



AMERICAN RIVIERA BANK

December 8, 2021

Dear Shareholder:

You are cordially invited to attend a special meeting of the shareholders of American Riviera Bank, which will be held at 5:30 p.m. on Monday, January 10, 2022, at 1033 Anacapa Street, Santa Barbara, California 93101. At this special meeting, shareholders will be asked to approve a bank holding company reorganization, as a result of which American Riviera Bank will become a wholly-owned subsidiary of a newly formed holding company, American Riviera Bancorp, and each outstanding share of common stock of American Riviera Bank will automatically convert into one share of common stock of American Riviera Bancorp.

The board of directors and management believe that forming a bank holding company will afford American Riviera Bank and its holding company greater flexibility in terms of operations, expansion, capital and diversification. As a result, the board of directors has unanimously approved a Plan of Reorganization and Agreement of Merger, dated as of December 6, 2021, which provides for the bank holding company reorganization. A copy of the Plan of Reorganization and Agreement of Merger is attached as Annex A to the accompanying proxy statement/prospectus.

Based on the reasons for the bank holding company reorganization described in the accompanying proxy statement/prospectus, the board of directors has determined that the Plan of Reorganization and Agreement of Merger and the transactions contemplated therein are fair and in the best interests of American Riviera Bank and its shareholders and, therefore, unanimously recommends that you vote “**FOR**” approval of the principal terms of the Plan of Reorganization and Agreement of Merger and the transactions contemplated thereby.

We need your vote so that your shares are represented at the meeting. Accordingly, please complete and return the enclosed proxy card or submit your proxy by telephone or through the Internet. Submitting a proxy now will not prevent you from being able to vote your shares in person at the special meeting.

Sincerely,

Lawrence Koppelman
Chairman of the Board

1033 Anacapa Street, Santa Barbara, California 93101
Telephone (805) 965-5942 • www.americanriviera.bank

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the bank holding company reorganization, the issuance of the American Riviera Bancorp common stock in connection with the bank holding company reorganization or the other transactions described in this document, or passed upon the adequacy or accuracy of the disclosures in this document.

The securities to be issued in connection with the bank holding company reorganization are not savings accounts, deposits or other obligations of any bank or savings association and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.



AMERICAN RIVIERA BANK

1033 Anacapa Street
Santa Barbara, California 93101

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON MONDAY, JANUARY 10, 2022

To the Shareholders of American Riviera Bank:

NOTICE IS HEREBY GIVEN that a special meeting of the shareholders of American Riviera Bank will be held at 1033 Anacapa Street, Santa Barbara, California 93101, on Monday, January 10, 2022, at 5:30 p.m., local time, for the purpose of considering and voting upon the following proposals:

1. To approve the principal terms of the Plan of Reorganization and Agreement of Merger, dated as of December 6, 2021, by and among American Riviera Bank, American Riviera Bancorp and American Riviera Merger Sub (the “Reorganization Agreement”) and the transactions contemplated thereby, pursuant to which American Riviera Bank will become a wholly-owned subsidiary of a newly formed holding company, American Riviera Bancorp, and each outstanding share of common stock of American Riviera Bank will automatically convert into one share of common stock of American Riviera Bancorp (the “Reorganization Proposal”).
2. To approve a proposal to grant discretionary authority to adjourn the special meeting if necessary to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the Reorganization Proposal (the “Adjournment Proposal”).

No other business may be conducted at the special meeting.

Only shareholders of record at the close of business on December 2, 2021, will be entitled to notice of and to vote at the special meeting or at any postponement or adjournment thereof. The Reorganization Proposal requires the affirmative vote of at least a majority of the shares of American Riviera Bank common stock outstanding as of the record date for the special meeting. The Adjournment Proposal requires the affirmative vote of at least a majority of the shares of American Riviera Bank common stock present in person or represented by proxy and voting at the special meeting (which affirmative vote constitutes at least a majority of the required quorum).

The American Riviera Bank board of directors has approved the Reorganization Agreement and the transactions contemplated thereby and recommends that you vote “FOR” the Reorganization Proposal and “FOR” the Adjournment Proposal.

Your vote is very important. Whether or not you plan to attend the special meeting, please sign, date and return the enclosed proxy card in the postage prepaid envelope provided, or cast your vote by telephone or Internet by following the instructions on your proxy card, as soon as you can. The vote of every shareholder is important, and we appreciate your cooperation in returning your executed proxy promptly. If you do not vote, abstain from voting or do not instruct your broker how to vote any shares held by you in “street name,” the effect will be a vote “AGAINST” the Reorganization Proposal.

We expect to hold the special meeting in person, but we continue to monitor the situation regarding COVID-19 closely. Accordingly, we are planning for the possibility that the special meeting may be subject to special precautions, including limitations on the number of participants in one room or other limitations. In that regard, only shareholders will be admitted to the special meeting. No guests will be permitted.

By Order of the Board of Directors,

A handwritten signature in black ink, appearing to read "Michelle Martinich", with a long horizontal flourish extending to the right.

Michelle Martinich
Corporate Secretary

December 8, 2021
Santa Barbara, California

TABLE OF CONTENTS

	<u>Page</u>
QUESTIONS AND ANSWERS.....	i
SUMMARY	1
RISK FACTORS	5
FORWARD LOOKING STATEMENTS	8
INFORMATION ABOUT THE SPECIAL MEETING	9
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	11
INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS	12
PROPOSAL 1 – THE REORGANIZATION PROPOSAL.....	19
PROPOSAL 2 – THE ADJOURNMENT PROPOSAL	28
COMPARISON OF THE RIGHTS OF SHAREHOLDERS OF AMERICAN RIVIERA BANCORP AND AMERICAN RIVIERA BANK	29
MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS	33
DESCRIPTION OF AMERICAN RIVIERA BANCORP	34
DESCRIPTION OF AMERICAN RIVIERA MERGER SUB.....	39
DESCRIPTION OF AMERICAN RIVIERA BANK.....	39
FINANCIAL STATEMENTS	41
OTHER BUSINESS	42
<u>ANNEX A</u> – PLAN OF REORGANIZATION AND AGREEMENT OF MERGER	
<u>ANNEX B</u> – ARTICLES OF INCORPORATION OF AMERICAN RIVIERA BANCORP	
<u>ANNEX C</u> – BYLAWS OF AMERICA RIVIERA BANCORP	
<u>ANNEX D</u> – AUDITED FINANCIAL STATEMENTS OF AMERICAN RIVIERA BANK	

[This Page Intentionally Left Blank]

QUESTIONS AND ANSWERS

The following are brief answers to certain questions that you may have about the special meeting and the bank holding company reorganization. You should carefully read the remainder of this proxy statement/prospectus because the information in this section may not provide all the information that might be important to you in determining how to vote. Additional important information is also contained in the annexes to this document. References to “we” and “our” refer to American Riviera Bank and American Riviera Bancorp.

Q: What is the bank holding company reorganization?

A: The American Riviera Bank board of directors and management believe that forming a bank holding company will afford American Riviera Bank and its holding company greater flexibility in terms of operations, expansion, capital and diversification. As a result, the American Riviera Bank board of directors has unanimously approved the Plan of Reorganization and Agreement of Merger, dated as of December 6, 2021, by and among American Riviera Bank, American Riviera Bancorp and American Riviera Merger Sub (the “Reorganization Agreement”), which provides for the bank holding company reorganization. A copy of the Reorganization Agreement is attached as Annex A to this proxy statement/prospectus. As a result of the bank holding company reorganization, American Riviera Bank will become a wholly-owned subsidiary of a newly formed holding company, American Riviera Bancorp, and each outstanding share of common stock of American Riviera Bank will automatically convert into one share of common stock of American Riviera Bancorp. The shareholders of American Riviera Bank immediately prior to the bank holding company reorganization will collectively own 100% of the common stock of American Riviera Bancorp immediately after the bank holding company reorganization is completed.

Q: Why am I receiving this proxy statement/prospectus?

A: We are delivering this document to you to help you decide how to vote your shares of American Riviera Bank common stock with respect to the proposals to be voted on at the special meeting.

This document is both a proxy statement of American Riviera Bank and a prospectus of American Riviera Bancorp. It is a proxy statement because the American Riviera Bank board of directors is soliciting proxies from the American Riviera Bank shareholders for use at the special meeting. It is a prospectus because American Riviera Bancorp will issue shares of its common stock in exchange for shares of American Riviera Bank common stock as the consideration to be paid in connection with the bank holding company reorganization.

Q: What are American Riviera Bank shareholders being asked to vote on?

A: American Riviera Bank is soliciting proxies from holders of its common stock with respect to the following matters:

- approval of the principal terms of the Reorganization Agreement and the transactions contemplated thereby, pursuant to which American Riviera Bank will become a wholly-owned subsidiary of a newly formed holding company, American Riviera Bancorp, and each outstanding share of common stock of American Riviera Bank will automatically convert into one share of common stock of American Riviera Bancorp (the “Reorganization Proposal”); and

- approval of a proposal to grant discretionary authority to adjourn the special meeting if necessary to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the Reorganization Proposal (the “Adjournment Proposal”).

Q: What will American Riviera Bank shareholders receive as a result of the bank holding company reorganization?

A: Upon consummation of the bank holding company reorganization, each outstanding share of common stock of American Riviera Bank will automatically convert into one share of common stock of American Riviera Bancorp.

Q: What is American Riviera Bancorp?

A: American Riviera Bancorp is a California corporation that was recently incorporated for the specific purpose of becoming the holding company for American Riviera Bank. The management of American Riviera Bank organized American Riviera Bancorp at the direction of the American Riviera Bank board of directors. American Riviera Bancorp has no material assets or liabilities.

Q: What will happen to the American Riviera Bank equity incentive plan and outstanding equity awards as a result of the bank holding company reorganization?

A: Upon consummation of the bank holding company reorganization, the American Riviera Bank 2015 Omnibus Stock Incentive Plan (the “American Riviera Equity Plan”) will automatically become an equity incentive plan of American Riviera Bancorp, any outstanding options to purchase shares of American Riviera Bank common stock which have been granted by American Riviera Bank pursuant to the American Riviera Equity Plan will automatically become options to purchase the same number of shares of common stock of American Riviera Bancorp, and any shares of American Riviera Bank common stock awarded with such restrictions as set forth on the applicable award agreement pursuant to the American Riviera Equity Plan will automatically become shares of American Riviera Bancorp common stock with the same terms, conditions and restrictions.

Q: Who is entitled to vote at the special meeting?

A: Shareholders who were the record owners of American Riviera Bank common stock at the close of business on December 2, 2021 (the “record date”) are entitled to vote. On this record date, there were 5,139,541 shares of common stock outstanding.

Q: What constitutes a quorum?

A: A majority of the outstanding shares of the common stock entitled to vote at the special meeting must be present, in person or by proxy, in order to constitute a quorum. We can only conduct the business of the special meeting if a quorum has been established. We will include proxies marked as abstentions and broker non-votes in determining the number of shares present at the special meeting.

Q: How many votes do I have?

A: Each shareholder is entitled to one vote for each share of American Riviera Bank common stock held by such shareholder on the record date with respect to the Reorganization Proposal and the Adjournment Proposal.

Q: What do I need to do now?

A: After you have carefully read this proxy statement/prospectus and have decided how you wish to vote your shares, please vote your shares promptly so that your shares are represented and voted. If you hold stock in your name as a shareholder of record, you must complete, sign, date and mail your proxy card in the enclosed postage-prepaid return envelope as soon as possible, or call the toll-free telephone number or use the Internet to vote as described in the instructions included with your proxy card. If you hold your stock in “street name” through a bank or broker or other nominee, you must direct your bank or broker or other nominee to vote in accordance with the instructions you have received from your bank or broker or other nominee.

Q: If my shares are held in “street name” through a bank, broker or other nominee, will my bank, broker or other nominee vote my shares for me?

A: No. Your bank, broker or other nominee cannot vote your shares without instructions from you, except for certain routine matters. None of the matters to be voted upon at the special meeting constitutes a routine matter. You should instruct your bank, broker or other nominee as to how to vote your shares, following the directions your bank, broker or other nominee provides to you. Please check the voting form used by your bank, broker or other nominee.

Q: Can I attend the special meeting and vote in person?

A: Yes. We expect to hold the special meeting in person, but we continue to monitor the situation regarding COVID-19 closely. Accordingly, we are planning for the possibility that the special meeting may be subject to special precautions, including limitations on the number of participants in one room or other limitations. In that regard, only shareholders will be admitted to the special meeting. No guests will be permitted.

Q: Can I change or revoke my vote?

A: Yes. If you are a holder of record of American Riviera Bank common stock, you may change your vote or revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation letter to American Riviera Bank’s corporate secretary, (3) attending the special meeting in person, and voting by ballot at the special meeting, or (4) voting by telephone or the Internet at a later time. Attendance at the special meeting by itself will not automatically revoke your proxy. A revocation or later-dated proxy received by American Riviera Bank after the special meeting vote will not be counted and will not affect the vote. American Riviera Bank’s corporate secretary’s mailing address is 1033 Anacapa Street, Santa Barbara, California 93101, Attention: Corporate Secretary.

If your shares are held in “street name” through a bank, broker or other nominee and you have instructed your nominee how to vote your shares, you must submit new voting instructions to your nominee should you wish to change or revoke your vote. You should follow the instructions you receive from your bank, broker or other nominee on how to change or revoke your vote.

Q: Do shareholders have dissenters’ rights with respect to the Reorganization Proposal?

A: Holders of American Riviera Bank common stock will not have dissenters’ rights in connection with the bank holding company reorganization.

Q: What vote is required to approve each proposal?

A: The affirmative vote of a majority of the shares of American Riviera Bank common stock outstanding on the record date will be required to approve the Reorganization Proposal. Approval of the Adjournment Proposal requires the affirmative vote of a majority of the shares of American Riviera Bank common stock represented in person or by proxy at the special meeting and voting on the proposal (which affirmative vote constitutes at least a majority of the required quorum).

Q: How will voting on any other business be conducted?

A: Your proxy card confers discretionary authority to your proxy to vote your shares on the matters which may properly be presented for action at the special meeting, and may include action with respect to procedural matters pertaining to the conduct of the special meeting.

SUMMARY

This summary highlights selected information contained in this proxy statement/prospectus. It may not contain all the information that might be important to you in determining how to vote. You should carefully read this entire document and the other documents referred to in this proxy statement/prospectus for a more complete understanding of the bank holding company reorganization and the other matters that will be considered and voted on at the special meeting.

Bank Holding Company Reorganization

The American Riviera Bank board of directors is asking shareholders to approve a bank holding company reorganization, as a result of which American Riviera Bank will become a wholly-owned subsidiary of a newly formed holding company, American Riviera Bancorp, and each outstanding share of common stock of American Riviera Bank will automatically convert into one share of common stock of American Riviera Bancorp. The new corporate structure will permit American Riviera Bancorp and American Riviera Bank greater flexibility in terms of operations, expansion, capital and diversification.

A copy of the Reorganization Agreement is attached as Annex A to this proxy statement/prospectus. We encourage you to read the Reorganization Agreement because it is the legal document that governs the transaction.

The articles of incorporation and bylaws of American Riviera Bancorp are attached as Annex B and Annex C, respectively, to this proxy statement/prospectus. We encourage you to read these documents because they are the charter documents of American Riviera Bancorp.

As a result of the bank holding company reorganization, American Riviera Bank will continue in its operations as presently conducted under its management, but American Riviera Bank will be a wholly-owned subsidiary of American Riviera Bancorp.

Parties to the Bank Holding Company Reorganization

American Riviera Bank

American Riviera Bank is a California state-chartered bank. American Riviera Bank engages in the commercial and retail banking business in the greater Santa Barbara and San Luis Obispo counties of California.

American Riviera Bancorp

American Riviera Bancorp has not engaged in any business since its incorporation on November 24, 2021. After the bank holding company reorganization, American Riviera Bancorp will become a registered bank holding company, whose principal asset will be all of the outstanding common stock of American Riviera Bank.

American Riviera Merger Sub

American Riviera Bank caused American Riviera Merger Sub to be incorporated in the State of California on December 6, 2021. American Riviera Merger Sub is a wholly-owned subsidiary of American Riviera Bancorp whose sole purpose is to merge into American Riviera Bank to facilitate the bank holding company reorganization. American Riviera Merger Sub will cease to exist as a corporate entity after the bank holding company reorganization.

Reasons for the Bank Holding Company Reorganization

The American Riviera Bank board of directors believes that the bank holding company form of organization will provide: (i) flexibility in responding to evolving changes in the banking and financial services industries and meeting the competition of other financial institutions, (ii) more alternatives for raising capital under changing conditions in financial and monetary markets on terms and conditions otherwise unavailable to American Riviera Bank as a stand-alone entity, (iii) a more flexible capital structure by increasing the number of shares of authorized common stock and preferred stock for issuance from time-to-time to raise additional capital, (iv) flexibility for acquiring or establishing other banking operations, (v) the ability to engage in other activities that are closely related to banking, either directly, or indirectly through newly formed subsidiaries or by acquiring companies already established in such fields, (vi) the ability to maintain the separate existence of other business interests from the bank, and (vii) an enhanced ability for American Riviera Bank to satisfy ever changing and expanding needs of present customers for banking and banking-related services and to continue to attract new customers for financial services.

Effective Time of the Bank Holding Company Reorganization

The bank holding company reorganization will be effective at the time the Reorganization Agreement is filed with the office of the Secretary of State of the State of California and the California Department of Financial Protection and Innovation (the “DFPI”) following the satisfaction of the conditions set forth in the Reorganization Agreement. Subject to the receipt of required shareholder and regulatory approvals, the bank holding company reorganization is expected to close during the first quarter of 2022.

Conditions to the Bank Holding Company Reorganization

The closing of the bank holding company reorganization is conditioned upon the following:

- approval of the principal terms of the Reorganization Agreement and the transactions contemplated thereby by the holders of not less than a majority of the outstanding shares of American Riviera Bank, American Riviera Bancorp and American Riviera Merger Sub;
- receipt of all necessary government regulatory approvals and consents;
- satisfaction of all other requirements as are prescribed by applicable law in connection with the bank holding company reorganization; and
- performance by each party thereto of all its obligations under the Reorganization Agreement.

Risk Factors

In considering whether to approve the principal terms of the Reorganization Agreement and the transactions contemplated thereby, shareholders should consider certain risks relating to the Reorganization Agreement and the bank holding company reorganization. We urge shareholders to read carefully all of the factors described under “Risk Factors” in this proxy statement/prospectus.

Dissenters’ Rights

If you vote against the Reorganization Agreement or do not vote, you will NOT be entitled to dissenters’ appraisal rights.

Tax Consequences

The bank holding company reorganization will be tax-free to American Riviera Bank shareholders for federal income tax purposes. The bank holding company reorganization will also be tax-free to American Riviera Bank and American Riviera Bancorp for federal income tax purposes. However, because tax matters are complicated, and tax results may vary among shareholders, we urge you to contact your own tax advisor to understand fully how the bank holding company reorganization will affect you.

Differences between American Riviera Bank and American Riviera Bancorp

The charter documents of American Riviera Bank and American Riviera Bancorp contain substantially the same provisions but there are several differences. See “Comparison of the Rights of Shareholders of American Riviera Bancorp and American Riviera Bank.”

Benefits to Directors and Officers of the Bank Holding Company Reorganization

The bank holding company reorganization will not directly provide any substantive benefits to the directors and officers of American Riviera Bank, who will also be the directors and officers of American Riviera Bancorp.

Resale Restrictions

American Riviera Bancorp will issue its common stock in the bank holding company reorganization in reliance on Section 3(a)(12) of the Securities Act of 1933, as amended (the “Securities Act”), which exempts the issuance of the common stock from registration with the Securities and Exchange Commission (the “SEC”). The shares of common stock issued in the bank holding company reorganization will not be deemed restricted securities and may be freely resold by non-affiliates of American Riviera Bancorp. Affiliates of American Riviera Bancorp may resell their shares of American Riviera Bancorp common stock by complying with the requirements of Rule 144 of the Securities Act, other than the holding period requirement of Rule 144(d).

Market for Common Stock

American Riviera Bank common stock is quoted on the OTCQX Market under the symbol “ARBV.” After the bank holding company reorganization, it is anticipated that American Riviera Bancorp company stock will be quoted on the OTCQX Market under the same symbol. American Riviera Bancorp expects there will only be a limited market for American Riviera Bancorp common stock. No assurance can be given that an active trading market will develop or be sustained for American Riviera Bancorp common stock at any time in the future.

Dividends

American Riviera Bank has never paid cash dividends, although such dividends would be permitted under its existing policies. It is anticipated that the dividend policy of American Riviera Bancorp will be substantially identical to the current policy of American Riviera Bank. However, American Riviera Bancorp will be almost exclusively dependent on the receipt of dividends from American Riviera Bank in order to provide cash for American Riviera Bancorp to pay any cash dividends to its shareholders. There are regulatory restrictions on the amount of cash dividends that American Riviera Bank and American Riviera Bancorp may pay.

Regulatory Approvals

We cannot complete the bank holding company reorganization unless it is approved or exempted by the Board of Governors of the Federal Reserve System (the “Federal Reserve”), the Federal Deposit Insurance Corporation (the “FDIC”) and the DFPI.

American Riviera Bank and American Riviera Bancorp will file all of the required applications or notices with the Federal Reserve, the FDIC, and the DFPI.

As of the date of this proxy statement/prospectus, none of the Federal Reserve, the FDIC or the DFPI has granted its waiver, approval or confirmed that no approval or waiver is required. We do not know of any reason why we should not be able to obtain the necessary approvals or waivers in a timely manner, but we cannot be certain when or if we will obtain them.

Supervision and Regulation

After the bank holding company reorganization, American Riviera Bancorp will be regulated as a bank holding company by the Federal Reserve. American Riviera Bank, as a California state-chartered bank, will continue to be regulated by the FDIC and the DFPI, and to have its deposit accounts insured by the FDIC.

RISK FACTORS

In addition to the other information included in this proxy statement/prospectus, you should carefully consider the risk factors listed below. This list includes only the risk factors related to the bank holding company reorganization that we believe are most significant and is not a complete list of the risks associated with the bank holding company reorganization.

Shares of American Riviera Bancorp common stock are subject to certain restrictions upon resale.

American Riviera Bancorp will issue its common stock in the bank holding company reorganization in reliance on Section 3(a)(12) of the Securities Act, which exempts the issuance of the common stock from registration with the SEC. As a result, these shares of common stock will not be deemed restricted securities and may be freely resold by non-affiliates of American Riviera Bancorp. Affiliates of American Riviera Bancorp (generally meaning directors, executive officers and large shareholders) may resell their shares of American Riviera Bancorp common stock by complying with the requirements of Rule 144 of the Securities Act, other than the holding period requirement of Rule 144(d).

After the bank holding company reorganization, any shares of common stock issued by American Riviera Bancorp (or sold by its affiliates) in any future non-public offering will be “restricted shares” that are subject to restrictions on resale. Persons who are not affiliates of American Riviera Bancorp who wish to transfer their restricted shares under the SEC safe harbor rules will be required to hold their shares for at least one year prior to resale. Affiliates who wish to transfer their restricted shares under the SEC safe harbor rules will be required to hold their shares for one year and satisfy certain other requirements.

The holding period will apply to shares acquired under the American Riviera Bancorp Equity Plan. For American Riviera Bancorp common stock issued upon the exercise of stock options, the one-year holding period will begin upon the exercise of the stock options and full payment for such shares.

We may not realize the expected benefits of our bank holding company reorganization.

The board of directors believes that the bank holding company reorganization will provide benefits in the future. These expected benefits may not be obtained if market conditions or other circumstances prevent American Riviera Bancorp from taking advantage of the strategic, business and financing flexibility that it affords. As a result, American Riviera Bank may incur the costs of creating American Riviera Bancorp without realizing the possible benefits.

The bank holding company reorganization will allow the board of directors and management greater flexibility.

The bank holding company reorganization will provide the board of directors and management of American Riviera Bancorp with greater flexibility in connection with corporate governance and business operations. This greater flexibility will increase our reliance on the judgments and actions of the board of directors and management to achieve effective corporate governance and to operate our business.

American Riviera Bank’s directors and executive officers own a large amount of American Riviera Bank common stock and, accordingly, will own a large amount of American Riviera Bancorp common stock and, therefore, will have significant control of American Riviera Bancorp’s management and affairs, which they could exercise against your best interests.

As of the record date, the directors and executive officers of American Riviera Bank beneficially own approximately 15.68% of the shares of American Riviera Bank common stock outstanding. As a result of this percentage ownership, after the bank holding company reorganization our directors and executive

officers as a group can exercise significant control over the management and affairs of American Riviera Bancorp.

The bank holding company reorganization is subject to certain regulatory approvals and there is no guarantee that such approvals will be obtained.

The bank holding company reorganization may only be consummated if the Federal Reserve, the FDIC and the DFPI approve the applications filed by American Riviera Bank and American Riviera Bancorp to undertake the bank holding company reorganization. There can be no assurance that these applications will be approved or that the federal and state regulators will not impose conditions which we find objectionable.

The shareholders of American Riviera Bancorp will not be entitled directly to elect the directors of American Riviera Bank following the bank holding company reorganization.

If the bank holding company reorganization is completed, the board of directors of American Riviera Bancorp, acting on behalf of American Riviera Bancorp in its capacity as the sole shareholder of American Riviera Bank, will have the power to elect the directors of American Riviera Bank. The shareholders of American Riviera Bancorp will elect the directors of American Riviera Bancorp, but will no longer be entitled, as shareholders of American Riviera Bancorp, to directly elect the directors of American Riviera Bank.

The American Riviera Bank board of directors may choose to defer or abandon the bank holding company reorganization.

Completion of the bank holding company reorganization may be deferred or abandoned, at any time, by action of our board of directors, whether before or after the special meeting. While we currently expect the bank holding company reorganization to take place, assuming that Reorganization Proposal is approved at the special meeting, the board of directors may defer completion or may abandon the bank holding company reorganization because of any determination by our board of directors that the bank holding company reorganization would not be in the best interests of American Riviera Bank or its shareholders or that the bank holding company reorganization would have material adverse consequences to American Riviera Bank or its shareholders.

American Riviera Bancorp will depend in large part on dividends from American Riviera Bank to satisfy its obligations.

American Riviera Bancorp will have no business operations of its own. Its only significant asset immediately following the bank holding company reorganization will be the outstanding capital stock of American Riviera Bank. As a result, it will rely on dividends from American Riviera Bank, borrowed funds or funds from any other subsidiaries that it may form in the future to meet its obligations. Dividends from American Riviera Bank are subject to regulatory restrictions and can be precluded by regulatory agencies in certain circumstances which may, in turn, impact the ability of American Riviera Bancorp to meet its obligations.

The bank holding company reorganization may result in substantial direct and indirect costs whether or not completed.

The bank holding company reorganization may result in substantial direct costs. These costs and expenses are expected to consist primarily of attorneys' fees, filing fees and printing expenses and will be substantially incurred prior to the vote of our shareholders. The bank holding company reorganization may also result in certain indirect costs by diverting the attention of our management and employees from our

business and by increasing our administrative costs and expenses. These administrative costs and expenses will include keeping separate records and in making separate regulatory filings for each of American Riviera Bank and American Riviera Bancorp.

FORWARD LOOKING STATEMENTS

Certain statements contained in this proxy statement/prospectus, including, without limitation, statements containing the words “believes,” “anticipates,” “intends,” “expects,” “estimates,” “may,” “could” and words of similar impact, constitute “forward looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of American Riviera Bank and/or American Riviera Bancorp to be materially different from any future results, performance or achievements expressed or implied by such forwarding looking statements. Such factors include, among others, the following:

- general economic and business conditions in those areas in which American Riviera Bank and American Riviera Bancorp operate;
- demographic changes;
- competition;
- fluctuations in interest rates;
- changes in business strategy or development plans;
- changes in governmental regulation;
- credit quality;
- the availability of capital to fund the expansion of American Riviera Bank’s and/or American Riviera Bancorp’s business;
- economic, political and global changes; and
- other factors referenced in this proxy statement/prospectus.

When relying on forward-looking statements to make decisions with respect to American Riviera Bank and/or American Riviera Bancorp, shareholders are cautioned to consider these and other risks and uncertainties. American Riviera Bank and American Riviera Bancorp disclaim any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

INFORMATION ABOUT THE SPECIAL MEETING

Introduction

This proxy statement/prospectus is furnished in connection with the solicitation of proxies by the board of directors of American Riviera Bank to be used at the special meeting of shareholders to be held at 1033 Anacapa Street, Santa Barbara 93101, on Monday, January 10, 2022, at 5:30 p.m. local time and at any adjournments or postponements thereof. The accompanying “Notice of Special Meeting of Shareholders,” this proxy statement/prospectus and the enclosed form of proxy are being first mailed to shareholders on or about December 8, 2021.

Purpose of Meeting

At the special meeting, shareholders will consider and vote upon the approval and adoption of the Reorganization Agreement, under which the bank holding company reorganization will be effected. If there are not sufficient votes to approve the Reorganization Agreement, the board of directors of American Riviera Bank may adjourn the special meeting to allow for the solicitation of additional proxies. The board of directors knows of no additional matters that will be presented for consideration at the special meeting. Execution of a proxy, however, confers on the designated proxy holders discretionary authority to vote the shares represented by such proxy in accordance with their best judgment on such other business, if any, that may properly come before the special meeting or any adjournment thereof.

Record Date

Only holders of record of shares of American Riviera Bank common stock at the close of business on December 2, 2021, are entitled to vote at the special meeting. At the close of business on this record date, 5,139,541 shares of American Riviera Bank common stock were issued, outstanding and entitled to be voted at the special meeting. American Riviera Bank has no other class of capital stock outstanding.

Quorum

The presence in person or by proxy of at least a majority of the outstanding shares of American Riviera Bank common stock entitled to vote is necessary to constitute a quorum at the special meeting. In the event there are not sufficient votes for a quorum, the special meeting may be adjourned in order to permit the further solicitation of proxies.

Shareholders of Record Versus Beneficial Owners

If your shares are registered directly in your name with our transfer agent, our transfer agent has sent the “Notice of Special Meeting of Shareholders” and proxy statement/prospectus directly to you.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the “beneficial owner” of shares held in street name. Your broker, bank or other holder of record, who is considered the shareholder of record with respect to those shares, has forwarded the “Notice of Special Meeting of Shareholders” and proxy statement/prospectus directly to you. As the beneficial owner, you have the right to direct your broker, bank or other holder of record on how to vote your shares by using the voting instruction card included in the mailing.

