



AMERICAN RIVIERA
BANCORP

2025 ANNUAL REPORT



AMERICAN RIVIERA BANCORP

A Message to our Shareholders, Clients, and Community

We are pleased to report that American Riviera Bancorp (OTCQX: ARBV) had 2025 net income of \$12.4 million, \$2.18 of earnings per share, a return on average assets of 0.93%, and a return on average equity of 10.54%. Through focused efforts to increase quality loans, expand core deposit relationships and careful expense control, our net income improved over the prior year by a substantial \$3.7 million or 42%!

As a result of retaining our earnings and improved market value of our bond portfolio, the tangible book value per share of ARBV was \$21.49 at December 31, 2025, a notable increase of \$3.18 or 17.4% from the prior year-end. Your ARBV share price increased 19.5% in 2025 to \$23.90 at December 31, 2025.

Our ability to deliver the full complement of construction loans, mortgages, home equity lines, commercial real estate loans, business loans and lines of credit, agricultural loans, and SBA loans allowed American Riviera Bank to grow loans by \$91.8 million or 9.3% in 2025. Credit quality remained strong with \$0 of loan charge-offs in the last two years, no other real estate owned, and non-accrual loans totaling only 0.75% of total loans at December 31, 2025. Your Bank now has over one billion dollars of loans outstanding to local businesses, real estate investors, and homeowners just like you on the Central Coast of California!

Deposits reached \$1.20 billion at December 31, 2025, an increase of \$86.7 million or 7.8% from December 31, 2024. This growth represents expansion of existing relationships as well as the addition of new clients in our communities. We continue to attract core deposits with a high level of personal service and advanced banking technology. Only 18 months after opening, our Atascadero branch has already exceeded \$30 million in deposits, and we look forward to expanding in Ventura County in 2026.

In December 2025, we announced the opening of a loan production office in the neighboring county of Ventura to grow our geographic network for clients and strengthen ties on the Central Coast. Ventura is a vibrant community that currently lacks a strong community bank presence, and we are excited to bring our relationship banking approach to this community. With two experienced local bankers already on the team and plans underway for our newest full-service branch in late 2026, we are poised for a successful expansion.

Our ability to recruit productive teams that seek to be at American Riviera Bank has been a core competency and has allowed us to grow organically while still delivering improved profitability. Investment in technology has resulted in improved products and services for our clients as well as internal efficiencies.

Our team members' commitment to service also plays an important role, collectively contributing over 4,200 volunteer hours to the communities we serve. Over half of our officers proudly work with local nonprofits in meaningful volunteer capacities, serving as either board or committee members. We allocated 3.0% of our net profit toward local sponsorships and donations that increase our visibility and benefit our communities.

Your Bank's strong and growing earnings have supported our organic growth initiatives and were deployed to repurchase ARBV shares benefitting all of our shareholders. American Riviera Bank's Tier I Risk-Based Capital of \$149.2 million or 12.5%, and Total Risk-Based Capital of \$162.9 million or 13.7%, as of December 31, 2025, exceed regulatory guidelines for well-capitalized institutions.

We are thankful for the loyalty of our clients and our team of dedicated bankers, who make it possible for American Riviera Bank to be the Central Coast's community bank!

Thank you for your support,

Darren Caesar, Board Chair

Jeff DeVine, President and CEO

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AMERICAN RIVIERA
BANCORP

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2025 AND 2024
AND FOR THE YEARS THEN ENDED**

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INDEPENDENT AUDITOR'S REPORT

The Shareholders and Board of Directors
American Riviera Bancorp
Santa Barbara, California

Report on the Audit of the Financial Statements***Opinion***

We have audited the consolidated financial statements of American Riviera Bancorp, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of American Riviera Bancorp as of December 31, 2025 and 2024, 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, American Riviera Bancorp's internal control over financial reporting as of December 31, 2025, 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 26, 2026 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 American Riviera Bancorp 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 American Riviera Bancorp's 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 American Riviera Bancorp'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.


Crowe LLP

Sacramento, California
March 26, 2026

AMERICAN RIVIERA BANCORP
CONSOLIDATED BALANCE SHEETS

December 31, 2025 and 2024

(Dollar amounts in thousands except share amounts)

	2025	2024
ASSETS		
Cash and due from banks	\$ 11,857	\$ 14,555
Interest-bearing deposits in other financial institutions	9,538	6,393
Available-for-sale investment securities	169,660	177,933
Held-to-maturity investment securities, net of allowance for credit losses of \$3 and \$6 (\$39,495 and \$39,491, fair value respectively)	41,430	41,393
Equity securities	133	149
Loans, net of deferred fees	1,081,696	989,941
Allowance for credit losses	(12,689)	(11,572)
Net Loans	1,069,007	978,369
Premises and equipment, net	7,255	8,221
Operating lease right-of-use asset	5,584	4,841
Cash surrender value of bank owned life insurance	14,051	12,131
Stock in other banks	6,786	6,786
Goodwill	4,800	4,800
Other intangibles, net	71	110
Accrued interest receivable and other assets	27,117	23,631
Total Assets	\$ 1,367,289	\$ 1,279,312
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing demand deposits	\$ 451,721	\$ 431,031
Interest-bearing demand deposits	168,399	116,995
Savings and money market deposits	450,809	415,183
Time deposits	129,093	150,129
Total Deposits	1,200,022	1,113,338
Other borrowings	10,000	25,000
Subordinated notes	16,500	16,500
Operating lease liability	6,624	5,903
Allowance for credit losses on off-balance sheet exposures	974	1,052
Accrued interest payable and other liabilities	5,499	6,136
Total Liabilities	1,239,619	1,167,929
Shareholders' Equity:		
Preferred stock - no par value; 10,000,000 shares as of 2025 and 2024, respectively authorized, none issued	-	-
Common stock - no par value; 49,869,384 and 50,000,000 shares authorized as of 2025 and 2024, respectively; 5,713,022 and 5,815,817 shares issued and outstanding at December 31, 2025 and 2024, respectively	67,263	68,041
Retained earnings	74,330	63,012
Accumulated other comprehensive (loss), net of taxes	(13,923)	(19,670)
Total Shareholders' Equity	\$ 127,670	\$ 111,383
Total Liabilities and Shareholders' Equity	\$ 1,367,289	\$ 1,279,312

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

AMERICAN RIVIERA BANCORP
CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2025 and 2024
(Dollar amounts in thousands except per share data)

	2025	2024
Interest income:		
Interest and fees on loans	\$ 58,092	\$ 52,537
Interest on investment securities	5,646	6,401
Interest on deposits in other financial institutions	1,827	1,194
Total interest income	65,565	60,132
Interest expense:		
Interest on interest-bearing demand deposits	1,181	625
Interest on savings and money market deposits	10,308	8,045
Interest on time deposits	4,795	6,450
Total interest expense on deposits	16,284	15,120
Interest expense on borrowings	1,371	3,791
Total interest expense	17,655	18,911
Net interest income before provision for credit losses	47,910	41,221
Provision for credit losses	1,037	393
Net interest income after provision for credit losses	46,873	40,828
Non-interest income:		
Service charges, commissions, and fees	2,427	2,387
Gain (Loss) on sale of investment securities	(41)	13
Gain on sale of loans	69	301
Gain on redemption of subordinated notes	-	450
Other non-interest income	1,059	972
Total non-interest income	3,514	4,123
Non-interest expense:		
Salaries and employee benefits	21,859	19,997
Occupancy and equipment	3,705	3,726
Other non-interest expense	8,741	8,927
Total non-interest expense	34,305	32,650
Income before provision for taxes	16,082	12,301
Provision for taxes	3,637	3,559
Net Income	\$ 12,445	\$ 8,742
Earnings per share, basic and diluted	\$ 2.18	\$ 1.50

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

AMERICAN RIVIERA BANCORP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2025 and 2024
(Dollar amounts in thousands)

	2025	2024
Net income	\$ 12,445	\$ 8,742
Other comprehensive income (loss):		
Change in debt securities available-for-sale:		
Reclassification of loss (gain) on sale of securities included in net income	41	(13)
Unrealized holding gains arising during the period	7,280	1,038
Income tax effect	(2,109)	(303)
Unrealized holding gains on available-for-sale debt securities, net of taxes	5,212	722
Debt securities held-to-maturity:		
Amortization of unrealized loss on securities transferred from available-for-sale	753	758
Income tax effect	(218)	(224)
Amortization of unrealized loss on securities transferred from available-for-sale, net of taxes	535	534
Total other comprehensive income (loss)	5,747	1,256
Comprehensive income	\$ 18,192	\$ 9,998

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

AMERICAN RIVIERA BANCORP

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2025 and 2024

(Dollar amounts in thousands except share amounts)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (loss) (Net of taxes)	Total Shareholders' Equity
	Shares	Amount			
Balance at January 1, 2024	5,768,697	\$ 67,296	\$ 54,270	\$ (20,926)	\$ 100,640
Net income			8,742		8,742
Other comprehensive income				1,256	1,256
Restricted stock awards granted	92,547				
Restricted stock awards forfeited	(13,740)				
Shares surrendered:					
To pay taxes on vesting of restricted stock	(31,687)	(516)			(516)
Share-based compensation expense		1,261			1,261
Balance at December 31, 2024	5,815,817	\$ 68,041	\$ 63,012	\$ (19,670)	\$ 111,383
Net income			12,445		12,445
Other comprehensive income				5,747	5,747
Restricted stock awards granted	56,507				
Restricted stock awards forfeited	(2,843)				
Shares surrendered:					
To pay taxes on vesting of restricted stock	(25,843)	(499)			(499)
Share-based compensation expense		1,249			1,249
Shares repurchased	(130,616)	(1,528)	(1,127)		(2,655)
Balance at December 31, 2025	5,713,022	\$ 67,263	\$ 74,330	\$ (13,923)	\$ 127,670

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

AMERICAN RIVIERA BANCORP

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2025 and 2024

(Dollar amounts in thousands)

	2025	2024
Cash flows from operating activities:		
Net income	\$ 12,445	\$ 8,742
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision (reversal) for credit losses on loans	1,117	(76)
Reversal for credit losses on securities	(3)	(1)
(Reversal) provision for credit losses on off-balance sheet exposures	(77)	470
Depreciation and amortization	1,257	1,260
Increase in cash surrender value of BOLI	(499)	(393)
Deferred income tax benefit	(1,085)	291
Increase (decrease) in deferred loan origination fees, net of costs	107	(35)
Net amortization of investment security premiums and discounts	269	1,206
Net realized loss (gain) on sales of investment securities	41	(13)
Net (gain) on sale of loans	(69)	(301)
Share-based compensation expense	1,249	1,261
Loss on equity securities	16	8
Purchase of tax credit	(5,844)	-
Decrease in accrued interest receivable and other assets	956	113
(Decrease) increase in accrued interest payable and other liabilities	(540)	1,221
Net cash from operating activities	9,340	13,753
Cash flows from investing activities:		
Change in interest-bearing deposits at other financial institutions	(3,145)	1,304
Net change in loans	(100,998)	(47,312)
Proceeds from sale of loans	9,204	4,117
Proceeds from principal payments of available-for-sale investment securities	23,310	21,069
Purchases of available-for-sale investment securities	(20,458)	(1,931)
Sales of available-for-sale investment securities	10,957	2,080
Calls and maturities of available-for-sale investment securities	1,100	8,500
Calls of held-to-maturity securities	1,052	-
Purchase of Federal Home Loan Bank stock	-	(87)
Purchase of BOLI	(1,421)	-
Purchase of premises and equipment	(169)	(565)
Net cash from investing activities	(80,568)	(12,825)
Cash flows from financing activities:		
Net change in demand, interest-bearing, savings & time deposits	86,684	63,657
Repayments of other borrowings	(15,000)	(60,000)
Redemption of subordinated notes	-	(1,500)
Shares repurchased	(2,655)	-
Restricted shares surrendered to pay taxes	(499)	(516)
Net cash from financing activities	68,530	1,641
Net change in cash and cash equivalents	(2,698)	2,569
Cash and cash equivalents at beginning of year	14,555	11,986
Cash and cash equivalents at end of year	\$ 11,857	\$ 14,555
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest expense	\$ 18,023	\$ 18,442
Income taxes, net of refunds	\$ 3,475	\$ 1,320

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

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The consolidated financial statements include American Riviera Bancorp (“Bancorp”), its wholly owned subsidiary American Riviera Bank (“Bank”), and ARBK Investments, Inc., wholly owned subsidiary of the Bank, collectively referred to as the “Company”. Intercompany transactions and balances are eliminated in consolidation. In 2025, ARBK Investments, Incorporated, was formed as a 100% owned investment subsidiary of the Bank to manage the Bank’s tax-exempt municipal assets.

