

Financial Statements  
December 31, 2025 and 2024  
**Mega Bank**

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## Independent Auditor's Report

Board of Directors and Shareholders of  
Mega Bank  
San Gabriel, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Mega Bank, which comprise the statements of financial condition as of December 31, 2025 and 2024, 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 the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mega Bank as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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



Laguna Hills, California  
March 25, 2026

**Mega Bank**  
Statements of Financial Condition  
December 31, 2025 and 2024

	2025	2024
<b>Assets</b>		
Cash and due from banks	\$ 8,903,994	\$ 3,153,905
Federal funds sold	2,132,155	526,667
Interest-bearing deposits in other banks	54,868,916	75,792,658
Cash and cash equivalents	65,905,065	79,473,230
Interest-bearing time deposits in other banks	604,046	600,000
Debt securities available for sale, at fair value (amortized cost of \$9,281,466 in 2025 and \$14,461,561 in 2024)	8,362,000	12,986,254
Loans held for investment, net of allowance for credit losses of \$5,182,408 in 2025 and \$4,795,159 in 2024	414,362,874	411,570,569
Premises and equipment	460,184	580,118
Right of use asset	2,303,887	3,023,497
Accrued interest receivable	2,789,471	2,740,190
Restricted stock	1,639,300	1,639,300
Bank owned life insurance	7,566,273	7,493,783
Deferred tax asset	2,912,999	2,689,329
Other Real Estate Owned	857,551	-
Other assets	2,169,923	1,683,199
Total assets	<u>\$ 509,933,573</u>	<u>\$ 524,479,469</u>
<b>Liabilities</b>		
Deposits		
Noninterest-bearing	\$ 25,270,979	\$ 32,814,590
Interest-bearing	407,640,416	411,919,678
Total deposits	<u>432,911,395</u>	<u>444,734,268</u>
Federal Home Loan Bank advances	-	7,000,000
Accrued interest payable	532,977	611,851
Lease liability	2,468,645	3,210,203
Other liabilities	2,480,394	2,353,223
Total liabilities	<u>438,393,411</u>	<u>457,909,545</u>
<b>Shareholders' Equity</b>		
Common stock, no par value, 10,000,000 shares authorized 3,794,466 issued and outstanding	40,712,770	40,712,770
Additional paid in capital	1,883,709	1,690,321
Retained earnings	29,591,355	25,206,039
Accumulated other comprehensive loss	(647,672)	(1,039,206)
Total shareholders' equity	<u>71,540,162</u>	<u>66,569,924</u>
Total liabilities and shareholders' equity	<u>\$ 509,933,573</u>	<u>\$ 524,479,469</u>

Mega Bank  
Statements of Income  
Years Ended December 31, 2025 and 2024

	2025	2024
Interest Income		
Interest and fees on loans	\$ 31,217,167	\$ 30,863,561
Interest on federal funds sold	28,692	59,205
Interest on interest bearing deposits in other financial institutions	2,918,139	4,738,845
Interest on debt securities	168,422	286,712
Dividend income	152,090	154,409
Total interest and dividend income	<u>34,484,510</u>	<u>36,102,732</u>
Interest Expense		
Interest on deposits	15,526,231	18,145,234
Interest on borrowings	171,706	95,874
Total interest expense	<u>15,697,937</u>	<u>18,241,108</u>
Net interest income	18,786,573	17,861,624
Provision for credit losses - loans	465,336	206,836
Provision for credit losses - unfunded commitments	406,694	29,687
Total provision for credit losses	<u>872,030</u>	<u>236,523</u>
Net interest income after provision for credit losses	<u>17,914,543</u>	<u>17,625,101</u>
Noninterest Income		
Service charges on deposit accounts	52,531	54,675
Net gain on sale of loans	594,423	590,977
Income from bank owned life insurance	283,828	218,864
Servicing income, net	14,406	225,784
Other miscellaneous income	332,565	339,170
Total noninterest income	<u>1,277,753</u>	<u>1,429,470</u>
Noninterest Expense		
Salaries and employee benefits	7,711,620	7,816,971
Occupancy and equipment	1,418,323	1,406,011
Other expenses	3,082,301	2,344,564
Total noninterest expense	<u>12,212,244</u>	<u>11,567,546</u>
Income before income tax expense	6,980,052	7,487,025
Provision for income taxes	2,025,566	2,205,323
Net Income	<u>\$ 4,954,486</u>	<u>\$ 5,281,702</u>

Mega Bank  
 Statements of Comprehensive Income  
 Years Ended December 31, 2025 and 2024

	2025	2024
Net Income	\$ 4,954,486	\$ 5,281,702
Unrealized holding gain on securities available-for-sale during the period	555,841	247,211
Tax effect	(164,307)	(73,076)
Other comprehensive income, net of tax	391,534	174,135
Comprehensive income	\$ 5,346,020	\$ 5,455,837

