	1,000	-	0.06%
Gary T. Hartwick	100	100	-	0.01%
Eric D. McHenry	100	100	-	0.01%
Deborah A. Meekins	500	500	-	0.03%
James M. Ryan	868,957	4,193	864,764	50.69%
Troy J. Sanderson	450	450	-	0.03%
William R. Schrader	867,944	3,180	864,764	50.63%
Marlene K. Soiland	868,807	718	868,089	50.68%
Total Directors as a Group	879,005	10,916	868,089	51.27%

Note (1): A total of 864,764 shares listed under Shared Voting and Investment Power for Directors Ryan, Schrader and Soiland represent shares of the Frank P. Doyle Trust.

COMPENSATION AND MANAGEMENT SUCCESSION COMMITTEE

All compensation decisions affecting the executive officers of the Bank are made by the Board of Directors of the Bank. The Compensation and Management Succession Committee of the Board of Directors reviews and recommends to the Board of Directors the compensation of the Executive Officers identified in the Summary Compensation Table and other tables on the following pages of this Proxy Statement.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

In the following Compensation Discussion and Analysis section, the Bank provides information concerning compensation and benefits provided to the Executive Officers of the Bank. The Executive Officers are Troy J. Sanderson, President and Chief Executive Officer, and Shari J. DeMaris, Executive Vice President and Chief Operating Officer.

The Bank's overall compensation objectives are to pay salaries and provide benefits that are both fair and reasonable, consistent with the compensation practices of the financial services industry in general, and appropriate and competitive in the Bank's local marketplace. The Bank's goal is to attract, develop and retain high-caliber executives who are capable of increasing the Bank's performance for the benefit of its shareholders while maintaining the philosophy of community banking. Ultimately, the Bank desires to base its compensation on individual performance as it affects the overall financial results of the Bank. Specifically, the executive compensation program of the Bank has been designed to:

- provide a pay-for-performance policy that differentiates compensation amounts based upon corporate and individual performance;
- provide compensation opportunities comparable to those offered by other West Coast-based financial institutions and banks of similar asset size, thus allowing the Bank to compete for and retain talented executives who are essential to the long-term success of the Bank;
- maintain a corporate environment that encourages stability and long-term focus for the primary constituencies of the Bank, including shareholders, employees, customers, regulatory agencies and the communities it serves.

To achieve its objectives, the Bank has structured its compensation program: (1) to reward current corporate and individual performance through salary increases and opportunities for cash bonuses; and (2) to reward long-term corporate and individual performance through participation in the Deferred Compensation Plan and participation in the Supplemental Executive Retirement Plan. The amounts and types of compensation paid in 2024 (as set forth below) fit into the Bank's overall compensation objectives by achieving those two objectives.

Decisions Regarding Composition of Total Compensation

The Compensation and Succession Management Committee (the "Committee"), which is comprised of the five non-employee Directors who have been deemed to be independent, has responsibility for implementing and overseeing the Bank's executive compensation program. In this respect, the Committee has strategic and administrative responsibility for a broad range of issues, including ensuring that the Bank compensates key management employees effectively and in a manner consistent with the Bank's compensation strategy. The Committee makes compensation recommendations to the Board of Directors with respect to each of the Executive Officers identified in the Summary Compensation Table and other tables on the following pages of this Proxy Statement. The Board of Directors approves the compensation for the Executive Officers.

The Committee's policy is to review management compensation at least annually. The Committee makes these reviews to ensure that management compensation is consistent with the Bank's compensation philosophies articulated above.

The factors the Committee considers in either determining or ratifying, as the case may be, the level and composition of compensation include, but are not limited to, the following: (1) the Bank's performance as compared to internally-established goals for the most recently ended fiscal year and to the performance of other West Coast-based financial institutions; (2) the individual officer's level of responsibility within the Bank; and (3) competitive compensation data. In addition, the Committee considers the financial performance for the current year, including the business plan containing the financial performance goals measured primarily in terms of earnings per share, growth of the Bank, asset quality, return on assets and return on stockholders' equity. The Committee also considers the financial budget for the upcoming fiscal year and the Bank's updated strategic plan. While the foregoing factors are not specifically weighted in the decision-making process, primary emphasis is placed on the Bank's performance during the previous year as compared to the internally established goals. Although the Committee reviewed a number of objective factors in setting compensation for 2024, its final decision was based on a subjective determination. Details regarding the compensation of each of the Executive Officers are set forth in the tables that appear below.

In a very similar fashion to the Compensation Committee's approach with director compensation, an independent assessment of executive compensation for our President/CEO and Chief Operating Officer was commissioned on July 13, 2022 from the aforementioned AON Group. The same 16 peer institutions were used as peer comparables. After reviewing and considering this study, the Compensation Committee adjusted the cash compensation consisting of salary and bonus for our President/CEO and our CFO to place them near the 50^{th} percentile.

After considering all the compensation paid to the Executive Officers, the Committee determined that the compensation paid to the Executive Officers is reasonable and not excessive.

Elements of Compensation

The Bank provides a competitive mix of pay elements that align executive incentives with shareholder value. The executive compensation program includes salary, cash bonuses and long-term compensation.

The forms of compensation paid in 2024 are comprised of the following:

Salaries and cash bonuses: Salary is designed to provide competitive levels of compensation to executives based upon their experience, duties and scope of responsibility. The Bank pays a salary because it provides a basic level of compensation, and it is necessary to recruit and retain executives. An important aspect of salary is the Committee's ability to use annual base salary adjustments to reflect an individual's performance or changed responsibilities. Salary levels are also important because the Committee may tie the amount of long-term compensation to an executive's salary. In making its decisions regarding annual salary adjustments, the Committee reviews quantitative and qualitative performance factors as part of an annual performance appraisal. These are established for each executive position and the performance of the incumbent executive is evaluated annually against these standards. This appraisal is then integrated with market-based adjustments to salary ranges to determine if a base salary increase is merited.

Participation in the Supplemental Executive Retirement Plan: The SERP is a defined contribution plan designed primarily to reward eligible employees for long and loyal service by providing them with retirement benefits. The SERP is operated in accordance with the provisions of the written plan document. The SERP has a graduated vesting schedule with partial vesting occurring before the final vesting date. The final vesting term for the SERP varies, but is generally between 5 and 15 years.

Participation in the 401(k) and Profit Sharing Plan: The Bank offers a qualified 401(k) plan to provide a tax-advantaged savings vehicle. The Bank makes matching contributions to the 401(k) plan to encourage employees to save money for their retirement. This 401(k) plan and such matching contributions enhance the range of benefits offered to employees and the Bank's ability to attract and retain employees. The 401(k) covers all eligible employees of the Bank. Employees are eligible to participate in elective salary deferrals. Participants may contribute up to 80% of eligible compensation, limited to the maximum amount deductible under the Internal Revenue Code for employee salary reduction. The Plan provides for an employer-matching contribution equal to 100% of the employee's deferral, limited to deferrals of up to 3% of compensation, plus 50% of the employee's deferral up to an additional 2% of eligible compensation. Therefore, the maximum Bank contribution is 4% of compensation. Subject to certain exceptions, the Bank's matching contributions are vested at three years of service.

The Profit Sharing Plan is operated in accordance with the provisions of the written plan document. Employees of the Bank are eligible to participate in the Profit Sharing Plan. The Profit Sharing Plan is designed primarily to reward eligible employees for long and loyal service by providing them with retirement benefits. The Profit Sharing Plan is a defined contribution plan and is primarily invested in assets other than equity securities of the Bank. Any benefits payable under the Profit Sharing Plan will be based solely upon the amounts contributed by the Bank for the benefit of a participant and any changes in the value of those contributions while they are held in the Profit Sharing Plan. The Profit Sharing Plan does not require or allow contributions by participating employees. Subject to certain exceptions, contributions to the Profit Sharing Plan are fully vested after three years of service with the Bank. In 2024, the Bank, as sponsor of the Profit Sharing Plan, made a 2.30% of compensation Profit Sharing Plan contribution. Subject to certain exceptions, the Bank's profit sharing contributions vest at three years of service.

Participation in the Deferred Compensation Program: This program allows the Executive Officers to elect to defer a portion of their salaried compensation for payment by the Bank at a subsequent date. The Executive Officers can defer up to 50% of their base compensation and up to 100% of any bonus into the Deferred Compensation Plan. Any amount so deferred is credited to the Executive Officer's deferred compensation account which is managed by the Bank's Trust Department. The amounts accrued in the Executive Officer's account are payable over a term of up to 10 years, at the employee's election, in monthly installments at the time of the Executive Officer's retirement. The Bank does not make any contributions to the Deferred Compensation Program.

Life insurance and accidental death and dismemberment benefits: The Executive Officers receive a life insurance benefit of up to three times a maximum salary of $125,000, or $375,000, and an accidental death and dismemberment benefit. These benefits are part of a non-discriminatory plan available to all full-time employees and constitutes a base-level health and welfare benefit expected in today's market. The Executive Officers are also provided with split-dollar life insurance in the amount of $1,000,000.

Perquisites and other benefits: Perquisites and other benefits represent a very small part of the overall compensation package and are offered only after consideration of business need. The Committee annually reviews the perquisites and other personal benefits that are provided to senior management.

SUMMARY COMPENSATION PAID TO EXECUTIVE OFFICERS

Overview

The following sections provide a summary of cash and certain other compensation the Bank paid for the year ended December 31, 2024 to the Executive Officers.

Summary Compensation Table

The table below summarizes the total compensation paid to each of the Executive Officers for the last two fiscal years. The Bank has not entered into employment agreements with its Executive Officers. When setting the total compensation for each of the Executive Officers, the Committee reviews information concerning the Executive's current compensation and all other compensation.

Name/ Position with Bank	Year	Salary ($)(1)	Bonus ($)(1)(2)	All Other Compensation ($)(3)(4)	Total Compensation ($)
Troy J. Sanderson	2024	$ 607,561	$ 90,875	52,403	$ 750,839
President and CEO	2023	602,043	200,600	52,092	854,735
	2022	500,000	320,500	50,647	871,147
Shari J. DeMaris	2024	352,078	60,350	39,452	451,880
EVP and COO	2023	410,552	1,100	41,192	452,844
	2022	323,917	223,000	37,659	584,576

NOTES:

(1) Compensation deferred at the election of the Executive Officer pursuant to the Bank 401(k) plan and deferred compensation plan is included in salary and bonus totals.
(2) For Mr. Sanderson, bonus amounts paid in the year include amounts that relate to bonus amounts earned in a prior year. In 2023, $199,500 of the total $200,600 bonus amount relates to bonus earned in 2022. In 2022, $120,000 of the total $320,500 bonus amount relates to bonus earned in 2021.
(3) For each of the Executive Officers, the figures shown consist of contributions in the following amounts made by the Bank or paid in the past two fiscal years which amounts are quantified in the table below.
(4) The fair value of the Supplemental Executive Retirement Plan is not included in the amounts reported.

	Year	Defined Contribution on Profit Sharing Plan	401(k) Plan	Country Club Membership	Life Insurance and ADD Premiums	Supplemental Health Care Premiums	Auto Allowance	Total All Other Compensation
Troy J. Sanderson	2024	$ 7,590	$ 13,800	$ 8,640	$ 607	$ 6,766	$ 15,000	$ 52,403
	2023	7,625	13,200	8,640	607	7,020	15,000	52,092
	2022	5,800	12,200	6,984	607	10,056	15,000	50,647
Shari J. DeMaris	2024	7,590	13,800	6,624	748	3,528	7,162	39,452
	2023	7,625	13,200	6,624	607	3,516	9,620	41,192
	2022	5,800	12,200	5,916	607	3,516	9,620	37,659

AUDIT COMMITTEE

Audit Committee Report

March 5, 2025

To the Board of Directors:

The Audit Committee consists of the following members of the Board of Directors: Deborah A. Meekins, James M. Ryan, William R. Schrader and Marlene K. Soiland. As noted above, the Board of Directors has determined that Mr. Ryan, Chairperson of the Audit Committee, and Ms. Meekins are the “financial experts” as defined under Part 363 of FDIC regulations. Each of the members of the Audit Committee is independent as defined under the rules of the FDIC and other applicable laws and regulations.

The Audit Committee has:

- Reviewed and discussed the Bank’s audited financial statements as of and for the year ended December 31, 2024 with its management and Crowe, LLP, the Bank’s independent auditor;

- Discussed with Crowe, LLP the matters required to be discussed by the Public Company Accounting Oversight Board and Part 363 of the FDIC’s regulations; and

- Received and reviewed the written disclosures from Crowe, LLP required by the application requirements of the Public Company Accounting Oversight Board and Part 363 of the FDIC’s regulations regarding the independent accountant’s communications with the Audit Committee concerning independence and we have discussed with the auditors the auditor’s independence.

Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the financial statements referred to above be included in the Bank’s Annual Report for the year ended December 31, 2024.

Audit and Other Fees

Aggregate fees billed to the Bank for the years ending December 31, 2024 and 2023 by the Bank’s external audit firm are presented in the table below.

INDEPENDENT AUDITOR

The Bank has engaged Crowe LLP as its external audit firm for 2024. Representatives of Crowe LLP are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

	Years Ended December 31,	
	2024	2023
Audit fees	$ 253,000	$ 236,500
Tax fees	31,300	29,700
Other fees	25,330	22,707
	$ 309,630	$ 288,907

PROPOSALS BY SHAREHOLDERS

The Bank's bylaws govern director nominations made by shareholders.

Any common stock shareholder may nominate a person for election to the Board of Directors at any meeting of shareholders called for the election of directors, provided that the nomination is received by the President not less than thirty-five (35) or more than sixty (60) days prior to any such meeting. To be eligible, all nominees submitted by shareholders must satisfy the residency requirements in Section 3.2 of the bylaws and include the name and address of the nominee(s) and all other information required by the bylaws.

Section 3.3 of the Bank's bylaws provides: "Nominations, other than those made by the Board of Directors shall be made in writing and shall be delivered or mailed to the President of the Corporation not less than thirty-five (35) days nor more than sixty (60) days prior to any meeting of shareholders called for the election of directors, provided, however, that if less than twenty-one (21) days' notice of the meeting is given to shareholders, such nomination shall be mailed or delivered to the President of the Corporation not later than the close of business on the seventh (7th) day following the day on which the notice of meeting was mailed. Such notification shall contain the following information as to each proposed nominee and as to each person, acting alone or in conjunction with one or more other persons, in making such nomination or in organizing, directing or financing such nomination or solicitation of proxies to vote for the nominee:

(a) the name, age, birthdate, residence address and business address of each proposed nominee and each such person and the date as of which such nominee commenced residency at such residence address;

(b) the principal occupation or employment, the name, type of business and address of the organization or other entity in which such employment is carried on of each proposed nominee and of each such person;

(c) if the proposed nominee is an attorney, a statement as to whether or not either he or she or any firm with whom he or she has a relationship as partner, associate, of counsel, employee, or otherwise, acts as legal counsel for any banking corporation, affiliate or subsidiary thereof, bank holding company, industrial loan company, savings bank or association or finance company, other than this Corporation or any affiliate or subsidiary of this Corporation;

(d) a statement as to each proposed nominee and a statement as to each such person stating whether the nominee or person concerned has been a participant in any proxy contest within the past ten years, and, if so, the statement shall indicate the principals involved, the subject matter of the contest, the outcome thereof, and the relationship of the nominee or person to the principals;

(e) the amount of stock of the Corporation owned beneficially, directly or indirectly, by each proposed nominee or by members of his or her family residing with him or her and the names of the registered owners thereof;

(f) the amount of stock of the Corporation owned of record but not beneficially by each proposed nominee or by members of his or her family residing with him or her and by each such person or by members of his or her family residing with him or her and the names of the beneficial owners thereof;

(g) if any shares specified in (e) or (f) above were acquired in the last two years, a statement of the dates of acquisition and amounts acquired on each date;

(h) a statement showing the extent of any borrowings to purchase shares of the Corporation specified in (e) or (f) above acquired within the preceding two years, and if funds were borrowed otherwise than pursuant to a margin account or bank loan in the regular course of business of a bank, the material provisions of such borrowings and the names of the lenders;

(i) the details of any contract, arrangement or understanding relating to the securities of the Corporation, to which each proposed nominee or to which each such person is a party, such as joint venture or option arrangements, puts or calls, guaranties against loss, or guaranties of profit or arrangements as to the division of losses or profits or with respect to the giving or withholding of proxies, and the name or names of the persons with whom such contracts, arrangements or understandings exist;

(j) the details of any contract, arrangement, or understanding to which each proposed nominee or to which such person is a party with any banking corporation, affiliate or subsidiary thereof, bank holding company, industrial loan company, savings bank or association or finance company, other than this Corporation or any affiliate or subsidiary of this Corporation, or with any officer, director, employee, agent, nominee, attorney, or other representative of such covered entity;

(k) a description of any arrangement or understanding of each proposed nominee and of each such person with any person regarding future employment or with respect to any future transaction to which the Corporation will or may be a party;

(l) a statement as to each proposed nominee and a statement as to each such person as to whether or not the nominee or person concerned will bear any part of the expense incurred in any proxy solicitation, and, if so, the amount thereof;

(m) a statement as to each proposed nominee and a statement as to each such person describing any conviction for a felony that occurred during the preceding ten years involving the unlawful possession, conversion or appropriation of money or other property, or the payment of taxes;

(n) the total number of shares that will be voted for each proposed nominee;

(o) the amount of stock, if any, owned, directly or indirectly, by each proposed nominee or by members of his or her family residing with him or her, in any banking corporation, affiliate or subsidiary thereof, bank holding company, industrial loan company, savings bank or association or finance company, other than this Corporation or any affiliate or subsidiary of this Corporation; and

(p) the identity of any banking corporation, affiliate or subsidiary thereof, or bank holding company or industrial loan company, savings bank or association or finance company, other than this Corporation or any affiliate or subsidiary of this Corporation, as to which such nominee or any other such person serves as a director, officer, employee, agent, consultant, advisor, nominee or attorney, together with a description of such relationship. The Chairman of the Board (or other person presiding at the meeting in accordance with the bylaws) may, in his or her discretion, determine and declare to the meeting that a nomination not made in accordance with Sections 3.2 and 3.3 of the bylaws shall be disregarded.

COMMUNICATION WITH THE BOARD OF DIRECTORS

The Board of Directors has established a process for shareholders of the Bank to send communications to the Board. Any shareholder desiring to communicate with the Board, or one or more individual Board members may write to Marlene Soiland at the following address:

Exchange Bank Board of Directors
c/o Marlene Soiland, Corporate Secretary
PO Box 403
Santa Rosa, CA 95402

OTHER MATTERS

Management of the Bank knows of no other matters which will be presented for consideration at the 2025 Annual Meeting of Shareholders other than those stated in the Notice of 2025 Annual Meeting, which is part of this Proxy Statement, and management does not intend to present any such other business. If any other matters do properly come before the meeting, it is intended that the persons named in the accompanying proxy will vote thereon in accordance with their judgment. The proxy will also have the power to vote for the adjournment of the meeting from time to time.

A copy of the Consolidated Financial Statements of the Bank for the year ended December 31, 2024 is being mailed to shareholders together with this Proxy Statement. Such report is not incorporated in this Proxy Statement and is not to be considered a part of the proxy soliciting material.

By Order of the Board of Directors

March 14, 2025
Santa Rosa, California

EXCHANGE BANK AND SUBSIDIARIES
Santa Rosa, California

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

EXCHANGE BANK AND SUBSIDIARIES
Santa Rosa, California

FINANCIAL STATEMENTS
December 31, 2024 and 2023

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

To the Stockholders and
Board of Directors
Exchange Bank and Subsidiaries
Santa Rosa, California

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Exchange Bank and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Exchange Bank and Subsidiaries' internal control over financial reporting as of December 31, 2024, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated March 5, 2025 expressed an unmodified opinion.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Exchange Bank and 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Crowe LLP

Crowe LLP

Sacramento, California
March 5, 2025

EXCHANGE BANK AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2024 and 2023
(In thousands, except share and par value amounts)

	2024	2023
ASSETS		
Cash and due from banks	$ 134,672	$ 89,354
Short-term investments	204	257
Total cash and cash equivalents	134,876	89,611
Available-for-sale investment securities	1,362,345	1,497,445
Loans and leases	1,618,579	1,594,677
Less allowance for credit losses	(35,099)	(41,268)
Net loans and leases	1,583,480	1,553,409
Federal Home Loan Bank Stock	15,000	15,000
Bank premises and equipment, net	17,241	17,472
Bank owned life insurance	72,266	68,887
Other real estate owned	-	-
Accrued interest receivable and other assets	115,280	126,748
Total assets	$ 3,300,488	$ 3,368,572
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 902,315	$ 977,426
Interest bearing	1,930,128	1,861,201
Total Deposits	2,832,443	2,838,627
Other borrowings	140,000	225,000
Accrued interest payable and other liabilities	47,236	49,721
Total Liabilities	3,019,679	3,113,348
Commitments and Contingencies (Note 9)		
Stockholders' equity		
Preferred stock, 1,000,000 shares authorized:		
None Issued or outstanding	-	-
Common stock: $2.50 par value; 3,000,000 shares		
authorized: 1,714,344 shares issued and outstanding	4,286	4,286
Additional paid-in capital	46,026	46,026
Retained earnings	331,591	316,652
Accumulated other comprehensive income (loss), net of taxes	(101,094)	(111,740)
Total stockholders' equity	280,809	255,224
Total liabilities and stockholders' equity	$ 3,300,488	$ 3,368,572

See accompanying notes to consolidated financial statements.

EXCHANGE BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2024 and 2023
(In thousands, except per share amounts)

	2024	2023
Interest Income:		
Interest and fees on loans and leases	$ 89,096	$ 81,919
Interest on investment securities:		
Taxable	33,358	31,125
Exempt from federal income taxes	2,266	2,504
Total interest income	124,720	115,548
Interest Expense		
Interest on deposits	33,256	16,716
Interest on other borrowings	10,201	8,342
Total interest expense	43,457	25,058
Net interest income before provision for credit losses	81,263	90,490
Provision (reversal) for credit losses	(5,800)	-
Net interest income after provision (reversal) for credit losses	87,063	90,490
Non-interest income:		
Service charges and fees	3,337	3,265
Trust income	10,332	9,787
Merchant discount and interchange fees	5,030	5,311
Income from bank owned life insurance	2,468	2,255
Gain on sale of other real estate owned	-	694
Other income	2,218	2,348
Total non-interest income	23,385	23,660
Non-interest expense:		
Salaries and employee benefits	42,678	41,110
Occupancy and equipment	7,774	8,160
Professional fees	5,698	7,014
FDIC assessments	1,532	1,574
Pension plan retirement	-	8,398
Other expenses	19,188	20,182
Total non-interest expense	76,870	86,438
Income before provision for income taxes	33,578	27,712
Provision for income taxes	9,725	7,519
Net Income	$ 23,853	$ 20,193
Basic and diluted earnings per common share	$ 13.91	$ 11.78

See accompanying notes to consolidated financial statements.

EXCHANGE BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2024 and 2023
(In thousands)

	2024	2023
Net Income	$ 23,853	$ 20,193
Other comprehensive income:		
Unrealized gain/losses on securities:		
Unrealized holding gains arising during the period	14,883	50,191
Tax effect	(4,400)	(14,841)
Changes in unrealized gain on available-for-sale investment securities, net of tax	10,483	35,350
Defined benefit plans:		
Net gains arising during the period	139	6,351
Prior service reclass	-	2,665
Tax effect	(31)	(2,665)
Changes in defined benefit plans, net of tax	108	6,351
Change in deferred compensation trust liabilities	78	312
Tax effect	(23)	(92)
Changes in deferred compensation trust, net of tax	55	220
Other comprehensive income	10,646	41,921
Total comprehensive income	$ 34,499	$ 62,114

See accompanying notes to consolidated financial statements.

EXCHANGE BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2024 and 2023
(In thousands)

	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) (Net of Taxes)	Total Stockholder's Equity
Balance, January 1, 2023	$ 4,286	$ 46,026	$ 305,373	$ (153,661)	$ 202,024
Net Income	-	-	20,193	-	20,193
Other comprehensive income	-	-	-	41,921	41,921
Cash Dividends ($5.20 per share)	-	-	(8,914)	-	(8,914)
Balance, December 31, 2023	$ 4,286	$ 46,026	$ 316,652	$ (111,740)	$ 255,224
Net Income	-	-	23,853	-	23,853
Other comprehensive income	-	-	-	10,646	10,646
Cash Dividends ($5.20 per share)	-	-	(8,914)	-	(8,914)
Balance, December 31, 2024	$ 4,286	$ 46,026	$ 331,591	$ (101,094)	$ 280,809

See accompanying notes to consolidated financial statements.

