Table of Contents

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2026**

**☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____**

**Commission file number: 000-33063**

# SIERRA BANCORP

**(Exact name of Registrant as specified in its charter)**

| **California** | **33-0937517** |
|---|---|
| **(State of Incorporation)** | **(IRS Employer Identification No)** |

**86 North Main Street, Porterville, California 93257**
**(Address of principal executive offices) (Zip Code)**

**(559) 782-4900**
**(Registrant's telephone number, including area code)**

**Not Applicable**
**(Former name, former address and former fiscal year, if changed since last report)**

Securities registered pursuant to Section 12(b) of the Act:

| **Title of each class** | **Trading Symbol(s)** | **Name of each exchange on which registered** |
|---|---|---|
| Common Stock, no par value | BSRR | The NASDAQ Stock Market LLC |

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Table of Contents

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).
Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ☐ | Accelerated Filer: | ☒ |
| Non-accelerated Filer: | ☐ | Smaller Reporting Company: | ☐ |
| Emerging Growth Company: | ☐ | | |

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section7(a)(2)(B) of the Securities Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of October 26, 2026, the registrant had 12,966,397 shares of common stock outstanding, including 173,492 shares of unvested restricted stock.

**FORM 10-Q**

**Table of Contents**


| | Page |
|---|---|
| **Part I - Financial Information** | 1 |
| Item 1. Financial Statements (Unaudited) | 1 |
| Consolidated Balance Sheets | 1 |
| Consolidated Statements of Income | 2 |
| Consolidated Statements of Comprehensive Income (Loss) | 3 |
| Consolidated Statements of Changes In Shareholders' Equity | 4 |
| Consolidated Statements of Cash Flows | 6 |
| Notes to Consolidated Financial Statements (Unaudited) | 7 |
| Item 2. Management's Discussion & Analysis of Financial Condition & Results of Operations | 37 |
| Forward-Looking Statements | 37 |
| Critical Accounting Policies | 38 |
| Overview of the Results of Operations and Financial Condition | 39 |
| Earnings Performance | 41 |
| Net Interest Income and Net Interest Margin | 41 |
| Provision for Credit Loss Expense | 46 |
| Noninterest Income and Noninterest Expense | 47 |
| Provision for Income Taxes | 49 |
| Balance Sheet Analysis | 49 |
| Earning Assets | 49 |
| Investments | 49 |
| Loan Portfolio | 52 |
| Nonperforming Assets | 54 |
| Allowance for Credit Losses on Loans | 55 |
| Off-Balance Sheet Arrangements | 57 |
| Other Assets | 58 |
| Deposits and Interest-Bearing Liabilities | 59 |
| Deposits | 59 |
| Other Interest-Bearing Liabilities | 60 |
| Noninterest-Bearing Liabilities | 60 |
| Liquidity and Market Risk Management | 60 |
| Capital Resources | 63 |
| Item 3. Quantitative & Qualitative Disclosures about Market Risk | 64 |
| Item 4. Controls and Procedures | 65 |
| **Part II - Other Information** | 66 |
| Item 1. - Legal Proceedings | 66 |
| Item 1A. - Risk Factors | 66 |
| Item 2. - Unregistered Sales of Equity Securities and Use of Proceeds | 66 |
| Item 3. - Defaults upon Senior Securities | 66 |
| Item 4. - Mine Safety Disclosures | 66 |
| Item 5. - Other Information | 66 |
| Item 6. - Exhibits | 67 |
| **Signatures** | 69 |

**PART I - FINANCIAL INFORMATION**
**Item 1 – Financial Statements**

**SIERRA BANCORP**
**CONSOLIDATED BALANCE SHEETS**
(dollars in thousands)

| | September 30, 2026 (unaudited) | December 31, 2025 (audited) |
|---|---|---|
| **ASSETS** | | |
| Cash and due from banks | $ 92,672 | $ 71,414 |
| Interest-bearing deposits in banks | 45,635 | 64,214 |
| Total cash & cash equivalents | 138,307 | 135,628 |
| Investment securities | | |
| Available-for-sale, net of zero allowance for credit losses | 584,897 | 625,330 |
| Held-to-maturity, net of allowance for credit losses of $14 and $15 | 277,577 | 290,811 |
| Total investment securities | 862,474 | 916,141 |
| Loans, net: | | |
| Gross loans | 2,428,610 | 2,546,880 |
| Deferred loan costs, net | (99) | (35) |
| Allowance for credit losses on loans | (21,650) | (21,480) |
| Net loans | 2,406,861 | 2,525,365 |
| Foreclosed assets | — | 1,565 |
| Premises and equipment, net | 14,295 | 14,974 |
| Goodwill | 27,357 | 27,357 |
| Other intangible assets, net | — | 52 |
| Bank-owned life insurance | 70,494 | 69,283 |
| Other assets | 155,412 | 138,914 |
| Total assets | $ 3,675,200 | $ 3,829,279 |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Deposits: | | |
| Noninterest-bearing | $ 1,055,117 | $ 995,623 |
| Interest-bearing | 1,929,624 | 1,880,813 |
| Total deposits | 2,984,741 | 2,876,436 |
| Repurchase agreements | 113,088 | 130,853 |
| Other borrowings | 52,000 | 302,700 |
| Long-term debt | 49,551 | 49,483 |
| Subordinated debentures | 36,151 | 36,017 |
| Allowance for credit losses on unfunded loan commitments | 580 | 710 |
| Other liabilities | 77,343 | 68,217 |
| Total liabilities | 3,313,454 | 3,464,416 |
| | | |
| Commitments and contingent liabilities (Note 7) | | |
| | | |
| Shareholders' equity | | |
| Common stock, no par value; 24,000,000 shares authorized; 12,966,397 and 13,273,788 shares issued and outstanding at September 30, 2026 and December 31, 2025, respectively | 102,707 | 103,394 |
| Additional paid-in capital | 5,090 | 4,642 |
| Retained earnings | 295,689 | 280,001 |
| Accumulated other comprehensive loss, net | (41,740) | (23,174) |
| Total shareholders' equity | 361,746 | 364,863 |
| Total liabilities and shareholders' equity | $ 3,675,200 | $ 3,829,279 |

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

**SIERRA BANCORP**
**CONSOLIDATED STATEMENTS OF INCOME**
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2026 AND 2025**
(dollars in thousands, except per share data, unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 |
| Interest and dividend income | | | | |
| Loans, including fees | $ 33,139 | $ 32,924 | $ 95,692 | $ 94,708 |
| Taxable securities | 7,874 | 9,104 | 23,831 | 27,539 |
| Tax-exempt securities | 1,697 | 1,580 | 5,000 | 4,733 |
| Federal funds sold and other | 207 | 329 | 530 | 1,128 |
| Total interest income | 42,917 | 43,937 | 125,053 | 128,108 |
| Interest expense | | | | |
| Deposits | 8,756 | 9,606 | 24,940 | 28,304 |
| Federal funds purchased and repurchase agreements | 425 | 420 | 2,152 | 1,087 |
| Federal Home Loan Bank advances | 335 | 857 | 1,490 | 2,729 |
| Long-term debt | 429 | 429 | 1,291 | 1,289 |
| Subordinated debentures | 607 | 657 | 1,794 | 1,965 |
| Total interest expense | 10,552 | 11,969 | 31,667 | 35,374 |
| Net interest income | 32,365 | 31,968 | 93,386 | 92,734 |
| Credit loss (benefit) expense - loans | (2,024) | 3,709 | 336 | 6,880 |
| Credit loss expense (benefit) - unfunded commitments | 10 | (20) | (130) | 80 |
| Credit loss benefit - debt securities held-to-maturity | — | — | (1) | — |
| Net interest income after credit loss expense | 34,379 | 28,279 | 93,181 | 85,774 |
| Noninterest income | | | | |
| Service charges and fees on deposit accounts | 6,112 | 6,065 | 17,773 | 17,501 |
| Net gain on sale of securities available-for-sale | — | — | — | 124 |
| Net gain (loss) on sale of fixed assets | — | — | 360 | (22) |
| Increase in cash surrender value of life insurance | 421 | 410 | 1,256 | 991 |
| Earnings on separate account life insurance | 112 | 608 | 1,118 | 1,078 |
| Other income | 1,071 | 975 | 3,749 | 3,580 |
| Total noninterest income | 7,716 | 8,058 | 24,256 | 23,252 |
| Noninterest expense | | | | |
| Salaries and benefits | 12,161 | 12,827 | 37,408 | 38,375 |
| Occupancy and equipment | 3,162 | 3,234 | 9,451 | 9,354 |
| Other | 6,991 | 7,574 | 20,791 | 22,090 |
| Total noninterest expense | 22,314 | 23,635 | 67,650 | 69,819 |
| Income before taxes | 19,781 | 12,702 | 49,787 | 39,207 |
| Provision for income taxes | 4,500 | 3,003 | 12,067 | 9,774 |
| Net income | $ 15,281 | $ 9,699 | $ 37,720 | $ 29,433 |
| | | | | |
| PER SHARE DATA | | | | |
| Earnings per share basic | $ 1.19 | $ 0.73 | $ 2.93 | $ 2.17 |
| Earnings per share diluted | $ 1.18 | $ 0.72 | $ 2.90 | $ 2.15 |
| Average shares outstanding, basic | 12,790,829 | 13,361,594 | 12,875,239 | 13,582,194 |
| Average shares outstanding, diluted | 12,923,493 | 13,470,658 | 12,992,143 | 13,674,934 |