**Mega Bank**  
**Statements of Changes in Shareholders' Equity**  
**Years Ended December 31, 2025 and 2024**

	Number of Shares	Common Stock	Additional Paid-In Capital (APIC)	Retained Earnings	Other Comprehensive Loss	Total
Balance at January 1, 2024	3,794,466	\$ 40,712,770	\$ 1,470,224	\$ 20,872,953	\$ (1,213,341)	\$ 61,842,606
Net income	-	-	-	5,281,702	-	5,281,702
Cash dividend declared	-	-	-	(948,616)	-	(948,616)
Stock compensation expense	-	-	220,097	-	-	220,097
Other comprehensive income net of taxes	-	-	-	-	174,135	174,135
Balance at December 31, 2024	3,794,466	40,712,770	1,690,321	25,206,039	(1,039,206)	66,569,924
Net income	-	-	-	4,954,486	-	4,954,486
Cash dividend declared	-	-	-	(569,170)	-	(569,170)
Stock compensation expense	-	-	193,388	-	-	193,388
Other comprehensive income net of taxes	-	-	-	-	391,534	391,534
Balance at December 31, 2025	<u>3,794,466</u>	<u>\$ 40,712,770</u>	<u>\$ 1,883,709</u>	<u>\$ 29,591,355</u>	<u>\$ (647,672)</u>	<u>\$ 71,540,162</u>

Mega Bank  
Statements of Cash Flows  
Years Ended December 31, 2025 and 2024

	2025	2024
Operating Activities		
Net income	\$ 4,954,486	\$ 5,281,702
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	872,030	206,836
Net amortization (accretion) of securities available for sale	1,462	(1,142)
Depreciation and amortization of premises and equipment	148,768	149,876
Net gain on sale of loans	(594,423)	(590,977)
Stock compensation expense	193,388	220,097
Deferred income tax expense	(343,738)	(175,330)
Earnings on bank owned life insurance	(283,827)	(218,864)
Decline in OREO FMV (write-down)	83,102	-
Change in other assets and liabilities	(1,901,242)	175,570
Net Cash Provided by Operating Activities	<u>3,130,006</u>	<u>5,047,768</u>
Investing Activities		
Increase in interest-bearing time deposits in other banks	(4,046)	(500,000)
BOLI claim proceeds	211,337	-
Change in restricted stock	-	(26,800)
Proceeds from sales, maturities and repayments of debt securities available for sale	5,178,633	5,170,743
Loan originations, purchases, and principal collections, net	(2,663,218)	(41,654,489)
Purchase of premises and equipment, net	(28,834)	(52,358)
Net Cash Provided by (Used in) Investing Activities	<u>2,693,872</u>	<u>(37,062,904)</u>
Financing Activities		
Net change in deposits	(11,822,873)	28,495,854
Repayment of Federal Home Loan Bank advances	(7,000,000)	-
Payment of dividends to shareholders	(569,170)	(948,616)
Net Cash (Used in) Provided by Financing Activities	<u>(19,392,043)</u>	<u>27,547,238</u>
Net Change in Cash and Cash Equivalents	(13,568,165)	(4,467,898)
Cash and Cash Equivalents at Beginning of Period	<u>79,473,230</u>	<u>83,941,128</u>
Cash and Cash Equivalents at End of Period	<u>\$ 65,905,065</u>	<u>\$ 79,473,230</u>
Supplemental Disclosure for Cash Flow Information		
Cash payments for		
Interest paid	\$ 15,776,811	\$ 18,215,187
Income taxes paid	2,421,000	2,070,000
Supplemental Disclosure of Non-Cash Information		
Transfers of loans to other real estate owned	\$ 1,189,953	\$ -
OREO valuation write-downs to fair value	(332,402)	-

## **Note 1 - Significant Accounting Policies**

### **Nature of Operations**

Mega Bank (the Bank) was organized on January 9, 2007 and commenced operations on February 5, 2008 in San Gabriel, California. The Bank is a full-service commercial bank offering a broad range of banking services to businesses, professional firms, various other organizations and their owners and key officers, as well as individuals throughout the Southern California region. These services include commercial, real estate, lease financing and consumer loans, business and consumer checking accounts, money market accounts, savings accounts, certificates of deposit, trade finance and other services. The Bank operates from its corporate headquarters office in San Gabriel, California. The Bank has three full-service branches in Los Angeles County and one full-service branch in Orange County.

Mega Bank is a state-chartered depository institution insured by the FDIC. As an insured depository institution, the Bank is subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

### **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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates. An estimate that is particularly susceptible to significant change relates to the determination of the allowance for credit losses.

### **Cash and Cash Equivalents**

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash due from banks, overnight federal funds sold and term federal funds and interest-bearing deposits with other banks with an original term of 90 days or less. Federal funds sold have an original maturity of one business day or roll over under a continuing contract.

### **Interest-Bearing Time Deposits in Other Banks**

Interest-bearing time deposits in other banks with an original maturity of 90 days or greater are excluded from cash and cash equivalents and are carried at cost.

### **Debt Securities**

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

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

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

Accrued interest receivable on available-for-sale debt securities totaling \$37,379 and \$63,841 at December 31, 2025 and 2024, respectively, is included in accrued interest receivable on the statements of financial condition and is excluded from the estimate of credit losses.

### **Restricted Stock and Equity Securities**

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

The Bank measures equity securities without readily determinable fair values at cost less impairment, plus or minus observable price changes in orderly transactions. The carrying amount of equity securities without readily determinable fair values is \$250,000 and \$250,000 as of December 31, 2025 and 2024 and includes Community Reinvestment Act investments. There were no adjustments to the carrying amount of equity securities in 2025 or 2024.

### **Loans Held for Sale**

Portfolio loans transferred to loans held for sale are carried at the lower of cost or fair value at the time of transfer.

