
Bancorp 34, Inc.

Consolidated Financial Report
December 31, 2025

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Independent Auditor's Report

To the Shareholders and the Board of Directors
Bancorp 34, Inc.

Opinion

We have audited the consolidated financial statements of Bancorp 34, Inc. (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

To the Shareholders and the Board of Directors
Bancorp 34, Inc.

In performing an audit in accordance with GAAS, we:

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

Other Matter

The consolidated financial statements of Bancorp 34, Inc. as of and for the year ended December 31, 2024 were audited by us in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), and our report dated March 6, 2025 expressed an unmodified opinion on those consolidated financial statements.

Plante & Moran, PLLC

March 17, 2026

Consolidated Balance Sheets
(Dollars in Thousands, except share data)
December 31, 2025, and December 31, 2024

	December 31, 2025	December 31, 2024
ASSETS		
Cash and due from banks	\$ 33,703	\$ 111,510
Federal funds sold	1,055	2,085
Total cash and cash equivalents	34,758	113,595
Available-for-sale securities, at fair value	102,135	78,661
Held-to-maturity securities, at amortized cost, net of allowance for credit losses	4,229	5,665
Loans held for investment	712,492	676,092
Allowance for credit losses	(9,734)	(10,160)
Loans held for investment, net	702,758	665,932
Premises and equipment, net	7,601	8,414
Operating leases right-of-use assets	3,120	4,069
Other investments	6,492	6,244
Accrued interest receivable	2,727	2,613
Deferred income tax asset, net	6,924	9,027
Bank owned life insurance	12,347	12,063
Core deposit intangible, net	6,038	7,589
Prepaid and other assets	8,210	4,223
Total assets	\$ 897,339	\$ 918,095

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Balance Sheets (Continued)
(Dollars in Thousands, except Share data)
December 31, 2025, and December 31, 2024

	December 31, 2025	December 31, 2024
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Demand deposits	\$199,597	\$ 218,589
Savings and NOW deposits	385,236	332,923
Time deposits	175,752	241,055
Total deposits	760,585	792,567
Subordinated debt, net of issuance costs	22,703	23,149
Subordinated debentures, trust preferred securities	4,280	4,203
Escrows	142	141
Operating lease liabilities	3,402	4,619
Accrued interest and other liabilities	9,404	6,901
Total liabilities	800,516	831,580
STOCKHOLDERS' EQUITY		
Common stock, \$0.01 par value, Authorized: 100,000,000 shares, including 1,100,000 shares of non-voting common stock		
Voting common stock, Issued and outstanding: 6,821,979 and 6,665,415 on December 31, 2025, and December 31, 2024, respectively	68	67
Non-voting common stock, Issued and outstanding: 540,695 and 820,115 on December 31, 2025, and December 31, 2024, respectively	5	8
Additional paid-in capital	66,273	67,315
Retained earnings	33,851	25,990
Accumulated other comprehensive loss	(3,374)	(5,578)
Unearned Employee Stock Ownership Plan (ESOP) shares	—	(1,287)
Total stockholders' equity	96,823	86,515
Total liabilities and stockholder's equity	\$ 897,339	\$ 918,095

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Income
(Dollars in Thousands, Except Per Share Data)
For years ended December 31, 2025, and 2024

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	\$ 44,707	\$ 44,013
Interest on securities	4,082	2,164
Interest on other interest-earning assets	4,398	4,608
Total interest income	<u>53,187</u>	<u>50,785</u>
INTEREST EXPENSE		
Interest on deposits	20,093	19,016
Interest on borrowings	1,382	2,471
Total interest expense	<u>21,475</u>	<u>21,487</u>
Net interest income	31,712	29,298
(Recovery of) Provision for credit losses	<u>(3,607)</u>	<u>3,825</u>
Net interest income after (recovery) provision for credit losses	35,319	25,473
NONINTEREST INCOME		
Service charges on deposit accounts	460	545
Bank owned life insurance	284	370
Gain on sale of loans, net	—	28
Loss on sale of other real estate owned	—	(432)
Bargain purchase gain on the merger (Note 2)	—	5,018
Other income	211	29
Total noninterest income	<u>955</u>	<u>5,558</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	13,740	12,939
Occupancy	2,680	2,520
Data processing	3,348	3,934
FDIC and other insurance expense	514	586
Professional fees	1,661	1,861
Merger costs	—	3,763
Advertising	401	302
Core deposit intangible amortization	1,551	1,341
Other expenses	2,430	3,170
Total noninterest expense	<u>26,325</u>	<u>30,416</u>
Income before provision for income taxes	9,949	615
Provision for (Benefit from) income taxes	2,088	(1,074)
Net income	<u>\$ 7,861</u>	<u>\$ 1,689</u>
EARNINGS PER SHARE		
Basic	\$ 1.07	\$ 0.25
Diluted	\$ 1.06	\$ 0.25

The accompanying notes are an integral part of the consolidated financial statements.

Bancorp 34, inc.
Consolidated statements of comprehensive income
(Dollars in thousands)
For years ended December 31, 2025, and 2024

	Years Ended December 31,	
	2025	2024
Net income	\$ 7,861	\$ 1,689
Other comprehensive gain (loss):		
Unrealized gain (loss) on securities available for sale	3,329	(373)
Tax effect	(743)	88
Reclassification of unrealized gains (losses) on hedged items	(490)	356
Tax effect	108	(89)
Comprehensive income	\$ 10,065	\$ 1,671

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity
(Dollars in Thousands, Except Number of Shares)
Years Ended December 31, 2025, and 2024

	Shares		Voting Common Stock	Non-voting Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net	Unearned ESOP Shares	Total
	Voting Common Shares	Non-voting Common Shares							
BALANCE, January 1, 2024	3,873,895	820,115	\$ 39	\$ 8	\$ 43,279	\$ 24,301	\$ (5,560)	\$ (1,346)	60,721
Net income	—	—	—	—	—	1,689	—	—	1,689
Other comprehensive loss	—	—	—	—	—	—	(18)	—	(18)
Equity awards	49,276	—	1	—	753	—	—	59	813
Issuance of common stock for the Merger, (Note 2)	2,742,244	—	27	—	23,283	—	—	—	23,310
BALANCE, December 31, 2024	6,665,415	820,115	\$ 67	\$ 8	\$ 67,315	\$ 25,990	\$ (5,578)	\$ (1,287)	\$86,515

	Shares		Voting Common Stock	Non-voting Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net	Unearned ESOP Shares	Total
	Voting Common Shares	Non-voting Common Shares							
BALANCE, January 1, 2025	6,665,415	820,115	\$ 67	\$ 8	\$ 67,315	\$ 25,990	\$ (5,578)	\$ (1,287)	86,515
Net income	—	—	—	—	—	7,861	—	—	7,861
Other comprehensive income	—	—	—	—	—	—	2,204	—	2,204
Transfer Shares – Nonvoting to Voting	279,420	(279,420)	3	(3)	—	—	—	—	—
Equity awards	41,422	—	—	—	584	—	—	—	584
Termination of ESOP Plan	(164,278)	—	(2)	—	(1,626)	—	—	1,287	(341)
BALANCE, December 31, 2025	6,821,979	540,695	\$ 68	\$ 5	\$ 66,273	\$ 33,851	\$ (3,374)	\$ —	\$96,823

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows
(Dollars in Thousands)
For years ended December 31, 2025, and 2024

	Years ended December 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 7,861	\$ 1,689
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,122	1,050
Dividends from other investments	—	(331)
(Accretion) Amortization of premiums and discounts on securities, net	(241)	121
Amortization of equity awards	584	813
Originations of loans held for sale	—	(2,518)
Gain on sale of loans	—	(28)
Proceeds from sale of loans	—	3,741
Loss on sale other real estate owned	—	432
(Benefit) Provision for credit losses	(3,607)	3,825
Net appreciation on bank-owned life insurance	(284)	(370)
Deferred income tax (benefit)	1,268	(1,075)
Preliminary bargain purchase gain from CBOA merger	—	(5,018)
Accretion of discount on loans	(2,972)	(3,714)
Core deposit intangible amortization	1,551	1,341
Amortization of discount on time deposits	23	204
Amortization of discount on trust preferred securities	77	60
CHANGES IN OPERATING ASSETS AND LIABILITIES		
Accrued interest receivable	(114)	562
Prepaid and other assets	(3,156)	1,577
Accrued interest and other liabilities	2,369	671
Net cash provided by operating activities	<u>4,481</u>	<u>2,974</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
CBOA Financial, Inc. merger, cash acquired	—	30,927
Proceeds from calls, sales, maturities, or principal payments on available-for-sale securities	10,833	63,634
Purchases of available-for-sale securities	(30,625)	(31,691)
Proceeds from calls, maturities, or principal payments on held-to-maturity securities	1,444	—
Net (purchase) redemptions of other investments	(248)	—
Net change in loans held for investment	(30,404)	95,038
Proceeds from sale of other real estate owned	—	2,568
Investment in low income housing tax credit investments	(1,163)	—
Bank-owned life insurance death benefit	—	154
Purchases of premises and equipment	(309)	(500)
Net cash (used in) provided by investing activities	<u>(50,472)</u>	<u>160,130</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	(32,005)	(14,406)
Proceeds from Federal Home Loan Bank advances and other borrowings	—	59,663
Repayments of Federal Home Loan Bank advances and other borrowings	—	(123,663)
ESOP termination	(341)	—
Subordinated debt repurchase and retirement	(500)	—
Net cash used in financing activities	<u>(32,846)</u>	<u>(78,406)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(78,837)	84,698
CASH AND CASH EQUIVALENTS, beginning of year	<u>113,595</u>	<u>28,897</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 34,758</u>	<u>\$ 113,595</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid on deposits and borrowings	\$ 22,289	\$ 20,430
Income taxes paid (refunds received) – Federal	\$ 159	\$ (1,008)
Income taxes paid (refunds received) – State	\$ 39	\$ 3
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ —	\$ 3,414

The accompanying notes are an integral part of the consolidated financial statements.

Bancorp 34, Inc.
Notes to Consolidated Financial Statements
December 31, 2025, and 2024

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Bancorp 34, Inc. (“Bancorp 34” or the “Company”) is a Maryland corporation organized in 2016 and owns 100% of Southwest Heritage Bank (formerly Bank 34) (the “Bank”) and CBOA Financial Statutory Trust #1. On March 19, 2024, Bancorp 34 acquired CBOA Financial, Inc. (“CBOA”) through the merger of CBOA with and into Bancorp 34, with Bancorp 34 surviving the merger (the “Merger”). Immediately following the acquisition, CBOA’s wholly-owned subsidiary, Commerce Bank of Arizona, was merged with and into Bancorp 34’s wholly-owned subsidiary, Bank 34, a federally chartered stock covered savings association. Bank 34 was subsequently rebranded as Southwest Heritage Bank.

Southwest Heritage Bank provides a variety of banking services to individuals and businesses through its seven full-service community bank branches, two in Maricopa County, Arizona, in the cities of Scottsdale and Gilbert; three in Pima County, Arizona, in the cities of Tucson and Green Valley; one branch in Otero County, New Mexico in the city of Alamogordo; and, one branch in Dona Ana County New Mexico, in the city of Las Cruces.

Basis of presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). In management’s opinion, all accounting adjustments necessary to accurately reflect the financial position and results of operations on the accompanying financial statements have been made. These adjustments are normal and recurring accruals considered necessary for a fair and accurate presentation.

Basis of consolidation – The consolidated financial statements include the accounts of Bancorp 34 and the Bank. All significant intercompany accounts and transactions have been eliminated.

Reclassifications – Certain reclassifications have been made to prior period’s financial information to conform to the current period presentation. Reclassifications had no effect on Equity or Net Income.

Use of estimates – The preparation of financial statements in conformity with GAAP 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 those estimates.

Significant estimates include, but are not limited to, allowance for credit losses of collectively evaluated loans and the fair value marks used in accounting for the 2024 acquisition of CBOA (including estimate of consideration paid, fair value estimates of CBOA’s loans, deposits, long-term debt, and a Core Deposit Intangible asset as a result of the Merger). The Company holds collateral dependent loans that are individually evaluated for the allowance for credit losses and are categorized as level three instruments and are valued on a non-recurring basis using unobservable inputs further described in Note 16.

Subsequent events – Subsequent events have been evaluated through the date the consolidated financial statements were issued.

Cash and cash equivalents – Cash and cash equivalents include cash, due from banks, and federal funds sold. Generally, the Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents. In monitoring credit risk associated with deposits in other banks, the Bank periodically evaluates the stability of the correspondent financial institutions. Banks may be required to maintain reserve funds in cash or on deposit with the Federal Reserve Bank. No reserves were required at December 31, 2025, and December 31, 2024.

Securities – If management has the intent and the Company has the ability at the time of purchase to hold securities until maturity, they are classified as held-to-maturity and carried at amortized historical cost less the allowance for credit losses. Securities to be held for an undeterminable period of time and not intended to be held until maturity are classified as available-for-sale and carried at fair value, with unrealized gains and losses reported in other comprehensive income or loss, net of tax. Securities classified as available-for-sale include securities that management intends to use as part of its

asset/liability management strategy and that may be sold in response to changes in interest rates, prepayment risk, and other factors. Management determines the appropriate classification of securities at the time of purchase but may reassess the classification.

Net purchase premiums and discounts on securities are recognized in interest income using the level yield method over the estimated life of the security. Premiums are amortized to the earliest call date. Gains and losses on the sale of securities are determined using the specific identification method.

For available-for-sale (AFS) securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that the Company will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through net income. For AFS securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss), net of applicable taxes.