Broker Non-Votes

A “broker non-vote” occurs when a bank, broker or other holder of record holding shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary

voting power for that particular item and has not received instructions from the beneficial owner. Under applicable rules, brokers or other nominees may not exercise discretionary voting power on certain matters, such as the bank holding company reorganization. It is therefore important that you provide instructions to your broker if your shares are held by a broker, so that your vote with respect to the bank holding company reorganization is counted.

Number of Votes

Each shareholder is entitled to one vote for each share of American Riviera Bank common stock held by such shareholder with respect to the Reorganization Proposal and the Adjournment Proposal.

Vote Required

The Reorganization Proposal requires the affirmative vote of at least a majority of the shares of American Riviera Bank common stock outstanding as of the record date for the special meeting. The Adjournment Proposal requires the affirmative vote of at least a majority of the shares of American Riviera Bank common stock present in person or represented by proxy and voting at the special meeting (which affirmative vote constitutes at least a majority of the required quorum).

Revocability of Proxies and Changes to a Shareholder's Vote

Shareholders who execute proxies retain the right to revoke them at any time. Unless so revoked, the shares represented by signed proxies will be voted at the special meeting and all adjournments thereof. If you are a holder of record of American Riviera Bank common stock, you may change your vote or revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation letter to American Riviera Bank's corporate secretary, (3) attending the special meeting in person, and voting by ballot at the special meeting, or (4) voting by telephone or the Internet at a later time. Attendance at the special meeting by itself will not automatically revoke your proxy. A revocation or later-dated proxy received by American Riviera Bank after the special meeting vote will not be counted and will not affect the vote. American Riviera Bank's corporate secretary's mailing address is 1033 Anacapa Street, Santa Barbara, California 93101, Attention: Corporate Secretary.

If your shares are held in "street name" through a bank, broker or other nominee and you have instructed your nominee how to vote your shares, you must submit new voting instructions to your nominee should you wish to change or revoke your vote. You should follow the instructions you receive from your bank, broker or other nominee on how to change or revoke your vote.

Expense of Solicitation

American Riviera Bank will pay the cost of preparing, assembling and mailing this proxy statement/prospectus and the enclosed material. In addition to solicitation by mail, proxies may also be solicited personally or by telephone by American Riviera Bank's directors, officers or employees without additional compensation. American Riviera Bank will reimburse brokerage firms and other custodians, nominees and fiduciaries, if any, for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of American Riviera Bank common stock.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of December 2, 2021, concerning the beneficial ownership of shares of the common stock: (i) by each of American Riviera Bank’s directors; (ii) by each of American Riviera Bank’s executive officers,¹ (iii) by all directors and executive officers of American Riviera Bank as a group; and (iv) by any person who is known by American Riviera Bank to be the beneficial owner of more than 5% of the common stock.

Name and Address of Beneficial Owner ²	Title	Amount and Nature of Beneficial Ownership	Percent of Class
Paul Abramson	EVP, Chief Technology Officer	10,839 ³	0.21%
Darren D. Caesar	Director, Vice Chair of the Board	85,176	1.66%
Joe Campanelli	Director	26,181	0.51%
Elizabeth Cholawsky	Director	3,434	0.07%
Eusebio Cordova Jr.	EVP, Chief Credit Officer	17,946 ⁴	0.35%
Jeff DeVine	Director, President and CEO	105,987 ⁵	2.06%
Joanne Funari	EVP, Chief Operating Officer	27,635 ⁶	0.54%
Leonard Himelsein	Director	315,434	6.14%
Jody Dolan Holehouse, CPA	Director	14,115	0.27%
Weldon U. Howell, Jr., Esq	Director	11,805	0.23%
Lawrence Koppelman	Director, Chair of the Board	73,331	1.43%
Douglas Margerum	Director	70,605	1.37%
Michelle Martinich, CPA	EVP, Chief Financial Officer	30,740 ⁷	0.60%
Laurel Sykes	EVP, Chief Risk Officer	12,131 ⁸	0.24%
All Directors and Executive Officers as a Group (14 in number)		805,359	15.68%
The Banc Funds Company, LLC	Shareholder	272,500	5.33%

¹ As used throughout this document, the term “executive officers” means the President and Chief Executive Officer; the Executive Vice President and Chief Operating Officer; the Executive Vice President and Chief Financial Officer; the Executive Vice President and Chief Credit Officer; the Executive Vice President and Chief Risk Officer; the Executive Vice President and Chief Technology Officer.

² Beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has: (a) voting power, which includes the power to vote, or to direct the voting of such security; and/or (b) investment power, which includes the power to dispose, or to direct the disposition, of such security. Beneficial owner includes any person who has the right to acquire beneficial ownership of such security as defined above within 60 days of the record date. The address for all directors and executive officers is 1033 Anacapa Street, Santa Barbara, CA 93101. The address for The Banc Funds Company, LLC is 20 North Wacker Drive, Suite 3300, Chicago, IL 60606.

³ Includes 10,179 granted but not yet vested restricted stock awards.

⁴ Includes 10,128 granted but not yet vested restricted stock awards.

⁵ Includes 38,134 granted but not yet vested restricted stock awards.

⁶ Includes 13,527 granted but not yet vested restricted stock awards.

⁷ Includes 13,719 granted but not yet vested restricted stock awards.

⁸ Includes 11,280 granted but not yet vested restricted stock awards.

INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS

The Board of Directors

The board of directors oversees our business and monitors the performance of management. In accordance with corporate governance principles, the board does not involve itself in day-to-day operations. The directors keep themselves informed through, among other things, discussions with the Chief Executive Officer, other key executives and our principal outside advisors (legal counsel, outside auditors, investment bankers, market makers and other consultants), by reading reports and other materials that we send them and by participating in board and committee meetings.

American Riviera Bank's bylaws currently permit the number of board members to range from eight (8) to fifteen (15), leaving the board authority to fix by Bylaw amendment or resolution the exact number of directors within that range. The board has currently fixed the number of directors at nine (9). There is no family relationship between any of the directors, nominees or executive officers.

The current directors of American Riviera Bank have been appointed to the board of directors of American Riviera Bancorp. The following table lists, and provides certain information as of the record date with respect to, each person currently serving as a member of the board of directors of American Riviera Bank.

Name and Office Held	Age as of December 2, 2021	Principal Occupation For Past Five Years	Director or Executive Officer of American Riviera Bank Since
Darren D. Caesar Director, Vice Chair of Board	54	President – CA Commercial Insurance HUB International	2006
Joe Campanelli Director	72	Business Consultant	2006
Elizabeth Cholawsky Director	65	CEO and Board Member HG Insights	2019
Jeff DeVine Director, President and CEO	53	Banker American Riviera Bank	2008
Leonard Himelsein Director	76	President, National Pacific Corporation	2016
Jody Dolan Holehouse, CPA Director, Audit Chair	62	CPA, Nasif, Hicks, Harris & Co LLP	2011
Weldon U. Howell, Jr., Esq Director	74	Attorney at Law Howell, Moore & Gough LLP	2012
Lawrence Koppelman Director, Chair of the Board	81	President Koppelman & Co	2006
Douglas Margerum Director	62	Owner Margerum Wine Company Inc.	2006

Director Compensation

The following table sets forth as to each of the persons who currently serves as an outside director on the American Riviera Bank board of directors, such person's compensation earned for service on the board for the year ended December 31, 2020. No fees are paid to Jeff DeVine for his service on the board.

Name	Annual Retainer ¹	Extra Retainer ²	Board Meeting Fees ³	Stock Awards ⁴
Darren D. Caesar	\$10,000	\$3,000	\$12,000	\$17,500
Joe Campanelli	\$10,000	\$8,000	\$12,000	\$17,500
Elizabeth Cholawsky	\$10,000	\$0	\$12,000	\$17,500
Leonard Himelsein	\$10,000	\$8,000	\$12,000	\$17,500
Jody Dolan Holehouse	\$10,000	\$9,000	\$12,000	\$17,500
Weldon U. Howell, Jr.	\$10,000	\$0	\$12,000	\$17,500
Lawrence Koppelman	\$10,000	\$12,500	\$12,000	\$17,500
Douglas Margerum	\$10,000	\$3,000	\$12,000	\$17,500

- American Riviera Bank pays each outside director an annual retainer of \$10,000 which is paid in cash after election at the annual shareholder meeting.
- American Riviera Bank pays additional or extra annual retainers to outside directors that serve as committee chairs and members of the loan committee. The Board Chair receives \$10,000. Each Committee Chair receives \$3,000, except Loan Committee Chair receives \$8,000 and Audit Committee Chair receives \$4,000. Loan Committee members receive \$5,000 and alternates receive \$2,500.
- Board meeting fees are based on attendance. The level in effect for 2020 was \$1,000 per board meeting attended in person, \$750 per meeting attended via video and \$500 for each meeting attended via phone. Due to the COVID-19 pandemic, all attendees who participated via video were paid for the March through December meetings as if they had attended in person.
- It has been the practice of American Riviera Bank to grant \$17,500 value of common stock to the outside directors annually after election at the annual shareholder meeting.

Executive Officers

The current executive officers of American Riviera Bank have been appointed to the same officer positions with American Riviera Bancorp. The following table lists, and provides certain information as of the record date with respect to, each person currently serving as an executive officer of American Riviera Bank.

Name	Age as of December 2, 2021	Position with American Riviera Bank	Principal Occupation For Past Five Years	Executive Officer of American Riviera Bank Since
Jeff DeVine ¹	53	President and Chief Executive Officer	Banker	2008
Joanne Funari ²	62	EVP and Chief Operating Officer	Banker	2016
Michelle Martinich ³	47	EVP and Chief Financial Officer	Banker	2006
Eusebio Cordova, Jr. ⁴	40	EVP and Chief Credit Officer	Banker	2016
Laurel Sykes ⁵	47	EVP and Chief Risk Officer	Banker	2019
Paul Abramson ⁶	42	EVP and Chief Technology Officer	Banker	2019

- 1 Mr. DeVine was appointed President and Chief Executive Officer of American Riviera Bank on August 21, 2008. Mr. DeVine previously was employed as Statewide Division Manager of commercial real estate by Rabobank, N.A. Prior to that, he was Regional President for the Greater Santa Barbara and Santa Ynez Valley Region of Mid-State Bank & Trust. He has held senior officer positions in a range of banking firms, serving roles in commercial, real estate, private and investment banking during his 30+ year career. He graduated with honors from the Pacific Coast Banking School at the University of Washington and received his Bachelors of Science from the University of California, San Diego in Quantitative Economics.
- 2 Ms. Funari was appointed Executive Vice President and Chief Operating Officer of American Riviera Bank on January 1, 2016. Ms. Funari was previously employed as Executive Vice President and Chief Operating Officer and served as a Director for The Bank of Santa Barbara. Prior to joining The Bank of Santa Barbara, she served as Executive Vice President and Santa Barbara and Ventura Counties Market President for Business First Bank, a Division of Heritage Oaks Bank. She was also a founder and president of Business First National Bank and held senior officer positions at Santa Barbara Bank & Trust, City Commerce Bank and Bank of New York. She has served the Santa Barbara market for the past 30 years as a community banker. Her education includes a graduate degree with honors from the Pacific Coast Banking School at the University of Washington and University of California, Los Angeles.
- 3 Ms. Martinich was appointed Senior Vice President and Chief Financial Officer of American Riviera Bank on April 20, 2006 and currently serves as the Executive Vice President and Chief Financial Officer. Ms. Martinich previously was employed by Pacific Capital Bancorp (“PCB”), dba Santa Barbara Bank & Trust. Ms. Martinich’s financial and banking experience spans 20+ years, first as an external auditor with Arthur Andersen and then with responsibility for various functions in the Finance Department of PCB, reporting directly to the CFO. She graduated from UC Santa Barbara with a Bachelors of Arts in Business Economics.
- 4 Mr. Cordova was appointed Senior Vice President and Chief Credit Officer of American Riviera Bank on July 20, 2016 and currently serves as the Executive Vice President and Chief Credit Officer. Mr. Cordova joined American Riviera Bank in 2009 and was serving as the Commercial Team Leader prior to his appointment as CCO. Prior to working at American Riviera Bank, Mr. Cordova was a Vice President, Commercial Banking Officer for Mid-State Bank and Trust, which was acquired by Rabobank. Mr. Cordova has held various positions during his 18 year banking career. Mr. Cordova received a Bachelor of Science Degree in Business and minor in Economics from CSU Channel Islands and graduated from Pacific Coast Banking School at the University of Washington.
- 5 Ms. Sykes was appointed Executive Vice President and Chief Risk Officer of American Riviera Bank on June 13, 2019 and currently serves as the Executive Vice President and Chief Risk Officer. Ms. Sykes previously was employed by Montecito Bank & Trust as SVP and Chief Risk Officer. Ms. Sykes holds the designation of Certified Regulatory Compliance Manager and has specialized in regulatory compliance for 20+ years. She graduated from UC Santa Barbara with a Bachelors of Arts in Business Economics.
- 6 Mr. Abramson was appointed Executive Vice President and Chief Technology Officer of American Riviera Bank on December 2, 2019. Prior to joining American Riviera Bank, Mr. Abramson served as the lead technologist and cybersecurity architect for Montecito Bank & Trust. Mr. Abramson has over 20 years of experience in the Technology and Cybersecurity industries, of which 14 years has been in banking. Mr. Abramson graduated from UC Santa Barbara with a Bachelor of Arts in Business Economics and recently completed the Western Bankers Association Executive Development Program.

Executive Compensation

The following summary compensation table sets forth, for the last three (3) fiscal years, the cash and certain other compensation paid by American Riviera Bank to Jeff DeVine, President and Chief Executive Officer of American Riviera Bank, and for the two other most highly compensated executive officers whose total annual salary and bonus for the fiscal year ended December 31, 2020 exceeded \$100,000 (the “named executive officers”).

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Other Compensation (\$) ¹	Stock Awards (#)
Jeff DeVine President & CEO	2020	\$ 379,167	\$ 165,000	\$ 59,211	2,083
	2019	\$ 350,000	\$ 185,000	\$ 576,296	31,549
	2018	\$ 350,000	\$ 150,000	\$ 71,040	2,821
Joanne Funari EVP, COO	2020	\$ 242,240	\$ 64,000	\$ 46,352	1,354
	2019	\$ 231,750	\$ 66,000	\$ 203,764	10,423
	2018	\$ 231,750	\$ 66,000	\$ 46,933	1,487
Michelle Martinich EVP, CFO	2020	\$ 229,543	\$ 65,000	\$ 41,401	1,354
	2019	\$ 225,000	\$ 75,000	\$ 204,973	10,705
	2018	\$ 225,000	\$ 70,000	\$ 53,000	1,692

1 Represents the dollar value of other annual compensation not properly categorized as salary or bonus; including (i) perquisites and other personal benefits, securities or property unless the aggregate amount of such compensation is the lesser of either \$50,000 or 10% of the total annual salary and bonus reported for the named executive officer; (ii) above-market or preferential earnings on restricted stock, options, stock appreciation rights (“SARs”) or deferred compensation paid during the fiscal year or payable during that period but deferred at the election of the named executive officer; (iii) earnings on long-term incentive plan (“LTIP”) compensation paid during the fiscal year or payable during that period but deferred at the election of the named executive officer; (iv) value of restricted stock awards (RSA) awarded at grant date, and (v) amounts reimbursed during the fiscal year for the payment of taxes. Actual amounts are reflected in the tables above and below.

2020 Other Compensation	Car Allowance	Car Lease Benefit	401k Match	RSA Grant Value at Date of Grant	Total
Jeff DeVine	\$ -	\$ 7,811	\$ 11,400	\$ 40,000	\$ 59,211
Joanne Funari	\$ 9,000	\$ -	\$ 11,352	\$ 26,000	\$ 46,352
Michelle Martinich	\$ -	\$ 4,139	\$ 11,262	\$ 26,000	\$ 41,401

American Riviera Bank has entered into an employment agreement to pay Jeff DeVine an annual base salary not less than \$385,000, discretionary bonus, an automobile allowance of \$1,250 per month, or lease value equivalent, and group insurance coverage. Mr. DeVine’s annual base salary was adjusted to \$425,000 effective March 1, 2021. In 2020, Mr. DeVine was granted 2,083 performance based stock awards. Performance based stock awards granted were in the form of restricted stock grants with vesting over 4 years at 25% each year. If Mr. DeVine is terminated without Good Cause as defined in the employment agreement, Mr. DeVine would receive a severance payment in the amount of twelve (12) months of his base salary plus paid COBRA insurance coverage. If Mr. DeVine’s employment is terminated by Mr. DeVine for any reason within six (6) months following a Change of Control as defined in the employment agreement, or by us or our successor without Good Cause within twelve (12) months following a Change of Control, then Mr. DeVine will be entitled to receive from us or our successor a cash lump sum in an amount equal to two (2) times his highest annual salary, highest bonus and highest automobile allowance in the preceding twenty four (24) months and annual COBRA insurance expense as defined in the employment agreement.

American Riviera Bank has entered into an employment agreement to pay Joanne Funari an annual base salary not less than \$245,000, discretionary bonus, an automobile allowance of \$750 per month and group insurance coverage. Ms. Funari’s annual base salary was adjusted to \$255,000 effective March 1, 2021. In 2020, Ms. Funari was granted 1,354 performance based stock awards. Performance based stock awards granted were in the form of restricted stock grants with vesting over 4 years at 25% each year. If Ms. Funari is terminated without Good Cause as defined in the employment agreement, Ms. Funari would receive a severance payment in the amount of nine (9) months of her base salary plus paid COBRA insurance coverage. If Ms. Funari’s employment is terminated by Ms. Funari for any reason within six (6) months following a Change of Control as defined in the employment agreement, or by us or our successor without Good Cause within twelve (12) months following a Change of Control, then Ms. Funari will be entitled to receive from us or our successor a cash lump sum in an amount equal to one (1) times her highest annual salary, highest bonus and highest automobile allowance in the preceding twenty four (24) months and annual COBRA insurance expense as defined in the employment agreement.

American Riviera Bank has entered into an employment agreement to pay Michelle Martinich an annual base salary not less than \$239,000, discretionary bonus, an automobile allowance of \$750 per month, or lease value equivalent, and group insurance coverage. Ms. Martinich’s annual base salary was adjusted to \$249,000 effective March 1, 2021. In 2020, Ms. Martinich was granted 1,354 performance based stock awards. Performance based stock awards granted were in the form of restricted stock grants with vesting over 4 years at 25% each year. If Ms. Martinich is terminated without Good Cause as defined in the employment agreement, Ms. Martinich would receive a severance payment in the amount of twelve (12) months of her base salary plus paid COBRA insurance coverage. If Ms. Martinich’s employment is

terminated by Ms. Martinich for any reason within six (6) months following a Change of Control as defined in the employment agreement, or by us or our successor without Good Cause within twelve (12) months following a Change of Control, then Ms. Martinich will be entitled to receive from us or our successor a cash lump sum in an amount equal to two (2) times her highest annual salary, highest bonus and highest automobile allowance in the preceding twenty four (24) months and annual COBRA insurance expense as defined in the employment agreement.

It is currently expected that, unless American Riviera Bancorp becomes actively involved in the operation or acquisition of additional financial institutions or other businesses, no separate compensation will be paid to the executive officers and other employees of American Riviera Bancorp. However, American Riviera Bancorp may determine that separate compensation is appropriate in the future. Because the executive officers and employees of American Riviera Bank will not initially be compensated by American Riviera Bancorp, and will continue to serve and be compensated by American Riviera Bank, no new benefits plans following the bank holding company reorganization are anticipated at this time. American Riviera Bank will continue to maintain its current benefit programs.

Plan Based Awards

2015 Omnibus Stock Incentive Plan

On September 2, 2015, American Riviera Bank adopted the American Riviera Bank 2015 Omnibus Stock Incentive Plan (the “American Riviera Equity 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 1,091,782 shares of American Riviera Bank common stock.

Option shares are subject to written option agreements entitling the optionee to purchase shares pursuant to incentive stock options or non-qualified options. Options will be granted at 100% of fair market value at the time of grant as determined by the board of directors. Options will be exercisable over a term up to 10 years pursuant to the discretion of the board of directors. In the case of persons employed by American Riviera Bank, the options may qualify as “incentive stock options” under Internal Revenue Code §422 and such options may entitle the holder to certain income tax benefits.

Pursuant to the terms of their employment, American Riviera Bank granted to its executive officers under the American Riviera Equity Plan, and the previous 2009 Plan and 2006 Plan, incentive stock options to purchase shares of common stock. Detailed discussions regarding equity incentives to executive officers in the prior three years is included in the “Executive Compensation” section of this proxy statement/prospectus. For the year ending December 31, 2020, there were no new options granted and 44,482 options exercised by executive officers, directors or employees.

Pursuant to the terms of American Riviera Equity Plan, American Riviera Bank can also grant restricted stock awards to its executive officers, directors and other key employees at a value equal to the then current market value on the day of the grant, and such grants typically vest over a 4 to 5 year period. For the year ending December 31, 2020, the board granted a total of 47,344 shares to executive officers, directors and key employees.

The following tables provide certain information as of December 31, 2020 regarding options exercised, restricted stock awards outstanding and related values by: (i) the named executive officers; and (ii) all directors, officers and employees as a group:

Options Outstanding, Options Exercised, and Restricted Stock Awards Outstanding

At December 31, 2020

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Unexercised Options at 12/31/20 (#) Exercisable/ Unexercisable	Value of Unexercised In- the-Money Options at 12/31/20 (\$)/ Exercisable/ Unexercisable	Number of Shares of Stock Awards Not Yet Vested and Market Value # / \$Value
Jeff DeVine	0	0	0/0	\$0/\$0	34,974/\$577,071
Joanne Funari	12,559	\$209,735	0/0	\$0/\$0	12,309/\$203,099
Michelle Martinich	0	0	0/0	\$0/\$0	12,771/\$210,722
All Directors, Officers and Employees	15,086	\$210,872	5,022/0	\$25,562/\$0	82,459/\$1,360,574

From time to time, American Riviera Bank expects to grant equity incentives to other key salaried employees, officers, directors, and consultants, at the fair market value of the common stock on the date of grant. In 2021, the board has granted 51,232 restricted stock awards to executive officers and key employees. These shares will vest over 4 years at 25% each year. In June 2021, 7,232 shares were granted to outside directors with immediate vesting. Additional grantees have not, as of this date, been selected and it is impossible at this time to identify such grantees or the number of options to be granted to them.

Other Benefits

American Riviera Bank provides monthly car allowances and lease agreements to certain officers in the range of \$630 to \$1,375 per month. In 2006, American Riviera Bank adopted the American Riviera Bank 401(k) Profit Sharing Plan and Trust (the “401(k) Plan”). All employees 21 years of age or older are immediately eligible to participate in the 401(k) Plan. Eligible employees may elect to make tax deferred contributions up to the maximum amount allowed by law. American Riviera Bank makes “safe harbor” matching contributions and may make additional profit sharing contributions to the 401(k) Plan at the discretion of the board of directors. “Safe harbor” contributions vest immediately for all employees. American Riviera Bank contributed a total of \$412,000 in the form of employer matching contributions to the 401(k) Plan during 2020.

Transactions with Management

It is anticipated that the executive officers and directors of American Riviera Bank, and the companies with which they are associated, will have banking transactions with American Riviera Bank in the ordinary course of business. It is the firm intention of the board of directors that any loans and commitments to loan included in such transactions will be made in accordance with applicable laws and on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with persons of similar creditworthiness that are not insiders of American Riviera Bank, and only if such loans do not present any undue risk of collectability or present other unfavorable features. The aggregate limit that American Riviera Bank may lend to its insiders as a class is not greater than its unimpaired capital and unimpaired surplus. As of December 31, 2020, American Riviera Bank had commitments of credit to its executive officers and directors, together with their associates in the aggregate, totaling approximately \$65,000, or less than 1%, of its equity capital.

Jody Dolan Holehouse, a member of the board of directors, is a partner with the accounting firm which provides fixed asset accounting services for American Riviera Bank. Total amounts paid during 2020 were \$15,389 to Nasif, Hicks, Harris & Co for these services. Effective in 2021, these services are no longer provided by Nasif, Hicks, Harris & Co. Weldon Howell, a member of the board of directors is a partner with a law firm which provides counsel for issues related to American Riviera Bank. Total amounts paid during 2020 were \$1,190. All services provided to American Riviera Bank by these related parties were based on the prevailing terms and conditions as for any other entity.

PROPOSAL 1 – THE REORGANIZATION PROPOSAL

This section describes certain aspects of the Reorganization Agreement and the reorganization of American Riviera Bank into a bank holding company form of ownership pursuant to which American Riviera Bank will adopt a bank holding company structure and become the wholly-owned subsidiary of American Riviera Bancorp. Because this is a summary, it does not contain all the information that may be important to you. You should read this entire proxy statement/prospectus, including the annexes. A copy of the Reorganization Agreement is attached as Annex A to this proxy statement/prospectus and is incorporated by reference herein. The following discussion describes important aspects and the material terms of the Reorganization Agreement and the bank holding company reorganization contemplated therein. These descriptions are qualified by reference to Annex A.

General

At the special meeting of the shareholders of American Riviera Bank, shareholders will be asked to consider and vote upon a proposal to approve the principal terms of the Reorganization Agreement and the transactions contemplated thereby, pursuant to which American Riviera Bank will become a wholly-owned subsidiary of American Riviera Bancorp, and each outstanding share of American Riviera Bank common stock will automatically convert into one share of American Riviera Bancorp common stock. In addition, the American Riviera Equity Plan will automatically become an equity incentive plan of American Riviera Bancorp and, as a result, all outstanding options to purchase shares of common stock of American Riviera Bank which have been granted under the American Riviera Equity Plan will automatically become options to purchase the same number of shares of common stock of American Riviera Bancorp. American Riviera Bancorp will issue replacement stock options for shares of its common stock so that appropriate adjustments to reflect the bank holding company reorganization may be made. In addition, the shares of American Riviera Bank common stock awarded with such restrictions as set forth on the applicable award agreement pursuant to the American Riviera Equity Plan will automatically become shares of American Riviera Bancorp common stock with the same terms, conditions and restrictions. For more information regarding the American Riviera Equity Plan, see “Management-Plan Based Awards.” In addition to the approval by the shareholders of American Riviera Bank, the bank holding company reorganization is subject to the receipt of required regulatory approvals.

Reasons for the Bank Holding Company Reorganization

Management and the board of directors of American Riviera Bank believe that the bank holding company reorganization will enhance American Riviera Bank’s ability to continue to satisfy ever changing and expanding needs of present customers for banking and banking-related services and to continue to attract new customers for financial services. The bank holding company structure will better suit expansion into new areas of service and nonbanking activities than would the existing structure. Further, the bank holding structure permits flexibility in the raising of capital as needed including, but not limited to, equity and subordinated debt.

Most major banking institutions in the United States and in California have been reorganized into bank holding companies and American Riviera Bank’s directors believe that such reorganization is desirable to maintain and enhance the competitive position of the bank. Management and the board of directors of American Riviera Bank believe that the adoption of a bank holding company structure, under which the bank will operate, will result in a more flexible entity for purposes of growth and expansion into permissible nonbanking activities. The existence of a bank holding company will permit the acquisition and ownership of other banks in California and certain other states and bank-related businesses.

A bank holding company, by complying with Bank Holding Company Act of 1956, as amended, may acquire and operate more than one bank and acquire and engage in bank-related businesses, where

such acquisitions would serve the convenience and needs of the public. In addition, bank holding companies, unlike banks, may expand into permissible nonbanking activities including owning mortgage companies, savings and loans subsidiaries and thrift subsidiaries, whereas American Riviera Bank is currently prohibited from owning some of these separate entities and must instead merge these entities with and into American Riviera Bank. The entry into nonbanking businesses, either through the acquisition of existing businesses or the establishment of new businesses may entail operating and business risks different from the risks normally associated with the banking business.

Description of the Bank Holding Company Reorganization

American Riviera Bancorp and American Riviera Merger Sub were each recently incorporated under the laws of the State of California. American Riviera Bancorp holds all of the outstanding shares of common stock of American Riviera Merger Sub. Both American Riviera Bancorp and American Riviera Merger Sub were organized at the direction of the American Riviera Bank board of directors for the purpose of facilitating the bank holding company reorganization. Neither organization has conducted any business, except for the entering into of agreements related to the bank holding company organization.

The bank holding company reorganization is proposed to be accomplished by merging American Riviera Merger Sub with and into American Riviera Bank pursuant to the terms of the Reorganization Agreement. Upon the effective date of the merger of American Riviera Merger Sub with and into American Riviera Bank:

1. Each outstanding share of American Riviera Bank common stock will be converted into one share of American Riviera Bancorp common stock. Shareholders of American Riviera Bank will be entitled to exchange their present share certificates for new certificates evidencing shares of the common stock of American Riviera Bancorp, if no request is made, new certificates will be issued whenever old certificates are surrendered for transfer. Until so exchanged, the certificates for shares of American Riviera Bank common stock will represent shares of American Riviera Bancorp common stock into which American Riviera Bank shares have been converted.
2. The American Riviera Equity Plan will automatically become an equity incentive plan of American Riviera Bancorp.
3. Any outstanding options to purchase shares of American Riviera Bank common stock which have been granted by American Riviera Bank pursuant to the American Riviera Equity Plan will automatically become options to purchase the same number of shares of American Riviera Bancorp common stock. American Riviera Bancorp will issue replacement stock options for shares of its common stock so that appropriate adjustments to reflect the bank holding company reorganization may be made to: (i) the class and number of shares of common stock available for options under the American Riviera Equity Plan; and (ii) the class and number of shares and the price per share of the common stock subject to options outstanding under the American Riviera Equity Plan.
4. Any outstanding shares of American Riviera Bank common stock awarded with such restrictions as set forth on the applicable award agreement pursuant to the American Riviera Equity Plan will automatically become shares of American Riviera Bancorp common stock with the same terms, conditions and restrictions. Outstanding certificates representing shares of the common stock of American Riviera Bank awarded with such restrictions as set forth on the applicable award agreement pursuant to the American Riviera Equity Plan will thereafter represent shares of the common stock of American

Riviera Bancorp with such terms, conditions and restrictions as originally awarded by American Riviera Bank.