### **Loans**

Loans are reported at their outstanding unpaid principal balance adjusted for the allowance for credit losses and any deferred fees and costs on originated loans. Interest income is accrued on the unpaid principal balance.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. Past due status is based on contractual terms of the loan. Loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on non-accrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

#### **Allowance for Credit Losses (ACL) - Loans**

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

Management estimates the allowance balance using relevant information for each loan segment, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The ACL for loans is measured on a collective (pool) basis when similar risk characteristics exist. Historical credit loss experience since 2008, for a group of peer institutions of similar size and geographic location, provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for the effects of qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio segment's historical loss experience. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions, changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; changes in the value of the underlying collateral for collateral-dependent loans; concentrations of credit and the effect of other external factors such as competition and legal and regulatory requirements.

Historical credit loss experience is further adjusted by a forecast element for a period of up to 24 months for the effect of certain highly correlated economic indicators, which vary for each loan segment. After the forecast period ends, the loss rate immediately reverts back to the historical rate.

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

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

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

The Bank also maintains a separate allowance for off-balance sheet credit exposures. Management estimates anticipated losses using expected loss factors consistent with those used for the ACL methodology for loans described above, and utilization assumptions based on historical experience. The allowance for off-balance sheet credit exposures is included in other liabilities in the statements of financial condition.

#### **Loan Modification**

The Bank applies the general loan modification guidance provided in ASC 310-20 to all loan modifications, including modifications made for borrowers experiencing financial difficulty. ASC 310-20 requires that certain types of modifications be reported, which consist of (1) principal forgiveness; (2) interest rate reduction; (3) other-than-insignificant payment delay; (4) term extension; and any combination of the above.

#### **Off-Balance Sheet Credit Exposures**

In the ordinary course of business, the Bank has entered into commitments to extend credit, including commitments under commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

#### **Transfer of Financial Assets**

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

### **Servicing Assets**

Servicing assets are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. Generally, purchased servicing rights are capitalized at the cost to acquire the rights. For sales of mortgage loans, a portion of the cost of originating the loan is allocated to the servicing right based on its fair value. Fair value is based on market prices for comparable mortgage 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 are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is recognized through valuation allowance for individual tranches, to the extent that fair value is less than the capitalized amount for the tranches. If the Bank later determines that all or a portion of the impairment no longer exists, a reduction of the allowance may be recorded as an increase to income. Capitalized servicing rights are reported in other assets item on the statement of financial condition and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

### **Premises and Equipment**

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, ranging from 3 to 8 years. Leasehold improvements are amortized over the term of the lease or the service lives of the improvements, whichever is shorter. The straight-line method of depreciation is followed for financial reporting purposes, while both accelerated and straight-line methods are followed for income tax purposes. Expenditures for betterments or major repairs are capitalized and those for ordinary repairs and maintenance are charged to operations as incurred.

### **Bank Owned Life Insurance**

Investment in life insurance contracts is stated at cash surrender value of the various insurance policies. The income on the investment is included in other noninterest income.

### **Income Taxes**

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

### **Stock-Based Compensation**

Stock-based compensation expense reflects the fair value of stock-based awards measured at the grant date and recognized over the relevant vesting period. The Bank estimates the fair value of each stock-based award on the measurement date using the Black-Scholes option valuation model which incorporates assumptions as to stock price volatility, the expected life of the options, risk-free interest rate and dividend yield.

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

### **Advertising Costs**

The Bank expenses the cost of advertising in the period incurred.

### **Revenue Recognition**

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

The following is a discussion of key revenues within the scope of ASC 606.

- **Service Charges and Fees on Deposit Accounts**

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

### **Comprehensive Income (Loss)**

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available-for-sale.

### **Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on net income or stockholders' equity.

### **Subsequent Events**

The Bank has evaluated subsequent events through March 25, 2026, which is the date the financial statements were available to be issued.

**Note 2 - Restrictions on Cash and Amounts Due from Banks**

Banking regulations require that all banks maintain a percentage of their deposits as reserves in cash or on deposit with the Federal Reserve Bank. The Federal Reserve’s board of directors approved a final rule reducing the required reserve requirement ratios to zero percent, effectively eliminating the requirement to maintain reserve balances in cash or on deposit with the Federal Reserve Bank.

The Bank maintains cash that may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. The Bank does not expect to incur losses in its cash accounts.

**Note 3 - Debt Securities**

The amortized cost and fair values of debt securities with gross unrealized gains and losses at December 31, 2025 are as follows:

December 31, 2025	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale				
U.S. agency securities	\$ 7,998,416	\$ -	\$ (757,496)	\$ 7,240,920
U.S. agency mortgage-backed securities	1,283,050	-	(161,970)	1,121,080
	<u>\$ 9,281,466</u>	<u>\$ -</u>	<u>\$ (919,466)</u>	<u>\$ 8,362,000</u>

The amortized cost and fair values of debt securities with gross unrealized gains and losses at December 31, 2024 are as follows:

December 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale				
U.S. treasury securities	\$ 998,876	\$ -	\$ (3,966)	\$ 994,910
U.S. agency securities	11,998,085	-	(1,235,785)	10,762,300
U.S. agency mortgage-backed securities	1,464,600	-	(235,556)	1,229,044
	<u>\$ 14,461,561</u>	<u>\$ -</u>	<u>\$ (1,475,307)</u>	<u>\$ 12,986,254</u>

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2025, are shown below. Securities not due at a single maturity date are presented separately.