Allowance for credit losses - held-to-maturity securities - Held-to maturity securities are carried at amortized cost net of allowance for credit losses ("ACL") when management has the positive intent and ability to hold them to maturity. The Company's held-to maturity portfolio consists solely of bank subordinated debt. Management measures expected credit losses on held-to-maturity debt securities on an individual basis. When accrued interest is reversed or charged-off in a timely manner, the CECL standard provides a practical expedient to exclude accrued interest from ACL measurement. The Company considers its nonaccrual and charge-off policies to be timely for all investments and securities, as such, accrued interest receivable on held-to-maturity debt securities is excluded from the estimate of credit losses. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

Loans held for investment, net – Loans the Bank originates and that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs and net of any deferred fees or costs. Loans are considered past due, or delinquent based on the contractual terms in the loan agreement and how recently repayments have been received. Interest income is recognized based upon principal amounts outstanding. The accrual of interest is discontinued at the time the loan is 90 days past due or when, in the opinion of management, there is doubt about the ability of the borrower to pay interest or principal, unless the credit is well secured and in process of collection. Interest previously accrued but uncollected on such loans is reversed and charged against current income. Loans are charged-off as uncollectible when, in the opinion of management, collectability of principal is improbable. If payment is received on a nonaccrual loan, generally the payment is first applied to the remaining principal balance. Payments are then applied to recover any charged-off amounts related to the loan. Finally, if both the principal balance and any charge-offs have been recovered, then the payment will be recorded as fee and interest income. Personal loans are typically charged off when no later than 180 days past due.

Loan origination fees on loans the Bank originates, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

Acquired Loans – At the purchase or acquisition date, loans are recorded at their fair value. The fair value of acquired loans was based on a discounted cash flow methodology that involves assumptions about credit risk, repayments, and discount rates. Further, loans are evaluated to determine whether there has been more than insignificant credit deterioration since origination. Loans that have experienced more than insignificant credit deterioration since origination are referred to as purchase credit deteriorated (PCD) loans. In its evaluation of whether a loan has experienced more than insignificant deterioration in credit quality since origination, the Company considers loan grades, payment performance, past due status, and nonaccrual status. The Company also considers the results of an independent external credit review completed during the due diligence phase to identify other loans that have experienced deterioration. At the purchase or acquisition date, the amortized cost basis of PCD loans is equal to the purchase price and an initial estimate of credit losses. The initial recognition of expected credit losses on PCD loans is reflected as a "Day 2" on-balance sheet gross-up to the allowance for credit losses and as an increase to PCD loans. When the initial measurement of expected credit losses on PCD loans is calculated on a pooled loan basis, the expected credit losses are allocated to each loan within the pool. Any difference between the initial amortized cost basis and the unpaid principal balance of the loan represents a noncredit discount or

premium, which is accreted (or amortized) into interest income over the life of the loan. Subsequent changes to the ACL on PCD loans are recorded through the provision for credit losses. For purchased loans that are not deemed to have experienced more than insignificant credit deterioration since origination and are therefore not deemed PCD, any discounts or premiums included in the purchase price are accreted (or amortized) over the contractual life of the individual loan. See Note 2 - Business Combination for further information related to PCD and Non-PCD loans acquired in connection with the Merger.

Allowance for credit losses – loans - The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. The ACL excludes loans held-for-sale and loans accounted for under the fair value option. The Company elected to not measure an ACL for accrued interest receivable, as we write off applicable accrued interest receivable balances in a timely manner when a loan is placed on non-accrual status, in which any accrued but uncollected interest is reversed from current income. Loans are charged off against the allowance when management confirms all or part of the loan balance is 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 available information, from internal and external sources, related to past events, current conditions, and reasonable and supportable forecasts. An industry index is used in the model to provide historical credit loss experience and provides the basis for the estimation of expected credit losses. The Company identified and grouped portfolio segments based on risk characteristics and underlying collateral.

The principal segments of our loan portfolio are discussed below:

Commercial loans. We provide a mix of variable and fixed rate commercial loans. The loans are typically made to small- and medium-sized manufacturing, wholesale, retail and service businesses for working capital needs and business expansion. Commercial loans generally include lines of credit and loans with maturities of five years or less. The loans are generally made with business operations as the primary source of repayment, but may also include collateralization by inventory, accounts receivable, and equipment. Personal guarantees are typically obtained on commercial loans as well.

Commercial real estate loans. Our commercial real estate ("CRE") loans consist of both real estate occupied by the borrower for ongoing operations and non-owner occupied real estate properties. The real estate securing our existing commercial real estate loans includes a wide variety of property types, such as owner and non-owner-occupied offices, warehouses and production facilities, office buildings, hotels, mobile home parks, retail centers, and assisted living facilities.

Multifamily. Our multifamily portfolio includes properties with 5 or more dwellings where the use is primarily residential.

Construction and land development loans. Our construction and land development loans are comprised of residential construction, commercial construction, and land acquisition and development loans.

Residential real estate loans. Our residential real estate loans consist of residential properties that generally do not qualify for secondary market sale.

Consumer loans. Our consumer loans include direct personal loans and automobile loans. Personal loans are generally unsecured or secured by cash held at the bank.

The ACL for pooled loans is estimated using a non-discounted cash flow methodology. The bank then applies probability of default and loss given default to the cash flow methodology to calculate expected losses within the model. This allows the bank to identify the timing of default as compared to when the actual loss event may occur. The results are then aggregated to produce segment level results and reserve requirements for each segment. The Company uses a 12-month forecast that is reasonable and supportable within the ACL calculation and then reverts to historical credit loss experience on a straight-line basis over a one-year timeline. Historical loss experience is then used for the remaining life of the assets. The Company uses several economic variables in the calculation of the ACL, the most significant of which is the economic forecast for the national unemployment rate. Changes in the economic forecast for unemployment rates could significantly affect the estimated credit losses which could potentially lead to materially different allowance levels from one reporting period to the next.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the pooled loan evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Qualitative adjustments to historical loss data are made based on management's assessment of the risks that may lead to a future loan loss or differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, changes in environmental and economic conditions, or other relevant factors.

The allowance is increased and decreased by a provision for credit losses, which is charged to expense and reduced by charge-offs, net of recoveries.

Premises and equipment – Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method in amounts sufficient to relate the cost of depreciable assets to operations over the estimated useful lives of the assets which range from three to seven years for equipment and 15 to 40 years for leasehold improvements and buildings. Maintenance and repairs that do not extend the useful lives of premises and equipment are charged to expense as incurred.

Leases – 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 the Company's 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.

Other investments – The Bank has investments in The Independent Bankers Bank (TIB), Pacific Coast Bankers' Bancshares (PCBB), and the Federal Home Loan Bank (FHLB) of San Francisco. The Bank is a member of FHLB system. The Bank is required to maintain minimum levels of FHLB stock based on various factors, including the amount of borrowings outstanding, mortgage assets, and the Bank's total assets. Financial institution stock is carried at cost, is classified as a restricted security, and is periodically evaluated for impairment based on ultimate recovery. The carrying value of financial institution stocks at December 31, 2025, and December 31, 2024, was \$5,006,000 and \$5,048,000, respectively. Cash and stock dividends are recorded in Other Income in the Consolidated Statement of Income.

The Company invested in the Castle Creek Launchpad Fund I, LP in April 2022. The Company has committed to funding up to \$2 million over a 4-year funding period. As of December 31, 2025, the investment has a carrying value of \$1,331,000 compared to \$1,041,000 as of December 31, 2024. As of both dates, the investment was valued using the net asset value practical expedient. The scope of the NAV practical expedient is limited to investments without readily determinable fair values in entities that calculate NAV per share consistently with the measurement principles of ASC 946, Financial Services — Investment Companies. Both criteria were present at each of the balance sheet dates noted above.

Transfers of financial assets – Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right, free of conditions that constrain it from taking advantage of that right, to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Bank Owned Life Insurance (BOLI) – The Bank holds BOLI representing life insurance on the lives of certain executives of the Bank purchased in order to help offset the costs of the Bank's benefit expenses. BOLI is carried on our consolidated balance sheets at the net cash surrender value of the policies and increases in the net cash surrender value are recorded in noninterest income in the consolidated statements of comprehensive income (loss) as bank owned life insurance income.

Other real estate owned – Other real estate owned is comprised of properties acquired through a foreclosure proceeding or acceptance of a deed in lieu of foreclosure. Generally, these properties are initially recorded at fair value, less estimated cost to sell at the date of foreclosure, establishing a new cost basis. After foreclosure, valuations are periodically performed by management; other real estate owned is carried at the lower of the carrying amount or fair value, less the estimated cost to sell. Expenses, gains and losses on disposition, and reductions in carrying value are reported as non-interest expenses. There was no other real estate owned as of December 31, 2025, and December 31, 2024.

Fair value measurements – Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. A three-level fair value hierarchy prioritizes the inputs used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities; includes certain U.S. Treasury and other U.S. Government agency debt that is highly-liquid and is actively traded in over-the-counter markets.

Level 2 – Inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Escrow accounts – Funds collected from loan customers for insurance, real estate taxes and other purposes are maintained in escrow accounts and carried as a liability in the Consolidated Balance Sheets. These funds are periodically remitted to the appropriate entities to satisfy those claims.

Financial instruments with off-balance-sheet risk – In the ordinary course of business, the Bank enters into off-balance-sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded or related fees are incurred or received. The credit risk associated with these instruments is generally evaluated using the same methodology as for loans held for investment.

Allowance for credit losses - off-balance sheet credit exposures - The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancelable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through the Provision for Credit Losses and is recorded in other liabilities. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The probability of funding is based on historical utilization statistics for unfunded loan commitments that are not unconditionally cancelable by the Company. The loss rates used are calculated using the same assumptions as the associated funded balance.

Advertising cost – The Bank conducts direct and non-direct response advertising and purchases prospective customer lists from various sources. These costs are expensed as incurred. Advertising costs from continuing operations are not material.

Merger expenses – Merger expenses were those related to the acquisition of CBOA. These costs primarily relate to information technology and professional service firms that were directly related to the merger and are not expected to reoccur.

Employee Stock Ownership Plan (ESOP) – The Board of Directors voted to terminate the ESOP on May 28, 2025. The plan was a leverage plan and the debt associated with the plan was extinguished. Participants were given the option to receive distributions in cash or company stock, or to over such amounts to a qualified retirement plan. At December 31, 2025, the ESOP had been fully liquidated.

Other stock-based compensation – The Company has stock-based compensation plans which provide for the award of various benefits to directors and employees, including restricted stock and options to purchase stock. Each restricted stock award is separated into vesting tranches and compensation expense is recognized based on the fair value at the date of grant for each tranche on a straight-line basis over the vesting period reduced for estimated forfeitures. Compensation cost for restricted stock awards that contain performance conditions is measured based on the grant date fair value, adjusted for the Company’s best estimate of the outcome of vesting conditions at the end of the performance period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. Expense for the performance restricted stock awards are recognized when it is probable that the performance conditions will be achieved. The estimated quantity of awards for which it is probable that the performance conditions will be achieved will be reevaluated each reporting period. The fair value of stock option awards granted is estimated using the Black-Scholes-Merton option pricing model using inputs including the option exercise price and risk-free rate of return, and assumptions for expected dividend yield, expected stock price volatility and the expected life of the awards. The closing market price of the Company’s stock on the date of grant is the exercise price for the stock options and the estimated fair value of the restricted stock awards. Expense is recognized over the required service period, defined as the vesting period. The Company’s accounting policy is to recognize expense net of actual forfeitures.

Employee retention credit – The Company qualified for identified refunds based upon federal laws that allow an eligible employer to obtain a refundable employment tax credit under the Coronavirus Aid, Relief, and Economic Security Act, as amended by Taxpayer Certainty and Disaster Tax Relief Act of 2020, the American Rescue Plan Act of 2021, and the Infrastructure Investment and Jobs Act. A portion of the credits the Company received, \$254,000, met the substantial authority to file a claim with the IRS. However, based on uncertainty associated with the IRS’s regulation and notices associated with qualifying under the governmental order eligibility criteria, the Company has concluded the claim does not meet the probable threshold required to recognize the benefits of the credit. As such, the Company will not recognize the income until the statute of limitations has elapsed.

Investments in low-income housing tax credits – The Company has an investment in a limited partnership that provides capital for qualified affordable housing projects and generates Low-Income Housing Tax Credits (“LIHTCs”) under Section 42 of the Internal Revenue Code. The Company accounts for these investments using the proportional amortization method in accordance with ASC 323-740, as the investments meet the conditions for that method.

Under the proportional amortization method, the initial cost of the investment is amortized in proportion to the tax credits and other tax benefits expected to be received. The amortization of the investment and the related tax credits and other tax benefits are recognized as a component of income tax expense in the consolidated statements of income.

The investments are included in Prepaid and other assets on the consolidated balance sheets. The Company evaluates its LIHTC investments for impairment when events or changes in circumstances indicate that it is more likely than not that the carrying amount will not be realized.

Income taxes – Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax basis of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. Accrued interest and penalties associated with uncertain tax positions are recognized as part of the income tax provision. The Company has no uncertain tax positions.

Accumulated comprehensive income (loss) – As of December 31, 2025, accumulated comprehensive income (loss) consists of the following: (i) net unrealized losses on securities available for sale of \$4.4 million; (ii) the tax effect of the unrealized losses on securities of \$1.1 million; (iii) the loss reclassified on securities designated as hedged items in fair value hedges of \$134,000; and, (iv) the tax effect of the loss reclassified on securities designated as hedged items in fair value hedges of \$34,000. As of December 31, 2024, the accumulated comprehensive loss consists of the following: (i) unrealized losses on securities available for sale of \$7.8 million; (ii) the tax effect of the unrealized losses on securities of \$1.9 million; (iii) the gain reclassified on securities designated as hedged items in fair value hedges of \$0.4 million; and, (iv) the tax effect of the gain reclassified on securities designated as hedged items in fair value hedges of \$0.1 million.

Earnings per common share – Basic earnings per common share is net income divided by the weighted-average number of common shares outstanding during the period. ESOP shares are considered outstanding for this calculation unless unearned. Maryland corporate law does not provide for treasury shares; therefore, shares repurchased are removed from issued and outstanding immediately and would not be considered outstanding. All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities for this calculation. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under stock options. Performance awards cannot be dilutive until the performance conditions have been met and all necessary conditions have been satisfied.

Earnings per share are restated for all stock splits and stock dividends through the date of issuance of the consolidated financial statements. The two-class method is an earnings allocation method under which earnings per share is calculated for each class of common stock and participating security considering both dividends declared (or accumulated) and participation rights in undistributed earnings as if all such earnings had been distributed during the period.