5. American Riviera Merger Sub will cease to exist as a corporate entity and all the outstanding shares of American Riviera Bank common stock will be owned by American Riviera Bancorp.
6. As a result of and immediately following the bank holding company reorganization, the shareholders of American Riviera Bank immediately prior to the bank holding company reorganization will collectively hold 100% of the outstanding common stock of American Riviera Bancorp. As shareholders of American Riviera Bancorp, they will have essentially the same rights to govern that corporation's activities as they have with respect to American Riviera Bank; however, as shareholders of American Riviera Bancorp, they will not be entitled to vote on matters requiring the approval of American Riviera Bank shareholders. A discussion of those rights is contained in the section entitled "Comparison of the Rights of Shareholders of American Riviera Bancorp and American Riviera Bank" herein.
7. Because American Riviera Bancorp has no material assets or liabilities, the consolidated assets and liabilities of American Riviera Bancorp immediately after the bank holding company reorganization will be substantially the same as those of American Riviera Bank immediately prior to the bank holding company reorganization.

Effective Time of the Bank Holding Company Reorganization

The bank holding company reorganization will be effective at the time the Reorganization Agreement is filed with the office of the Secretary of State of California and the DFPI following the satisfaction of the conditions set forth in the Reorganization Agreement. The bank holding company reorganization is expected to close during the first quarter of 2022. There is no requirement that the bank holding company reorganization occur by a specific date.

Conversion and Exchange of American Riviera Bank Common Stock for American Riviera Bancorp Common Stock

When the bank holding company reorganization is completed, each share of American Riviera Bank common stock held by an American Riviera Bank shareholder will automatically become one share of American Riviera Bancorp common stock. After the bank holding company reorganization becomes effective, outstanding certificates representing shares of American Riviera Bank common stock will thereafter represent shares of American Riviera Bancorp common stock, and such certificates may, but need not, be exchanged by the holders thereof for new certificates for the appropriate number of shares bearing the name of American Riviera Bancorp.

American Riviera Bank Stock Options and Restricted Stock Awards

In connection with the bank holding company reorganization, the American Riviera Equity Plan will automatically become an equity incentive plan of American Riviera Bancorp. As a result, the options to purchase shares of common stock of American Riviera Bank which have been granted by American Riviera Bank pursuant to the American Riviera Equity Plan will automatically become options granted by American Riviera Bancorp with the same terms and conditions and for the same number of shares of American Riviera Bancorp common stock. American Riviera Bancorp will issue replacement stock options for shares of its common stock so that appropriate adjustments to reflect the bank holding company reorganization may be made to: (i) the class and number of shares of common stock available for options

under the American Riviera Bank Equity Plan; and (ii) the class and number of shares and the price per share of the common stock subject to options outstanding under the American Riviera Equity Plan.

Additionally, shares of American Riviera Bank common stock awarded with such restrictions as set forth on the applicable award agreement pursuant to the American Riviera Equity Plan will automatically become shares of American Riviera Bancorp common stock with the same terms, conditions and restrictions. Outstanding certificates representing shares of American Riviera Bank common stock awarded with such restrictions as set forth on the applicable award agreement pursuant to the American Riviera Equity Plan will thereafter represent shares of American Riviera Bancorp common stock with such terms, conditions and restrictions as originally awarded by American Riviera Bank.

Accounting Treatment

For accounting purposes, the assets, liabilities and shareholders' equity of American Riviera Bank immediately prior to the bank holding company reorganization will be carried forward on either separate or consolidated financial statements of American Riviera Bank and American Riviera Bancorp after the bank holding company reorganization at the amounts carried on their respective books at the effective date of the bank holding company reorganization.

Expenses of the Bank Holding Company Reorganization

If the bank holding company reorganization is consummated, costs of the reorganization will be assumed and paid, to the extent properly allocated, by American Riviera Bancorp and American Riviera Bank. Such costs include filing fees, printing and mailing costs, and legal fees. In the event the bank holding company reorganization is not consummated, such costs as have been incurred, including the cost of organizing American Riviera Bancorp, will be assumed and paid by American Riviera Bank.

Ratification and Approval of the Bank Holding Company Reorganization

Implementation of the bank holding company reorganization requires the affirmative vote of the holders of a majority of the outstanding shares of American Riviera Bank common stock. The directors of American Riviera Bank, American Riviera Bancorp, and American Riviera Merger Sub have unanimously approved the Reorganization Agreement and the transactions contemplated thereby.

The bank holding company reorganization will become effective when all necessary ratifications and approvals have been obtained and the requisite filings, as described in the Reorganization Agreement, have been made. It is anticipated that the bank holding company reorganization will become effective during the first quarter of 2022.

If any action, suit, proceeding or claim has been instituted, made or threatened relating to the bank holding company reorganization so as to make its consummation inadvisable in the opinion of the American Riviera Bank board of directors, then the bank holding company reorganization may be terminated at any time before it becomes effective.

Should the shareholders of American Riviera Bank fail to approve the Reorganization Proposal, or should the Reorganization Agreement be otherwise terminated, the Reorganization Agreement and the bank holding company reorganization would be cancelled and American Riviera Bank would continue to operate with the same shareholders as it had prior to adoption of the Reorganization Agreement. Upon termination, there shall be no liability by reason of the bank holding company reorganization or the termination thereof on the part of American Riviera Bank, American Riviera Merger Sub, American Riviera Bancorp or their respective directors, officers, employees, agents or shareholders, except that American Riviera Bank has agreed to bear all costs and expenses incurred in connection with the bank holding company reorganization.

Interests of Certain Persons in the Bank Holding Company Reorganization

The Reorganization Agreement provides that the directors of American Riviera Bank immediately prior to the effective time of the bank holding company reorganization will be directors of American Riviera Bank immediately after the bank holding company reorganization. Additionally, the officers and other employees of American Riviera Bank immediately prior to the effective time of the bank holding company reorganization will all be employed in substantially the same capacities by American Riviera Bank immediately after the bank holding company reorganization.

Conditions to the Bank Holding Company Reorganization

The obligations of each of the parties to the Reorganization Agreement and the bank holding company reorganization are subject to the satisfaction on or before the effective time of the bank holding company reorganization of the following conditions;

- approval of the principal terms of the Reorganization Agreement and the transactions contemplated thereby by the holders of not less than a majority of the outstanding shares of American Riviera Bank, American Riviera Bancorp and American Riviera Merger Sub;
- receipt of all necessary government regulatory approvals and consents;
- satisfaction of all other requirements as are prescribed by applicable law in connection with the bank holding company reorganization; and
- performance by each party thereto of all its obligations under the Reorganization Agreement.

The board of directors of American Riviera Bank, American Riviera Merger Sub and American Riviera Bancorp have unanimously approved the Reorganization Agreement and the transactions contemplated thereby. The sole current shareholder of American Riviera Bancorp, and American Riviera Bancorp, as the sole shareholder of American Riviera Merger Sub, have approved the Reorganization Agreement and the transactions contemplated thereby.

Termination of Reorganization Agreement

The Reorganization Agreement may be terminated before the effective time of the bank holding company reorganization for any of the following;

- the number of shares voting against the Reorganization Proposal is such that the board of directors of American Riviera Bank determines that it is inadvisable to consummate the bank holding company reorganization;
- any action, consent, or approval, governmental or otherwise, necessary to permit American Riviera Bank to conduct all or any part of the business activities of American Riviera Bank prior to the effective time of the bank holding company reorganization, are not obtained; and
- for any other reason the consummation of the bank holding company reorganization is not advisable in the opinion of the board of directors of American Riviera Bank.

If the holders of a majority of the outstanding shares of American Riviera Bank common stock fail to approve the Reorganization Proposal, or the bank holding company reorganization is otherwise

terminated, then the business of American Riviera Bank would continue to operate under the ownership of its existing shareholders.

Regulatory Approvals

Federal and California laws and regulations provide that certain acquisition transactions, such as the bank holding company reorganization, may not be consummated unless approved in advance by applicable regulatory authorities. The Reorganization Agreement provides that American Riviera Bancorp, American Riviera Bank, and American Riviera Merger Sub will proceed expeditiously and cooperate fully to obtain any consents and approvals and in the taking of any other action and the satisfaction of all requirements necessary to complete the bank holding company reorganization. These consents and actions include preparing and submitting applications required to be filed with the FDIC, the DFPI and the Federal Reserve. Receipt of all requisite regulatory approvals and consents is a condition precedent to the consummation of the bank holding company reorganization.

American Riviera Bancorp will file an application for prior approval to become a bank holding company pursuant to Section 3(a)(5) of the Bank Holding Company Act with the Federal Reserve and an application to acquire control of American Riviera Bank under Section 1250 of the California Financial Code with the DFPI. In addition, American Riviera Bank and American Riviera Merger Sub will file applications for approval of the merger with the FDIC pursuant to the Bank Merger Act.

Although we are not aware of any reason why the requisite approvals of and consents to the bank holding company reorganization would not be granted, we cannot give any assurance that approvals and consents will be obtained or that, if obtained, such approvals and consents will not include conditions which would be of a type that would relieve American Riviera Bancorp, American Riviera Bank, or American Riviera Merger Sub from their obligation to consummate the bank holding company reorganization.

Dissenters' Rights

Pursuant to the provisions of California law, shareholders of American Riviera Bank will not have dissenters' rights in connection with the bank holding company reorganization. Shareholders of a California chartered bank are entitled to dissenters' rights to the same extent as shareholders of a California corporation. California law generally grants shareholders dissenters' rights in transactions that are required to be approved by shareholders. However, under California law, in a transaction, such as the bank holding company reorganization, where a vote of shareholders is only required because the shares to be received in the transaction have different rights, preferences, privileges, or restrictions, no dissenting shareholders' rights are available.

Material Federal Income Tax Consequences

General

The following discussion is a summary of the material United States federal income tax consequences to shareholders of American Riviera Bank as a result of the bank holding company reorganization. This discussion is based on the Internal Revenue Code of 1986, as amended. United States Treasury Regulations promulgated under the Internal Revenue Code, administrative rulings and pronouncements and judicial decisions as of the date hereof, all of which are subject to change, possibly with retroactive effect. Any such change could alter the tax consequences discussed in this proxy statement.

As used in this section, the terms "American Riviera Bank shareholder" refers to (i) an individual who is a citizen or resident of the United States; (ii) a corporation (or other entity treated as a corporation for United States federal income tax purposes) organized under the laws of the United States or any State

or the District of Columbia; (iii) an estate the income of which is subject to United States federal income taxation regardless of its source; or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust, and (b) one or more United States persons have the authority to control all substantial decisions of the trust.

This discussion does not address the effects of any state, local, or non-United States tax laws. This discussion does not discuss the tax consequences of transactions effectuated prior or subsequent to, or concurrently with, the bank holding company reorganization. Furthermore, this discussion relates only to American Riviera Bank shareholders who hold American Riviera Bank common stock, and who will hold American Riviera Bancorp common stock, as capital assets and who will receive shares of American Riviera Bancorp common stock in consideration for their shares of American Riviera Bank common stock in the bank holding company reorganization. The tax treatment may vary depending upon such shareholder's particular situation, and certain shareholders may be subject to special rules not discussed below. Such shareholders would include, for example, insurance companies, tax-exempt organizations, financial institutions, investment companies, broker-dealers, domestic shareholders whose "functional" currency is not the United States dollar, shareholders who hold American Riviera Bank common stock as part of a hedge, straddle, constructive sale or conversion transaction, and individuals who receive American Riviera Bancorp common stock pursuant to the exercise of employee stock options or otherwise as compensation.

You are strongly urged to consult with your tax advisor with respect to the tax consequences to you of the bank holding company reorganization in light of your own particular circumstances, including tax consequences under state, local, foreign and other tax laws and the possible effects of changes in United States federal or other tax laws.

Tax Consequences of the Bank Holding Company Reorganization

The bank holding company reorganization will constitute a "reorganization" for United States federal income tax purposes within the meaning of Section 368(a) of the Internal Revenue Code. Subject to the limitations and qualifications referred to herein, the following material United States federal income tax consequences will result from qualification of the bank holding company reorganization as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code:

- No gain or loss will be recognized by American Riviera Bank, American Riviera Merger Sub or American Riviera Bancorp as a result of the bank holding company reorganization;
- No gain or loss will be recognized by the shareholders of American Riviera Bank upon receipt of American Riviera Bancorp common stock in exchange for their shares of American Riviera Bank common stock pursuant to the bank holding company reorganization;
- The basis of the American Riviera Bancorp common stock received by the shareholders of American Riviera Bank pursuant to the bank holding company reorganization will be the same as the basis of the shares of American Riviera Bank common stock surrendered in exchange therefor; and
- The holding period of the American Riviera Bancorp common stock received by shareholders of American Riviera Bank pursuant to the bank holding company reorganization will include the holding period of the American Riviera Bank common stock surrendered in exchange therefor, provided that such American Riviera Bank

common stock is held as a capital asset on the date of consummation of the bank holding company reorganization,

AMERICAN RIVIERA BANK'S SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO SPECIFIC TAX CONSEQUENCES TO THEM OF THE BANK HOLDING COMPANY REORGANIZATION INCLUDING TAX RETURN REPORTING REQUIREMENTS AND THE APPLICABILITY AND EFFECT OF FEDERAL, STATE, LOCAL, FOREIGN, AND OTHER APPLICABLE TAX LAWS.

Description of American Riviera Bancorp Capital Stock

The authorized capital stock of American Riviera Bancorp consists of 50,000,000 shares of common stock and 10,000,000 shares of preferred stock. Each share of common stock has the same rights, privileges and preferences as every other share of common stock, and there is no preemptive, conversion, or redemption rights or sinking fund provisions applicable to the American Riviera Bancorp common stock. The designations and powers, preferences and rights and the qualifications, limitations or restrictions of the common stock are described below.

Common Stock

Dividend Rights. Subject to the rights of preferred stock American Riviera Bancorp may issue in the future, each share of common stock will participate equally in dividends, which are payable when and as declared by the American Riviera Bancorp board of directors.

Liquidation and Dissolution. After the payment of creditors and after distribution in full of the preferential amounts to be distributed to the holders of all classes and series of stock entitled thereto, if any, in the event of a voluntary or involuntary liquidation, dissolution or winding up of American Riviera Bancorp, as provided for in the California Corporations Code, the holders of the common stock will be entitled to receive all our remaining assets.

Voting Rights. Each holder of common stock is entitled to one vote per share on any issue requiring a vote, except in the election of directors. Shareholders have cumulative voting rights in the election of directors; that is, as to any candidates whose names are placed in nomination prior to voting, a shareholder has the right to vote the number of shares owned for as many persons as there are directors to be elected, or to cumulate such votes and give one candidate as many votes as the number of directors multiplied by the number of shares owned equals, or to distribute such votes on the same principle among as many candidates as the shareholder deems appropriate. However, cumulative voting will be dispensed with unless a shareholder gives notice at the shareholders' meeting of an intention to cumulate votes. If any shareholder gives notice of an intention to cumulate votes, then all shareholders may cumulate their votes for candidates in nomination.

Absence of Preemptive Rights. American Riviera Bancorp common stock does not have preemptive rights or other rights to subscribe for additional shares.

Transfer Agent. American Stock Transfer & Trust serves as the registrar and transfer agent for the American Riviera Bancorp common stock.

Preferred Stock

American Riviera Bancorp is authorized by its articles of incorporation to issue up to 10,000,000 shares of preferred stock. There are no shares of preferred stock outstanding. American Riviera Bancorp has no current plans to issue any of the preferred stock, but may do so in the future. The board of directors

has broad authority to designate and establish the terms of one or more series of preferred stock. Among other matters, the board of directors is authorized to establish voting powers, designations, preferences and special rights of each such series and any qualifications, limitations and restrictions thereon. The American Riviera Bancorp preferred stock may rank prior to the American Riviera Bancorp common stock as to dividend rights, liquidation preferences, or both, may have full or limited voting rights, and may be convertible into the common stock. The holders of any class or series of preferred stock may also have the right to vote separately as a class or series under the terms of the class or series as hereafter fixed by the board of directors or as otherwise required by California law.

Restrictions on Resale of Shares of American Riviera Bancorp Common Stock

American Riviera Bancorp will issue its common stock in the bank holding company reorganization in reliance on Section 3(a)(12) of the Securities Act, which exempts the issuance of the common stock from registration with the SEC. The shares of common stock issued in the bank holding company reorganization will not be deemed restricted securities and may be freely resold by non-affiliates of American Riviera Bancorp. Affiliates of American Riviera Bancorp may resell their shares of American Riviera Bancorp common stock by complying with the requirements of Rule 144 of the Securities Act, other than the holding period requirement of Rule 144(d).

Comparison of American Riviera Bank and American Riviera Bancorp Corporate Structures

For a comparison of American Riviera Bank and American Riviera Bancorp, refer to “Comparison of the Rights of Shareholders of American Riviera Bancorp and American Riviera Bank.”

The articles of incorporation and bylaws of American Riviera Bancorp are attached to this proxy statement/prospectus as Annex B and Annex C, respectively.

Recommendation of the Board of Directors of American Riviera Bank

The board of directors of American Riviera Bank unanimously recommends approval of the Reorganization Proposal. The proxy holders intend to vote all proxies they hold in favor of the Reorganization Proposal. If no instruction is given, the proxy holders intend to vote “**FOR**” the approval of the Reorganization Proposal.

PROPOSAL 2 – THE ADJOURNMENT PROPOSAL

General

If the number of shares of American Riviera Bank common stock present in person or by proxy is insufficient to constitute a quorum at the special meeting, or the number of shares of common stock voting in favor of approval of the Reorganization Proposal at the special meeting is insufficient to approve the Reorganization Proposal, American Riviera Bank’s management intends to move to adjourn the meeting in order to enable the American Riviera Bank board of directors to solicit additional proxies. In that event, American Riviera Bank will ask the shareholders to vote upon the Adjournment Proposal.

In this proposal, American Riviera Bank is asking shareholders to grant discretionary authority to the holder of any proxy solicited by the American Riviera Bank board of directors so that such holder can vote in favor of the proposal to adjourn the shareholder meeting to solicit additional proxies. If the shareholders of American Riviera Bank approve the Adjournment Proposal, American Riviera Bank could adjourn the special meeting, and any adjourned session of the meeting, and use the additional time to solicit additional proxies, including the solicitation of proxies from shareholders that have previously voted. Among other things, approval of the Adjournment Proposal could mean that, even if American Riviera Bank has received proxies representing a sufficient number of votes against approval of the Reorganization Proposal, American Riviera Bank could adjourn the meeting without a vote on the Reorganization Proposal and seek to convince the holders of those shares to changes their votes to votes in favor of the approval of the Reorganization Proposal.

If the special meeting is adjourned, no notice of the adjourned meeting is required to be given to shareholders, other than an announcement at the shareholder meeting of the place, date and time to which the shareholder meeting is adjourned.

Recommendation of the Board of Directors of American Riviera Bank

The board of directors of American Riviera Bank unanimously recommends approval of the Adjournment Proposal. The proxy holders intend to vote all proxies they hold in favor of the Adjournment Proposal. If no instruction is given, the proxy holders intend to vote “**FOR**” the approval of the Adjournment Proposal.

COMPARISON OF THE RIGHTS OF SHAREHOLDERS OF AMERICAN RIVIERA BANCORP AND AMERICAN RIVIERA BANK

When the bank holding company reorganization becomes effective, shareholders of American Riviera Bank will become shareholders of American Riviera Bancorp and their shares of American Riviera Bank common stock will become shares of American Riviera Bancorp common stock. The following is a summary of material differences between the rights of holders of American Riviera Bancorp common stock and holders of American Riviera Bank common stock.

The following summary does not purport to be a complete statement of the provisions affecting, and differences between, the rights of holders of American Riviera Bancorp common stock and the holders of American Riviera Bank common stock. This summary is intended to provide a general overview of the differences in shareholders' rights under applicable law and the governing corporate instruments of American Riviera Bancorp and American Riviera Bank, and other known material differences. American Riviera Bancorp and American Riviera Bank are corporations incorporated under the laws of California and therefore are subject to all the provisions of the California General Corporation Law ("CGCL"). American Riviera Bank, as a California state-chartered commercial bank, is also subject to all of the provisions of the California Financial Code.

	<u>American Riviera Bancorp</u>	<u>American Riviera Bank</u>
Authorized Capital Stock	The authorized capital stock of American Riviera Bancorp consists of 50,000,000 shares of common stock, no par value per share, and 10,000,000 shares of preferred stock, no par value per share.	The authorized capital stock of American Riviera Bank consists of 10,000,000 shares of common stock, no par value per share, and 5,000,000 shares of preferred stock, no par value per share.
Authorized Preferred Stock	The board is authorized to issue blank check preferred stock. The board, without shareholder approval, is authorized to determine and alter the rights, preference, privileges and restrictions granted to and imposed upon the preferred stock.	Same.
Director Liability	The liability of directors for monetary damages is eliminated to the fullest extent permissible under California law.	Same.
Indemnification of Agents	American Riviera Bancorp is authorized to provide indemnification of agents for breach of duty in excess of indemnification otherwise permitted by Section 317 of the CGCL, subject to the limits on excess indemnification set forth in Section 204 of the CGCL.	Same.
Cumulative Voting for Election of Directors	Shareholders are entitled to cumulate votes with respect to the election of directors at a shareholders' meeting for any candidate or candidates whose	Same.

American Riviera Bancorp

American Riviera Bank

names have been placed in nomination prior to the voting if the shareholder has given notice prior to the voting of the shareholder's intention to cumulate votes. If any shareholder has given such notice, then every shareholder entitled to vote may cumulate such shareholder's votes for candidates in nomination and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which such shareholder's shares are entitled, or distribute the shareholder's votes on the same principle among any or none of the candidates, as the shareholder thinks fit.

Power of Directors

The directors of American Riviera Bancorp have the power to manage the business and affairs of the corporation and to exercise all corporate powers of American Riviera Bancorp, subject only to the provisions of the CGCL and any limitations in the articles of incorporation and bylaws of American Riviera Bancorp.

Same, except that the powers of American Riviera Bank's directors are further limited by the California Financial Code.

Number and Qualification of Directors

The authorized number of directors that may serve on the American Riviera Bancorp board cannot be less than 8 nor more than 15. This authorized range of the number of directors may be changed by an amendment to the applicable bylaw provision or by resolution adopted by the vote or written consent of a majority of the outstanding shares entitled to vote.

Same.

Nomination of Directors and Shareholder Proposals

Nominations for election of members of the board of directors may be made by the board of directors or by any shareholder of any outstanding class of voting stock of the corporation entitled to vote for the election of directors. Notice of a shareholder's intention to bring any business before an annual meeting (including making

Same.

American Riviera Bancorp

any director nominations) shall be made in writing and shall be delivered or mailed to the secretary of the corporation no earlier than 90 days and no later than 60 days before the date such annual meeting is to be held. If the current year's annual meeting is called for a date that is not within 30 days of the anniversary of the previous year's annual meeting, notice must be received not later than 10 days following the day on which public announcement of the date of the annual meeting is first made.

Payment of Dividends

The shareholders of American Riviera Bancorp will be entitled to receive dividends when and as declared by its board of directors, out of funds legally available for the payment of dividends, as provided in the CGCL. The CGCL prohibits American Riviera Bancorp from paying dividends or making any other distribution to its shareholders unless its board of directors has determined in good faith either of the following: (i) the amount of its retained earnings immediately prior to the distribution equals or exceeds the sum of (A) the amount of the proposed distribution plus (B) the amount, if any, of cumulative dividends in arrears on all shares having a preference with respect to payment of dividends over the class or series to which the applicable distribution is being made; or (ii) immediately after the distribution, the value of its assets would equal or exceed the sum of its total liabilities plus the amount, if any, of cumulative dividends in arrears on all shares having a preference with respect to payment of dividends over the class or series to which the applicable distribution is being made. Further, American Riviera Bancorp is prohibited from making any distribution to its shareholders if, as a result of the

American Riviera Bank

Holder of American Riviera Bank common stock are entitled to dividends legally available therefor, when and as declared by its board of directors. The California Financial Code provides that a bank may not make cash distribution to its shareholders in an amount, which exceeds the lesser of: (i) the retained earnings of the bank, or (ii) the net income of the bank for its last three fiscal years, less the amount of any distributions made by the bank to its shareholders during such period.

However, a bank may, with the approval of the Commissioner of the DFPI, make a distribution to its shareholders in an amount not exceeding the greatest of: (i) the retained earnings of the bank, (ii) the net income of the bank for its last fiscal year, or (iii) the net income of the bank for its current fiscal year. If the Commissioner of the DFPI finds that the shareholders' equity of a bank is not adequate or that the payment of a dividend would be unsafe or unsound for the bank, the Commissioner may order the bank not to pay any dividend to the shareholders.

American Riviera Bancorp

distribution, American Riviera Bancorp likely would be unable to meet its liabilities (except those whose payment is otherwise adequately provided for) as they mature. In certain circumstances, American Riviera Bancorp may be required to obtain the prior approval of the Federal Reserve to make capital distributions to its shareholders.

American Riviera Bank

In addition, under the Financial Institutions Supervisory Act of 1966, as amended, the FDIC also has the authority and general enforcement powers to prohibit a bank from engaging in practices which the FDIC considers to be unsafe or unsound. It is possible, depending upon the financial condition of American Riviera Bank and other factors, that the FDIC could assert that the payment of dividends or other payments might under some circumstances be such an unsafe or unsound practice and thereby prohibit such payment. The Federal Deposit Insurance Corporation Improvement Act of 1991 further prohibits a bank from paying a dividend if the dividend payment would result in the bank failing to meet any of its minimum capital requirements.

Dissenters' Rights

Under the CGCL, shareholders of American Riviera Bancorp will generally be entitled to dissenters' rights in connection with a transaction which constitutes a reorganization under the CGCL.

The California Financial Code provides that shareholders of a state-chartered bank are not entitled to dissenters' rights in connection with transactions between two bank institutions which constitutes a reorganization under the CGCL.

MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Market

Because American Riviera Bancorp is a newly formed corporation and there is currently no established trading market for its securities, no information can be provided as to historical market prices for its common stock.

American Riviera Bank common stock is quoted on the OTCQX Market under the symbol “ARBV.” After the bank holding company reorganization, it is anticipated that American Riviera Bancorp company stock will be quoted on the OTCQX Market under the same symbol. American Riviera Bancorp expects there will only be a limited market for American Riviera Bancorp common stock. No assurance can be given that an active trading market will develop or be sustained for American Riviera Bancorp common stock at any time in the future.

The information in the following table indicates the high and low bid quotations for American Riviera Bank common stock for each quarterly period during our last two fiscal years and the quarterly periods since the end of our last fiscal year, and is based upon information obtained from the OTCQX Market. These quotations reflect actual transactions exclusive of commissions and other charges.

	<u>High</u>	<u>Low</u>
2021		
Fourth Quarter (through 12/2/2021)	\$ 20.40	\$ 19.25
Third Quarter	\$ 20.00	\$ 19.00
Second Quarter	\$ 19.75	\$ 18.45
First Quarter	\$ 15.75	\$ 18.50
2020		
Fourth Quarter	\$ 16.70	\$ 12.10
Third Quarter	\$ 12.75	\$ 11.61
Second Quarter	\$ 12.49	\$ 11.50
First Quarter	\$ 20.50	\$ 11.74
2019		
Fourth Quarter	\$ 19.90	\$ 17.85
Third Quarter	\$ 18.35	\$ 17.20
Second Quarter	\$ 18.40	\$ 17.82
First Quarter	\$ 18.25	\$ 17.10

To management’s knowledge, the most recent trade in American Riviera Bank common stock prior to the printing of this proxy statement/prospectus occurred on December 2, 2021 for 100 shares at a sales price of \$19.95 per share. As of December 2, 2021, American Riviera Bank had approximately 197 shareholders of record.

Dividend Policy and History

American Riviera Bank has never paid a cash dividend, although such dividends would be permitted under its existing policies. Payment of cash dividends is subject to American Riviera Bank’s earnings, financial condition, cash needs, the discretion of its board of directors and compliance with regulatory requirements. For discussion of regulatory requirements, see “Limitations of Dividends” below.

American Riviera Bancorp presently intends to follow the same policy on dividends followed by American Riviera Bank. At present, the board of directors intends to consider payment of cash dividends only when American Riviera Bank achieves significant retained earnings and the board determines that retention of earnings is not necessary to support anticipated growth in assets.

Limitations on Dividends

Under California law, the directors of California state-chartered banks may declare distributions to shareholders (which include cash dividends), subject to the restriction that the amount available for the payment of cash dividends shall be the lesser of (i) retained earnings of the bank or (ii) the bank's net income for its last three fiscal years (less the amount of any distributions to shareholders made during such period). If the above test is not met, distributions to shareholders may be made only with the prior approval of the DFPI in an amount not exceeding the greatest of (i) a bank's retained earnings, (ii) a bank's net income for its last fiscal year, or (iii) a bank's net income for its current fiscal year. If the DFPI finds that the shareholders' equity of a bank is not adequate, or that a bank's distribution to shareholders would be unsafe or unsound for the bank, the DFPI can order a bank not to make any distribution to shareholders.

The DFPI has authority to prohibit a bank from engaging in business practices which are considered to be unsafe or unsound. Depending upon the financial condition of American Riviera Bank and upon other factors, the DFPI could assert that payments of dividends or other payments by American Riviera Bank might be such an unsafe or unsound practice.

If American Riviera Bancorp borrows funds or utilizes trust preferred securities to provide capital to American Riviera Bank, it will be dependent on cash dividends from American Riviera Bank to pay principal and interest on such debt. There may also be certain covenants within debt instruments or trust preferred securities that will restrict the payment of dividends.

DESCRIPTION OF AMERICAN RIVIERA BANCORP

Organization

American Riviera Bancorp was incorporated under the laws of California on November 24, 2021. In order to initially capitalize American Riviera Bancorp, Michelle Martinich, American Riviera Bank's EVP, Chief Financial Officer and Corporate Secretary, purchased one share of American Riviera Bancorp common stock, at a purchase price of \$10. Upon consummation of the bank holding company reorganization, this one share purchased by Ms. Martinich will be repurchased by American Riviera Bancorp for \$10.