	Securities Available-for-Sale	
	Amortized Cost	Fair Value
Due in one year or less	\$ -	\$ -
Due from one to five years	3,998,415	3,664,840
Due from five to ten years	4,000,000	3,576,080
Due after ten years	-	-
Mortgage-backed securities	1,283,051	1,121,080
	\$ 9,281,466	\$ 8,362,000

#### Allowance for Credit Losses – Available-for-Sale Securities

At December 31, 2025, 5 available-for-sale debt securities with fair values totaling \$9.3 million had net unrealized losses totaling \$ 0.92 million, or \$ 0.65 million net of tax in accumulated other comprehensive loss. For available-for-sale debt securities with unrealized losses, management considered the financial condition of the issuer and the Bank's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. Our available-for-sale debt securities consisted of U.S. government agency and government sponsored enterprise securities, which are either explicitly or implicitly guaranteed by the U.S. government and historically have had no credit loss experience.

Management determined that the unrealized losses at December 31, 2025 and 2024 and each investment were primarily attributable to factors other than credit related, including changes in interest rates driven by the Federal Reserve's policy to fight against inflation and general volatility in credit market conditions. As such, the Bank applied a zero-credit loss assumption for these securities and no provision for credit losses was recorded for available-for-sale debt securities during the years ended December 31, 2025 and 2024.

The following tables summarize available-for-sale debt securities with unrealized and unrecognized losses aggregated by major security type and length of time in a continuous unrealized or unrecognized loss position. Securities as of December 31, 2025 were as follows:

	2025					
	Less than 12 months		Over 12 months		Total	Total
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses		
U.S. treasury securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. agency securities	-	-	7,240,920	(757,496)	7,240,920	(757,496)
U.S. agency mortgage-backed securities	-	-	1,121,080	(161,970)	1,121,080	(161,970)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,362,000</u>	<u>\$ (919,466)</u>	<u>\$ 8,362,000</u>	<u>\$ (919,466)</u>

Securities as of December 31, 2024 were as follows:

	2024					
	Less than 12 months		Over 12 months		Total	Total
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses		
U.S. treasury securities	\$ -	\$ -	\$ 994,910	\$ (3,966)	\$ 994,910	\$ (3,966)
U.S. agency securities	-	-	10,762,300	(1,235,785)	10,762,300	(1,235,785)
U.S. agency mortgage-backed securities	-	-	1,229,044	(235,556)	1,229,044	(235,556)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,986,254</u>	<u>\$ (1,475,307)</u>	<u>\$ 12,986,254</u>	<u>\$ (1,475,307)</u>

**Note 4 - Loans and Allowance for Credit Losses**

The composition of the Bank's loans held for investment at December 31 is as follows:

	<u>2025</u>	<u>2024</u>
Real Estate		
Construction and land	\$ 126,302,761	\$ 126,902,954
Residential	24,441,569	27,180,219
Multi-family	52,837,710	30,183,145
Commercial real estate	163,684,141	170,440,758
Commercial		
Commercial and industrial	37,067,772	41,676,555
Consumer	<u>12,066,251</u>	<u>14,923,531</u>
Total gross loans	<u>416,400,204</u>	<u>411,307,162</u>
Allowance for credit losses	(5,182,408)	(4,795,159)
Deferred loan costs and premiums, net of fees	4,072,129	6,157,560
Discount on retained portion of sold SBA Loans	<u>(927,051)</u>	<u>(1,098,994)</u>
Loans held for investment, net	<u>\$ 414,362,874</u>	<u>\$ 411,570,569</u>

The following tables present the activity in the allowance for credit losses for the year ended December 31, 2025 by portfolio segment:

	<u>Real Estate</u>	<u>Commercial</u>	<u>Consumer</u>	<u>Total</u>
Allowance for Credit Losses				
Beginning of Year	\$ 3,771,171	\$ 445,955	\$ 578,033	\$ 4,795,159
Provisions (Credit)	743,285	(149,748)	(128,201)	465,336
Charge-offs	(62,882)	-	(15,205)	(78,087)
Recoveries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u>\$ 4,451,574</u>	<u>\$ 296,207</u>	<u>\$ 434,627</u>	<u>\$ 5,182,408</u>

The following tables present the activity in the allowance for credit losses for the year ended December 31, 2024 by portfolio segment:

	<u>Real Estate</u>	<u>Commercial</u>	<u>Consumer</u>	<u>Total</u>
Allowance for Credit Losses				
Beginning of Year	\$ 4,142,804	\$ 384,013	\$ 61,506	\$ 4,588,323
Provisions (Credit)	(371,633)	61,942	516,527	206,836
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
End of Year	<u>\$ 3,771,171</u>	<u>\$ 445,955</u>	<u>\$ 578,033</u>	<u>\$ 4,795,159</u>

In addition to the ACL on loans, the Bank has established an ACL on off-balance sheet exposures at December 31, 2025 and 2024. The following table presents the activity in the ACL on off-balance sheet exposures for the years then ended:

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	\$ 833,675	\$ 803,988
Additions (reversals) to ACL recorded as a provision for credit losses	<u>406,694</u>	<u>29,687</u>
Balance at end of year	<u>\$ 1,240,369</u>	<u>\$ 833,675</u>

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger, non-homogeneous loans such as commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained. The Bank uses the following definitions for risk ratings:

Pass - Loans listed as pass include larger non-homogeneous loans not meeting the risk rating definitions above and smaller, homogeneous loans not assessed on an individual basis.