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

**SIERRA BANCORP**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2026 AND 2025**
(dollars in thousands, unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 |
| Net income | $ 15,281 | $ 9,699 | $ 37,720 | $ 29,433 |
| Other comprehensive (loss) income, net of tax: | | | | |
| Unrealized (loss) gain on securities: | | | | |
| Unrealized holding (loss) gain arising during period [2] | (21,608) | 4,963 | (23,062) | 8,773 |
| Less: reclassification adjustment for gains included in net income [1] | — | — | — | (124) |
| Tax effect | 4,066 | (1,468) | 4,496 | (2,557) |
| Other comprehensive (loss) income, net of tax | (17,542) | 3,495 | (18,566) | 6,092 |
| Comprehensive (loss) income | $ (2,261) | $ 13,194 | $ 19,154 | $ 35,525 |

(1) Amounts are included in net gains on investment securities available-for-sale on the Consolidated Statements of Income in noninterest income. There were no income tax expenses associated with the reclassification adjustment for the three months ended September 30, 2026 and 2025. Income tax expenses associated with the reclassification adjustment for the nine months ended September 30, 2026 and 2025, were zero and $37 thousand, respectively.
(2) Included in the unrealized holding gain arising during the period is the accretion of the net unrealized loss on debt securities transferred to held-to-maturity from available-for-sale of $1.3 million and $0.5 million for the three months ended September 30, 2026 and 2025, respectively, and $2.3 million and $1.7 million for the nine months ended September 30, 2026 and 2025, respectively.

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

**SIERRA BANCORP**
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2026 AND 2025**
(dollars in thousands, except per share data, unaudited)

| | Common Stock | | Additional Paid In | Retained | Accumulated Other Comprehensive | Shareholders' |
|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Earnings | (Loss) Income | Equity |
| Balance, June 30, 2025 | 13,681,828 | $ 105,045 | $ 4,968 | $ 274,354 | $ (28,660) | $ 355,707 |
| Net income | — | — | — | 9,699 | — | 9,699 |
| Other comprehensive income, net of tax | — | — | — | — | 3,495 | 3,495 |
| Stock options exercised, net of shares surrendered for cashless exercises | 9,090 | 217 | — | — | — | 217 |
| Restricted shares withheld for taxes | (7,596) | (58) | — | — | — | (58) |
| Restricted stock forfeited / cancelled | (10,522) | — | — | — | — | — |
| Restricted stock vested in period | — | 323 | (323) | — | — | — |
| Stock based compensation - restricted stock | — | — | 436 | — | — | 436 |
| Stock repurchase | (190,342) | (1,462) | — | (4,516) | — | (5,978) |
| Excise tax on stock repurchase | — | (53) | — | — | — | (53) |
| Cash dividends - $0.25 per share | — | — | — | (3,382) | — | (3,382) |
| Balance, September 30, 2025 | 13,482,458 | $ 104,012 | $ 5,081 | $ 276,155 | $ (25,165) | $ 360,083 |
| | | | | | | |
| Balance, June 30, 2026 | 12,963,397 | $ 102,604 | $ 4,583 | $ 283,908 | $ (24,198) | $ 366,897 |
| Net income | — | — | — | 15,281 | — | 15,281 |
| Other comprehensive loss, net of tax | — | — | — | — | (17,542) | (17,542) |
| Stock options exercised, net of shares surrendered for cashless exercises | 3,000 | 102 | (18) | — | — | 84 |
| Stock based compensation - restricted stock | — | — | 525 | — | — | 525 |
| Excise tax on stock repurchased | — | 1 | — | — | — | 1 |
| Cash dividends - $0.27 per share | — | — | — | (3,500) | — | (3,500) |
| Balance, September 30, 2026 | 12,966,397 | $ 102,707 | $ 5,090 | $ 295,689 | $ (41,740) | $ 361,746 |

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

**SIERRA BANCORP**
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2026 AND 2025**
(dollars in thousands, except per share data, unaudited

| | Common Stock | | Additional Paid In | Retained | Accumulated Other Comprehensive | Shareholders' |
|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Earnings | (Loss) Income | Equity |
| Balance, December 31, 2024 | 14,223,046 | $ 108,965 | $ 4,509 | $ 275,085 | $ (31,257) | $ 357,302 |
| Net income | — | — | — | 29,433 | — | 29,433 |
| Other comprehensive income, net of tax | — | — | — | — | 6,092 | 6,092 |
| Stock options exercised, net of shares surrendered for cashless exercises | 30,200 | 827 | (99) | — | — | 728 |
| Restricted stock granted | 62,692 | — | — | — | — | — |
| Restricted shares withheld for taxes | (17,201) | (138) | — | (208) | — | (346) |
| Restricted stock forfeited / cancelled | (13,526) | — | — | — | — | — |
| Restricted stock vested in period | — | 806 | (806) | — | — | — |
| Stock based compensation - stock options | — | — | 3 | — | — | 3 |
| Stock based compensation - restricted stock | — | — | 1,474 | — | — | 1,474 |
| Stock repurchase | (802,753) | (6,156) | — | (17,809) | — | (23,965) |
| Excise tax on stock repurchase | — | (292) | — | — | — | (292) |
| Cash dividends - $0.75 per share | — | — | — | (10,346) | — | (10,346) |
| Balance, September 30, 2025 | 13,482,458 | $ 104,012 | $ 5,081 | $ 276,155 | $ (25,165) | $ 360,083 |
| | | | | | | |
| Balance, December 31, 2025 | 13,273,788 | $ 103,394 | $ 4,642 | $ 280,001 | $ (23,174) | $ 364,863 |
| Net income | — | — | — | 37,720 | — | 37,720 |
| Other comprehensive loss, net of tax | — | — | — | — | (18,566) | (18,566) |
| Stock options exercised, net of shares surrendered for cashless exercises | 61,200 | 1,885 | (315) | — | — | 1,570 |
| Restricted stock granted | 55,006 | — | — | — | — | — |
| Restricted shares withheld for taxes | (13,023) | (106) | — | (355) | — | (461) |
| Restricted stock forfeited / cancelled | (14,145) | — | — | — | — | — |
| Restricted stock vested in period | — | 747 | (747) | — | — | — |
| Stock based compensation - restricted stock | — | — | 1,510 | — | — | 1,510 |
| Stock repurchase | (396,429) | (3,102) | — | (11,345) | — | (14,447) |
| Excise tax on stock repurchase | — | (111) | — | — | — | (111) |
| Cash dividends - $0.79 per share | — | — | — | (10,332) | — | (10,332) |
| Balance, September 30, 2026 | 12,966,397 | $ 102,707 | $ 5,090 | $ 295,689 | $ (41,740) | $ 361,746 |