Derivatives – At the inception of derivative contracts, the Company designates derivatives as one of two types based on our intention and belief as to the likely effectiveness of the hedge. These two types are: (i) a hedge of changes in fair value of a recognized asset or liability or of an unrecognized firm commitment (“fair value hedge”); and (ii) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (“cash flow hedge”).

For a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item, are recognized in current earnings as fair values change. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same period during which the hedged transaction affects the earnings. The changes in fair value of derivatives that do not qualify for hedge accounting are reported in current earnings.

Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Cash flows on hedges are classified in the cash flow statement in the same line item as the cash flows of the item being hedged.

The initial fair value of hedge components excluded from the assessment of effectiveness are recognized in the consolidated balance sheet under a systematic and rational method over the life of the hedging relationship and are presented in the same income statement line item as the earnings effect of the hedged item. Any difference between the change in the fair value of the hedge components excluded from the assessment of effectiveness and the amounts recognized in earnings are recorded as a component of other comprehensive income.

The Company discontinues hedge accounting when it is determined that the derivative is no longer effective in offsetting changes in fair values or cash flows of the hedged item, the derivative is settled or terminates, a hedged forecasted transaction is no longer probable, a hedged firm commitment is no longer firm, or the treatment of the derivative as a hedge is no longer appropriate or intended. When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as noninterest income. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability. When a cash flow hedge is discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that were accumulated in other comprehensive income are amortized into earnings over the same periods in which the hedged transactions will affect earnings.

The Company is exposed to losses if a counterparty fails to make its payments under a contract in which the Company is in the net receiving position. We anticipate that the counterparties will be able to fully satisfy their obligation under our derivative contracts with them. All the contracts to which we are a party have cash flows that settle monthly.

Recent Accounting Guidance That Has Been Adopted – In December 2023, the FASB issued a final standard on improvements to income tax disclosures. The standard requires, among other things, disaggregated information regarding effective tax rate reconciliation components, as well as information on income taxes paid. This standard, ASU No. 2023-9, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures”, applies to all entities subject to income taxes. The company has provided the required disclosures.

NOTE 2 – BUSINESS COMBINATION

On March 19, 2024, Bancorp 34 completed its previously announced merger with CBOA pursuant to the Agreement and Plan of Merger, dated as of April 27, 2023, as amended (the “Merger Agreement”). Under the Merger Agreement, CBOA was merged with and into Bancorp 34, with Bancorp 34 continuing as the surviving entity (the “Merger”). Immediately following the completion of the Merger, CBOA’s wholly-owned subsidiary, Commerce Bank of Arizona, an Arizona state-chartered bank, was merged with and into the Bank, with the Bank continuing as the surviving bank.

Pursuant to the terms of the Merger Agreement, at the effective time of the Merger, each CBOA shareholder had the right to receive 0.2628 shares of Bancorp 34 common stock, for each share of CBOA common stock owned by the CBOA shareholder, with cash to be paid in lieu of fractional shares. Additionally, each outstanding CBOA restricted stock unit vested and was cancelled and converted automatically into the right to receive 0.2628 shares of Bancorp 34 common stock with respect to each share of CBOA common stock underlying such restricted stock unit. In connection with the Merger, Bancorp 34 issued approximately 2.7 million shares of Bancorp 34 common stock, which had a fair value of approximately \$23.3 million based on a common shares valuation as of the Merger date. Each outstanding share of Bancorp 34 common stock remained outstanding and was unaffected by the Merger.

Commerce Bank of Arizona operated five full-service offices serving customers in Gilbert, Green Valley, Oro Valley, Scottsdale and Tucson, Arizona. Completing the Merger further enhanced the Bank’s Arizona footprint, allowed for greater efficiencies based on size and scale, and strengthened the depth of the management team. The combined banks operate as Southwest Heritage Bank and serve customers from eight full-service offices in Arizona and southern New Mexico. The core system conversion was executed in March 2024.

We accounted for the Merger using the acquisition method of accounting in accordance the FASB’s Accounting Standards Code 805 (“ASC 805”), Business Combinations, and accordingly, the assets and liabilities of CBOA were recorded at their respective Merger date estimated fair values. The estimated fair values of assets and liabilities are preliminary and subject to refinement during the measurement period (which cannot exceed one year from the Merger date), as additional information relative to the Merger date fair values becomes available. Effective in March 2024, we recognized a preliminary bargain purchase gain of \$5.1 million in connection with the Merger (not taxable for income tax purposes), which is recognized in our first quarter 2024 operating results. The core deposit intangible asset of \$8.9 million represents the estimated value of Commerce Bank of Arizona’s long-term deposit relationships with its customers and will be amortized over an estimated weighted average life of ten years using an accelerated method, which approximates the estimated run-off of the acquired deposits. During 2023 and through December 31, 2024, Bancorp 34 incurred, on a cumulative basis, approximately \$6.8 million of Merger-related expenses.

The primary cause of the \$5.1 million preliminary bargain purchase gain was a decrease in Bancorp 34, Inc.’s common share valuation from April 2023 to March 2024. In April 2023 and upon the announcement of the Merger, the common share exchange ratio was 0.24, and Bancorp 34, Inc.’s common share valuation was estimated to be \$12.16 per share, based upon a third-party fairness opinion obtained in connection with the Merger. As of the Merger date in March 2024 and before Bancorp 34, Inc. issued its 2.7 million shares for the Merger, the common share exchange ratio was 0.2628 and Bancorp, Inc.’s common share valuation was estimated to be \$8.50, based on a March 2024 common share valuation completed by an independent third party. The common share valuation was based on market multiples of peer community banks rather than the stock price due to the lack of trading volume.

The following table includes the: (i) total consideration paid on March 19, 2024, in connection with the Merger; (ii) fair values of the assets acquired; (iii) fair values of the liabilities assumed; and (iv) resulting preliminary bargain purchase gain (in thousands).

<i>(in thousands)</i>	As Recorded by CBOA	Estimated Fair Value Adjustments	Estimated Fair Values as Recorded by Bancorp 34
Fair Value of the common stock consideration			\$ 23,310
Identifiable assets acquired:			
Cash and cash equivalents	\$ 30,927	\$ —	\$ 30,927
Debt securities available-for-sale, at fair value	57,844	376	58,220
Loans			
Purchased performing	300,080	(15,357)	284,723
Purchased credit deteriorated	30,425	(4,262)	26,163
Allowance for credit losses on loans	(3,855)	3,855	—
Deferred loan fees	(1,033)	1,033	—
Deferred tax on assets acquired	—	1,233	1,233
Operating right-of-use assets	2,866	—	2,866
Core deposit intangibles	—	8,930	8,930
Other assets	6,284	(20)	6,264
Total identifiable assets acquired	\$ 423,538	\$ (4,212)	\$ 419,326
Identifiable liabilities assumed:			
Deposits	346,995	(252)	346,743
Short-term borrowings	35,000	—	35,000
Long-term borrowings	5,155	(1,012)	4,143
Deferred taxes on liabilities assumed	—	253	253
Other liabilities	4,661	80	4,741
Total identifiable liabilities assumed	\$ 391,811	\$ (931)	\$ 390,880
Net identifiable assets acquired	\$ 31,727	\$ (3,281)	\$ 28,446
Preliminary bargain purchase gain			\$ (5,136)

Debt securities available for sale above includes \$1.5 million of debt owned by CBOA which was settled at acquisition. The presentation above does not reflect this and, therefore, consideration paid and debt securities acquired were \$1.5 million less.

As permitted by ASC 805, Business Combinations, the above preliminary estimates may be refined during the measurement period (which cannot exceed one year from the Merger date), to reflect any new information obtained about facts and circumstances existing at the Merger date. Any changes in the above preliminary estimates will be recognized in the period identified.

During the twelve months ended December 31, 2024, certain measurement period adjustments were recognized as shown in the table below:

<i>(in thousands)</i>	Estimated Fair Values as Recorded by Bancorp 34	Measurement Period Adjustments for the twelve months ended December 31, 2024	December 31, 2024
Fair Value of the common stock consideration	\$ 23,310	\$ —	\$ 23,310
Identifiable assets acquired:			
Cash and cash equivalents	30,927	—	30,927
Debt securities available-for-sale, at fair value	58,220	—	58,220
Loans:			
Purchased performing	284,723	—	284,723
Purchased credit deteriorated	26,163	—	26,163
Allowance for credit losses on loans	—	—	—
Deferred Loan Fees	—	—	—
Deferred tax on assets acquired	1,233	(157)	1,076
Operating right-of-use assets	2,866	—	2,866
Core deposit intangibles	8,930	—	8,930
Other assets	6,264	39	6,303
Total identifiable assets acquired	\$ 419,326	\$ (118)	\$ 419,208
Identifiable liabilities assumed:			
Deposits	346,743	—	346,743
Short-term borrowings	35,000	—	35,000
Long-term borrowings	4,143	—	4,143
Deferred taxes on liabilities assumed	253	—	253
Other liabilities	4,741	—	4,741
Total identifiable liabilities assumed	\$ 390,880	\$ —	\$ 390,880
Net identifiable assets acquired	\$ 28,446	\$ (118)	\$ 28,328
Preliminary bargain purchase gain	\$ (5,136)	\$ 118	\$ (5,018)

There were no measurement period adjustments in 2025.

Purchased Performing Loans (Non-Purchased Credit Deteriorated Loans)

Non-purchased credit deteriorated loans (“non-PCD loans”) are loans, as of the date of the Merger and based upon management’s assessment, which have not experienced a more-than-insignificant deterioration in credit quality since the date the loans were originated. The loan’s purchase price becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the unpaid principal balance of the loan is a discount, which is comprised of a credit and non-credit component, and is accreted as interest income over the life of the loan.

An allowance for credit losses is determined using the same methodology as other loans held for investment. A \$4.1 million “Day Two” allowance for credit losses for non-PCD loans was recorded through the provision for credit losses. This \$4.1 million allowance for credit losses for non-PCD loans represents management’s estimate of lifetime credit losses on these non-PCD loans.

Purchased Credit Deteriorated Loans

Purchased credit deteriorated loans (“PCD loans”) represent loans, as of the date of the Merger and based upon management’s assessment, which had experienced a more-than-insignificant deterioration in credit quality since the date the loans were originated. An allowance for credit losses for PCD loans was determined using the same methodology as other loans held for investment. The initial allowance for credit losses for PCD loans was determined on a collective basis and was allocated to individual PCD loans. This allowance for credit losses is reflected as a “Day Two” on-balance sheet gross-up to the allowance for credit losses and as an increase to PCD loans. The PCD loans’ purchase price of \$26.2 million plus the allowance for credit losses of \$1.1 million, becomes the initial amortized cost basis of \$27.3 million for the PCD loans. The

difference between the initial amortized cost basis and the unpaid principal balance of the PCD loans of \$30.4 million, results in a non-credit discount for the PCD loans of \$3.1 million, which is accreted as interest income over the life of the PCD loans. Thereafter, the PCD loans are subject to the same interest rate recognition and credit model as non-PCD loans, with changes to the allowance for credit losses recorded through provision expense.

As of the Merger date and as described above, the PCD Loans included the following components (in thousands):

Unpaid principal balance	\$ 30,425
Allowance for credit losses at acquisition	(1,164)
Non-credit discount	<u>(3,098)</u>
Purchase price	<u>\$ 26,163</u>

Pro Forma Information

The pro forma revenues and pro forma earnings in the following table, for each of the periods presented, combine CBOA's consolidated operating results and Bancorp 34's consolidated operating results as if the Merger occurred on January 1, 2023.

Pro forma amounts for the twelve months ended December 31, 2024, primarily reflect the following pro forma adjustments: (i) CBOA's net income of \$200,000 for the first two and a half months of 2024 (ii) interest and fee income decrease related to lower loan discount accretion income of \$616,000 and related taxes of \$154,000; (iii) interest and fee income decrease due to the removal of CBOA's pre-Merger deferred loan fee income of \$175,000 and related taxes of \$44,000; (iv) interest expense decrease related to deposit liability and long-term debt discount expense of \$131,000 and related taxes of \$33,000; (v) provision for credit losses decrease due to removal of the Merger-related non-recurring Day 2 Non-PCD Loan charge of \$4.1 million and related taxes of \$1.0 million; and (vi) non-interest income decrease due to removal of a non-recurring non-taxable \$5.0 million preliminary bargain purchase gain. Additionally, there were non-interest expense pro forma adjustments, which were primarily comprised of: (i) removal of Merger expenses for both CBOA and the Bank of \$4.4 million and related taxes of \$962,000; (ii) removal of Merger-related non-recurring change-in-control charges of \$654,000 and related taxes of \$164,000; and, (iii) Core Deposit Intangible amortization expense increase of \$181,000 and related taxes of \$45,000.

Pro forma amounts for the twelve months ended December 31, 2023, primarily reflect the following pro forma adjustments: (i) CBOA's net income of \$2.4 million (ii) interest and fee income increase related to loan discount accretion income of \$3.1 million and related taxes of \$775,000; (iii) interest and fee income decrease due to the removal of CBOA's pre-Merger deferred loan fee income of \$796,000 and related taxes of \$199,000; (iv) interest expense increase related to deposit liability and long-term debt discount expense of \$275,000 and related taxes of \$69,000; (v) provision for credit losses increase due to the Merger related non-recurring Day 2 Non-PCD Loan charge of \$4.1 million and related taxes of \$1 million; (vi) non-interest income increase due to the addition of a non-recurring non-taxable \$5 million preliminary bargain purchase gain; (vii) non-interest expense decrease related to removal of Merger expenses for both CBOA and the Bank of \$3.7 million and related taxes of \$399,000; (viii) non-interest expense increase related to Core Deposit Intangible amortization expense of \$1.7 million and related taxes of \$421,000; and (ix) the addition of Merger-related non-recurring change-in-control charges of \$654,000 and related taxes of \$164,000.

Management prepared these pro forma results for comparative purposes only and these pro forma results are not necessarily indicative of the actual results that would have been obtained had the Merger actually occurred on January 1, 2023. No assumptions have been applied to the pro forma revenues and pro forma earnings regarding, for example, possible revenue enhancements, expense efficiencies, fixed cost leverage opportunities, or non-earning asset dispositions.