American Riviera Bancorp (OTCQX: ARBV) is a registered bank holding company headquartered in Santa Barbara, California. American Riviera Bank, the 100% owned subsidiary of the Bancorp, is a full-service community bank focused on serving the lending and deposit needs of businesses and consumers on the Central Coast of California. The state-chartered bank opened for business on July 18, 2006, with the support of local shareholders. Full-service branches are located in Santa Barbara, Montecito, Goleta, Santa Maria, San Luis Obispo, Atascadero, and Paso Robles. A loan production office was opened in Ventura in 2025. The Bank provides commercial business, commercial real estate, residential mortgage, construction, and Small Business Administration lending services, as well as convenient online and mobile technology.

The Bancorp is subject to regulation by the Federal Reserve Bank of San Francisco (“FRB”). As a state-chartered non-member bank, the Bank is subject to regulation by the California Department of Financial Protection and Innovation (“DFPI”), and the Federal Deposit Insurance Corporation (“FDIC”). The Bank's deposits are insured by the FDIC up to applicable legal limits.

The accounting and reporting policies of the Company and the Bank conform to accounting principles generally accepted in the United States of America and prevailing practices within the banking industry.

Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through March 26, 2026, which is the date the financial statements were available to be issued.

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. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash Flows

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and due from banks with maturities less than 90 days, 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 sold and purchased.

Interest-Bearing Deposits in Other Financial Institutions

Interest-bearing deposits in other financial institutions mature within one year and are carried at cost.

Debt Securities

Investment securities are classified into the following categories:

- Available-for-sale (“AFS”) securities, reported at fair value, with unrealized gains and losses excluded from earnings and reported, net of taxes, as accumulated other comprehensive income or loss within shareholders' equity.
- Held-to-maturity (“HTM”) securities, which management has the positive intent and ability to hold, reported at amortized cost, adjusted for the accretion of discounts and amortization of premiums.

Management determines the appropriate classification of its investments at the time of purchase and may only change the classification in certain limited circumstances. All transfers between categories are accounted for at fair value.

Gains and losses on the sale of securities are computed and recorded using the specific identification method on the trade date. Interest earned on investment securities is reported in interest income, net of applicable adjustments for accretion of discounts and amortization of premiums. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments are more than 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income. As of December 31, 2025, the Company has not reversed any accrued interest against interest income.

Allowance for Credit Losses – Available-for-sale Securities

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that 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 debt securities available-for-sale that do

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Allowance for Credit Losses – Available-for-sale Securities *(continued)*

not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled \$0.9 million and \$1.0 million at December 31, 2025, and December 31, 2024, respectively, and is excluded from the estimate of credit losses.

Allowance for Credit Losses – Held-to-maturity Securities

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. Accrued interest receivable on held-to-maturity debt securities totaled \$0.6 million at December 31, 2025 and 2024, and is excluded from the estimate of credit losses.

The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

Management classifies the held-to-maturity portfolio into the following major security types: mortgage-backed: residential and municipal.

Nearly all the mortgage-backed: residential and municipal securities held by the Company are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the US government, are highly rated by major rating agencies, and have a long history of no credit losses.

Equity Securities

Equity securities are carried at fair value, with changes in fair value reported in net income. 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 a similar investment. Restrictions on the sale of

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity Securities *(continued)*

equity securities held are not considered in the fair value measurement unless the restriction is a characteristic of the actual securities.

Operating Segments

While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on a Company-wide basis. Discrete operating results are not reviewed by senior management to make resource allocation or performance decisions. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

The Company's reportable segment is determined by the Chief Executive Officer, who is the designated chief operating decision maker, based upon information provided about the Company's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business, which are then aggregated if operating performance, products/services, and customers are similar. The chief operating decision maker will evaluate the financial performance of the Company's business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's segment and in the determination of allocating resources. The chief operating decision maker uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The chief operating decision maker uses consolidated net income to benchmark the Company against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results are used to assess performance. Loans, investments, and deposit related fees provide the revenues in the banking operation. Interest expense, provisions for credit losses, and payroll provide the significant expenses in the banking operation. All operations are domestic. Segment performance is evaluated using consolidated net income as reported in the consolidated statements of income presented. Accounting policies for the segment are the same as those described in this Note 1.

Loans

All classes of loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs, and an allowance for credit losses. Interest is accrued daily based upon outstanding loan balances. Accrued interest receivable totaled \$4.2 million at December 31, 2025 and was reported in Accrued interest receivable and other assets on the consolidated balance sheets and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Loans *(continued)*

Interest income on construction, real estate-commercial, real estate-residential and commercial loans is discontinued, and the loan is moved to non-accrual status at the time the loan is ninety days delinquent, unless the loan is well-secured and in process of collection in accordance with the Company's policy. Consumer and other loans are typically charged-off no later than ninety days past due. For all classes of loans, past due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of interest or principal is considered doubtful.

All interest accrued but not received for a loan placed on non-accrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Under the cost recovery method, interest income is not recognized until the loan principal balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and the future payments are reasonably assured.

Substantially all loan origination fees, commitment fees, direct loan origination costs and purchase premiums and discounts on loans are deferred and recognized as an adjustment of yield using the level-yield method without anticipating prepayments, to be amortized to interest income over the contractual term of the loan. In certain circumstances, the Company may accelerate amortization on premiums paid for purchased loans when prepayments are likely prior to the contractual term. The unamortized balance of deferred fees and costs is reported as a component of net loans.

Allowance for Credit Losses - Loans

The allowance for credit losses ("ACL") is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Accrued interest receivable totaled \$4.2 million at December 31, 2025 and \$3.7 million at December 31, 2024 was reported in Accrued Interest Receivable and Other Assets on the consolidated balance sheets and is excluded from the estimate of credit losses. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the ACL balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Pools of loans with similar risk characteristics are collectively evaluated while loans that no longer share risk characteristics with loan pools are evaluated individually. The Company measures the ACL using a discounted cash flow methodology, which utilizes pool-level assumptions and cash flow projections on an individual loan basis, which then aggregates at the portfolio segment level and is supplemented by a qualitative reserve that is applied to each portfolio segment level.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Allowance for Credit Losses - Loans *(continued)*

The Company has identified the following portfolio segments to measure the allowance for credit losses. Below is a description and the risk characteristics of each segment:

Commercial – Commercial and industrial loans are generally underwritten to existing cash flows of operating businesses. Debt coverage is provided by business cash flows, and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

Real Estate - commercial – Adverse economic developments, or an overbuilt market, impact commercial real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for properties to produce sufficient cash flow to service debt obligations.

Real Estate - residential - The degree of risk in residential real estate lending depends primarily on the loan amount in relation to collateral value, the interest rate and the borrower's ability to repay in an orderly fashion. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Construction – Construction and land loans generally possess a higher inherent risk of loss than other real estate portfolio segments. A major risk arises from the necessity to complete projects within specified cost and timelines. Trends in the construction industry significantly impact the credit quality of these loans, as demand drives construction activity. In addition, trends in real estate values significantly impact the credit quality of these loans, as property values determine the economic viability of construction projects.

Loans to individuals – Consumer loans are comprised of loans to individuals, including installment loans, revolving lines of credit and term loans. Most installment loans are made directly for consumer purchases, but business loans granted for the purchase of vehicles may also be included. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

The Company's ACL model incorporates assumptions for prepayments rates, probability of default ("PD") and loss given default ("LGD") to project each loan's cash flow throughout its entire life cycle. An initial reserve amount is determined based on the difference between the amortized cost basis of each loan and the present value of all future cash flows. Assumptions for prepayment rates are based on actual prepayment experience over a trailing time frame. PD is forecasted using a regression model that incorporates the Company's own data, benchmark data, and certain economic variables as inputs. The LGD is derived from PD using the Frye-Jacobs index provided by the Company's third-party model provider.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Allowance for Credit Losses - Loans *(continued)*

Reasonable and supportable forecasts are used to predict current and future economic conditions. Management elected to use a four-quarter forecast period followed by a four-quarter straight-line reversion period. After the combined eight quarters of forecast plus reversion period, the probability of default is assumed to remain unchanged for the remaining life of the loan. The Company uses a single key macroeconomic variable from the Federal Open Market Committee's Summary of Economic Projections within the economic forecast scenarios.

In addition to the quantitative assumptions, management considers the need for qualitative adjustments to the ACL. Such adjustments may be related to and include, but are not limited to factors such as changes in lending policies; changes in the nature and volume of the portfolio; staff experience; changes in the volume and trends in classified loans, delinquencies and non-accruals; concentration risk; trends in underlying collateral value; external factors such as competition, legal and regulatory; changes in the quality of the loan review system; and general economic conditions.

The Company assigns a risk rating to all loans except pools of homogeneous loans and periodically performs detailed reviews of all individual loans or aggregated loan relationships with commitments of \$750,000 or more, to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by independent specialists engaged by the Company and the Bank's regulators. During the Company's internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which borrowers operate and the estimated fair values of collateral securing these loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into five major categories, defined as follows:

Pass – A Pass loan represents a credit that satisfactorily meets all of the Company's underwriting criteria and provides adequate protection for the Company through the paying capacity of the borrower and/or the margin (value) and marketability (liquidity) of the collateral.

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 institution's credit position at some future date. Special Mention loans are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Substandard – A Substandard loan is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. It is characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Allowance for Credit Losses - Loans *(continued)*

Doubtful - A Doubtful loan has all the weaknesses inherent in those classified 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 - A Loss loan is considered uncollectable and charged off immediately.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable the collateral-dependent practical expedient has been elected, and 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.