Business

The management of American Riviera Bank recently incorporated American Riviera Bancorp for the purpose of becoming American Riviera Bank's holding company. American Riviera Bancorp is currently a non-operating corporation with no assets or liabilities. Upon consummation of the bank holding company reorganization, American Riviera Bank will become a wholly-owned subsidiary of American Riviera Bancorp, and each shareholder of American Riviera Bank will become a shareholder of American Riviera Bancorp with the same respective ownership interest therein as presently held in American Riviera Bank.

Immediately after consummation of the bank holding company reorganization, it is expected that American Riviera Bancorp will not engage in any business activity other than to hold all of the stock of American Riviera Bank. It is anticipated, however, that American Riviera Bancorp in the future will begin

to explore the feasibility of other opportunities, including possible diversification through acquisitions and mergers, although no specific transactions are being considered at this time.

Management

The current directors of American Riviera Bank have been appointed to the board of directors of American Riviera Bancorp, and the current executive officers of American Riviera Bank have been appointed to the same officer positions with American Riviera Bancorp.

Properties

American Riviera Bancorp is not expected to initially own or lease real or personal property. Instead, it intends to utilize the premises, equipment and furniture of American Riviera Bank without the direct payment of any rental fees to American Riviera Bank. The principal executive office of American Riviera Bancorp is located at 1033 Anacapa Street, Santa Barbara, California 93101 and its telephone number at that address is (805) 965-5942.

Legal Proceedings

American Riviera Bancorp has not, since its organization, been a party to any legal proceedings.

Dividends

Holders of American Riviera Bancorp common stock will be entitled to receive dividends when, and if, declared by the board of directors of American Riviera Bancorp out of funds legally available. The timing and amount of future dividends will be within the discretion of the board of directors of American Riviera Bancorp and will depend on the consolidated earnings, financial condition, liquidity and capital requirements of American Riviera Bancorp and its subsidiaries, applicable governmental regulations and policies, and other factors deemed relevant by the board of directors. To date, American Riviera Bank has not paid any dividends and has instead retained earnings to support its growth. American Riviera Bancorp presently intends to follow the same dividend policy as American Riviera Bank.

Supervision and Regulation

General. Upon completion of the bank holding company reorganization, American Riviera Bancorp will become a bank holding company within the meaning of the Bank Holding Company Act. American Riviera Bancorp will be subject to regulation by the Federal Reserve and will be required to file with the Federal Reserve an annual report and any additional information as the Federal Reserve may require pursuant to the Bank Holding Company Act. The Federal Reserve will examine American Riviera Bancorp and its non-bank subsidiaries, if any, and will have the power to restrict or prohibit activities that are determined to be a serious risk to American Riviera Bank. This regulation and oversight is intended primarily for the protection of the depositors of American Riviera Bank and not for shareholders of American Riviera Bancorp.

The Federal Reserve has the authority to:

- require periodic reports and such additional information as the Federal Reserve may require;
- require bank holding companies to maintain increased levels of capital;

- require that bank holding companies serve as a source of financial and managerial strength to subsidiary banks and commit resources as necessary to support each subsidiary bank;
- restrict the ability of bank holding companies to obtain dividends or other distributions from their subsidiary banks;
- terminate an activity or terminate control of or liquidate or divest certain subsidiaries, affiliates or investments if the Federal Reserve believes the activity or the control of the subsidiary or affiliate constitutes a significant risk to the financial safety, soundness or stability of any bank subsidiary;
- require the prior approval of senior executive officer or director changes and prohibit golden parachute payments, including change in control agreements, or new employment agreements with such payment terms, which are contingent upon termination;
- regulate provisions of certain bank holding company debt, including the authority to impose interest ceilings and reserve requirements on such debt and require prior approval to purchase or redeem securities in certain situations; and
- approve acquisitions and mergers with banks and consider certain competitive, management, financial or other factors in granting these approvals in addition to similar California or other state banking agency approvals which may also be required.

The Federal Reserve's view is that in serving as a source of strength to its subsidiary banks, a bank holding company should stand ready to use available resources to provide adequate capital funds to its subsidiary banks during periods of financial stress or adversity and should maintain financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks. A bank holding company's failure to meet its source of strength obligations may constitute an unsafe and unsound practice or a violation of the Federal Reserve's regulations, or both. The source of strength doctrine most directly affects bank holding companies where a bank holding company's subsidiary bank fails to maintain adequate capital levels. In such a situation, the subsidiary bank will be required by the bank's federal regulator to take "prompt corrective action."

American Riviera Bancorp will also be bank holding company within the meaning of Section 3700 of the California Financial Code. Therefore, American Riviera Bancorp and any of its subsidiaries will become subject to examination by, and may be required to file reports with, the DFPI.

Non-bank subsidiaries established by American Riviera Bancorp would be subject to additional or separate regulation and supervision by other state, federal and self-regulatory bodies.

A bank holding company is also authorized under the Bank Holding Company Act to acquire ownership or control of nonbanking companies, provided that the activities are so closely related to banking or managing or controlling banks that the Federal Reserve has found them to be a proper incident thereto. Regulation Y, promulgated by the Federal Reserve, sets forth those activities that are regarded as closely related to banking or managing or controlling banks and thus are permissible activities for bank holding companies. The Bank Holding Company Act was substantially amended in 1999 through the enactment of the Gramm-Leach-Bliley Act (the "GLBA") and was further amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act financial reform legislation, which became law on July 21, 2010. The GLBA and Dodd-Frank permits bank holding companies and banks that meet certain capital, management and Community Reinvestment Act standards to engage in a broader range of nonbanking activities, including securities underwriting, dealing and market making, sponsoring mutual funds and

investment companies, insurance underwriting and agency and merchant banking activities. In addition, bank holding companies that elect to become financial holding companies may engage in certain banking and nonbanking activities without prior Federal Reserve approval. American Riviera Bancorp has no present plans to engage directly or through a holding company subsidiary in any activities that are not permissible for banks.

The Federal Reserve Act limits the authority of subsidiary banks of a bank holding company to lend to, and engage in certain other transactions (collectively, “covered transactions”) with the bank holding company or any of its other subsidiaries (“affiliates”). The aggregate amount of covered transactions with any one affiliate is limited to 10% of a bank’s capital and surplus, and the aggregate amount of covered transactions with all affiliates is limited to 20% of a bank’s capital and surplus. Loans and other specified transactions with affiliates are required to be secured by collateral in amounts and types specified by the Federal Reserve Act. In addition, all transactions with affiliates must be on terms and under circumstances that are at least as favorable to the bank as those prevailing at the time for comparable transactions with unrelated parties.

Extensions of credit by American Riviera Bank to executive officers, directors and principal shareholders of American Riviera Bank or any affiliate thereof, including American Riviera Bancorp, are subject to Section 22(h) of the Federal Reserve Act, which, among other things, generally prohibits loans to any such individual where the aggregate amount exceeds an amount equal to 15% of a bank’s unimpaired capital and surplus, plus an additional 10% of unimpaired capital and surplus in the case of loans that are fully secured by readily marketable collateral.

Federal Securities Laws

The issuance of American Riviera Bancorp common stock in connection with the bank holding company reorganization is exempt from registration under the Securities Act pursuant to Section 3(a)(12) of the Securities Act, which provides for an exemption in connection with a formation of a bank holding company, if the transaction meets certain requirements. In addition, upon consummation of the bank holding company reorganization, American Riviera Bancorp will not be required to register American Riviera Bancorp common stock under Section 12 of the Exchange Act because American Riviera Bancorp at that time will not have more than 2,000 shareholders of record. However, if at any fiscal year-end there are 2,000 or more shareholders of record of its common stock, American Riviera Bancorp will be required to register its common stock with the SEC and become subject to the periodic reporting and other requirements of Section 12 of the Exchange Act.

As of the record date, American Riviera Bank had approximately 197 shareholders of record; therefore, immediately following bank holding company reorganization, American Riviera Bancorp would have fewer than 2,000 shareholders of record and will not be required to register under the Exchange Act until, or if, it later has 2,000 or more shareholders of record at the end of a fiscal year.

Pursuant to Rule 701 of the Securities Act, American Riviera Bancorp may offer and sell its securities without registration if they are issued to employees as compensation pursuant to written compensatory benefit plans and written compensation contracts, such as the American Riviera Bank 2015 Omnibus Stock Incentive Plan. This exemption is subject to certain disclosure requirements and limitations on the aggregate sales price and the amount of securities sold.

Anti-Takeover Considerations

California law and certain provisions of the American Riviera Bancorp articles of incorporation and bylaws could have the effect of delaying or deferring the removal of incumbent directors or delaying,

deferring or discouraging another party from acquiring control of American Riviera Bancorp, even if such removal or acquisition would be viewed by its shareholders to be in their best interests. These provisions, summarized below, are intended to encourage persons seeking to acquire control of American Riviera Bancorp to first negotiate with its board of directors. These provisions also serve to discourage hostile takeover practices and inadequate takeover bids. The board of directors believes that these provisions are beneficial because the negotiation they encourage could result in improved terms of any unsolicited proposal.

The following discussion is a general summary of material provisions of the American Riviera Bancorp articles of incorporation and bylaws, and certain other regulatory provisions, which may be deemed to have an “anti-takeover” effect.

Directors. Certain provisions of the articles of incorporation and bylaws will impede changes in majority control of the board of directors. The articles of incorporation and/or bylaws provides that:

- any vacancy occurring in the board of directors, including a vacancy created by an increase in the number of directors, but not a vacancy created by the removal of a director, shall be filled for the remainder of the unexpired term by a majority vote of the directors then in office;
- a director, in general, may only be removed by the affirmative vote of a majority of the shares eligible to vote; and
- a procedure for the nomination of directors.

Restrictions on Call of Special Meetings. The bylaws provide that a special meeting of shareholders may be called only by the board of directors, the chairperson of the board, the chief executive officer, the president or by one or more shareholders holding shares in the aggregate entitled to cast not less than 10% of the votes at that meeting.

Authorization of Stock. The articles of incorporation authorize 50,000,000 shares of common stock and 10,000,000 shares of preferred stock. American Riviera Bancorp is authorized to issue common or preferred stock from time to time. In the event of a proposed merger, tender offer or other attempt to gain control of American Riviera Bancorp that the board of directors does not approve, it might be possible for the board of directors to authorize the issuance of shares of common stock or preferred stock that would impede the completion of such a transaction. An effect of the possible issuance of common stock or preferred stock, therefore, may be to deter a future takeover attempt. Except as otherwise discussed herein, the board of directors has no present plans or understandings for the issuance of any common stock or preferred stock.

California and Federal Banking Law. Section 1203 of the California Corporations Code includes provisions that may have the effect of deterring hostile takeovers or delaying or preventing in control or management of American Riviera Bancorp. If an “interested party” makes an offer to purchase the shares of some or all of its shareholders, American Riviera Bancorp must obtain an affirmative opinion in writing as to the fairness of the offering price prior to completing the transaction. California law considers a person to be an “interested party” if the person directly or indirectly controls the company, if the person is directly or indirectly controlled by one of the company’s officers or directors, or if the person is an entity in which one of the company’s officers or directors holds a material financial interest. If after receiving an offer from such an “interested party” American Riviera Bancorp receives a subsequent offer from a neutral third party, then it must notify its shareholders of this offer and afford each of them the opportunity to withdraw their consent to the “interested party” offer.

Under the California Financial Code, no person shall, directly or indirectly, acquire control of a California state bank or its holding company unless the DFPI has approved such acquisition of control. A person would be deemed to have acquired control of American Riviera Bancorp if such person, directly or indirectly, has the power (i) to vote 25% or more of the voting power of the company or (ii) to direct or cause the direction of the management and policies of the company. For purposes of this law, a person who directly or indirectly owns or controls 10% or more of the outstanding common stock would be presumed to control American Riviera Bancorp.

The Bank Holding Company Act of 1956 generally would prohibit any company that is engaged in operations other than financial activities and activities that are permissible for a bank holding company or a financial holding company from acquiring control of American Riviera Bancorp. "Control" is generally defined as ownership of 25% or more of the voting stock or other exercise of a controlling influence. In addition, any existing bank holding company would need the prior approval of the Federal Reserve before acquiring 5% or more of the voting stock of American Riviera Bancorp. The Change in Bank Control Act of 1978, as amended, prohibits a person or group of persons from acquiring control of a bank holding company unless the Federal Reserve has been notified and has not objected to the transaction.

The foregoing provisions of California and federal law could make it more difficult for a third party to acquire a majority of the outstanding voting stock, by discouraging a hostile bid, or delaying, preventing or deterring a merger, acquisition or tender offer in which American Riviera Bancorp's shareholders could receive a premium for their shares, or effect a proxy contest for control of the company or other changes in the company's management.

DESCRIPTION OF AMERICAN RIVIERA MERGER SUB

At the direction of the American Riviera Bank board of directors, American Riviera Merger Sub was organized as a corporation under the laws of California on December 6, 2021, solely to facilitate the bank holding company reorganization. Prior to the consummation of the bank holding company reorganization, American Riviera Merger Sub will conduct no business with the public. At the effective time of the bank holding company reorganization, American Riviera Merger Sub will be merged with and into American Riviera Bank.

DESCRIPTION OF AMERICAN RIVIERA BANK

Organization

American Riviera Bank is a California corporation incorporated on March 23, 2006. American Riviera Bank commenced operations on July 18, 2006.

Business Plan and Services

American Riviera Bank offers its services from its headquarters office, which is located at 1033 Anacapa Street, Santa Barbara, California 93101, and branch offices located in Santa Barbara and San Luis Obispo counties. American Riviera Bank is a full-service community bank focused on serving the lending and deposit needs of business and consumers on the Central Coast of California.

American Riviera Bank engages in substantially all the business operations customarily conducted by independent commercial banks in California. American Riviera Bank:

- accepts deposits into checking and various types of interest-bearing deposit accounts;

- offers a full range of commercial, real estate, residential mortgage, construction, professional, operating and personal lines of credit and Small Business Administration lending services; and
- provides other customary banking services.

At September 30, 2021, American Riviera had total assets of \$1.2 billion, total deposits of \$1.1 billion and total shareholder's equity of \$93.8 million.

Employees

As of September 30, 2021, American Riviera Bank had a total of 116 full-time equivalent employees. The management of American Riviera Bank believes that its employee relations are satisfactory.

Competition

The banking and financial services business in California generally, and in American Riviera Bank's service area specifically, is highly competitive. The increasingly competitive environment is a result primarily of changes in regulation, changes in technology and product delivery systems, and the accelerating pace of consolidation among financial services providers.

In order to compete with other financial institutions in its service areas of Santa Barbara and San Luis Obispo counties, American Riviera Bank relies principally upon local advertising programs and direct personal contact by officers, directors, employees, and shareholders. American Riviera Bank emphasizes to its customers the advantages of dealing with a locally owned and community oriented institution. Larger banks may have a competitive advantage because of higher lending limits and major advertising and marketing campaigns. They also perform services, such as trust services, international banking, discount brokerage and insurance services, which American Riviera Bank is not authorized or prepared to offer currently. American Riviera Bank has made arrangements with its correspondent banks and with others to provide such services for its customers. Commercial banks compete with savings and loan associations, credit unions, other financial institutions, securities brokerage firms, and other entities for funds. For instance, yields on corporate and government debt securities and other commercial paper affect the ability of commercial banks to attract and hold deposits. Commercial banks also compete for loans with savings and loan associations, credit unions, consumer finance companies, mortgage companies and other lending institutions.

Supervision and Regulation

As a California state-chartered commercial bank, American Riviera Bank is subject to regulation, supervision, and regular examination by the DFPI, and its deposits are insured by the FDIC. Specific state laws and regulations which are applicable to banks regulate, among other things, the scope of their business, their investments, their reserves against deposits, the timing of the availability of deposited funds, their activities relating to dividends, investments, loans, the nature and amount of and collateral for certain loans, borrowings, capital requirements, certain check-clearing activities, branching, and mergers and acquisitions. California banks are also subject to statutes and regulations including Federal Reserve Regulation O and Federal Reserve Act Sections 23A and 23B and Regulation W, which restrict or limit loans or extensions of credit to "insiders", including officers, directors and principal shareholders, and loans or extension of credit by banks to affiliates or purchases of assets from affiliates, including parent bank holding companies, except pursuant to certain exceptions and terms and conditions at least as favorable to those prevailing for comparable transactions with unaffiliated parties. Dodd-Frank expanded definitions

and restrictions on transactions with affiliates and insiders under Section 23A and 23B and also lending limits for derivative transactions, repurchase agreements and securities lending and borrowing transactions.

California state-chartered commercial banks may generally engage in any activity permissible for national banks. Therefore, American Riviera Bank may form subsidiaries to engage in the many so-called “closely related to banking” or “nonbanking” activities commonly conducted by national banks in operating subsidiaries or subsidiaries of bank holding companies. Further, pursuant to GLBA, California banks may conduct certain “financial” activities in a subsidiary to the same extent as may a national bank, provided the bank is and remains “well-capitalized,” “well-managed” and in satisfactory compliance with the Community Reinvestment Act.

FINANCIAL STATEMENTS

American Riviera Bank’s audited balance sheets as of December 31, 2020 and 2019 and related audited statements of income, shareholders’ equity and cash flows for each of the two years then ended, prepared in conformity with generally accepted accounting principles, together with the report of independent public accountants, are included as Annex D to this proxy statement/prospectus. In addition, unaudited financial information for American Riviera Bank as of September 30, 2021 is available on American Riviera Bank’s website at <http://www.americanriviera.bank>. No financial statements of American Riviera Bancorp are presented in this proxy statement/prospectus, as it currently has no assets or liabilities. In addition, no pro forma consolidated financial statements of American Riviera Bancorp are included herein, as such statements would reflect no material differences from the consolidated financial statements of American Riviera Bank.

OTHER BUSINESS

If any matters not referred to in this proxy statement/prospectus come before the special meeting, including matters incident to conducting the meeting, the proxy holders will vote the shares represented by proxies in accordance with their best judgment. Management is not aware of any other business to come before the meeting and, as of the date of the preparation of this proxy statement/prospectus, no shareholder has submitted to management any proposal to be acted upon at the special meeting.

AMERICAN RIVIERA BANK

A handwritten signature in black ink, appearing to read "Jeff DeVine", written in a cursive style.

Jeff DeVine
President and Chief Executive Officer

Dated: December 8, 2021

[This Page Intentionally Left Blank]

ANNEX A

PLAN OF REORGANIZATION AND AGREEMENT OF MERGER

This **PLAN OF REORGANIZATION AND AGREEMENT OF MERGER** (this “Agreement”), dated as of December 6, 2021, by and among American Riviera Bank, a California state-chartered bank with California Entity Number C2860397 (“Bank”), American Riviera Bancorp, a California corporation with California Entity Number C4815288 (“Holding Company”), and American Riviera Merger Sub, a California corporation (“Subsidiary”).

RECITALS

A. Bank is a banking corporation duly organized, validly existing and doing business in good standing under the laws of the State of California, and has authorized capital of ten million (10,000,000) shares of common stock, no par value, of which, as of the date hereof, there are 5,135,427 shares issued and outstanding, and five million (5,000,000) shares of preferred stock, no par value, of which, as of the date hereof, there are no shares issued and outstanding.

B. Subsidiary is a corporation duly organized, validly existing and doing business in good standing under the laws of the State of California, and has authorized capital of one hundred (100) shares of common stock, no par value, of which, as of the date hereof, there are one hundred (100) shares issued and outstanding, all of which shares are owned by Holding Company.

C. Holding Company is a corporation duly organized, validly existing and doing business in good standing under the laws of the State of California, and has authorized capital of fifty million (50,000,000) shares of common stock, no par value, of which, as of the date hereof, there is one (1) share issued and outstanding, and ten million (10,000,000) shares of preferred stock, no par value, of which, at the date hereof, there are no shares issued and outstanding.

D. The Board of Directors of each of Bank, Holding Company and Subsidiary have approved this Agreement and authorized its execution.

E. It is the intention of the parties that the reorganization and merger of Bank and Subsidiary shall qualify as a “reorganization” under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein set forth and for the purpose of prescribing the terms and conditions of the merger of Subsidiary with Bank, the parties hereto agree as follows:

ARTICLE I TERMS OF MERGER

1.1 **Merger.** At the Effective Time, as defined in Article III, Subsidiary shall merge with and into Bank (“Merger”) under the laws of the State of California. Bank shall be the

ANNEX A

surviving corporation in the Merger (“Surviving Bank”) and shall be a wholly-owned subsidiary of Holding Company. The name of the Surviving Bank shall be “American Riviera Bank.”

1.2 **Articles of Incorporation and Bylaws.** The Articles of Incorporation of Bank as in effect immediately prior to the Effective Time shall, at and after the Effective Time, be the Articles of Incorporation of the Surviving Bank, without change or amendment (until amended or repealed as provided by law) and the Bylaws of Bank as in effect immediately prior to the Effective Time shall, at and after the Effective Time, be the Bylaws of the Surviving Bank, without change or amendment (until amended or repealed as provided by law).

1.3 **Officers and Directors.** The directors and officers of Bank immediately prior to the Effective Time shall be the directors and officers of the Surviving Bank. Directors of the Surviving Bank shall serve until the next annual meeting of shareholders of the Surviving Bank and until such time as their successors are elected and have qualified.

1.4 **Effects of the Merger.** At the Effective Time, the effect of the Merger shall be as provided in the California General Corporation Law. Without limiting the generality of the foregoing and subject thereto, at the Effective Time:

(a) all rights, franchises and interests of Subsidiary in and to every type of property (real, personal and mixed), tangible and intangible, and choses in action shall be transferred to and vested in the Surviving Bank by virtue of the Merger without any deed or other transfer, and the Surviving Bank, without any order or other action on the part of any court or otherwise, shall hold and enjoy all rights of property, franchises and interests, including appointments, designations and nominations, and all other rights and interests as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver and committee, and in every other fiduciary capacity, in the same manner and to the same extent as such rights, franchises and interest were held or enjoyed by Subsidiary immediately prior to the Effective Time; and

(b) the Surviving Bank shall be liable for all liabilities of Subsidiary, fixed or contingent, including all accounts, debts, obligations and contracts thereof, matured or unmatured, whether accrued, absolute, contingent or otherwise, and whether or not reflected or reserved against on balance sheets, books of account or records thereof, and all rights of creditors or obligees and all liens on property of Subsidiary shall be preserved unimpaired; after the Effective Time, the Surviving Bank will continue to issue savings accounts on the same basis as immediately prior to the Effective Time.

1.5 **Offices.** At the Effective Time, all offices of Bank shall be offices of the Surviving Bank and the principal office of Bank shall be the principal office of Surviving Bank.

ARTICLE II CAPITAL STOCK

2.1 **Common Stock of Subsidiary.** Each share of common stock of Subsidiary issued and outstanding immediately prior to the Effective Time shall be converted into one (1) share of common stock of the Surviving Bank.

ANNEX A

2.2 **Common Stock of Bank.** Each share of common stock of Bank issued and outstanding immediately prior to the Effective Date shall be converted into one share of common stock of Holding Company.

2.3 **Exchange of Holding Company Common Stock for Bank Common Stock.** At the Effective Time, each Bank shareholder of record of common stock shall be entitled to receive one share of common stock of Holding Company for each share of common stock of Bank held at that time and Holding Company shall issue that number of shares which shareholders are entitled to receive. On and after the Effective Time, certificates representing the issued and outstanding shares of common stock of Bank shall thereafter represent shares of common stock of Holding Company, and such certificates may, but need not, be exchanged by the holders thereof, after the Merger becomes effective, for new certificates for the appropriate number of shares bearing the name of Holding Company. On and after the Effective Time, there shall be no registration of transfers on the stock transfer books of Surviving Bank of shares of common stock of Bank which were outstanding immediately prior to the Effective Time.

2.4 **Rights to Stock Options and Awards.** Upon and by reason of the Merger becoming effective:

(a) The options to purchase shares of common stock of Bank which have been granted by Bank pursuant to its 2015 Omnibus Stock Incentive Plan (the “Equity Plan”) shall be deemed to be options granted by Holding Company with the same terms and conditions and for the same number of shares of common stock of Holding Company. Holding Company shall issue replacement stock options for shares of its common stock so that appropriate adjustments to reflect the Merger may be made to (a) the class and number of shares of common stock available for options under the Equity Plan and (b) the class and number of shares and the price per share of the common stock subject to options outstanding under the Equity Plan.

(b) The shares of the common stock of Bank awarded with such restrictions as set forth on the applicable award agreement pursuant to the Equity Plan shall be deemed to be shares of the common stock of Holding Company with the same terms, conditions and restrictions. Outstanding certificates representing shares of the common stock of Bank awarded with such restrictions as set forth on the applicable award agreement pursuant to the Equity Plan shall thereafter represent shares of the common stock of Holding Company with such terms, conditions and restrictions as originally awarded by Bank.

2.5 **Employee Benefit Plans Relating to Stock.** On and after the Effective Time, each share of common stock of Bank held in trust or otherwise reserved for future issuance in connection with any and all of Bank’s employee benefit plans, if any, shall be converted into one share of common stock of Holding Company. The Equity Plan, and the Bank’s rights and obligations thereunder, shall be assumed by Holding Company at the Effective Time and shall be subject to the same terms and conditions as existed prior to the Effective Time, subject to the requirements or the Securities Act of 1933, as amended, and the California Securities Law.

ANNEX A

2.6 **Other Rights to Stock.** From time to time, as and when required by the provisions of any agreement to which Bank or Holding Company shall become a party after the date hereof providing for the issuance of shares of common stock or other equity securities of Bank or Holding Company in connection with a merger into Bank or any other banking institution or other corporation, Holding Company will issue in accordance with the terms of any such agreement shares of its common stock or other equity securities as required by such agreement or in substitution for the shares of common stock or other equity securities of Bank required to be issued by such agreement, as the case may be, which the shareholders of any other such banking institution or other corporation shall be entitled to receive by virtue of any such agreement.

2.7 **Dissenting Shares.** Holders of shares of common stock of Bank shall not have dissenters' rights in connection with the Merger pursuant to the provisions of Chapter 13 of the California General Corporation Law.

ARTICLE III EFFECTIVE TIME

The Merger shall be effective at 5:00 p.m. Pacific time on the date upon which an executed counterpart of this Agreement (as amended, if necessary, to conform to any requirements of law or governmental authority or agency, which requirements are not materially in contravention of any of the substantive terms hereof) shall have been filed with the California Secretary of State, in accordance with Section 1103 of the California Corporations Code and, if necessary, declared effective by the California Department of Financial Protection and Innovation (such date and time being herein referred to as the "Effective Time").

ARTICLE IV APPROVALS

4.1 **Shareholder Approval.** This Agreement shall be submitted to the shareholders of Bank, Subsidiary and Holding Company who are entitled to vote thereon for approval and ratification, as provided by the applicable laws of the State of California and in accordance with other applicable law.

4.2 **Regulatory Approvals.** The parties hereto agree that each shall proceed to and cooperate fully to obtain the regulatory approvals and consents and to satisfy the requirements prescribed by applicable law and/or regulation or which are otherwise necessary or desirable in connection with the completion of the Merger as outlined herein. Such regulatory approvals, consents and requirements shall include, but shall not be limited to the approvals and consents set forth in Article V herein.

ARTICLE V CONDITIONS PRECEDENT

This Agreement will not be submitted to the California Secretary of State for filing until all of the following conditions have been satisfied or waived:

ANNEX A

(a) Approval and ratification of this Agreement by the holders of a majority of the outstanding shares of Bank, Subsidiary and Holding Company entitled to vote and as required by applicable law;

(b) Receipt of all other approvals and consents, and satisfaction of all other requirements as are prescribed by applicable law in connection with the Merger including, but not limited to, approval of the Federal Reserve pursuant to 12 U.S.C. 1828(c), approval of the California Department of Financial Protection and Innovation for the acquisition of the Bank by Holding Company pursuant to Financial Code Section 1250, the granting of an order of exemption in connection with the offer, sale and issuance of shares by the California Department of Financial Protection and Innovation pursuant to Financial Code Section 1210, and Notice to the Board of Governors of the Federal Reserve System pursuant to the Bank Holding Company Act of 1956, as amended and Section 225.17 of Regulation Y promulgated pursuant thereto; and

(c) Performance by each party hereto of all its obligations under this Agreement.

ARTICLE VI TERMINATION

The Agreement may be terminated at any time before the Effective Time upon the occurrence of any of the following events:

(a) If any of the conditions set forth in Article V are not fulfilled within a reasonable period of time, such reasonable period of time to be determined by a majority of the Board of Directors of any of the parties, in their sole and absolute discretion;

(b) If any action, suit, proceeding or claim has been instituted, made or threatened, relating to the proposed Merger which makes consummation of the Merger inadvisable in the opinion of a majority of the Board of Directors of any of the parties; or

(c) If for any reason consummation of the Merger is inadvisable in the opinion of a majority of the Board of Directors of any of the parties.

Upon termination, this Agreement shall be void and of no further effect, and there shall be no liability by reason of this Agreement or the termination thereof on the part of the parties hereto or their respective directors, officers, employees, agents or shareholders.

ARTICLE VII EXPENSES

All of the expenses of the Merger, including filing fees, printing and mailing costs, and accountants' fees and legal fees (except for expenses, if any, incurred by the shareholders of Bank or Holding Company) shall be borne by the Surviving Bank or Holding Company, as applicable. In the event that the Merger is abandoned or terminated for any reason, all such expenses shall be borne by Bank.

ANNEX A

**ARTICLE VIII
AMENDMENT, MODIFICATION, ETC.**

8.1 **Amendment, Modification, Etc.** Bank, Subsidiary and Holding Company, by mutual consent of their respective Boards of Directors, to the extent permitted by law, may amend, modify, supplement and interpret this Agreement in such manner as may be mutually agreed upon by them in writing at any time following adoption thereof by shareholders of Bank, Subsidiary and Holding Company, but before the Effective Time; provided, however, that no such amendment, modification or supplement shall change any principal term hereof or the number or kind of shares to be issued by Holding Company in exchange for each share of common stock of Bank, except by the affirmative action of such shareholders as required by law.

8.2 **Counterparts.** This Agreement may be executed in one or more counterparts.

8.3 **Governing Laws.** This Agreement shall be governed by and construed in accordance with the laws of California and the performance of the parties hereto and their respective duties and obligations hereunder shall be governed by such laws except as required by applicable provisions of federal law.

[Signature Page Follows]

ANNEX A

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in counterparts by their duly authorized officers as of the date first above written, pursuant to a resolution of its Board of Directors, acting by a majority.