Additionally, the pro forma amounts for Bancorp 34's weighted average basic and diluted common shares outstanding are based upon: (i) Bancorp 34's actual weighted average basic and diluted common shares outstanding for each of the periods presented; together with and as adjusted for (ii) Bancorp 34's approximate 2.7 million common shares issued in connection with the Merger, as if the Merger had occurred on January 1, 2023.

<i>(in thousands, except per share data)</i>	<u>Pro Forma</u>	
	<u>Years ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Total revenues (net interest income and non-interest income)	\$ 34,463	\$ 39,612
Net income (loss)	\$ 3,253	\$ 4,055
Earnings (loss) per share - basic	\$ 0.41	\$ 0.60
Earnings (loss) per share - diluted	\$ 0.41	\$ 0.60

Separately, management has determined that it is impractical to report amounts of revenue and earnings of CBOA after the Merger date of March 19, 2024. Bank core systems and related data conversions occurred, after the Merger date, from March 22, 2024, through March 25, 2024. Accordingly, management believes that reliable, accurate, separate, and complete revenue and earnings information for CBOA is no longer available.

NOTE 3 – SECURITIES

Available-for-sale and held-to-maturity securities have been classified in the consolidated balance sheets according to management's intent on December 31, 2025, and December 31, 2024. The amortized cost of such securities and their approximate fair values were as follows (dollars in thousands):

Available-for-sale	December 31, 2025			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<i>(Dollars in thousands)</i>				
Mortgage-backed securities	\$ 68,798	\$ 377	\$ (3,229)	\$ 65,946
U.S. Treasuries	3,041	—	(95)	2,946
U.S. government agencies	121	—	(1)	120
Asset-backed securities	9,532	5	(116)	9,421
Municipal obligations	24,003	78	(1,316)	22,765
Corporate debt	1,000	—	(63)	937
Total	<u>\$ 106,495</u>	<u>\$ 460</u>	<u>\$ (4,820)</u>	<u>\$ 102,135</u>

Held-to-maturity	December 31, 2025			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<i>(Dollars in thousands)</i>				
Corporate debt	\$ 4,307	\$ 2	\$ (190)	\$ 4,119
Total	<u>\$ 4,307</u>	<u>\$ 2</u>	<u>\$ (190)</u>	<u>\$ 4,119</u>
Allowance for Credit Losses	\$ (78)			
Net Carrying Value of Held-to-maturity securities	<u>\$ 4,229</u>			

Available-for-sale	December 31, 2024			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<i>(Dollars in thousands)</i>				
Mortgage-backed securities	\$ 49,933	\$ —	\$ (5,074)	\$ 44,859
U.S. Treasuries	3,055	—	(217)	2,838
U.S. government agencies	202	—	(6)	196
Asset-backed securities	10,797	1	(52)	10,746
Municipal obligations	21,463	—	(2,330)	19,133
Corporate debt	1,000	—	(111)	889
Total	<u>\$ 86,450</u>	<u>\$ 1</u>	<u>\$ (7,790)</u>	<u>\$ 78,661</u>

Held-to-maturity	December 31, 2024			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<i>(Dollars in thousands)</i>				
Corporate debt	\$ 5,766	\$ —	\$ (467)	\$ 5,299
Total	<u>\$ 5,766</u>	<u>\$ —</u>	<u>\$ (467)</u>	<u>\$ 5,299</u>
Allowance for Credit Losses	\$ (101)			
Net Carrying Value of Held-to-maturity securities	<u>\$ 5,665</u>			

There was no allowance for credit losses related to available-for-sale securities as of December 31, 2025, or December 31, 2024.

Securities with unrealized losses on December 31, 2025, and December 31, 2024, that have not been recognized in income are as follows (dollars in thousands):

Description of securities	Continued Unrealized Loss for Less than 12 Months		Continued Unrealized Loss for 12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale, December 31, 2025						
Mortgage-backed securities	\$ 18,358	\$ (278)	\$ 27,316	\$ (2,951)	\$ 45,674	\$ (3,229)
U.S. Treasuries	—	—	2,946	(95)	2,946	(95)
U.S. government agencies	—	—	80	(1)	80	(1)
Asset-backed securities	—	—	7,644	(116)	7,644	(116)
Municipal obligations	—	—	19,596	(1,316)	19,596	(1,316)
Corporate debt	—	—	937	(63)	937	(63)
Total temporarily impaired	\$ 18,358	\$ (278)	\$ 58,519	\$ (4,542)	\$ 76,877	\$ (4,820)
Held to Maturity: December 31, 2025						
Corporate debt	\$ 498	\$ (2)	\$ 3,262	\$ (188)	\$ 3,760	\$ (190)
Total temporarily impaired	\$ 498	\$ (2)	\$ 3,262	\$ (188)	\$ 3,760	\$ (190)
Available-for-sale, December 31, 2024						
Mortgage-backed securities	\$ 17,848	\$ (669)	\$ 27,011	\$ (4,405)	\$ 44,859	\$ (5,074)
U.S. Treasuries	—	—	2,838	(217)	2,838	(217)
U.S. government agencies	—	—	196	(6)	196	(6)
Asset-backed securities	8,741	(52)	—	—	8,741	(52)
Municipal obligations	—	—	19,133	(2,330)	19,133	(2,330)
Corporate debt	—	—	889	(111)	889	(111)
Total temporarily impaired	\$ 26,589	\$ (721)	\$ 50,067	\$ (7,069)	\$ 76,656	\$ (7,790)
Held to Maturity: December 31, 2024						
Corporate debt	\$ —	\$ —	\$ 5,299	\$ (467)	\$ 5,299	\$ (467)
Total temporarily impaired	\$ —	\$ —	\$ 5,299	\$ (467)	\$ 5,299	\$ (467)

Unrealized losses on U.S. Treasury bonds and U.S. Agency bonds have not been recognized through the income statement due to the bonds being backed in full by the United States government. Management has no intent to sell the securities, the Company can hold the securities to maturity, and the decline in fair value is largely due to changes in market interest rates. The fair value is expected to recover as the securities approach their maturity date.

Unrealized losses on mortgage-backed securities have not been recognized into income. At December 31, 2025, 64% of the mortgage-backed securities portfolio were issued by U.S. government sponsored entities or agencies. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not intend to sell the mortgage-backed securities, no unrealized losses have been recognized into income.

The remainder of the mortgage-backed securities portfolio includes non-agency structured mortgage-backed securities (CMBS) with a fair value of \$23.9 million which had unrealized losses of \$0.4 million at December 31, 2025. Each CMBS was rated AAA at December 31, 2025. These bonds have significant credit enhancement and have performed as agreed. Management does not intend to sell the CMBS and it is likely that management will not be required to sell the securities prior to their anticipated recovery.

The asset-backed securities are collateralized by student loans issued through the U.S. Federal Family Education Loan Program (FFELP). All the bonds held have a AA+ or better rating with at least a 97% guarantee against default by a third party and have performed as agreed. Management does not intend to sell the FFELP securities, and it is likely that management will not be required to sell the securities prior to their anticipated recovery.

Unrealized losses on available-for-sale municipal obligation securities have not been recognized through the income statement. As of December 31, 2025, the credit rating for these securities ranges from A+ to AAA and are performing as agreed. General Obligation bonds represent 43% of the municipal bond portfolio. The remaining 57% of the portfolio consists of revenue bonds, the majority of which are essential purpose or have an insurance wrapper. Management has no intent to sell these securities and can hold the securities to maturity. The decline in fair value is largely due to changes in market interest rates and management expects the fair value to recover as the securities approach their maturity date.

Management evaluated the foregoing available-for-sale securities for potential impairment as of December 31, 2025. Based on this evaluation, including the preceding analysis summary, management has determined that the unrealized losses on available-for-sale securities are primarily attributable to increases in market interest rates and do not reflect credit losses. Accordingly, as of December 31, 2025, management concluded that an allowance for credit losses on available-for-sale securities is not necessary, as the decline in fair value is not indicative of credit losses. Management will continue to monitor the fair value of these available-for-sale securities and reassess the need for an allowance for credit losses if circumstances change.

Certain information concerning the sale of debt securities available-for-sale for the years ended December 31, 2025, and 2024, was as follows (dollars in thousands):

	Years ended	
	December 31, 2025	December 31, 2024
Proceeds from sale	\$ —	\$ 54,085
Gross realized gains	\$ —	\$ —
Gross realized losses	\$ —	\$ —

Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

As of December 31, 2025, the amortized cost and estimated fair value of the debt securities portfolio are shown by contractual maturity dates (dollars in thousands).

	<u>Amortized Cost</u>	<u>Fair Value</u>
Available-for-sale		
Due in one year or less	\$ 2,486	\$ 2,456
Due from one to five years	17,043	16,203
Due from five to ten years	7,938	7,403
Due after ten years	10,230	10,128
Mortgage-backed securities	68,798	65,946
Total	<u>\$ 106,495</u>	<u>\$ 102,135</u>
	<u>Amortized Cost</u>	<u>Fair Value</u>
Held-to-maturity		
Due in one year or less	\$ —	\$ —
Due from one to five years	856	851
Due from five to ten years	3,451	3,268
Due after ten years	—	—
Total	<u>\$ 4,307</u>	<u>\$ 4,119</u>

The Company had no investment in securities of issuers outside of the United States as of December 31, 2025, or 2024 and no single investments that exceed 10% of equity.

Allowance for Credit Losses for HTM Securities

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. The held-to-maturity investment portfolio consists solely of bank holding company subordinated debt. Accrued interest receivable on held-to-maturity debt securities totaled \$48,000 at December 31, 2025, and is excluded from the estimate of credit losses. Refer to Note 1 – Nature of Operations and Significant Accounting Policies for additional information on the Company’s methodology on estimating credit losses. The following table presents the activity in the allowance for credit losses for debt securities held-to-maturity by major security type (dollars in thousands):

	<u>Corporate Bonds</u>
For year ended December 31, 2025	
Allowance for credit losses:	
Beginning balance December 31, 2024	\$ 101
Recovery of credit losses	(23)
Securities charged-off (recoveries)	—
Total ending allowance balance December 31, 2025	<u>\$ 78</u>

	<u>Corporate Bonds</u>
For the year ended December 31, 2024	
Allowance for credit losses:	
Beginning balance December 31, 2023	\$ 115
Recovery of credit losses	(14)
Securities charged off (recoveries)	—
Total ending allowance balance December 31, 2024	<u>\$ 101</u>

The Company monitors the credit quality of held-to-maturity securities on a quarterly basis using an industry recognized risk scoring model that incorporates pertinent industry data such as profitability, capital ratios, and asset quality ratios, among other considerations. As of December 31, 2025, there were no held-to-maturity securities past due or on non-accrual.

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

The following presents a summary of the Company’s loans at amortized cost as of the dates noted (dollars in thousands):

	December 31, 2025	December 31, 2024
1-4 Family residential real estate	\$ 65,500	\$ 69,330
Commercial	98,676	109,924
Consumer and other	294	261
Construction	61,047	26,285
Non-Owner Occupied (NOO) CRE	283,656	258,652
Owner Occupied (OO) CRE	149,752	151,399
Multifamily	53,567	60,241
Loans held for investment	712,492	676,092
Less: allowance for credit losses	<u>(9,734)</u>	<u>(10,160)</u>
Loans, net	<u>\$ 702,758</u>	<u>\$ 665,932</u>

Allowance for Credit Losses on Loans

The allowance for credit losses for loans is measured on the loan’s amortized cost basis, excluding interest receivable. Interest receivable excluded at both December 31, 2025, and December 31, 2024, was \$2.2 million and is presented in accrued interest receivable on the Condensed Consolidated Balance Sheets. Refer to Note 1 - Summary of Significant Accounting Policies for additional information related to the Company’s methodology for estimating the allowance for credit losses.

Allocation of a portion of the allowance for credit losses to one category of loans does not preclude its availability to absorb losses in other categories. The following table presents the activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2025, and 2024, (dollars in thousands):

	1-4 Family Residential Real Estate	Commercial	Consumer and Other	Construction	NOO Commercial Real Estate	OO Commercial Real Estate	Multifamily	Total
Changes in allowance for credit losses for the year ended December 31, 2025								
Beginning balance	\$ 859	\$ 2,753	\$ 3	\$ 370	\$ 3,604	\$ 1,918	\$ 653	\$ 10,160
Provision (credit) for loan losses	(300)	(1,863)	(1)	343	(869)	(522)	(238)	(3,450)
Loans charged off	—	(121)	—	—	—	—	—	(121)
Recoveries	8	3,137	—	—	—	—	—	3,145
Balance on December 31, 2025	\$ 567	\$ 3,906	\$ 2	\$ 713	\$ 2,735	\$ 1,396	\$ 415	\$ 9,734

	1-4 Family Residential Real Estate		Commercial	Consumer and Other	Construction	NOO Commercial Real Estate	OO Commercial Real Estate	Multifamily	Total
Changes in allowance for credit losses for the year ended December 31, 2024									
Beginning balance	\$ 736	\$ 924	\$ 8	\$ 512	\$ 1,859	\$ 1,201	\$ 620	\$ 5,860	
Acquisition of CBOA Financial PCD Loans	34	777	1	258	83	11	—	1,164	
Provision (credit) for loan losses	61	1,544	(4)	(400)	1,662	706	33	3,602	
Loans charged off	—	(890)	(2)	—	—	—	—	(892)	
Recoveries	28	398	—	—	—	—	—	426	
Balance on December 31, 2024	\$ 859	\$ 2,753	\$ 3	\$ 370	\$ 3,604	\$ 1,918	\$ 653	\$ 10,160	

The following tables present the aging of the recorded investment in contractually past due loans, as of December 31, 2025, and December 31, 2024. It is shown by class of loans (dollars in thousands):

	Loans Contractually Past Due				Loans Not Past Due	Total
	30-59 Days	60-89 Days	Over 90 Days	Total		
December 31, 2025						
1-4 Family residential real estate	\$ 966	\$ 107	\$ 307	\$ 1,380	\$ 64,120	\$ 65,500
Commercial	1,647	8	10,163	11,818	86,858	98,676
Consumer and other	—	—	—	—	294	294
Construction	—	—	—	—	61,047	61,047
NOO CRE	—	—	—	—	283,656	283,656
OO CRE	162	—	—	162	149,590	149,752
Multifamily	—	—	516	516	53,051	53,567
Total	\$ 2,775	\$ 115	\$ 10,986	\$ 13,876	\$ 698,616	\$ 712,492

	Loans Contractually Past Due				Loans Not Past Due	Total
	30-59 Days	60-89 Days	Over 90 Days	Total		
December 31, 2024						
1-4 Family residential real estate	\$ 122	\$ 1,764	\$ 93	\$ 1,979	\$ 67,351	\$ 69,330
Commercial	621	1,485	2,398	4,504	105,420	109,924
Consumer and other	—	—	—	—	261	261
Construction	—	—	—	—	26,285	26,285
NOO CRE	—	—	—	—	258,652	258,652
OO CRE	—	1,119	—	1,119	150,280	151,399
Multifamily	—	—	126	126	60,115	60,241
Total	\$ 743	\$ 4,368	\$ 2,617	\$ 7,728	\$ 668,364	\$ 676,092

Credit quality indicators – The following tables represent the credit exposure by internally assigned grades. This grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements in accordance with the loan terms. The Bank’s internal credit risk grading system is based on management’s experiences with similarly graded loans. Credit risk grades are reassessed each quarter based on any recent developments potentially impacting the creditworthiness of the borrower, as well as other external statistics and factors, which may affect the risk characteristics of the respective loan. The Company uses the following definitions for risk ratings:

Pass – Strong credit with no existing or known potential weaknesses deserving of management’s close attention.

