

A wide-angle photograph of the San Diego skyline across a body of water. The sky is blue with scattered white clouds. In the foreground, there are out-of-focus purple and pink flowers. The skyline includes several prominent buildings, such as the San Diego-Coronado Bridge Tower on the right and various modern skyscrapers in the center and left. A yellow construction crane is visible on the far left.

FIRST PACIFIC
BANCORP

FIRST
PACIFIC BANK

2024 ANNUAL REPORT

Building the Future: Innovation in Action

Shareholder Letter

To our Shareholders, Customers, and Communities,

As we close the books on 2024, we are proud to report another year of strong financial performance, strategic progress, and forward-looking innovation. First Pacific Bancorp, along with its wholly owned subsidiary, First Pacific Bank, achieved the seventh consecutive quarter of profitability and continues to strengthen its foundation for future growth. By investing in technology, enhancing operational efficiency, and deepening our commitment to our clients and communities, we are well-positioned to create long-term value for our stakeholders.

A Strong Financial Position to Power Future Innovation

Our disciplined approach and commitment to true relationship banking have resulted in continued financial momentum. Key highlights for the year include:

- **Total assets** grew to **\$433 million**, up \$13 million from year-end 2023.
- **Total deposits** increased to **\$351 million**, a \$17 million increase from the prior year.
- **Total loans** expanded to **\$277 million**, demonstrating steady growth in our lending portfolio.
- **Asset quality** remained excellent with minimal levels of classified or non-performing assets.
- **Cash and cash equivalents** reached **\$41 million**, a \$19 million increase from 2023.
- **Capital strength** remained robust, with a **leverage capital ratio of 9.0%** and a **total risk-based capital ratio of 13.4%**.
- **Net income** for 2024 totaled **\$1.1 million**, a significant turnaround from the net loss of \$164 thousand in 2023.

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Driving Innovation Through Technology

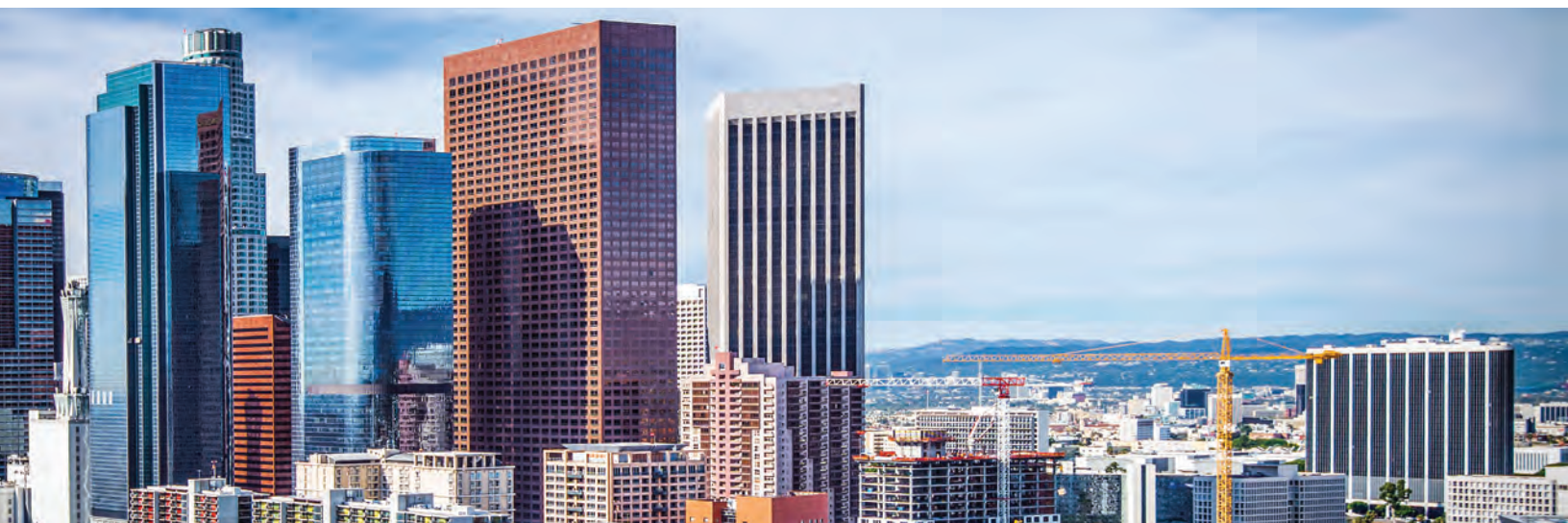
With a focus on providing an exceptional banking experience, we've made significant investments in technology and innovation this past year, laying the foundation for long-term success and ensuring we continue to meet the ever-evolving needs of our customers.

- The implementation of our new Customer Relationship Management (CRM) system enables us to better understand and serve our clients, providing more personalized financial solutions.
- Enhancements to our payment solutions in partnership with Finastra, including Fedwire and FedNow, offer real-time transactions for greater financial flexibility.
- We are in the process of launching a new online and mobile banking platform powered by Q2, providing an intuitive and feature-rich banking experience for our customers.
- Along with this new platform we will offer clients the ability to use Zelle to ensure fast, secure peer-to-peer payments within our digital banking ecosystem.

Commitment to Our Community

At First Pacific Bank, our commitment to the communities we serve goes far beyond banking — it's about creating a meaningful and lasting impact. Whether providing support in times of need, championing important causes, or funding nonprofits and community initiatives, we are dedicated to making a difference. Through strategic partnerships, sponsorships, and hands-on involvement, we work to strengthen our communities, uplift those in need, and build a brighter, more resilient future for all.

- In response to the recent wildfires, we acted swiftly to provide resources and support for affected individuals and businesses.
- Through sponsorships, donations, and strategic partnerships, we continue to invest in initiatives that strengthen our local communities.
- Our team members play an active role in leadership, serving on boards across our markets to support organizations that drive positive change.



Building Tomorrow, Today

As we close another successful year, we reflect on the strong financial momentum and clear growth strategy that position us confidently as we enter 2025. Our commitment to digital transformation, customer-centric banking, and operational excellence remains at the core of our efforts, driving sustainable growth and creating long-term value for our shareholders.

On behalf of the entire team at First Pacific Bank, we sincerely thank all our stakeholders — employees, customers, communities, and shareholders — for your continued trust and support. Together, we will continue to build a brighter future for First Pacific Bank and the communities we proudly serve.



Nathan Rogge,
President and CEO
of **First Pacific Bank** and
First Pacific Bancorp



Joe Matranga,
Chairman of the Board
of **First Pacific Bank** and
First Pacific Bancorp

Innovation in Action. Results Delivered.



Relationship-Driven Bankers

Our team builds long-term partnerships that fuel business success.



Recognized for Excellence

Proud recipient of the CultureID Award — twice recognized for our outstanding workplace culture.



Trusted SBA and Government Lending Partner

Actively supporting small businesses through government-guaranteed programs.



A+ Rating from the Better Business Bureau

A reflection of our commitment to integrity, transparency, and client satisfaction.





Independent Auditor's Report

The Board of Directors and Shareholders
First Pacific Bancorp and Subsidiary
Whittier, California

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of First Pacific Bancorp and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of First Pacific Bancorp and Subsidiary, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

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 First Pacific Bancorp and Subsidiary's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of First Pacific Bancorp and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about First Pacific Bancorp and Subsidiary's 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.