EXCHANGE BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023
(In thousands)

	2024	2023
Cash flows from operating activities		
Net Income	$ 23,853	$ 20,193
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	2,082	2,278
(Reversal) of provision for credit losses	(5,800)	-
Deferred income tax expense (benefit)	2,925	(7,833)
Accretion of discounts and amortization or premiums on investment securities	4,338	5,300
Net change in deferred loan origination fees	535	325
(Increase) in bank owned life insurance, net of expenses	(1,750)	(1,583)
Changes in operating assets and liabilities:		
Accrued interest receivable and other assets	4,305	18,997
Accrued interest payable and other liabilities	(2,485)	1,333
Net cash provided by operating activities	28,003	39,010
Cash flows from investing activities:		
Decrease in Interest-bearing deposits in other financial institutions	-	1,000
Proceeds from maturities of investment securities	150,644	135,531
Purchase of investment securities	(4,998)	(12,440)
Purchase of bank owned life insurance	(1,629)	(707)
Net (increase) in loans and leases	(24,806)	(87,366)
Proceeds from sale of other real estate owned	-	310
Purchase of bank premises and equipment	(1,851)	(2,533)
Net cash provided by investing activities	117,360	33,795
Cash flows from financing activities:		
Net (decrease) in demand, interest bearing and savings deposits	(119,573)	(443,333)
Net increase in time deposits	113,389	215,680
Net (decrease) increase in FRB borrowing	(125,000)	225,000
Net increase (decrease) in short-term FHLB advances	40,000	(20,000)
Cash paid for dividends	(8,914)	(8,914)
Net cash (used in) financing activities	(100,098)	(31,567)
Change in cash and cash equivalents	45,265	41,238
Cash and cash equivalents, beginning of year	89,611	48,373
Cash and cash equivalents, end of year	$ 134,876	$ 89,611
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest Expense	$ 42,615	$ 24,568
Income Taxes	$ 5,000	$ 14,350

See accompanying notes to consolidated financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations: Exchange Bank (the "Bank"), a California corporation, and its wholly-owned subsidiaries, A. J. Ventures, Inc. and AJV-Alderbrook LLC (a wholly-owned subsidiary of A. J. Ventures, Inc.) conduct their business from their headquarters in Santa Rosa, California. The Bank is a full service community bank providing a range of commercial, retail banking, and trust and investment management services to individuals and businesses. The Bank has 17 retail branches in Sonoma County, a retail branch in Roseville and Trust and Investment Management offices in Santa Rosa, Roseville, Marin County, and Silicon Valley. The Bank's legacy of financial leadership and community support is grounded in its core values of commitment, respect, integrity, and teamwork. Exchange Bank is known for its people who care about their customers, their company, and the communities where they live and work.

The accounting and reporting policies of the Bank and its subsidiaries conform with accounting principles generally accepted in the United States of America and prevailing practices within the financial services industry. A summary of the more significant accounting and reporting policies are as follows:

Principles of Consolidation: The consolidated financial statements include the accounts of the Bank and its wholly-owned subsidiaries, A. J. Ventures, Inc. and AJV-Alderbrook LLC. The subsidiaries have historically been used to hold real estate properties acquired through, or in lieu of, loan foreclosure. As of December 31, 2024 and 2023, the assets of the subsidiaries were limited to cash and intercompany components. All intercompany accounts and transactions have been eliminated upon consolidation.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on available information. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: For purposes of the consolidated statement of cash flows, the Bank considers all highly liquid investments with maturities of three months or less at date of acquisition to be cash equivalents. Cash equivalents include cash, due from banks, money market investments, and federal funds sold. Generally, federal funds are sold for one-day periods. Net cash flows are reported for customer loan and deposit transactions, interest bearing deposits in other financial institutions, and federal funds purchased and sold.

Investment Securities: The Bank classifies its investment securities as either available-for-sale or held-to-maturity at the time of purchase. Available-for-sale investment securities are measured at fair value with a corresponding recognition of the net unrealized holding gain or loss, net of income taxes, within accumulated other comprehensive income (loss), which is a separate component of stockholders' equity, until realized. Held-to-maturity investment securities are measured at amortized cost, based on the Bank's positive intent and ability to hold such securities to maturity. At December 31, 2024 and 2023, the Bank did not hold any held-to-maturity investment securities.

Premiums on investment securities are amortized to the earliest call date and discounts are accreted over the period to maturity of those securities. Interest income is recognized when earned. Realized gains and losses on the sale of investment securities are recorded on the trade date and are computed using the specific identification method for determining the cost of investment securities sold.

For available-for-sale investment securities in an unrealized loss position, the Bank first assesses whether it intends to sell, or it is more likely than not it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale investment securities that do not meet the aforementioned criteria the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. The Bank measures the allowance for credit losses on available-for-sale investment securities by performing an assessment of unrealized losses in the portfolio to evaluate potential credit loss existence. The review is based

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

upon factors such as the creditworthiness of the issuers/guarantors, the underlying collateral, if applicable, and the continuing performance of the securities. If credit-related impairment is identified, the Bank would record an allowance for credit loss related to the appropriate available-for-sale investment securities as a contra asset. Changes in the allowance for credit losses are recorded as credit loss expense (or reversal).

Federal Home Loan Bank (FHLB) Stock: The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans and Leases: Loans that management has the ability and intent to hold for the foreseeable future or maturity or payoff are reported at the principal amounts outstanding, adjusted for unamortized discounts and premiums and net of deferred loan origination fees and costs, write-downs and the allowance for credit losses. Direct financing leases are carried net of unearned income. Income from leases is recognized by a method that approximates a level yield on the outstanding net investment in the lease.

The Bank may charge fees for originating loans and leases. These origination and commitment fees, net of certain related direct loan and lease origination costs, are deferred. The net deferred fees or costs are recognized as an adjustment of yield over the contractual life of the loan or lease using the interest method. The unamortized balance of deferred fees and costs is reported as a component of net loans and leases.

For all classes of loans and leases, interest is accrued daily based upon outstanding loan and lease balances. However, when, in the opinion of management, loans or leases become 90 days past due, unless the loan is well-secured and in process of collection or are individually evaluated and the future collectability of interest and principal is in serious doubt, a loan or lease is placed on nonaccrual status and the accrual of interest income is suspended. Any interest accrued but unpaid is charged against income. Payments received are applied to reduce principal to the extent necessary to ensure collection. Subsequent payments on these loans or leases, or payments received on nonaccrual loans or leases for which the ultimate collectability of principal is not in doubt, are applied first to earned but unpaid interest and then to principal. Generally, loans and leases are restored to accrual status when the obligation is brought current and has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt. Accrued interest receivable totaled $11,901 and $12,170 at December 31, 2024 and 2023, respectively and was reported in Accrued interest receivable and other assets on the consolidated balance sheets.

Through its loan portfolio, the Bank has geographically concentrated credit risk in Sonoma County. Additionally, the loan portfolio has a concentration in loans secured by real estate.

Allowance for Credit Losses – Loans: Management estimates the allowance for credit loss (“ACL”) balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

Expected credit losses are estimated over the contractual term of the 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 that a loan modification will be executed with an individual borrower, or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Bank. Prepayments are established for each segment based on historical averages for the segment, which management believes is an accurate representation of future prepayment activity.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The macroeconomic component considers the forecasted direction of the economic and business environment and its likely impact on the estimated allowance as compared to the historical losses over the reasonable and supportable time frame. The Bank has elected to forecast the first four quarters and revert on a straight-line basis over eight quarters. The Bank uses macroeconomic scenarios from independent third parties, including unemployment rate, gross domestic product, and housing price index. Macroeconomic factor multipliers are determined through regression analysis and applied to loss rates for each segment of loans with similar risk characteristics. The impact of those macroeconomic factors on each segment, both positive or negative, using the reasonable and supportable period, are added to the calculated historical loss component of the allowance.

The third component of the Bank's ACL model incorporates qualitative factors. Historical information and experiences provide a basis for the ACL calculation; however, they may not incorporate new risks that may be identified in the portfolio. As such, management uses qualitative factors to adjust for events and circumstances that may impact the future expected credit loss. Qualitative adjustments include, but are not limited to, factors such as: (i) changes in lending policies and procedures, including changes in underwriting standards and collections, charge offs, and recovery practices, (ii) changes in international, national, regional, and local conditions, (iii) changes in the nature and volume of the portfolio and terms of loans, (iv) changes in the experience, depth, and ability of lending management, (v) changes in the volume and severity of past due loans and other similar conditions, (vi) changes in the quality of the organization's loan review system, (vii) changes in the value of underlying collateral for collateral dependent loans, (viii) the existence and effect of any concentrations of credit and changes in the levels of such concentrations, (ix) the effect of other external factors (i.e. competition, legal and regulatory requirements) on the level of estimated credit losses. Management reviews the need for an appropriate level of qualitative adjustments on a quarterly basis, and as such, the amount and allocation of qualitative adjustments may change in future periods.

Management disaggregated the Bank's loan portfolio into material segments of like-kind loans for collective evaluation. The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Bank has identified the portfolio segments by Federal Call Code based on the underlying collateral and measures the allowance for credit losses. For reporting purposes, these Federal Call Codes are aggregated under the following portfolio segments:

Real Estate–Commercial – This segment is comprised of loans used to finance the acquisition of commercial real property. These loans are secured by first liens against the underlying real property. The inherent risk is driven by the borrower's capacity to service the debt combined with the value of the property collateral relative to the loan balance. Economic trends including consumer spending, consumer confidence, market interest rates, and general economic growth are closely correlated to the credit quality of these loans. A sustained decline in the economy can impair a borrower's capacity to service the underlying debt.

Real Estate–Residential – This segment is comprised of single family 1-4 residential mortgages, installment and home equity loans. Economic trends including consumer spending, consumer confidence, market interest rates, trends in housing values, and general economic growth are closely correlated to the credit quality of these loans. A sustained decline in the economy can impair a borrower's capacity to service the underlying debt.

Real Estate–Multifamily – This segment is comprised of loans used to finance the acquisition of multifamily real property. These loans are secured by first liens against the underlying real property for multifamily housing purposes. The inherent risk is driven by the borrower's capacity to service the debt combined with the value of the property collateral relative to the loan balance. Economic trends including consumer spending, consumer confidence, market interest rates, trends in housing values, and general economic growth are closely correlated to the credit quality of these loans. A sustained decline in the economy can impair a borrower's capacity to service the underlying debt.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real Estate–Construction – This segment is comprised of loans used to acquire, develop, and/or construct residential housing or commercial property types, including office, industrial and retail. Inherent risk is high as this segment evidences construction risk and absorption risk. Economic trends including consumer spending, consumer confidence, business confidence, market interest rates, and general economic growth are closely correlated to the credit quality of these loans. A sustained decline in the economy can impair absorption and compromise the borrower's capacity to service the underlying debt.

Commercial – These loans are primarily for business purposes and are typically secured by personal property and in some cases by junior liens against real property. Credit risk is mitigated by financial covenants and financial reporting requirements. Economic trends including consumer spending, consumer confidence, market interest rates, and general economic growth are closely correlated to the credit quality of these loans. A sustained decline in the economy can impair a borrower's capacity to service the underlying debt.

Lease Financing – This segment is primarily comprised of smaller business purpose commitments used to finance an array of business equipment. Leases are amortized over a specific period of time. Economic trends including consumer spending, consumer confidence, market interest rates, and general economic growth are closely correlated to the credit quality of these loans. A sustained decline in the economy can impair a borrower's capacity to service the underlying debt.

Consumer – This segment is comprised of lines used to finance direct consumer purchases and/or establish lines of credit for consumer purposes. Economic trends including consumer spending, consumer confidence, market interest rates, trends in housing values, and general economic growth are closely correlated to the credit quality of these loans. A sustained decline in the economy can impair a borrower's capacity to service the underlying debt.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. When management determines that foreclosure is probable due to the repayment of the loan being based on proceeds from the sale or operation of the subject property, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. When the discounted cash flow method is used to determine the allowance for credit losses, management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments.

The allowance for individually evaluated loans is calculated using either the collateral value method, which considers the likely source of repayment as the value of the collateral less estimated costs to sell, or the net present value method, which considers the contractual principal and interest terms and estimated cash flows available from the borrower to satisfy the debt. Nonaccrual modified loans are individually evaluated for credit loss except if the original interest rate is used to discount the expected cash flows, not the rate specified in the restructuring.

In general, management's estimate of the ACL on loans uses relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Although management believes the allowance to be adequate, ultimately losses may vary from its estimates. At least quarterly, the Board of Directors reviews the adequacy of the allowance, including consideration of the relative risks in the portfolio, current economic conditions, and other factors. If the Board of Directors and management determine that changes are warranted based on those reviews, the allowance is adjusted. In addition, the Bank's primary regulators, the FDIC and the California Department of Financial Protection and Innovation, as an integral part of their examination process, review the adequacy of the allowance. These regulatory agencies may require additions to the allowance based on their judgement about information available at the time of their examinations.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan Held for Sale and Servicing: Included in the portfolio are loans guaranteed by the Small Business Administration (SBA) that may be sold in the secondary market. Loans held for sale are carried at the lower of cost or fair value. Fair value is determined by the specific identification method as of the balance sheet date or the date that the purchasers have committed to purchase the loans. At the time the loan is sold, the related right to service the loan is recorded at fair value with the Bank earning future servicing income. Gains and losses are recognized based on the difference between the selling price and the fair value of servicing assets or liabilities and the allocated carrying value of the loans sold. At December 31, 2024 and 2023 the balance of loans originated and unsold under the SBA program totaled $14,957 and $15,696, respectively. Management has determined that the unsold loans originated through the SBA program were not material for disclosure as held for sale at December 31, 2024 and 2023.