Although management believes the allowance to be adequate, ultimate losses may vary from 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.

Allowance for Credit Losses on Off-Balance Sheet Exposures

The Company also maintains a separate reserve for off-balance sheet commitments. Management estimates anticipated losses using historical data and utilization assumptions. The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet exposures is adjusted through provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. Historical losses, economic conditions, and reasonable and supportable forecasts all influence the reserve estimate.

Servicing Rights

When loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on market prices for comparable servicing contracts, when available or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. Servicing assets related to Small Business Administration ("SBA") loans are subsequently measured using the amortization method which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing rights are evaluated for impairment based upon the fair value of the rights as

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Servicing Rights *(continued)*

compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income.

Changes in valuation allowances are reported in non-interest income on the income statement. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

At this time, the Company believes that all servicing fees received related to residential mortgage loans are at a value equal to the cost incurred to service. As such, there are no residential mortgage servicing right assets on the balance sheet and all servicing fee income related to residential mortgage loans, which is reported on the income statement as Service Charges, Commissions and Fees, is based on a contractual percentage of the outstanding principal and is recorded as income when received.

Servicing fees totaled \$0.3 million for the years ended December 31, 2025, and 2024. Late fees and ancillary fees related to loan servicing are not material.

Premises and Equipment

Company premises and equipment are carried at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets. The useful lives of furniture, fixtures, and equipment are estimated to be three to seven years. Leasehold improvements are amortized over the lesser of the respective lease term (including renewal periods that are reasonably assured), or their useful lives.

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 Company 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.

Leases

Certain operating leases contain scheduled and specified rent increases or incentives in the form of tenant improvement allowances or credits. The scheduled rent increases are recognized on a straight-line basis over the lease term as an increase in the amount of rental expense recognized each period. Lease incentives reduce the right-of-use asset at the inception of the lease and are amortized on a straight-line basis over the lease term as a reduction of rental expense. Amounts accrued in excess of amounts paid

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

related to the scheduled rent increases and the unamortized deferred leasehold improvement credits are included in operating right-of-use asset and operating lease liability on the balance sheet.

Other Real Estate Owned

Other real estate owned ("OREO") is comprised of property acquired through foreclosure proceedings or acceptance of deeds-in-lieu of foreclosure. Losses recognized at the time of acquiring property in full or partial satisfaction of loans are charged against the allowance for loan losses. OREO is initially recorded at fair value less estimated disposition costs. Fair value of OREO is generally based on an independent appraisal of the property. Subsequent to initial measurement, OREO is carried at the lower of the recorded investment or fair value less estimated disposition costs. Revenues and expenses associated with OREO, and subsequent adjustment to the fair value of the property and to the estimated costs of disposal, are realized and reported as a component of non-interest expense when incurred.

Investment in Federal Home Loan Bank Stock

As a member of the Federal Home Loan Bank ("FHLB") system, the Bank is required to maintain an investment in the capital stock of the FHLB. The level of investment varies based on the amount of borrowings and other factors. The investment is carried at cost and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Investment in The Independent Bankers Bank Stock

The Bank maintains an investment in the capital stock of The Independent Bankers Bank ("TIB") a correspondent bank that provides certain services to the Bank. The investment is carried at cost and is periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Investment in Federal Agricultural Mortgage Corporation ("Farmer Mac") Stock

The Bank maintains an investment in the capital stock of Farmer Mac. The Bank is required to maintain an investment with Farmer Mac in order to conduct ongoing transactions with the agency. The investment is carried at fair value based on quoted market prices with changes in fair value recognized in net income. Cash dividends are reported as income.

Bank Owned Life Insurance

The Company has purchased life insurance policies on certain key executives. Bank owned life insurance ("BOLI") 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.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Business combinations involving the Company's acquisition of the equity interests or net assets of another enterprise give rise to goodwill. Total goodwill at December 31, 2025, and 2024 represents the excess of the cost of the acquired bank over the net of the amounts assigned to assets acquired and liabilities assumed in the transaction accounted for under the purchase method of accounting. The value of goodwill is ultimately derived from the Company's ability to generate net earnings after the acquisitions. A decline in net earnings could be indicative of a decline in the fair value of goodwill and result in impairment. For that reason, goodwill is assessed at least annually for impairment.

The Company has selected October 31 as the date to perform the annual impairment test. Management assessed qualitative factors including performance trends and noted no factors indicating goodwill impairment. Goodwill is also tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the goodwill below its carrying amount. No such events or circumstances arose during the fourth quarter of 2025, so goodwill was not required to be retested. Goodwill is the only intangible asset with an indefinite life on the Company's balance sheet.

Intangible Assets

The other intangible assets at December 31, 2025, and 2024, represent the net carrying value of servicing rights associated with SBA loans that are serviced by the Company for the SBA and other institutional investors that have purchased government guaranteed portions of certain loans. At December 31, 2025, and 2024, the net carrying value of servicing rights associated with these loans was \$71,000 and \$110,000, respectively.

Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax basis of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

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 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 Company recognizes interest and/or penalties related to income tax matters in income tax expense.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Earnings Per Share

Basic earnings per share (“EPS”) is computed by dividing net income by the weighted-average number of common shares outstanding for the period. All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities for this calculation. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock options. Earnings and dividends per share are restated for all stock splits and stock dividends through the date of issuance of the financial statements.

Share-Based Payments

Compensation cost for all share-based payments is recognized based on the estimated fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company’s common stock at the date of grant is used for restricted stock awards.

Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The Company’s accounting policy is to recognize forfeitures as they occur.

Comprehensive Income

Comprehensive income includes net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale investment securities and amortization of the unrealized loss on securities transferred to held-to-maturity from available-for-sale which are also recognized as separate components of shareholders' equity.

Equity

Stock dividends in excess of 20% are reported by transferring the par value of the stock issued from retained earnings to common stock. Stock dividends for 20% or less are reported by transferring the fair value, as of the ex-dividend date, of the stock issued from retained earnings to common stock and additional paid-in capital. Fractional share amounts are paid in cash with a reduction in retained earnings.

In 2024, the Board authorized the adoption of a share repurchase program under which the Company may repurchase up to \$5.0 million of its common stock with no expiration date. During the year ended December 31, 2025, the Company repurchased 130,616 shares of its common stock for an aggregate purchase price of \$2.7 million. The Company subsequently retired these shares, thereby reducing the number of shares available for future issuance.

Retirement Plans

Employee 401(k) and profit-sharing plan expense represents the amount of matching and discretionary contributions.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 2. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for such instruments. Changes in assumptions or in market conditions could significantly affect these estimates.

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. Management does not believe there are such matters at this time that will have a material effect on the financial statements.

Recently Adopted Accounting Guidance

In November 2023, the FASB issued guidance within ASU 2023-07, Segment Reporting (Topic 280). The amendments in this update are intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures related to significant segment expenses. The amendments did not change how an entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments, and all existing segment disclosure requirements in ASC 280 and other Codification topics remain unchanged. The amendments in this update are incremental and require public entities that report segment information to disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss as well as other segment items. Annual disclosure of the title and position of the chief operating decision maker and how the reported measures of segment profit or loss are used to assess performance and allocation of resources is also required.

The Company adopted this guidance beginning with the annual period ending December 31, 2024, and applied these updates on a retrospective basis. Upon adoption, operating segments were aggregated into one as operating results for all segments were similar, resulting in no impact on the Company's financial position or results of operations.

In December 2023, the FASB issued guidance within ASU 2023-09, Income Taxes (Topic 740). The amendments in this update are intended to enhance the transparency and usefulness of income tax disclosures. The amendments require additional disaggregated information related to income taxes paid. The Company adopted this guidance beginning with the annual period ending December 31, 2025. Upon adoption, there was no material impact on the Company's consolidated financial statements or related disclosures.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

2. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

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 market prices (unadjusted) for identical instruments traded in active exchange markets that the Company has the ability to access as of the measurement date.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 – Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Company's estimates of assumptions that market participants would use in pricing the asset or liability.

Valuation techniques include management judgment and estimation, which may be significant.

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.

The methods and assumptions used to estimate fair values are described as follows:

(a) Investment Securities

Fair values for investment securities are based on quoted market prices for similar securities using matrix pricing, resulting in a Level 2 classification.

(b) Loans

Fair values of loans are based on the exit price and estimated using discounted cash flow analyses. The estimation of fair values of loans results in a Level 3 classification as it requires various assumptions and considerable judgement to incorporate factors relevant when selling loans to market participants, including assumptions related to market interest rates and expected credit losses.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

2. FAIR VALUE MEASUREMENTS *(continued)*

Fair Value Hierarchy *(continued)*

(c) Equity Securities

Fair values of equity securities are based on quoted market prices, resulting in a Level 1 classification.

(d) Deposits

The fair values disclosed for demand deposits (e.g., interest and non-interest checking), passbook savings, and certain types of money market accounts are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount) resulting in a Level 2 classification. The carrying amounts of variable rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting date resulting in a Level 2 classification. Fair values for fixed rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits resulting in a Level 2 classification.

(e) Borrowings

The carrying amounts of Federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings, generally maturing within ninety days, approximate their fair values resulting in a Level 2 classification.

(f) Other Borrowings

The fair values of the Company's long-term borrowings are estimated using discounted cash flow analysis based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 2 classification.

(g) Accrued Interest Receivable/Payable

The carrying amounts of accrued interest receivable and payable are based on the fair value hierarchy of the related asset or liability.

(h) Off-balance Sheet Instruments

Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, considering the remaining terms of the agreements and the counterparties' credit standing. The fair value of commitments is not material.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

2. FAIR VALUE MEASUREMENTS *(continued)*

The estimated carrying and fair values of the Company's financial instruments at December 31, 2025, and 2024 are as follows *(Dollars in thousands)*:

	2025				
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	\$ 11,857	\$ 11,857	\$ -	\$ -	\$ 11,857
Interest-bearing deposits in other financial institutions	9,538	-	9,538	-	9,538
Investment securities available-for-sale	169,660	-	169,660	-	169,660
Investment securities held-to-maturity	41,430	-	39,495	-	39,495
Equity securities	133	133	-	-	133
Loans, net	1,069,007	-	-	1,035,675	1,035,675
Accrued interest receivable	5,621	-	1,448	4,173	5,621
Financial liabilities:					
Deposits	\$ 1,200,022	\$ -	\$ 1,047,846	\$ -	\$ 1,047,846
Accrued interest payable	683	-	683	-	683
Other borrowings	10,000	-	10,000	-	10,000
Subordinated notes	16,500	-	15,023	-	15,023
2024					
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	\$ 14,555	\$ 14,555	\$ -	\$ -	\$ 14,555
Interest-bearing deposits in other financial institutions	6,393	-	6,393	-	6,393
Investment securities available-for-sale	177,933	-	177,933	-	177,933
Investment securities held-to-maturity	41,393	-	39,491	-	39,491
Equity securities	149	149	-	-	149
Loans, net	978,369	-	-	922,296	922,296
Accrued interest receivable	5,199	-	1,506	3,693	5,199
Financial liabilities:					
Deposits	\$ 1,113,338	\$ -	\$ 974,761	\$ -	\$ 974,761
Accrued interest payable	1,052	-	1,052	-	1,052
Other borrowings	25,000	-	25,000	-	25,000
Subordinated notes	16,500	-	14,115	-	14,115

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

2. FAIR VALUE MEASUREMENTS *(continued)*

The estimated fair values do not reflect any premium or discount that could result from offering the Company's entire holdings of a particular financial instrument for sale. In addition, the tax ramifications related to the realization of unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of these estimates.