Special Mention – Potential weaknesses that deserve management’s close attention. Borrower and guarantor’s capacity to meet all financial obligations is marginally adequate or deteriorating.

Substandard – Inadequately protected by the paying capacity of the borrower and/or collateral pledged. The borrower or guarantor is unwilling or unable to meet loan terms or loan covenants for the foreseeable future.

Doubtful – All the weakness inherent in one classified as substandard with the added characteristic that those weaknesses in place make the collection or liquidation in full, on the basis of current conditions, highly questionable and improbable.

Loss – Considered uncollectible or no longer a bankable asset. This classification does not mean that the asset has no recoverable value. In fact, a certain salvage value is inherent in these loans. Nevertheless, it is not practical or desirable to defer writing off a portion or whole of a perceived asset even though partial recovery may be collected in the future.

The following tables present the amortized cost basis of loans by credit quality indicator, by class of financing receivable, and year of origination for term loans as of December 31, 2025, and December 31, 2024. For revolving lines of credit that are converted to term loans, if the conversion involved a credit decision, such loans are included in the origination year in which the credit decision was made. If revolving lines of credit converted to term loans without a credit decision, such lines of credit are included in the “Revolving lines of credit converted to term” column in the following tables (dollars in thousands).

December 31, 2025	Term Loans Amortized Cost by Origination						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2025	2024	2023	2022	2021	Prior			
1-4 Family									
Pass	\$ 1,281	\$ 1,880	\$ 4,378	\$ 22,733	\$ 8,953	\$ 17,173	\$ 7,856	\$ —	\$ 64,254
Special Mention	—	—	—	—	706	—	—	—	706
Substandard	—	—	—	—	—	308	232	—	540
Doubtful	—	—	—	—	—	—	—	—	—
Total 1-4 Family	<u>1,281</u>	<u>1,880</u>	<u>4,378</u>	<u>22,733</u>	<u>9,659</u>	<u>17,481</u>	<u>8,088</u>	<u>—</u>	<u>65,500</u>
Current year-to-date gross write-offs	—	—	—	—	—	—	—	—	—
Commercial									
Pass	18,707	5,446	20,754	8,788	3,576	5,934	18,778	—	81,983
Special Mention	—	—	—	1,466	78	1,522	1,124	—	4,190
Substandard	—	3,907	2,502	2,885	1,699	1,334	176	—	12,503
Doubtful	—	—	—	—	—	—	—	—	—
Total Commercial	<u>18,707</u>	<u>9,353</u>	<u>23,256</u>	<u>13,139</u>	<u>5,353</u>	<u>8,790</u>	<u>20,078</u>	<u>—</u>	<u>98,676</u>
Current year-to-date gross write-offs	—	—	—	60	—	61	—	—	121
Consumer and other									
Pass	234	52	—	—	—	6	2	—	294
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total Consumer and Other	<u>234</u>	<u>52</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6</u>	<u>2</u>	<u>—</u>	<u>294</u>
Current year-to-date gross write-offs	—	—	—	—	—	—	—	—	—
Construction									
Pass	21,194	20,150	9,252	5,891	1,775	1,649	5	—	59,916
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	1,131	—	—	1,131
Doubtful	—	—	—	—	—	—	—	—	—
Total Construction	<u>21,194</u>	<u>20,150</u>	<u>9,252</u>	<u>5,891</u>	<u>1,775</u>	<u>2,780</u>	<u>5</u>	<u>—</u>	<u>61,047</u>
Current year-to-date gross write-offs	—	—	—	—	—	—	—	—	—
NOO CRE									
Pass	40,732	19,230	33,777	51,211	65,357	72,776	572	—	283,655
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total NOO CRE	<u>40,732</u>	<u>19,230</u>	<u>33,777</u>	<u>51,211</u>	<u>65,357</u>	<u>72,776</u>	<u>572</u>	<u>—</u>	<u>283,656</u>
Current year-to-date gross write-offs	—	—	—	—	—	—	—	—	—
OO CRE									
Pass	8,807	4,804	25,565	33,476	46,928	26,217	—	—	145,797
Special Mention	—	—	3,955	—	—	—	—	—	3,955
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total OO CRE	<u>8,807</u>	<u>4,804</u>	<u>29,520</u>	<u>33,476</u>	<u>46,928</u>	<u>26,217</u>	<u>—</u>	<u>—</u>	<u>149,752</u>
Current year-to-date gross write-offs	—	—	—	—	—	—	—	—	—
Multi Family									
Pass	1,383	—	396	16,536	20,377	11,974	1,648	—	52,314
Special Mention	—	—	—	—	645	—	—	—	645
Substandard	—	—	92	—	—	516	—	—	608
Doubtful	—	—	—	—	—	—	—	—	—
Total Multi Family	<u>1,383</u>	<u>—</u>	<u>488</u>	<u>16,536</u>	<u>21,022</u>	<u>12,490</u>	<u>1,648</u>	<u>—</u>	<u>53,567</u>
Current year-to-date gross write-offs	—	—	—	—	—	—	—	—	—
Total	<u>\$ 92,338</u>	<u>\$ 55,469</u>	<u>\$ 100,671</u>	<u>\$ 142,986</u>	<u>\$ 150,094</u>	<u>\$ 140,540</u>	<u>\$ 30,394</u>	<u>\$ —</u>	<u>\$ 712,492</u>
Total year-to-date gross write-offs	\$ —	\$ —	\$ —	\$ 60	\$ —	\$ 61	\$ —	\$ —	\$ 121

Term Loans Amortized Cost by Origination

December 31, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
1-4 Family									
Pass	\$ 2,151	\$ 4,448	\$ 25,009	\$ 11,673	\$ 6,973	\$ 10,756	\$ 6,216	\$ —	\$ 67,226
Special Mention	—	—	1,521	434	—	—	—	—	1,955
Substandard	—	—	—	—	—	149	—	—	149
Doubtful	—	—	—	—	—	—	—	—	—
Total 1-4 Family	<u>2,151</u>	<u>4,448</u>	<u>26,530</u>	<u>12,107</u>	<u>6,973</u>	<u>10,905</u>	<u>6,216</u>	<u>—</u>	<u>69,330</u>
Current year-to-date gross write-offs	—	—	—	—	—	—	—	—	—
Commercial									
Pass	13,570	23,872	17,920	7,611	2,873	2,597	32,860	928	101,303
Special Mention	—	32	2,506	447	1,766	137	858	—	5,746
Substandard	—	332	1,448	—	477	219	398	—	2,874
Doubtful	—	—	—	—	—	—	—	—	—
Total Commercial	<u>13,570</u>	<u>24,236</u>	<u>21,874</u>	<u>8,058</u>	<u>5,116</u>	<u>2,953</u>	<u>34,117</u>	<u>—</u>	<u>109,924</u>
Current year-to-date gross write-offs	—	—	682	—	208	—	—	—	890
Consumer and other									
Pass	110	—	50	—	—	101	—	—	261
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total Consumer and Other	<u>110</u>	<u>—</u>	<u>50</u>	<u>—</u>	<u>—</u>	<u>101</u>	<u>—</u>	<u>—</u>	<u>261</u>
Current year-to-date gross write-offs	—	—	—	—	—	2	—	—	2
Construction									
Pass	5,191	7,712	6,033	1,884	14	2,065	—	—	22,899
Special Mention	—	—	1,651	613	—	—	—	—	2,264
Substandard	—	—	—	—	—	1,122	—	—	1,122
Doubtful	—	—	—	—	—	—	—	—	—
Total Construction	<u>5,191</u>	<u>7,712</u>	<u>7,684</u>	<u>2,497</u>	<u>14</u>	<u>3,187</u>	<u>—</u>	<u>—</u>	<u>26,285</u>
Current year-to-date gross write-offs	—	—	—	—	—	—	—	—	—
NOO CRE									
Pass	16,830	36,754	47,480	67,561	29,037	51,920	2,776	—	252,358
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	6,294	—	—	—	—	—	6,294
Doubtful	—	—	—	—	—	—	—	—	—
Total NOO CRE	<u>16,830</u>	<u>36,754</u>	<u>53,774</u>	<u>67,561</u>	<u>29,037</u>	<u>51,920</u>	<u>2,776</u>	<u>—</u>	<u>258,652</u>
Current year-to-date gross write-offs	—	—	—	—	—	—	—	—	—
OO CRE									
Pass	4,067	36,218	33,567	43,612	8,123	21,273	399	—	147,259
Special Mention	—	224	—	—	—	1,624	—	—	1,848
Substandard	—	—	1,021	—	31	1,240	—	—	2,292
Doubtful	—	—	—	—	—	—	—	—	—
Total OO CRE	<u>4,067</u>	<u>36,442</u>	<u>34,588</u>	<u>43,612</u>	<u>8,154</u>	<u>24,137</u>	<u>399</u>	<u>—</u>	<u>151,399</u>
Current year-to-date gross write-offs	—	—	—	—	—	—	—	—	—
Multi Family									
Pass	—	498	19,739	21,201	6,312	9,543	1,233	—	58,526
Special Mention	—	—	—	—	1,006	—	—	—	1,006
Substandard	—	—	—	709	—	—	—	—	709
Doubtful	—	—	—	—	—	—	—	—	—
Total Multi Family	<u>—</u>	<u>498</u>	<u>19,739</u>	<u>21,910</u>	<u>7,318</u>	<u>9,543</u>	<u>1,233</u>	<u>—</u>	<u>60,241</u>
Current year-to-date gross write-offs	—	—	—	—	—	—	—	—	—
Total	<u>\$ 41,919</u>	<u>\$ 110,090</u>	<u>\$ 164,239</u>	<u>\$ 155,745</u>	<u>\$ 56,612</u>	<u>\$ 102,746</u>	<u>\$ 44,741</u>	<u>\$ 1,165</u>	<u>\$ 676,092</u>
Total year-to-date gross write-offs	\$ —	\$ —	\$ 682	\$ —	\$ 208	\$ 2	\$ —	\$ —	\$ 892

Non-accrual loans – The accrual of interest on loans is discontinued at the time the loan becomes 90 or more days delinquent unless the loan is well secured and in the process of collection or renewal due to maturity. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual status or charged off if collection of interest or principal is considered doubtful. There was no interest income recognized from non-accrual loans in the income statement for the years ended December 31, 2025, or December 31, 2024, and non-accrual loans totaled \$2.2 million at January 1, 2024. The following presents the amortized cost basis of loans on non-accrual status and loans past due over 89 days still accruing by class as of the date noted (dollars in thousands).

	As of December 31, 2025		
	Non-accrual loans With no ACL	Total non-accrual loans	Loans past due over 89 days and still accruing
1-4 Family residential real estate	\$ 540	\$ 540	\$ —
Commercial	8,049	10,164	—
Consumer and other	—	—	—
Construction	53	53	—
NOO CRE	—	—	—
OO CRE	—	—	—
Multifamily	608	608	—
Total	\$ 9,250	\$ 11,365	\$ —

	As of December 31, 2024		
	Non-accrual loans with no ACL	Total non-accrual loans	Loans past due over 89 days and still accruing
1-4 Family residential real estate	\$ 149	\$ 149	\$ —
Commercial	1,716	2,726	—
Consumer and other	—	—	—
Construction	—	—	—
NOO CRE	—	—	—
OO CRE	1,119	1,119	—
Multifamily	709	709	—
Total	\$ 3,693	\$ 4,703	\$ —

Non-accrual loan balances guaranteed by the SBA are \$2,426,000, or 21.3%, and \$1,999,000, or 42.5%, of the nonaccrual loan balances at December 31, 2025, and December 31, 2024, respectively.

Collateral dependent loans – A loan is collateral dependent when repayment is expected through the sale or operation of the collateral. The following presents the amortized cost basis of collateral-dependent loans, which are individually evaluated to determine expected credit losses by class of loans as of the date noted (dollars in thousands):

	As of December 31, 2025		
	Collateral Dependent Loans		
	Secured by Real Estate	Secured by Other	Total
1-4 Family residential real estate	\$ 540	\$ —	\$ 540
Commercial	—	12,341	12,341
Consumer and other	—	—	—
Construction	53	—	53
NOO CRE	—	—	—
OO CRE	—	—	—
Multifamily	608	—	608
Total	\$ 1,201	\$ 12,341	\$ 13,542

As of December 31, 2024
Collateral Dependent Loans

	Secured by Real Estate	Secured by Other	Total
1-4 Family residential real estate	\$ 149	\$ —	\$ 149
Commercial	—	2,726	2,726
Consumer and other	—	—	—
Construction	—	—	—
NOO CRE	—	—	—
OO CRE	1,119	—	1,119
Multifamily	709	—	709
	<u>1,977</u>	<u>2,726</u>	<u>4,703</u>
Total	<u>\$ 1,977</u>	<u>\$ 2,726</u>	<u>\$ 4,703</u>

Loan Modifications Made to Borrowers Experiencing Financial Difficulty – The ACL incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon origination. The analysis includes losses from modifications of receivables to borrowers experiencing financial difficulty. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the ACL, a change to the ACL is generally not recorded when a loan is modified. Currently, the bank does not hold any loans having modified terms related to economic distress and none were modified during the years ended December 31, 2025, and 2024.