Loans held for sale subsequently transferred to the loan portfolio are transferred at the lower of cost or fair value at the date of transfer. Any difference between the carrying amount of the loan and its outstanding principal balance is recognized as an adjustment to yield by the interest method.

Servicing rights acquired through 1) a purchase or 2) the origination of loans which are sold or securitized with servicing rights retained are recognized as separate assets or liabilities. Servicing assets or liabilities are recorded at fair value and are subsequently amortized into non-interest income in proportion to and over the period of the related net servicing income or expense. SBA loans with unpaid balances of approximately $39,484 and $48,032 were being serviced for others at December 31, 2024 and 2023, respectively. Servicing assets at December 31, 2024 and 2023 and servicing fee income net of servicing rights amortization during the years ended December 31, 2024 and 2023 were not material for disclosure.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Bank estimates expected credit losses over the contractual period in which the Bank is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Bank. The allowance for credit losses on off-balance sheet credit exposures is adjusted through 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. Management uses loss rates determined on the collective or pooled loan allowance for credit losses to estimate the exposure related to off-balance sheet. Commitments are similarly pooled as described above.

Other Real Estate Owned: Real estate properties acquired through, or in lieu of, loan foreclosure are expected to be sold and are initially recorded at the fair value of the property, less estimated costs to sell. The excess, if any, of the loan amount over the fair value is charged to the allowance for credit losses. Subsequent declines in the fair value of real estate owned, along with related expenses from operations, are charged to noninterest expense as incurred.

Bank Premises and Equipment: Bank premises and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed on the straight-line basis over the lesser of the life of the lease or the estimated useful lives of the assets, ranging from 3 to 10 years for furniture and equipment, 5 to 10 years for leasehold improvements, and 10 to 40 years for premises. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is recognized in income for the period.

The cost of maintenance and repairs is charged to expense as incurred. The Bank evaluates premises and equipment for financial impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable.

Bank Owned Life Insurance: The Bank has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Plan and Postretirement Healthcare Plan: Effective June 30, 2023, the Bank completed the planned termination of its defined benefit pension plan (see Footnote 10) The pension plan covered all qualified personnel employed for the minimum required term of one year. Benefits were based on years of service and compensation projected to the separation date. Contributions were intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. It was the Bank's policy to contribute annually an amount at least equal to the minimum required by law.

The Bank sponsors a defined benefit postretirement healthcare plan that covers both salaried and non-salaried employees. The Plan provides medical benefits through health maintenance organizations. The Plan is funded by a voluntary employee beneficiary association (VEBA) trust maintained by the Bank. The contribution level for a retiree is based on a percentage of premium that varies according to the retiree's years of service with the Bank. The Bank's contribution for dependents is 50% of the Bank's share of the retiree's annual premium. The portion paid by the Bank is limited to 200% of the 1991 premium. Future cost-sharing plans are not expected to change from the current stated policy in the written plan. Effective December 31, 2007, the Plan was amended to cover only active employees who had at least 15 years of service and age plus years of service more than 60. The Plan was also amended to limit the maximum reimbursement amount to grandfathered retirees. As of November 1, 2021, the Plan was amended and is no longer a fully insured medical plan nor a self-funded dental and vision plan for its retirees. After the amendment, the Plan consists of individual retiree health reimbursement accounts to help eligible retirees pay for medical, dental, vision and prescription drug plans. The amendments are expected to significantly reduce Plan liability and future net period costs.

Other Postretirement Benefits: The Bank has established deferred compensation and salary continuation agreements providing nonqualified defined benefit retirement income for certain executive officers of the Bank. In connection with establishing these agreements, the Bank purchased single premium life insurance policies on each participant. The salary continuation agreements are accounted for by accruing a liability based upon the present value of each individual's benefit at retirement age and recognizing the related cost of these benefits over the term of employment. The single payment premium for the life insurance policies is recorded based on the cash surrender values of the policies adjusted for income earned on the investment and expense related to mortality costs.

The Bank also has endorsement split-dollar life insurance agreements with certain employees whereby the Bank has effectively agreed to maintain a life insurance policy during the employees' postretirement period. The Bank is accruing, over the employees' service period, a liability for the actuarial present value of future costs to maintain life insurance during the employees' postretirement period.

Income Taxes: Income tax expense is the total of current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates which are expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. On the consolidated balance sheet, net deferred tax assets are included in accrued interest receivable and other assets.

The determination of the amount of deferred income tax assets which are more likely than not to be realized is primarily dependent on projections of future earnings, which are subject to uncertainty and estimates that may change given economic conditions and other factors. The realization of deferred income tax assets is assessed, and a valuation allowance is recorded if it is "more likely than not" that all or a portion of the deferred tax asset will not be realized. "More likely than not" is defined as greater than a 50% chance. All available evidence, both positive and negative is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed. Based upon their analysis of available evidence, management determined that it is "more likely than not" that all of the deferred income tax assets as of December 31, 2024 and 2023 will be fully realized and therefore no valuation allowance was recorded.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Bank uses a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Bank recognizes interest and/or penalties related to income tax matters in income tax expense.

Earnings Per Common Share: Earnings per common share is computed by dividing net income by the weighted average number of shares outstanding during the year, which was 1,714,344 for 2024 and 2023, respectively. There were no dilutive shares or share equivalents.

Comprehensive Income: Comprehensive income includes net income and other comprehensive income. Other comprehensive income for the Bank includes unrealized gains and losses on investment securities classified as available-for-sale, and changes in the funded status of defined benefit pension plans and the deferred compensation trust.

Advertising: Advertising costs are charged to expense in the period incurred and totaled $953 and $1,121 for the years ended December 31, 2024 and 2023, respectively.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated.

Segment Reporting: The Bank operates as a single reportable segment in accordance with ASC 280 – Segment Reporting. The Chief Executive Officer (CEO), who is identified as the chief operating decision maker (CODM), evaluates financial performance based on consolidated results.

The Bank provides a broad range of commercial and retail banking services, including loans, deposits, and trust services, which are highly integrated. These services share common customers, delivery systems, and marketing strategies.

Management reviews financial performance at the consolidated level, and resource allocation decisions are made for the Bank as a whole, rather than at a lower level. Accordingly, the Bank has one reportable segment.

The Bank operates only in the United States, and no material revenue from foreign operations is reported separately.

Impact of New Accounting Standards:

ASU 2023-07, Segment Reporting – Improvements to Reportable Segment Disclosures. In November 2023, FASB issued guidance to improve financial reporting disclosures of incremental segment information to enable investors to develop more decision-useful financial analyses. The Bank adopted ASU 2023-07 as of January 1, 2024, and considered the adoption immaterial.

ASU 2016-13, Financial Instruments – Credit Losses. In June 2016, FASB issued guidance to replace the incurred loss model with an expected loss model, which is referred to as the current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables, held-to maturity debt securities, and reinsurance receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor. The Bank adopted ASU 2016-13 as of January 1, 2023. The adoption was considered immaterial.

(In thousands, except per share amounts)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASU 2022-02, Financial Instruments – Credit Losses. Troubled Debt Restructurings and Vintage Disclosures was issued in March 2022. The ASU eliminates the accounting guidance for TDR loans by creditors while enhancing requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulties. The Bank adopted ASU 2022-02 as of January 1, 2023, and considered the adoption immaterial.

NOTE 2 – AVAILABLE-FOR-SALE INVESTMENT SECURITIES

The amortized cost and estimated fair value of available-for-sale investment securities at December 31, 2024 and 2023 consisted of the following:

	2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt Securities				
U.S. Government agencies	$ 595,345	$ -	$ (52,413)	$ 542,932
Obligations of state and political subdivisions	240,008	11	(20,668)	219,351
Government sponsored entities residential mortgage-backed securities	649,428	17	(68,352)	581,093
U.S. Treasuries	12,776	48	(6)	12,818
Other Securities	6,501	-	(350)	6,151
	$ 1,504,058	$ 76	$ (141,789)	$ 1,362,345

	2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt Securities				
U.S. Government agencies	$ 626,486	$ -	$ (64,105)	$ 562,381
Obligations of state and political subdivisions	259,592	191	(20,357)	239,426
Government sponsored entities residential mortgage-backed securities	747,731	4	(71,970)	675,765
U.S. Treasuries	13,563	115	(3)	13,675
Other Securities	6,669	-	(471)	6,198
	$ 1,654,041	$ 310	$ (156,906)	$ 1,497,445

Net unrealized (losses) on available-for-sale investment securities totaling $(141,713) and $(156,596) were recorded, net of $41,896 and $46,296 in deferred tax assets (liabilities), as accumulated other comprehensive income within stockholders' equity at December 31, 2024 and 2023, respectively. Management determined no allowance for credit loss was required for the available-for-sale investment securities portfolio as of December 31, 2024. There were no sales of available-for-sale investments during the years ended December 31, 2024 and 2023. There were no transfers of available-for-sale investment securities for the years ended December 31, 2024 and

(Continued)

(In thousands, except per share amounts)

NOTE 2 – AVAILABLE-FOR-SALE INVESTMENT SECURITIES (Continued)

2023. There were no holdings of securities of any one issuer, other than the US Government and its agencies, which exceeds 10% of the stockholders' equity as of December 31, 2024 and 2023.

Available-for-sale investment securities with unrealized losses at December 31, 2024 and 2023 are summarized and classified according to the duration of the loss period as follows:

	2024		2023	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Less than twelve months:				
U.S. Government agencies	$ 75,415	$ (1,082)	$ 30,358	$ (636)
Obligations of states and political subdivisions	14,701	(145)	12,282	(103)
Government guaranteed mortgage backed securities	16,486	(86)	9,894	(143)
U.S. Treasury	-	-	13,676	(3)
Other Securities	-	-	-	-
Greater than twelve month:				
U.S. Government agencies	$ 467,517	$ (51,331)	$ 532,023	$ (63,469)
Obligations of states and political subdivisions	202,906	(20,523)	227,142	(20,254)
Government guaranteed mortgage backed securities	563,762	(68,266)	665,872	(71,827)
U.S. Treasury	2,509	(6)	-	-
Other Securities	6,151	(350)	6,198	(471)
	$ 1,349,447	$ (141,789)	$ 1,497,445	$ (156,906)

U.S. Treasury and U.S. Government Agencies: The Bank holds 226 securities issued by U.S. Treasury and U.S. Government Agencies, of which 2 have been in a continuous loss position for less than 12 months and 220 have been in a continuous loss position for 12 months or longer. Management believes that the unrealized losses on the Bank's investment in U.S. Treasuries and Government agencies are caused by the fluctuation in interest rates and are not attributable to changes in credit quality. These securities have unrealized losses that are a direct result of increases in market interest rates and not a result of credit quality concerns. The Bank does not consider these securities to have credit related impairment at December 31, 2024. Management intends to hold these investments until at least a recovery of fair value or until maturity.

Obligations of States and Political Subdivisions: The Bank holds 371 securities issued by state and political subdivisions, of which 9 have been in a continuous loss position for less than 12 months and 359 have been in a continuous loss position for 12 months or longer. Management believes that the unrealized losses on the Bank's investment in obligations of states and political subdivisions are a result of the fluctuation in interest rates. The contractual cash flows of these investments are considered a general obligation of, or supported by specific revenues of, a state or local municipality and the Bank intends to hold these investments until at least a recovery of fair value or until maturity. Therefore, the Bank expects to collect all amounts due. These securities have unrealized losses that are a direct result of increases in market interest rates and not a result of credit quality concerns. The Bank does not consider these securities to have credit related impairment at December 31, 2024. Management intends to hold these investments until at least a recovery of fair value or until maturity.

(Continued)

(In thousands, except per share amounts)

NOTE 2 – AVAILABLE-FOR-SALE INVESTMENT SECURITIES (Continued)

Government Guaranteed Mortgage-Backed Securities: The Bank holds 281 Government Guaranteed Mortgage Backed Securities, of which 1 have been in a continuous loss position for less than 12 months and 250 have been in a continuous loss position for 12 months or longer. Management believes that the unrealized losses on the Bank's investment in government guaranteed mortgage-backed securities is caused by the fluctuation in interest rates and is not attributable to changes in credit quality. Management intends to hold these investments until at least a recovery of fair value or until maturity. These securities have unrealized losses that are a direct result of increases in market interest rates and not a result of credit quality concerns. The Bank does not consider these securities to have credit related impairment at December 31, 2024. Management intends to hold these investments until at least a recovery of fair value or until maturity.