Laguna Hills, California
April 25, 2025

First Pacific Bancorp and Subsidiary

Consolidated Balance Sheets
December 31, 2024 and 2023

	2024	2023
Assets		
Cash and due from banks	\$ 4,453,819	\$ 3,991,597
Federal funds sold	36,290,000	18,060,000
Interest bearing deposits with other financial institutions	255,106	316,552
Cash and cash equivalents	40,998,925	22,368,149
Debt securities available for sale, at fair value (amortized cost of \$2,127,563 and \$5,509,776, with zero allowance for credit losses)	1,866,022	5,257,049
Debt securities held to maturity, net of allowance for credit losses of \$10,408 and \$16,095 at December 31, 2024 and 2023	100,257,560	104,343,133
Loans, net of unearned income	277,384,085	275,198,411
Allowance for credit losses	(3,179,637)	(3,109,975)
Loans, net	274,204,448	272,088,436
Restricted stock	3,130,050	2,968,350
Equity securities	1,160,000	1,160,000
Premises and equipment, net	715,095	943,976
Right of use asset	613,869	1,324,696
Bank owned life insurance	5,287,738	5,170,521
Goodwill	977,938	977,938
Core deposit intangible	245,425	299,139
Accrued interest receivable and other assets	3,515,077	3,315,524
Total assets	\$ 432,972,147	\$ 420,216,911
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing deposits	\$ 131,515,568	\$ 121,348,095
Interest-bearing deposits	219,180,632	211,963,425
Total deposits	350,696,200	333,311,520
Borrowings	40,000,000	45,000,000
Accrued interest payable and other liabilities	3,122,902	4,530,209
Total liabilities	393,819,102	382,841,729
Shareholders' Equity		
Preferred stock - 10,000,000 shares authorized; no shares issued and outstanding in 2024 and 2023	-	-
Common stock, no par value, 20,000,000 shares authorized; 4,294,500 and 4,231,841 shares issued and outstanding in 2024 and 2023, respectively	34,596,102	34,219,712
Additional paid-in-capital	2,676,466	2,480,074
Retained earnings	2,650,877	1,543,264
Accumulated other comprehensive loss, net of tax	(770,400)	(867,868)
Total shareholders' equity	39,153,045	37,375,182
Total liabilities and shareholders' equity	\$ 432,972,147	\$ 420,216,911

First Pacific Bancorp and Subsidiary
Consolidated Statements of Operations
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Interest Income		
Interest and fees on loans	\$ 18,987,681	\$ 16,705,212
Interest on debt securities	2,042,246	2,279,349
Interest on deposits with other financial institutions	1,556,509	763,782
Dividends on restricted stock and equity securities	296,961	237,045
Total interest income	<u>22,883,397</u>	<u>19,985,388</u>
Interest Expense		
Interest expense on deposits	7,001,082	4,744,486
Interest expense on borrowings	<u>1,808,614</u>	<u>2,440,727</u>
Total interest expense	<u>8,809,696</u>	<u>7,185,213</u>
Net Interest Income	14,073,701	12,800,175
Provision for Credit Losses	<u>-</u>	<u>905,966</u>
Net Interest Income After Provision for Credit Losses	<u>14,073,701</u>	<u>11,894,209</u>
Noninterest Income		
Service charges on deposit accounts	151,818	172,326
Increase in cash surrender value of life insurance	117,217	111,086
Loss on sale of debt securities	-	(14,982)
Gain on early extinguishment of debt	198,450	123,077
Gain on sale of loans	15,335	99,785
Other fees and miscellaneous income	<u>322,408</u>	<u>428,775</u>
Total noninterest income	<u>805,228</u>	<u>920,067</u>
Noninterest Expense		
Salaries and other employee benefits	8,500,224	8,558,604
Occupancy	1,364,760	1,443,225
Advertising and marketing	58,138	49,742
Professional services	446,073	518,913
Data processing	1,076,128	955,455
Stationary and supplies	71,717	89,192
Insurance	138,870	156,487
Supervisory charges	433,199	442,812
Other	<u>1,248,253</u>	<u>939,027</u>
Total noninterest expense	<u>13,337,362</u>	<u>13,153,457</u>
Income (loss) before provision for income taxes	1,541,567	(339,181)
Provision for income tax expense (benefit)	<u>433,954</u>	<u>(175,262)</u>
Net income (loss)	<u>\$ 1,107,613</u>	<u>\$ (163,919)</u>
Earnings (loss) per share basic	\$ 0.26	\$ (0.04)
Earnings (loss) per share diluted	\$ 0.26	\$ (0.04)

First Pacific Bancorp and Subsidiary
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Net Income (Loss)	\$ 1,107,613	\$ (163,919)
Other Comprehensive Income (Loss)		
Unrealized gains (losses) on securities available for sale		
Change in unrealized gain (loss)	139,240	191,843
Reclassification of loss recognized in income	<u>-</u>	<u>14,982</u>
	<u>139,240</u>	<u>206,825</u>
Related income tax effect		
Change in unrealized gain (loss)	(41,772)	(57,553)
Reclassification of loss recognized in income	<u>-</u>	<u>(4,495)</u>
	<u>(41,772)</u>	<u>(62,048)</u>
Total other comprehensive income (loss)	<u>97,468</u>	<u>144,777</u>
Total comprehensive income (loss)	<u>\$ 1,205,081</u>	<u>\$ (19,142)</u>

First Pacific Bancorp and Subsidiary
Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2024 and 2023

	Common Stock		Additional	Retained	Accumulated	Total
	Shares	Amount	Paid-In	Earnings	Other	Shareholders'
	Outstanding		Capital		Comprehensive	Equity
					Income (Loss)	
Balance, December 31, 2022	3,776,622	\$30,511,315	\$1,770,901	\$1,881,483	\$ (1,012,645)	\$33,151,054
Cumulative change in accounting principle (Note 1)	-	-	-	(174,300)	-	(174,300)
Issuance of common stock	455,219	3,708,397	-	-	-	3,708,397
Net loss	-	-	-	(163,919)	-	(163,919)
Stock-based compensation expense	-	-	709,173	-	-	709,173
Other comprehensive income, net of tax	-	-	-	-	144,777	144,777
Balance, December 31, 2023	4,231,841	34,219,712	2,480,074	1,543,264	(867,868)	37,375,182
Vesting of restricted stock units (RSUs)	85,333	512,798	(512,798)	-	-	-
Repurchase of shares to cover vested RSU tax liability	(22,674)	(136,408)	-	-	-	(136,408)
Net income	-	-	-	1,107,613	-	1,107,613
Stock-based compensation expense	-	-	709,190	-	-	709,190
Other comprehensive income, net of tax	-	-	-	-	97,468	97,468
Balance, December 31, 2024	<u>4,294,500</u>	<u>\$34,596,102</u>	<u>\$2,676,466</u>	<u>\$2,650,877</u>	<u>\$ (770,400)</u>	<u>\$39,153,045</u>

First Pacific Bancorp and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Activities		
Net income (loss)	\$ 1,107,613	\$ (163,919)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Net amortizations of premiums and discounts on securities	660,942	694,318
Depreciation and amortization	391,964	397,141
Provision for credit losses	-	905,966
Stock-based compensation expense	709,190	709,173
Loss on sale of debt securities	-	14,982
Gain on early extinguishment of debt	(198,450)	(123,077)
Gain on sale of loans	(15,335)	(99,785)
Change in deferred income taxes	92,000	(184,000)
Increase in cash surrender value of life insurance	(117,217)	(111,086)
Change in other assets and liabilities	(965,830)	304,553
Net Cash Provided by Operating Activities	<u>1,664,877</u>	<u>2,344,266</u>
Investing Activities		
Principal paydowns on debt securities	6,960,585	6,587,819
Proceeds on sale of debt securities	-	116,044
Change in FHLB and FRB stock	(161,700)	(381,050)
Net increase in loans	(2,170,339)	(70,096,701)
Purchase of premises and equipment	(109,369)	(566,530)
Net Cash Provided by (Used in) Investing Activities	<u>4,519,177</u>	<u>(64,340,418)</u>
Financing Activities		
Increase in deposits	17,384,680	68,459,397
Net increase (decrease) in borrowings	5,000,000	(15,000,000)
Early retirement of term borrowings	(9,801,550)	(4,876,923)
Issuance of common stock	-	3,708,397
Repurchase of common stock	(136,408)	-
Net Cash Provided by Financing Activities	<u>12,446,722</u>	<u>52,290,871</u>
Net Increase (Decrease) in Cash and Cash Equivalents	18,630,776	(9,705,281)
Cash and Cash Equivalents, Beginning of Year	<u>22,368,149</u>	<u>32,073,430</u>
Cash and Cash Equivalents, End of Year	<u>\$ 40,998,925</u>	<u>\$ 22,368,149</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 8,724,603	\$ 7,124,113
Taxes paid (refunded)	388,787	(239,812)
Lease liabilities arising from obtaining right-of-use assets	-	775,428