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

Substandard Loans - These are loans that are inadequately protected by the current sound worth and paying capacity of the borrower or the collateral pledged, if any. They exhibit well-defined weaknesses that jeopardize the repayment of the debt.

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

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows as of December 31, 2025:

December 31, 2025	Pass	Special Mention	Substandard	Doubtful	Total
Real Estate					
Construction and land	\$ 113,616,548	\$ -	\$ 12,686,213	\$ -	\$ 126,302,761
Residential	24,441,569	-	-	-	24,441,569
Multi-Family	52,837,710	-	-	-	52,837,710
Commercial real estate	151,526,132	3,055,218	9,102,791	-	163,684,141
Commercial					
Commercial and industrial	36,977,887	89,885	-	-	37,067,772
Consumer	12,066,251	-	-	-	12,066,251
	<u>\$ 391,466,097</u>	<u>\$ 3,145,103</u>	<u>\$ 21,789,004</u>	<u>\$ -</u>	<u>\$ 416,400,204</u>

The risk category of loans by class of loans is as follows as of December 31, 2024:

December 31, 2024	Pass	Special Mention	Substandard	Doubtful	Total
Real Estate					
Construction and land	\$ 122,527,991	\$ -	\$ 4,374,963	\$ -	\$ 126,902,954
Residential	27,180,219	-	-	-	27,180,219
Multi-Family	30,183,145	-	-	-	30,183,145
Commercial real estate	160,187,129	7,055,016	3,198,613	-	170,440,758
Commercial					
Commercial and industrial	39,864,299	1,797,812	14,444	-	41,676,555
Consumer	14,923,531	-	-	-	14,923,531
	<u>\$ 394,866,314</u>	<u>\$ 8,852,828</u>	<u>\$ 7,588,020</u>	<u>\$ -</u>	<u>\$ 411,307,162</u>

Past due and nonaccrual loans were as follows as of December 31, 2025:

	Still Accruing		Nonaccrual
	30-89 Days Past Due	Over 90 Days Past Due	
Residential real estate	\$ 101,490	\$ -	\$ -
Construction and land	5,268,690	-	7,417,523
Commercial real estate	10,361,935	-	3,640,817
Commercial and industrial	140,115	-	-
Consumer	-	-	-
	<u>\$ 15,872,230</u>	<u>\$ -</u>	<u>\$ 11,058,340</u>

Past due and nonaccrual loans were as follows as of December 31, 2024:

	Still Accruing		Nonaccrual
	30-89 Days Past Due	Over 90 Days Past Due	
Residential real estate	\$ -	\$ -	\$ -
Construction and land	-	-	4,374,963
Commercial real estate	1,453,484	-	3,198,613
Commercial and industrial	159,267	-	-
Consumer	-	-	-
	<u>\$ 1,612,751</u>	<u>\$ -</u>	<u>\$ 7,573,576</u>

There was no interest income recognized on nonaccrual loans during 2025 and 2024.

The nonaccrual loan balance as of December 31, 2025 and 2024 is comprised of collateral dependent loans secured by real estate. These loans were individually evaluated for potential credit loss, with zero allowance for credit losses established as of December 31, 2025 and 2024.

Occasionally, the Bank may modify loans to borrowers who are experiencing financial difficulty. Loan modifications to borrowers experiencing financial difficulty may be in the form of principal forgiveness, term extension, an other-than-insignificant payment delay, interest rate reduction, or combination thereof. As of December 31, 2025 and 2024, the Bank did not have any loan modifications to borrowers experiencing financial difficulty.

The following table presents loans purchased and sold during the years ended December 31, 2025, and December 31, 2024, respectively, by portfolio segment:

	2025			
	Real Estate	Commercial	Consumer	Total
Purchase	\$ 11,984,931	\$ 505,731	\$ 2,556,407	\$ 15,047,069
Sales	25,454,794	580,044	-	26,034,838
	2024			
	Real Estate	Commercial	Consumer	Total
Purchase	\$ 16,722,886	\$ 3,030,162	\$ 13,689,313	\$ 33,442,361
Sales	32,042,026	-	-	32,042,026

#### Note 5 - Premises and Equipment

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

	2025	2024
Furniture, fixture and equipment	\$ 644,924	\$ 637,055
Computer equipment	70,970	60,064
Leasehold improvements	2,960,812	2,949,962
	<u>3,676,706</u>	<u>3,647,081</u>
Less accumulated depreciation and amortization	<u>3,216,522</u>	<u>3,066,963</u>
Total premises and equipment	<u>\$ 460,184</u>	<u>\$ 580,118</u>

Depreciation and amortization expense for years ended December 31, 2025 and 2024, amounted to \$148,768 and \$149,876, respectively.

#### Note 6 - Leases

The Bank leases certain office facilities for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2032 and provide for renewal options of various length. The Bank included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The leases provide for increases in future minimum annual rental payments based on defined increases. Also, the agreements generally require the Bank to pay real estate taxes, insurance, utilities and common area maintenance, which is considered variable lease cost.