Other Securities: Management continually evaluates the portfolio for credit issues that it believes may have an impact on the ability to fully recover the amortized cost basis of the bond and would therefore be considered a permanent impairment. The Bank holds 3 corporate bonds, of which none have been in a continuous loss for less than 12 months and 3 which have been in a continuous loss position for 12 months or longer. Management believes the unrealized losses on the Bank’s investment in corporate bonds is caused by the fluctuation in interest rates and is not attributable to changes in credit quality. These securities have unrealized losses that are a direct result of increases in market interest rates and not a result of credit quality concerns. The Bank does not consider these securities to have credit related impairment at December 31, 2024. Management intends to hold these investments until at least a recovery of fair value or until maturity.

Contractual Maturities: The amortized cost and estimated fair value of available-for-sale investment securities at December 31, 2024, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of securities may have the right to call or prepay obligations with or without prepayment penalties.

	Amortized Cost	Estimated Fair Value
Within one year	$ 96,825	$ 95,609
After one year through five years	473,407	437,487
After five years through ten years	226,106	196,499
After ten years	58,292	51,657
	854,630	781,252
Investment securities not due at a single maturity date:		
Government sponsored entities mortgage-backed securities	649,428	581,093
	$ 1,504,058	$ 1,362,345

Investment securities with amortized costs of $191,036 and $209,181 and fair values of $175,802 and $194,054 as of December 31, 2024 and 2023, respectively, were pledged to secure public and trust deposits. Additional pledging of the portfolio is done for FRB and FHLB borrowing arrangements (see Note 7) and for other purposes required or permitted by law.

(In thousands, except per share amounts)

NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

The Bank originates loans in the ordinary course of business. In addition to originating loans, the Bank may also purchase loans through pool purchases or participation purchases.

Loans and leases are reported net of deferred loan origination fees and costs of $1,005 in 2024 and $1,540 in 2023 and consist of the following at December 31:

	2024	2023
Real Estate - Commercial	$ 674,212	$ 662,526
Real Estate - Residential	455,256	465,802
Real Estate - Multifamily	182,081	158,651
Real Estate - Construction	112,432	117,445
Commercial	128,972	121,326
Lease Financing	2,131	6,795
Consumer	63,495	62,132
Total	1,618,579	1,594,677
Less: Allowance for credit losses	(35,099)	(41,268)
	$ 1,583,480	$ 1,553,409

The components of the Bank's leases receivable at December 31 are as follows:

	2024	2023
Future lease payments receivable	2,206	7,056
Deferred broker costs	-	90
Unearned income	(75)	(351)
Net lease financing receivable	$ 2,131	$ 6,795

Future lease payments receivable are as follows:

Year Ending December 31,	
2025	$ 783
2026	1,347
2027	76
2028	-
	$ 2,206

(Continued)

(In thousands, except per share amounts)

NOTE 3 – LOANS AND LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The Bank's loan portfolio has been pledged to secure borrowing arrangements (see Note 7).

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

	December 31, 2024							
	Real Estate - Commercial	Real Estate - Residential	Real Estate - Multifamily	Real Estate - Construction	Commercial	Lease Financing	Consumer	Total
Allowance for Credit Losses								
Beginning Balance	$ 14,480	$ 6,343	$ 3,372	$ 11,616	$ 2,734	$ 115	$ 2,608	$ 41,268
Provision (reversal) for credit loss	(2,097)	311	(723)	(3,584)	353	(71)	11	(5,800)
Loans charged-off	-	(111)	-	-	(513)	(93)	(302)	(1,019)
Recoveries	-	5	-	292	156	84	113	650
Total ending allowance balance	$ 12,383	$ 6,548	$ 2,649	$ 8,324	$ 2,730	$ 35	$ 2,430	$ 35,099

	December 31, 2023							
	Real Estate - Commercial	Real Estate - Residential	Real Estate - Multifamily	Real Estate - Construction	Commercial	Lease Financing	Consumer	Total
Allowance for Credit Losses								
Beginning balance, prior to adoption of ASC 326	$ 21,434	$ 9,929	$ 4,562	$ 2,759	$ 3,696	$ 581	$ 579	$ 43,540
Impact of adopting ASC 326	(4,261)	(3,911)	901	6,680	(605)	(197)	1,393	-
Amount of reclassified to establish off balance sheet reserve	(2,693)	261	(2,091)	2,114	(184)	(233)	746	- (2,080)
Provision for credit loss	-	-	-	-	-	-	-	-
Loans charged-off	-	(18)	-	-	(240)	(163)	(154)	(575)
Recoveries	-	82	-	63	67	127	44	383
Total ending allowance balance	$ 14,480	$ 6,343	$ 3,372	$ 11,616	$ 2,734	$ 115	$ 2,608	$ 41,268

The following tables present the aging analysis of the loan portfolio by the time past due at December 31, 2024 and 2023:

	December 31, 2024					
	30 - 89 Days Past Due	Greater than 90 Days	Nonaccrual	Total Past Due	Current	Total Loans
Real Estate - Commercial	$ -	$ -	$ 7,213	$ 7,213	$ 666,999	$ 674,212
Real Estate - Residential	2,912	-	2,087	4,999	450,257	455,256
Real Estate - Multifamily	-	-	-	-	182,081	182,081
Real Estate - Construction	-	-	-	-	112,432	112,432
Commercial	110	-	239	349	128,623	128,972
Lease Financing	6	-	61	67	2,064	2,131
Consumer	47	-	347	394	63,101	63,495
Total	$ 3,075	$ -	$ 9,947	$ 13,022	$ 1,605,557	$ 1,618,579

(In thousands, except per share amounts)

NOTE 3 – LOANS AND LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

	December 31, 2023					
	30 - 89 Days Past Due	Greater than 90 Days	Nonaccrual	Total Past Due	Current	Total Loans
Real Estate - Commercial	$ -	$ -	$ 2,447	$ 2,447	$ 660,079	$ 662,526
Real Estate - Residential	936	-	611	1,547	464,255	465,802
Real Estate - Multifamily	2,335	-	-	2,335	156,316	158,651
Real Estate - Construction	399	-	-	399	117,046	117,445
Commercial	137	-	715	852	120,474	121,326
Lease Financing	51	-	44	95	6,700	6,795
Consumer	187	-	382	569	61,563	62,132
Total	$ 4,045	$ -	$ 4,199	$ 8,244	$ 1,586,433	$ 1,594,677

The Bank has allocated $416 and $211 of specific allowance for credit losses on non-accrual loans as of December 31, 2024 and 2023, respectively. The Bank has $67 and $7,544 collateral dependent loans as of December 31, 2024 and 2023, respectively.

Salaries and employee benefits totaling $1,025 and $1,327 have been deferred as loan and lease origination costs for the years ended December 31, 2024 and 2023, respectively.

Occasionally, the Bank modifies loans to borrowers in financial distress by providing modifications, including but not limited to principal forgiveness, term extension, or interest rate reduction. In some cases, the Bank provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension is granted initially. If the borrower continues to experience financial difficulty, another concession, such as interest rate reduction, may be granted. The Bank had no such modifications for the years ended December 31, 2024 and 2023.

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation and current economic trends, among other factors. The Bank analyzes loans individually to classify the loans as to credit risk. The Bank uses the following definitions for risk ratings:

Pass – A pass loan is a strong credit with no existing or known potential weaknesses deserving of management's close attention.

Special Mention – A special mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Bank's credit position at some future date. Special Mention loans are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.

Substandard – A substandard loan is not adequately protected by the current sound worth and paying capacity of the borrower or the value of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Well defined weaknesses include a project's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time or the project's failure to fulfill economic expectations. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Loss – Loans classified as loss are considered uncollectible and charged off immediately.

(Continued)

(In thousands, except per share amounts)

NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents loans by origination year and risk grade as of the year ended December 31, 2024:

As of December 31, 2024	Term Loans Cost Basis by Origination Year						
Real Estate - Commercial	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Grade:							
Pass	$ 64,118	$ 108,386	$ 80,902	$ 73,349	$ 324,142	$ 2,132	$ 653,029
Special Mention	-	1,315	2,123	279	7,065	250	11,032
Substandard	-	-	524	1,180	8,447	-	10,151
Doubtful	-	-	-	-	-	-	-
Total	$ 64,118	$ 109,701	$ 83,549	$ 74,808	$ 339,654	$ 2,382	$ 674,212
Real Estate - Commercial Current Period Gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real Estate - Residential	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Grade:							
Pass	$ 9,233	$ 42,360	$ 101,167	$ 70,274	$ 140,054	$ 84,919	$ 448,007
Special Mention	-	106	-	-	-	-	106
Substandard	380	-	1,324	980	3,421	1,038	7,143
Doubtful	-	-	-	-	-	-	-
Total	$ 9,613	$ 42,466	$ 102,491	$ 71,254	$ 143,475	$ 85,957	$ 455,256
Real Estate - Residential Current Period Gross write offs	$ -	$ -	$ -	$ -	$ 35	$ 76	$ 111
Real Estate - Multifamily	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Grade:							
Pass	$ 13,249	$ 27,374	$ 51,075	$ 34,775	$ 54,948	$ 660	$ 182,081
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total	$ 13,249	$ 27,374	$ 51,075	$ 34,775	$ 54,948	$ 660	$ 182,081
Real Estate - Multifamily Current Period Gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real Estate - Construction	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Grade:							
Pass	$ 11,484	$ 18,039	$ 16,293	$ 21,659	$ 498	$ 21,819	$ 89,792
Special Mention	-	-	-	18,500	-	-	18,500
Substandard	-	4,140	-	-	-	-	4,140
Doubtful	-	-	-	-	-	-	-
Total	$ 11,484	$ 22,179	$ 16,293	$ 40,159	$ 498	$ 21,819	$ 112,432
Real Estate - Construction Current Period Gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(Continued)

(In thousands, except per share amounts)

NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Commercial	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Grade:							
Pass	$ 3,800	$ 20,101	$ 6,173	$ 6,709	$ 6,546	$ 80,621	$ 123,950
Special Mention	-	48	-	-	119	1,046	1,213
Substandard	-	-	100	-	951	2,600	3,651
Doubtful	-	-	-	-	133	25	158
Total	$ 3,800	$ 20,149	$ 6,273	$ 6,709	$ 7,749	$ 84,292	$ 128,972
Commercial							
Current Period Gross write offs	$ -	$ 250	$ -	$ -	$ -	$ 263	$ 513

Lease Financing	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Grade:							
Pass	$ -	$ -	$ -	$ -	$ 2,050	$ -	$ 2,050
Special Mention	-	-	-	-	6	-	6
Substandard	-	-	-	-	47	-	47
Doubtful	-	-	-	-	28	-	28
Total	$ -	$ -	$ -	$ -	$ 2,131	$ -	$ 2,131
Lease Financing							
Current Period Gross write offs	$ -	$ -	$ -	$ -	$ 93	$ -	$ 93

Consumer	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Grade:							
Pass	$ 18,235	$ 16,638	$ 10,376	$ 9,332	$ 7,508	$ 1,072	$ 63,161
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	98	-	98
Doubtful	-	32	121	58	-	25	236
Total	$ 18,235	$ 16,670	$ 10,497	$ 9,390	$ 7,606	$ 1,097	$ 63,495
Consumer							
Current Period Gross write offs	$ -	$ 270	$ -	$ -	$ -	$ 32	$ 302

Total Loans	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Grade:							
Pass	$ 120,119	$ 232,898	$ 265,986	$ 216,098	$ 535,746	$ 191,223	$ 1,562,070
Special Mention	-	1,469	2,123	18,779	7,190	1,296	30,857
Substandard	380	4,140	1,948	2,160	12,964	3,638	25,230
Doubtful	-	32	121	58	161	50	422
Total Loans	$ 120,499	$ 238,539	$ 270,178	$ 237,095	$ 556,061	$ 196,207	$ 1,618,579

(In thousands, except per share amounts)

NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents loans by origination year and risk grade as of the year ended December 31, 2023:

As of December 31, 2023	Term Loans Cost Basis by Origination Year					
Real Estate - Commercial	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Grade:						
Pass	$ 109,530	$ 78,830	$ 79,066	$ 379,148	$ 2,784	$ 649,358
Special Mention	-	-	1,540	7,789	-	9,329
Substandard	-	-	-	3,839	-	3,839
Doubtful	-	-	-	-	-	-
Total	$ 109,530	$ 78,830	$ 80,606	$ 390,776	$ 2,784	$ 662,526
Real Estate - Commercial Current Period Gross write offs	$ -	$ -	$ -	$ -	$ -	$ -
Real Estate - Residential	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Grade:						
Pass	$ 47,627	$ 92,187	$ 74,101	$ 160,632	$ 86,803	$ 461,350
Special Mention	133	1,752	-	417	-	2,302
Substandard	-	287	-	1,304	559	2,150
Doubtful	-	-	-	-	-	-
Total	$ 47,760	$ 94,226	$ 74,101	$ 162,353	$ 87,362	$ 465,802
Real Estate - Residential Current Period Gross write offs	$ -	$ -	$ -	$ -	$ 18	$ 18
Real Estate - Multifamily	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Grade:						
Pass	$ 27,434	$ 35,577	$ 35,328	$ 60,312	$ -	$ 158,651
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Total	$ 27,434	$ 35,577	$ 35,328	$ 60,312	$ -	$ 158,651
Real Estate - Multifamily Current Period Gross write offs	$ -	$ -	$ -	$ -	$ -	$ -
Real Estate - Construction	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Grade:						
Pass	$ 18,398	$ 39,336	$ 30,763	$ 638	$ 24,219	$ 113,354
Special Mention	3,578	-	-	-	-	3,578
Substandard	-	-	513	-	-	513
Doubtful	-	-	-	-	-	-
Total	$ 21,976	$ 39,336	$ 31,276	$ 638	$ 24,219	$ 117,445
Real Estate - Construction Current Period Gross write offs	$ -	$ -	$ -	$ -	$ -	$ -

(In thousands, except per share amounts)

NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Commercial	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Grade:						
Pass	$ 22,920	$ 8,380	$ 8,498	$ 8,100	$ 67,412	$ 115,310
Special Mention	-	-	28	2,967	-	2,995
Substandard	-	50	-	2,971	-	3,021
Doubtful	-	-	-	-	-	-
Total	$ 22,920	$ 8,430	$ 8,526	$ 14,038	$ 67,412	$ 121,326
Commercial Current Period Gross write offs	$ -	$ -	$ -	$ 154	$ 86	$ 240

Lease Financing	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Grade:						
Pass	$ -	$ -	$ 2,350	$ 4,350	$ -	$ 6,700
Special Mention	-	-	-	51	-	51
Substandard	-	-	44	-	-	44
Doubtful	-	-	-	-	-	-
Total	$ -	$ -	$ 2,394	$ 4,401	$ -	$ 6,795
Lease Financing Current Period Gross write offs	$ -	$ -	$ 55	$ 108	$ -	$ 163

Consumer	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Grade:						
Pass	$ 22,913	$ 14,204	$ 12,917	$ 10,434	$ 1,219	$ 61,687
Special Mention	-	-	-	1	-	1
Substandard	59	182	168	35	-	444
Doubtful	-	-	-	-	-	-
Total	$ 22,972	$ 14,386	$ 13,085	$ 10,470	$ 1,219	$ 62,132
Consumer Current Period Gross write offs	$ 9	$ 32	$ 108	$ -	$ 5	$ 154

Total Loans	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Grade:						
Pass	$ 248,822	$ 268,514	$ 243,023	$ 623,614	$ 182,437	$ 1,566,410
Special Mention	3,711	1,752	1,568	11,225	-	18,256
Substandard	59	519	725	8,149	559	10,011
Doubtful	-	-	-	-	-	-
Total Loans	$ 252,592	$ 270,785	$ 245,316	$ 642,988	$ 182,996	$ 1,594,677

NOTE 4 – FEDERAL HOME LOAN BANK STOCK

As a member of the Federal Home Loan Bank of San Francisco (FHLB), the Bank is required to own capital stock in an amount specified by regulation. At December 31, 2024 and 2023, the Bank owned 150,000 shares of $100 par value FHLB stock, respectively. The stock is carried at cost and is redeemable at par with certain restrictions. The amount of stock required to be held is adjusted periodically based on a determination made by the FHLB.

(Continued)

(In thousands, except per share amounts)

NOTE 5 – BANK PREMISES AND EQUIPMENT

Bank premises and equipment at December 31 consist of the following:

	2024	2023
Land	$ 3,423	$ 3,423
Buildings	31,271	32,117
Leasehold improvements	6,554	6,452
Equipment	15,387	18,260
Construction in Progress	1,030	1,120
	57,665	61,372
Less: accumulated depreciation and amortization	(40,424)	(43,900)
	$ 17,241	$ 17,472

Depreciation and amortization expense were $2,082 and $2,278 for the years ended December 31,2024 and 2023, respectively.

NOTE 6 – INTEREST-BEARING DEPOSITS

Interest-bearing deposits at December 31 consisted of the following:

	2024	2023
Savings	$ 462,123	$ 531,292
Money market	543,483	485,322
NOW accounts	439,993	473,448
Time, $250,000 or more	176,880	129,484
Other time	307,649	241,655
	$ 1,930,128	$ 1,861,201

The Bank's other time deposits included reciprocal deposits which totaled $166,672 or 5.9% and $141,433 or 5.0% of total deposits at December 31, 2024 and 2023, respectively. Reciprocal deposits were under the Certificate of Deposit Account Registry Service (CDARS) program and IntraFi Cash Services (ICS), which allows the Bank's deposit customers to have the entire balance of their deposit account insured by the FDIC. There were no wholesale brokered deposits at December 31, 2024 and 2023.

(In thousands, except per share amounts)

NOTE 6 – INTEREST-BEARING DEPOSITS (Continued)

Aggregate annual maturities of time deposits at December 31, 2024 are as follows:

Year Ending December 31,	
2025	$ 448,244
2026	34,135
2027	1,417
2028	522
2029	206
Beyond	5
	$ 484,529

NOTE 7 – BORROWINGS

Federal Home Loan Bank Advances: The Bank may borrow from the Federal Home Loan Bank, on either a short-term or long-term basis, up to 30% of its assets provided that adequate collateral has been pledged. As of December 31, 2024, the Bank has pledged investment securities with a carrying value of $302,666 and loans with a carrying value of $1,141,293 to secure this borrowing arrangement. There were $40,000 and $0 outstanding advances from the Federal Home Loan Bank of San Francisco at December 31, 2024 and 2023, respectively. The $40,000 outstanding advances at December 31, 2024 were two year borrowings at inception, have a weighted average rate of 4.043%, and maturity dates ranging from August 6, 2026 through September 4, 2026.

Federal Reserve: The Bank may borrow from the Federal Reserve, Bank Term Funding Program loans up to one year in length, pledging qualifying assets as collateral. There were $100,000 and $225,000 outstanding loans from the Federal Reserve Bank of San Francisco at December 31, 2024 and 2023 respectively. The $100,000 outstanding loan at December 31, 2024 has a maturity date of January 16, 2025 with a rate of 4.760%. The Bank also has a secured line of credit as of December 31, 2024 of $67,200.

Lines of Credit: The Bank has an unsecured line of credit of $50,000 with its correspondent bank, Pacific Coast Banker's Bank as of December 31, 2024 and 2023; $10,000 unsecured line of credit with its correspondent bank, Wells Fargo as of December 31, 2024 and 2023, and a $25,000 unsecured line of credit with its correspondent bank, Zions Bank as of December 31, 2024. There were no outstanding balances at December 31, 2024 and 2023.

As of December 31, 2024, the Bank had total available borrowing capacity of $1,023,340.

NOTE 8 – LEASES

The Bank leases certain branch premises under operating lease agreements. The leases expire on various dates through 2030 and have renewal options for up to five years. The Bank includes lease extension options in the lease term if, after considering relevant economic factors, it is reasonably certain the Bank will exercise the option. The Bank has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the Bank's balance sheet. The Bank has elected to use U.S. Treasury yields as a proxy for its incremental borrowing rate. The weighted average discount rate applied to lease liabilities as of December 31, 2024, was 4.26%. At December 31, 2024, minimum commitments under these non-cancellable leases with initial or remaining terms of one year or more are as follows:

(Continued)

(In thousands, except per share amounts)

NOTE 8 – LEASES (Continued)

Year Ending, December 31,	
2024	$ 1,927
2025	1,736
2026	1,616
2027	1,277
2028	896
Thereafter	1,276
Total undiscounted lease payments	8,728
Less: imputed interest	(1,499)
Net lease liabilities	$ 7,229

Leases are classified as operating at the lease commencement date. Lease expenses for operating leases are recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

Rent expense under operating leases was $1,927 and $1,822 for the years ended December 31, 2024 and 2023, respectively.

As the Bank has not participated in the secondary markets to raise new debt, the Bank has elected to use US Treasury yields as a proxy for the incremental implicit rate of its leases. The Bank believes that US Treasury yields are not materially different from its ability to access the market through a fully secured borrowing rate.

Right-of-use assets and lease liabilities by lease type and the associated balance sheet classifications for the years ending December 31, 2024 and 2023 are as follows:

	Balance Sheet Classification	2024	2023
Right-of-use assets:			
Operating lease	Accrued interest receivable and other assets	$ 7,229	$ 7,661
Lease liabilities:			
Operating lease	Accrued interest payable and other liabilities	$ 7,229	$ 7,661

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Financial Instruments With Off-Balance-Sheet Risk: The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments represent commitments to originate fixed and variable rate loans and lines of credit and involve, to varying degrees, elements of interest rate risk and credit risk in excess of the amount recognized in the Bank's consolidated balance sheet. The Bank's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit and letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments to originate loans and lines of credit as it does for on-balance sheet instruments.

(Continued)

(In thousands, except per share amounts)

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

The following financial instruments represent off-balance-sheet credit risk at December 31:

	2024	2023
Commitments to extend credit	$ 400,760	$ 389,224
Standby letters of credit	12,335	12,335
Total loan commitments	$ 413,095	$ 401,559

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include deposit accounts, accounts receivable, inventory, equipment and deeds of trust on residential real estate, land held for development and income-producing commercial properties. Reserve for unfunded committiments totaled $2.1 million for both the years ended December 31, 2024 and December 31, 2023.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. The fair value of the liability related to commitments to extend credit and standby letters of credit, which represents the fees received for issuing the guarantees, was not significant at December 31, 2024 and 2023. The Bank recognizes these fees as revenue over the term of the commitment or when the commitment is used.

Contingencies: The Bank is involved in legal proceedings arising in the normal course of business. In the opinion of management, the outcomes of such proceedings will not have a material adverse effect on the Bank's financial position or results of operations.

Uninsured Deposits: The Bank maintains funds on deposit with the Federal Home Loan Bank (FHLB) and other federally insured financial institutions under correspondent banking agreements. Uninsured deposits with the FHLB and correspondent banks totaled $8,222 and $10,905 at December 31, 2024 and 2023, respectively.

Postretirement Benefits: The Bank has salary continuation agreements in place to provide nonqualified defined benefit retirement income for certain executive officers of the Bank. In connection with establishing these agreements, the Bank purchased split-dollar single premium life insurance policies on each participant. The agreements provide that each executive will receive annual benefits over their lifetime commencing with the month following their normal retirement date.

The Bank accrues for these future benefits from the effective date of the agreements until the executives' expected final payment dates in a systematic and rational manner. As of December 31, 2024, and 2023, the Bank had accrued $10,546 and $11,362, respectively, for benefits payable. This payable approximates the present value of the benefits expected to be provided at retirement. The expense recognized under these agreements totaled $686 and $567 for the years ended December 31, 2024 and 2023, respectively.

Amounts recognized in accumulated other comprehensive income as of December 31, 2024 and 2023, were not considered material.

(Continued)

(In thousands, except per share amounts)

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

The Bank has also established a deferred compensation plan for certain members of management for the purpose of providing the opportunity to defer compensation. At December 31, 2024 and 2023, the liability for accrued deferred compensation, including interest earned, totaled $4,121 and $4,123, respectively.

The Bank has also executed split-dollar life insurance agreements with certain employees in connection with the salary continuation agreements and deferred compensation plan whereby the Bank has effectively agreed to maintain a life insurance policy during the employees' postretirement period. The Bank had accrued a liability at December 31, 2024 and 2023 in the amount of $3,054 and $2,991, respectively, representing the actuarial present value of the costs to maintain life insurance during the employees' postretirement period.

The cash surrender value of life insurance purchased in connection with these agreements totaled $72,266 and $68,887 as of December 31, 2024 and 2023, respectively.

NOTE 10 – RETIREMENT PLAN

Effective as of June 30, 2023, the Bank completed the planned termination of its defined benefit pension plan (the Plan). The final cash moved from the pension plan on July 3 and July 5, 2023. In connection with the termination of the Plan, the Bank settled all of its obligations to retirees and certain active employees who were once a part of the now terminated Plan. All former Plan members were made completely whole through either lump-sum distributions or the provision of individual annuities. Subsequent to the distribution, the plan had $22,484 in remaining cash.