Assets and Liabilities Recorded at Fair Value

There were no changes in the valuation techniques used during 2025. The following tables present information about the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis as of December 31, 2025, and 2024:

Recurring Basis

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2025, and 2024 *(Dollars in thousands)*:

Description	2025			
	Fair Value	Level 1	Level 2	Level 3
Available-for-sale investment securities				
Debt securities:				
U.S. government agencies mortgage-backed securities	\$ 7,872	\$ -	\$ 7,872	\$ -
State and political subdivision	36,376	-	36,376	-
Residential mortgage-backed securities	115,647	-	115,647	-
Corporate debt	9,765	-	9,765	-
Equity Securities	133	-	133	-
Total assets measured at fair value on a recurring basis	<u>\$ 169,793</u>	<u>\$ -</u>	<u>\$ 169,793</u>	<u>\$ -</u>

Description	2024			
	Fair Value	Level 1	Level 2	Level 3
Available-for-sale investment securities				
Debt securities:				
U.S. government agencies mortgage-backed securities	\$ 8,384	\$ -	\$ 8,384	\$ -
State and political subdivision	41,700	-	41,700	-
Residential mortgage-backed securities	119,014	-	119,014	-
Corporate debt	8,835	-	8,835	-
Equity Securities	149	-	149	-
Total assets measured at fair value on a recurring basis	<u>\$ 178,082</u>	<u>\$ -</u>	<u>\$ 178,082</u>	<u>\$ -</u>

During the years ended December 31, 2025, and 2024, there were no transfers in or out of Levels 1 or 2.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

2. FAIR VALUE MEASUREMENTS *(continued)*

Non-recurring Basis

The Company may be required, from time to time, to measure certain assets and liabilities at fair value on a non-recurring basis. There were no assets and liabilities measured at fair value on non-recurring basis as of December 31, 2025 and 2024.

The fair value of collateral dependent loans is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are often significant and result in a Level 3 classification of the inputs for determining fair value. Individually evaluated loans evaluated under the discounted cash flow method are excluded from the table above. The discounted cash flow method is not considered a fair value measurement since the discount rate utilized is the loan's effective interest rate which is not a market rate.

Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or account receivable aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Non-real estate individually evaluated loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Other real estate owned ("OREO") is measured at fair value, less estimated disposition costs. Fair values are based on recent real estate appraisals. These appraisals may use a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are often significant and result in a Level 3 classification of the inputs for determining fair value. OREO properties are evaluated on a semi-annual basis for additional impairment and adjusted accordingly.

Appraisals for both collateral-dependent loans and OREO are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the appraisal management group engaged by the Company. Once received, a member of the loan department reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. Both collateral-dependent loans and OREO which are not in escrow are appraised every six months to ensure a fair market value is being used to calculate possible collateral shortfalls. For those properties in escrow, the Company uses the contract price less actual disposition costs as the contract price is determined to be market value.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

3. INVESTMENT SECURITIES

The amortized cost and estimated fair value of investment securities at December 31, 2025 and 2024 consisted of the following (*Dollars in thousands*):

	Amortized Cost	Gross Unrealized Gains	2025	Estimated Fair Value	Allowance for Credit Losses
			Gross Unrealized Losses		
Securities Available for Sale					
U.S. government agencies mortgage-backed securities	\$ 8,222	\$ 3	\$ (353)	\$ 7,872	\$ -
State and political subdivision	38,713	10	(2,347)	36,376	-
Residential mortgage-backed securities	127,394	361	(12,108)	115,647	-
Corporate Debt	10,700	-	(935)	9,765	-
Total Available for Sale	\$ 185,029	\$ 374	\$ (15,743)	\$ 169,660	\$ -
Securities Held to Maturity					
U.S. government agencies mortgage-backed securities	\$ -	\$ -	\$ -	\$ -	\$ -
State and political subdivision	38,798	-	(1,699)	37,099	3
Residential mortgage-backed securities	2,635	-	(240)	2,395	-
Corporate Debt	-	-	-	-	-
Total Held to Maturity	41,433	-	(1,939)	39,494	3
Total Investment Securities	\$ 226,462	\$ 374	\$ (17,682)	\$ 209,154	\$ 3

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

3. INVESTMENT SECURITIES (continued)

	2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Allowance for Credit Losses
Securities Available for Sale					
U.S. government agencies mortgage-backed securities	\$ 9,008	\$ 7	\$ (631)	\$ 8,384	\$ -
State and political subdivision	45,249	4	(3,553)	41,700	-
Residential mortgage-backed securities	135,666	70	(16,722)	119,014	-
Corporate Debt	10,700	-	(1,865)	8,835	-
Total Available for Sale	<u>\$ 200,623</u>	<u>\$ 81</u>	<u>\$ (22,771)</u>	<u>\$ 177,933</u>	<u>\$ -</u>
Securities Held to Maturity					
U.S. government agencies mortgage-backed securities	\$ -	\$ -	\$ -	\$ -	\$ -
State and political subdivision	38,799	-	(1,560)	37,239	6
Residential mortgage-backed securities	2,600	-	(348)	2,252	-
Corporate Debt	-	-	-	-	-
Total Held to Maturity	<u>41,399</u>	<u>-</u>	<u>(1,908)</u>	<u>39,491</u>	<u>6</u>
Total Investment Securities	<u><u>\$ 242,022</u></u>	<u><u>\$ 81</u></u>	<u><u>\$ (24,679)</u></u>	<u><u>\$ 217,424</u></u>	<u><u>\$ 6</u></u>

Net unrealized gains on investment securities totaling \$7.3 million were recorded net of tax for \$5.5 million as accumulated other comprehensive income within shareholders' equity at December 31, 2025. Net unrealized gains on investment securities totaling \$1.0 million were recorded net of tax for \$0.7 million as accumulated other comprehensive income within shareholders' equity at December 31, 2024.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

3. INVESTMENT SECURITIES (continued)

The following table summarizes the securities sold and called for the years ended December 31, 2025 and 2024 (*Dollars in thousands*):

	2025		
	Proceeds	Gross Gains	Gross Losses
Sales	\$ 10,957	\$ -	\$ 41
Calls	1,040	-	-
Total	<u>\$ 11,997</u>	<u>\$ -</u>	<u>\$ 41</u>

	2024		
	Proceeds	Gross Gains	Gross Losses
Sales	\$ 2,080	\$ 13	\$ -
Calls	-	-	-
Total	<u>\$ 2,080</u>	<u>\$ 13</u>	<u>\$ -</u>

The following tables summarizes investment securities available-for-sale in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2025, and December 31, 2024, respectively, aggregated by major security type and length of time in a continuous unrealized loss position (*Dollars in thousands*):

	2025					
	Less Than 12 Months		12 months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities Available for Sale						
U.S. government agencies	\$ 589	\$ (3)	\$ 7,120	\$ (350)	\$ 7,709	\$ (353)
State and Political Subdivision	-	-	33,697	(2,347)	33,697	(2,347)
Residential Mortgage-backed securities	7,680	(5)	83,853	(12,103)	91,533	(12,108)
Corporate Debt	-	-	9,765	(935)	9,765	(935)
Total Available for Sale	<u>\$ 8,269</u>	<u>\$ (8)</u>	<u>\$ 134,435</u>	<u>\$ (15,735)</u>	<u>\$ 142,704</u>	<u>\$ (15,743)</u>

	2024					
	Less Than 12 Months		12 months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities Available for Sale						
U.S. government agencies	\$ -	\$ -	\$ 6,719	\$ (631)	\$ 6,719	\$ (631)
State and Political Subdivision	7,718	(148)	33,364	(3,405)	41,082	(3,553)
Residential Mortgage-backed securities	6,438	(71)	100,567	(16,651)	107,005	(16,722)
Corporate Debt	-	-	8,835	(1,865)	8,835	(1,865)
Total Available for Sale	<u>\$ 14,156</u>	<u>\$ (219)</u>	<u>\$ 149,485</u>	<u>\$ (22,552)</u>	<u>\$ 163,641</u>	<u>\$ (22,771)</u>

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

3. INVESTMENT SECURITIES *(continued)*

Unrealized losses on available-for-sale securities have not been recognized into income because the issuer's securities are of high credit quality, management does not intend to sell, it is more likely than not that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The fair value is expected to recover as the securities approach maturity. The Company has adequate liquidity and the ability and intent to hold these securities to maturity, which would result in full recovery of the indicated unrealized loss. Accordingly, none of the unrealized losses on the securities are related to credit issues.

As of December 31, 2025, the Company's available-for-sale security portfolio consisted of 158 securities, 137 of which were in an unrealized loss position. As of December 31, 2024, the portfolio consisted of 159 securities, 149 of which were in an unrealized loss position. At December 31, 2025 and 2024, 98% of the mortgage-backed securities held by the Company were issued by U.S. government-sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not intend to sell these mortgage-backed securities and it is not likely that the Company will be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be provisioned for credit loss at December 31, 2025 and 2024.

The Company's available-for-sale mortgage-backed securities portfolio includes non-agency collateralized mortgage obligations with a fair value of \$3.0 million and \$3.3 million at December 31, 2025 and 2024, respectively, which had unrealized losses of approximately \$283,000 and \$431,000. These non-agency mortgage-backed securities were rated AAA at purchase. The Company believes there is no provision for credit loss necessary and does not intend to sell these securities and it is not likely that it will be required to sell the securities before their anticipated recovery. The issuers continue to make timely principal and interest payments on the bonds.

The Company's portfolio of available-for-sale debt securities includes municipal securities with a market value of \$36.4 million and \$41.1 million at December 31, 2025 and 2024, respectively, which had unrealized losses of \$2.3 million and \$3.6 million, respectively. The portfolio consisted of 30 municipal securities at December 31, 2025 and 36 municipal securities at December 31, 2024. The Company monitors certain credit characteristics of each municipal security issuer as necessary, and these issuers appear to be able to service all outstanding debt. The Company believes there is no provision for credit loss necessary and does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery.