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

**SIERRA BANCORP**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2026 AND 2025**
(dollars in thousands, unaudited)

| | Nine months ended | |
|---|---|---|
| | **2026** | **2025** |
| Cash flows from operating activities: | | |
| Net income | $ 37,720 | $ 29,433 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Gain on sales of securities | — | (124) |
| (Gain) loss on disposal of fixed assets | (360) | 22 |
| Stock based compensation expense | 1,510 | 1,477 |
| Provision for credit losses on loans | 336 | 6,880 |
| (Benefit) provision for credit losses on held-to-maturity securities | (1) | — |
| (Benefit) provision for credit losses on unfunded commitments | (130) | 80 |
| Depreciation and amortization | 1,484 | 1,567 |
| Net accretion on securities premiums and discounts | (1,223) | (377) |
| Net accretion of premiums/discounts for loans acquired | 33 | (201) |
| Increase in cash surrender value of life insurance policies | (2,374) | (2,069) |
| Amortization of core deposit intangible | 52 | 486 |
| (Increase) decrease in interest receivable and other assets | (16,063) | 1,523 |
| Increase (decrease) in other liabilities | 9,296 | (21,119) |
| Deferred income tax provision | 1,202 | 690 |
| Increase in value of restricted bank equity securities | (602) | — |
| Excise tax on stock repurchases | (281) | (111) |
| Amortization of debt issuance costs | 68 | 68 |
| Net amortization of variable interest entities | 7,306 | 1,480 |
| **Net cash provided by operating activities** | 37,973 | 19,705 |
| Cash flows from investing activities: | | |
| Maturities and calls of debt securities available-for-sale | 27,714 | 33,490 |
| Purchases of debt securities available-for-sale | (79,820) | (288,333) |
| Principal paydowns on debt securities available-for-sale | 69,671 | 322,368 |
| Maturities and calls of debt securities held-to-maturity | 2,115 | 475 |
| Principal paydowns on debt securities held-to-maturity | 12,149 | 11,187 |
| Net purchases of FHLB stock | (324) | — |
| Loan (originations) and payments, net | 118,135 | (168,522) |
| Purchases of premises and equipment | (830) | (1,080) |
| Proceeds from sale of premises and equipment | 519 | — |
| Proceeds from sales of foreclosed assets | 1,565 | — |
| Purchase of bank-owned life insurance | (47) | (150) |
| Purchase of split dollar life insurance policies | — | (15,000) |
| Liquidation of bank-owned life insurance | 301 | — |
| Capital contributions to partnership investments | (3,521) | — |
| Proceeds from BOLI death benefit | 909 | 1,645 |
| **Net cash provided by (used in) investing activities** | 148,536 | (103,920) |
| Cash flows from financing activities: | | |
| Increase in deposits | 108,305 | 41,092 |
| (Decrease) increase in Fed funds purchased | (193,000) | 25,000 |
| Decrease (increase) in short-term Federal Home Loan Bank advances | (12,700) | 30,000 |
| Repayments on Federal Home Loan Bank advances and other debt | (45,000) | — |
| (Decrease) increase in customer repurchase agreements | (17,765) | 16,889 |
| Cash dividends paid | (10,332) | (10,346) |
| Repurchase of common stock, net | (14,908) | (24,311) |
| Stock options exercised | 1,570 | 728 |
| **Net cash (used in) provided by financing activities** | (183,830) | 79,052 |
| **Increase (decrease) in cash and cash equivalents** | 2,679 | (5,163) |
| Cash and cash equivalents | | |
| Beginning of period | 135,628 | 100,664 |
| End of period | $ 138,307 | $ 95,501 |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | $ 37,480 | $ 39,656 |
| Income taxes paid | $ 8,305 | $ 8,483 |
| Supplemental schedule of noncash investing and financing activities: | | |
| Real estate acquired through foreclosure | $ — | $ 1,839 |
| Loans provided for sales of real estate owned | $ 1,000 | $ — |
| Right-of-use assets obtained in exchange for new lease liabilities | $ 573 | $ 180 |

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

**SIERRA BANCORP**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**September 30, 2026**
(Unaudited)

***Note 1 – The Business of Sierra Bancorp***

Sierra Bancorp (the "Company") is a California corporation headquartered in Porterville, California, and is a registered bank holding company under federal banking laws. The Company was formed to serve as the holding company for Bank of the Sierra (the "Bank") and has been the Company's sole shareholder since August 2001. The Company exists primarily for the purpose of holding the stock of the Bank and of such other subsidiaries it may acquire or establish. As of September 30, 2026, the Company's only other subsidiaries were Sierra Statutory Trust II, Sierra Capital Trust III, and Coast Bancorp Statutory Trust II, which were formed solely to facilitate the issuance of capital trust pass-through securities ("TRUPS"). Pursuant to the Financial Accounting Standards Board ("FASB") standard on the consolidation of variable interest entities, these trusts are not reflected on a consolidated basis in the Company's financial statements. References herein to the "Company" include Sierra Bancorp and its consolidated subsidiary, the Bank, unless the context indicates otherwise.

Bank of the Sierra, a California state-chartered bank headquartered in Porterville, California, offers a wide range of retail and commercial banking services via branch offices located throughout California's South San Joaquin Valley, the Central Coast, Ventura County, and neighboring communities. The Bank was incorporated in September 1977 and opened for business in January 1978 as a one-branch bank with $1.5 million in capital. The Company's growth in the ensuing years has largely been organic in nature but includes four whole-bank acquisitions: Sierra National Bank in 2000, Santa Clara Valley Bank in 2014, Coast National Bank in 2016, and Ojai Community Bank in October 2017. As of the filing date of this report, the Bank operates 34 full-service branches, maintaining ATMs at all but one branch location as well as at six non-branch locations. The Bank focuses on lending to commercial and industrial, commercial real estate, and mortgage warehouse borrowers. The Company had total assets of $3.7 billion at September 30, 2026. The Company's deposit accounts, which totaled $3.0 billion at September 30, 2026, are insured by the Federal Deposit Insurance Corporation ("FDIC") up to maximum insurable amounts.

***Note 2 – Basis of Presentation***

The accompanying interim unaudited consolidated financial statements have been prepared in a condensed format as allowed under U.S. generally accepted accounting principles ("GAAP"). Therefore, these financial statements do not include all of the information and footnotes required for complete, audited financial statements as presented in the Company's Annual Report on Form 10-K. The information furnished in these interim statements reflects all adjustments that are, in the opinion of Management, necessary for a fair statement of the results for such periods. Such adjustments can generally be considered as normal and recurring unless otherwise disclosed in this Form 10-Q. In preparing the accompanying financial statements, Management has taken subsequent events into consideration, through September 30, 2026, and recognized them where appropriate. The results of operations in the interim statements are not necessarily indicative of the results that may be expected for any other quarter, or for the full year. Certain amounts reported for 2025 have been reclassified to be consistent with the reporting for 2026, none of which impacted net income or shareholders' equity. The interim financial information should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2025, as filed with the Securities and Exchange Commission (the "SEC").

Segment information

An operating segment is generally defined as a component of business for which discrete financial information is available and whose operating results are regularly reviewed by the chief operating decision maker. As a community-oriented financial institution, substantially all of the Company's operations involve the delivery of loan and deposit products to customers.

The chief operating decision maker makes operating decisions and assesses performance based on an ongoing review of the Company's community banking activities (loan and deposit products), which constitute the Company's only operating segment for financial reporting purposes. The Company's single segment is managed on a consolidated basis by the chief operating decision maker, which is the Executive Committee, consisting of the chief executive officer, chief financial officer/chief operations officer, chief risk officer, chief credit officer, and chief banking officer. The accounting policies of the community banking segment are the same as those described in the summary of significant accounting policies of the Company. The chief operating decision maker uses consolidated expense information to manage the operations of the segment. The consolidated expense information is the same as is reported on the income statement as consolidated net income. The measure of segment assets is reported on the balance sheet as total consolidated assets.

The chief operating decision maker uses consolidated net income to evaluate income generated from segment assets (return on assets) in deciding whether to reinvest profits into the community banking segment or into other parts of the entity, such as for whole bank or branch acquisitions, or to pay dividends.

Net income is used to monitor budget versus actual results. The chief operating decision maker also uses net income in competitive analysis by benchmarking to the Company's peer banking competitors. The competitive analysis along with the monitoring of budgeted versus actual results are used in assessing performance of the segment and in establishing Management's compensation.

The Company does not have intra-entity revenues or transfers.

Revisions of Previously Issued Financial Statements

Certain immaterial prior period amounts in the Consolidated Statement of Cash Flows have been revised and are reflected below. Specifically, cash flows from investing activities related to available-for-sale and held-to-maturity debt securities were combined on the Consolidated Statement of Cash Flows. These have been disaggregated and presented gross by classification. The changes were presentation only and had no impact on previously reported net income, total assets, total liabilities, or shareholders' equity. The changes also had no impact on net cash provided by (used in) investing activities or total change in cash and cash equivalents.