NOTE 5 – PREMISES AND EQUIPMENT, NET

Components of premises and equipment, net included in the consolidated balance sheets were as follows (dollars in thousands):

	December 31, 2025	December 31, 2024
Land and improvements	\$ 1,578	\$ 1,578
Buildings and improvements	14,740	14,645
Furniture and equipment	3,827	3,690
Total cost	20,145	19,913
Accumulated depreciation and amortization	(12,544)	(11,499)
Premises and equipment, net	<u>\$ 7,601</u>	<u>\$ 8,414</u>

Depreciation and amortization expenses were \$1,122,000 and \$1,050,000 for the years ended December 31, 2025, and 2024, respectively.

NOTE 6 – TIME DEPOSITS

Maturities of time deposits on December 31, 2025, and December 31, 2024, were (dollars in thousands):

Maturity	December 31, 2025	December 31, 2024
One year or less	\$ 164,304	\$ 206,111
Over one through three years	10,570	30,309
Over three through five years	878	4,635
Totals	<u>\$ 175,752</u>	<u>\$ 241,055</u>

On December 31, 2025, and December 31, 2024, the Bank had \$75.5 million and \$83.2 million, respectively, in time deposits of \$250,000 or more. On December 31, 2025, and December 31, 2024, \$71.0 million and \$60.7 million, respectively, of such time deposits mature within one year.

On December 31, 2025, and December 31, 2024, certificate of deposits included brokered CD balances of \$5.1 million and \$8.1 million, respectively.

NOTE 7 – BORROWINGS

The Bank has established a borrowing line at the Federal Home Loan Bank of San Francisco. As of December 31, 2025, borrowing capacity totaled \$234.2 million and collateral consists of a blanket lien on the loan portfolio. There were no outstanding borrowings on the borrowing line as of December 31, 2025, or December 31, 2024.

On March 12, 2023, the Federal Reserve Board announced it would make additional funding available to eligible depository institutions to help ensure banks could meet the needs of depositors made available through the creation of a new Bank Term Funding Program (“BTFP”). The BTFP is a liquidity resource with capacity based on the pledging of high-quality securities. The intention of the program was to eliminate an institution’s need to quickly sell those securities in times of stress. Effective March 11, 2024, the Federal Reserve ceased lending under the program’s terms. Outstanding borrowings were not impacted. As of December 31, 2025, the Bank had no borrowings under the BTFP. As of December 31, 2024, the Bank had no borrowings under the BTFP and removed assets that were previously pledged to secure borrowings.

As of December 31, 2025, the Bank pledged securities with a carrying value of \$47.2 million and had borrowing availability of \$45.2 million at the Federal Reserve Bank of San Francisco’s Discount Window. No borrowings were outstanding through the Discount Window as of December 31, 2025.

As of December 31, 2025, and 2024, the Bank had available unsecured Federal Funds lines of credit at correspondent banks totaling \$49.8 million. The terms of the borrowings are overnight at the applicable fed funds borrowing rate. As of December 31, 2025, the Bank had no borrowings under these lines of credit.

On June 29, 2021, the Company completed a private placement of \$25.0 million of 10 year, fixed-to-floating rate subordinated notes. The subordinated notes initially bear interest at 4.00% per annum for five years, floating at Three-Month SOFR plus 328 basis points quarterly thereafter. The ten-year notes mature on July 15, 2031, and are callable at the

Company’s option after five years. The subordinated notes have unamortized origination fees of \$297,000 at December 31, 2025. As part of the Merger with CBOA, \$1.5 million of the subordinated debt was acquired in the transaction and subsequently retired. In the second quarter of 2025, a bank which owned \$500,000 in subordinated notes sold the notes which the Company was able to repurchase.

As part of the Merger with CBOA, the Company acquired CBOA Financial Statutory Trust #1, a trust formed by CBOA in November 2005. The trust closed a pooled private offering of 5,000 trust preferred securities with a liquidation amount of \$1,000 per security. CBOA made a required equity contribution of \$155,000 to form the trust and issued \$5 million of subordinated debentures to the trust in exchange for ownership of all of the common securities of the trust and the proceeds of the preferred securities sold by the trust. The Company is able to redeem the subordinated debentures, in whole or in part, in a principal amount with integral multiples of \$1,000, at 100% of the principal amount, plus accrued and unpaid interest until maturity in 2036. The subordinated debentures are also redeemable in whole or in part from time to time, upon the occurrence of specific events defined within the trust indenture. Bancorp 34 has the option to defer interest payments on the subordinated debentures from time to time, for a period not to exceed five consecutive years. Bancorp 34 has elected not to defer interest payments on the subordinated debentures. The trust preferred securities have a variable rate of interest, reset quarterly on the 23rd of each February, May, August, and November, equal to the sum of 3-month CME term SOFR plus 1.70%. As of December 31, 2025, the rate was 5.84%. Bancorp 34’s investment in the common stock of the trust is \$155,000, which is included in other investments and is accounted for as an unconsolidated cost-method investment. Bancorp 34 is not considered the primary beneficiary of this trust, and therefore the trust is not consolidated in the financial statements. Rather the subordinated debentures are shown as a liability. The remaining Merger-related fair value mark on the CBOA Financial Statutory Trust #1 subordinated debt was \$875,000 as of December 31, 2025.

Maturities of outstanding borrowings as of December 31, 2025, were (dollars in thousands):

One year or less	\$ 0
Over one through three years	0
Over three through five years	0
Over five through ten years	23,000
Over ten years	<u>5,000</u>
Totals	<u>\$ 28,000</u>

NOTE 8 – FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

In the normal course of business, and from time to time, the Bank has had outstanding commitments to extend credit and standby letters of credit which, consistent with GAAP, are not reflected in the accompanying consolidated financial statements. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amounts of those instruments. The Bank uses the same credit policies in making commitments as it does for instruments that are included in the consolidated balance sheets.

Contractual or notional amounts of financial instruments representing off-balance-sheet credit risk are as follows as of the dates indicated (dollars in thousands):

	December 31, 2025		December 31, 2024	
	Fixed	Variable	Fixed	Variable
Commitments to extend credit	\$ 9,037	\$ 21,312	\$ 6,589	\$ 27,627
Unused lines of credit	2,191	33,800	3,238	37,662
Totals	<u>\$ 11,228</u>	<u>\$ 55,112</u>	<u>\$ 9,827</u>	<u>\$ 65,289</u>

The following table presents the changes in the ACL on unfunded loan commitments for the year ended December 31, 2025:

December 31, 2025 (in 000s)	Unfunded Loan Commitments
Allowance for credit losses:	
Beginning balance	\$ 594
Provision for credit losses	(134)
Ending balance	<u>\$ 460</u>

NOTE 9 – EMPLOYEE RETIREMENT BENEFIT PLANS

Profit Sharing Plan: The Company has established a profit-sharing 401(k) type salary reduction plan (Plan) for all employees that meet the necessary eligibility requirements and participants are fully vested after six years of service. For Company matching contributions made for plan years prior to 2014, annual Company contributions were at the discretion of the Board of Directors. From 2014 through 2019, the Company adopted a Safe Harbor matching contribution provision, whereby it agreed to match 100% of participant's contributions up to the first 3% of salary and 50% of the next 2%, for a total maximum Company matching contribution of 4% of participant salary, as defined by the Plan. The Safe Harbor matching contribution was guaranteed. The Company elected not to adopt a safe harbor matching contribution for 2025 or 2024.

Employee Stock Ownership Plan: On May 28, 2025, the Board of Directors approved the termination of the Company's Employee Stock Ownership Plan ("ESOP"). The ESOP was a leveraged plan that had previously borrowed funds to acquire shares of the Company's common stock. The loan was repaid during 2025 using unallocated shares held by the ESOP, together with available cash.

Upon termination, all remaining allocated shares were distributed to participants in accordance with plan provisions. Participants were permitted to receive distributions in cash or in Company common stock, or to roll over such amounts into qualifying retirement accounts.

As a result of the termination:

- The remaining ESOP loan balance of \$1.5 million was extinguished.
- Unallocated shares of 133,271 shares were released and used to satisfy the remaining indebtedness.
- The Company recognized a reduction to additional paid-in capital of \$126,000 associated with the difference between the fair value of shares used to repay the loan and the carrying value of the ESOP debt.
- Cash contributions of \$341,000 were made to fund participant cash distributions and resulted in a reduction to additional paid-in capital.

No additional compensation expense was recognized in connection with the ESOP termination. At December 31, 2025, the ESOP has been fully liquidated, and no shares remain subject to ESOP restrictions.

Shares held by the ESOP on December 31, 2025, and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
Allocated shares	—	56,780
Unallocated shares	<u>—</u>	<u>133,271</u>
Total ESOP shares	<u>—</u>	<u>190,051</u>

The fair value of unallocated shares held by the ESOP is \$0 and \$1,399,000 at December 31, 2025, and 2024, respectively. ESOP expense was \$0 and \$161,000 for the years ended December 31, 2025, and 2024, respectively.

Deferred Compensation and Director’s Fee Plans: A deferred compensation plan covers all senior officers and a deferred director’s fee plan covers all directors. Under these plans, the company pays each participant that elects to defer, or their beneficiary, the amount deferred plus interest over a pre-selected period up to 10 years, beginning with the participant’s termination of service. A liability is accrued monthly for the deferred amount plus interest earned. The interest rate on deferred balances is determined annually on January 1st at the greater of Wall Street Journal Prime or 5%; and was 7.5% and 8.5% for the years ended December 31, 2025, and 2024, respectively. Interest expense for the deferred plans was \$135,000 and \$171,000, for the years ended December 31, 2025, and 2024, respectively. Deferred plan liabilities, included in accrued interest and other liabilities on the consolidated balance sheet, were \$1,794,000 and \$1,928,000 as of December 31, 2025, and 2024, respectively. The plan was frozen on January 4, 2024, and no new participants or contributions to the plan are permitted after that date.

NOTE 10 – LEASES

As of December 31, 2025, the Bank has non-cancelable operating leases for office space that expire over the next seven years that require the payment of base lease amounts and executory costs such as taxes, maintenance, and insurance. As of December 31, 2025, the bank has six active operating leases. Rental expenses included in non-interest expense as occupancy expenses for leases were \$1,009,000 and \$1,028,000 for the twelve months ended December 31, 2025, and 2024, respectively. The decrease in rental expense is attributed to the reversal of rental expense from unused TI allowance netted against a full year of CBOA lease payments in 2025.

The following presents the classification of the right-of-use assets and corresponding liabilities as of the dates presented (dollars in thousands):

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Lease right-of-use assets		
Operating lease right-of-use assets	<u>3,120</u>	<u>4,069</u>
Lease Liabilities		
Operating lease liabilities	<u>3,402</u>	<u>4,619</u>

Approximate future minimum rental commitments under noncancelable leases as of December 31, 2025, are (dollars in thousands):

2026	\$ 927
2027	800
2028	662
2029	674
2030	458
2031	120
2032	<u>20</u>
Total minimum lease payments	3,661
Amounts representing interest (present value discount)	<u>(259)</u>
Operating lease liabilities (present value of minimum lease payments)	<u>\$ 3,402</u>
Weighted-average remaining term (in years)	5.0
Weighted-average discount rate	2.91%

NOTE 11 – INCOME TAXES

Income tax provision consists of the following (dollars in thousands):

	<u>2025</u>	<u>2024</u>
Current		
Federal	\$ 697	\$ —
State	123	1
Deferred		
Federal	1,078	(754)
State	190	(321)
Total income tax provision	<u>\$ 2,088</u>	<u>\$ (1,074)</u>

Income tax expense from continuing operations differs from the amounts computed by applying the federal income tax rate of 21% in 2025 and 2024, to earnings before federal income tax expense. These differences are primarily caused by state income taxes, net of federal tax benefit, income that is not taxable for federal and state income tax purposes, expenses that are not deductible for tax purposes and tax adjustments related to prior federal income tax returns.

Income tax provision calculated at the statutory federal income tax rate of 21% for 2025 and 2024, differs from actual income tax provision as follows (dollars in thousands):

	<u>2025</u>	<u>2024</u>
Income tax at statutory rate	\$ 2,089	\$ 129
Non-deductible merger costs	—	66
Non-taxable bargain purchase gain	—	(1,054)
Benefit from other permanent differences:		
Earnings on life insurance assets	(60)	(77)
Federal income tax credits	(22)	—
State income taxes, net of Federal tax benefit	253	(326)
Other items, net	(172)	188
Totals	<u>\$ 2,088</u>	<u>\$ (1,074)</u>

The majority of state income tax payments are made in Arizona.

The below table reconciles the statutory federal income tax rate to the Bank's effective income tax rate for the periods presented:

	<u>2025</u>	<u>2024</u>
Income tax at statutory rate	21%	\$ 21%
Non-deductible merger costs	0%	11%
Non-taxable bargain purchase gain	0%	(172)%
Benefit from other permanent differences:		
Earnings on life insurance assets	(1)%	(13)%
Federal income tax credits	0%	0%
State income taxes, net of Federal tax benefit	3%	(53)%
Other items, net	(2)%	31%
Totals	<u>\$ 21%</u>	<u>\$ (175)%</u>

Deferred tax assets and liabilities consist of the following at December 31 (dollars in thousands):

	<u>2025</u>	<u>2024</u>
Deferred tax assets:		
Allowance for credit losses	\$ 1,844	\$ 1,827
Net operating loss carryforwards and certain state tax credits	2,062	3,439
Deferred compensation	484	528
Lease liability	838	1,146
Unrealized losses on AFS securities	985	1,928
Derivative mark-to-market	19	—
Loan acquisition adjustment	2,900	3,465
Depreciation	47	39
Other items	665	62
Total deferred tax assets	<u>9,844</u>	<u>12,434</u>
Deferred tax liabilities:		
Loan origination costs	(145)	(138)
Operating lease liabilities	(769)	(1,009)
FHLB stock dividends	(41)	(41)
Core deposit intangible	(1,487)	(1,894)
Derivative mark to market	—	(89)
Other items	(478)	(236)
Total deferred tax liabilities	<u>(2,920)</u>	<u>(3,407)</u>
Net deferred tax assets	<u>\$ 6,924</u>	<u>\$ 9,027</u>

A valuation allowance for deferred tax assets is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and tax planning strategies which will create taxable income during the periods in which those temporary differences become deductible. Management considered the scheduled reversal of deferred tax liabilities, projected future taxable income, net operating loss carry-back potential, and tax planning strategies in making this assessment. Based upon the Company's assessment of all available evidence, management determined it was more likely than not that the net deferred tax asset would be realized at December 31, 2025.