The Company's available-for-sale corporate debt securities portfolio includes 9 securities with a market value of \$9.8 million at December 31, 2025 and \$8.8 million at December 31, 2024, which had unrealized losses of \$0.9 million and \$1.9 million, respectively. The Company monitors certain credit characteristics of each corporate issuer on a quarterly basis and these issuers appear to be able to service all outstanding debt. The Company believes that no provision for credit loss is necessary and does not intend to sell these securities and it is not likely that it will be required to sell the securities before their anticipated recovery.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

3. INVESTMENT SECURITIES *(continued)*

The following table presents the activity in the allowance for credit losses for debt securities held-to-maturity by major security type for the years ended December 31, 2025, and December 31, 2024 *(Dollars in thousands)*:

<u>December 31, 2025</u>	Mortgage- backed Residential	Municipal
Allowance for credit losses:		
Beginning balance	\$ -	\$ 6
Reversal of provision	-	(3)
Total ending allowance balance	\$ -	\$ 3
<u>December 31, 2024</u>	Mortgage- backed Residential	Municipal
Allowance for credit losses:		
Beginning balance	\$ -	\$ 7
Reversal of Provision	-	(1)
Total ending allowance balance	\$ -	\$ 6

The amortized cost and estimated fair value of investment securities at December 31, 2025 and 2024 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately *(Dollars in thousands)*:

	2025		2024	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Securities available-for-sale				
Due in one year or less	\$ 999	\$ 981	\$ 1,092	\$ 1,083
After one year through five years	8,943	8,448	11,844	11,133
After five years through ten years	15,324	13,877	18,022	15,113
After ten years	32,369	30,707	34,019	31,590
Residential Mortgage-backed securities	127,394	115,647	135,666	119,014
Total available-for-sale	185,029	169,660	200,643	177,933
Securities held-to-maturity				
Due in one year or less	\$ -	\$ -	\$ -	\$ -
After one year through five years	-	-	-	-
After five years through ten years	1,743	1,701	854	799
After ten years	37,055	35,398	37,945	36,441
Residential Mortgage-backed securities	2,635	2,395	2,600	2,251
Total held-to-maturity	41,433	39,494	41,399	39,491
Total investment securities	\$ 226,462	\$ 209,154	\$ 242,042	\$ 217,424

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

4. LOANS

Outstanding loans at December 31, 2025 and 2024 are summarized below (*Dollars in thousands*):

	2025	2024
Commercial	\$ 96,942	\$ 94,723
Real estate – commercial	704,055	633,835
Real estate – residential	206,380	189,638
Construction	75,284	72,770
Consumer and other	631	464
Total gross loans	1,083,292	991,430
Deferred loan origination fees, net of costs	(1,596)	(1,489)
Allowance for credit losses	(12,689)	(11,572)
Loans, net	\$ 1,069,007	\$ 978,369

The Company deferred \$0.5 million in salaries and employee benefits as loan origination costs for the years ended December 31, 2025, and 2024, respectively.

Loans with a fair value of approximately \$393.3 million and \$435.3 million were pledged to secure borrowing arrangements as of December 31, 2025, and 2024, respectively (see Note 12).

Loan Servicing

The Company services SBA loans for the SBA and other institutional investors that have purchased government guaranteed portions of certain loans. At December 31, 2025, and 2024, the Bank was servicing approximately \$12.4 million and \$13.2 million in SBA loans previously sold. The net carrying value of servicing rights associated with these loans was \$71,000 and \$110,000 as of December 31, 2025, and 2024, respectively. The carrying value approximated the fair value at December 31, 2025, and 2024.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

5. ALLOWANCE FOR CREDIT LOSSES

The following tables present the activity in the allowance for credit losses by portfolio segment for the years ending December 31, 2025 and 2024 (*Dollars in thousands*):

December 31, 2025	Commercial	Real Estate – Commercial	Real Estate – Residential	Construction	Consumer and Other	Total
Allowance for credit losses:						
Beginning balance	\$ 2,017	\$ 4,799	\$ 2,768	\$ 1,985	\$ 3	\$ 11,572
Provision (reversal) for credit losses	348	(260)	593	436	-	1,117
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Ending balance	<u>\$ 2,365</u>	<u>\$ 4,539</u>	<u>\$ 3,361</u>	<u>\$ 2,421</u>	<u>\$ 3</u>	<u>\$ 12,689</u>
December 31, 2024	Commercial	Real Estate – Commercial	Real Estate – Residential	Construction	Consumer and Other	Total
Allowance for credit losses:						
Beginning balance	\$ 2,010	\$ 7,186	\$ 1,504	\$ 946	\$ 2	\$ 11,648
Provision (reversal) for credit losses	7	(2,387)	1,264	1,039	1	(76)
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Ending balance	<u>\$ 2,017</u>	<u>\$ 4,799</u>	<u>\$ 2,768</u>	<u>\$ 1,985</u>	<u>\$ 3</u>	<u>\$ 11,572</u>

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

5. ALLOWANCE FOR CREDIT LOSSES *(continued)*

The following table shows an aging analysis of the loan portfolio by the time past due at December 31, 2025 and 2024 (*Dollars in thousands*):

December 31, 2025	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Current	Total
Commercial	\$ -	\$ -	\$ 716	\$ 716	\$ 96,226	\$ 96,942
Real Estate – Commercial	-	-	1,254	1,254	702,801	704,055
Real Estate – Residential	-	-	2,363	2,363	204,017	206,380
Construction	-	-	3,783	3,783	71,501	75,284
Consumer and Other	-	-	-	-	631	631
Total	\$ -	\$ -	\$ 8,116	\$ 8,116	\$ 1,075,176	\$ 1,083,292

December 31, 2024	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Current	Total
Commercial	\$ 87	\$ -	\$ 740	\$ 827	\$ 93,896	\$ 94,723
Real Estate – Commercial	2,507	-	-	2,507	631,328	633,835
Real Estate – Residential	2,423	-	-	2,423	187,215	189,638
Construction	-	-	5,358	5,358	67,412	72,770
Consumer and Other	-	-	-	-	464	464
Total	\$ 5,017	\$ -	\$ 6,098	\$ 11,115	\$ 980,315	\$ 991,430

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

5. ALLOWANCE FOR CREDIT LOSSES *(continued)*

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2025 and 2024 (*Dollars in thousands*):

December 31, 2025	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans past Due Over 89 Days Still Accruing
Commercial	\$ 321	\$ 716	\$ -
Real Estate- Commercial	1,254	1,254	-
Real Estate- Residential	2,363	2,363	-
Construction	3,783	3,783	-
Total	\$ 7,721	\$ 8,116	\$ -

December 31, 2024	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans past Due Over 89 Days Still Accruing
Commercial	\$ 740	\$ 740	\$ -
Construction	5,358	5,358	-
Total	\$ 6,098	\$ 6,098	\$ -

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2025 and 2024 (*Dollars in thousands*):

December 31, 2025	Secured by Commercial real estate	Secured by Residential real estate
Commercial	\$ -	\$ 317
Real Estate – Commercial	1,254	4
Real Estate – Residential	-	2,363
Construction	3,783	-
Total	\$ 5,037	\$ 2,684

December 31, 2024	Secured by Commercial real estate	Secured by Residential real estate
Commercial	\$ -	\$ 740
Construction	5,358	-
Total	\$ 5,358	\$ 740

For the years ended December 31, 2025 and 2024, the Company did not recognize any income on non-accrual loans on a cash basis of accounting.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

5. ALLOWANCE FOR CREDIT LOSSES (continued)

	Term Loans Amortized Cost Basis by Origination Year							Revolving Loans Amortized Cost Basis	Revolving Loans converted to term	Total
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Prior</u>				
<u>As of December 31, 2025</u>										
Commercial:										
Risk rating										
Pass	\$ 19,354	\$ 8,102	\$ 2,840	\$ 11,568	\$ 3,219	\$ 11,383	\$ 36,698	\$ -	\$ 93,164	
Special Mention	-	-	48	-	85	-	-	-	133	
Substandard	520	330	-	98	-	4	2,693	-	3,645	
Doubtful	-	-	-	-	-	-	-	-	-	
Total commercial loans	\$ 19,874	\$ 8,432	\$ 2,888	\$ 11,666	\$ 3,304	\$ 11,387	\$ 39,391	\$ -	\$ 96,942	
Commercial loans:										
Current period gross write offs	-	-	-	-	-	-	-	-	-	
Current period recoveries	-	-	-	-	-	-	-	-	-	
Current period net write offs	-	-	-	-	-	-	-	-	-	
Real estate - commercial:										
Risk rating										
Pass	\$ 141,729	\$ 41,001	\$ 66,482	\$ 163,006	\$ 128,251	\$ 142,584	\$ 8,040	\$ -	\$ 691,093	
Special Mention	-	-	-	4,416	2,295	-	-	-	6,711	
Substandard	-	-	-	1,254	4,997	-	-	-	6,251	
Doubtful	-	-	-	-	-	-	-	-	-	
Total Real estate - commercial loans:	\$ 141,729	\$ 41,001	\$ 66,482	\$ 168,676	\$ 135,543	\$ 142,584	\$ 8,040	\$ -	\$ 704,055	
Real Estate - Commercial:										
Current period gross write offs	-	-	-	-	-	-	-	-	-	
Current period recoveries	-	-	-	-	-	-	-	-	-	
Current period net write offs	-	-	-	-	-	-	-	-	-	

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

5. ALLOWANCE FOR CREDIT LOSSES (continued)

Term Loans Amortized Cost Basis by Origination Year

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Prior</u>	<u>Revolving Loans Amortized Cost Basis</u>	<u>Revolving Loans converted to term</u>	<u>Total</u>
Real estate - residential:									
Risk rating									
Pass	\$ 26,700	\$ 24,204	\$ 15,062	\$ 56,412	\$ 31,302	\$ 24,472	\$ 22,119	\$ -	\$ 200,271
Special Mention	-	-	-	-	3,250	-	496	-	3,746
Substandard	-	-	-	-	-	2,271	92	-	2,363
Doubtful	-	-	-	-	-	-	-	-	-
Total Real estate - residential loans:	\$ 26,700	\$ 24,204	\$ 15,062	\$ 56,412	\$ 34,552	\$ 26,743	\$ 22,707	\$ -	\$ 206,380
Real estate - residential:									
Current period gross write offs	-	-	-	-	-	-	-	-	-
Current period recoveries	-	-	-	-	-	-	-	-	-
Current period net write offs	-	-	-	-	-	-	-	-	-
Construction:									
Risk rating									
Pass	\$ 52,842	\$ 17,836	\$ 383	\$ -	\$ -	\$ 440	\$ -	\$ -	\$ 71,501
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	3,783	-	-	-	-	-	-	-	3,783
Doubtful	-	-	-	-	-	-	-	-	-
Total Construction:	\$ 56,625	\$ 17,836	\$ 383	\$ -	\$ -	\$ 440	\$ -	\$ -	\$ 75,284
Construction:									
Current period gross write offs	-	-	-	-	-	-	-	-	-
Current period recoveries	-	-	-	-	-	-	-	-	-
Current period net write offs	-	-	-	-	-	-	-	-	-