The effect of the above revision on previously reported financial statements is presented below (dollars in thousands, unaudited):

| | As previously reported | Impact of Revision | As Revised |
|---|---|---|---|
| **Consolidated statement of cash flows for the nine months ended September 30, 2025** | | | |
| Cash flows from investing activities: | | | |
| Maturities and calls of debt securities available-for-sale | $ 33,965 | $ (475) | $ 33,490 |
| Maturities and calls of debt securities held-to-maturity | $ — | $ 475 | $ 475 |
| Principal paydowns on debt securities available-for-sale | 333,555 | (11,187) | 322,368 |
| Principal paydowns on debt securities held-to-maturity | — | 11,187 | 11,187 |

***Note 3 – Current Accounting Developments***

On October 9, 2023, the FASB issued ASU 2023-06, "*Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification of Initiative.*" ASU 2023-06 amends the disclosure or presentation requirements related to various subtopics in the FASB Accounting Standards Codification (the "Codification"). The ASU was issued in response to the SEC's August 2018 final rule that updated and simplified disclosure requirements that the SEC believed were "redundant, duplicative, overlapping, outdated, or superseded." The new guidance is intended to align U.S. GAAP requirements with those of the SEC and to facilitate the application of U.S. GAAP for all entities. ASU 2023-06 applies to all reporting entities within the scope of the amended subtopics. Note that some of the amendments introduced by the ASU are technical corrections or clarifications of the FASB's current disclosure or presentation requirements. The effective date for each amendment of ASU 2023-06 will be the date on which the SEC's removal of that related disclosure requirement from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The Company will apply the amendments in ASU 2023-06 prospectively after the effective dates. The adoption of this standard is not expected to have a significant effect on the Company's financial statements.

In November 2024, the FASB issued ASU 2024-03, "Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40)." ASU 2024-03 requires public business entities to disclose specific information about certain costs and expenses in the notes to its financial statements for interim and annual reporting periods. The objective of the disclosure requirements is to provide disaggregated information about a public business entity's expenses to help investors (a) better understand the entity's performance, (b) better assess the entity's prospects for future cash flows, and (c) compare an entity's performance over time and with that of other entities. The effective date of Update 2024-03 was amended by ASU 2025-01, Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date. Public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption of Update 2024-03 is permitted. ASU 2024-03 is not expected to have a significant impact on our financial statements.

In November 2025, the FASB issued ASU 2025-08, "Financial Instruments-Credit Losses (Topic 326): Purchased Loans." ASU 2025-08 expands the application of the gross-up approach currently used for purchased credit deteriorated ("PCD") assets to certain acquired loans that meet the definition of purchased seasoned loans. Under the amended guidance, an allowance for credit losses is recognized at the acquisition date through a corresponding adjustment to the amortized cost basis of the acquired loan, rather than through provision expense recognized on the acquisition date. The amendments are intended to improve comparability in the accounting for acquired loans and better reflect the economics of loans acquired at fair value. The guidance is effective for fiscal years beginning after December 15, 2026, including interim periods within those fiscal years, with early adoption permitted. The Company elected to early adopt ASU 2025-08 effective July 1, 2026, on a prospective basis. The adoption of this standard did not have a material effect on the Company's financial statements.

In December 2025, the FASB issued ASU 2025-11, "Interim Reporting (Topic 270)" related to interim disclosure requirements. The amendments in this update clarify current interim disclosure requirements and provide a comprehensive list of required interim disclosures. The update also incorporates a disclosure principle that requires entities to disclose material events that occur after the end of the last annual reporting period. This update is effective for interim periods within annual periods beginning after December 15, 2027 and early adoption is permitted. The Company is currently evaluating the guidance but does not currently expect adoption to have a material impact on its consolidated financial statements.

***Note 4 – Share Based Compensation***

On March 17, 2023, the Company's Board of Directors approved and adopted the 2023 Equity Compensation Plan (the "2023 Plan"), which became effective May 24, 2023, the date approved by the Company's shareholders. The 2023 Plan replaced the Company's 2017 Stock Incentive Plan (the "2017 Plan"). Options to purchase 107,200 shares granted under the 2017 Plan and options to purchase 21,000 shares that were granted under the 2007 Plan were still outstanding as of September 30, 2026, and remain unaffected by that plan's expiration. The 2023 Plan provides for the issuance of various types of equity awards, including options, stock appreciation rights, restricted stock awards, restricted share units, performance share awards, dividend equivalents, or any combination thereof. Such awards may be granted to officers and employees as well as non-employee directors, which may be granted on such terms and conditions as are established by the Board of Directors or the Compensation Committee in its discretion. The total number of shares of the Company's authorized but unissued stock reserved for issuance pursuant to awards under the 2023 Plan was initially 360,000 shares, and the number remaining available for grant as of September 30, 2026, was 229,488. Any unexercised, unvested, or undistributed portion of any expired, cancelled, terminated, or forfeited awards under the Company's 2017 Plan are added to the number of shares available to grant under the 2023 Plan. There were 173,492 unvested Restricted Stock Awards issued under the 2023 Equity Compensation Plan at September 30, 2026, and are included in shares outstanding. The potential dilutive impact of unexercised stock options and unvested restricted stock is discussed below in Note 5, Earnings per Share.

Pursuant to FASB's standards on stock compensation, the value of each stock option and restricted stock award is reflected in the income statement as employee compensation or directors' expense by amortizing its grant date fair value over the vesting period of the option or award. The Company utilized a Black-Scholes model to determine grant date fair values for options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards. Forfeitures are reflected in compensation costs as they occur for both types of awards. A pre-tax charge of $1.5 million was reflected in the Company's income statement during the first nine months of 2026 and $1.5 million during the first nine months of 2025, as expense related to stock options and restricted stock awards.

**Restricted Stock Awards**

The Company's Restricted Stock Awards are awards of either time-vested or performance-based shares. The Restricted Stock Awards are non-transferable shares of common stock and are available to be granted to the Company's employees and directors. The vesting period of Restricted Stock Awards is determined at the time the awards are issued, and different awards may have different vesting terms or performance measures, provided, however, that no installment of any Restricted Stock Award shall become vested less than one year from the grant date. Restricted Stock Awards are valued utilizing the fair value of the Company's stock at the grant date. These awards are expensed on a straight-line basis over the vesting period and consider the probability of meeting the performance criteria. There were 55,006 shares granted to employees of the Company during the first nine months of 2026. As of September 30, 2026, there was $2.8 million of unamortized compensation cost related to unvested Restricted Stock Awards granted under the 2017 and 2023 plans. That cost is expected to be amortized over a weighted average period of 2.2 years.

The Company's restricted stock award activity for the nine months ended September 30, 2026 and 2025, is summarized below (unaudited):

| | Nine months ended September 30, | | | |
|---|---|---|---|---|
| | 2026 | | 2025 | |
| | Shares | Weighted Average Grant-Date Fair Value | Shares | Weighted Average Grant-Date Fair Value |
| Unvested shares, January 1, | 161,467 | $ 26.02 | 173,970 | $ 20.75 |
| Granted | 55,006 | 37.05 | 62,692 | 30.94 |
| Vested | (28,836) | 25.87 | (38,827) | 19.66 |
| Forfeited | (14,145) | 28.51 | (13,526) | 20.69 |
| Unvested shares, September 30, | 173,492 | $ 29.52 | 184,309 | $ 24.83 |

**Stock Option Grants**

The Company has issued equity instruments in the form of Incentive Stock Options and Nonqualified Stock Options to certain officers and directors. No options have been granted since 2020, but the Company could elect to issue under the 2023 Plan. The exercise price of each stock option is determined at the time of the grant and may be no less than 100% of the fair market value of such stock at the time the option is granted.

The Company's stock option activity during the nine months ended September 30, 2026 and 2025, are summarized below (dollars in thousands, except per share data, unaudited):

| | Nine months ended September 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2026 | | | | | 2025 | | | | |
| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (1) | | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (1) | |
| Outstanding at January 1, | 189,400 | $ 26.85 | | $ 1,104 | | 239,600 | $ 26.50 | | $ 580 | |
| Exercised | (61,200) | $ 25.71 | | $ 731 | | (30,200) | $ 24.10 | | $ 206 | |
| Forfeited/Expired | — | $ — | | $ — | | — | $ — | | $ — | |
| Outstanding at September 30, | 128,200 | $ 27.40 | 2.38 | $ 1,494 | | 209,400 | $ 26.85 | 3.11 | $ 432 | |
| Exercisable at September 30, | 128,200 | $ 27.40 | 2.38 | $ 1,494 | | 209,400 | $ 26.85 | 3.11 | $ 432 | |

(1) The aggregate intrinsic value of stock options in the table above represents the total pre-tax intrinsic value (the amount by which the current market value of the underlying stock exceeds the exercise price of the option) that would have been received by the option holders had all option holders exercised their options on the last day of the period. This amount changes based on changes in the market value of the Company's stock.

***Note 5 – Earnings per Share***

The computation of earnings per share, as presented in the Consolidated Statements of Income, is based on the weighted average number of shares outstanding during each period, excluding unvested restricted stock awards. Diluted earnings per share calculations include the effect of the potential issuance of common shares, which for the Company is limited to shares that would be issued on the exercise of "in-the-money" stock options, and unvested restricted stock awards. Anti-dilution occurs when the unrecognized compensation cost per share of a restricted stock unit or the exercise price of a stock option exceeds the market price of the Company's stock.