Income taxes paid (net of refunds received) disaggregated by federal, state, and foreign for the years ended December 31, 2025, and 2024, are as follows:

Income Taxes Paid, net of refunds (in 000's):	2025	2024
Federal	\$ 159	\$ (1,009)
Arizona	41	(168)
New Mexico	(13)	—
Florida	3	---
Texas	8	4
Foreign	—	—
Total	\$ 198	\$ (1,173)

At December 31, 2025, the Company had federal operating loss carry-forwards of approximately \$6.5 million, \$2.0 million of which are subject to Internal Revenue Code (“IRC”) Section 382 limitations, which limit the annual use of acquired losses to \$250,000 per year, and begin to expire in 2028. At December 31, 2025, the Company recorded deferred tax assets of \$1.4 million related to the Federal net operating loss carry-forwards.

It is the Company’s policy to provide for uncertain tax positions and the related interest and penalties based upon management’s assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. As of December 31, 2025, and 2024, there were no material uncertain tax positions related to federal and state income tax matters. The Company does not expect the amounts of unrecognized tax benefits to significantly increase or decrease within the next twelve months.

The Company files consolidated U.S. federal and various state income/franchise tax returns. The Company is no longer subject to examination by U.S. federal taxing authorities for years before 2022 and is no longer subject to examination by state taxing authorities for years before 2021. Our federal and state tax returns have not been audited for the past eight years.

NOTE 12 – DERIVATIVES AND HEDGING ACTIVITIES

The Company is exposed to certain risks relating to its ongoing business operations. As such, from time to time, the Company will enter into interest rate derivatives as part of its asset liability management strategy to help manage interest rate risk. Derivative instruments represent contracts between parties that result in one party delivering cash to the other party based on a notional amount and an underlying term (such as a rate, security price or price index) as specified in the derivative contract. The amount of cash delivered from one party to the other is determined based on the interaction of the notional amount of the contract with the underlying term. Derivatives may also be implicit in certain contracts and commitments.

Derivative financial instruments in the consolidated financial statements are recognized at fair value regardless of the purpose or intent for holding the instrument. Derivative assets and derivative liabilities on the balance sheet are recorded within other assets and other liabilities, respectively. Changes in the fair value of derivative financial instruments are either recognized in income or in shareholders’ equity as a component of accumulated other comprehensive income or loss depending on whether the derivative financial instrument qualifies for hedge accounting and, if so, whether it qualifies as a fair value hedge or cash flow hedge.

As part of the Company’s interest rate risk management strategy, two pay-fixed/receive-floating interest rate swaps (the “Pay Fixed Swap Agreements”) were entered into on August 30, 2024, for a total notional amount of \$30 million, both of which were designated as fair value hedges. The Pay Fixed Swaps involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the derivative contracts without the exchange of the underlying notional amount. Each swap agreement was effective immediately and each expire August 30, 2027.

The table below presents fair values of derivative instruments as well as the classification within the consolidated balance sheets:

(in thousands)	December 31, 2025		December 31, 2024	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate swap contracts	Accrued Interest and Other Liabilities	\$ (134)	Prepaid and Other Assets	\$ 356

The table below presents the effect of fair value hedge accounting on the consolidated statements of income (loss) for the periods presented:

(in thousands)	Location and Amount of Gain or (Loss) Recognized in Income on Fair Value Hedging Relationships		Location and Amount of Gain or (Loss) Recognized in Income on Fair Value Hedging Relationships	
	Year ended December 31, 2025		Year Ended December 31, 2024	
	Interest on securities	Interest Expense	Interest on securities	Interest Expense
Total amounts of income and expense line items presented in consolidated statements of income (loss) in which effects of the fair value hedges are recorded	\$ 4,082	\$ 0	\$ 2,164	\$ 0
Gain or (loss) on fair value hedging relationships:				
Interest rate swap contracts:				
Hedged items	\$ 490	\$ 0	\$ (356)	\$ 0
Derivatives designated as hedging instruments	\$ (490)	\$ 0	\$ 357	\$ 0
Amount excluded from effectiveness testing recognized in earnings based on amortization approach	\$ 0	\$ 0	\$ 0	\$ 0

The table below presents cumulative basis adjustments of hedged items designated as fair value hedges and related amortized cost of those items as of the date presented:

(in thousands)	As of December 31, 2025	
	Amortized cost of Hedged Assets	Cumulative amount of Fair Value Hedging Adjustments included in carrying amount of Hedged Asset
Line Item in consolidated balance sheet in which hedged item is included		
Securities available for sale	\$ 46,652	\$ (134)

NOTE 13 – REGULATORY MATTERS

Southwest Heritage 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 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 involving 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 classification 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 amounts and ratios of total risk-based capital and Tier 1 capital to risk-weighted assets, and Tier 1 capital to adjusted total assets. Management believes, as of December 31, 2025, and 2024, the Bank meets all capital adequacy requirements to which it is subject.

Banks are also subject to certain restrictions on the dollar amount of dividends that they may declare without prior regulatory approval.

As of December 31, 2025, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank has to maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as disclosed in the table below. There are no conditions or events that management believes have changed the Bank’s prompt corrective action category. The Bank has not opted into the Community Bank Leverage Ratio (“CBLR”) and therefore is required to continue calculating and reporting risk-based capital ratios.

The Bank’s actual and required capital amounts and ratios are as follows (dollars in thousands):

	<u>Actual</u>		<u>Minimum Required For Capital Adequacy Purposes</u>		<u>Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
2025						
Total Capital to risk-weighted assets:	\$125,743	15.42%	\$ 65,249	8%	\$ 81,54561	10%
Tier 1 (Core) Capital to risk weighted assets:	\$115,547	14.17%	\$ 48,937	6%	\$ 65,249	8%
Common Tier 1 Capital to risk weighted assets (CET1):	\$115,547	14.17%	\$ 36,703	4.50%	\$ 53,015	6.50%
Tier 1 (Core) Capital to average assets:	\$115,547	12.90%	\$ 35,828	4%	\$ 44,785	5%
2024						
Total Capital to risk-weighted assets:	\$111,674	15.00%	\$ 59,559	8%	\$ 74,449	10%
Tier 1 (Core) Capital to risk weighted assets:	\$102,347	13.74%	\$ 44,693	6%	\$ 59,559	8%
Common Tier 1 Capital to risk weighted assets (CET1):	\$102,347	13.74%	\$ 33,520	4.50%	\$ 48,417	6.50%
Tier 1 (Core) Capital to average assets:	\$102,347	11.06%	\$ 37,015	4%	\$ 46,269	5%

NOTE 14 – RELATED-PARTY TRANSACTIONS

The Bank periodically enters into transactions with its executive officers, directors, significant stockholders, and their affiliates (related parties). Transactions with such related parties included (dollars in thousands):

	<u>2025</u>	<u>2024</u>
Fees and bonuses paid to directors during the period	\$ 252	\$ 245
Deposits from related parties held by the bank at the end of period	3,850	2,905
Loans to related parties	384	63

NOTE 15 – STOCK-BASED COMPENSATION

Stock-based expense for the years ended December 31, 2025, and December 31, 2024, was \$584,000 and \$813,000, respectively.

The Company accounts for forfeitures when they occur by reversing any previously accrued compensation expense on forfeited options in accordance with ASC 718, *Compensation – Stock Compensation*.

On November 17, 2017, the Company’s stockholders approved the adoption of the 2017 Equity Incentive Plan (“2017 Plan”). The 2017 Plan provided for the grant of a maximum of 263,127 shares of the Company’s common stock of which up to 187,948 shares of common stock could be granted for stock options and 75,179 shares of common stock could be issued as restricted stock to Directors and employees of the Company. Stock options and restricted stock awards currently issued under the 2017 Plan vest at 20% per year beginning on the first anniversary of date of grant and the options expire seven years after the grant date.

On May 25, 2022, the Company’s stockholders approved the adoption of the 2022 Equity Incentive Plan (“2022 Plan”). The 2022 Plan provided for the grant of a maximum of 252,340 shares of the Company’s common stock of which up to 168,227 shares of common stock could be issued as restricted stock and 84,113 shares of common stock could be granted for stock options to directors and employees of the Company. The board of directors’ compensation committee specified the vesting schedules for the restricted stock and options. Option expiration dates were flexible as well but could not exceed ten years from the grant date.

On September 25, 2024, the Company’s Board of Directors approved the termination of the 2017 Plan and the 2022 Plan. While outstanding awards issued under those plans were not affected by the plans’ termination, no further awards may be granted under either the 2017 Plan or the 2022 Plan. No stock compensation was issued under the 2017 Plan or the 2022 Plan in 2024.

In connection with the termination of the 2017 Plan and the 2022 Plan, the Board of Directors approved and adopted the Bancorp 34, Inc. 2024 Equity Incentive Plan (the “2024 Plan”). The 2024 Plan provides for the grant of a maximum of 525,000 shares of the Company’s common stock pursuant to a variety of equity incentive awards, including restricted stock, stock options, and other awards. Selected executives and other key employees were granted restricted stock unit awards whose vesting is contingent upon meeting Company-wide performance conditions, including tangible book value per share and return on average assets (performance restricted stock unit awards). Multiple performance conditions are established with a weighting of units. The performance restricted stock unit awards are earned upon the achievement of the performance condition for the Company. Once earned, a portion of the performance restricted stock unit awards vest in installments on anniversaries of the date on which the performance condition was achieved. As of December 31, 2025, 346,200 units of performance restricted stock awards and 6,000 units of restricted stock awards have been issued under the 2024 Plan.

The stock option plans allow for net settlement of vested options. In a net settlement, the Company, at the direction of the optionee, net settles the options by issuing new shares to the optionee with a value, at the current per share trading price, equal to the total in-the-money or intrinsic value of the options less any necessary tax withholdings on the disqualifying disposition of Incentive Stock Options. The optionee is granted newly issued shares and a small amount of cash in lieu of partial shares. There were net settlements of grants totaling 30,000 shares in 2025 and no net settlements in 2024.

A summary of stock option activity in 2025 is presented below (Aggregate Intrinsic Value in 000s):

	Shares Subject to <u>Options</u>	Weighted- Average Exercise <u>Price</u>	Weighted- Average Remaining Contractual <u>Term</u>	Aggregate Intrinsic <u>Value</u>
Outstanding at beginning of year	45,000	\$ 13.86	2.1 years	—
Granted	—	—	—	—
Exercised	(30,000)	10.21	0.0 years	—
Forfeited or expired	(11,500)	15.14	0.2 years	—
Outstanding on December 31, 2025	<u>3,500</u>	<u>\$ 13.45</u>	<u>3.8 years</u>	<u>\$ 1</u>
Exercisable on December 31, 2025	<u>1,800</u>	<u>\$ 13.45</u>	<u>3.8 years</u>	<u>\$ 1</u>

Information related to stock option exercises during each year is as follows (in 000s):

	2025	2024
Intrinsic value of options exercised	\$ 104	\$ -
Cash received from options exercised	\$ -	\$ -
Tax benefit realized from options exercised	\$ 22	\$ -

A summary of restricted stock activity for the year ended December 31, 2025, is presented below:

	Shares	Weighted- Average Grant Date Fair Value	Average Remaining Contractual Term
Non-vested on January 1, 2025	4,700	\$ 12.91	3.0 years
Granted	6,000	11.30	—
Vested	(7,300)	11.62	0.3 years
Forfeited	(2,100)	12.87	2.0 years
Non-vested on December 31, 2025	<u>1,300</u>	<u>\$ 12.78</u>	2.1 years

A summary of performance restricted stock unit activity for the year ended December 31, 2025, is presented below:

	Shares	Weighted- Average Grant Date Fair Value	Average Remaining Contractual Term
Non-vested on January 1, 2025	295,100	\$ 11.81	5.0 years
Granted	—	11.81	—
Vested	30,660	11.81	4.0 years
Forfeited	—	—	—
Non-vested on December 31, 2025	<u>264,440</u>	<u>\$ 11.81</u>	4.3 years

The average remaining contractual term does not include those units with performance conditions that are not deemed probable to achieve as of December 31, 2025.

As of December 31, 2025, there was \$3,000, \$13,000, and \$2,126,000 of total unrecognized equity-based expense related to unvested stock options, restricted stock awards, and performance restricted stock units, respectively, granted under the equity plans that is expected to be recognized over the next five years as follows (dollars in thousands):

Year	
2026	\$ 513
2027	511
2028	506
2029	505
2030	107
Totals	<u>\$ 2,142</u>

Expense for the performance restricted stock awards are recognized when it is probable that the performance conditions will be achieved. There are several performance conditions that are not deemed probable to achieve as of December 31, 2025, so no expense related to the unachieved grants is included in the table above. Should the performance conditions be met an additional \$0.9 million in expense would be recognized over the expected life the agreements.