AMERICAN RIVIERA BANCORP

By: /s/ Jeff Devine
Jeff DeVine
President and Chief Executive Officer

By: /s/ Michelle Martinich
Michelle Martinich
Secretary

AMERICAN RIVIERA BANK

By: /s/ Jeff Devine
Jeff DeVine
President and Chief Executive Officer

By: /s/ Michelle Martinich
Michelle Martinich
Secretary

AMERICAN RIVIERA MERGER SUB

By: /s/ Michelle Martinich
Michelle Martinich
President and Chief Executive Officer

By: /s/ Michelle Martinich
Michelle Martinich
Secretary

[This Page Intentionally Left Blank]

ANNEX B

**ARTICLES OF INCORPORATION
OF
AMERICAN RIVIERA BANCORP**

ARTICLE I

The name of this corporation is American Riviera Bancorp.

ARTICLE II

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business, or the practice of a profession permitted to be incorporated by the California Corporations Code.

ARTICLE III

The name and address in the State of California of this corporation's initial agent for service of process is:

Laurel Sykes
1033 Anacapa Street
Santa Barbara, California 93101

ARTICLE IV

The initial street and mailing address of this corporation is 1033 Anacapa Street, Santa Barbara, California 93101.

ARTICLE V

(a) The total number of shares of stock that this corporation shall have authority to issue is sixty million (60,000,000) shares, which shall be divided into two classes as follows: (a) fifty million (50,000,000) shares of Common Stock, and (b) ten million (10,000,000) shares of Preferred Stock.

(b) The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is authorized to fix the number of shares of any series of Preferred Stock and to determine the designation of any such series. The Board of Directors is also authorized to determine or alter the rights, preferences, privileges, and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock and, within the limits and restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series, to increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any such series subsequent to the issue of shares of that series.

ANNEX B

ARTICLE VI

(a) The liability of the directors of this corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

(b) This corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) to the fullest extent permissible under California law and in excess of that otherwise permitted under Section 317 of the California Corporations Code, subject to the limits on such excess indemnification set forth in Section 204 of the California Corporations Code.

(c) Any repeal or modification of the provisions of this Article VI by the shareholders of this corporation shall not adversely affect any right or protection of a director or agent of this corporation existing at the time of such repeal or modification.

Date: November 24, 2021

A handwritten signature in black ink, appearing to read "Michelle Martinich", written over a horizontal line.

Michelle Martinich, Incorporator

ANNEX C

BYLAWS OF AMERICAN RIVIERA BANCORP

ARTICLE I OFFICES

1.1 Principal Offices. The board of directors of American Riviera Bancorp (the “corporation”) shall fix the location of the principal executive office of the corporation at any place within or outside the State of California. If the principal executive office is located outside this state, and the corporation has one or more business offices in this state, the board of directors shall likewise fix and designate a principal business office in the State of California.

1.2 Other Offices. The board of directors may at any time establish subordinate offices at any place or places where the corporation is qualified to do business.

ARTICLE II MEETINGS OF SHAREHOLDERS

2.1 Place of Meetings. Meetings of shareholders shall be held at any place within or outside the State of California designated by the board of directors. In the absence of any such designation, shareholders’ meetings shall be held at the principal executive office of the corporation. If authorized by the board of directors in its sole discretion, and subject to the requirement of consent as described below and those guidelines and procedures as the board of directors may adopt, shareholders not physically present in person or by proxy at a meeting of shareholders may, by electronic transmission by and to the corporation, as such terms are defined in the Corporations Code of California (the “Corporations Code”), or by electronic video screen communication, participate in a meeting of shareholders, be deemed present in person or by proxy, and vote at a meeting of shareholders whether that meeting is to be held at a designated place or in whole or in part by means of electronic transmission by and to the corporation or by electronic video screen communication.

A meeting of the shareholders may be conducted, in whole or in part, by electronic transmission by and to the corporation as defined above or by electronic video screen communication if: (i) the corporation implements reasonable measures to provide shareholders (in person or by proxy) a reasonable opportunity to participate in the meeting and to vote on matters submitted to the shareholders, including an opportunity to read or hear the proceedings of the meeting concurrently with those proceedings; and (ii) if any shareholder votes or takes other action at the meeting by means of electronic transmission to the corporation or electronic video screen communication and a record of that vote or action is maintained by the corporation.

2.2 Annual Meeting. The annual meeting of shareholders shall be held each year on a date and at a time designated by the board of directors. The date so designated shall be within fifteen (15) months after the last annual meeting. At the annual meeting, directors shall be elected, and any other proper business may be transacted.

ANNEX C

2.3 Special Meeting. A special meeting of the shareholders may be called at any time by the board of directors, the chairperson of the board, the chief executive officer, the president, or by one or more shareholders holding shares in the aggregate entitled to cast not less than ten percent (10%) of the votes at that meeting. If a special meeting is called by any person or persons other than the board of directors, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by electronic transmission or other facsimile transmission to the chairperson of the board, the president, or the secretary of the corporation. The officer receiving the request shall cause notice to be promptly given to the shareholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5 of this Article II, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the person or persons requesting the meeting may give the notice.

Nothing contained in this Section 2.3 shall be construed as limiting, fixing or affecting the time when a meeting of shareholders called by action of the board of directors may be held.

2.4 Notice of Shareholders' Meetings. All notices of meetings of shareholders shall be sent or otherwise given in accordance with Section 2.5 of this Article II not less than ten (10) nor more than sixty (60) days before the date of the meeting, provided that if notice is sent by third-class mail then the notice shall be sent or otherwise given not less than thirty (30) days before the date of the meeting. Shareholders entitled to notice shall be determined in accordance with Section 2.11 of this Article II. The notice shall specify the following:

- (a) the place, date and hour of the meeting,
- (b) the means of electronic transmission by and to the corporation or electronic video screen communication, if any, by which shareholders may participate in that meeting,
- (c) in the case of a special meeting, the general nature of the business to be transacted,
- (d) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the shareholders,
- (e) if directors are to be elected, the name of any nominee or nominees whom, at the time of the notice, management intends to present for election,
- (f) if action is proposed to be taken at any meeting for: (i) approval of a contract or transaction in which a director has a direct or indirect financial interest, pursuant to Section 310 of the Corporations Code, (ii) an amendment of the articles of incorporation, pursuant to Section 902 of the Corporations Code, (iii) a reorganization of the corporation, pursuant to Section 1201 of the Corporations Code, (iv) a voluntary dissolution of the corporation, pursuant to Section 1900 of the Corporations Code, or (v) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of the Corporations Code, the general nature of that proposal, and

ANNEX C

(g) any other matters expressly required by statute.

2.5 Manner of Giving Notice: Affidavit of Notice. Notice of any meeting of shareholders shall be given either personally or by first-class mail (or, if the corporation has 500 or more shareholders of record, by third-class mail), or by electronic transmission or other written communication, charges prepaid, addressed to the shareholder at the address of that shareholder appearing on the books of the corporation or given by the shareholder to the corporation for the purpose of notice. If no such address appears on the corporation's books or is given, notice shall be deemed to have been given if sent to that shareholder by first-class mail (or, if the corporation has 500 or more shareholders of record, by third-class mail), or electronic transmission or other written communication to the corporation's principal executive office, or if published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally, sent by electronic transmission, or deposited in the mail or sent by other means of written communication.

If any notice addressed to a shareholder at the address of that shareholder appearing on the books of the corporation is returned to the corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the shareholder at that address, all future notices or reports shall be deemed to have been duly given without further mailing if these shall be available to the shareholder on written demand of the shareholder at the principal executive office of the corporation for a period of one year from the date of the giving of the notice. An affidavit of the mailing or other means of giving any notice of any shareholders' meeting shall be executed by the secretary, assistant secretary, or any transfer agent of the corporation giving the notice, and shall be filed and maintained in the minute book of the corporation.

2.6 Quorum. The presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting of shareholders shall constitute a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

2.7 Adjourned Meeting: Notice. Any shareholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the shares represented at that meeting, either in person or by proxy, but in the absence of a quorum, no other business may be transacted at that meeting, except as provided in Section 2.6 of this Article II.

When any meeting of shareholders, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at a meeting at which the adjournment is taken, unless a new record date for the adjourned meeting is fixed, or unless the adjournment is for more than forty-five (45) days from the date set for the original meeting, in which case the board of directors shall set a new record date. Notice of any such adjourned meeting shall be given to each shareholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Sections 2.4 and 2.5 of this Article II. At

ANNEX C

any meeting adjourned to another time or place, the corporation may transact any business which might have been transacted at the original meeting.

2.8 Voting. The shareholders entitled to vote at any meeting of shareholders shall be determined in accordance with the provisions of Section 2.11 of this Article II, subject to the provisions of Sections 702 to 704, inclusive, of the Corporations Code (relating to voting shares held by a fiduciary, in the name of a corporation, or in joint ownership). The shareholders' vote may be by voice or by ballot; provided, however, that any election for directors must be by ballot if demanded by any shareholder before the voting has begun. On any matter other than elections of directors, any shareholder may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, but, if the shareholder fails to specify the number of shares which the shareholder is voting affirmatively, it will be conclusively presumed that the shareholder's approving vote is with respect to all shares that the shareholder is entitled to vote. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on any matter (other than the election of directors) shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by the Corporations Code or by the articles of incorporation.

At any shareholders' meeting at which directors are to be elected, no shareholder shall be entitled to cumulate votes (i.e., cast for any one or more candidates a number of votes greater than the number of the shareholder's shares) unless the candidates' names have been placed in nomination prior to commencement of the voting and a shareholder has given notice prior to commencement of the voting of the shareholder's intention to cumulate votes. If any shareholder has given such a notice, then every shareholder entitled to vote may cumulate votes for candidates in nomination and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which that shareholder's shares are entitled, or distribute the shareholder's votes on the same principle among any or all of the candidates, as the shareholder thinks fit. In any election of directors, the candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected.

2.9 Waiver of Notice or Consent by Absent Shareholders. The transactions of any meeting of shareholders, either annual or special, however called and noticed, and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, who was not present in person or by proxy, signs a written waiver of notice or a consent to a holding of the meeting, or an approval of the minutes. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of shareholders, except that if action is taken or proposed to be taken for approval of any of those matters specified in Section 601(f) of the Corporations Code, the waiver of notice or consent shall state the general nature of the proposal. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance by a person at a meeting shall also constitute a waiver of notice of that meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance

ANNEX C

at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting if that objection is expressly made at the meeting.

2.10 Shareholder Action by Written Consent Without a Meeting. Any action which may be taken at any annual or special meeting of shareholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all shares entitled to vote on that action were present and voted. In the case of election of directors, such a consent shall be effective only if signed by the holders of all outstanding shares entitled to vote for the election of directors; provided, however, that a director may be elected at any time to fill a vacancy on the board of directors that has not been filled by the directors, by the written consent of the holders of a majority of the outstanding shares entitled to vote for the election of directors. All such consents shall be filed with the secretary of the corporation and shall be maintained in the corporate records. Any shareholder giving a written consent, or the shareholder's proxy holders, or a transferee of the shares or a personal representative of the shareholder or their respective proxy holders, may revoke the consent by a writing received by the secretary of the corporation before written consents of the number of shares required to authorize the proposed action have been filed with the secretary.

If the consents of all shareholders entitled to vote have not been solicited in writing, and if the unanimous written consent of all such shareholders shall not have been received, the secretary shall give prompt notice of the corporate action approved by the shareholders without a meeting. This notice shall be given in the manner specified in Section 2.5 of this Article II. In the case of approval of: (i) contracts or transactions in which a director has a direct or indirect financial interest, pursuant to Section 310 of the Corporations Code; (ii) indemnification of agents of the corporation, pursuant to Section 317 of the Corporations Code; (iii) a reorganization of the corporation, pursuant to Section 1201 of the Corporations Code; and (iv) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of the Corporations Code, the notice shall be given at least ten (10) days before the consummation of any action authorized by that approval.

2.11 Record Date for Shareholder Notice, Voting, and Giving Consents.

(a) For purposes of determining the shareholders entitled to notice of any meeting or to vote or entitled to give written consent to corporate action without a meeting, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting nor more than sixty (60) days before any such action without a meeting, and in this event only shareholders of record on the date so fixed are entitled to notice and to vote or to give consents, as the case may be notwithstanding any transfer of any shares on the books of the corporation after the record date, except as otherwise provided in the Corporations Code.

(b) If the board of directors does not so fix a record date:

(i) The record date for determining shareholders entitled to receive notice of and vote at a shareholders' meeting shall be the business day next preceding the

ANNEX C

day on which notice is given, or if notice is waived as provided in Section 2.9 of this Article II, the business day next preceding the day on which the meeting is held.

(ii) The record date for determining shareholders entitled to give consent to corporate action in writing without a meeting, if no prior action has been taken by the board of directors, shall be the day on which the first written consent is given.

(iii) The record date for determining shareholders for any other purpose shall be as set forth in Section 8.1 of Article VIII of these bylaws.

(c) A determination of shareholders of record entitled to receive notice of and vote at a shareholders' meeting shall apply to any adjournment of the meeting unless the board of directors fixes a new record date for the adjourned meeting. However, the board of directors shall fix a new record date if the adjournment is to a date more than forty-five (45) days after the date set for the original meeting.

(d) Only shareholders of record on the corporation's books at the close of business on the record date shall be entitled to any of the notice and voting rights listed in subsection (a) of this section, notwithstanding any transfer of shares on the corporation's books after the record date, except as otherwise required by law.

2.12 Proxies. Every person entitled to vote for directors or on any other matter shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the secretary of the corporation. A proxy shall be deemed signed if the shareholder's name is placed on the proxy (whether by manual signature, typewriting, electronic transmission, or otherwise) by the shareholder or the shareholder's attorney in fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless: (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the corporation stating that the proxy is revoked, or by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the person executing the proxy; or (ii) written notice of the death or incapacity of the maker of that proxy is received by the corporation before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Sections 705(e) and 705(f) of the Corporations Code.

2.13 Inspectors of Election. Before any meeting of shareholders, the board of directors may appoint one person or three persons to serve as inspectors of election at the meeting or its adjournment. If no inspectors of election are so appointed, the chairperson of the meeting may, and on the request of any shareholder or a shareholder's proxy shall, appoint inspectors of election at the meeting. If inspectors are appointed at a meeting on the request of one or more shareholders or proxies, the holders of a majority of shares or their proxies present at the meeting shall determine whether one or three inspectors are to be appointed. If any person appointed as inspector fails to appear or fails or refuses to act, the chairperson of the meeting may, and upon the request of any shareholder or a shareholder's proxy shall appoint a person to fill that vacancy.

ANNEX C

The inspector or inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies; receive votes, ballots or consents; hear and determine all challenges and questions in any way arising in connection with the right to vote; count and tabulate all votes or consents; determine when the polls shall close; determine the result; and do any other acts that may be proper to conduct the election or vote with fairness to all shareholders.

2.14 Shareholder Nominations and Proposals. At any meeting of shareholders, business will only be conducted if it is brought before the meeting by or at the direction of the board of directors, or by a shareholder of record entitled to vote at such meeting who complies with the requirements set forth in this Section.

For business (including but not limited to director nominations) to be properly brought before an annual meeting by a shareholder, the shareholder or shareholders of record intending to propose the business (the “proposing shareholder”) must have given written notice of the proposing shareholder’s nomination or proposal either by personal delivery or by United States mail to the secretary of the corporation no earlier than ninety (90) calendar days and no later than sixty (60) calendar days before the date such annual meeting is to be held. If the current year’s annual meeting is called for a date that is not within thirty (30) days of the anniversary of the previous year’s annual meeting, notice must be received not later than ten (10) calendar days following the day on which public announcement of the date of the annual meeting is first made. In no event will an adjournment or postponement of an annual meeting of shareholders begin a new time period for giving a proposing shareholder’s notice as provided above.

For business to be properly brought before a special meeting of shareholders, the notice of the meeting sent by or at the direction of the person calling the meeting must set forth the nature of the business to be considered. A shareholder or shareholders who have made a written request for a special meeting pursuant to Section 2.3 may provide the information required for notice of a shareholder proposal under this Section simultaneously with the written request for the meeting submitted to the secretary or within ten (10) calendar days after delivery of the written request for the meeting to the secretary.

A proposing shareholder’s notice shall include as to each matter the proposing shareholder proposes to bring before either an annual or special meeting:

- (a) The name and address of the proposing shareholder and the classes and number of shares of capital stock of the corporation held by the proposing shareholder;
- (b) If the notice regards the nomination of a candidate for election as director:
 - (i) the full name, age and date of birth of each candidate;
 - (ii) the business and residence address and telephone numbers of each candidate;
 - (iii) the education background and business/occupational experience of each candidate including a list of positions held for at least the preceding five (5) years;
 - (iv) the class and number of shares of the corporation beneficially owned by the candidate; and
 - (v) a signed representation by each such candidate that the candidate will timely provide any other information reasonably requested by the corporation for the purpose of preparing its disclosures in regard to the solicitation of proxies for the election of directors. The name of each such candidate for director must be placed in nomination at the

ANNEX C

annual meeting by a shareholder present in person and the candidate must be present in person at the meeting for the election of directors. Any vote cast for a person who has not been duly nominated pursuant to this Section 2.14(b) will be void; and

(c) If the notice regards a proposal other than the nomination of a candidate for election as director: (i) a brief description of the business and the reasons for conducting such business at the meeting; (ii) the name and address, as they appear in the corporation's books, of the shareholder proposing such business; (iii) the class and number of shares of the corporation that are beneficially owned by the shareholder; and (iv) the material interest of the shareholder in such business. Shareholder proposals that do not satisfy the requirements of this Section 2.14(c) may, but need not, be considered and discussed, but not acted upon, at a meeting.

This Section or a summary of this Section shall be set forth in either the notice or related proxy statement concerning any shareholders' meeting at which the election of directors is to be considered.

ARTICLE III DIRECTORS

3.1 Powers. Subject to the provisions of the Corporations Code and any limitations in the articles of incorporation and these bylaws relating to action required to be approved by the shareholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

Without prejudice to these general powers, and subject to the same limitations, the directors shall have the power to:

(a) Change the principal executive office or the principal business office in the State of California from one location to another; cause the corporation to be qualified to do business in any other state, territory, dependency, or country and conduct business within or without the State of California, and designate any place within or without the State of California for the holding of any shareholders' meeting, or meetings, including annual meetings.

(b) Adopt, make, and use a corporate seal, prescribe the forms of certificates of stock; and alter the form of the seal and certificates.

(c) Authorize the issuance of shares of stock of the corporation on any lawful terms, in consideration of money paid, labor done, services actually rendered, debts or securities canceled or tangible or intangible property actually received.

(d) Borrow money and incur indebtedness on behalf of the corporation, and cause to be executed and delivered for the corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities.

3.2 Number of Directors. The authorized number of directors shall not be less than eight (8) nor more than fifteen (15) until changed by a duly adopted amendment to these bylaws

ANNEX C

adopted by the vote or written consent of a majority of the outstanding shares entitled to vote. The exact number of directors shall be fixed from time to time, within the limits specified in this Section 3.2 by a bylaw or amendment thereto or by a resolution duly adopted by a vote of a majority of the shares entitled to vote represented at a duly held meeting at which a quorum is present, or by the written consent of the holders of a majority of the outstanding shares entitled to vote, or by the majority vote of the board of directors.

3.3 Eligibility, Election and Term of Office of Directors. Directors shall be elected at each annual meeting of the shareholders to hold office until the next annual meeting. Each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.4 Vacancies. A vacancy in the board of directors shall be deemed to exist in the case of the death, resignation or removal of any director, or if the board of directors by resolution declares vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony, or if the authorized number of directors is increased, or if the shareholders fail at any meeting of shareholders at which any director or directors are elected, to elect the full authorized number of directors to be voted for at that meeting.

Any director may resign effective on giving written notice to the chairperson of the board, the chief executive officer, the president, the secretary, or the board of directors, unless the notice specifies a later effective date. If the resignation is effective at a future time, the board of directors may elect a successor to take office when the resignation becomes effective.

Vacancies on the board of directors may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, except that a vacancy created by the removal of a director by the vote or written consent of the shareholders may be filled only by the vote of a majority of the shares represented and voting at a duly held meeting of shareholders at which a quorum is present (which shares voting affirmatively also constitute at least a majority of the required quorum) or by the written consent of holders of a majority of the outstanding shares entitled to vote. Each director so elected shall hold office until the next annual meeting of the shareholders and until a successor has been elected and qualified or until the earlier of his or her resignation or removal.

The shareholders may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors, but any such election by written consent shall require the consent of a majority of the outstanding shares entitled to vote.

3.5 Place of Meetings and Meetings by Telephone. Regular meetings of the board of directors may be held at any place within or outside the State of California that has been designated from time to time by resolution of the board of directors. In the absence of such a designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the board of directors shall be held at any place within or outside the State of California that has been designated in the notice of the meeting or, if not stated in the notice or

ANNEX C

there is no notice, at the principal executive office of the corporation. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at the meeting.

3.6 Annual Directors' Meeting. Immediately after each annual shareholders' meeting, the board of directors shall hold a regular meeting at the same place, or at any other place that has been designated by the board of directors, to consider matters of organization, election of officers, and other business as desired. Notice of this meeting shall not be required unless some place other than the place of the annual shareholders' meeting has been designated.

3.7 Other Regular Meetings. Other regular meetings of the board of directors shall be held without call at such time as shall from time to time be fixed by the board of directors. Such regular meetings may be held without notice.

3.8 Special Meetings. Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairperson of the board or the president or the secretary or any two directors. Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or electronic transmission, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. In case the notice is mailed, it shall be deposited in the United States Mail at least four (4) days before the time of the holding of the meeting. In case the notice is delivered personally, or by telephone or electronic transmission, it shall be delivered personally or by telephone or electronic transmission at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose of the meeting nor the place if the meeting is to be held at the principal executive office of the corporation.

3.9 Quorum. A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 3.11 of this Article III. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the board of directors, subject to the provisions of Section 310 of the Corporations Code (as to approval of contracts or transactions in which a director has a direct or indirect material financial interest), Section 311 of the Corporations Code (as to appointment of committees), and Section 317(e) of the Corporations Code (as to indemnification of directors). A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.10 Waiver of Notice. Notice of a meeting, although otherwise required, need not be given to any director who: (a) either before or after the meeting signs a waiver of notice or a consent to holding the meeting without being given notice; (b) signs an approval of the minutes of the meeting; or (c) attends the meeting without protesting the lack of notice before or at the beginning of the meeting. Waivers of notice or consents need not specify the purpose of the

ANNEX C

meeting. All waivers, consents, and approvals of the minutes shall be filed with the corporate records or made a part of the minutes of the meeting.

3.11 Adjournment. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

3.12 Notice of Adjournment. Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case notice of the time and place shall be given before the time of the adjourned meeting, in the manner specified in Section 3.8 of this Article III, to the directors who were not present at the time of the adjournment.

3.13 Action Without Meeting. Any action required or permitted to be taken by the board of directors may be taken without a meeting, if all members of the board of directors shall individually or collectively consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the board of directors. Such written consent or consents shall be filed with the minutes of the proceedings of the board of directors.

3.14 Fees and Compensation of Directors. Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement of expenses, as may be fixed or determined by resolution of the board of directors. This Section 3.14 shall not be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation for those services.

ARTICLE IV COMMITTEES

4.1 Committees of Directors. The board of directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, each consisting of two or more directors, to serve at the pleasure of the board of directors. The board of directors may designate one or more directors as alternate members of any committees, who may replace any absent member at any meeting of the committee. Any committee, to the extent provided in the resolution of the board of directors, shall have all the authority of the board of directors, except with respect to:

- (a) the approval of any action which, under the Corporations Code, also requires shareholders' approval or approval of the outstanding shares;
- (b) the filling of vacancies on the board of directors or in any committee;
- (c) the fixing of compensation of the directors for serving on the board of directors or on any committee;
- (d) the amendment or repeal of bylaws or the adoption of new bylaws;
- (e) the amendment or repeal of any resolution of the board of directors which by its express terms is not so amendable or reparable;

ANNEX C

(f) a distribution to the shareholders of the corporation, except at a rate or in a periodic amount or within a price range determined by the board of directors; or

(g) the appointment of any other committees of the board of directors or the members of these committees.

4.2 Meetings and Action of Committees. Meetings and action of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, Sections 3.5 (place of meetings), 3.7 (regular meetings), 3.8 (special meetings and notice), 3.9 (quorum), 3.10 (waiver of notice), 3.11 (adjournment), 3.12 (notice of adjournment), and 3.13 (action without meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members, except that the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee; special meetings of committees may also be called by resolution of the board of directors; and notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V OFFICERS

5.1 Officers. The officers of the corporation shall consist of a chairperson of the board, a chief executive officer or a president, or both, a secretary and a chief financial officer. The corporation may also have, at the discretion of the board of directors, a vice chairperson of the board, one or more vice presidents, one or more assistant secretaries, a treasurer or one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 5.3 of this Article V. Any number of offices may be held by the same person.

5.2 Elections of Officers. The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 or Section 5.5 of this Article V, shall be chosen by the board of directors and each shall serve at the pleasure of the board of directors, subject to the rights, if any, of an officer under any contract of employment.

5.3 Subordinate Officers. The board of directors hereby empowers the chief executive officer to appoint such other officers and employees as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the bylaws or as the chief executive officer may from time to time determine.

5.4 Removal and Resignation of Officers. Any officer chosen by the board of directors may be removed at any time, with or without cause or notice, by the board of directors. Subordinate officers appointed by persons other than the board of directors under Section 5.3 of this Article V may be removed at any time, with or without cause or notice, by the officer who appointed such person. Officers may be employed for a specified term under a contract of employment if authorized by the board of directors; such officers may be removed from office at

ANNEX C

any time under this Section, and shall have no claim against the corporation or individual officers or board members because of the removal except any right to monetary compensation to which the officer may be entitled under the contract of employment.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 Vacancies in Offices. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these bylaws for regular appointments to that office.

5.6 Chairperson of the Board. The chairperson of the board shall, if present, preside at meetings of the board of directors and shareholders and exercise and perform such other powers and duties as may be from time to time assigned to him/her by the board of directors or prescribed by the bylaws. Unless otherwise so resolved or designated by the board of directors, the chairperson of the board shall not be an executive officer.

5.7 Chief Executive Officer. Subject to such supervisory powers, if any, as may be given by the board of directors to the chairperson of the board, if there be such an officer, the chief executive officer of the corporation shall, subject to the control of the board of directors, have general supervision, direction and control of the business and the officers of the corporation. The chief executive officer shall preside at all meetings of the shareholders and, in the absence of the chairperson of the board, or if there be none, at all meetings of the board of directors. The chief executive officer shall have the general powers and duties of management usually vested in the office of president of a corporation, and shall have such other powers and duties as may be prescribed by the board of directors or the bylaws.

5.8 President. In the absence or disability of the chief executive officer, the president shall perform all the duties of the chief executive officer, and when so acting shall have all the powers of, and be subject to all restrictions upon, the chief executive officer. The president shall have such other powers and perform such other duties as from time to time may be prescribed for him or her by the board of directors, the chairperson of the board, the bylaws, or the chief executive officer.

5.9 Vice Presidents. If desired, one or more vice presidents may be chosen by the board of directors in accordance with the provisions for electing officers set forth in Section 5.2 of this Article V. In the absence or disability of the chief executive officer and president, the vice presidents, if any, in order of their rank as fixed by the board of directors or, if not ranked, a vice president designated by the board of directors, shall perform all the duties of the president, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice president shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors, the chairperson of the board, the bylaws, the chief executive officer, or the president.

ANNEX C

5.10 Secretary. The secretary shall keep or cause to be kept, at the principal executive office or such other place as the board of directors may order, a book of minutes of all meetings and actions of directors, committees of directors and shareholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at directors' and committee meetings, the number of shares present or represented at shareholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the board of directors required by the bylaws or by law to be given, and the secretary shall keep the seal of the corporation, if one be adopted, in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by the bylaws.

5.11 Chief Financial Officer. The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The chief financial officer shall deposit all monies and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the board of directors. The chief financial officer shall disburse the funds of the corporation as may be ordered by the board of directors, shall render to the president and directors, whenever they request it, an account of all of the transactions of the chief financial officer and of the financial condition of the corporation, and shall have other powers and perform such other duties as may be prescribed by the board of directors or the bylaws.

ARTICLE VI INDEMNIFICATION OF DIRECTORS, OFFICERS EMPLOYEES, AND OTHER AGENTS

6.1 Right to Indemnification. Each person who was or is a party or is threatened to be made a party to or is involved (as a party, witness, or otherwise), in any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (hereafter a "Proceeding"), by reason of the fact that such person, or another person of whom such person is the legal representative, is or was a director, officer, employee, or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, or was a director, officer, employee, or agent of a foreign or domestic corporation that was a predecessor corporation of the corporation or of another enterprise at the request of such

ANNEX C

predecessor corporation, including service with respect to employee benefit plans, whether the basis of the Proceeding is alleged action in an official capacity as a director, officer, employee, or agent or in any other capacity while serving as a director, officer, employee, or agent (hereafter an “Agent”), shall be indemnified and held harmless by the corporation to the fullest extent authorized by statutory and decisional law, as the same exists or may hereafter be interpreted or amended (but, in the case of any such amendment or interpretation, only to the extent that such amendment or interpretation permits the corporation to provide broader indemnification rights than were permitted prior thereto) against all expenses, liability, and loss (including, without limitation, attorneys’ fees, judgments, fines, penalties, ERISA excise taxes and penalties, amounts paid or to be paid in settlement, any interest, assessments, or other charges imposed thereon, and any federal, state, local, or foreign taxes imposed on any Agent as a result of the actual or deemed receipt of any payments under this Article VI) reasonably incurred or suffered by such person in connection with investigating, defending, being a witness in, or participating in (including on appeal), or preparing for any of the foregoing in, any Proceeding (hereafter “Expenses”); provided, however, that except as to actions to enforce indemnification rights pursuant to Section 6.3 of the bylaws, the corporation shall indemnify any Agent seeking indemnification in connection with a Proceeding (or part thereof) initiated by such Agent only if the Proceeding (or part thereof) was authorized by the board of directors of the corporation. The right to indemnification conferred in this Article VI shall be a contract right. It is the corporation’s intention that the bylaws provide indemnification in excess of that expressly permitted by Section 317 of the Corporations Code, as authorized by the corporation’s articles of incorporation. Any indemnification provided under this Section 6.1 shall only be authorized in each specific case upon a determination that indemnification of the Agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in this Section 6.1 as determined by any of the following: (1) a majority vote of a quorum consisting of directors who are not parties to such Proceeding; (2) if such a quorum of directors is not obtainable, by independent legal counsel in a written opinion; (3) approval of the shareholders, with the shares owned by the person to be indemnified not being entitled to vote thereon; (4) the court in which the Proceeding is or was pending upon application made by the corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not the application by the agent, attorney or other person is opposed by the corporation.