Note 1 - Significant Accounting Policies

Nature of Operations

The Company consists of First Pacific Bancorp ("Bancorp") and its wholly owned subsidiary First Pacific Bank (the "Bank"). First Pacific Bancorp (formerly known as Friendly Hills Bancorp) was formed in 2021 as a one-bank holding company. Bancorp and the Bank are collectively referred to herein as the Company. First Pacific Bank (formerly Friendly Hills Bank) was incorporated in the State of California, commenced operations on September 18, 2006, and is organized as a single operating segment. The Bank operates full-service branches in Whittier, Santa Fe Springs, Orange, Redlands and San Diego, California. Its principal source of revenue is providing loans to customers, who are predominately small and middle-market businesses and individuals located primarily in the Los Angeles, Orange, San Bernardino and San Diego County areas of California.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and general practices within the banking industry. The consolidated financial statements of the Company include the accounts of First Pacific Bancorp and its wholly owned subsidiary First Pacific Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through April 25, 2025, which is the date the financial statements were available to be issued.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for credit losses.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks and federal funds sold, all of which have original maturities of 90 days or less.

Balances in transaction accounts at other financial institutions may exceed amounts covered by federal deposit insurance. Management regularly evaluates the credit risk associated with other financial institutions and believes that the Company is not exposed to any significant credit risks on cash and cash equivalents.

Debt Securities

The Company classifies its debt securities as available for sale or held to maturity. Securities classified as available for sale are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in comprehensive income. Securities, which the Company has the positive intent and ability to hold to maturity, are classified as held to maturity and are carried at amortized cost. Equity securities are carried at fair value, with changes in fair value reported in net income.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. Purchases are accounted for on the trade date.

Allowance for Credit Losses (ACL) – Held-to-Maturity Securities

An ACL is established for losses on held-to-maturity debt securities at the time of purchase or designation, and is updated each period to reflect management's expectations of current expected credit losses as of the date of the consolidated balance sheets. The ACL is estimated collectively for groups of debt securities with similar risk characteristics, and is determined at the individual security level when the Company deems a security to no longer possess shared risk characteristics. Accrued interest receivable in the amount of \$299,924 and \$309,192 as of December 31, 2024 and 2023 respectively, on held-to-maturity debt securities is excluded from the estimate of credit losses. For debt securities where the Company has reason to believe the credit loss exposure is remote, a zero credit loss assumption is applied. Changes in the ACL on held-to-maturity debt securities are recorded as a provision for credit losses in the consolidated statements of operations. Losses are charged against the ACL when management believes the uncollectibility of a held-to-maturity debt security is confirmed.

Allowance for Credit Losses – Available-for-Sale Securities

For available-for-sale debt securities, the Company evaluates, on an individual basis, whether a decline in fair value below the amortized cost basis has resulted from a credit loss or other factors. The portion of the decline attributable to credit losses is recognized through an ACL, and changes in the ACL on available-for-sale debt securities are recorded as a provision for credit losses in the consolidated statements of operations. The portion of decline in fair value below the amortized cost basis not attributable to credit is recognized through other comprehensive income (loss), net of applicable taxes.

Equity Securities

Equity securities include investments in bankers' bank and other stock without readily determinable fair values. These securities are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment.

Loans

The Company grants real estate, commercial and industrial and consumer loans to borrowing customers. A substantial portion of the loan portfolio is represented by real estate loans in the Southern California region. The ability of the Company's borrowers to honor their contracts is dependent upon many factors, including the real estate market and general economic conditions in the Company's area.

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding unpaid principal balances reduced by any charge-offs or specific valuation allowances and net of deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. The accrual of interest on loans is discontinued when principal or interest is past due 90 days based on the contractual terms of the loan or when, in the opinion of management, there is reasonable doubt as to collectability. When loans are placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on nonaccrual loans is subsequently recognized only to the extent that cash is received, and the loan's principal balance is deemed collectible. Interest accruals are resumed on such loans only when they are brought current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to all principal and interest. Accrued interest receivable on loans totaling \$777,234 and \$910,480 as of December 31, 2024 and 2023, respectively, is excluded from the estimate of credit losses.

Allowance for Credit Losses

The ACL for loans is a valuation account that is deducted from the loan's amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged-off against the allowance when management believes the recorded loan balance is confirmed as uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant information for each loan segment, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The ACL for loans is measured on a collective (pool) basis when similar risk characteristics exist. Historical credit loss experience since the year 2000, for a group of peer institutions of similar size and geographic location, provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for the effects of qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio segment's historical loss experience. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions, changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; changes in the value of the underlying collateral for collateral-dependent loans; concentrations of credit and the effect of other external factors such as competition and legal and regulatory requirements.

Historical credit loss experience is further adjusted by a forecast element for a period of 12 months using a regression analysis and the Federal Reserve Bank's forecast of Gross National Product. The loss rate reverts back to the historical rate at the end of the 12 month forecast period.

A loan is considered to be collateral dependent when repayment is expected to be provided substantially through the operation or sale of the collateral. The ACL on collateral dependent loans is measured using the amortized cost basis of the financial asset less the fair value of the underlying collateral, adjusted for costs to sell, when applicable. If the value of the underlying collateral is determined to be less than the recorded amount of the loan, a specific reserve for that loan is recorded. If the Company determines that the loss represented by the specific reserve is uncollectible it records a charge-off for the uncollectible portion.

Portfolio segments identified by the Company include real estate, commercial and industrial, and consumer loans. Relevant risk characteristics for these portfolio segments generally include debt service coverage, loan-to-value ratios and financial performance on non-consumer loans and credit scores, debt-to income, collateral type, and loan-to-value ratios for consumer loans.

Allowance for Credit Losses (ACL) – Off-Balance Sheet Credit Exposures

The Company also maintains a separate allowance for off-balance sheet credit exposures. Beginning January 1, 2024, management estimates anticipated losses using expected loss factors consistent with those used for the ACL methodology for loans described above, and utilization assumptions based on historical experience. Provision for credit losses for off-balance sheet credit exposures is included in provision for credit losses in the consolidated statements of operations and added to the allowance for off-balance sheet credit exposures, which is included in accrued interest payable and other liabilities in the consolidated balance sheets.

Loan Modifications

Prior to the adoption of ASU 2022-02 on January 1, 2023, a loan was classified as a TDR when the Company granted a concession to a borrower experiencing financial difficulties that it otherwise would not consider under its normal lending policies under ASC Subtopic 310-40, Troubled Debt Restructurings by Creditors. Upon the adoption of ASU 2022-02, the Company applied the general loan modification guidance provided in ASC 310-20 to all loan modifications, including modifications made for borrowers experiencing financial difficulty.

The Company considers some of the indicators that a borrower is experiencing financial difficulty to be: currently in payment default on any of their debt, declaring bankruptcy, going concern, insufficient cash flow to service all debt service requirements, inability to obtain funds from other sources at a market rate for similar debt to non-troubled borrowers, and currently classified as substandard loans that are categorized as having well-defined weaknesses.

ASU 2022-02 requires that certain types of modifications be reported, which consist of (1) principal forgiveness; (2) interest rate reduction; (3) other-than-insignificant payment delay; (4) term extension; and any combination of the above. Since adoption of ASU 2022-02 on January 1, 2023, the Company did not have any loan modifications under ASU 2022-02. At December 31, 2024, the Company did not have any loans that had been modified and classified as TDRs under previous GAAP.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives, which ranges from three to seven years for furniture and equipment. Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the improvements or the remaining lease term, whichever is shorter. Expenditures for betterments or major repairs are capitalized and those for ordinary repairs and maintenance are charged to operations as incurred.