For the year ended December 31, 2023, the Bank booked a loss as a result of the termination as follows:

Prepaid pension asset	$30,882
Cash remaining in plan	22,484
Book loss on termination	$ 8,398

For tax purposes, the Bank set aside 25% or $5,621 of the cash proceeds in a qualified replacement plan to take advantage of reduced excise tax levels, this amount is included in Other Assets. The cash set aside in the qualified replacement plan will be used to satisfy up to seven years of profit-sharing plan contributions. The remaining cash of $16,863 was reverted to the Bank and considered excess assets; as such, it was subject to the 20% excise tax.

(In thousands, except per share amounts)

NOTE 11 – POSTRETIREMENT HEALTHCARE PLAN

The following presents the postretirement healthcare plan's combined funded status:

	2024	2023
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 4,959	$ 5,533
Service cost	20	20
Plan Amendment	-	-
Interest cost	5	5
Benefits paid	(475)	(540)
Plan participant contribution	-	-
Actuarial (gain) loss	(71)	(59)
Benefit obligation at end of year	$ 4,438	$ 4,959
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 5,666	$ 5,540
Other payments	(162)	384
Plan participant contribution	-	-
Benefits paid	(475)	(540)
Employer contribution	9	9
Actual return on plan assets	279	273
Fair value of plan assets at end of year	$ 5,317	$ 5,666
Plan assets less benefit obligation at end of year	$ 879	$ 707

Amounts recognized in accumulated other comprehensive income at December 31 consist of:

	2024	2023
Net actuarial loss	$ 1,420	$ 1,476
Prior service cost	684	734
	$ 2,104	$ 2,210

The accumulated benefit obligation was $4,438 and $4,959 at December 31, 2024 and 2023. The Bank does not expect to contribute to the Plan in 2024.

(Continued)

(In thousands, except per share amounts)

NOTE 11 – POSTRETIREMENT HEALTHCARE PLAN (Continued)

	2024	2023
Components of net periodic benefit cost:		
Service Cost	$ 20	$ 20
Interest Cost	5	5
Expected return on plan assets	(189)	(132)
Loss (gain)	56	99
Amortization of unrecognized prior service cost	50	50
Total net periodic benefit cost	$ (58)	$ 42

	2024	2023
Net loss (gain)	$ -	$ (583)
Amortization of net (gain) loss	(56)	(99)
Prior Service costs	-	-
Amortization of prior service cost	(50)	(50)
Total recognized in other comprehensive income	(106)	(732)
Total recognized in net periodic benefit cost and other comprehensive income	$ (164)	$ (690)

The following table represents the assumed health care trend rates at December 31:

	2024	2023
Health care trend rate assumed for next year	5.50%	5.50%
Rate to which the cost trend rate is assumed to decline	5.50%	5.50%
Year that the rate reaches the ultimate trend rate	2010	2010

The following presents the Plan investments, including their fair value and method of fair value determination, as of December 31, 2024 and 2023.

2024	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 5,317	$ 5,317	$ -	$ -
Total	$ 5,317	$ 5,317	$ -	$ -

(Continued)

NOTE 11 – POSTRETIREMENT HEALTHCARE PLAN (Continued)

2023	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 5,666	$ 5,666	$ -	$ -
Total	$ 5,666	$ 5,666	$ -	$ -

The fair values for equity securities and mutual funds are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). Certain debt securities are valued at the closing price reported in the active market in which the bond is traded (Level 1 inputs). Other debt securities are valued based upon recent bid prices or the average of recent bid and asked prices when available (Level 2 inputs) and, if not available, they are valued through matrix pricing models developed by sources considered by management to be reliable. Matrix pricing, which is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). Discounted cash flows are calculated using spread to swap and LIBOR curves that are updated to incorporate loss severities, volatility, credit spread and optionality. During times when trading is more liquid, broker quotes are used (if available) to validate the model. Rating agency and industry research reports as well as defaults and deferrals on individual securities are reviewed and incorporated into the calculations.

As of November 1, 2022, the Plan was amended and is no longer a fully-insured medical plan nor a self-funded dental and vision plan for its retirees. After the amendment, the plan consists of individual retiree health reimbursement accounts to help eligible retirees pay for medical, dental, vision and prescription drug plans.

For the plan amendment, all investments were converted to cash. The Plan will only hold cash going forward.

Stated are the maximum and minimum asset allocation levels at market for each asset category as well as the weighted average expected return for each asset class.

	Policy	Weighted Average Expected Return
Cash and equivalents	100%	0%

(Continued)

(In thousands, except per share amounts)

NOTE 11 – POSTRETIREMENT HEALTHCARE PLAN (Continued)

The allocation by asset category of the postretirement healthcare plan assets at December 31 is as follows:

	2024	2023
Asset category:		
Other	100%	100%
Total	100%	100%

The Bank uses a December 31 measurement date for the Plan. For measurement purposes, the healthcare trend rate of 5.5% was used in 2024 and 2023. They will remain at that level thereafter except where the Bank's contribution limit applies. The healthcare cost trend rate assumptions have a significant effect on the amounts reported, but their impact is lessened because the Bank limits its annual increase at twice the 1991 average premium rate. Increasing or decreasing the assumed healthcare cost trend rates by 1.0% in each year would not change the accumulated postretirement benefit obligation nor would the aggregate of the service and interest components of net periodic postretirement benefit cost change.

The weighted average assumptions used to determine benefit obligations at December 31 are as follows:

	2024	2023
Discount rate	5.70%	5.10%
Rate of compensation increase	N/A	N/A

The weighted average assumptions used to determine net periodic benefit cost at December 31 are as follows:

	2024	2023
Discount rate	5.10%	5.40%
Expected return of plan assets	3.50%	2.50%
Rate of compensation increase	N/A	N/A

The expected return on retirement plan assets is developed using inflation expectations and risk factors to arrive at a long-term nominal expected return for each asset class. The nominal expected return for each asset class is then weighted based on the target asset allocation to develop the expected long-term rate of return on plan assets.

The plan assets are invested in a 501(c)(9) Voluntary Employees' Beneficiary Association trust which is subject to unrelated business income tax. The plan assets were funded by the Bank initially on December 31, 1991 and periodic contributions have been made since then. As of December 31, 2024 and 2023, there were only liquid investments.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 was signed into law on December 8, 2003. The Plan was designed to provide only for healthcare premiums and, consequently, the measures of the postretirement benefit obligations and net periodic postretirement benefit cost do not reflect effects of the Act.

(Continued)

(In thousands, except per share amounts)

NOTE 11 – POSTRETIREMENT HEALTHCARE PLAN (Continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year Ending, December 31,	Pension Benefits
2025	$ 494
2026	471
2027	448
2028	425
2029	403
2030 through 2033	1,677

NOTE 12 – INCOME TAXES

The expense (benefit) from income taxes for the years ended December 31, 2024 and 2023 consisted of the following:

2024	Federal	State	Total
Current	$ 4,028	$ 2,772	$ 6,800
Deferred	2,229	696	2,925
Provision for income taxes	$ 6,257	$ 3,468	$ 9,725

2023	Federal	State	Total
Current	$ 9,659	$ 5,693	$ 15,352
Deferred	(5,071)	(2,762)	(7,833)
Provision for income taxes	$ 4,588	$ 2,931	$ 7,519

(Continued)

(In thousands, except per share amounts)

NOTE 12 – INCOME TAXES (Continued)

Deferred tax assets (liabilities) are included in accrued interest receivable and other assets and are comprised of the following at December 31, 2024 and 2023:

	2024	2023
Deferred tax assets:		
Allowance for credit losses	$ 10,976	$ 12,779
Deferred Compensation	4,322	4,406
Postretirement benefits	992	1,147
Nonaccrual interest	331	221
State taxes	121	1,073
Deferred gain	154	202
Bank premises and equipment	979	1,134
Amortization of trust assets	96	114
Lease Liability	2,137	2,265
Unrealized losses on available for sale investment securities	41,896	46,296
Other	363	274
Total deferred tax assets	62,367	69,911
Deferred tax liabilities:		
Deferred loan costs	(333)	(469)
Prepaid expenses	(267)	(21)
Prepaid profit sharing	(1,208)	(1,424)
FHLB stock dividends	(272)	(272)
Right of Use asset	(2,137)	(2,265)
Other	(3)	(85)
Total deferred tax liabilities	(4,220)	(4,536)
Net deferred tax assets	$ 58,147	$ 65,375

(Continued)

(In thousands, except per share amounts)

NOTE 12 – INCOME TAXES (Continued)

The effective tax rate, as a percentage of income before income taxes, differs from the statutory Federal income tax rate as follows:

	Year Ended December 31, 2024	2023
Federal income tax expense, at statutory rate	21.0%	21.0%
State franchise tax, net of Federal tax effect	8.2	8.4
Tax-exempt interest on obligations of states and political subdivisions	(0.6)	(1.8)
Cash surrender value of life insurance	(1.1)	(1.7)
Low income housing tax losses and tax credits, net of amortization	(2.0)	(0.9)
Other	3.5	(0.4)
Nondeductible Excise Tax	-	2.6
Effective tax rate	29.0%	27.2%

The Bank files income tax returns in the United States jurisdiction and the State of California jurisdiction. The Bank is no longer subject to Federal income tax examinations by tax authorities for years before 2021. The Bank is no longer subject to California income tax examinations by tax authorities for years before 2020.

Unrecognized Tax Benefits: The Bank recognizes the financial statement effects of a tax position when it is more likely than not (greater than 50% likelihood) that the position will be sustained upon examination by tax authorities, based on the technical merits of the position. If a tax position does not meet this threshold, no tax benefit is recorded in the financial statements.

As of December 31, 2024, the Bank has not recorded any unrecognized tax benefits under ASC 740-10-50. The Bank does not expect any significant changes in unrecognized tax benefits within the next 12 months.

The Bank's policy is to recognize interest and penalties related to unrecognized tax benefits as part of income tax expense in the consolidated statements of income. As of December 31, 2024 and 2023, the Bank has not accrued any interest or penalties related to unrecognized tax benefits.

(Continued)

(In thousands, except per share amounts)

NOTE 13 – ACCUMULATED OTHER COMPREHENSIVE INCOME

The following is changes in accumulated other comprehensive income (loss) by component, net of tax, for the years ending December 31, 2024 and 2023:

	Unrealized Gains and Losses on Available-for-Sale Securities	Defined Benefit Plan Items	Deferred Compensation Trust	Total
December 31, 2024				
Beginning Balance	$ (110,302)	$ (1,557)	$ 119	$ (111,740)
Amounts reclassified from accumulated other comprehensive income	-	(64)	-	$ (64)
Net current period other comprehensive income	10,483	172	55	10,710
Ending balance	$ (99,819)	$ (1,449)	$ 174	$ (101,094)

	Unrealized Gains and Losses on Available-for-Sale Securities	Defined Benefit Plan Items	Deferred Compensation Trust	Total
December 31, 2023				
Beginning Balance	$ (145,652)	$ (7,908)	$ (101)	$ (153,661)
Amounts reclassified from accumulated other comprehensive income	-	(64)	-	$ (64)
Net current period other comprehensive income	35,350	6,415	220	41,985
Ending balance	$ (110,302)	$ (1,557)	$ 119	$ (111,740)

The following is significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the year ending December 31, 2024:

2024 Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income	Affected Line Item in Statement Where Net Income is Presented
Amortization of defined benefit pension items including prior service costs and actuarial gains (losses)	$ (50)	Other expense
	(15)	Provision for income taxes
	$ (65)	Net of tax

(Continued)

(In thousands, except per share amounts)

NOTE 13 – ACCUMULATED OTHER COMPREHENSIVE INCOME (Continued)

The following is significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the year ending December 31, 2023:

2023 Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income	Affected Line Item in Statement Where Net Income is Presented
Amortization of defined benefit pension items including prior service costs and actuarial gains (losses)	$ (50)	Other expense
	(14)	Provision for income taxes
	$ (64)	Net of tax

NOTE 14 – REVENUE FROM CONTRACTS WITH CUSTOMERS

A subset of our noninterest income relates to certain fee-based revenue within the scope of ASC 606 – *Revenue from Contracts with Customers*. The objective of the standard is to clarify the principles for recognizing revenue from contracts with customers across all industries and to develop a common revenue standard under GAAP. All of the Bank's revenue from contracts with customers in the scope of ASC 606 is recognized within Non-Interest Income. The following table presents the Bank's sources of Non-Interest Income for the twelve months ended December 31, 2024 and 2023. Items outside the scope of ASC 606 are noted as such.

	2024	2023
Non-interest Income		
Service charges and fees	$ 3,337	$ 3,265
Trust income	10,332	9,787
Merchant discount and interchange fees	5,030	5,311
Income from bank owned life insurance[a]	2,468	2,255
Other income[a]	2,218	3,042
Total non-interest income	$ 23,385	$ 23,660

[a]Not within the scope of ASC 606.