NOTE 16 – FAIR VALUE INFORMATION

The following table presents information about assets and liabilities measured at fair value on a recurring and non-recurring basis and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair values (dollars in thousands):

	Quoted Prices in Active Markets for Identical <u>Assets</u> <u>Level 1</u>	Significant Other Observable <u>Inputs</u> <u>Level 2</u>	Significant Unobservable <u>Inputs</u> <u>Level 3</u>	<u>Fair Value</u>
December 31, 2025				
Recurring:				
Securities available-for-sale:				
Mortgage-backed securities	\$ —	\$ 65,946	\$ —	\$ 65,946
U.S. Treasuries	—	2,946	—	2,946
U.S. Government Agencies	—	120	—	120
Asset-backed securities	—	9,421	—	9,421
Municipal obligations	—	22,765	—	22,765
Corporate debt	—	937	—	937
Total available-for-sale:	<u>\$ —</u>	<u>\$ 102,135</u>	<u>\$ —</u>	<u>\$ 102,135</u>
Interest Rate Derivative Contracts – Assets	\$ —	\$ —	\$ —	\$ —
Interest Rate Derivative Contracts – Liabilities	\$ —	\$ —	\$ (134)	\$ (134)
Nonrecurring basis:				
Collateral Dependent Loans	\$ —	\$ —	\$ 3,455	\$ 3,455
	Quoted Prices in Active Markets for Identical <u>Assets</u> <u>Level 1</u>	Significant Other Observable <u>Inputs</u> <u>Level 2</u>	Significant Unobservable <u>Inputs</u> <u>Level 3</u>	<u>Fair Value</u>
December 31, 2024				
Recurring:				
Securities available-for-sale:				
Mortgage-backed securities	\$ —	\$ 44,859	\$ —	\$ 44,859
U.S. Treasuries	—	2,838	—	2,838
U.S. Government Agencies	—	196	—	196
Asset-backed securities	—	10,476	—	10,476
Municipal obligations	—	19,133	—	19,133
Corporate debt	—	889	—	889
Total available-for-sale:	<u>\$ —</u>	<u>\$ 78,661</u>	<u>\$ —</u>	<u>\$ 78,661</u>
Interest Rate Derivative Contracts – Assets	\$ —	\$ 356	\$ —	\$ 356
Interest Rate Derivative Contracts – Liabilities	\$ —	\$ —	\$ —	\$ —
Nonrecurring basis:				
Collateral Dependent Loans	\$ —	\$ —	\$ 1,805	\$ 1,805

The fair values of certain of these instruments were calculated by discounting expected cash flows, which involves significant judgments by management and uncertainties. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Bank does not know whether the fair values shown represent values at which the respective financial instruments could be sold individually or in the aggregate.

There were no transfers between levels of the fair value hierarchy during the years ended December 31, 2025, or 2024.

The following table presents the significant unobservable inputs used in the fair value measurements for Level 3 financial assets measured on a non-recurring basis (dollars in thousands):

December 31, 2025	<u>Fair Value</u>	<u>Valuation Methodologies</u>	<u>Valuation Model</u>	<u>Unobservable Input Valuation</u>
Collateral Dependent Loans		Appraisal/Borrower	Receivables Discount/Liquidation	
Commercial	3,455	Financial Statements	Discount	0–100%
Total collateral dependent loans	<u>\$ 3,455</u>			

December 31, 2024	<u>Fair Value</u>	<u>Valuation Methodologies</u>	<u>Valuation Model</u>	<u>Unobservable Input Valuation</u>
Collateral Dependent Loans		Appraisal/Borrower	Receivables Discount/Liquidation	
Commercial	1,805	Financial Statements	Discount	0–100%
Total collateral dependent loans	<u>\$ 1,805</u>			

The estimated fair values of the Company's consolidated financial instruments on the dates noted are as follows (dollars in thousands):

	<u>Fair Value Hierarchy</u>	<u>Year Ended December 31, 2025</u>		<u>Year Ended December 31, 2024</u>	
		<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets					
Cash and due from banks	Level 1	\$ 33,703	\$ 33,703	\$ 111,510	\$ 111,510
Federal funds sold	Level 2	1,055	1,055	2,085	2,085
Securities available-for-sale	Level 2	102,135	102,135	78,661	78,661
Securities held-to-maturity	Level 2	4,229	4,119	5,665	5,299
Loans held for investment	Level 3	702,758	698,698	665,932	655,177
Other investments	Level 2	6,492	6,492	6,244	6,244
Accrued interest receivable	Level 1	2,727	2,727	2,613	2,613
Derivative	Level 3	—	—	356	356
Financial liabilities					
Nonmaturity Deposits	Level 1	\$ (584,833)	\$ (584,833)	\$ (551,512)	\$ (551,512)
Time deposits	Level 2	(175,752)	(175,712)	(241,055)	(241,188)
Subordinate debt	Level 3	(22,703)	(20,528)	(23,149)	(20,183)
Subordinated debentures, trust preferred securities	Level 3	(4,280)	(4,280)	(4,203)	(4,203)
Accrued interest payable	Level 1	(759)	(759)	(1,574)	(1,574)
Derivative	Level 3	(134)	(134)	—	—

NOTE 17 – EARNINGS PER SHARE

Following shareholder approval received on June 29, 2023, the Company converted 820,115 shares of its Series A Preferred Stock to an equal number of shares of its newly created Non-Voting Common Stock, which was effective on July 19, 2023. During 2025, 279,240 of the Non-Voting Common Stock shares were converted to Voting Common Stock shares, leaving 540,695 of Non-Voting Common Stock at the end of 2025.

The Company has voting common stock, restricted stock awards, and non-voting common stock that are all eligible to participate in dividends equal to the voting common stock dividends on a per share basis. Securities that participate in dividends, such as the Company’s restricted stock awards and non-voting common stock, are considered “participating securities.” The Company calculates net income available to voting common shareholders using the two-class method required for capital structures that include participating securities.

In applying the two-class method, basic net income per share was calculated by dividing net income (less any dividends on participating securities) by the weighted average number of shares of common stock and participating securities outstanding for the period. Diluted earnings per share may include the additional effect of other securities, if dilutive. Potentially dilutive common stock equivalents consist of employee stock options and warrants. Unallocated common shares held by the ESOP are not included in the weighted average number of common shares outstanding for purposes of calculating earnings per common share until they are committed to be released to plan participants. The following factors are used in the earnings per share computation:

(dollars in thousands, except for earnings per common share amounts)	Year Ended December 31,	
	2025	2024
Net income	\$ 7,861	\$ 1,689
Less: convertible preferred stock dividends	-	-
Less: earnings allocated to participating securities	(3)	(2)
<u>Net income allocated to common shareholders</u>	<u>\$ 7,858</u>	<u>\$ 1,687</u>
Basic weighted average common shares outstanding - Voting	6,635	5,902
Basic weighted average common shares outstanding - Non-Voting	728	820
Diluted weighted average common shares outstanding - Voting	6,649	5,903
Diluted weighted average common shares outstanding - Non-Voting	728	820
Basic earnings per common share - Voting	\$ 1.07	\$ 0.25
Basic earnings per common share - Non-Voting	\$ 1.07	\$ 0.25
Diluted earnings per common share - Voting	\$ 1.06	\$ 0.25
Diluted earnings per common share - Non-Voting	\$ 1.07	\$ 0.25

Participating securities are restricted stock awards since they participate in common stock dividends. Stock options for 3,500 and 45,000 shares of common stock and warrants totaling 211,667 and 211,667 were not considered in computing diluted earnings per common share for 2025 and 2024, because they were antidilutive.

Performance restricted shares of 30,660 and 51,100 that have already vested as a result of meeting performance conditions are included in computing basic earnings per common share for 2025 and 2024, respectively. Performance restricted shares totaling 192,120 shares subject only to service-based vesting were considered in computing diluted earnings per common share for 2025 because they were dilutive. Performance restricted shares totaling 70,800 shares subject only to service-based vesting were not considered in computing diluted earnings per common share for 2024 because they were antidilutive. Performance restricted stock awards for 72,320 and 76,800 shares were not considered in computing diluted earnings per common share for 2025 and 2024, respectively, as they are considered contingently issuable shares due to certain performance conditions not being met.

NOTE 18 – PRIVATE PLACEMENT OF COMMON AND PREFERRED STOCK

In December 2022 and January 2023, the Company completed private placement offerings that generated net cash proceeds of approximately \$28.6 million. In conjunction with the private placements, the Company issued warrants to purchase up to 211,667 shares of Common Stock at a price of \$14.00. The approximate fair value of the warrants was deemed immaterial by management. The Warrants are exercisable at any time after their grant date, and from time to time, in whole or in part, for 7 years from their grant dates, on December 30, 2029, and January 27, 2030. The exercise of such Warrants remains subject to certain contractual provisions and a “cashless exercise” may be executed.

NOTE 19 – SEGMENT REPORTING

The Company is a bank holding company, whose principal activity is the ownership and management of its wholly-owned subsidiary, the Bank. As a community-oriented financial institution, substantially all of the Company’s operations involve the delivery of loan and deposit products to customers. Management makes operating decisions and assesses performance based on an ongoing review of these banking operations, which constitute the Company’s only operating segment for financial reporting purposes.

The Company’s chief operating decision maker is comprised of the executive leadership team. For the Company, the executive leadership team net interest income after provision and income (loss) before provision for income taxes to allocate resources for in the annual budget and forecasting process. The chief operating decision maker considers budget-to-actual variances on a monthly basis for profit measures when making decisions about allocating capital and personnel to the operating segment. For the Bank, the executive leadership team uses net-interest income and non-interest income to allocate resources (including employees, financial, or capital resources) to that segment in the annual budget and forecasting process and uses that measure as a basis for evaluating lending terms for customer loans.

The following tables present information about reported segment revenue, measures of a segment’s profit or loss, and significant segment expenses for the years ended December 31, 2025, and December 31, 2024. The Company does not allocate all holding company expenses, income taxes, or unusual items to the reportable segment.

The following tables present the reconciliations of reportable segment revenues and measures of profit or loss and line-item reconciliation to the Company's consolidated financial statement totals.

For the year ended December 31, 2025	Bank	Unallocated Holding Company Amounts	Eliminations	Total
Interest and dividend income:				
Interest and fees on loans	\$ 44,707	\$ —	\$ —	\$ 44,707
Interest on securities	4,082	—	—	4,082
Interest on other interest-earning assets	4,380	18	—	4,398
Interest on ESOP Loan	—	85	(85)	—
Total interest income	53,169	103	(85)	53,187
Interest expense:				
Interest on deposits	20,093	—	—	20,093
Interest on borrowings	0	1,382	—	1,382
Interest on ESOP Loan	85	—	(85)	—
Total interest expense	20,178	1,382	(85)	21,475
Net interest income	32,991	(1,279)	—	31,712
Provision for credit losses	(3,607)	—	—	(3,607)
Net interest income after provision for credit losses	36,598	(1,279)	—	35,319
Noninterest income:				
Service charges on deposit accounts	460	—	—	460
Bank owned life insurance	284	—	—	284
Gain on sale of loans, net	—	—	—	—
Loss on sale of other real estate owned	—	—	—	—
Other income	135	76	—	211
Income from subsidiary	—	8,969	(8,969)	—
Total noninterest income	879	9,045	(8,969)	955
Noninterest expense:				
Salaries and employee benefits	13,740	—	—	13,740
Occupancy	2,680	—	—	2,680
Data processing	3,348	—	—	3,348
FDIC and other insurance expense	514	—	—	514
Professional Fees	1,416	245	—	1,661
Advertising	401	—	—	401
Core Deposit Intangible Amortization	1,551	—	—	1,551
Other expenses	2,427	3	—	2,430
Total noninterest expense	26,077	248	—	26,325
Income before provision for income taxes	11,399	7,519	(8,969)	9,949
(Benefit from) provision for income taxes	2,430	(342)	—	2,088
Net income	\$ 8,969	7,861	(8,969)	7,861

For the year ended December 31, 2024	Bank	Unallocated Holding Company Amounts	Eliminations	Total
Interest and dividend income:				
Interest and fees on loans	\$ 44,013	\$ —	\$ —	\$ 44,013
Interest on securities	2,164	—	—	2,164
Interest on other interest-earning assets	4,608	—	—	4,608
Interest on ESOP Loan	—	130	(130)	—
Total interest income	50,785	130	(130)	50,785
Interest expense:				
Interest on deposits	19,016	—	—	19,016
Interest on borrowings	1,119	1,352	—	2,471
Interest on ESOP Loan	130	—	(130)	—
Total interest expense	20,265	1,352	(130)	21,487
Net interest income	30,520	(1,222)	—	29,298
Provision for credit losses	3,825	—	—	3,825
Net interest income after provision for credit losses	26,696	(1,222)	—	25,473
Noninterest income:				
Service charges on deposit accounts	545	—	—	545
Bank owned life insurance	370	—	—	370
Gain on sale of loans, net	28	—	—	28
Loss on sale of other real estate owned	(432)	—	—	(432)
Preliminary bargain purchase gain on the merger (Note 2)	—	5,018	—	5,018
Other income	29	—	—	29
Income from subsidiary	—	(480)	480	—
Total noninterest income	540	4,538	480	5,558
Noninterest expense:				
Salaries and employee benefits	12,939	—	—	12,939
Occupancy	2,520	—	—	2,520
Data processing	3,934	—	—	3,934
FDIC and other insurance expense	586	—	—	586
Professional Fees	1,225	636	—	1,861
Merger Costs	1,929	1,834	—	3,763
Advertising	302	—	—	302
Core Deposit Intangible Amortization	1,341	—	—	1,341
Other expenses	3,167	3	—	3,170
Total noninterest expense	27,943	2,473	—	30,416
(Loss) income before provision for income taxes	(707)	843	480	615
(Benefit from) provision for income taxes	(227)	(846)	—	(1,074)
Net (loss) income	\$ (480)	1,689	480	1,689

NOTE 20 – INVESTMENTS IN LOW INCOME HOUSING TAX CREDITS

The Company invested in qualified affordable housing projects that generate low income housing tax credits (LIHTC) in 2025. At December 31, 2025, the balance of the LIHTC investments were \$4.9 million. These balances are reflected in the accrued interest receivable and other assets line on the consolidated balance sheets. Total unfunded commitments related to the investments in tax credit structures totaled \$3.7 million at December 31, 2025. The Company expects to fulfill most of these commitments by the end of 2027.

During the year ended December 31, 2025, the Company recognized amortization expenses of \$96,000, which was included within income tax expense on the consolidated statements of income. Additionally, during the years ended December 31, 2025, the Company recognized tax credits and other benefits from its LIHTC investment in tax credit structures of \$118,000.