6.2 Authority to Advance Expenses. Expenses incurred by a director or officer (acting in his or her capacity as such) in defending a Proceeding shall be paid by the corporation in advance of the final disposition of such Proceeding, provided, however, that if required by the Corporations Code, as amended, such Expenses shall be advanced only upon delivery to the corporation of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that the director or officer is not entitled to be indemnified by the corporation as authorized in this Article VI or otherwise. Expenses incurred by other Agents of the corporation (or by the directors or officers not acting in their capacity as such, including service with respect to employee benefit plans) may be advanced upon the receipt of a similar undertaking, if required by law, and upon such other terms and conditions as the board of directors deems appropriate. Any obligation to reimburse the corporation for Expense advances shall be unsecured, and no interest shall be charged thereon.

6.3 Right of Claimant to Bring Suit. If a claim under Section 6.1 or 6.2 of the bylaws is not paid in full by the corporation within thirty (30) days after a written claim has been

ANNEX C

received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense (including attorneys' fees) of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending a Proceeding in advance of its final disposition where the required undertaking has been tendered to the corporation) that the claimant has not met the standards of conduct that make it permissible under the Corporations Code for the corporation to indemnify the claimant for the amount claimed. The burden of proving such a defense shall be on the corporation. Neither the failure of the corporation (including its board of directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper under the circumstances because he or she has met the applicable standard of conduct set forth in the Corporations Code, nor an actual determination by the corporation (including the board of directors, independent legal counsel, or its shareholders) that the claimant had not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct.

6.4 Provisions Nonexclusive. The rights conferred on any person by this Article VI shall not be exclusive of any other rights that such person may have or hereafter acquire under any statute, provision of the articles of incorporation, agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office. To the extent that any provision of the articles of incorporation, agreement, or vote of the shareholders or disinterested directors is inconsistent with the bylaws, the provision, agreement, or vote shall take precedence.

6.5 Authority to Insure. The corporation may purchase and maintain insurance to protect itself and any Agent against any Expense asserted against or incurred by such person, whether or not the corporation would have the power to indemnify the Agent against such Expense under applicable law or the provisions of this Article VI, provided that, in cases where the corporation owns all or a portion of the shares of the company issuing the insurance policy, the company and/or the policy must meet one of the two sets of conditions set forth in Section 317 of the Corporations Code.

6.6 Survival of Rights. The rights provided by this Article VI shall continue as to a person who has ceased to be an Agent and shall inure to the benefit of the heirs, executors, and administrators of such person.

6.7 Settlement of Claims. The corporation shall not be liable to indemnify any Agent under this Article VI (a) for any amounts paid in settlement of any action or claim effected without the corporation's written consent, which consent shall not be unreasonably withheld; or (b) for any judicial award, if the corporation was not given a reasonable and timely opportunity to participate, at its expense, in the defense of such action.

6.8 Effect of Amendment. Any amendment, repeal, or modification of this Article VI shall not adversely affect any right or protection of any Agent existing at the time of such amendment, repeal, or modification.

ANNEX C

6.9 Subrogation. In the event of payment under this Article VI, the corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the Agent, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the corporation effectively to bring suit to enforce such rights.

6.10 No Duplication of Payments. The corporation shall not be liable under this Article VI to make any payment in connection with any claim made against the Agent to the extent the Agent has otherwise actually received payment (under any insurance policy, agreement, vote, or otherwise) of the amounts otherwise indemnifiable hereunder.

ARTICLE VII RECORDS AND REPORTS

7.1 Maintenance and Inspection of Share Register. The corporation shall keep at its principal executive office, or at the office of its transfer agent or registrar, if either be appointed and as determined by resolution of the board of directors, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of shares held by each shareholder.

A shareholder or shareholders of the corporation holding at least five percent (5%) in the aggregate of the outstanding voting shares of the corporation may (i) inspect and copy the records of shareholders' names and addresses and share holdings during usual business hours on five (5) days prior written demand on the corporation, and (ii) obtain from the transfer agent of the corporation, on written demand and on the tender of such transfer agent's usual charges for such list, a list of the shareholders' names and addresses, who are entitled to vote for the election of directors, and their share holdings, as of the most recent record date for which that list has been compiled or as of a date specified by the shareholder after the date of demand. This list shall be made available to any such shareholder by the transfer agent on or before the later of five (5) days after the demand is received or the date specified in the demand as the date as of which the list is to be compiled. The record of shareholders shall also be open to inspection on the written demand of any shareholder or holder of a voting trust certificate, at any time during usual business hours, for a purpose reasonably related to the holder's interest as a shareholder or as the holder of a voting trust certificate. Any inspection and copying under this Section 7.1 may be made in person or by an agent or attorney, of the shareholder or holder of a voting trust certificate making the demand.

7.2 Maintenance and Inspection of Bylaws. The corporation shall keep at its principal executive office, or if its principal executive office is not in the State of California, at its principal business office in this state, the original or a copy of the bylaws as amended to date, which shall be open to inspection by the shareholders at all reasonable times during office hours. If the principal executive office of the corporation is outside the State of California and the corporation has no principal business office in this state, the Secretary shall, upon the written request of any shareholder, furnish to that shareholder a copy of the bylaws as amended to date.

7.3 Maintenance and Inspection of Other Corporate Records. The accounting books and records and minutes of proceedings of the shareholders and the board of directors and any

ANNEX C

committee or committees of the board of directors shall be kept at such place or places designated by the board of directors, or, in the absence of such designation, at the principal executive office of the corporation. The minutes shall be kept in written form and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form. The minutes and accounting books and records shall be open to inspection upon the written demand of any shareholder or holder of a voting trust certificate, at any reasonable time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or as the holder of a voting trust certificate; provided, that any financial statements will not be available for inspection until publicly released to shareholders. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. These rights of inspection shall extend to the records of each subsidiary corporation of the corporation.

7.4 Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the corporation and each of its subsidiary corporations. This inspection by a director may be made in person or by an agent or attorney and the right of inspection includes the right to copy and make extracts of documents.

7.5 Annual Report to Shareholders. As may be required by the provisions of the Corporations Code, the board of directors shall cause an annual report to be sent to the shareholders at least fifteen (15) days prior to the annual meeting of shareholders but not later than one hundred and twenty (120) days after the close of the fiscal year.

ARTICLE VIII GENERAL CORPORATE MATTERS

8.1 Record Date for Purposes Other Than Notice and Voting. For purposes of determining the shareholders entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action (other than action by shareholders by written consent without a meeting), the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days before any such action, and in that case only shareholders of record on the date so fixed are entitled to receive the dividend, distribution, or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date so fixed, except as otherwise provided in the Corporations Code.

If the board of directors does not so fix a record date, the record date for determining shareholders for any such purpose shall be at the close of business on the date on which the board of directors adopts the applicable resolution or the sixtieth (60th) day before the date of that action, whichever is later.

8.2 Checks, Drafts, Evidences of Indebtedness. All checks, drafts, or other orders for payment of money, notes, or other evidences of indebtedness, issued in the name of or payable to the corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the board of directors.

ANNEX C

8.3 Corporate Contracts and Instruments: How Executed. The board of directors, except as otherwise provided in these bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation, and this authority may be general or confined to specific instances; and, unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent, or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.4 Certificates for Shares. A certificate or certificates for shares of the capital stock of the corporation shall be issued to each shareholder when any of these shares are fully paid, and the board of directors may authorize the issuance of certificates or shares as partly paid provided that these certificates shall state the amount of the consideration to be paid for them and the amount paid. All certificates shall be signed in the name of the corporation by the chairperson of the board or vice chairperson of the board or the president or vice president and by the chief financial officer or an assistant treasurer or the secretary or any assistant secretary, certifying the number of shares and the class or series of shares owned by the shareholder. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed on a certificate shall have ceased to be that officer, transfer agent, or registrar before that certificate is issued, it may be issued by the corporation with the same effect as if that person were an officer, transfer agent, or registrar at the date of issue. The corporation may adopt a system of issuance, recordation and transfer of its shares by electronic or other means, not involving the issuance of certificates, provided that any such system conforms to the requirements of Section 416(b) of the Corporations Code.

8.5 Lost Certificates. Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace an old certificate unless the latter is surrendered to the corporation and canceled at the same time. The board of directors may, in case any share certificate or certificate for any other security is lost, stolen, or destroyed, authorize the issuance of a replacement certificate on such terms and conditions as the board of directors may require, including provision for indemnification of the corporation secured by a bond or other adequate security sufficient to protect the corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft, or destruction of the certificate or the issuance of the replacement certificate.

8.6 Shares of Other Corporations: How Voted. Shares of other corporations standing in the name of this corporation shall be voted by one of the following persons, listed in order of preference: (1) president, or person designated by the president; (2) executive vice president, or person designated by the executive vice president; (3) other person designated by the board of directors. The authority to vote shares granted by this section includes the authority to execute a proxy in the name of the corporation for purposes of voting the shares.

8.7 Construction and Definitions. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Corporations Code shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular

ANNEX C

number includes the plural, the plural number includes the singular, and the term “person” includes both a corporation and a natural person.

ARTICLE IX AMENDMENTS

9.1 Amendment By Board of Directors or Shareholders. Except as otherwise required by law or by the articles of incorporation, these bylaws may be amended or repealed, and new bylaws may be adopted, by the vote of a majority of the board of directors or by the holders of a majority of the outstanding shares entitled to vote.

ANNEX C

CERTIFICATE OF SECRETARY

The undersigned does hereby certify that she is the Corporate Secretary of American Riviera Bancorp, a corporation duly organized and existing under and by virtue of the laws of the State of California; that the above and foregoing Bylaws of said corporation were duly adopted as such by the Board of Directors of said corporation; and that the above and foregoing Bylaws are now in full force and effect as the Bylaws of the corporation.

Dated: November 24, 2021

A handwritten signature in black ink, appearing to read "Michelle Martinich", written in a cursive style. The signature is positioned above a horizontal line.

Michelle Martinich, Corporate Secretary

[This Page Intentionally Left Blank]

ANNEX D



AMERICAN RIVIERA
BANK

2020 Annual Report



AMERICAN RIVIERA BANK

A Message to our Shareholders, Customers and Community

In a year of unprecedented challenges in the wake of the COVID-19 pandemic, we are proud to report that American Riviera Bank served an important role in providing economic stability to Santa Barbara and San Luis Obispo counties while also enhancing shareholder value with a continued commitment to credit quality, relationship growth and strong earnings. Your Bank produced tremendous SBA Paycheck Protection Program (PPP) loan volume and double digit growth in both deposits and non-PPP loans in 2020. Total assets increased by \$253 million and the Bank reported record net income of \$7.4 million. **American Riviera Bank is truly the Central Coast's community bank**, as evidenced by our growth, and due to our ability to quickly respond to the needs of our clients, provide high-touch service from experienced bankers, remain flexible and keep decision-making local.

For the tenth year in a row, your Bank achieved double-digit loan growth excluding PPP, reporting an increase of \$63 million or 11%, without sacrificing credit quality. Our ability to deliver construction loans, mortgages, home equity lines, commercial real estate loans, business loans and lines of credit, agricultural loans, and SBA loans ensures that we can meet the diverse needs of our clients. At year end, the Bank had no other real estate owned, no loans 90 days or more past due, and only \$3.4 million or 0.53% of total loans excluding PPP on non-accrual status which are well supported by collateral. Our existing status as a Preferred SBA lender allowed us to move quickly in response to the passage of the CARES Act and deploy an automated PPP loan application portal. In 2020, we funded over 600 PPP loans totaling \$118 million which provided much needed small business relief and covered 12,300 local jobs. We worked with many existing loan clients negatively affected by the COVID-19 pandemic to provide temporary payment deferrals and at December 31, 2020 only \$9.6 million or 1.5% of total loans excluding PPP, remained on deferral. In the first quarter of 2021, your Bank is again supporting its clients and community originating loans in 'Round 2' of the PPP program.

Our deposit base continues to expand rapidly with 40% growth from the prior year, representing an increase of \$251 million in total deposits. In 2020, non-interest bearing demand deposits increased 54%, and comprised 38% of total deposits at December 31, 2020. With interest bearing demand deposits included, checking accounts comprised 53% of total deposits. This high mix of checking account balances is indicative of our relationship oriented deposit base which adds to franchise value and is meaningful to maintaining margins in a changing rate environment. Mobile phone deposit and bill pay functionality in combination with available ATM fee waivers for withdrawals made at other banks allow our customers to bank with us no matter where they live or travel.

Your bank achieved record earnings with \$1.46 earnings per share, representing an 11% increase from the prior year, and a return on equity of 11.16%. We continue to retain earnings to support current and future growth, reporting total capital of over \$87 million at December 31, 2020 and a Tier 1 Capital Ratio of 11%, comfortably above the regulatory guideline of 8% for well capitalized institutions. Although the Bank's stock trading price has been negatively impacted by the larger economic challenges of 2020, our tangible book value per share increased 11% from the prior year, reaching \$15.58 at December 31, 2020.

We are very thankful for the loyalty of our clients and our team of dedicated bankers that adapted to banking during the pandemic. We are confident that we have the team, balance sheet strength and innovation to also thrive during this economic recovery. American Riviera Bank will continue to support our community while growing franchise value for our shareholders.

Lawrence Koppelman, Board Chair

Jeff DeVine, President and CEO



AMERICAN RIVIERA
BANK

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020 AND 2019
AND FOR THE YEARS THEN ENDED**

	Page
American Riviera Bank:	
Independent Auditor's Report.....	2
Balance Sheets as of December 31, 2020 and 2019.....	3
Statements of Income for the Years Ended December 31, 2020 and 2019.....	4
Statements of Comprehensive Income for the Years Ended December 31, 2020 and 2019.....	5
Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2020 and 2019.....	6
Statements of Cash Flows for the Years Ended December 31, 2020 and 2019.....	7
Notes to Financial Statements.....	9

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of American Riviera Bank, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Riviera Bank as of December 31, 2020 and 2019, 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.



Crowe LLP

Sacramento, California
March 17, 2021

AMERICAN RIVIERA BANK

BALANCE SHEETS

December 31, 2020 and 2019

(Dollar amounts in thousands except share amounts)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and due from banks	\$ 8,647	\$ 11,531
Interest-bearing deposits in other financial institutions	121,085	54,941
Available-for-sale investment securities	86,877	43,329
Equity securities	65	74
Loans	726,067	578,458
Allowance for loan losses	<u>(8,467)</u>	<u>(6,366)</u>
Net loans	717,600	572,092
Bank premises and equipment, net	6,458	6,878
Operating lease right-of-use asset	6,012	7,661
Cash surrender value of bank owned life insurance	8,407	7,286
Stock in other banks	3,375	3,222
Goodwill	4,800	4,800
Other intangibles, net	358	537
Accrued interest receivable and other assets	<u>7,939</u>	<u>6,584</u>
Total assets	<u>\$ 971,623</u>	<u>\$ 718,935</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing deposits	\$ 332,995	\$ 216,671
Interest-bearing demand deposits	128,266	87,906
Savings deposits	54,075	16,330
Money market deposits	319,117	222,115
Time deposits	<u>37,644</u>	<u>78,140</u>
Total deposits	872,097	621,162
Federal Home Loan Bank borrowings	5,000	10,000
Operating lease liability	6,481	8,078
Accrued interest payable and other liabilities	<u>3,126</u>	<u>3,552</u>
Total liabilities	<u>886,704</u>	<u>642,792</u>
Shareholders' equity:		
Preferred stock – no par value; 5,000,000 shares authorized, none issued	-	-
Common stock – no par value; 10,000,000 shares authorized; 5,083,648 and 5,033,348 shares issued and outstanding in 2020 and 2019, respectively	55,739	55,034
Retained earnings	28,602	21,224
Accumulated other comprehensive gain (loss), net of taxes	<u>578</u>	<u>(115)</u>
Total shareholders' equity	<u>84,919</u>	<u>76,143</u>
Total liabilities and shareholders' equity	<u>\$ 971,623</u>	<u>\$ 718,935</u>

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

AMERICAN RIVIERA BANK

STATEMENTS OF INCOME

For the Years Ended December 31, 2020 and 2019

(Dollar amounts in thousands except per share data)

	<u>2020</u>	<u>2019</u>
Interest income:		
Interest and fees on loans	\$ 33,219	\$ 28,725
Interest on available-for-sale investment securities	1,149	1,025
Interest on Federal funds sold	-	1
Interest on deposits in other financial institutions	<u>400</u>	<u>984</u>
Total interest income	<u>34,768</u>	<u>30,735</u>
Interest expense:		
Interest on savings deposits	90	58
Interest on money market deposits	917	1,819
Interest on interest-bearing demand deposits	197	222
Interest on time deposits	<u>787</u>	<u>1,873</u>
Total interest expense on deposits	1,991	3,972
Interest expense from borrowings	<u>123</u>	<u>277</u>
Total interest expense	<u>2,114</u>	<u>4,249</u>
Net interest income before provision for loan losses	32,654	26,486
Provision for loan losses	<u>2,120</u>	<u>806</u>
Net interest income after provision for loan losses	<u>30,534</u>	<u>25,680</u>
Non-interest income:		
Service charges commissions and fees	1,853	2,168
Broker fees	539	358
Gain on sale of investment securities	154	126
Gain on sale of loans	<u>322</u>	<u>139</u>
Total non-interest income	<u>2,868</u>	<u>2,791</u>
Non-interest expense:		
Salaries and employee benefits	14,398	11,922
Occupancy and equipment	2,750	2,358
Other	<u>5,913</u>	<u>5,292</u>
Total non-interest expense	<u>23,061</u>	<u>19,572</u>
Income before provision for taxes	10,341	8,899
Provision for taxes	<u>2,963</u>	<u>2,506</u>
Net income	<u>\$ 7,378</u>	<u>\$ 6,393</u>
Earnings per share, basic and diluted	<u>\$ 1.46</u>	<u>\$ 1.31</u>

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

AMERICAN RIVIERA BANK
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020 and 2019
(Dollar amounts in thousands)

	2020	2019
Net income	\$ 7,378	\$ 6,393
Other comprehensive income (loss):		
Unrealized gain (loss) on investment securities:		
Unrealized holding gains (losses) arising during the period	985	433
Other comprehensive income (loss) before tax	985	433
Tax effect	(292)	(127)
Total other comprehensive income (loss)	693	306
Comprehensive income	\$ 8,071	\$ 6,699

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

AMERICAN RIVIERA BANK
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2020 and 2019

(Dollar amounts in thousands except share amounts)

	Common Stock		Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (loss) (Net of Taxes)	Total Shareholders' Equity
	Shares	Amount			
Balance, January 1, 2019	\$ 4,461,068	\$ 46,477	\$ 14,831	\$ (421)	\$ 60,887
Net income			6,393		6,393
Other comprehensive gain				306	306
Exercise of stock options, net shares issued	8,112	12			12
Restricted stock awards granted	109,914				
Restricted stock awards forfeited	(4,622)				
Shares surrendered:					
To pay taxes on vesting of restricted stock	(13,346)	(235)			(235)
Share-based compensation expense		736			736
Issuance of common shares	<u>472,222</u>	<u>8,044</u>			<u>8,044</u>
Balance, December 31, 2019	5,033,348	\$ 55,034	\$ 21,224	\$ (115)	\$ 76,143
Net income			7,378		7,378
Other comprehensive gain				693	693
Exercise of stock options, net shares issued	15,670	29			29
Restricted stock awards granted	47,344				
Restricted stock awards forfeited	(3,736)				
Shares surrendered:					
To pay taxes on vesting of restricted stock	(8,978)	(152)			(152)
Share-based compensation expense		828			828
Balance, December 31, 2020	<u>5,083,648</u>	<u>\$ 55,739</u>	<u>\$ 28,602</u>	<u>\$ 578</u>	<u>\$ 84,919</u>

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

AMERICAN RIVIERA BANK
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019
(Dollar amounts in thousands)

	2020	2019
Cash flows from operating activities:		
Net income	\$ 7,378	\$ 6,393
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	2,120	806
Depreciation and amortization	1,187	1,041
Change in cash surrender value of BOLI	(93)	(202)
Deferred income tax expense (benefit)	(547)	(188)
Increase in deferred loan origination fees, net of costs	2,284	309
Net amortization of investment security premiums and discounts	717	357
Net realized gain on sales of investment securities	(154)	(126)
Net gain on sale of loans	(322)	(139)
Share-based compensation expense	828	736
(Gain) Loss on equity securities	9	(17)
Lessee improvement allowances	65	196
Increase in accrued interest receivable and other assets	(1,106)	(437)
Increase (Decrease) in accrued interest payable and other liabilities	(669)	1,162
Net cash provided by operating activities	11,697	9,891
Cash flows from investing activities:		
(Increase) Decrease in interest-bearing deposits in other financial institutions	(66,144)	(24,250)
Increase in loans, net	(149,575)	(70,352)
Proceeds from principal payments of available-for-sale investment securities	10,570	5,913
Purchase of available-for-sale investment securities	(68,129)	(21,545)
Sales of available-for-sale investment securities	14,432	14,657
Maturities of available-for-sale investment securities	-	3,800
Purchase of Federal Home Loan Bank stock	(153)	(586)
Purchase of BOLI	(1,028)	-
Purchase of premises and equipment	(366)	(2,253)
Net cash used in investing activities	(260,393)	(94,616)
Cash flows from financing activities:		
Increase in demand, interest bearing and savings deposits, net	291,432	106,256
Increase (Decrease) in time deposits, net	(40,497)	1,599
Net increase (decrease) in borrowings	(5,000)	(30,000)
Proceeds from issuance of common stock	-	8,044
Restricted shares surrendered to pay taxes	(152)	(235)
Proceeds from exercise of stock options, including tax benefit	29	12
Net cash provided by financing activities	245,812	85,676
Increase (Decrease) in cash and cash equivalents	(2,884)	951
Cash and cash equivalents at beginning of year	11,531	10,580
Cash and cash equivalents at end of year	\$ 8,647	\$ 11,531

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

AMERICAN RIVIERA BANK
STATEMENTS OF CASH FLOWS *(continued)*
For the Years Ended December 31, 2020 and 2019
(Dollar amounts in thousands)

	2020	2019
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest expense	\$ 3,615	\$ 3,035
Income taxes	\$ 3,480	\$ 2,585
Supplemental noncash disclosures:		
Liability arising from obtaining right-of-use assets upon adoption of lease standard	\$ -	\$ 4,441
Liabilities arising from obtaining right-of-use assets after adoption	\$ -	\$ 4,831

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

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

American Riviera Bank (“we” or “management” or the “Bank”) opened for business on July 18, 2006 in Santa Barbara, California. 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 (the “FDIC”). The Bank’s deposits are insured by the FDIC up to applicable legal limits. The Bank is a full service community bank, focused on serving the lending and deposit needs of businesses and consumers in our community.

Effective January 1, 2016, the Bank and The Bank of Santa Barbara (“BSB”), headquartered in Santa Barbara, California, completed a merger under which BSB, with one full-service office in Santa Barbara and one in Goleta, merged with and into the Bank, in an all-stock transaction.

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

Subsequent Events

We have reviewed all events occurring from December 31, 2020 through March 17, 2021, 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.

The global pandemic resulting from the outbreak of the coronavirus (“COVID-19”) has substantially and negatively impacted the United States economy, created significant volatility and disruption in financial markets, and materially increased unemployment levels. In addition, the pandemic has resulted in temporary closures of businesses and the institution of social distancing and sheltering in place requirements in most states and communities. The Bank has, and could continue to experience adverse effects as a result of the COVID-19 pandemic. It is at least reasonably possible that information which was available to the Bank at the date of the financial statements will change in the near term due to the COVID-19 pandemic and that the effect of the change could be material to the financial statements. The extent to which the COVID-19 pandemic will impact the Bank’s estimates and assumptions is highly uncertain.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

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 represent short term deposits with other banks with original maturities of 90 days or greater.

Investment Securities

Investment securities are classified into the following categories:

- X Available-for-sale securities, reported at fair value, with unrealized gains and losses excluded from earnings and reported, net of taxes, as accumulated other comprehensive income within shareholders' equity.
- X Held-to-maturity 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. At December 31, 2020 all securities are classified as available-for-sale with the exception of \$65,000 of equity securities and there were no transfers between categories.

Gains and losses on the sale of securities are computed 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. In addition, unrealized losses that are other-than-temporary are recognized as a charge to earnings for all investments.

An investment security is impaired when its carrying value is greater than its fair value. Investment securities that are impaired are evaluated on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation to determine whether such a decline in their fair value is other than temporary. Management utilizes criteria such as the magnitude and duration of the decline and the intent and ability of the Bank to retain its investment in the securities for a period of time sufficient to allow for an anticipated recovery in fair value, in addition to the reasons underlying the decline, to determine whether the loss in value is other than temporary. The term "other than temporary" is not intended to indicate that the decline is permanent, but indicates that the prospects for a near-term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

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

Investment Securities *(continued)*

equal to or greater than the carrying value of the investment. Once a decline in value is determined to be other than temporary, and management does not intend to sell the security or it is more likely than not that the Bank will not be required to sell the security before recovery, only the portion of the impairment loss representing credit exposure is recognized as a charge to earnings, with the balance recognized as a charge to other comprehensive income. If management intends to sell the security or it is more likely than not that the Bank will be required to sell the security before recovering its forecasted cost, the entire impairment loss is recognized as a charge to earnings.

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 loan losses. Interest is accrued daily based upon outstanding loan balances. 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 90 days delinquent unless the loan is well-secured and in process of collection in accordance with the Bank's policy. Consumer and other loans are typically charged off no later than 90 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. Payments received are applied to reduce principal to the extent necessary to ensure collection. Subsequent payments on these loans, or payments received on non-accrual loans for which the ultimate collectability of principal is not in doubt, are applied first to earned but unpaid interest and then to principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, future payments are reasonably assured and payments are maintained current for a minimum of 6 months.

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 Bank 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.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

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

Purchase Credit Impaired Loans

The Bank has loans that were acquired in an acquisition, for which there was, at acquisition, evidence of deterioration of credit quality since origination and for which it was probable, at acquisition, that all contractually required payments would not be collected. These purchased credit impaired loans are recorded at the amount paid, such that there is no carryover of the seller's allowance for loan losses. After acquisition, losses are recognized by an increase in the allowance for loan losses. The Bank estimates the amount and timing of expected cash flows for each loan and the expected cash flows in excess of amount paid is recorded as interest income over the remaining life of the loan (accretable yield). The excess of the loan's contractual principal and interest over expected cash flows is not recorded (nonaccretable difference). Over the life of the loan, expected cash flows continue to be estimated. If the present value of expected cash flows is less than the carrying amount, a loss is recorded. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest income.

Allowance for Loan Losses

The allowance for loan losses (the "allowance") is a valuation allowance for probable incurred credit losses. The allowance is established through a provision for loan losses which is charged to expense. Additions to the allowance are expected to maintain the adequacy of the total allowance after credit losses and loan growth. Credit exposures determined to be uncollectible are charged against the allowance. Cash received on previously charged off amounts is recorded as a recovery to the allowance. The overall allowance consists of two primary components, specific reserves related to impaired loans and general reserves for inherent losses related to loans that are not impaired.

For all classes of loans, a loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the original agreement. Loans determined to be impaired are individually evaluated for impairment. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. When a loan is impaired, the Bank measures impairment based on the present value of expected future cash flows discounted at the loan's original contractual interest rate, except that as a practical expedient, it may measure impairment based on a loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. A loan is collateral dependent if the repayment of the loan is expected to be provided solely through the sale or operation of the collateral.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

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

Allowance for Loan Losses *(continued)*

A restructuring of a debt constitutes a troubled debt restructuring ("TDR") if the Bank for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. Restructured workout loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment as described above. For troubled debt restructurings that subsequently default, the Bank determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The determination of the general reserve for loans that are not impaired is based on estimates made by management, to include, but not limited to, consideration of actual historical losses by portfolio segment since 2009, historical losses of the Bank's peers since 2009, internal asset classifications, and qualitative factors to include economic trends in the Bank's service areas, industry experience and trends, geographic concentrations, estimated collateral values, the Bank's underwriting policies, the character of the loan portfolio, and probable losses inherent in the portfolio as a whole.

The Bank determines a separate allowance for each portfolio segment. These portfolio segments include commercial, real estate - commercial, real estate - residential (including home equity loans), construction, and consumer and other. The allowance for loan losses attributable to each portfolio segment, which includes both impaired loans and loans that are not impaired, is combined to determine the Bank's overall allowance, which is included in the balance sheets and available for all loss exposures.

The Bank 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 \$500,000 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 Bank and the Bank's regulators. During the Bank'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 credits that satisfactorily meet all of the Bank's underwriting criteria, and provide adequate protection for the Bank 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.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

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

Allowance for Loan Losses *(continued)*

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. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

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.

The general reserve component of the allowance for loan losses also consists of reserve factors that are based on management's assessment of the following for each portfolio segment: (1) inherent credit risk, (2) historical losses and (3) other qualitative factors. These reserve factors are inherently subjective and are driven by the repayment risk associated with each portfolio segment described below.

Commercial – Commercial and industrial loans generally possess a lower inherent risk of loss than real estate portfolio segments because these 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 – Commercial real estate mortgage loans generally possess a higher inherent risk of loss than other real estate portfolio segments, except land and construction loans. 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 (single family residential real estate and home equity lines of credit) – 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. These loans generally possess a lower inherent risk of loss than other real estate portfolio segments. 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.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

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

Allowance for Loan Losses *(continued)*

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 time lines. 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.

Consumer and other – Consumer and other 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.

Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. At least quarterly, the Board of Directors reviews the adequacy of the allowance, including consideration of the relative risks in the portfolio, current economic conditions and other factors. If the Board of Directors and management determine that changes are warranted based on those reviews, the allowance is adjusted. In addition, the Bank's primary regulators, the FDIC and the DFPI, as an integral part of their examination process, review the adequacy of the allowance. These regulatory agencies may require additions to the allowance based on their judgment about information available at the time of their examinations.

Reserve for Off-Balance Sheet Credit Exposures

The Bank also maintains a separate reserve for off-balance sheet commitments. Management estimates anticipated losses using historical data and utilization assumptions. The reserve for off-balance sheet commitments is included in accrued interest payable and other liabilities on the balance sheet.

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.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

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

Servicing Rights *(continued)*

Servicing rights are evaluated for impairment based upon the fair value of the rights as 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 Bank 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 Bank 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 \$140,000 and \$86,000 for the years ended December 31, 2020 and 2019, respectively. Late fees and ancillary fees related to loan servicing are not material.

Bank Premises and Equipment

Bank 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 Bank evaluates premises and equipment for financial impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

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

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 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 costs to sell. 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 Farmer Mac Stock

The Bank maintains an investment in the capital stock of Famer 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.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

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

Bank Owned Life Insurance

The Bank 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.

Goodwill

Business combinations involving the Bank's acquisition of the equity interests or net assets of another enterprise give rise to goodwill. Total goodwill at December 31, 2020 and 2019 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 Bank's ability to generate net earnings after the acquisitions and is not deductible for tax purposes. 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 Bank 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 Bank below its carrying amount. No such events or circumstances arose during the fourth quarter of 2020, so goodwill was not required to be retested. Goodwill is the only intangible asset with an indefinite life on the Bank's balance sheet.

Intangible Assets

The intangible assets at December 31, 2020 and 2019 represent the estimated fair value of the core deposit relationships acquired in the acquisition of BSB. Core deposit intangibles are being amortized using a method that approximates the effective interest method over an estimated life of seven years from the date of acquisition. Management evaluates the remaining useful lives annually on October 31 to determine whether events or circumstances warrant a revision to the remaining periods of amortization. Based on the evaluation, no changes to the remaining useful lives was required.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

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

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 bases of assets and liabilities, computed using enacted tax rates. The determination of the amount of deferred income tax assets which are more likely than not to be realized is primarily dependent on projections of future earnings, which are subject to uncertainty and estimates that may change given economic conditions and other factors. The realization of deferred income tax assets is assessed and a valuation allowance is recorded if it is "more likely than not" that all or a portion of the deferred tax asset will not be realized. "More likely than not" is defined as greater than a 50% chance. All available evidence, both positive and negative, is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed. Based upon our analysis of available evidence, we have determined that all of our deferred income tax assets as of December 31, 2020 and 2019 are more likely than not to be fully realized and therefore no valuation allowance was recorded.

Accounting for Uncertainty in Income Taxes

We use a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Interest expense and penalties associated with unrecognized tax benefits, if any, are classified as income tax expense in the statements of income.

Earnings Per Share

Basic earnings per share ("EPS"), which excludes dilution, is computed by dividing net income by the weighted-average number of common shares outstanding for the period.

Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as stock options and unvested restricted stock awards, result in the issuance of common stock which share in the earnings of the Bank. The treasury stock method is applied to determine the dilutive effect of stock options and unvested restricted stock in computing diluted earnings per share.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

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

Share-Based Payments

The Bank records compensation cost for all share-based payments based on the estimated fair value of the options or the restricted stock on the grant date.

Management estimates the fair value of each option award as of the date of grant using a Black-Scholes-Merton option pricing formula and the following assumptions. Expected volatility is based on the historical volatility of the Bank's common stock over a preceding period commensurate with the expected term of the option. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant with substantially the same term as the expected term of the option. Expected dividend yield was not considered in the option pricing formula since the Bank has not paid dividends to date. In addition to these assumptions, management makes estimates regarding pre-vesting forfeitures that will impact total compensation expense recognized.

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.

Restricted stock awards are grants of shares of the Bank's common stock that are subject to forfeiture until specific conditions or goals are met. Conditions may be based on continuing employment or service and/or achieving specified performance goals. During the period of restriction, restricted share awards have voting and cash dividend rights. The restrictions lapse in accordance with a schedule or with other conditions determined by the Board of Directors as reflected in each award agreement. Restricted stock awards which vest based on continuing employment are included in common shares outstanding.

Upon the exercise of stock options or the grant of each restricted stock award, the Bank issues the associated common shares from its inventory of authorized common shares. The shares associated with any awards that are forfeited or fail to vest become available for re-issuance. All outstanding awards immediately vest in the event of a change of control of the Bank as defined in each award agreement.

Comprehensive Income

Comprehensive income includes net income and unrealized gains and losses on available-for-sale investment securities which are also recognized as a separate component of shareholders' equity.

Retirement Plans

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

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

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 Footnote 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 items. 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.

Reclassifications

Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

Adoption of New Accounting Standards

ASU 2016-02, Leases (Topic 842)

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

- Carry over of historical lease determination and lease classification conclusions
- Carry over of historical initial direct cost balances for existing leases

Adoption of the leasing standard resulted in the recognition of operating right-of-use assets of \$4,252,000, and operating lease liabilities of \$4,441,000 as of January 1, 2019. These amounts were determined based on the present value of remaining minimum lease payments, discounted using the Bank's incremental borrowing rate as of the date of adoption. There was no material impact to the timing of expense or income recognition in the Bank's Income Statements. Prior periods were not restated and continue to be presented under legacy GAAP. Disclosures about the Bank's leasing activities are presented in Note 7 – Leases.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standards That Have Not Yet Been Adopted

ASU 2016-13, Financial Instruments – Credit Losses (Topic 326)

In June 2016, FASB issued guidance to replace the incurred loss model with an expected loss model, which is referred to as the current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance. The standard will be effective for the December 31, 2023 annual financial statements. The Bank's Directors Loan Committee is responsible for the oversight of CECL implementation. Vendor due diligence and selection was performed, data assessments were performed, and historical data has been utilized to run various models accepted under the new standard. The committee continues to assess the data needs for various models that can be deployed with back testing to determine the most accurate and appropriate model to be put into place at time of implementation. The Bank expects to recognize a one-time cumulative effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective. The Bank expects the adoption may result in a material increase to the allowance for loan losses balance; however, at this time, the impact is being determined and evaluated.

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 Bank 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 Bank'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,

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

2. FAIR VALUE MEASUREMENTS *(continued)*

Fair Value Hierarchy *(continued)*

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) Cash and Cash Equivalents

The carrying amounts of cash, due from banks and Federal funds sold approximate fair values and are classified as either Level 1 or Level 2.

(b) Interest-bearing Deposits in Other Financial Institutions

Fair values for interest-bearing deposits in other financial institutions are estimated using discounted cash flow analyses using interest rates offered at each reporting date by the Bank for deposits with similar remaining maturities, resulting in a Level 2 classification.

(c) Investment Securities

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

(d) Loans

Fair values of loans, is 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.

(e) FHLB and TIB Stock

It is not practical to determine the fair value of FHLB or TIB stock due to restrictions placed on its transferability.

(f) Equity Securities

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

(g) 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

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

2. FAIR VALUE MEASUREMENTS *(continued)*

Fair Value Hierarchy *(continued)*

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 flows 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.

(h) 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.

(i) Other Borrowings

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

(j) 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.

(k) 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, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value of commitments is not material.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

2. FAIR VALUE MEASUREMENTS *(continued)*

Fair Value Hierarchy *(continued)*

The estimated carrying and fair values of the Bank's financial instruments at December 31, 2020 and 2019 are as follows *(Dollars in thousands)*:

	2020				
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash & due from banks	\$ 8,647	\$ 8,647	\$ -	\$ -	\$ 8,647
Federal funds sold	-	-	-	-	-
Interest-bearing deposits					
In other financial institutions	121,085	-	121,156	-	121,156
Investment securities	86,877	-	86,877	-	86,877
Equity securities	65	65	-	-	65
Loans, gross	728,926	-	-	726,691	726,691
FHLB stock	3,313	-	-	-	N/A
TIB stock	62	-	-	-	N/A
Accrued interest receivable	3,307	-	499	2,808	3,307
Financial liabilities:					
Deposits	\$ 872,097	\$ -	\$ 872,039	\$ -	\$ 872,039
Accrued interest payable	185	-	185	-	185
Federal Home Loan Bank Borrowings	5,000	-	5,000	-	5,000
2019					
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash & due from banks	\$ 11,531	\$ 11,531	\$ -	\$ -	\$ 11,531
Federal funds sold	-	-	-	-	-
Interest-bearing deposits					
In other financial institutions	54,941	-	55,074	-	55,074
Investment securities	43,329	-	43,329	-	43,329
Equity securities	74	74	-	-	74
Loans, gross	579,033	-	-	577,630	577,630
FHLB stock	3,160	-	-	-	N/A
TIB stock	62	-	-	-	N/A
Accrued interest receivable	2,212	-	226	1,986	2,212
Financial liabilities:					
Deposits	\$ 621,162	\$ -	\$ 620,708	\$ -	\$ 620,708
Accrued interest payable	1,686	-	1,686	-	1,686
Federal Home Loan Bank Borrowings	10,000	-	10,000	-	10,000

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

2. FAIR VALUE MEASUREMENTS *(continued)*

Fair Value Hierarchy *(continued)*

The estimated fair values do not reflect any premium or discount that could result from offering the Bank'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 2020. The following tables present information about the Bank's assets and liabilities measured at fair value on a recurring and nonrecurring basis as of December 31, 2020 and 2019:

Recurring Basis

The following tables present information about the Bank's assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019 *(Dollars in thousands)*:

Description	2020			
	Fair Value	Level 1	Level 2	Level 3
Available-for-sale investment securities				
Debt securities:				
U.S. government agencies	\$ 9,778	\$ -	\$ 9,778	\$ -
State and political subdivision	38,852	-	38,852	-
Residential mortgage-backed securities	35,220	-	35,220	-
Corporate debt	3,027	-	3,027	-
Equity Securities	65	-	65	-
Total assets measured at fair value on a recurring basis	\$ 86,942	\$ -	\$ 86,942	\$ -

Description	2019			
	Fair Value	Level 1	Level 2	Level 3
Available-for-sale investment securities				
Debt securities:				
U.S. government agencies	\$ 11,648	\$ -	\$ 11,648	\$ -
State and political subdivision	6,679	-	6,679	-
Residential mortgage-backed securities	21,995	-	21,995	-
Corporate debt	3,007	-	3,007	-
Equity Securities	74	-	74	-
Total assets measured at fair value on a recurring basis	\$ 43,403	\$ -	\$ 43,403	\$ -

During the years ended December 31, 2020 and 2019, there were no transfers in or out of Levels 1 or 2.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

2. FAIR VALUE MEASUREMENTS *(continued)*

Non-recurring Basis

The Bank may be required, from time to time, to measure certain assets and liabilities at fair value on a non-recurring basis.

These include assets that are measured at the lower of cost or fair value that were recognized at fair value which was below cost as of December 31, 2020 and 2019 *(Dollars in thousands)*:

Description	2020				Total Gains (Losses)
	Fair Value	Level 1	Level 2	Level 3	
Impaired loans					
Residential real estate	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial	521	-	-	521	(297)
Consumer and other	-	-	-	-	4
Total impaired loans	521	-	-	521	(293)
Total assets measured at fair value on a non- recurring basis	\$ 521	\$ -	\$ -	\$ 521	\$ (293)

Description	2019				Total Gains (Losses)
	Fair Value	Level 1	Level 2	Level 3	
Impaired loans					
Residential	\$ 425	\$ -	\$ -	\$ 425	\$ -
Commercial	331	-	-	331	45
Consumer and other	-	-	-	-	(13)
Total impaired loans	756	-	-	756	32
Total assets measured at fair value on a non- recurring basis	\$ 756	\$ -	\$ -	\$ 756	\$ 32

Impaired loans that are measured for impairment using the fair value of the collateral for collateral dependent loans, had a principal balance of \$828,000, with a valuation allowance of \$307,000 at December 31, 2020, resulting in \$307,000 of additional provision for loan losses for the year ended December 31, 2020. Impaired loans that are measured for impairment using the fair value of the collateral for collateral dependent loans, had a principal balance of \$809,000, with a valuation allowance of \$53,000 at December 31, 2019, resulting in \$53,000 of additional provision for loan losses for the year ended December 31, 2019.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

2. FAIR VALUE MEASUREMENTS *(continued)*

Non-recurring Basis *(continued)*

The fair value of collateral dependent impaired loans with specific allocations of the allowance for loan losses 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. Impaired loans evaluated under the discounted cash flow method are excluded from the table above. The discounted cash flow method as prescribed by topic 310 is not 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 impaired 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 costs to sell. 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 impaired 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 Bank. 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 impaired 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 Bank uses the contract price less actual cost of sale as that price is determined to be market value.

The Bank had no OREO as of December 31, 2020 and 2019. There were no liabilities measured at fair value on a recurring or non-recurring basis at December 31, 2020 and 2019.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

3. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

The amortized cost and estimated fair value of available-for-sale investment securities at December 31, 2020 and 2019 consisted of the following (*Dollars in thousands*):

	2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government agencies	\$ 9,897	\$ -	\$ (119)	\$ 9,778
State and political subdivision	38,081	786	(15)	38,852
Residential mortgage- backed securities	35,063	281	(124)	35,220
Corporate debt	3,015	12	-	3,027
	<u>\$ 86,056</u>	<u>\$ 1,079</u>	<u>\$ (258)</u>	<u>\$ 86,877</u>

	2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government agencies	\$ 11,840	\$ -	\$ (192)	\$ 11,648
State and political subdivision	6,731	-	(52)	6,679
Residential mortgage- backed securities	21,918	188	(111)	21,995
Corporate debt	3,004	3	-	3,007
	<u>\$ 43,493</u>	<u>\$ 191</u>	<u>\$ (355)</u>	<u>\$ 43,329</u>

Net unrealized gains on available-for-sale investment securities totaling \$821,000 were recorded net of \$242,000 in tax liabilities as accumulated other comprehensive income within shareholders' equity at December 31, 2020. Net unrealized losses on available for sale investment securities totaling \$164,000 were recorded net of \$48,000 in tax assets as accumulated other comprehensive income within shareholders' equity at December 31, 2019.

The following table summarizes the securities sold and called for the year ended December 31, 2020 and 2019 (*Dollars in thousands*):

	2020		
	Proceeds	Gross Gains	Gross Losses
Sales	\$ 11,431	\$ 263	\$ (109)
Calls	3,001	-	-
	<u>\$ 14,432</u>	<u>\$ 263</u>	<u>\$ (109)</u>

	2019	
	Proceeds	Gross Gains
Sales	\$ 12,657	\$ 126
Calls	2,000	-
	<u>\$ 14,657</u>	<u>\$ 126</u>

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

3. AVAILABLE-FOR-SALE INVESTMENT SECURITIES (continued)

The following tables summarize securities with unrealized losses at December 31, 2020 and December 31, 2019, aggregated by major security type and length of time in a continuous unrealized loss position (*Dollars in thousands*):

	2020					
	<u>Less Than 12 Months</u>		<u>12 Months or Longer</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Available-for-sale						
U.S. government agencies \$	-	\$ -	\$ 9,778	\$ (119)	\$ 9,778	\$ (119)
State and Political Subdivision	10,385	(15)	-	-	10,385	(15)
Residential Mortgage-backed securities	<u>20,653</u>	<u>(124)</u>	<u>-</u>	<u>-</u>	<u>20,653</u>	<u>(124)</u>
Total available-for-sale	<u>\$ 31,038</u>	<u>\$ (139)</u>	<u>\$ 9,778</u>	<u>\$ (119)</u>	<u>\$40,816</u>	<u>\$ (258)</u>

	2019					
	<u>Less Than 12 Months</u>		<u>12 Months or Longer</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Available-for-sale						
U.S. government agencies \$	-	\$ -	\$ 11,648	\$ (192)	\$11,648	\$ (192)
State and Political Subdivision	6,132	(52)	-	-	6,132	(52)
Residential Mortgage-backed securities	<u>13,189</u>	<u>(102)</u>	<u>385</u>	<u>(9)</u>	<u>13,574</u>	<u>(111)</u>
Total available-for-sale	<u>\$ 19,321</u>	<u>\$ (154)</u>	<u>\$ 12,033</u>	<u>\$ (201)</u>	<u>\$ 31,354</u>	<u>\$ (355)</u>

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

3. AVAILABLE-FOR-SALE INVESTMENT SECURITIES *(continued)*

Unrealized losses on all securities have not been recognized into income because the issuer's securities are of high credit quality, management does not intend to sell and 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 bonds approach maturity.

The amortized cost and estimated fair value of investment securities at December 31, 2020 and 2019 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 *(Dollars in thousands)*:

	2020		2019	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within one year	\$ 1,000	\$ 1,010	\$ 3,004	\$ 3,007
One to three years	-	-	-	-
Three years through five years	2,015	2,017	-	-
After 5 years	38,081	38,852	6,731	6,679
	41,096	41,879	9,735	\$ 9,686
Investment securities not due at a single maturity date:				
Residential mortgage-backed securities and small business administration securities	44,960	44,998	33,758	33,643
	\$ 86,056	\$ 86,877	\$ 43,493	\$ 43,329

4. LOANS

Outstanding loans at December 31, 2020 and 2019 are summarized below *(Dollars in thousands)*:

	2020	2019
Commercial	\$ 176,234	\$ 85,717
Real estate – commercial	402,118	331,037
Real estate – residential	124,916	114,094
Construction	25,330	47,744
Consumer and other	328	441
	728,926	579,033
Deferred loan origination fees, net of costs	(2,859)	(575)
Allowance for loan losses	(8,467)	(6,366)
	\$ 717,600	\$ 572,092

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

4. LOANS *(continued)*

The table above includes loans acquired at fair value on January 1, 2016 with outstanding balances of \$17,334,000 and \$22,899,000 as of December 31, 2020 and 2019, respectively.

The Bank deferred \$613,000 and \$546,000 in salaries and employee benefits as loan origination costs for the years ended December 31, 2020 and 2019, respectively.

Loans with a fair value of approximately \$178,323,000 and \$147,821,000 were pledged to secure borrowing arrangements as of December 31, 2020 and 2019, respectively (Note 12).

Loan Servicing

The Bank services SBA loans for the SBA as well as institutional investors that have purchased government guaranteed portions of certain loans. At December 31, 2020 and 2019 the Bank was servicing approximately \$10.3 million and \$7.5 million in SBA loans previously sold. The net carrying value of servicing rights associated with these loans was approximately \$76,000 and \$33,000 as of December 31, 2020 and 2019, respectively. The carrying value approximated the fair value at December 31, 2020 and 2019.

SBA Paycheck Protection Program Loans

The Bank participated in the SBA Paycheck Protection Program ("PPP") which are federally guaranteed loans intended to provide loans to small businesses to pay their employees, rent, mortgage interest and utilities. The loans may be forgiven upon certain conditions being met including the borrower providing payroll documentation evidencing compliance with the program. The Bank began accepting PPP applications in April 2020 and originated \$118.4 million of PPP loans during the year. As of December 31, 2020 the Bank had \$84.4 million in PPP loans outstanding and had recognized \$3.1 million as interest and fees on PPP loans in the Statements of Income for the year ended December 31, 2020. Deferred processing fees outstanding were \$2.0 million at December 31, 2020. Processing fees are deferred and recognized over the contractual life of the loan, or accelerated at forgiveness. As of December 31, 2020, the Bank had \$34 million of PPP loans that were forgiven or paid off.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

5. ALLOWANCE FOR LOAN LOSSES

The following tables present the activity in the allowance for loan losses by portfolio segment for the years ending December 31, 2020 and 2019 (*Dollars in thousands*):

	<u>Commercial</u>	Real Estate – <u>Commercial</u>	Real Estate – <u>Residential</u>	<u>Construction</u>	Consumer and <u>Other</u>	<u>Total</u>
December 31, 2020						
Allowance for loan losses:						
Beginning balance	\$ 1,148	\$ 3,307	\$ 710	\$ 1,183	\$ 18	\$ 6,366
Provision(benefit) for loan losses	1,196	1,586	207	(863)	(6)	2,120
Loans charged-off	(89)	-	-	-	(1)	(90)
Recoveries	71	-	-	-	-	71
Ending balance allowance	<u>\$ 2,326</u>	<u>\$ 4,893</u>	<u>\$ 917</u>	<u>\$ 320</u>	<u>\$ 11</u>	<u>\$ 8,467</u>

	<u>Commercial</u>	Real Estate – <u>Commercial</u>	Real Estate – <u>Residential</u>	<u>Construction</u>	Consumer and <u>Other</u>	<u>Total</u>
December 31, 2019						
Allowance for loan losses:						
Beginning balance	\$ 1,341	\$ 2,416	\$ 838	\$ 949	\$ (2)	\$ 5,542
Provision(benefit) for loan losses	(219)	891	(128)	234	28	806
Loans charged-off	(57)	-	-	-	(8)	(65)
Recoveries	83	-	-	-	-	83
Ending balance allowance	<u>\$ 1,148</u>	<u>\$ 3,307</u>	<u>\$ 710</u>	<u>\$ 1,183</u>	<u>\$ 18</u>	<u>\$ 6,366</u>

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

5. ALLOWANCE FOR LOAN LOSSES (continued)

The following table shows the allocation of the allowance for loan losses at December 31, 2020 by portfolio segment and by impairment methodology (*Dollars in thousands*):

	<u>Commercial</u>	<u>Real Estate – Commercial</u>	<u>Real Estate – Residential</u>	<u>Construction</u>	<u>Consumer and Other</u>	<u>Unallocated</u>	<u>Total</u>
<u>Allowance for Credit Losses</u>							
Ending balance allocated to portfolio segments	\$ 2,326	\$ 4,893	\$ 917	\$ 320	\$ 11	\$ -	\$ 8,467
Ending balance: individually evaluated for impairment	\$ 297	\$ -	\$ -	\$ -	\$ 10	\$ -	\$ 307
Ending balance: collectively evaluated for impairment	\$ 2,029	\$ 4,893	\$ 917	\$ 320	\$ 1	\$ -	\$ 8,160
<u>Loans</u>							
Ending balance	\$ 176,234	\$ 402,118	\$ 124,916	\$ 25,330	\$ 328	\$ -	\$ 728,926
Ending balance: individually evaluated for impairment	\$ 1,223	\$ 2,986	\$ 425	\$ -	\$ 10	\$ -	\$ 4,644
Ending balance: collectively evaluated for impairment	\$ 175,011	\$ 399,132	\$ 124,491	\$ 25,330	\$ 318	\$ -	\$ 724,282

The following table shows the allocation of the allowance for loan losses at December 31, 2019 by portfolio segment and by impairment methodology (*Dollars in thousands*):

	<u>Commercial</u>	<u>Real Estate – Commercial</u>	<u>Real Estate – Residential</u>	<u>Construction</u>	<u>Consumer and Other</u>	<u>Unallocated</u>	<u>Total</u>
<u>Allowance for Credit Losses</u>							
Ending balance allocated to portfolio segments	\$ 1,148	\$ 3,307	\$ 710	\$ 1,183	\$ 18	\$ -	\$ 6,366
Ending balance: individually evaluated for impairment	\$ 40	\$ -	\$ -	\$ -	\$ 13	\$ -	\$ 53
Ending balance: collectively evaluated for impairment	\$ 1,108	\$ 3,307	\$ 710	\$ 1,183	\$ 5	\$ 3	\$ 6,313
<u>Loans</u>							
Ending balance	\$ 85,717	\$ 331,037	\$ 114,094	\$ 47,744	\$ 441	\$ -	\$ 579,033
Ending balance: individually evaluated for impairment	\$ 40	\$ -	\$ 425	\$ -	\$ 13	\$ -	\$ 478
Ending balance: collectively evaluated for impairment	\$ 85,677	\$ 331,037	\$ 113,669	\$ 47,744	\$ 428	\$ -	\$ 578,555

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

5. ALLOWANCE FOR LOAN LOSSES (continued)

The following table shows the loan portfolio allocated by management's internal risk ratings at December 31, 2020 (*Dollars in thousands*):

Grade:	Credit Exposure					Total
	Credit Risk Profile by Internally Assigned Grade					
	Commercial	Real Estate – Commercial	Real Estate – Residential	Construction	Consumer and Other	
Pass	\$ 168,321	\$ 389,078	\$ 124,392	\$ 25,330	\$ 328	\$ 707,449
Special Mention	4,436	8,728	-	-	-	13,164
Substandard	3,477	4,312	524	-	-	8,313
Total	\$ 176,234	\$ 402,118	\$ 124,916	\$ 25,330	\$ 328	\$ 728,926

The following table shows the loan portfolio allocated by management's internal risk ratings at December 31, 2019 (*Dollars in thousands*):

Grade:	Credit Exposure					Total
	Credit Risk Profile by Internally Assigned Grade					
	Commercial	Real Estate – Commercial	Real Estate – Residential	Construction	Consumer and Other	
Pass	\$ 82,782	\$ 329,636	\$ 113,570	\$ 47,744	\$ 428	\$ 574,160
Special Mention	793	-	-	-	-	793
Substandard	2,142	1,401	524	-	13	4,080
Total	\$ 85,717	\$ 331,037	\$ 114,094	\$ 47,744	\$ 441	\$ 579,033

The following table shows an aging analysis of the loan portfolio by the time past due at December 31, 2020 (*Dollars in thousands*):

	30-89 Days	90 Days and	Nonaccrual	Total	Current	Total
	Past Due	Still Accruing		Past Due		
Commercial	\$ -	\$ -	\$ 450	\$ 450	\$ 175,784	\$ 176,234
Real Estate – Commercial	-	-	2,986	2,986	399,132	402,118
Real Estate – Residential	-	-	-	-	124,916	124,916
Construction	-	-	-	-	25,330	25,330
Consumer and Other	-	-	10	10	318	328
Total	\$ -	\$ -	\$ 3,446	\$ 3,446	\$ 725,480	\$ 728,926

The following table shows an aging analysis of the loan portfolio by the time past due at December 31, 2019 (*Dollars in thousands*):

	30-89 Days	90 Days and	Nonaccrual	Total	Current	Total
	Past Due	Still Accruing		Past Due		
Commercial	\$ -	\$ -	\$ 284	\$ 284	\$ 85,433	\$ 85,717
Real Estate – Commercial	-	-	-	-	331,037	331,037
Real Estate – Residential	-	-	-	-	114,094	114,094
Construction	-	-	-	-	47,744	47,744
Consumer and Other	-	-	-	-	441	441
Total	\$ -	\$ -	\$ 284	\$ 284	\$ 578,749	\$ 579,033

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

5. ALLOWANCE FOR LOAN LOSSES *(continued)*

During the years ended December 31, 2020 and 2019, the Bank had \$149,000 and \$86,000 of interest income foregone from loans on non-accrual status.

The following table shows information related to impaired loans at and for the year ended December 31, 2020 *(Dollars in thousands)*:

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
Without an allowance recorded:					
Commercial	\$ 405	\$ 405	\$ -	\$ 350	\$ 19
Real Estate - Residential	425	425	-	425	24
Real Estate - Commercial	2,986	2,986	-	2,986	87
With an allowance recorded:					
Commercial	818	818	297	860	68
Consumer and Other	10	10	10	12	-
Total:					
Commercial	1,223	1,223	297	1,210	87
Real Estate - Residential	425	425	-	425	24
Real Estate - Commercial	2,986	2,986	-	2,986	87
Construction	-	-	-	-	-
Consumer and Other	<u>10</u>	<u>10</u>	<u>10</u>	<u>12</u>	<u>-</u>
	<u>\$ 4,644</u>	<u>\$ 4,644</u>	<u>\$ 307</u>	<u>\$ 4,633</u>	<u>\$ 198</u>

The following table shows information related to impaired loans at and for the year ended December 31, 2019 *(Dollars in thousands)*:

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
Without an allowance recorded:					
Real Estate - Residential	\$ 425	\$ 425	\$ -	\$ 425	\$ 29
With an allowance recorded:					
Commercial	40	40	40	62	38
Consumer and Other	13	13	13	7	1
Total:					
Commercial	40	40	40	62	38
Real Estate - Residential	425	425	-	425	29
Construction	-	-	-	-	-
Consumer and Other	<u>13</u>	<u>13</u>	<u>13</u>	<u>7</u>	<u>1</u>
	<u>\$ 478</u>	<u>\$ 478</u>	<u>\$ 53</u>	<u>\$ 494</u>	<u>\$ 68</u>

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

5. ALLOWANCE FOR LOAN LOSSES *(continued)*

The recorded investment in loans excludes accrued interest receivable and loan origination fees due to immateriality. For purposes of this disclosure, the unpaid principal balance is not reduced for partial charge offs.

For the years ended December 31, 2020 and 2019, the Bank did not recognize any income on a cash basis.

Troubled Debt Restructurings

Included in impaired loans at December 31, 2020 are three loans in the amount of \$384,000 that are considered to be troubled debt restructurings. Included in impaired loans at December 31, 2019 are two loans in the amount of \$53,000 that are considered to be troubled debt restructurings. The Bank has allocated \$45,000 and \$53,000 of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2020 and 2019, respectively.

Excluding Paycheck Protection Program loans, the Bank has not committed to lend any additional funds to customers with outstanding loans that are classified as troubled debt restructurings as of December 31, 2020.

The Bank had \$374,000 and \$13,000 of troubled debt restructurings during the years ending December 31, 2020 and 2019, respectively.

The following table presents loans by class modified as troubled debt restructurings that occurred during the year ending December 31, 2020:

	<u>Number of Loans</u>	<u>Pre-Modification Outstanding Recorded Investment</u>	<u>Post-Modification Outstanding Recorded Investment</u>
Troubled Debt Restructurings:			
Commercial	2	\$374,000	\$374,000

The following table presents loans by class modified as troubled debt restructurings that occurred during the year ending December 31, 2019:

	<u>Number of Loans</u>	<u>Pre-Modification Outstanding Recorded Investment</u>	<u>Post-Modification Outstanding Recorded Investment</u>
Troubled Debt Restructurings:			
Consumer and Other	1	\$13,000	\$13,000

The troubled debt restructurings described above increased the allowance for loan losses by \$35,000 and \$13,000 and resulted in \$0 charge offs during the years ending December 31, 2020 and 2019.