The Company's earnings per share activity for the three and nine months ended September 30, 2026 and 2025, is summarized below (dollars in thousands, except per share data, unaudited):

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 |
| Basic Earnings Per Share | | | | |
| Net income | $ 15,281 | $ 9,699 | $ 37,720 | $ 29,433 |
| Weighted average shares outstanding - basic | 12,790,829 | 13,361,594 | 12,875,239 | 13,582,194 |
| Basic earnings per share | $ 1.19 | $ 0.73 | $ 2.93 | $ 2.17 |
| | | | | |
| Diluted Earnings Per Share | | | | |
| Net income | $ 15,281 | $ 9,699 | $ 37,720 | $ 29,433 |
| Weighted average shares outstanding - basic | 12,790,829 | 13,361,594 | 12,875,239 | 13,582,194 |
| Effect of dilutive equity awards | 132,664 | 109,064 | 116,904 | 92,740 |
| Weighted average shares outstanding - diluted | 12,923,493 | 13,470,658 | 12,992,143 | 13,674,934 |
| Diluted earnings per share | $ 1.18 | $ 0.72 | $ 2.90 | $ 2.15 |
| | | | | |
| Anti dilutive equity awards | — | 83 | 20 | — |

***Note 6 – Comprehensive Income***

As presented in the Consolidated Statements of Comprehensive Income (Loss), comprehensive (loss) income includes net income and other comprehensive (loss) income. The Company's only source of other comprehensive (loss) income is unrealized gains and losses derived from available-for-sale investment securities, including those securities that were transferred to held-to-maturity. See Note 9 for additional details. Investment gains or losses that were realized and reflected in net income of the current period, which had previously been included in other comprehensive (loss) income as unrealized holding gains or losses in the period in which they arose, are considered to be reclassification adjustments that are excluded from other comprehensive (loss) income in the current period.

***Note 7 – Commitments and Contingent Liabilities***

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business. Those financial instruments currently consist of unused commitments to extend credit and standby letters of credit. They involve, to varying degrees, elements of risk in excess of the amount recognized in the consolidated balance sheet. The Company's exposure to credit loss in the event of nonperformance by counterparties for commitments to extend credit and letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and issuing letters of credit as it does for originating loans included on the consolidated balance sheet. The following financial instruments represent off-balance-sheet credit risk (dollars in thousands):

| | September 30, 2026 | December 31, 2025 |
|---|---|---|
| Commitments or facilities to extend credit | $ 751,690 | $ 547,424 |
| Standby letters of credit | $ 1,768 | $ 5,708 |

Commitments to extend credit consist primarily of the unused or unfunded portions of the following: mortgage warehouse facilities; home equity lines of credit; commercial real estate construction loans, where disbursements are made over the course of construction; commercial revolving lines of credit; unsecured personal lines of credit; and formalized (disclosed) deposit account overdraft lines. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many commitments are expected to expire without being drawn upon, the unused portions of committed amounts do not necessarily represent future cash requirements. Standby letters of credit are issued by the Company to guarantee the performance of a customer to a third party, and the credit risk involved in issuing letters of credit is essentially the same as the risk involved in extending loans to customers. Included in unused commitments are mortgage warehouse facilities which are in the form of repo lines and are unconditionally cancelable. Unused commitments on mortgage warehouse facilities were $488.2 million at September 30, 2026, and $247.7 million at December 31, 2025.

The allowance for credit losses (ACL) on unfunded commitments is estimated using the same reserve or coverage rates calculated on collectively evaluated loans following the application of a funding rate to the amount of the portion of the unfunded commitment that is not unconditionally cancelable. The funding rate represents Management's estimate of the amount of the current unfunded commitment that will be funded over the remaining contractual life of the commitment and is based on historical data. The ACL on unfunded loan commitments is located within liabilities on the consolidated balance sheet while any related provision (benefit) expense is recorded as a provision (benefit) for credit losses.

At September 30, 2026, the Company was also utilizing a letter of credit in the amount of $125.0 million issued by the Federal Home Loan Bank ("FHLB") on the Company's behalf as security for certain deposits. That letter of credit is backed by loans which are pledged to the FHLB by the Company.

The Company is subject to loss contingencies, including claims and legal actions arising in the ordinary course of business, which are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the consolidated financial statements.

***Note 8 – Fair Value Disclosures and Reporting and Fair Value Measurements***

FASB's standards on financial instruments, and on fair value measurements and disclosures, require public business entities to disclose in their financial statement footnotes the estimated fair values of financial instruments. In addition to disclosure requirements, FASB's standard on investments requires that debt securities classified as available-for-sale and equity securities with readily determinable fair values be measured and reported at fair value in the statement of financial position. Certain collateral-dependent, individually-evaluated loans are also reported at fair value, as explained in greater detail below, and foreclosed assets are carried at the lower of cost or fair value. FASB's standard on financial instruments permits companies to report certain other financial assets and liabilities at fair value, but the Company has not elected the fair value option for any of those financial instruments.

Fair value measurement and disclosure standards also establish a framework for measuring fair values. 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. Further, the standards establish a fair value hierarchy that encourages an entity to maximize the use of observable inputs and limit the use of unobservable inputs when measuring fair values. The standards describe three levels of inputs that may be used to measure fair values:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

- Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

- Level 3: Significant unobservable inputs that reflect a company's own assumptions about the factors that market participants would likely consider in pricing an asset or liability.

Fair value estimates are made at a specific point in time based on relevant market data and information about the financial instruments. Fair value disclosures for deposits include demand deposits, which are, by definition, equal to the amount payable on demand at the reporting date. Fair value calculations for loans reflect exit pricing and incorporate Management's assumptions with regard to the impact of prepayments on future cash flows and credit quality adjustments based on risk characteristics of various financial instruments, among other things. Since the estimates are subjective and involve uncertainties and matters of significant judgment they cannot be determined with precision, and changes in assumptions could significantly alter the fair values presented.

**Fair Value of Financial Instruments**
(dollars in thousands, unaudited)

| | September 30, 2026 | | | | |
|---|---|---|---|---|---|
| | | Fair Value Measurements | | | |
| | Carrying Amount | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| **Financial assets:** | | | | | |
| Cash and cash equivalents | $ 138,307 | $ 138,307 | $ — | $ — | $ 138,307 |
| Securities available-for-sale | $ 584,897 | $ — | $ 583,474 | $ 1,423 | $ 584,897 |
| Securities held-to-maturity, net | $ 277,577 | $ — | $ 247,495 | $ — | $ 247,495 |
| Loans held for investment, net | $ 2,406,861 | $ — | $ — | $ 2,293,087 | $ 2,293,087 |
| **Financial liabilities:** | | | | | |
| Deposits | $ 2,984,741 | $ 1,055,117 | $ 1,927,297 | $ — | $ 2,982,414 |
| Repurchase agreements | $ 113,088 | $ — | $ 86,533 | $ — | $ 86,533 |
| Other borrowings | $ 52,000 | $ — | $ 51,403 | $ — | $ 51,403 |
| Long-term debt, net | $ 49,551 | $ — | $ 49,131 | $ — | $ 49,131 |
| Subordinated debentures | $ 36,151 | $ — | $ 35,050 | $ — | $ 35,050 |

| | December 31, 2025 | | | | |
|---|---|---|---|---|---|
| | | Fair Value Measurements | | | |
| | Carrying Amount | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| **Financial assets:** | | | | | |
| Cash and cash equivalents | $ 135,628 | $ 135,628 | $ — | $ — | $ 135,628 |
| Securities available-for-sale | $ 625,330 | $ — | $ 624,017 | $ 1,313 | $ 625,330 |
| Securities held-to-maturity, net | $ 290,811 | $ — | $ 286,461 | $ — | $ 286,461 |
| Loans held for investment, net | $ 2,525,365 | $ — | $ — | $ 2,428,691 | $ 2,428,691 |
| **Financial liabilities:** | | | | | |
| Deposits | $ 2,876,436 | $ 995,623 | $ 1,992,616 | $ — | $ 2,988,239 |
| Repurchase agreements | $ 130,853 | $ — | $ 107,084 | $ — | $ 107,084 |
| Other borrowings | $ 302,700 | $ — | $ 302,629 | $ — | $ 302,629 |
| Long-term debt, net | $ 49,483 | $ — | $ 49,472 | $ — | $ 49,472 |
| Subordinated debentures | $ 36,017 | $ — | $ 36,276 | $ — | $ 36,276 |

For financial asset categories carried on the consolidated balance sheet at fair value and measured on a recurring basis as of September 30, 2026, and December 31, 2025, the Company used the following methods and significant assumptions:

- Investment securities: Fair values are determined by obtaining quoted prices on nationally recognized securities exchanges or by matrix pricing, which is a mathematical technique used widely in the industry to value debt securities by relying on their relationship to other benchmark quoted securities. For securities where quoted prices or market prices of similar securities are not available, fair values are estimated using broker expertise and other market indicators (Level 3). For bonds that are hand priced, actual recent trades for the exact bond are used in determining the price, adjusted for changes in market conditions since the time of the observable trade. For bonds, where no recent observable trades have occurred, our brokers consider recent trades made for similar bonds, issued by banks with similar financial position or credit and adjusted for changes in conditions since the time of the observable trades. Significant changes in any of those inputs in isolation would have resulted in a significantly higher or lower fair value measurement.