A description of the Bank's revenue streams accounted for under ASC 606 follows.

Service charges and fees: Retail Banking provides demand deposit, money market and savings account products for consumer and small business customers. Services include online and branch banking, overdraft, ATM use fees, wire transfer services, imaging services and cash alternative services such as cashier's checks. We recognize fee income at the time these services are performed for the customer.

(Continued)

NOTE 14 – REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Trust Income: Services provided to Trust customers are a series of distinct services that have the same pattern of transfer each month. Fees for trust accounts are billed and drafted from trust accounts on a predominately monthly basis. The Bank records these fees on the income statement on a monthly basis. Fees are assessed based on the total investable assets of the customer's trust account. A signed contract between the Bank and the customer is maintained for all customer trust accounts with payment terms identified. It is probable that the fees will be collectible as funds being managed are accessible by the asset manager. Past history of trust fee income recorded by the Bank indicates it is highly unlikely that a significant reversal could occur.

Merchant Discount and Interchange Fee: Retail Banking earns fee revenue for debit and credit card processing services. We provide these services to merchant businesses including point-of-sale payment acceptance capabilities and customized payment processing built around the merchant's specific requirements. We earn fee revenue as the merchant's customers make purchases.

Gains/Losses on Sales of OREO: The Bank records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. Upon the transfer of control of the property to the buyer, the OREO asset is derecognized and the gain or loss on sale is recorded. Any sales are reflected in other income. There was no gain on sales and $694 for the years ended December 31, 2024 and December 31, 2023, respectively.

NOTE 15 – REGULATORY MATTERS

Regulatory Capital: Banks are subject to regulatory capital requirements administered by federal and state banking agencies. Capital adequacy guidelines and prompt corrective action regulation involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. Under the BASEL III rules, the minimum capital ratios are 4% for Tier 1 Leverage Capital Ratio, 4.5% for the Common Equity Tier 1 Capital Ratio, 6% for the Tier 1 Risk-Based Capital Ratio and 8% for the Total Risk-Based Capital Ratio. The Bank's net unrealized gain or losses are not included in regulatory capital. Management believes as of December 31, 2024, the Bank met all capital adequacy requirements to which it was subject.

Prompt corrective action regulations provide five classifications; well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. As of December 31, 2024 and 2023, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt correction action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The following table represents the Bank's regulatory capital position as of December 31, 2024 and 2023 in relationship to the regulatory requirements to meet the definitions of adequately capitalized and well capitalized. There is an additional element of capital required referred to as the capital conservation buffer that is not included in this table. The capital conservation buffer adds another level of capital of 2.50% over the adequately capitalized ratios and is required to eliminate any regulatory restrictions from the Bank's ability to issued dividends, complete stock buybacks or pay management discretionary bonuses.

(Continued)

(In thousands, except per share amounts)

NOTE 15 – REGULATORY MATTERS (Continued)

	Actual		For Captial Adequacy Purposes		To Be Well Captialized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Minimum Amount	Minimum Ratio	Minimum Amount	Minimum Ratio
December 31, 2024						
Total capital (to risk-weighted assets)	$ 408,222	19.43%	$ 168,040	8.0%	$ 210,049	10.0%
Tier 1 capital (to risk-weighted assets)	$ 381,903	18.18%	$ 126,030	6.0%	$ 168,040	8.0%
Common Tier 1 (CET I)	$ 381,903	18.18%	$ 94,522	4.5%	$ 136,532	6.5%
Tier 1 capital (to average assets)	$ 381,903	11.07%	$ 138,057	4.0%	$ 172,571	5.0%
December 31, 2023						
Total capital (to risk-weighted assets)	$ 393,588	18.84%	$ 167,095	8.0%	$ 208,869	10.0%
Tier 1 capital (to risk-weighted assets)	$ 367,267	17.58%	$ 125,321	6.0%	$ 167,095	8.0%
Common Tier 1 (CET I)	$ 367,267	17.58%	$ 93,991	4.5%	$ 135,765	6.5%
Tier 1 capital (to average assets)	$ 367,267	10.52%	$ 139,613	4.0%	$ 174,516	5.0%

Dividend Restrictions: The California Financial Code restricts the total dividend payment of any state banking association in any calendar year to the lesser of (1) the bank's retained earnings or (2) the bank's net income for its last three fiscal years, less distributions made to shareholders during the same three-year period. In addition, subject to prior regulatory approval, any state banking association may request an exception to this restriction.

NOTE 16 – FAIR VALUE MEASUREMENTS

Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Management monitors the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets, total liabilities or total earnings.

(Continued)

(In thousands, except per share amounts)

NOTE 16 – FAIR VALUE MEASUREMENTS (Continued)

Assets Recorded at Fair Value - The following tables present information about the Bank's assets and liabilities measured at fair value on a recurring and nonrecurring basis as of December 31, 2024 and 2023:

Recurring Basis

	2024			
Description	Fair Value	Level 1	Level 2	Level 3
Debt Securities:				
U.S. Government agencies	$ 542,932	$ -	$ 542,932	$ -
Obligations of state and political subdivisions	219,351	-	219,351	-
Government sponsored entities residential mortgage-backed securities	581,093	-	581,093	-
U.S. Treasuries	12,818	-	12,818	-
Other securities	6,151	-	6,151	-
Total assets measured at fair value	$ 1,362,345	$ -	$ 1,362,345	$ -

	2023			
Description	Fair Value	Level 1	Level 2	Level 3
Debt Securities:				
U.S. Government agencies	$ 562,381	$ -	$ 562,381	$ -
Obligations of state and political subdivisions	239,424	-	239,424	-
Government sponsored entities residential mortgage-backed securities	675,766	-	675,766	-
U.S. Treasuries	13,676	-	13,676	-
Other securities	6,198	-	6,198	-
Total assets measured at fair value	$ 1,497,445	$ -	$ 1,497,445	$ -

Fair values for available-for-sale investment securities are based on quoted market prices for similar securities.

Non-recurring Basis

The Bank may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. These include assets that are measured at the lower of cost or market value that were recognized at fair value which was below cost at the reporting date.

(Continued)

(In thousands, except per share amounts)

NOTE 16 – FAIR VALUE MEASUREMENTS (Continued)

	2024			
Assets measured at fair value on a non-recurring basis	Fair Value	Level 1	Level 2	Level 3
Collateral dependent loans				
Consumer	$ 67	-	-	$ 67
Total assets measured at fair value on a non-recurring basis	$ 67	$ -	$ -	$ 67

	2023			
Assets measured at fair value on a non-recurring basis	Fair Value	Level 1	Level 2	Level 3
Collateral dependent loans				
Real estate - commercial	$ 3,009	$ -	$ -	$ 3,009
Commercial	3,937	-	-	3,937
Lease financing	46	-	-	46
Consumer	552	-	-	552
Total assets measured at fair value on a non-recurring basis	$ 7,544	$ -	$ -	$ 7,544

Loans that do not share similar risk characteristics with other loan pools are evaluated individually and have been adjusted to fair value using either a discounted cash flow analysis or based on the estimated fair value of the underlying collateral, less estimated selling costs. If the Bank determines that the value of these loans is less than the recorded investment in the loan, the carrying value is adjusted through a charge-off recorded through the allowance for credit losses. There were so such adjustments for the year ended December 31, 2024. For the year ended December 31, 2023, total losses of $5 represents charges recognized on collateral dependent loans during the year.

Management used the following methods to estimate the fair value of each class of assets above:

Income Approach: Fair value is determined based on a discounted cash flow analysis. For loans that exhibited some characteristics of performance and where it appears that the borrower may have adequate cash flows to service the loan, we used a discounted cash flow analysis. The discounted cash flow analysis was based on the contractual maturity of the loan and market indications of rates, prepayment speeds, defaults and credit risk. Loans with balloon or interest only payment structures, we extended the repayment period beyond the current contractual maturity date.

Collateral Value Approach: Fair value is determined based on the estimated values of the underlying collateral. For collateral dependent loans, management uses the estimated net sales proceeds to determine the fair value of the loans when deemed appropriate. The implied sales proceeds value provides a better indication of value than the income stream as these loans are not performing or exhibit strong signs indicative of non-performance.

For the years ended December 31, 2024, and 2023 there were no transfers between Level 1, Level 2, or Level 3 fair value measurements.

(In thousands, except per share amounts)

NOTE 16 – FAIR VALUE MEASUREMENTS (Continued)

The following table presents quantitative information about Level 3 fair value measurements for loans measured at fair value on a non-recurring basis at December 31, 2024:

Description	Fair Value	Technique	Unobservable Input	(Weighted Average)
Consumer	$ 67	Liquidation value	a. Adjustments can range up to 25% of liquidation costs plus 15% for related expenses.	3.40% to 10.00%

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2023:

Description	Fair Value	Valuation Technique	Significant Unobservable Input	Range (Weighted Average)
Real Estate Commercial	$ 3,009	Collateral Value/ Appraisal approach	a. Management adjustments based on net present value of cash flows.	0.20 to 9.90%
Commercial	$ 3,937	Collateral Value/ Appraisal approach	a. Management adjustments based on net present value of cash flows.	0.00% to 25.10%
		Collateral Value/ Appraisal approach	b. Management adjustments for unsecured loans based on unguaranteed portion of SBA loans	49.58%
Leasing	$ 46	Collateral Value/ Appraisal approach	a. Personal property collateral is discounted based on management's assessment of loss given default.	8.00 to 17.00%
Consumer	$ 552	Liquidation value	a. Adjustments can range up to 25% of liquidation costs plus 15% for related expenses.	2.40% to 32.60%
		Collateral Value/ Appraisal approach	b. Personal property collateral is discounted based on management's assessment of loss given default.	1.05%

(Continued)

(In thousands, except per share amounts)

NOTE 16 – FAIR VALUE MEASUREMENTS (Continued)

Fair Value of Financial Instruments: The Bank estimates the fair value of financial instruments using the following methodologies:

Cash and cash equivalents - The carrying amount approximates fair value due to the short-term nature of these instruments (Level 1).

AFS Investment Securities - Based on market price quotations or observable market data for similar securities, categorized as Level 2.

Loans and Leases - The fair value of loans is estimated using discounted cash flow models, incorporating credit spreads, prepayment speeds, and other borrower-specific characteristics. These estimates are considered Level 3 as they require significant unobservable inputs.

Deposits - The fair value of deposits with no stated maturity (e.g., demand deposits, savings accounts) is assumed to equal their carrying amount. The fair value of time deposits is based on the present value of future cash flows using current rates (Level 2).

Accrued Interest Receivable and Payable - The fair values of accrued interest receivable and payable approximate their carrying amounts due to their short-term nature.

The estimated carrying amounts and fair values of the Bank's financial instruments are as follows:

		Fair Value Measurements Using:			
December 31, 2024	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial Assets					
Cash and Cash Equivalents	$ 134,876	$ 134,876	$ -	$ -	$ 134,876
Available-for-sale securities	1,362,345	-	1,362,345	-	1,362,345
Loans and leases, net	1,583,480	-	-	1,546,726	1,546,726
Accrued interest receivable	11,901	5,678	265	5,958	11,901
Financial Liabilities:					
Deposits	$ 2,832,443	$ 902,338	1,595,295	$ -	$ 2,497,633
Accrued interest payable	1,760	902	858	-	1,760

		Fair Value Measurements Using:			
December 31, 2023	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial Assets					
Cash and Cash Equivalents	$ 89,611	$ 89,611	$ -	$ -	$ 89,611
Available-for-sale securities	1,497,445	-	1,497,445	-	1,497,445
Loans and leases, net	1,553,409	-	-	1,512,866	1,512,866
Accrued interest receivable	12,170	6,007	265	5,898	12,170
Financial Liabilities:					
Deposits	$ 2,838,627	$ 2,467,488	$ 371,139	$ -	$ 2,838,627
Accrued interest payable	917	270	647	-	917

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

(Continued)

(In thousands, except per share amounts)

NOTE 17 – RELATED PARTY TRANSACTIONS

During the normal course of business, the Bank enters into transactions with related parties, including Directors and executive officers. The following is a summary of the aggregate activity involving related party borrowers during 2024:

Balance,	January 1, 2024	$ 9,663
	Disbursements	9,559
	Amounts repaid	(7,752)
	Change in relationship	-
Balance,	December 31, 2024	$ 11,470
Undisbursed commitments to related parties, December 31, 2024		$ 7,528

NOTE 18 – SUBSEQUENT EVENTS

The Bank reviewed all events occurring from December 31, 2024 through March 5, 2025, the date the financial statements were available to be issued. On January 16, 2025, the Bank repaid in full the $100,000 borrowing outstanding from the Federal Reserve Bank of San Francisco using liquidity on hand. There were no additional subsequent events that were considered material for disclosure and there were no subsequent events requiring accrual.