Leases

The Company determines if an arrangement contains a lease at contract inception and recognizes right-of-use ("ROU") assets and operating lease liabilities based on the present value of lease payments over the lease term. While operating leases may include options to extend the term, the Company does not take into account the options in calculating the ROU asset and lease liability unless it is reasonably certain such options will be reasonably exercised. The present value of lease payments is determined based on the Company's incremental borrowing rate and other information available at lease commencement. Leases with an initial term of 12 months or less are not recorded in the consolidated balance sheet. Lease expense is recognized on a straight-line basis over the lease term. The Company has elected to account for lease agreements with lease and non-lease components as a single lease component.

Restricted Stock

The Bank is a member of the Federal Home Loan Bank ("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. In addition, the Bank is a member of its regional Federal Reserve Bank ("FRB"). FHLB and FRB stock are carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income.

Bank Owned Life Insurance

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

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 the amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Advertising Costs

The Company expenses the costs of advertising in the period incurred.

Goodwill and Other Intangible Assets

Goodwill is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill resulting from acquisitions is not amortized but tested for impairment at least annually. Goodwill amounted to \$977,938 as of December 31, 2024 and 2023. There was no impairment recognized on goodwill during 2024 or 2023.

Other intangible assets consist of core deposit intangible ("CDI") assets arising from the acquisition of deposits. CDI assets are amortized on an accelerated method over their estimated useful life of approximately 10 years. CDI of \$443,000 was recognized in a 2021 branch acquisition. The unamortized balance as of December 31, 2024 and 2023 was \$245,425 and \$299,139, respectively. CDI amortization expense was \$53,714 and \$59,883 in 2024 and 2023, respectively. Estimated CDI amortization expense for the next 5 years and thereafter, is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	\$ 48,226
2026	43,339
2027	38,983
2028	35,097
2029	31,628
Thereafter	<u>48,152</u>
Total	<u>\$ 245,425</u>

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of property and equipment, intangible assets, and accrued expenses for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2024, and 2023, the unrecognized tax benefit accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Financial Instruments

In the ordinary course of business, the Company has entered into off balance sheet financial instruments consisting of commitments to extend credit and standby letters of credit as described in Note 12. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

Earnings Per Share (EPS)

The basic earnings per share ratio excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. For the years ended December 31, 2024 and 2023 weighted average shares outstanding used in the computation of basic EPS were 4,286,945 and 3,992,738 in 2024 and 2023, respectively. At December 31, 2024, there were 323,417 potentially dilutive shares outstanding that were not included as the impact would be anti-dilutive. In 2023, the Company reported an operating loss; therefore potentially dilutive securities were not considered as the impact would be anti-dilutive.

Stock-Based Compensation

Stock-based compensation expense reflects the fair value of stock-based awards measured at the grant date and recognized over the relevant vesting period. A Black-Scholes option valuation model is utilized to estimate the fair value of stock options granted, while the market price of the Company's common stock at the date of grant is used for restricted stock unit awards.

Compensation cost is recognized over the requisite service period and adjusted to reflect forfeitures as they occur and for awards with performance conditions changes in the probability that the performance condition will be met. If the grantee of performance condition award does not earn the award, the Company reverses any compensation cost previously recognized during the requisite service period.

Comprehensive Income (Loss)

Comprehensive income (loss) is reported in addition to net income for all periods presented. Comprehensive income (loss) is a more inclusive financial reporting methodology that includes disclosure of other comprehensive income or loss that historically has not been recognized in the calculation of net income. Unrealized gains and losses on the Company's debt securities available for sale are included in other comprehensive income, adjusted for realized gains or losses included in net income. Total comprehensive income or loss and the components of accumulated other comprehensive income or loss are presented in the statement of changes in shareholders' equity and comprehensive income (loss).

Revenue Recognition – Noninterest Income

In accordance with Topic 606, revenues are recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligation in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, the Company assesses the goods or services that are promised within each contract and identifies those that contain performance obligation, and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. The following is a discussion of key revenues within the scope of the new revenue guidance.

Service Charges and Fees on Deposit Accounts

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

Interchange Fees

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

Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer liability (an 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. Current accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of input that may be used to measure fair value:

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at 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 an entity's own assumptions about the factors that market participants would use in pricing an asset or liability.

See Note 10 for more information and disclosures relating to the Company's fair value measurements.

Adoption of Accounting Standards

Effective January 1, 2023, the Company adopted Accounting Standard Update ("ASU") 2016-13, *Measurement of Credit Losses on Financial Instruments (Topic 326)*, as amended, which replaces the incurred loss methodology with an expected loss methodology referred to as current expected credit losses ("CECL"). The measurement of expected losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loans, held-to-maturity (HTM) debt securities and off-balance sheet credit exposures. In addition, Topic 326 made changes to the accounting for available-for-sale debt securities including the requirement to present credit losses as an allowance rather than a write-down on available-for-sale debt securities that management does not intend to sell or believes it is more likely than not they will be required to sell. The Company elected to account for accrued interest receivable separately from the amortized cost of loans and investment securities.

The Company adopted ASU 2016-13 using the modified retrospective transition approach, and recorded a net decrease of \$174,300 to the beginning balance of retained earnings as of January 1, 2023 for the cumulative effect adjustment, reflecting an initial adjustment to the allowance for credit losses ("ACL") of \$249,000 which included a \$236,000 increase in the ACL for loans, a \$7,000 decrease in reserve for unfunded commitments, and a \$20,000 increase in the reserve for HTM debt securities, net of related deferred tax assets arising from temporary differences of \$74,700, commonly referred to as the "Day 1" adjustment. This Day 1 adjustment reflects the development of the CECL models to estimate lifetime expected credit losses on the loans held for investment and unfunded commitments primarily using a lifetime loss methodology and management's current expectation of future economic conditions. Results for reporting periods beginning after January 1, 2023 are presented under CECL while prior period amounts continue to be reported in accordance with the probable

incurred loss accounting standards. As permitted under ASC 326, the Company elected to maintain the same loan segments that it previously identified prior to adoption of CECL.

At adoption of CECL and continuing through December 31, 2024, the Company did not record an ACL on available-for-sale debt securities as these are primarily debt securities explicitly or implicitly backed by the U.S. government or state and local governments, or other investment grade corporate securities and historically have had no credit loss experience. Refer to Note 2, Debt Securities, for more information.

Concurrent with the adoption of ASU 2016-13, the Company adopted ASU 2022-02, Financial Instruments—Credit Losses *Troubled Debt Restructurings (“TDR”) and Vintage Disclosures (Topic 326)*, which eliminated TDR accounting prospectively for all loan modifications occurring on or after January 1, 2023 and added additional disclosure requirements for current period gross charge-offs by year of origination. It also prescribes guidance for reporting modifications for certain loan refinancings, and restructurings made to borrowers experiencing financial difficulty.

Effective January 1, 2024, the Company adopted Accounting Standards Update ASU 2023-07, Segment Reporting *Improvements to Reportable Segment Disclosures (Topic 280)*. The ASU requires that public entities (including those with a single reportable segment) make all existing segment disclosures required by Topic 280 Segment Reporting on both an annual and interim basis. The ASU does not change how a public entity determines its reportable segments. Adoption of the amendments of the ASU did not impact any of the amounts presented in the basic financial statements. All financial service operations are considered by management to be aggregated in one reportable operating segment.