Operating lease right-of-use assets totaled \$2,303,887 and lease liabilities totaled \$2,468,645 at December 31, 2025, compared to lease right-of-use assets of \$3,023,497 and lease liabilities of \$3,210,203 at December 31, 2024. The right-of-use weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, the Bank estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Bank's applicable borrowing rates and the contractual lease term. The weighted-average remaining lease term and discount rate were 5.55 years and 6.50% and 5.93 years and 6.50% as of December 31, 2025 and 2024, respectively.

The following table represents lease costs and other lease information for the years ended December 31, 2025 and 2024:

	2025	2024
Operating lease cost	\$ 907,097	\$ 889,235
Common area maintenance	106,368	101,533
Total lease costs	\$ 1,013,465	\$ 990,768

*Other Information:*

Cash Paid for Amounts Included in the Measurement of Lease Liabilities	\$ 921,756	\$ 897,162
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The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2025:

Year Ending	2025
2026	\$ 678,905
2027	429,795
2028	442,641
2029	455,996
2030	469,597
After 2030	493,922
Total Lease Payments	2,970,856
Less Imputed Interest	502,211
Present Value of Net Future Minimum Lease Payments	\$ 2,468,645

**Note 7 - Investment in Life Insurance Contracts**

The Bank is the owner and the beneficiary of life insurance policies on certain directors and officers of the Bank. The cash surrender value on the policies amounted to \$7,566,273 and \$7,493,783 as of December 31, 2025 and 2024, respectively.

**Note 8 - Deposits**

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

	2025	2024
Savings, NOW and money market accounts	\$ 71,787,504	\$ 63,299,702
Time certificate of deposit accounts under \$250,000	192,052,857	174,046,120
Time certificate of deposit accounts \$250,000 or over	143,800,055	174,573,856
Total interest-bearing deposits	407,640,416	411,919,678
Total noninterest-bearing deposits	25,270,979	32,814,590
Total Deposits	\$ 432,911,395	\$ 444,734,268

At December 31, 2025, the scheduled maturities of time deposits were as follows:

	2025
Within 1 year	\$ 335,096,221
After 1 year through 3 years	756,691
	\$ 335,852,912

**Note 9 - Stock Investments, Restricted**

The Bank, as a member of the Federal Home Loan Bank System (FHLB), is required to maintain an investment in capital stock of the FHLB in an amount equal to the greater of one percent of its outstanding home loans or five percent of advances from the FHLB. No ready market exists for the FHLB stock, and it has no quoted market value. FHLB stock is carried at \$1,639,300 at December 31, 2025 and 2024, which is equal to cost.

**Note 10 - Related Party Transactions**

In the ordinary course of business, the Bank has granted loans to its principal officers, directors, principal shareholders, and their affiliates. The aggregate amount of loans outstanding to such related parties was \$0 as of December 31, 2025 and 2024.

Deposits from related parties held by the Bank at December 31, 2025 and 2024, amounted to approximately \$12,611,636 and \$23,464,000, respectively.

**Note 11 - Federal Home Loan Bank Advances**

FHLB advances represent secured obligations to the FHLB. At December 31, 2025, the Bank's has zero FHLB advance.

At December 31, 2024, the Bank's FHLB advances were as follows:

<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$ 7,000,000	1.36%	February 25, 2025

Advances are payable at maturity. The carrying value of loans pledged to the FHLB to secure borrowings was approximately \$239.5 million and \$202.3 million at December 31, 2025 and 2024, respectively. Based on this collateral and the Bank's holdings of FHLB stock, the Bank had a remaining borrowing capacity of \$123.80 million as of December 31, 2025 and \$116.0 million as of December 31, 2024.

**Note 12 - Federal Funds Line of Credit**

The Bank may borrow up to \$32.0 million overnight on an unsecured basis from four correspondent banks. As of December 31, 2025, there were no amounts outstanding under these unsecured borrowing arrangements.

**Note 13 - Income Taxes**

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The following is a summary of the provision for income taxes for the years ended December 31:

	2025	2024
Currently payable		
Federal	\$ 1,519,971	\$ 1,492,887
State	849,333	887,766
	2,369,304	2,380,653
Deferred Taxes		
Federal	(247,473)	(105,935)
State	(96,265)	(69,395)
	(343,738)	(175,330)
Total provision for income taxes	\$ 2,025,566	\$ 2,205,323

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

	2025		2024	
	Amount	Rate	Amount	Rate
Statutory federal tax	\$ 1,465,811	21.0 %	\$ 1,572,275	21.0
State franchise tax, net of federal benefit	542,641	7.8	640,826	8.6
Other items, net	17,114	0.2	(7,778)	(0.1)
Provision for income taxes	\$ 2,025,566	29.0 %	\$ 2,205,323	29.5

The components of the net deferred tax asset were as follows at December 31:

	2025	2024
Deferred tax assets		
Allowance for credit losses	\$ 1,532,107	\$ 1,185,738
Stock-based compensation	144,561	166,694
Depreciation	180,024	145,389
State tax deduction	177,916	188,869
Accrued expenses	112,229	108,422
Unrealized loss on securities available for sale	271,794	436,101
Other	520,795	528,782
	2,939,426	2,759,995
Deferred tax liabilities		
Other	(26,427)	(70,666)
	(26,427)	(70,666)
Net Deferred Tax Asset	\$ 2,912,999	\$ 2,689,329

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

The Bank is subject to federal income tax and franchise tax of the state of California. Income tax returns for the years ended after December 31, 2021, are open to audit by the federal authorities and for the years ended after December 31, 2020 are open to audit by California state authorities.