There were no loans modified as troubled debt restructurings for which there was a payment default within twelve months following the modification during the years ending December 31, 2020 and 2019.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

5. ALLOWANCE FOR LOAN LOSSES *(continued)*

Troubled Debt Restructurings *(continued)*

A loan is considered to be in payment default typically 90 days from the contractual due date.

The Bank provided loan principal and interest payment deferrals to certain borrowers impacted by COVID-19 who were current in their payments at the inception of the Bank's loan modification program. As of December 31, 2020, the Bank had one loan on principal and interest deferral, representing \$236,000. Additionally, the Bank is working with borrowers impacted by COVID-19 and providing modifications to include principal only deferrals. As of December 31, 2020, the Bank had 5 Commercial Real Estate and 4 Commercial & Industrial loans on principal only deferral with combined outstanding balances totaling \$9,379,000.

All of the Bank deferrals are excluded from troubled debt restructuring classification under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators. These loans will not be reported as past due during the deferral period. The borrowers are all required to resume making regularly scheduled loan payments at the end of the deferral period.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Bank's internal underwriting policy.

6. BANK PREMISES AND EQUIPMENT

Bank premises and equipment consisted of the following at December 31, 2020 and 2019 (*Dollars in thousands*):

	<u>2020</u>	<u>2019</u>
Furniture, fixtures and equipment	\$ 3,013	\$ 2,809
Leasehold improvements	4,932	4,770
Building	1,224	1,224
Building Improvements	1,585	1,585
Land	<u>774</u>	<u>774</u>
	11,528	11,162
Less accumulated depreciation and amortization	<u>(5,070)</u>	<u>(4,284)</u>
	<u>\$ 6,458</u>	<u>\$ 6,878</u>

Depreciation and amortization included in occupancy and equipment expense totaled \$786,000 and \$673,000 for the years ending December 31, 2020 and 2019, respectively.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

7. LEASES

The Bank enters into leases in the normal course of business primarily for full service branches and lending centers. The Bank's leases have remaining terms ranging from 2 to 9 years, some of which include renewal options to extend the lease for up to 20 years.

The Bank leases its headquarters, branch facilities (except Paso Robles which is owned by the Bank) and lending offices under non-cancelable operating leases. During 2020, the Bank exercised its five year renewal option for its headquarters and Santa Barbara branch and amended the lease to include two additional 5 year renewal options. The Bank also received a tenant improvement allowance of \$65,000 as part of the amended lease agreement. 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 Montecito branch expires on April 30, 2028 and has one ten year renewal option. The lease includes rent adjustments every 3 years based on changes in the Consumer Price Index (CPI) with a floor of 2% and a cap of 5%. The lease for the Goleta branch expires on August 31, 2022 and has two five year renewal options. The lease includes annual scheduled rent increases of fixed amounts. The lease for the Residential Lending Department expires on October 31, 2022 and has two five year renewal options. The lease includes an annual rent adjustment of 3%. The lease for the Santa Barbara Commercial Lending Center commenced in May 2018 and expires in May 2023. The lease has two five year renewal options and includes an annual rent adjustment of 3%. The Bank also received a \$40,000 tenant improvement allowance as part of the lease agreement.

The Bank entered into two separate leases in 2018 for a full service branch and a loan production office in San Luis Obispo. The lease for the full service branch commenced on June 1, 2019 and expires in May 2029. The lease includes an annual rent adjustment of 3% and has four 5 year renewal options. The Bank received a lessee improvement allowance of \$100,000 as part of the lease agreement. The lease for the loan production office commenced on June 1, 2019 and expires in May 2029. The lease includes an annual rent adjustment of 3% and has four 5 year renewal options. The Bank received a lessee improvement allowance of \$146,000 as part of the lease agreement.

The Bank includes lease extension and termination options in the lease term, if, after considering relevant economic factors, it is reasonably certain the Bank will exercise the option. In addition, the Bank has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Bank has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the Bank's balance sheet.

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 present value of lease payments over the lease term.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

7. LEASES (continued)

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

As of December 31, 2020 and 2019, all of the Bank's leases are classified as operating leases. Right-of-use assets were \$6,012,000 and \$7,661,000 and lease liabilities were \$6,481,000 and \$8,078,000 as of December 31, 2020 and 2019 respectively.

Rental expense, net of sublease income, included in occupancy and equipment expense totaled \$1,110,000 and \$991,000 for the years ended December 31, 2020 and 2019, respectively.

Lease Obligations

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2020 are as follows (*Dollars in thousands*):

<u>Year Ending December 31,</u>	<u>Operating Lease</u>
2021	\$ 1,452
2022	1,408
2023	927
2024	899
2025	699
Thereafter	<u>1,488</u>
Total undiscounted lease payments	6,873
Less: imputed interest	<u>(392)</u>
Net lease liabilities	<u>\$ 6,481</u>

The Bank subleases certain excess space. The sublease expires on October 31, 2022 and has no renewal options. The lease includes an annual rent adjustment of 3%. Future minimum lease receivables are as follows (*Dollars in thousands*):

<u>Year Ending December 31,</u>	<u>Operating Lease</u>
2021	\$ 168
2022	162
Thereafter	<u>-</u>
	<u>\$ 330</u>

Supplemental Lease Information

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Operating lease weighted average remaining lease term (years)	7	7
Operating lease weighted average discount rate	2.12	2.07

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

8. OTHER REAL ESTATE OWNED

At December 31, 2020 and December 31, 2019 the Bank had no properties acquired through foreclosure or deed in lieu.

9. GOODWILL AND INTANGIBLE ASSETS

Business combinations involving the Bank's acquisition of the equity interests or net assets of another enterprise give rise to goodwill. Total goodwill at December 31, 2020 and 2019 was \$4.8 million. Total goodwill at December 31, 2020 and 2019 represented the excess of the cost of BSB 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 Bank's ability to generate net earnings after the acquisitions and is not deductible for tax purposes. 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 Bank 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 Bank below its carrying amount. No such events or circumstances arose during the fourth quarter of 2020, so goodwill was not required to be retested.

The intangible assets at December 31, 2020 and 2019 represent the estimated fair value of the core deposit relationships acquired in the acquisition of BSB. Core deposit intangibles are being amortized using a method that approximates the effective interest method over an estimated life of seven years from the date of acquisition. At December 31, 2020, the gross carrying value of intangible assets was \$1,250,000 and accumulated amortization totaled \$892,000. Management evaluates the remaining useful lives annually to determine whether events or circumstances warrant a revision to the remaining periods of amortization. Based on the evaluation, no changes to the remaining useful lives was required. Management performed an annual impairment test on core deposit intangibles on October 31, 2020 and determined that no impairment existed. Amortization expense recognized was \$179,000 for 2020 and 2019.

The following table summarizes the Bank's estimated core deposit intangible amortization expense for each of the next three years (*Dollars in thousands*):

<u>Year Ending December 31,</u>	<u>Estimated Core Deposit Intangible Amortization</u>
2021	179
2022	179
	<u>\$ 358</u>

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

10. TIME DEPOSITS

Time deposits as of December 31, 2020 have the following maturities by year (*Dollars in thousands*):

2021	\$	27,385
2022		9,901
2023		<u>358</u>
	<u>\$</u>	<u>37,644</u>

Time deposits of \$250 thousand or more were \$20,602,000 and \$37,048,000 at December 31, 2020 and 2019, respectively.

11. INCOME TAXES

The provision for income taxes for the years ended December 31, 2020 and 2019 consisted of the following (*Dollars in thousands*):

	<u>2020</u>	<u>2019</u>
Current:		
Federal	\$ 2,073	\$ 1,697
State	<u>1,437</u>	<u>997</u>
	<u>3,510</u>	<u>2,694</u>
Deferred:		
Federal	(216)	(105)
State	<u>(331)</u>	<u>(83)</u>
	<u>(547)</u>	<u>(188)</u>
Provision for income taxes	<u>\$ 2,963</u>	<u>\$ 2,506</u>

Effective tax rates differ from the federal statutory rate of 21% applied to income before income taxes due to the following:

	<u>2020</u>	<u>2019</u>
Federal statutory rate times financial statement income	\$ 2,172	\$ 1,869
Effect of:		
State income taxes, net of federal tax benefit	874	722
Share-based compensation	(34)	(73)
Tax-exempt interest	(69)	(5)
Other, net	<u>20</u>	<u>(7)</u>
Total	<u>\$ 2,963</u>	<u>\$ 2,506</u>

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

11. INCOME TAXES *(continued)*

Deferred tax assets (liabilities) at December 31, 2020 and 2019 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)*:

	2020	2019
Deferred tax assets:		
Organization costs	\$ 22	\$ 74
Lease liability	1,916	2,388
Allowance for loan losses	2,334	1,586
Accrued expenses	685	494
Share-based compensation	314	265
Unrealized loss on available-for-sale investment securities	-	48
Net operating loss carryforward	480	580
Fair value adjustments	65	123
State taxes	306	211
Other	53	54
Deferred tax assets	6,175	5,823
Deferred tax liabilities:		
Deferred loan costs	(479)	(458)
Right-of-use asset	(1,777)	(2,265)
Premises and equipment	(653)	(302)
Unrealized gain on available-for-sale investment securities	(243)	-
Prepaid expenses	(20)	(48)
Other	(3)	(6)
Total deferred tax liabilities	(3,175)	(3,079)
Net deferred tax asset	\$ 3,000	\$ 2,744

As of December 31, 2020 and 2019 management performed an evaluation of the Bank's net deferred tax asset and determined that it was more likely than not that the Bank would be able to utilize its net deferred tax asset. Therefore, no valuation allowance is necessary for 2020.

The Bank files income tax returns in the United States and California jurisdictions. The Bank is no longer subject to examination by federal taxing authorities for tax years prior to 2017 and is no longer subject to examination by California taxing authorities for tax years prior to 2016. There are currently no pending federal or state income tax examinations by tax authorities.

The Bank has no uncertain tax positions and has not accrued for any interest or penalties as of December 31, 2020 or 2019. The Bank does not expect the total amount of unrecognized tax benefits to significantly increase in the next twelve months.

As of December 31, 2020, the Bank has net operating losses ("NOLs") available to carry-forward for federal tax purposes totaling \$2.3 million. Federal NOL carry-forwards will expire at various dates from 2029 to 2035, if unused. All federal NOLs were acquired in the BSB acquisition in 2016. The utilization of these NOL carry-forwards by the Bank

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

11. INCOME TAXES *(continued)*

for federal tax purposes is subject to Internal Revenue Code Sec. 382 with limitations placed on the amount of NOLs that can be utilized annually. The annual 382 limitation is approximately \$0.5 million for federal purposes. The Bank does not, however, believe that the annual limitation will impact the ultimate deductibility of these NOL carry-forwards.

12. BORROWING ARRANGEMENTS

The Bank has unsecured Federal funds lines of credit with four of its correspondent banks under which it can borrow up to \$37,000,000 in the aggregate. There were \$0 in borrowings outstanding under these arrangements as of December 31, 2020 and 2019.

In addition, the Bank 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. At December 31, 2020, amounts pledged and available under such limits at the FHLB were approximately \$133,303,000 and \$116,303,000, respectively. At December 31, 2019, amounts pledged and available under such limits at the FHLB were approximately \$71,847,000 and \$51,847,000, respectively. As of December 31, 2020 and 2019, the Bank had FHLB borrowings outstanding of \$5,000,000 and \$10,000,000 respectively. FHLB borrowings mature in April 2021. As of December 31, 2020 and 2019, the Bank had a letter of credit secured with the Federal Home Loan Bank to secure local agency deposits in the amount of \$12,000,000 and \$10,000,000 respectively.

The Bank has a short-term borrowing arrangement with the Federal Reserve Bank through the Discount Window. The Bank has pledged certain loans to secure borrowings. The borrowing capacity under the agreement varies depending on the amount and type of loans pledged. There were no borrowings outstanding under the agreement at December 31, 2020 or 2019, and the Bank had \$10,106,000 of readily available borrowing capacity at December 31, 2020 based on currently pledged loans.

13. COMMITMENTS AND CONTINGENCIES

Financial Instruments With Off-Balance Sheet Risk

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business in order to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments consist of the following *(Dollars in thousands)*:

	December 31, 2020	December 31, 2019
Commitments to extend credit	\$ 121,032	\$ 123,349
Standby letters of credit	\$ 1,768	\$ 451

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

13. COMMITMENTS AND CONTINGENCIES *(continued)*

Financial Instruments With Off-Balance Sheet Risk *(continued)*

The Bank's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments as it does for loans included on the balance sheets.

Commitments to extend credit are agreements to lend to a customer 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 Bank evaluates each customer's creditworthiness on a case-by-case basis.

The amount of collateral obtained, if deemed necessary by the Bank 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, 2020 and 2019.

The Bank recognizes these fees as revenue over the term of the commitment or when the commitment is used.

As of December 31, 2020, unsecured commercial loan commitments represent approximately 52% of total commitments and the majority of these commitments have variable interest rates. Other real estate loans, which are collateralized and generally have adjustable interest rates, represent approximately 5% of total commitments. Home equity lines of credit, which are collateralized and generally have variable interest rates, represent approximately 22% of total commitments. Secured construction loan commitments represent approximately 14% of total commitments and have primarily fixed rates. Agricultural production represents approximately 4% of total commitments. The remaining 3% of loan commitments represent other consumer loans, which are collateralized and uncollateralized and generally have variable interest rates.

As of December 31, 2019, unsecured commercial loan commitments represent approximately 48% of total commitments and the majority of these commitments have variable interest rates. Other real estate loans, which are collateralized and generally have adjustable interest rates, represent approximately 9% of total commitments. Home equity lines of credit, which are collateralized and generally have variable interest rates, represent approximately 20% of total commitments. Secured construction loan commitments represent approximately 18% of total commitments and have primarily fixed rates. Agricultural production represents approximately 3% of total commitments.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

13. COMMITMENTS AND CONTINGENCIES *(continued)*

Financial Instruments With Off-Balance Sheet Risk *(continued)*

The remaining 2% of loan commitments represent other consumer loans, which are collateralized and uncollateralized and generally have variable interest rates.

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 I capital and reserves.

The Bank grants real estate construction and commercial loans to customers in Santa Barbara County, San Luis Obispo County and surrounding areas and a substantial portion of its portfolio is secured by commercial and residential real estate.

Concentrations may also exist when certain types of loans exceed 100% of the Bank's total capital ("TC").

At December 31, 2020, a concentration representing approximately 382% of the Bank's TC was in Real Estate – Commercial loans. These loans include both owner occupied and non-owner occupied commercial real estate loans and are within a variety of types. Residential real estate loans also represented a concentration of approximately 142% of the Bank's TC. These loans include owner occupied and non-owner occupied adjustable residential real estate loans, variable home equity lines and fixed rate, short term non-revolving credits.

At December 31, 2019, a concentration representing approximately 441% of the Bank's TC was in Real Estate – Commercial loans. These loans include both owner occupied and non-owner occupied commercial real estate loans and are within a variety of types. Residential real estate loans also represented a concentration of approximately 152% of the Bank's TC. These loans include owner occupied and non-owner occupied adjustable residential real estate loans, variable home equity lines and fixed rate, short term non-revolving credits.

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 Bank's primary market area could have an adverse impact on the collectability of these loans.

Concentrations in Deposit and Loan Relationships

As of December 31, 2020 and 2019, the Bank did not have any deposit customers that exceed 5% of total deposits.

As of December 31, 2020 and 2019 the Bank did not have any loan customers that exceed 10% of total loans.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

13. COMMITMENTS AND CONTINGENCIES *(continued)*

Federal Reserve Requirements

Generally Banks are required to maintain reserves with the Federal Reserve Bank of San Francisco (the "FRB") equal to a percentage of their reservable deposits. It was announced on March 15, 2020 that the Board of Governors of the Federal Reserve System reduced reserve requirement ratios to zero percent effective March 26, 2020, eliminating reserve requirements for all depository institutions. As such, as of December 31, 2020, the Bank was not required to maintain reserves with the FRB.

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, 2020, the Bank had \$46,876,000 of uninsured deposits.

14. SHARE-BASED PAYMENT

On December 31, 2020, the Bank had one share-based compensation plan, which is described below. 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.

On September 2, 2015, the Bank adopted the American Riviera Bank 2015 Omnibus Stock Incentive Plan (the "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 1,091,782 shares of the Bank's common stock. The remaining shares available for issuance are reduced by shares reserved and shares outstanding under the 2015 Plan, leaving 350,947 available for issuance under the Plan at December 31, 2020.

In October 2009, the Bank adopted the American Riviera Bank 2009 Omnibus Stock Incentive Plan ("2009 Plan"). In accordance with the terms of the 2009 Plan, the plan was terminated on the tenth anniversary of the date upon which it was approved by the shareholders and no new options or awards were granted after that date. As of December 31, 2020, there were no shares remaining for issuance for stock options already granted and no shares of restricted stock awards outstanding to be vested.

There were 47,344 and 109,914 restricted shares granted in 2020 and 2019, 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 Bank'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. All of the options granted under the Plan have a 10 year term and have been issued with exercise prices at the fair market value of the underlying shares at the date of grant. The employee stock options and restricted stock awards generally vest over a four to five

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

14. SHARE-BASED PAYMENT *(continued)*

year period from the date of the grant. The Plan permits the use of vested, in the money stock options to be used as a cashless exercise. In 2016, in connection with the merger with BSB, replacement stock options were granted to certain current and previous officers and directors to replace options previously granted and fully vested under the BSB Omnibus Stock Plan.

Non-Qualified Stock Option Awards

In 2016, in connection with the merger with BSB, 20,073 replacement non-qualified stock options were granted to certain non-employee directors to replace options previously granted and fully vested under the BSB Omnibus Stock Plan. As the BSB options were fully vested, there was no related stock based compensation associated with these awards. There was no related share-based compensation expense related to non-qualified stock options recorded for each of the years ended December 31, 2020 and 2019. A summary of the award activity under the Plan for the years ended December 31, 2020 and 2019 is presented below:

<u>Options</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term</u>
Options outstanding at January 1, 2019	<u>16,829</u>	<u>\$ 11.40</u>	<u>2.63</u>
Issued	-	\$ -	
Exercised	-	\$ -	
Options outstanding at December 31, 2019	<u>16,829</u>	<u>\$ 11.40</u>	<u>1.63</u>
Issued	-	\$ -	
Forfeited or expired	(266)	\$ 11.35	
Exercised	<u>(4,833)</u>	\$ 11.37	
Options exercisable at December 31, 2020	<u>11,730</u>	<u>\$ 11.41</u>	<u>0.96</u>

Information related to the stock option plan during each year follows *(Dollars in thousands)*:

	<u>2020</u>	<u>2019</u>
Intrinsic value of options exercised	\$ 21	\$ -
Cash received from options exercised	29	-
Tax benefit realized from option exercise	2	-

As of December 31, 2020 and 2019, there was no unrecognized compensation related to non-qualified stock option awards. There was \$60,000 intrinsic value related to non-qualified stock option awards at December 31, 2020. During 2020, 4,833 stock options were exercised of which 2,306 were conducted by cashless exercises, resulting in 1,722 shares being forfeited and 584 shares being issued. The remaining 2,527 stock options

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

14. SHARE-BASED PAYMENT *(continued)*

Non-Qualified Stock Option Awards *(continued)*

exercised were paid for in cash resulting in proceeds of \$29,000. During 2019, none of the 16,829 stock options were exercised by cashless exercises.

Employee Incentive Stock Option Awards

There were no employee incentive stock option awards granted for the years ended December 31, 2020 and 2019. In 2016, in connection with the merger with BSB, 65,287 replacement stock options were granted to certain employees to replace options previously granted and fully vested under the BSB Omnibus Stock Plan. As the BSB options were fully vested, there was no related stock based compensation associated with these awards. There was no related share-based compensation expense recorded for each of the years ended December 31, 2020 and 2019.

A summary of the award activity under the Plan for the years ended December 31, 2020 and 2019 are presented below:

<u>Options</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term</u>
Options outstanding at January 1, 2019	<u>58,741</u>	<u>\$ 11.23</u>	<u>1.96</u>
Exercised	(19,092)	\$ 10.84	
Options outstanding at December 31, 2019	<u>39,649</u>	<u>\$ 11.41</u>	<u>1.00</u>
Exercised	(39,649)	\$ 11.41	
Options vested and expected to vest	<u>-</u>	<u>\$ -</u>	<u>-</u>
Options exercisable at December 31, 2020	<u>-</u>	<u>\$ -</u>	<u>-</u>

Information related to the stock option plan during each year follows *(Dollars in thousands)*:

	<u>2020</u>	<u>2019</u>
Intrinsic value of options exercised	\$ 210	\$ 132
Cash received from options exercised	-	12
Tax benefit realized from option exercise	42	32

As of December 31, 2020 and 2019, there was no unrecognized compensation cost related to non-vested stock option awards to employees. The aggregate intrinsic value of outstanding employee incentive stock options was \$0 and \$333,000 at December 31, 2020 and 2019, respectively. During 2020, 39,649 stock options were exercised all of which were conducted by cashless exercises, resulting in 27,090 shares being forfeited and 12,559 shares being issued. During 2019, 19,092 stock options were exercised of which 17,092 were conducted by cashless exercises, resulting in 10,980 shares being

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

14. SHARE-BASED PAYMENT *(continued)*

Employee Incentive Stock Option Awards *(continued)*

forfeited and 6,112 shares being issued. The remaining 2,000 stock options exercised were paid for in cash resulting in proceeds of \$12,000.

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 over the vesting period of the awards based on the fair value of the stock at issue date. The fair value of the stock was determined using most recent market data. Restricted common stock shares to employees typically vest over a four to five year period and immediately for directors.

A summary of changes in the Bank's nonvested shares for the year is as follows:

<u>Non Vested Shares</u>	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Non vested shares at January 1, 2020	132,957	\$ 17.58
Granted	47,344	15.57
Vested	(34,052)	15.52
Forfeited	<u>(3,736)</u>	<u>15.47</u>
Non vested shares at December 31, 2020	<u>142,513</u>	<u>\$ 17.46</u>

In 2020, the Bank granted 36,816 shares of restricted common stock to selected officers, which had a fair market value between \$11.75 and \$19.90 per share on the date of grant. These restricted common stock awards generally vest over a four year period from the date of the grant.

In 2020, the Bank granted a total of 10,528 shares of restricted common stock to the outside members of the Board of Directors, which had a fair market value of \$13.30 per share on the date of grant. These restricted common stock awards vested immediately and the related expense of \$140,000 was recorded for the year ended December 31, 2020.

In 2019, the Bank granted 102,680 shares of restricted common stock to selected officers, which had a fair market value between \$17.50 and \$19.90 per share on the date of grant. These restricted common stock awards vest over a two to five year period from the date of grant.

In 2019, the Bank granted a total of 7,234 shares of restricted common stock to the outside members of the Board of Directors, which had a fair market value between \$17.50 and \$18.40 per share on the date of grant. These restricted common stock awards vested immediately and the related expense of \$132,500 was recorded for the year ended December 31, 2019.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

14. SHARE-BASED PAYMENT *(continued)*

Restricted Common Stock Awards *(continued)*

As of December 31, 2020, there were 142,513 shares of restricted stock that are nonvested and expected to vest. Compensation cost and directors fees charged against income for restricted stock awards was \$828,000 and \$736,000 for the years ended December 31, 2020 and 2019, respectively. There was an excess tax benefit recognized for restricted stock awards in the amount of \$3,000 and \$71,000, respectively for the years ended December 31, 2020 and 2019. At December 31, 2020 and 2019, the total compensation cost related to nonvested restricted common stock not yet recognized was \$1,895,000 and \$1,823,000. Restricted stock compensation expense is recognized on a straight line basis over the vesting period. This cost is expected to be recognized over a weighted average remaining period of approximately 4.0 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, 2020 and 2019 was \$538,000 and \$795,000, respectively.

15. SHAREHOLDERS' EQUITY

Dividends

Upon declaration by the Board of Directors, all shareholders of record will be entitled to receive dividends. The California Financial Code restricts the total dividend payment of any state banking association in any calendar year to the lesser of (1) the bank's retained earnings or (2) the bank's net income for its last three fiscal years, less distributions made to shareholders during the same three-year period. At December 31, 2020, \$19,662,000 were free of such restrictions.

Equity Offering

On March 27, 2019 the Bank completed an equity offering of \$8.5 million through the issuance of 472,222 shares of common stock at a price of \$18.00 per share, at no par value. Expenses incurred related to this capital raise were \$456,000 and were offset to common stock. The net proceeds of the capital raise will be used for general corporate purposes, including but not limited to, supporting organic growth and expansion opportunities in the Bank's Central Coast service area. These shares have the same voting and cash dividend rights as previously issued common stock.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

15. SHAREHOLDERS' EQUITY *(continued)*

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, 2020 and 2019 is as follows:

	Net Income	Weighted Average Number of Shares Outstanding	Common Share Amount
<u>December 31, 2020</u>			
Basic earnings per share	\$7,378,000	5,057,168	\$ 1.46
Effect of dilutive stock options and restricted shares		-	
Diluted earnings per share	\$ 7,378,000	5,057,168	1.46
<u>December 31, 2019</u>			
Basic earnings per share	\$6,393,000	4,886,531	\$ 1.31
Effect of dilutive stock options and restricted shares		-	
Diluted earnings per share	\$ 6,393,000	4,886,531	1.31

Shares of common stock issuable under stock options for which the exercise prices are greater than average market prices are not included in the computation of diluted earnings per share due to their antidilutive effect. As a result, there were no options excluded from the computation of diluted earnings per share for the years ended December 31, 2020 and 2019, respectively.

Regulatory Capital

The Bank is subject to certain regulatory capital requirements administered by the FDIC. Failure to meet these minimum capital requirements can initiate certain mandatory and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements.

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. The final rules implementing Basel committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer for 2020 is 2.5%. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. The Bank meets all capital adequacy requirements to which it is subject.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

15. SHAREHOLDERS' EQUITY (continued)

Regulatory Capital (continued)

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, 2020 and 2019, the most recent regulatory notifications categorized the Bank as "well capitalized" under the regulatory framework for prompt correction action. There are no conditions or events since that notification that management believes have changed the Bank's category.

As of December 31, 2020 and 2019, total average assets for leverage capital purposes were \$969,942,000 and \$705,771,000, respectively, and total risk weighted assets were \$690,877,000 and \$624,582,000, respectively.

Capital ratios as of December 31, 2020 and 2019 are as follows (*Dollars in thousands*):

	2020		2019	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
<u>Leverage Ratio</u>				
American Riviera Bank	\$ 79,107	8.2%	\$ 70,889	10.0%
Minimum for "Well-Capitalized" institution under prompt corrective action provisions	\$ 48,497	5.0%	\$ 35,289	5.0%
Minimum regulatory requirement	\$ 38,798	4.0%	\$ 28,231	4.0%
<u>Common Equity Tier I Ratio</u>				
American Riviera Bank	\$ 79,107	11.45%	\$ 70,889	11.35%
Minimum for "Well-Capitalized" institution under prompt corrective action provisions	\$ 44,907	6.5%	\$ 40,598	6.5%
Minimum regulatory requirement	\$ 31,089	4.5%	\$ 28,106	4.5%
<u>Tier 1 Risk-Based Capital Ratio</u>				
American Riviera Bank	\$ 79,107	11.5%	\$ 70,889	11.3%
Minimum for "Well-Capitalized" institution under prompt corrective action provisions	\$ 55,270	8.0%	\$ 49,967	8.0%
Minimum regulatory requirement	\$ 41,453	6.0%	\$ 37,475	6.0%
<u>Total Risk-Based Capital Ratio</u>				
American Riviera Bank	\$ 87,714	12.7%	\$ 77,424	12.4%
Minimum for "Well-Capitalized" institution under prompt corrective action provisions	\$ 69,088	10.0%	\$ 62,458	10.0%
Minimum regulatory requirement	\$ 55,270	8.0%	\$ 49,967	8.0%

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

16. REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Bank's revenue from contracts with customers in the scope of ASC 606 is recognized within Non-Interest Income. The following table presents the Bank's sources of Non-Interest Income for the twelve months ended December 31, 2020 and 2019. The Other category totaling \$2,300,000 and \$2,114,000 for the years ended December 31, 2020 and 2019, respectively, is not within the scope of ASC 606.

Non-interest income for the years ended December 31, 2020 and 2019 consisted of the following (*Dollars in thousands*):

	<u>2020</u>	<u>2019</u>
Service charges on deposits	\$ 516	\$ 479
Overdraft fees	52	198
Other	2,300	2,114
	<u>\$ 2,868</u>	<u>\$ 2,791</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 Bank contributed \$412,000 and \$336,000 in the form of employer matching contributions to the 401k Plan during the years ended December 31, 2020 and 2019, respectively.

AMERICAN RIVIERA BANK

NOTES TO FINANCIAL STATEMENTS

18. OTHER EXPENSES

Other expenses for the years ended December 31, 2020 and 2019 consisted of the following (*Dollars in thousands*):

	2020	2019
Data processing	\$ 984	\$ 825
Advertising and marketing	779	847
Professional fees	546	610
Regulatory assessments	453	204
Director Fees	362	357
Software	509	319
Insurance	92	82
Other	2,188	2,048
	\$ 5,913	\$ 5,292

19. RELATED PARTY TRANSACTIONS

During the normal course of business, the Bank 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, 2020		\$ 496
Disbursements		41
Amounts repaid		(36)
Re-classified related party balances		(496)
Balance, December 31, 2020		\$ 5

As of December 31, 2020, total undisbursed commitments to related parties were \$65,000.

As of December 31, 2020 and 2019, there were no loans to related parties that exceeded 10% of the Bank's total loans.

Deposits

As of December 31, 2020 and 2019, there were no deposits to related parties that exceeded 5% of the Bank's total deposits.

Other Related Party Transactions

A member of the Board of Directors is affiliated with the accounting firm which provides fixed asset accounting services for the Bank. Total amounts paid during 2020 and 2019 were \$15,389 and \$9,889, respectively. A member of the Board of Directors is affiliated with a law firm which provides counsel for issues related to the Bank. Total amounts paid during 2020 and 2019 were \$1,190 and \$2,508, respectively. A member of the Board of Directors is affiliated with a wine company which provides wines for the Bank's special events. Total amounts paid during 2020 and 2019 were \$0 and \$2,291 respectively. The Board of Directors of the Bank approved these transactions.