Note 2 - Debt Securities

Debt securities have been classified in the consolidated balance sheets according to management's intent. The amortized cost and fair value of securities, with gross unrealized gains and losses, and related allowance for credit losses, on December 31, 2024, follows:

<u>December 31, 2024</u>	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Allowance for Credit Losses</u>
Securities Available for Sale (AFS)					
CMO securities	\$ 2,115,612	\$ -	\$ (260,777)	\$ 1,854,835	\$ -
Mortgage-backed securities	<u>11,951</u>	<u>-</u>	<u>(764)</u>	<u>11,187</u>	<u>-</u>
					-
Total	<u>\$ 2,127,563</u>	<u>\$ -</u>	<u>\$ (261,541)</u>	<u>\$ 1,866,022</u>	<u>\$ -</u>
Securities Held to Maturity (HTM)					
CMO securities	\$ 47,720,162	\$ -	\$ (8,366,670)	\$ 39,353,492	\$ -
Corporate securities	10,090,918	-	(865,007)	9,225,911	(8,415)
Mortgage-backed securities	30,756,124	-	(6,540,655)	24,215,469	-
Municipal securities	8,250,276	-	(1,186,453)	7,063,823	(1,993)
SBA securities	<u>3,440,080</u>	<u>-</u>	<u>(602,480)</u>	<u>2,837,600</u>	<u>-</u>
Total	<u>\$100,257,560</u>	<u>\$ -</u>	<u>\$ (17,561,265)</u>	<u>\$ 82,696,295</u>	<u>\$ (10,408)</u>

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December 31, 2024 and 2023

The amortized cost and fair value of securities, with gross unrealized gains and losses, on December 31, 2023, follows:

<u>December 31, 2023</u>	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Allowance for Credit Losses</u>
Securities Available for Sale (AFS)					
CMO securities	\$ 2,491,121	\$ -	\$ (235,280)	\$ 2,255,841	\$ -
Corporate securities	3,000,000	-	(15,724)	2,984,276	-
Mortgage-backed securities	18,655	-	(1,723)	16,932	-
Total	<u>\$ 5,509,776</u>	<u>\$ -</u>	<u>\$ (252,727)</u>	<u>\$ 5,257,049</u>	<u>\$ -</u>
Securities Held to Maturity (HTM)					
CMO securities	\$ 49,105,204	\$ -	\$ (8,079,506)	\$ 41,025,698	\$ -
Corporate securities	10,174,647	-	(1,120,749)	9,053,898	(13,224)
Mortgage-backed securities	33,083,522	-	(5,752,548)	27,330,974	-
Municipal securities	8,327,941	-	(1,083,871)	7,244,070	(2,871)
SBA securities	3,667,914	-	(603,054)	3,064,860	-
Total	<u>\$104,359,228</u>	<u>\$ -</u>	<u>\$ (16,639,728)</u>	<u>\$ 87,719,500</u>	<u>\$ (16,095)</u>

The amortized cost and fair value of debt securities by contractual maturity on December 31, 2024, follows below, expected maturities and principal reductions may differ from contractual maturities for mortgage-backed securities:

	<u>Available for Sale</u>		<u>Held to Maturity</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Due in one year or less	\$ -	\$ -	\$ -	\$ -
Due from one to five years	52,208	50,352	18,480,096	16,907,605
Due from five to ten years	114,793	110,141	21,066,377	17,703,940
Due after ten years	831,327	743,768	7,146,935	6,171,838
Due after twenty years	1,129,235	961,761	53,564,152	41,912,912
	<u>\$2,127,563</u>	<u>\$1,866,022</u>	<u>\$ 100,257,560</u>	<u>\$ 82,696,295</u>

The Company pledged investment securities with a carrying value of approximately \$100.3 million as of December 31, 2024 to secure borrowing arrangements with the FHLB and FRB.

Allowance for Credit Losses – Available-for-Sale and Held-to-Maturity Securities

On December 31, 2024, seventeen AFS debt securities with fair values totaling \$1.9 million had net unrealized losses totaling \$262,000, or \$183,000 net of tax included in accumulated other comprehensive losses. All these AFS debt securities had been in an unrealized loss position greater than 12 months as of December 31, 2024, and these same securities were in an unrealized loss position for the substantial majority of the year ended December 31, 2023, as well, due to rising interest rates that began in early 2022. For AFS debt securities with unrealized losses, management considered the financial condition of the issuer and the Company's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. Our available-for-sale debt securities consisted of U.S. government and government sponsored enterprise securities and investment grade corporate securities. As such, the Company applied a zero-credit loss assumption for these securities and no provision for credit losses was recorded for available-for-sale debt securities during the years ended December 31, 2024 and 2023.

On December 31, 2024, forty-three HTM debt securities with fair values totaling \$82.7 million had unrealized losses totaling \$17.6 million. On December 31, 2024, there were no HTM securities that were past due and no nonaccrual HTM securities. The Company has the intent and ability to hold the securities classified as HTM until they mature, at which time the Company will receive full value for the securities. On December 31, 2024, 80% of fair values of HTM debt securities were issued by U.S. government or government sponsored enterprises; the remaining balance of HTM securities are corporate securities rated BBB+/A1 or better by rating agencies and municipal securities rated AA-/Aa2 or better by rating agencies.

The Company maintains an allowance for credit losses on these securities, which is deducted from the amortized cost basis to present the net carrying value on the balance sheets. The allowance is estimated using a collective assessment approach for securities with similar risk characteristics and considers specific bond ratings and S&P default rates.

On January 1, 2023, the Company recorded an allowance for credit losses on HTM securities of \$20,000 when adopting ASC 326. The following table presents the activity in the allowance for credit losses on HTM debt securities for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Balance at the beginning of period	\$ 16,095	\$ -
Impact of adopting ASC 326	-	20,000
Provision (benefit) for credit losses	<u>(5,687)</u>	<u>(3,905)</u>
Balance at end of period	<u>\$ 10,408</u>	<u>\$ 16,095</u>

The Company did not sell any securities in 2024. In 2023, the Company sold a portion of a corporate subordinated debt security classified as held to maturity with proceeds of \$116,044 and a recognized loss of \$14,982. The partial sale of this security was to cure an inadvertent violation of a federal regulation that limits the size of individual security holdings to 10% of the Bank's capital and surplus. Pursuant to the provisions of ASC 320-10-25-9 this partial sale was an allowable sale of securities held to maturity and did not require the Company to transfer the remainder of its held to maturity securities to available for sale.

Note 3 - Loans and Allowance for Credit Losses

Loans consist of the following on December 31:

	<u>2024</u>	<u>2023</u>
Real estate	\$ 210,850,017	\$ 220,366,826
Commercial and industrial	66,858,568	53,938,659
Consumer	<u>70,150</u>	<u>865,827</u>
	277,778,735	275,171,312
Allowance for credit losses	(3,179,637)	(3,109,975)
Deferred loan costs (fees), net	<u>(394,650)</u>	<u>27,099</u>
Net Loans	<u><u>\$ 274,204,448</u></u>	<u><u>\$ 272,088,436</u></u>

The following table presents the activity in the allowance for credit losses for the year ended December 31, 2024:

<u>December 31, 2024</u>	<u>Real Estate</u>	<u>Commercial and Industrial</u>	<u>Consumer</u>	<u>Total</u>
Allowance for Credit Losses				
Beginning of Year	\$ 2,060,017	\$ 1,040,005	\$ 9,953	\$ 3,109,975
Provision for credit losses	322,836	(245,770)	(7,404)	69,662
Charge-offs	-	-	-	-
Recoveries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u><u>\$ 2,382,853</u></u>	<u><u>\$ 794,235</u></u>	<u><u>\$ 2,549</u></u>	<u><u>\$ 3,179,637</u></u>

The following table presents the activity in the allowance for credit losses for the year ended December 31, 2023:

<u>December 31, 2023</u>	<u>Real Estate</u>	<u>Commercial and Industrial</u>	<u>Consumer</u>	<u>Total</u>
Allowance for Credit Losses				
Beginning of Year	\$ 1,561,338	\$ 436,296	\$ 2,387	\$ 2,000,021
Adoption of ASU 2016-13	280,051	(43,116)	(935)	236,000
Provision for credit losses	218,628	646,825	8,501	873,954
Charge-offs	-	-	-	-
Recoveries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u><u>\$ 2,060,017</u></u>	<u><u>\$ 1,040,005</u></u>	<u><u>\$ 9,953</u></u>	<u><u>\$ 3,109,975</u></u>

In addition to the ACL on loans, the Company has established an ACL on off-balance sheet exposures at December 31, 2024 and 2023. The following table presents the activity in the ACL on off-balance sheet exposures for the years then ended:

	<u>2024</u>	<u>2023</u>
Balance at beginning of period	\$ 73,315	\$ 44,398
Impact of adopting ASC 326	-	(7,000)
Provision (benefit) for credit losses	<u>(63,975)</u>	<u>35,917</u>
Balance at end of period	<u>\$ 9,340</u>	<u>\$ 73,315</u>

The Company 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, collateral adequacy, credit documentation, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger, non-homogeneous loans such as commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained.