#### **Note 14 - Commitments and Contingencies**

##### Credit-Related Financial Instruments

In the ordinary course of business, the Bank enters into financial commitments to meet the financing needs of its customers. These financial instruments generally include commitments to extend credit and standby letters of credit, all of which are at variable rates. Those instruments involve, to varying degrees, elements of credit and interest rate risk not recognized in the Bank's financial statements. To mitigate the risk posed by these off balance sheet exposures, the Bank has established a reserve for off balance sheet exposure of \$1,240,369 and \$833,675 at December 31, 2025 and 2024, respectively. This reserve is included in other liabilities within the statements of financial condition.

The Bank's exposure to loan loss in the event of non-performance on commitments to extend credit and standby letters of 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 reflected in the financial statements.

As of December 31, 2025 and 2024, the Bank had approximately \$56,813,000 and \$50,635,000, respectively, of undisbursed financial commitments whose contractual amount represents credit risk, all of which were at variable rates.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being fully drawn upon, the total amounts do not necessarily represent future cash requirements. The Bank evaluates each client's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank, is based on management's credit evaluation of the customer.

#### Pending Litigation

In the normal course of business, the Bank may become involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the financial statements.

#### **Note 15 - Concentration Risk**

The Bank's loan portfolio consists primarily of loans secured by real estate in Southern California. Although the Bank has a diversified loan portfolio, a substantial part of the debtors' ability to honor their contracts is dependent upon the economic conditions in this region. Real estate secured loans account for approximately 88 percent at December 31, 2025, and 86 percent of the total loan portfolio at December 31, 2024.

#### **Note 16 - Employee Benefit Plan**

The Bank has a 401(k) savings and retirement plan (the Plan) that includes substantially all employees. The Bank established a 401(k) plan under which eligible employees may contribute up to the maximum dollar amount allowed by the IRS each year. The Bank matches employee contributions dollar-for-dollar, up to one percent of salaries. The Bank matched \$204,337 and \$194,537 of employee deferrals during the years ended December 31, 2025 and 2024, respectively.

#### **Note 17 - Stock Option Plan**

The Bank has a stock option plan, The Mega Bank Amended and Restated Omnibus Plan (the 2018 Plan), which enables the Bank to grant share-based compensation awards, including stock options and stock appreciation rights. The 2018 Plan became effective in the year ended December 31, 2018 and replaced the Bank's 2008 Long-Term Stock Incentive Plan. Directors and other individuals, who are not officers or employees, may be granted only nonqualified stock options.

A total of 1,136,456 shares were approved for the 2018 Plan. The exercise price per share of a stock option granted under the 2018 Plan may not be less than the fair market value of the common stock as of the date of the grant. Stock option grants vest ratably over a specified period as of the date of the grant (generally, three to five years) and expire ten years after the date of the grant. The 2018 Plan will terminate no later than the tenth anniversary of its effective date.

Compensation cost charged to operations for the plan was \$193,388 and \$220,097 for the years ended December 31, 2025 and 2024, respectively. The total income tax benefit recognized in the statements of income for stock-based compensation arrangements was \$0 and \$3,664 for the years ended December 31, 2025 and 2024, respectively.

A summary of option activity under the plan as of December 31, 2025 and for the year then ended is as follows:

Options	Shares	Weighted - Average Exercise Price	Weighted - Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2025	533,000	\$ 11.73		<u>\$ 3,097,836</u>
Granted	-	-		
Exercised	-	-		
Forfeited	(65,000)	10.33		
Expired	-	-		
Outstanding at December 31, 2025	<u>468,000</u>	<u>\$ 11.92</u>	<u>4.1</u>	<u>\$ 3,243,706</u>
Exercisable at December 31, 2025	<u>391,000</u>	<u>\$ 11.40</u>	<u>3.5</u>	<u>\$ 2,913,442</u>

As of December 31, 2025, there was \$295,580 of total unrecognized compensation cost related to share-based compensation arrangements granted under the plan. That cost is expected to be recognized over a weighted-average period of 1.55 years.

### Note 18 - Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum capital ratios as set forth in the table below. Management believes that the Bank met all capital adequacy requirements to which it is subject as of December 31, 2025 and 2024.

#### 2024 Transition to Risk-Based Capital Reporting

Effective January 1, 2024, the Bank elected to exit the Community Bank Leverage Ratio (CBLR) framework and began reporting regulatory capital under the risk-based capital framework, as prescribed by the Basel III regulatory capital rules. Under these guidelines, the Bank is required to maintain minimum levels of Common Equity Tier 1 Capital, Tier 1 Capital, Total Capital, and the Tier 1 Leverage Ratio. As of December 31, 2025, the Bank met all applicable regulatory capital requirements and was classified as “Well Capitalized” under the regulatory framework.