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

5. ALLOWANCE FOR CREDIT LOSSES *(continued)*

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans converted to term	Total
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Prior</u>			
Consumer and other:									
Risk rating									
Pass	\$ 147	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ 480	\$ -	\$ 631
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total Consumer and other:	<u>\$ 147</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 480</u>	<u>\$ -</u>	<u>\$ 631</u>
Consumer and other:									
Current period gross write offs	-	-	-	-	-	-	-	-	-
Current period recoveries	-	-	-	-	-	-	-	-	-
Current period net write offs	-	-	-	-	-	-	-	-	-
Total loans:	<u>\$ 245,075</u>	<u>\$ 91,477</u>	<u>\$ 84,815</u>	<u>\$ 236,754</u>	<u>\$ 173,399</u>	<u>\$ 181,154</u>	<u>\$ 70,618</u>	<u>\$ -</u>	<u>\$ 1,083,292</u>
Current period gross write offs	-	-	-	-	-	-	-	-	-
Current period recoveries	-	-	-	-	-	-	-	-	-
Current period net write offs	-	-	-	-	-	-	-	-	-

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

5. ALLOWANCE FOR CREDIT LOSSES (continued)

Term Loans Amortized Cost Basis by Origination Year

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>Prior</u>	<u>Revolving Loans Amortized Cost Basis</u>	<u>Revolving Loans Converted to Term</u>	<u>Total</u>
<u>As of December 31, 2024</u>									
Commercial:									
Risk rating									
Pass	\$ 52,928	\$ 5,467	\$ 13,098	\$ 4,579	\$ 3,423	\$ 10,361	-	-	\$ 89,856
Special mention	326	69	-	-	-	-	-	-	395
Substandard	3,760	-	155	496	61	-	-	-	4,472
Doubtful	-	-	-	-	-	-	-	-	-
Total commercial loans	\$ 57,014	\$ 5,536	\$ 13,253	\$ 5,075	\$ 3,484	\$ 10,361	\$ -	\$ -	\$ 94,723
Commercial:									
Current period gross write offs	-	-	-	-	-	-	-	-	-
Current period recoveries	-	-	-	-	-	-	-	-	-
Current period net write offs	-	-	-	-	-	-	-	-	-
Real Estate - Commercial:									
Risk rating									
Pass	\$ 50,082	\$ 71,997	\$ 169,672	\$ 152,043	\$ 90,838	\$ 82,815	-	\$ -	\$ 617,447
Special mention	-	-	6,571	2,351	-	290	-	-	9,212
Substandard	-	-	1,351	5,825	-	-	-	-	7,176
Doubtful	-	-	-	-	-	-	-	-	-
Total Real Estate - Commercial	\$ 50,082	\$ 71,997	\$ 177,594	\$ 160,219	\$ 90,838	\$ 83,105	\$ -	\$ -	\$ 633,835
Real Estate - Commercial:									
Current period gross write offs	-	-	-	-	-	-	-	-	-

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

5. ALLOWANCE FOR CREDIT LOSSES *(continued)*

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>Prior</u>			
Real Estate - Commercial:									
Current period recoveries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current period net write offs	-	-	-	-	-	-	-	-	-
Real Estate - Residential:									
Risk rating									
Pass	\$ 44,228	- 15,947	- 60,441	- 34,759	- 17,171	- 10,922	-	-	- 183,468
Special mention	497	-	-	3,250	-	-	-	-	3,747
Substandard	-	-	-	-	2,423	-	-	-	2,423
Doubtful	-	-	-	-	-	-	-	-	-
Total Real Estate - Residential	\$ 44,725	\$ 15,947	\$ 60,441	\$ 38,009	\$ 19,594	\$ 10,922	\$ -	\$ -	\$ 189,638
Real Estate - Residential:									
Current period gross write offs	-	-	-	-	-	-	-	-	-
Current period recoveries	-	-	-	-	-	-	-	-	-
Current period net write offs	-	-	-	-	-	-	-	-	-
Construction:									
Risk rating									
Pass	\$ 30,828	- 6,111	- 21,567	-	-	- 456	-	-	- 58,962
Special mention	-	-	-	-	-	-	-	-	-
Substandard	8,450	5,358	-	-	-	-	-	-	13,808
Doubtful	-	-	-	-	-	-	-	-	-
Total Construction	\$ 39,278	\$ 11,469	\$ 21,567	\$ -	\$ -	\$ 456	\$ -	\$ -	\$ 72,770

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

5. ALLOWANCE FOR CREDIT LOSSES *(continued)*

Term Loans Amortized Cost Basis by Origination Year

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>Prior</u>	<u>Revolving Loans Amortized Cost Basis</u>	<u>Revolving Loans Converted to Term</u>	<u>Total</u>
Construction:									
Current period gross write offs	-	-	-	-	-	-	-	-	-
Current period recoveries	-	-	-	-	-	-	-	-	-
Current period net write offs	-	-	-	-	-	-	-	-	-
Consumer and other:									
Risk rating									
Pass	\$ 454	- 9	- -	- -	- -	- -	1	- -	464
Special mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total Consumer and other	\$ 454	\$ 9	\$ -	\$ -	\$ -	\$ -	1	\$ -	\$ 464
Consumer and other:									
Current period gross write offs	-	-	-	-	-	-	-	-	-
Current period recoveries	-	-	-	-	-	-	-	-	-
Current period net write offs	-	-	-	-	-	-	-	-	-
Total loans:	\$ 191,553	\$ 104,958	\$ 272,855	\$ 203,303	\$ 113,916	\$ 104,844	\$ 1	\$ -	\$ 991,430
Current period gross write offs	-	-	-	-	-	-	-	-	-
Current period recoveries	-	-	-	-	-	-	-	-	-
Current period net write offs	-	-	-	-	-	-	-	-	-

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

5. ALLOWANCE FOR CREDIT LOSSES *(continued)*

Loan Modifications

The following tables present the amortized cost basis of a single loan at December 31, 2025 and 2024 that was both experiencing financial difficulty and modified during the years end December 31, 2025 and 2024, by class and by type of modification. The percentage of the amortized cost basis of the loan modified for a borrower in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

As of December 31, 2025 <i>Dollars in Thousand</i>	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Principal Forgiveness	Combination Term Extension and Interest Rate Reduction	Total Class of Financing Receivable (%)
Commercial	\$ -	\$ 399	\$ -	\$ -	\$ -	\$ -	0.4%
Real estate - commercial	-	-	-	-	-	-	-
Real estate - residential	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-	-
Total	\$ -	\$ 399	\$ -	\$ -	\$ -	\$ -	0.4%

As of December 31, 2024 <i>Dollars in Thousand</i>	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Principal Forgiveness	Combination Term Extension and Interest Rate Reduction	Total Class of Financing Receivable (%)
Commercial	\$ --	\$ 495	\$ -	\$ -	\$ -	\$ -	0.5%
Real estate - commercial	-	-	-	-	-	-	-
Real estate - residential	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-	-
Total	\$ -	\$ 495	\$ -	\$ -	\$ -	\$ -	0.5%

The company has committed to lending no additional amounts to the borrower included in the previous tables for the years 2025 and 2024.

The company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

5. ALLOWANCE FOR CREDIT LOSSES *(continued)*

The following tables present the amortized cost basis of loans that had a payment default during the year ended December 31, 2025 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty.

December 31, 2025	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction
Commercial	\$ -	\$ 399	\$ -	\$ -
Real estate – commercial	-	-	-	-
Real estate – residential	-	-	-	-
Construction	-	-	-	-
Consumer and other	-	-	-	-
Total	\$ -	\$ 399	\$ -	\$ -

There were no loans that had a payment default during the years ended December 31, 2024 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty.

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

6. PREMISES AND EQUIPMENT

Premises and equipment consisted of the following at December 31, 2025 and 2024
(Dollars in thousands):

	2025	2024
Furniture fixtures and equipment	\$ 4,747	\$ 4,701
Leasehold improvements	7,985	7,893
Construction in progress	32	-
Building	1,224	1,224
Building improvements	1,576	1,576
Land	773	774
Total bank premises and equipment	16,337	16,168
Accumulated Depreciation and amortization	(9,082)	(7,947)
Premises and equipment, net	\$ 7,255	\$ 8,221

Depreciation and amortization included in occupancy and equipment expense totaled \$1.1 million for the years ended December 31, 2025 and 2024.

7. LEASES

The Company enters into leases in the normal course of business primarily for full-service branches and lending centers. The Company's leases have remaining terms ranging from 6 months to 9 years, some of which include renewal options to extend the lease for up to 20 years. The Company leases its headquarters, branch facilities (except Paso Robles which is owned by the Company) and lending offices under non-cancellable operating leases.

The lease for the Santa Barbara branch originally expired on June 30, 2025, and includes two five-year renewal options. The company exercised the first renewal option, extending the lease term through June 30, 2030. One five-year renewal option remains available. The lease includes an annual rent adjustment based on changes in the Consumer Price Index (CPI) with a floor of 3% and a cap of 8%.

The lease for the Santa Maria branch expires on December 31, 2026, and has one four-year renewal option. The lease includes annual rent adjustments of 4%.

The lease for the Goleta branch expires on August 31, 2027, and has two five-year renewal options. The lease rate is fixed for the current term.

The lease for the Montecito branch expires on April 30, 2028, and has one ten-year renewal option. The lease includes rent adjustments every three years based on changes in the Consumer Price Index (CPI) with an annual floor of 2% and a cap of 5%.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

7. LEASES *(continued)*

The leases for the full-service branch and loan production office in San Luis Obispo expires in May 2029. The leases include annual rent adjustments of 3% and have four five-year renewal options.

The lease for the administration and commercial lending office expires December 1, 2032. The lease has two five-year renewal options and includes an annual rent adjustment of 3%.

The lease for the Atascadero branch expires on June 30, 2034, and has four five-year renewal options. The lease includes annual scheduled rent increases of 3%.

The lease for the Ventura loan production office expires on November 30, 2026 and the rate is fixed for the current term.

The Company includes lease extension and termination options in the lease term, if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option. In addition, the Company has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Company has also elected not to recognize leases with original lease terms of twelve months or less (short-term leases) on the Company's balance sheet.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is 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 net present value of lease payments over the lease term.

The Company uses its incremental borrowing rate at lease commencement to calculate the net present value of lease payments when the rate implicit in a lease is not known. The Company's incremental borrowing rate is based on the US Treasury rate, adjusted for the lease term and other factors.

As of December 31, 2025 and 2024, all of the Company's leases are classified as operating leases. Right-of-use assets were \$5.6 million and \$4.8 million and lease liabilities were \$6.6 million and \$5.9 million as of December 31, 2025, and 2024, respectively.

Rental expense, net of sublease income, included in occupancy and equipment expense totaled \$1.5 million and \$1.4 million for the years ended December 31, 2025, and 2024, respectively.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

7. LEASES *(continued)*

Lease Obligations

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2025, are as follows *(Dollars in thousands)*:

Year Ending December 31,	Operating Lease	
2025	\$	1,589
2026		1,477
2027		1,321
2028		1,073
2029		696
Thereafter		1,213
Total undiscounted lease payments		7,369
Less: imputed interest		(745)
Net lease liabilities	\$	6,624

Supplemental Lease Information

	December 31,	
	2025	2024
Operating lease weighted average remaining lease term (years)	5	6
Operating lease weighted average discount rate	3.79%	3.35%

8. OTHER REAL ESTATE OWNED

At December 31, 2025 and December 31, 2024, the Company had no properties acquired through foreclosure or deed-in-lieu.