The Company uses the following definitions for risk ratings on loans:

Pass - Loans considered as pass meet all of the Company's underwriting criteria and are categorized into four different risk categories based on the level of protection provided to the Company by the paying capacity of the borrower and the value and marketability of the collateral.

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

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

Doubtful - Loans classified as 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 existing facts, conditions, and values, highly questionable and improbable.

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The risk category of loans by type of loan and year of origination as of December 31, 2024 and 2023 follows:

	Term Loans Amortized Cost by Origination Year					Revolving Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	Prior		
Real Estate							
Pass							
Construction	\$ 1,645,064	\$ 9,641,283	\$ 11,927,669	\$ -	\$ -	\$ -	\$ 23,214,016
1-4 family	7,756,227	18,223,651	18,809,097	3,697,146	10,051,371	-	58,537,492
Commercial real estate	15,444,888	26,412,692	42,979,567	-	41,967,275	-	126,804,422
Substandard							
Commercial real estate			1,610,445	400,000	283,642	-	2,294,087
Subtotal	<u>24,846,179</u>	<u>54,277,626</u>	<u>75,326,778</u>	<u>4,097,146</u>	<u>52,302,288</u>	<u>-</u>	<u>210,850,017</u>
Commercial & Industrial							
Pass	14,768,996	32,604,854	16,302,760	39,598	1,635,713	-	65,351,921
Substandard		99,993	295,092	611,563	500,000	-	1,506,648
Subtotal	<u>14,768,996</u>	<u>32,704,847</u>	<u>16,597,852</u>	<u>651,161</u>	<u>2,135,713</u>	<u>-</u>	<u>66,858,569</u>
Consumer							
Pass	<u>17,667</u>	<u>20,341</u>	<u>6,775</u>	<u>20,719</u>	<u>4,647</u>	<u>-</u>	<u>70,149</u>
Total loans							
Pass	39,632,842	86,902,821	90,025,868	3,757,463	53,659,006	-	273,978,000
Substandard	-	99,993	1,905,537	1,011,563	783,642	-	3,800,735
Total loans	<u>\$39,632,842</u>	<u>\$ 87,002,814</u>	<u>\$ 91,931,405</u>	<u>\$ 4,769,026</u>	<u>\$54,442,648</u>	<u>\$ -</u>	<u>\$277,778,735</u>
Current year gross charge-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Term Loans Amortized Cost by Origination Year				Revolving Loans Amortized Cost Basis	Total
	2023	2022	2021	Prior		
Real Estate						
Pass						
Construction	\$ 4,579,368	\$ 22,491,381	\$ -	\$ -	\$ -	\$ 27,070,749
1-4 family	24,246,382	16,600,924	3,650,033	9,999,696	12,070,129	66,567,164
Commercial real estate	29,311,060	48,234,649	1,960,373	45,912,824	-	125,418,906
Substandard						
Commercial real estate	-	1,003,596	-	306,411	-	1,310,007
Subtotal	<u>58,136,810</u>	<u>88,330,550</u>	<u>5,610,406</u>	<u>56,218,931</u>	<u>12,070,129</u>	<u>220,366,826</u>
Commercial & Industrial						
Pass	30,456,726	20,430,973	88,139	1,654,942	-	52,630,780
Substandard	-	60,749	747,130	500,000	-	1,307,879
Subtotal	<u>30,456,726</u>	<u>20,491,722</u>	<u>835,269</u>	<u>2,154,942</u>	<u>-</u>	<u>53,938,659</u>
Consumer						
Pass	<u>24,939</u>	<u>809,370</u>	<u>30,728</u>	<u>790</u>	<u>-</u>	<u>865,827</u>
Total loans						
Pass	88,618,475	108,567,297	5,729,273	57,568,252	12,070,129	272,553,426
Substandard	-	1,064,345	747,130	806,411	-	2,617,886
Total loans	<u>\$88,618,475</u>	<u>\$ 109,631,642</u>	<u>\$ 6,476,403</u>	<u>\$58,374,663</u>	<u>\$12,070,129</u>	<u>\$275,171,312</u>
Current year gross charge-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

First Pacific Bancorp and Subsidiary
Notes to Consolidated Financial Statements
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The following table summarizes the payment status of the loan portfolio as of December 31, 2024 and 2023:

December 31, 2024	30-89 Days Past Due	90 Days or More Past Due	Not Past Due	Total	Nonaccrual
Real estate					
Construction	\$ -	\$ -	\$ 23,214,016	\$ 23,214,016	\$ -
1-4 family	-	-	58,537,492	58,537,492	-
Commercial real estate	-	-	129,098,509	129,098,509	672,154
Commercial and industrial	500,843	-	66,357,725	66,858,568	
Consumer	-	-	70,150	70,150	-
	<u>\$ 500,843</u>	<u>\$ -</u>	<u>\$ 277,277,892</u>	<u>\$ 277,778,735</u>	<u>\$ 672,154</u>
December 31, 2023	30-89 Days Past Due	90 Days or More Past Due	Not Past Due	Total	Nonaccrual
Real estate					
Construction	\$ -	\$ -	\$ 27,070,749	\$ 27,070,749	\$ -
1-4 family	-	-	66,567,164	66,567,164	-
Commercial real estate	-	-	126,728,913	126,728,913	-
Commercial and industrial	555,344	-	53,383,315	53,938,659	60,749
Consumer	-	-	865,827	865,827	-
	<u>\$ 555,344</u>	<u>\$ -</u>	<u>\$ 274,615,968</u>	<u>\$ 275,171,312</u>	<u>\$ 60,749</u>

There were no nonaccrual loans for which there was an ACL as of December 31, 2024 or 2023, and no interest income recognized on nonaccrual loans during the year then ended. There was one collateral dependent loan for \$672,154 as of December 31, 2024 and no collateral dependent loans at December 31, 2023. During 2024, the Company sold an SBA loan, recognizing a gain of \$15,335 on proceeds of \$226,353. During 2023, the Company sold an SBA loan, recognizing a gain of \$99,785 on proceeds of \$2,591,350.

Note 4 - Premises and Equipment

Premises and equipment are as follows:

	2024	2023
Leasehold improvements	\$ 1,031,513	\$ 1,022,554
Furniture, fixtures, and equipment	791,771	726,769
Computers	<u>2,022,221</u>	<u>1,986,814</u>
	3,845,505	3,736,137
Accumulated depreciation and amortization	<u>(3,130,410)</u>	<u>(2,792,161)</u>
	<u>\$ 715,095</u>	<u>\$ 943,976</u>

Total depreciation and amortization expense for the years ended December 31, 2024 and 2023, was \$338,249 and \$337,257, respectively.

Note 5 - Leases

The Company has entered into leases for all of its branch locations. The leases expire at various dates through March of 2029. These leases also include provisions for periodic rent increases as well as payment by the lessee of certain operating expenses. The amount of the lease liability and ROU asset is impacted by the lease term and the discount rate applied to determine the present value of future lease payments.

Lease liabilities are included in accrued interest payable and other liabilities on the consolidated balance sheet. Balance sheet and other information relating to leases at December 31, 2024 and 2023 is shown below.