**Fair Value Measurements – Recurring**
(dollars in thousands, unaudited)

| | Fair Value Measurements at September 30, 2026, using | | | | |
|---|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total | Realized Gain/(Loss) (Level 3) |
| Securities: | | | | | |
| U.S. government agencies | $ — | $ 22,678 | $ — | $ 22,678 | $ — |
| Mortgage-backed securities | — | 272,334 | — | 272,334 | — |
| State and political subdivisions | — | 47,511 | — | 47,511 | — |
| Corporate bonds | — | 82,413 | 1,423 | 83,836 | — |
| Collateralized loan obligations | — | 158,538 | — | 158,538 | — |
| Total available-for-sale securities | $ — | $ 583,474 | $ 1,423 | $ 584,897 | $ — |

| | Fair Value Measurements at December 31, 2025, using | | | | |
|---|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total | Realized Gain/(Loss) (Level 3) |
| Securities: | | | | | |
| U.S. government agencies | $ — | $ 32,901 | $ — | $ 32,901 | $ — |
| Mortgage-backed securities | — | 259,760 | — | 259,760 | — |
| State and political subdivisions | — | 46,921 | — | 46,921 | — |
| Corporate bonds | — | 85,154 | 1,313 | 86,467 | — |
| Collateralized loan obligations | — | 199,281 | — | 199,281 | — |
| Total available-for-sale securities | $ — | $ 624,017 | $ 1,313 | $ 625,330 | $ — |

The following tables present quantitative information about recurring Level 3 fair value measurements at September 30, 2026, and December 31, 2025 (dollars in thousands):

| | | | | Range | | |
|---|---|---|---|---|---|---|
| **September 30, 2026** | **Fair Value** | **Valuation Technique(s)** | **Unobservable Input(s)** | **Min** | **Max** | **Weighted Average** |
| Corporate Bonds | $ 1,423 | Broker estimate | Discount rate | N/A | N/A | N/A |

| | | | | Range | | |
|---|---|---|---|---|---|---|
| **December 31, 2025** | **Fair Value** | **Valuation Technique(s)** | **Unobservable Input(s)** | **Min** | **Max** | **Weighted Average** |
| Corporate Bonds | $ 1,313 | Broker estimate | Discount rate | N/A | N/A | N/A |

The significant unobservable inputs utilized in the fair value measurement of the Company's corporate bonds included risk profile and market conditions, and are not quantifiable inputs. Differing unobservable input assumptions, such as a change in market conditions, may have resulted in reduced or increased fair value.

The table below presents a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended September 30, 2026 and 2025:

**Fair Value Measurements - Level 3 Recurring**
(dollars in thousands, unaudited)

| | Corporate Bonds | |
|---|---|---|
| | **2026** | **2025** |
| Balance of recurring Level 3 assets at January 1, | $ 1,313 | $ 55,653 |
| Total gains or losses for the period: | | |
| Included in other comprehensive income | 110 | 132 |
| Purchases | — | — |
| Transfers out of Level 3 | — | (54,553) |
| Balance of recurring Level 3 assets at September 30, | $ 1,423 | $ 1,232 |

Corporate bonds with a fair value of $54.5 million as of December 31, 2024, were transferred from Level 3 to Level 2 in the third quarter of 2025 because observable market data became available for the securities.

For financial asset categories carried on the consolidated balance sheet at fair value and measured on a nonrecurring basis as of September 30, 2026, and December 31, 2025, the Company used the following methods and significant assumptions:

- Individually evaluated collateral dependent loans: Measured based on the fair value of collateral when foreclosure is probable, or repayment is expected through the sale or operation of collateral and borrower is experiencing financial difficulty. For real estate loans, fair value of the loan's collateral is determined by third party appraisals, which are then adjusted for the estimated selling and closing costs related to liquidation of the collateral. For this asset class, the actual valuation methods (income, sales comparable, or cost) vary based on the status of the project or property. For example, land is generally based on the sales comparable method while construction is based on the income and/or sales comparable methods. The unobservable inputs may vary depending on the individual assets with no one of the three methods being the predominant approach. The Company reviews the third-party appraisal for appropriateness and adjusts the value downward to consider selling and closing costs, which typically range from 5% to 10% of the appraised value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on Management's historical knowledge, changes in market conditions from the time of the valuation, and Management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Collateral-dependent loans are evaluated on a quarterly basis and adjusted in accordance with the allowance for credit losses policy.
- Foreclosed assets: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired or when foreclosure is imminent. Repossessed real estate (known as other real estate owned, or "OREO") and other foreclosed assets are reported at fair value on a non-recurring basis. Fair values of OREO are based on recent real estate appraisals which are updated no less frequently than annually. These appraisals may use a single valuation approach or a combination of approaches including sales comparison, cost approach, and the income approach. Adjustments are often made in the appraisal process by the appraisers to take into account differences between the comparable sales and income and other available data. Management also incorporates assumptions regarding market trends or other relevant factors and selling and commission costs ranging from 5% to 10%. Such adjustments can be significant and typically result in a Level 3 classification of the unobservable inputs for determining fair value. Fair values for any other foreclosed assets are represented by estimated sales processed as determined using reasonably available sources. The valuation technique used for Level 3 non-recurring OREO is primarily the sales comparison approach less estimated selling costs.

**Fair Value Measurements – Nonrecurring**
(dollars in thousands, unaudited)

| | Fair Value Measurements at December 31, 2025, using | | | |
|---|---|---|---|---|
| | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Total** |
| Individually evaluated collateral dependent loans | | | | |
| Real estate: | | | | |
| Farmland | $ — | $ — | $ 1,699 | $ 1,699 |
| Total real estate | — | — | 1,699 | 1,699 |
| Other commercial | — | — | 1,183 | 1,183 |
| Total collateral dependent loans | — | — | 2,882 | 2,882 |
| Foreclosed assets | — | — | 1,565 | 1,565 |
| Total assets measured on a nonrecurring basis | $ | $ | $ 4,447 | $ 4,447 |

The table above includes collateral dependent loan balances for which a specific reserve has been established. There were no collateral dependent loans for which a specific reserve had been established as of September 30, 2026. Information on the Company's total collateral dependent loan balances and specific loss reserves associated with those balances is included in Note 10 below.

The unobservable inputs are based on Management's best estimates of appropriate discounts in arriving at fair market value. Adjusting any of those inputs could result in a significantly lower or higher fair value measurement.

***Note 9 – Investments***

**Investment Securities**

Pursuant to FASB's guidance on accounting for debt securities, available-for-sale securities are carried on the Company's financial statements at their estimated fair market values, with monthly tax-effected "mark-to-market" adjustments reflected in accumulated other comprehensive income (loss) in shareholders' equity. Held-to-maturity securities are carried on the Company's financial statements at their amortized cost, net of the allowance for credit losses. Amortized cost is adjusted to the fair value of the security upon transfer to held-to-maturity.