9. GOODWILL AND INTANGIBLE ASSETS

Business combinations involving the Company's acquisition of the equity interests or net assets of another enterprise give rise to goodwill. Total goodwill at December 31, 2025 and 2024 was \$4.8 million. Total goodwill at December 31, 2025 and 2024 represented the excess of the cost of a previous bank acquisition over the net of the amounts assigned to assets acquired and liabilities assumed in the transactions accounted for under the purchase method of accounting. The value of goodwill is ultimately derived from the Company's ability to generate net earnings after the acquisitions. A decline in net earnings could be indicative of a decline in the fair value of goodwill and result in impairment. For that reason, goodwill is assessed at least annually for impairment.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

9. GOODWILL AND INTANGIBLE ASSETS *(continued)*

Goodwill is also tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the goodwill below its carrying amount. No such events or circumstances arose during the fourth quarter of 2025, so goodwill was not required to be retested.

The other intangible assets at December 31, 2025, and 2024, represent the net carrying value of servicing rights associated with SBA loans that are serviced by the Company for the SBA and other institutional investors that have purchased government guaranteed portions of certain loans. At December 31, 2025, and 2024, the net carrying value of servicing rights associated with these loans was \$71,000 and \$110,000, respectively.

10. TIME DEPOSITS

Time deposits as of December 31, 2025, have the following maturities by year *(Dollars in thousands)*:

Maturity Year	Amount
2026	\$ 127,981
2027	1,112
Total	\$ 129,093

Time deposits with balances that meet and exceed \$250,000 totaled \$71.2 million and \$73.8 million at December 31, 2025, and 2024, respectively.

11. INCOME TAXES

The Company does not have pretax income from continuing foreign operations or foreign tax expense. The provision for income taxes for the years ended December 31, 2025, and 2024 consisted of the following *(Dollars in thousands)*:

	2025	2024
Current:		
Federal	\$ 2,677	\$ 1,958
State	2,045	1,310
Total	4,722	3,268
Deferred:		
Federal	(846)	256
State	(239)	35
Total	(1,085)	291
Provision for income taxes	\$ 3,637	\$ 3,559

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

11. INCOME TAXES *(continued)*

Effective tax rates differ from the federal statutory rate of 21% applied to income before income taxes due to the following *(Dollars in thousands)*:

	2025	
	Amount	Percent
US federal statutory income tax	\$ 3,378	21.00%
Effect of:		
State and local income tax, net of federal income tax effect (a)	1,427	8.90%
Tax credits:		
Low-income housing credit, net of losses and proportional amortization	(74)	-0.50%
Purchased tax credits	(535)	-3.30%
Nontaxable or nondeductible items:		
Tax-exempt interest, net of TEFRA	(283)	-1.80%
Other adjustments	(276)	-1.70%
Total effective tax rate	\$ 3,637	22.60%

(a) State taxes in CA represented the majority (greater than 50%) of the tax effect in this category.

Income tax expense for the year ended December 31, 2024 differed from the federal statutory rate applied to income before income taxes for the following (before the adoption of ASU 2023-09):

	2024
Federal statutory rate times financial statement income	\$ 2,583
Effect of:	
State and local income taxes, net of federal tax benefit	1,063
Share-based compensation	(16)
Tax-exempt interest	(165)
Other, net	94
Total	\$ 3,559

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

11. INCOME TAXES *(continued)*

Deferred tax assets (liabilities) at December 31, 2025, and 2024 consisted of the following and are recorded on the balance sheet with accrued interest receivable and other assets or accrued interest payable and other liabilities (*Dollars in thousands*):

	2025	2024
Deferred tax assets:		
Lease liability	\$ 1,940	\$ 1,745
Allowance for loan losses	3,716	3,421
Accrued expenses	1,318	1,039
Share-based compensation	427	429
Unrealized loss on available-for-sale investment securities	5,803	8,219
Net operating loss carryforward	-	82
State taxes	371	272
Other	172	127
Total deferred tax assets	\$ 13,747	\$ 15,334
Deferred tax liabilities:		
Deferred loan costs	(610)	(653)
Right-of-use asset	(1,635)	(1,431)
Premises and equipment	(448)	(715)
Prepaid expenses	(13)	(49)
Other	(3)	(117)
Total deferred tax liabilities	(2,709)	(2,965)
Net deferred tax asset	\$ 11,038	\$ 12,369

As of December 31, 2025 and 2024, management performed an evaluation of the Company's net deferred tax asset and determined that it was more likely than not that the Company would be able to utilize its net deferred tax asset. Therefore, no valuation allowance is necessary for 2025.

The Company files income tax returns in the United States and California jurisdictions. The Company is no longer subject to examination by Federal taxing authorities for tax years prior to 2022 and is no longer subject to examination by California taxing authorities for tax years prior to 2021. There are currently no pending federal or state income tax examinations by tax authorities. The Company has no uncertain tax positions and has not accrued for any interest or penalties as of December 31, 2025 or 2024.

Income taxes paid, net of refunds received, were as follows:

	2025
Federal taxes	\$ 1,910
State taxes (California)	1,565
Total cash taxes paid, net of refunds received	\$ 3,475

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

12. BORROWING ARRANGEMENTS

The Company has unsecured Federal funds lines of credit with seven of its correspondent banks under which it can borrow up to \$142.7 million in the aggregate. There were zero borrowings outstanding under these arrangements as of December 31, 2025, and 2024.

In addition, the Company has an arrangement with the Federal Home Loan Bank (“FHLB”) under which it may borrow an amount not to exceed 25% of total assets which must be fully secured by qualifying loans or investment securities. At December 31, 2025, amounts pledged and available under such limits at the FHLB were approximately \$263.6 million and \$287.1 million, respectively.

At year-end, advances from the FHLB were as follows (*Dollars in thousands*):

	<u>2025</u>	<u>2024</u>
Short term, fixed rate of 4.63% at Dec 31, 2024	\$ -	\$ 15,000
Total	\$ -	\$ 15,000

The Company has a short-term borrowing arrangement with the Federal Reserve Bank through the Discount Window. The Company has pledged certain loans and investment securities to secure borrowings. The borrowing capacity under the agreement varies depending on the amount and type of loans and investment securities pledged. There were no borrowings outstanding under the agreement at December 31, 2025, or 2024. As of December 31, 2025, the Company had \$44.6 million of readily available borrowing capacity based on currently pledged loans and investment securities, consisting of \$20.9 million of loans and \$23.7 million of investment securities. As of December 31, 2024, the Company had \$40.6 million of readily available borrowing capacity based on currently pledged loans and investment securities, consisting of \$15.5 million of loans and \$25.1 million of investment securities.

The Company has one secured line of credit with The Independent Bankers Bank of \$10.0 million dollars. As of December 31, 2025, the balance on the line of credit was \$10.0 million dollars. The note is at a fixed rate of 3.85% until May 1, 2027, at which time the rate will adjust annually to Wall Street Prime, with a floor of 3.25%.

The Company completed a private placement of \$18.0 million in fixed-to-floating rate subordinated notes due March 1, 2032 (“Notes”) to certain qualified buyers and accredited investors issued February 28, 2022. The Notes are structured to qualify as Tier 2 capital for the Company for regulatory purposes and will carry a fixed rate of 3.75% until March 1, 2027. Thereafter, the Notes will pay interest at a floating rate, reset quarterly, equal to the then current three-month SOFR plus 212 basis points. The Notes are redeemable by the Company at its option, in whole or in part, on any interest payment date on or after March 1, 2027, or at any time, in whole or in part, upon certain other specified events prior to the Notes’ maturity on March 1, 2032. The Company redeemed \$1.5 million of subordinated notes during 2024, leaving \$16.5 million outstanding as of December 31, 2025 and 2024.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

13. COMMITMENTS AND CONTINGENCIES

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 in order to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These instruments, which include loan commitments, lines of credit, letters of credit, and overdraft protection, provide credit or support the credit of others, subject to the terms of the contract, and typically have expiration dates. Commitments may expire without being used. Off-balance-sheet credit risk exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies used for loans, including obtaining collateral when appropriate, are applied to these commitments.

These financial instruments consist of the following (*Dollars in thousands*):

	December 31,	
	2025	2024
Commitments to extend credit	\$ 225,695	\$ 212,768
Standby letters of credit	\$ 4,360	\$ 3,464

Commitments to extend credit are agreements to lend to a borrower as long as there is no violation of any covenant 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. These commitments are normally unfunded portions of previously approved lines of credit. The Company evaluates each borrower'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 of the borrower. Collateral held varies, but may include deposit accounts, marketable securities, accounts receivable, inventory, equipment, and deeds of trust on commercial or residential real estate.

Standby letters of credit are conditional commitments issued to guarantee the performance of a client to a third-party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to clients. The fair value of the liability related to these standby letters of credit, which represents the fees received for issuing the guarantees, was not significant at December 31, 2025 and 2024. The Company recognizes these fees as revenue over the term of the commitment.

The composition of loan commitments by type as of December 31 was approximately as follows:

Loan Type:	2025	2024	Notes
Unsecured Commercial	42%	52%	Mostly variable rate
Other Real Estate	8%	3%	Collateralized, adjustable rate
Home Equity Lines of Credit	31%	25%	Collateralized, variable rate
Collateralized Construction	18%	19%	Fixed and variable rates
Agricultural Production	1%	1%	Mostly variable

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

13. COMMITMENTS AND CONTINGENCIES *(continued)*

Concentrations of Credit Risk

A concentration of credit is defined by the Federal Reserve Bank as loans and or loan commitments to: (1) any individual borrower; (2) small, interrelated group of individuals; (3) single repayment source with normal credit risk or greater; and (4) an individual project that represents 25% or more of a bank's Tier 1 capital and reserves.

The Company grants real estate construction and commercial loans to borrowers in Santa Barbara County, San Luis Obispo County and surrounding areas and a substantial portion of its portfolio is collateralized by commercial and residential real estate. Concentrations may also exist when certain types of loans exceed 100% of the Bank's total capital ("TC") or 100% of the Company's total shareholders' equity ("TE").

At December 31, 2025 and 2024, concentrations by loan type were approximately as follows:

Loan Type:	2025	2024	Notes
Real Estate- Commercial	449% of Bank TC 551% of Company TE	405% of Bank TC 569% of Company TE	Includes owner-occupied and non-owner-occupied commercial real estate loans of various types
Real Estate- Residential	132% of Bank TC 162% of Company TE	121% of Bank TC 170% of Company TE	Includes owner-occupied and non-owner-occupied fixed and adjustable residential loans, variable home equity lines, and fixed-rate, short-term non-revolving lines of credit

The Company evaluates each borrower's creditworthiness on a case-by-case basis. Collateral is obtained as deemed necessary and may include deeds of trust on commercial or residential real estate, deposit accounts, marketable securities, accounts receivable, inventory, and equipment.

Although management believes the loans within these concentrations have no more than the normal risk of collectability, a continued substantial decline in the performance of the economy or a continued decline in real estate values in the Company's primary market area could have an adverse impact on the collectability of these loans.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

13. COMMITMENTS AND CONTINGENCIES *(continued)*

Concentrations in Deposit and Loan Relationships

As of December 31, 2025 and 2024, the Company did not have any deposit customers that exceed 5% of total deposits.