Under Prompt Corrective Action (PCA) regulations, banks are classified into five categories: Well Capitalized, Adequately Capitalized, Undercapitalized, Significantly Undercapitalized, and Critically Undercapitalized. Falling below required capital levels may result in regulatory restrictions and corrective actions. As of year-end 2025, the Bank remained Well Capitalized under PCA guidelines. As of December 31, 2025, the Bank’s capital ratios met the requirements to be classified as Well Capitalized under the PCA framework.

<i>(Dollars in Thousands)</i>	Amount of Capital Required					
	Actual		Required for Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Framework	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>As of December 31, 2025:</b>						
Total Capital (to Risk-Weighted Assets)	\$ 77,867	17.17%	\$36,283	8.0%	\$45,354	10.0%
Tier 1 Capital (to Risk-Weighted Assets)	\$ 72,188	15.92%	\$27,212	6.0%	\$36,283	8.0%
CET 1 Capital (to Risk-Weighted Assets)	\$ 72,188	15.92%	\$20,409	4.5%	\$29,480	6.5%
Tier 1 Capital (to Average Assets)	\$ 72,188	13.85%	\$20,843	4.0%	\$26,053	5.0%
<b>As of December 31, 2024:</b>						
Total Capital (to Risk-Weighted Assets)	\$ 73,133	16.55%	\$35,344	8.0%	\$44,180	10.0%
Tier 1 Capital (to Risk-Weighted Assets)	\$ 67,609	15.30%	\$26,508	6.0%	\$35,344	8.0%
CET 1 Capital (to Risk-Weighted Assets)	\$ 67,609	15.30%	\$19,881	4.5%	\$28,717	6.5%
Tier 1 Capital (to Average Assets)	\$ 67,609	12.70%	\$21,287	4.0%	\$26,609	5.0%

**Note 19 - Other Operating Expenses**

The following sets forth the breakdown of other operating expenses for the years ended December 31:

	2025	2024
Marketing and business promotion	\$ 84,648	\$ 76,994
Professional fees	705,197	468,427
Data processing	578,930	569,926
Insurance and assessments	598,307	498,980
Director related	290,364	281,729
Office expenses	130,562	121,608
Other expenses	694,293	326,900
Total non-interest expenses	\$ 3,082,301	\$ 2,344,564

**Note 20 - Sales of SBA Loans and Servicing Rights**

The Bank was servicing \$44,918,801 and \$47,107,272 in SBA loans previously sold as of December 31, 2025 and 2024, respectively.

The activity for SBA servicing rights, included with other assets on the statements of financial condition, that are measured at amortized cost. Activity for the servicing asset for the years ended December 31 is shown in the following table:

	2025	2024
Carrying amount at beginning of year	\$ 871,498	\$ 973,328
Addition from sales	224,842	194,730
Amortization	(439,439)	(296,560)
Carrying amount at end of year	\$ 656,901	\$ 871,498

**Note 21 - Fair Value Measurements**

Fair Value Measurements Using Fair Value Hierarchy - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The tables below present information about the Bank's assets measured at fair value on a recurring basis as of December 31, 2025 and 2024, and indicate the fair value hierarchy of the valuation techniques utilized by the Bank to determine such fair value. No liabilities were measured at fair value at December 31, 2025 and 2024.

The fair value hierarchy is as follows:

- Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 Inputs - Quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

The following section describes the valuation methodologies used for assets measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Financial assets measured at fair value on a recurring basis include the following:

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

The table below presents the balance of debt securities available for sale as of December 31, 2025, the fair value of which is measured on a recurring basis:

December 31, 2025	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Debt Securities Available-for-Sale				
U.S. treasury securities	-	\$ -	\$ -	\$ -
U.S. agency securities	-	7,240,920	-	7,240,920
U.S. agency mortgage-backed securities	-	1,121,080	-	1,121,080
Total	\$ -	\$ 8,362,000	\$ -	\$ 8,362,000

The table below presents the balance of debt securities available for sale as of December 31, 2024, the fair value of which is measured on a recurring basis:

December 31, 2024	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Debt Securities Available-for-Sale				
U.S. treasury securities		\$ 994,910	\$ -	\$ 994,910
U.S. agency securities	-	10,762,300	-	10,762,300
U.S. agency mortgage-backed securities	-	1,229,044	-	1,229,044
Total	\$ -	\$ 12,986,254	\$ -	\$ 12,986,254

#### Note 22 - Fair Value Measurements on a Non-Recurring Basis

The Bank measures certain assets at fair value on a non-recurring basis in accordance with ASC 820. These measurements generally arise from impairment adjustments to collateral-dependent loans and other real estate owned ("OREO"). Fair value measurements on a non-recurring basis are classified within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs.

##### Other Real Estate Owned (OREO)

At December 31, 2025, OREO totaled \$857,551, net of a valuation reserve of \$332,402. OREO is initially recorded at fair value less estimated costs to sell at the time of foreclosure, establishing a new cost basis. After initial recognition, OREO is evaluated for impairment on a non-recurring basis and carried at the lower of its carrying amount or updated fair value less estimated costs to sell. Fair value is generally based on current appraisals, market comparables, or third-party evaluations. Any subsequent declines in fair value, including changes in estimated selling costs, are recognized as valuation adjustments within non-interest expense.

As of December 31, 2025 and 2024

	2025	2024
Measurement		
Fair value (Level 3)	\$ 1,189,953	\$ -
Valuation adjustment	(332,402)	-
Carrying amount at end of year	\$ 857,551	\$ -