**Amortized Cost and Estimated Fair Value**
(dollars in thousands, unaudited)

| | September 30, 2026 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Allowance for Credit Losses | Estimated Fair Value |
| Available-for-sale | | | | | |
| U.S. government agencies | $ 24,370 | $ — | $ (1,692) | $ — | $ 22,678 |
| Mortgage-backed securities | 289,270 | — | (16,936) | — | 272,334 |
| State and political subdivisions | 59,563 | 29 | (12,081) | — | 47,511 |
| Corporate bonds | 87,379 | 69 | (3,612) | — | 83,836 |
| Collateralized loan obligations | 158,422 | 190 | (74) | — | 158,538 |
| Total available-for-sale securities | $ 619,004 | $ 288 | $ (34,395) | $ — | $ 584,897 |

| | Amortized Cost | Gross Unrecognized Gains | Gross Unrecognized Losses | Estimated Fair Value | Allowance for Credit Losses |
|---|---|---|---|---|---|
| Held-to-maturity | | | | | |
| U.S. government agencies | $ 4,161 | $ — | $ (638) | $ 3,523 | $ — |
| Mortgage-backed securities | 104,151 | — | (12,904) | 91,247 | — |
| State and political subdivisions | 169,279 | 1 | (16,555) | 152,725 | (14) |
| Total held-to-maturity securities | $ 277,591 | $ 1 | $ (30,097) | $ 247,495 | $ (14) |

| | December 31, 2025 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Allowance for Credit Losses | Estimated Fair Value |
| Available-for-sale | | | | | |
| U.S. government agencies | $ 33,000 | $ 35 | $ (134) | $ — | $ 32,901 |
| Mortgage-backed securities | 259,386 | 2,491 | (2,117) | — | 259,760 |
| State and political subdivisions | 52,610 | 68 | (5,757) | — | 46,921 |
| Corporate bonds | 90,114 | 293 | (3,940) | — | 86,467 |
| Collateralized loan obligations | 198,968 | 364 | (51) | — | 199,281 |
| Total available-for-sale securities | $ 634,078 | $ 3,251 | $ (11,999) | $ — | $ 625,330 |

| | Amortized Cost | Gross Unrecognized Gains | Gross Unrecognized Losses | Estimated Fair Value | Allowance for Credit Losses |
|---|---|---|---|---|---|
| Held-to-maturity | | | | | |
| U.S. government agencies | $ 4,523 | $ — | $ (413) | $ 4,110 | $ — |
| Mortgage-backed securities | 115,228 | 20 | (7,002) | 108,246 | — |
| State and political subdivisions | 171,075 | 3,030 | — | 174,105 | (15) |
| Total held-to-maturity securities | $ 290,826 | $ 3,050 | $ (7,415) | $ 286,461 | $ (15) |

An unrealized loss of $21.9 million and $24.2 million on securities transferred from the available-for-sale to held-to-maturity categorization, remains as of September 30, 2026, and December 31, 2025, respectively, and is included in accumulated other comprehensive loss, net of tax. The remaining unrealized loss on the securities transferred from available-for-sale to held-to-maturity will be accreted over the remaining term of the securities, with the amortized-cost basis of these securities and accumulated comprehensive income (loss) each increasing over time.

The Company elected the practical expedient available under the current expected credit losses (“CECL”) accounting standard to exclude accrued interest receivable from the amortized cost basis of all categorizations of investment securities, and resultingly did not estimate reserves on accrued interest receivable balances, as any past due interest income is reversed no later than 90 days past due. Accrued interest receivable is included in other assets on the Company’s consolidated balance sheet and as of September 30, 2026, measured at $4.3 million and $1.6 million for available-for-sale securities and held-to-maturity securities, respectively. Accrued interest receivable as of December 31, 2025, on these same classes of investment securities measured at $4.8 million and $2.4 million, respectively. During the nine-month periods ending September 30, 2026 and 2025, no interest receivable on available-for-sale or held-to-maturity securities was reversed against interest income and the Company did not have any held-to-maturity debt securities past due.

A discounted cash-flow reserve calculation is performed on securities designated as held-to-maturity on a quarterly basis. As of September 30, 2026, and December 31, 2025, an allowance for credit losses of $14 thousand and $15 thousand, respectively had been established on the Company’s held-to-maturity portfolio. Because of the implicit and explicit guarantees of the U.S. government on the agency and mortgage-backed securities there is no expectation of future losses and no allowance for credit losses has been established for these securities.

The following table summarizes the amortized cost of held-to-maturity municipal bonds aggregated by nationally recognized statistical rating organizations ("NRSRO") credit rating:

**Held-To-Maturity by Credit Rating**
(dollars in thousands, unaudited)

| | Held-To-Maturity | |
|---|---|---|
| | September 30, 2026 | December 31, 2025 |
| State and political subdivisions | | |
| AAA/Aaa | $ 60,869 | $ 59,367 |
| AA/Aa | 105,027 | 110,255 |
| A/A2 | 2,435 | 523 |
| Not rated | 948 | 930 |
| Total | $ 169,279 | $ 171,075 |

For available-for-sale debt securities in an unrealized loss position for which Management has an intent to sell the security or considers it more likely-than-not that the security in question will be sold prior to a recovery of its amortized cost basis, the security will be written down to fair value through a direct charge to income. For the remainder of available-for-sale debt securities in an unrealized loss position, which do not meet the previously outlined criteria, Management evaluates whether the decline in fair value is due to credit deterioration or other factors. In performing this evaluation, Management considers the extent to which fair value has fallen below amortized cost, changes in ratings by rating agencies, and other information indicating a deterioration in repayment capacity of either the underlying issuer or the borrowers providing repayment capacity in a securitization. If Management's evaluation indicates that a credit loss exists, then a present value of the expected cash flows is calculated and compared to the amortized cost basis of the security in question. To the degree that the amortized cost basis exceeds the present value, an ACL is established, with the caveat that the maximum amount of the reserve on any individual security is the difference between the fair value and amortized cost balance of the security in question. Any unrealized loss that has not been recorded through an ACL is recognized in other comprehensive income (loss).

The following table summarizes available-for-sale debt securities in an unrealized loss position for which an ACL has not been recorded:

**Investment Portfolio - Unrealized Losses**
(dollars in thousands, unaudited)

| | | September 30, 2026 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Less than twelve months | | Twelve months or more | | Total | |
| | Number of Securities | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value |
| Available-for-sale | | | | | | | |
| U.S. government agencies | 7 | $ (937) | $ 15,933 | $ (755) | $ 6,745 | $ (1,692) | $ 22,678 |
| Mortgage-backed securities | 153 | (14,064) | 240,133 | (2,872) | 23,391 | (16,936) | 263,524 |
| State and political subdivisions | 66 | (1,990) | 17,655 | (10,091) | 31,311 | (12,081) | 48,966 |
| Corporate bonds | 84 | (1,121) | 33,595 | (2,491) | 40,220 | (3,612) | 73,815 |
| Collateralized loan obligations | 9 | (62) | 67,937 | (12) | 9,988 | (74) | 77,925 |
| Total available-for-sale | 319 | $ (18,174) | $ 375,253 | $ (16,221) | $ 111,655 | $ (34,395) | $ 486,908 |

| | December 31, 2025 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Less than twelve months | | Twelve months or more | | Total | | |
| | Number of Securities | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value |
| Available-for-sale | | | | | | | |
| U.S. government agencies | 5 | $ (10) | $ 5,990 | $ (124) | $ 14,375 | $ (134) | $ 20,365 |
| Mortgage-backed securities | 72 | (755) | 92,185 | (1,362) | 28,712 | (2,117) | 120,897 |
| State and political subdivisions | 51 | (14) | 1,481 | (5,743) | 37,029 | (5,757) | 38,510 |
| Corporate bonds | 70 | (483) | 25,381 | (3,457) | 41,993 | (3,940) | 67,374 |
| Collateralized loan obligations | 7 | (51) | 59,209 | — | — | (51) | 59,209 |
| Total available-for-sale | 205 | $ (1,313) | $ 184,246 | $ (10,686) | $ 122,109 | $ (11,999) | $ 306,355 |

**Investment Portfolio - Realized Gains/(Losses)**

(dollars in thousands, unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 |
| Proceeds from sales, calls and maturities of securities available for sale | $ 4,450 | $ 22,490 | $ 27,714 | $ 33,490 |
| Gross gains on sales, calls and maturities of securities available for sale | — | — | — | 124 |
| Gross losses on sales, calls and maturities of securities available for sale | — | — | — | — |
| Net gain (loss) on sale of securities available for sale | $ — | $ — | $ — | $ 124 |

The amortized cost and estimated fair value of investment securities available-for-sale and held-to-maturity at September 30, 2026, and December 31, 2025 (dollars in thousands), are shown below, grouped by the remaining time to contractual maturity dates. The expected life of investment securities may not be consistent with contractual maturity dates since the issuers of the securities might have the right to call or prepay obligations with or without penalties.