	<u>2024</u>	<u>2023</u>
Operating Lease Right-of-Use Assets	\$ 613,869	\$ 1,324,696
Operating Lease Liabilities	\$ 643,338	\$ 1,528,889
Weighted-Average Remaining Lease Term, in Years	2.95	2.44
Weighted-Average Discount Rate	5.14%	5.14%

The following table represents lease costs and other lease information for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 767,210	\$ 785,612
Common area maintenance and other lease costs	<u>82,632</u>	<u>133,972</u>
Total lease costs	<u><u>\$ 849,842</u></u>	<u><u>\$ 919,584</u></u>

The Company subleases space in one branch location and recognized rental income of \$160,817 and \$212,074 in December 31, 2024 and 2023 respectively. The lease and related sublease terminated in 2024.

Other Information		
Cash Paid for Amounts Included in Measurement of Lease Liabilities	\$ 941,585	\$ 924,665
Right-of-Use Assets Obtained in Exchange for Lease Obligations	\$ -	\$ 775,428

Maturities of lease liabilities for periods indicated:

<u>Year Ending</u>	
2025	\$ 334,380
2026	107,680
2027	110,910
2028	114,238
2029	29,201
Total lease payments	696,409
Less imputed interest	(53,071)
Present value of net future minimum lease payments	<u>\$ 643,338</u>

Note 6 - Deposits

Interest-bearing and noninterest-bearing deposits consist of the following:

	<u>2024</u>	<u>2023</u>
NOW accounts	\$ 28,454,639	\$ 34,716,150
Savings and money market	146,423,126	139,011,862
Time certificate of deposit accounts under \$250,000	35,717,874	34,174,511
Time certificate of deposit accounts \$250,000 and over	8,584,993	4,060,902
Total interest-bearing deposits	219,180,632	211,963,425
Total noninterest-bearing deposits	131,515,568	121,348,095
Total deposits	<u>\$ 350,696,200</u>	<u>\$ 333,311,520</u>

As of December 31, 2024 and 2023, all noninterest-bearing deposits are demand deposits. The maturity of time certificates of deposit are as follows:

	<u>2024</u>	<u>2023</u>
Within one year	\$ 30,257,604	\$ 6,623,618
One year to three years	11,649,086	29,346,515
Over three years	2,396,177	2,265,280
	<u>\$ 44,302,867</u>	<u>\$ 38,235,413</u>

Note 7 - Income Taxes

Income tax expense included in the statements of income consist of the following:

	<u>2024</u>	<u>2023</u>
Current		
Federal	\$ 215,441	\$ 7,138
State	126,513	1,600
	341,954	8,738
Deferred taxes	92,000	(184,000)
Total income tax expense (benefit)	<u>\$ 433,954</u>	<u>\$ (175,262)</u>

Deferred taxes are a result of differences between income tax accounting and generally accepted accounting principles with respect to income and expense recognition. The following is a summary of the components of the net deferred tax assets recognized in the accompanying consolidated balance sheets at December 31:

	<u>2024</u>	<u>2023</u>
Deferred Tax Assets		
Accrual to cash	\$ 227,000	\$ 121,000
Allowance for credit losses due to tax limitations	515,000	516,000
Depreciation differences	112,000	145,000
Deferred compensation	117,000	114,000
Net operating loss carryforward	-	200,000
Unrealized loss on debt securities	330,000	372,000
Stock-based compensation	355,000	297,000
Other, net	89,000	102,000
	<u>1,745,000</u>	<u>1,867,000</u>
Deferred Tax Liabilities		
Deferred loan costs	211,000	279,000
Goodwill	166,000	155,000
Other, net	268,000	199,000
	<u>645,000</u>	<u>633,000</u>
Net deferred tax assets (liabilities)	<u>\$ 1,100,000</u>	<u>\$ 1,234,000</u>

The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease in the next twelve months.

The Company is subject to federal income tax and franchise tax of the state of California. Income tax returns for the years ending after December 31, 2020, are open to audit by the federal authorities and for the years ending after December 31, 2019, are open to audit by California state authorities.

A comparison of the federal statutory income tax rates to the Company's effective income tax rates at December 31 follows:

	2024		2023	
	Amount	Rate	Amount	Rate
Statutory Federal tax	\$ 324,000	21.0%	\$ (71,000)	-20.9%
State franchise tax, net of Federal benefit	127,000	8.2%	(34,000)	-10.0%
Bank-owned life insurance	(25,000)	-1.6%	(23,000)	-6.8%
Other items, net	7,954	0.6%	(47,262)	-14.0%
Actual tax expense (benefit)	<u>\$ 433,954</u>	<u>28.2%</u>	<u>\$ (175,262)</u>	<u>-51.7%</u>

The Company has determined that a valuation allowance is not required as it appears that it is more likely than not that the deferred tax asset will be realized, based upon an estimate of future taxable income.

Note 8 - Stock-Based Compensation

Under the Bank's 2017 Equity Incentive Plan (the "2017 Plan"), stock options were granted to eligible employees and directors, providing for up to 200,000 shares of common stock that could be issued pursuant to awards of option and restricted stock.

In July 2022, the Company's shareholders approved, and the Company adopted the 2022 Equity Incentive Plan (the "2022 Plan"), providing for up to 420,000 shares of common stock that could be issued pursuant to awards of options and restricted stock. Upon adoption of the 2022 Plan, the 2017 Plan was terminated, however, options previously granted under the 2017 Plan remained valid in accordance with their terms.

The 2022 Plan provides for granting to eligible participants such incentive awards as the Board of Directors or a committee established by the Board, in its sole discretion, to administer the Plan may from time to time approve. The Board has the power to determine the terms of the awards, including the exercise price, the number of shares subject to each award, the vesting and exercisability of the awards and the form of consideration payable upon exercise. Stock options expire no later than 10 years from the date of grant. The 2022 Plan provides for accelerated vesting if there is a change in control.

Total stock-based compensation cost was \$709,190 and \$709,173 in 2024 and 2023, respectively, and related tax benefits were approximately \$198,105 in 2024 and \$198,100 in 2023. As of December 31, 2024, there was \$2,067,032 of total unrecognized compensation cost related to the outstanding stock options and restricted share awards, to be recognized over a weighted-average period of 2.54 years.

A summary of the status of the Company's stock option plan as of December 31, 2024, and changes during the year then ended, is presented below:

December 31, 2024	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance, beginning of year	79,750	\$ 6.80	0.0 year	
Options granted	-	-		
Options exercised	-	-		
Options forfeited	-	-		
Options expired	-	-		
Balance, end of year	<u>79,750</u>	<u>\$ 6.80</u>	<u>0.0 year</u>	<u>\$ -</u>
Options exercisable, end of year	<u>79,750</u>	<u>\$ 6.80</u>	<u>0.0 year</u>	<u>\$ -</u>

A summary of the status of unvested restricted stock units awarded as of December 31, 2024 and changes during the year then ended is presented below:

	<u>2024</u>	
	Unvested Shares	Weighted-Average Grant Date Fair Value
Balance, beginning of year	460,000	\$ 7.86
Granted	8,000	5.54
Vested	(85,333)	8.46
Forfeited or expired	<u>(39,000)</u>	<u>7.76</u>
Balance, end of year	<u>343,667</u>	<u>\$ 7.67</u>

Of the outstanding unvested restricted stock units at December 31, 2024, 100,000 were granted outside the Plan and are subject to various performance conditions which the Company has assumed will be achieved for purposes of recognizing compensation cost and is being recognized ratably over the requisite service period. If the performance conditions are not achieved by the end of the vesting period (December 31, 2026) the previously recognized compensation cost will be fully reversed.