As of December 31, 2025 and 2024, the Company did not have any loan customers that exceed 10% of total loans.

Correspondent Banking Agreements

The Bank maintains funds on deposit with other federally insured financial institutions under correspondent banking agreements. The Bank maintains funds in money market accounts at certain correspondent banks. As of December 31, 2025, the Bank had \$16.4 million of uninsured deposits at correspondent banks.

14. SHARE-BASED PAYMENTS

The Company has one share-based compensation plan, which is described as follows. Compensation cost and directors' fees charged against income for restricted stock awards was \$1.5 million and \$1.3 million for the years ended December 31, 2025, and 2024 respectively. The total tax benefit was \$206,000 as of December 31, 2025, and total tax deficit was \$26,000 for December 31, 2024.

On June 20, 2024, the Company adopted the American Riviera Bank 2024 Omnibus Stock Incentive Plan ("Plan") which has been approved by its shareholders and permits the grant of equity compensation in the form of Options, Restricted Stock Awards, Performance Awards, and Restricted Stock Units for up to 500,000 shares of the Company's common stock. The remaining shares available for issuance under the prior 2015 Omnibus Plan were cancelled upon adoption of the 2024 Plan. However, shares forfeited or cancelled after such date from the 2015 Plan are replenished in the 2024 Plan.

As of December 31, 2025, there were 182,887 shares of restricted stock that were unvested and expected to vest. Total shares issuable under the Plan were 475,377 at year-end 2025, with 56,507 and 92,547 restricted shares granted in 2025 and 2024, respectively.

The Plan is designed to attract and retain employees and directors. The amount, frequency, and terms of share-based awards may vary based on competitive practices, the Company's operating results and government regulations. The Plan requires that the option or grant price may not be less than the fair market value of the stock at the date the award is granted, and that the exercise price per share must be paid in full or shares tendered for sale "net exercise" at the time the option is exercised. The Plan permits the use of vested, in-the-money stock options to be used as a cashless exercise. At this time, there are no options outstanding. The Plan does not provide for the settlement of awards in cash and new shares are issued upon option exercise or grant of restricted stock.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

14. SHARE-BASED PAYMENTS *(continued)*

Restricted Common Stock Awards

The Plan provides for the issuance of shares to directors and officers. Compensation expense for employee awards and director fee expense for director grants is recognized on a straight-line basis over the vesting period of the awards based on the fair value of the stock at grant date. The fair value of the stock was determined using the most recent market data. Restricted common stock grants to employees typically vest over a four to five-year period and over a one-year period for directors.

A summary of changes in the Company's unvested shares for the year is as follows:

Unvested Shares	Shares	Weighted Average Grant Date Fair Value
Unvested shares at January 1, 2025	208,423	\$ 17.05
Granted	56,507	19.46
Vested	(79,199)	16.75
Forfeited	(2,844)	18.31
Unvested shares at December 31, 2025	182,887	\$ 17.91

At December 31, 2025, and 2024, the total compensation cost related to unvested restricted common stock not yet recognized was \$3.3 million and \$2.0 million respectively. This cost is expected to be recognized over a weighted-average remaining period of approximately 3.47 years and will be adjusted for subsequent changes in estimated forfeitures. The fair value attributable to restricted stock awards vested for the year ended December 31, 2025, and 2024, was \$1.3 million.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

15. SHAREHOLDERS' EQUITY

Earnings per share

A reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the years ended December 31, 2025, and 2024 is as follows:

	<u>Net Income</u>	<u>Weighted Average Number of Shares Outstanding</u>	<u>Earnings per share</u>
<u>December 31, 2025</u>			
Basic earnings per share	\$ 12,445,000	5,713,022	\$ 2.18
Effect of dilutive stock options and restricted shares		-	
Diluted earnings per share	12,445,000	5,713,022	2.18
<u>December 31, 2024</u>			
Basic earnings per share	\$ 8,742,000	5,815,817	\$ 1.50
Effect of dilutive stock options and restricted shares		-	
Diluted earnings per share	8,742,000	5,815,817	1.50

Regulatory Capital

Banks are subject to regulatory capital requirements administered by Federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory 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 Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The net unrealized gain or loss on AFS securities is not included in computing regulatory capital. Management believes as of December 31, 2025, the Bank meets all capital adequacy requirements to which it is 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. As of December 31, 2025, and 2024, the most recent regulatory notifications categorized the Bank as "well-capitalized" under the regulatory framework. There are no conditions or events since that notification that management believes have changed the Bank's category.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

15. SHAREHOLDERS' EQUITY (continued)

Regulatory Capital (continued)

As of December 31, 2025, and 2024, total average assets for leverage capital purposes were \$1,414.1 million and \$1,297.5 million, respectively, and total risk-weighted assets were \$1,190.6 million and \$1,097.1 million, respectively.

Capital ratios as of December 31, 2025, and 2024 are as follows (*Dollars in thousands*):

	2025		2024	
	Amount	Ratio	Amount	Ratio
<u>Leverage Ratio</u>				
American Riviera Bank	\$ 149,243	10.6%	\$ 144,964	11.2%
Minimum for "Well-Capitalized" institution				
under prompt corrective action provisions	\$ 70,704	5.0%	\$ 64,874	5.0%
Minimum regulatory requirement	\$ 56,563	4.0%	\$ 51,899	4.0%
 <u>Common Equity Tier 1 Ratio</u>				
American Riviera Bank	\$ 149,243	12.5%	\$ 144,964	13.2%
Minimum for "Well-Capitalized" institution				
under prompt corrective action provisions	\$ 77,388	6.5%	\$ 71,312	6.5%
Minimum regulatory requirement	\$ 53,576	4.5%	\$ 49,370	4.5%
 <u>Tier 1 Risk-Based Capital Ratio</u>				
American Riviera Bank	\$ 149,243	12.5%	\$ 144,964	13.2%
Minimum for "Well-Capitalized" institution				
under prompt corrective action provisions	\$ 95,247	8.0%	\$ 87,769	8.0%
Minimum regulatory requirement	\$ 71,435	6.0%	\$ 65,827	6.0%
 <u>Total Risk-Based Capital Ratio</u>				
American Riviera Bank	\$ 162,908	13.7%	\$ 157,593	14.4%
Minimum for "Well-Capitalized" institution				
under prompt corrective action provisions	\$ 119,059	10.0%	\$ 109,711	10.0%
Minimum regulatory requirement	\$ 95,247	8.0%	\$ 87,769	8.0%

The Company operates under the Small Bank Holding Company Policy Statement and therefore is not currently subject to generally applicable capital adequacy requirements.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

16. REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within non-interest income. The following table presents the Company's sources of non-interest income for the twelve months ended December 31, 2025, and 2024. The other category totaling \$2.0 million and \$2.6 million for the years ended December 31, 2025, and 2024, respectively, is not within the scope of ASC 606.

Non-interest income for the years ended December 31, 2025, and 2024 consisted of the following (*Dollars in thousands*):

	<u>2025</u>	<u>2024</u>
Service charges on deposits	\$ 1,414	\$ 1,402
Overdraft Fees	132	80
Other	1,968	2,641
Total	<u>\$ 3,514</u>	<u>\$ 4,123</u>

A description of the Bank's revenue stream accounted for under ASC 606 is as follows:

The Bank earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Bank fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period which the Bank satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

17. EMPLOYEE BENEFIT PLANS

Profit Sharing Plan

In 2006, the Bank adopted the American Riviera Bank 401(k) Profit Sharing Plan and Trust (the "401k Plan"). All employees 21 years of age or older are immediately eligible to participate in the 401k Plan. Eligible employees may elect to make tax-deferred contributions up to the maximum amount allowed by law. The Bank makes "safe harbor" matching contributions, and the Bank may make additional profit-sharing contributions to the 401k Plan at the discretion of the Board of Directors. "Safe harbor" Bank contributions vest immediately for all employees. The Company contributed \$0.6 million in the form of employer matching contributions to the 401k Plan during both years ended December 31, 2025, and 2024.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

18. OTHER EXPENSES

Other non-interest expenses for the years ended December 31, 2025, and 2024, consisted of the following (*Dollars in thousands*):

	2025	2024
Data processing	\$ 1,591	\$ 1,456
Advertising and marketing	776	1,059
Professional fees	934	780
Regulatory assessments	772	724
Director Fees	399	366
Software	1,181	1,112
Insurance	205	188
Other	2,883	3,242
Total other expenses	\$ 8,741	\$ 8,927

19. RELATED PARTY TRANSACTIONS

During the normal course of business, the Company enters into transactions with related parties, including executive officers and directors. The following is a summary of the aggregate activity involving related parties (*Dollars in thousands*):

Loans

Balance, January 1, 2025	\$	-
Disbursements		3
Amounts repaid		(3)
Balance, December 31, 2025	\$	-

As of December 31, 2025, total undisbursed commitments to related parties were \$50,000.

As of December 31, 2025, and 2024, there were no loans to related parties that exceeded 10% of the Bank's total loans.

AMERICAN RIVIERA BANCORP

NOTES TO FINANCIAL STATEMENTS FOR YEARS 2025 AND 2024

20. INVESTMENTS IN TAX CREDIT STRUCTURES

The Company invested in qualified affordable housing projects in 2022. At December 31, 2025, the balance of the investment for qualified affordable housing projects was \$1.8 million. At December 31, 2024, the balance of the investment for qualified affordable housing projects was \$2.0 million. These balances are reflected in the accrued interest receivable and other assets line on the consolidated balance sheets. Total unfunded commitments related to the investments in qualified affordable housing projects totaled \$0.1 million at December 31, 2025, and \$1.7 million at December 31, 2024. These balances are reflected in the accrued interest payable and other liabilities line on the consolidated balance sheets. The Company expects to fulfill these commitments during the year ending 2039.

During the years ended December 31, 2025, and 2024, the Company recognized amortization expense of \$155,000 and \$315,000, respectively, which was included within income tax expense on the consolidated statements of income.

Additionally, the Company recognized tax credits and other benefits from its investment in affordable housing tax credits of \$225,000 and \$82,000 in 2025 and 2024, respectively.

In December 2025, the Company executed a Tax Credit Purchase and Sale Agreement whereby the Company agreed to purchase \$6.7 million of 2025 qualified energy tax credits at a purchase price of 92% of the tax credit amount. The purchase price of \$6.2 million was paid to the seller, an independent third party, in two payments of \$5.8 million in December 2025 and \$0.4 million in February 2026. The Company plans to utilize the purchased tax credits of \$6.7 million to offset amounts that otherwise would be due and payable for 2025 and prior tax years. The accounting treatment at December 31, 2025 is an increase in income tax receivable of \$6.7 million (recorded in accrued interest receivable and other assets in the consolidated balance sheets), a liability to the seller of \$0.3 million (recorded in accrued interest payable and other liabilities in the consolidated balance sheets), and a reduction to income tax expense of \$0.5 million (recorded in provision for taxes in the consolidated statements of income) for the year ending December 31, 2025.

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