Note 9 - Borrowings

At year-end, borrowings were as follows:

	<u>2024</u>	<u>2023</u>
Balance at end of year	\$ 40,000,000	\$ 45,000,000
Weighted average interest rate at end of year	4.61%	5.16%
Weighted average interest rate for the year	4.82%	4.92%

Outstanding borrowings on December 31, 2024, from the Federal Home Loan Bank of San Francisco ("FHLB"), consisted of the following: \$15,000,000 at 4.78% with a maturity of January 2, 2025, and \$5,000,000 at 4.54% with a maturity of December 1, 2025. FHLB advances may be secured with eligible collateral consisting of loans and securities and are subject to FHLB's collateral and underwriting requirements. On December 31, 2024, loans and securities with a carrying value of \$247.0 million were pledged to FHLB. Unused borrowing capacity at FHLB based on pledged collateral was \$127.4 million as of December 31, 2024.

During 2024, the Company retired \$10.0 million of term advances recognizing a gain of \$198,450 on the early extinguishment of debt. During 2023, the Company retired \$5.0 million of term advances recognizing a gain of \$123,077 on the early extinguishment of debt.

Outstanding borrowings on December 31, 2024, from the Federal Reserve Bank of San Francisco Discount Window ("FRB"), consisted of the various borrowings with maturities under 30 days totaling \$20,000,000, each of which were at a rate of 4.50%. On December 31, 2024, securities with a carrying value of \$54.3 million were pledged to FRB. Unused borrowing capacity at FRB based on pledged collateral was \$22.3 million as of December 31, 2024.

Furthermore, on December 31, 2024, the Company had unsecured revolving lines of credit with Pacific Coast Bankers Bank and Zions Bank, providing for Federal fund purchases up to a total of \$17,000,000. Borrowings are payable on demand and interest on outstanding borrowings accrues at rates negotiated at the time of the borrowing. As of December 31, 2024 and 2023, the Company did not have any outstanding borrowings under these credit facilities.

Note 10 - Fair Value Measurements

The Company used the following methods and significant assumptions to estimate fair value:

Debt Securities: The fair value of debt securities available for sale are determined by obtaining quoted prices on nationally recognized exchanges (Level 1) or matrix pricing which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather relying on the security's relationship to other benchmark quoted securities resulting in a Level 2 classification.

The following table provides a summary of the financial instruments the Company measures at fair value on a recurring basis as of December 31, 2024:

December 31, 2024	Fair Value Measurements Using			Total
	(Level 1)	(Level 2)	(Level 3)	
Assets and liabilities measured on a recurring basis				
Debt securities available for sale	\$ -	\$ 1,866,022	\$ -	\$ 1,866,022

The following table provides a summary of the financial instruments the Company measures at fair value on a recurring basis as of December 31, 2023:

December 31, 2023	Fair Value Measurements Using			Total
	(Level 1)	(Level 2)	(Level 3)	
Assets and liabilities measured on a recurring basis				
Debt securities available for sale	\$ -	\$ 5,257,049	\$ -	\$ 5,257,049

Note 11 - Fair Value of Financial Statements

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

Fair value estimates are based on financial instruments both on and off the balance sheet without attempting to estimate the value of anticipated future business, and the value of assets and liabilities that are not considered financial instruments. Additionally, tax consequences related to the realization of the unrealized gains and losses can have a potential effect on fair value estimates and have not been considered in many of the estimates.

The fair value hierarchy level and estimated fair value of significant financial instruments at December 31, 2024 and 2023, are summarized as follows (dollars in thousands):

		2024		2023	
	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets					
Cash and cash equivalents	Level 1	\$ 40,999	\$ 40,999	\$ 22,368	\$ 22,368
Debt securities available for sale	Level 2	2,128	1,866	5,510	5,257
Debt securities held to maturity	Level 2	100,258	82,707	104,343	87,703
Loans, net	Level 3	274,204	271,613	272,088	274,940
Restricted stock and equity securities	Level 2	4,290	4,290	4,128	4,128
Liabilities					
Deposits	Level 2	\$ 350,696	\$ 327,775	\$ 333,312	\$ 315,456
Borrowings	Level 2	40,000	39,969	45,000	44,988

Note 12 - Financial Instruments with Off Balance Sheet Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the accompanying balance sheet.

The Company's exposure to credit losses in the event of nonperformance by the other parties for commitments to extend credit and standby letters of credit is represented by the contractual amount of these instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

The following is a summary of contractual or notional amounts of off-balance sheet financial instruments that represent credit risk:

	2024	2023
Financial instruments whose contract amounts represent credit risks:		
Commitments to extend credit	<u>\$ 75,527,040</u>	<u>\$ 80,556,218</u>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any conditions established in the contract. Except for home equity lines of credit, commitments generally have fixed expiration dates of not more than 12 months and may require payment of a fee. Since many of the commitments are not expected to be drawn upon, the total commitment amounts may not represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include marketable investment securities, accounts receivable, inventory, property, plant and equipment, and real properties.

Note 13 - Related Party Transactions

In the ordinary course of business, the Company may grant loans to certain officers and directors and the companies with which they are associated. In the Company's opinion, all loans and loan commitments to such parties will be made on substantially the same terms including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons. The Company had no related party loans outstanding as of December 31, 2024 and 2023 .

Deposits from certain directors, executives, and shareholders and their related interest with which they are associated held by the Company at December 31, 2024 and 2023, amounted to \$8,799,761 and \$7,520,611, respectively.

The Bank's former Chief Executive Officer and current Board member is a member of the Board of Directors for the company that provides core data processing services to the Bank.

Note 14 - Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations 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. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes, as of December 31, 2024 and 2023, that 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. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth 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 corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

First Pacific Bancorp and Subsidiary
Notes to Consolidated Financial Statements
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The following table presents actual and required capital ratios for the Bank as of December 31, 2024 and 2023 (dollars in thousands):

	Actual		For Capital Adequacy Purposes		To be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2024						
Total capital (to risk-weighted assets)	\$ 41,273	13.41%	\$ 24,624	8.0%	\$ 30,780	10.0%
Tier 1 capital (to risk-weighted assets)	38,074	12.37%	18,468	6.0%	24,624	8.0%
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	38,074	12.37%	13,851	4.5%	20,007	6.5%
Tier 1 capital (to average assets)	38,074	8.97%	16,981	4.0%	21,226	5.0%
December 31, 2023						
Total capital (to risk-weighted assets)	\$ 39,505	11.98%	\$ 26,384	8.0%	\$ 32,980	10.0%
Tier 1 capital (to risk-weighted assets)	36,306	11.01%	19,788	6.0%	26,384	8.0%
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	36,306	11.01%	14,841	4.5%	21,437	6.5%
Tier 1 capital (to average assets)	36,306	8.72%	16,654	4.0%	20,818	5.0%

The California Financial Code provides that a bank may not make a cash distribution to its stockholders in excess of the lesser of the Bank's undivided profits or the bank's net income for its last three fiscal years, less the amount of any distribution made to the bank's stockholders during the same period.

Company Profile

Board of Directors

Joe Matranga, Chairman of the Board

Jeffrey K. Ball, Vice Chairman of the Board

Nathan Rogge, President and Chief Executive Officer

Jason Baker, Director

Kim Buttemer, Director

W.C. ("Chris") Greenbeck, Director

David P. Harris, Director

Alex Sun, Director

Executive Officers

Nathan Rogge, President and Chief Executive Officer

James Burgess, Executive Vice President, Chief Financial Officer

Anthony DiVita, Executive Vice President, Chief Operating Officer

Robert A. Marshall, Executive Vice President, Chief Credit Officer

Common Stock

The common stock trades on OTC Markets (OTC Pink) under the symbol FPBC.



Locations

Orange Office | 625 The City Drive South,
Ste 140 | Orange, CA 92868

Redlands Office | 408 E State St. |
Redlands, CA 92373

San Diego Office | 11988 El Camino Real,
Ste 150 | San Diego, CA 92130

Santa Fe Springs Office | 12070 Telegraph
Road, Ste 100 | Santa Fe Springs, CA 90670

Whittier Office | 16011 Whittier Blvd. |
Whittier, CA 90603



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