| | September 30, 2026 | | | |
|---|---|---|---|---|
| | Available-for-Sale | | Held-to-Maturity | |
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Maturing within one year | $ 440 | $ 440 | $ - | $ - |
| Maturing after one year through five years | 12,786 | 12,500 | 7,490 | 7,154 |
| Maturing after five years through ten years | 92,440 | 87,651 | 16,231 | 14,510 |
| Maturing after ten years | 65,646 | 53,434 | 149,719 | 134,584 |
| Securities not due at a single maturity date: | | | | |
| Mortgage-backed securities | 289,270 | 272,334 | 104,151 | 91,247 |
| Collateralized loan obligations | 158,422 | 158,538 | — | — |
| Total | $ 619,004 | $ 584,897 | $ 277,591 | $ 247,495 |

| | December 31, 2025 | | | |
|---|---|---|---|---|
| | Available-for-Sale | | Held-to-Maturity | |
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Maturing within one year | $ 10,285 | $ 10,320 | $ 824 | $ 825 |
| Maturing after one year through five years | 19,667 | 19,907 | 5,014 | 4,902 |
| Maturing after five years through ten years | 82,725 | 78,553 | 17,806 | 17,020 |
| Maturing after ten years | 63,047 | 57,509 | 151,954 | 155,468 |
| Securities not due at a single maturity date: | | | | |
| Mortgage-backed securities | 259,386 | 259,760 | 115,228 | 108,246 |
| Collateralized loan obligations | 198,968 | 199,281 | — | — |
| Total | $ 634,078 | $ 625,330 | $ 290,826 | $ 286,461 |

**Variable Interest Entities**

The Company has the ability to invest in limited partnerships which own housing projects that qualify for federal and/or California state tax credits by mandating a specified percentage of low-income tenants for each project. The primary investment return comes from tax credits that flow through to investors. Because rent levels are lower than standard market rents and the projects are generally highly leveraged, each project also typically generates tax-deductible operating losses allocated to the limited partners for tax purposes.

The Company currently has investments in nine different LIHTC fund limited partnerships made in 2014, 2015, two in 2022, one in 2023, three in 2024, and one in 2026, all of which were California-focused funds that help the Company meet its obligations under the Community Reinvestment Act. The Company utilized the cost method of accounting for LIHTC fund investments, which were initially recorded on the consolidated balance sheet as an asset representing the total cash expected to be invested over the life of the partnership. Any commitments or contingent commitments for future investment are reflected as a liability. The income statement reflects tax credits and any other tax benefits from these investments “below the line” within income tax provision, while the initial book value of the investment is amortized on the proportional amortization method as a “below the line” expense, over the time period in which the tax credits and tax benefits are expected to be received.

As of September 30, 2026, the Company’s total LIHTC investment book balance was $25.4 million, which is included in “Other Assets” on the consolidated balance sheet. This investment is partially offset by $8.1 million in remaining commitments for additional capital contributions, which is included in “Other Liabilities” on the consolidated balance sheet. There were approximately $2.3 million in tax credits derived from the Company’s LIHTC investments that were recognized during the nine months ended September 30, 2026, and “below the line” amortization expense of $2.2 million associated with those investments was recorded for the same time period. LIHTC investments are evaluated annually for potential impairment, and the Company concluded the carrying value of the investments is stated fairly and is not impaired.

As of December 31, 2025, the Company’s total LIHTC investment book balance was $22.6 million, which included $6.6 million in remaining commitments for additional capital contributions. There were $2.9 million in tax credits derived from LIHTC investments recognized during the year ended December 31, 2025; “below the line” amortization expense of $3.0 million associated with those investments was netted against pre-tax noninterest income for the same time period.

During the third quarter of 2026, the Company made an investment in a renewable energy tax equity project designed to generate federal income tax credits and other tax benefits over the expected life of the project. The investment is included in other assets within the Consolidated Balance Sheets.

The Company accounts for the investment using the proportional amortization method and amortizes the carrying amount of the investment in proportion to the income tax credits and other income tax benefits received. The amortization of the investment and the related tax benefits are recognized as a component of income tax expense.

For the nine months ended September 30, 2026, the Company recognized approximately $4.9 million of income tax credits and $0.8 million in other tax benefits associated with the investment and recorded approximately $5.1 million of investment amortization, resulting in a net income tax benefit of approximately $0.6 million.

The Company’s investments in qualified affordable housing projects, small business investment companies, and renewable energy tax equity investments meet the definition of a variable interest entity, as the entities are structured such that the limited partner investors lack substantive voting rights. Pursuant to the FASB standard on the consolidation of variable interest entities, these investments are not reflected on a consolidated basis in the Company’s financial statements.

***Note 10 – Loans and Allowance for Credit Losses***

The ACL on the loan portfolio is a valuation allowance deducted from the recorded balance in loans. Under CECL, the ACL represents principal which is not expected to be collected over the contractual life of the loans, adjusted for expected prepayments. The ACL is increased by a provision for credit losses charged to expense and by principal recovered on charged-off balances. It is reduced by principal charge-offs. The amount of the allowance is based on Management's evaluation of the collectability of the loan portfolio, using information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Adjustments are also made for changes in risk profile, credit concentrations, historical trends, and other economic conditions.

The Company elected the practical expedient available under CECL to exclude accrued interest receivable from the amortized cost basis of all categorizations of loans and, as a result, did not estimate reserves on accrued interest receivable balances, as any past due interest income is reversed on a timely basis. Accrued interest receivable on loans of $7.6 million and $7.0 million at September 30, 2026, and December 31, 2025, respectively, is included in other assets on the Company's consolidated balance sheet.

During the third quarter of 2026, the Company purchased approximately $41.2 million of loans. Substantially all of the acquired loans met the definition of purchased seasoned loans under ASU 2025-08 and were accounted for using the gross-up approach, resulting in the recognition of an allowance for credit losses of $0.4 million upon acquisition. A small number of acquired loans with an aggregate balance of approximately $8.7 million did not qualify as purchased seasoned loans because they had been originated within 90 days of the acquisition date. These loans were accounted for under the Company's existing loan accounting policies applicable to purchased non-seasoned loans. Upon adoption of ASU 2025-08, the Company elected to estimate expected credit losses on purchased seasoned loans using the expected loss reserve methodology. The Company also elected to estimate expected credit losses based on the unpaid principal balance of the purchased seasoned loans rather than the amortized cost basis.

The majority of the disclosures in this footnote are prepared at the class level, which is equivalent to the call report or call code classification. The final table in this section separates a roll forward of the ACL at the portfolio segment level. Unless specifically noted otherwise, the disclosures in this footnote are prepared on an amortized cost basis.

**Loan Distribution**

(dollars in thousands, unaudited)

| | September 30, 2026 | December 31, 2025 |
|---|---|---|
| Real estate: | | |
| Residential real estate | $ 341,057 | $ 358,454 |
| Commercial real estate | 1,467,192 | 1,393,183 |
| Other construction/land | 15,970 | 14,497 |
| Farmland | 62,984 | 68,157 |
| Total real estate | 1,887,203 | 1,834,291 |
| Other commercial | 178,673 | 191,500 |
| Mortgage warehouse facilities | 360,326 | 518,333 |
| Consumer | 2,408 | 2,756 |
| Subtotal | 2,428,610 | 2,546,880 |
| Net deferred loan (fees) | (99) | (35) |
| Loans, amortized cost basis | 2,428,511 | 2,546,845 |
| Allowance for credit losses | (21,650) | (21,480) |
| Net loans | $ 2,406,861 | $ 2,525,365 |

The Company places a loan on nonaccrual status when Management has determined full repayment of principal and collection of contractually agreed upon interest is unlikely, or the loan in question has become delinquent more than 90 days. The Company may determine it is appropriate to continue to accrue interest on certain loans more than 90 days delinquent if they are well-secured by collateral and collection is in process. When a loan is placed on nonaccrual status, any accrued but uncollected interest for the loan is reversed out of interest income in the period in which the loan's status changed. For loans with an interest reserve (i.e., loan proceeds are advanced to the borrower to make interest payments), all interest recognized from the inception of the loan is reversed when the loan is placed on nonaccrual. Once a loan is on nonaccrual status, subsequent payments received from the customer are applied to principal, and no further interest income is recognized until the principal has been paid in full or until circumstances have changed such that payments are again consistently received as contractually required. Loans are generally not restored to accrual status until the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time, and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

**Nonaccrual Loans**
(dollars in thousands, unaudited)

| | September 30, 2026 | | | |
|---|---|---|---|---|
| | Nonaccrual Loans | | | |
| | With No Allowance for Credit Loss | With an Allowance for Credit Loss | Total | Loans Past Due 90+ Accruing |
| Real estate: | | | | |
| Residential real estate | $ 316 | $ — | $ 316 | $ — |
| Commercial real estate | 5,095 | — | 5,095 | — |
| Farmland | 3,060 | — | 3,060 | — |
| Total real estate | 8,471 | — | 8,471 | — |
| Other commercial | 405 | 471 | 876 | — |
| Consumer loans | — | — | — | — |
| Total | $ 8,876 | $ 471 | $ 9,347 | $ — |

| | December 31, 2025 | | | |
|---|---|---|---|---|
| | Nonaccrual Loans | | | |
| | With No Allowance for Credit Loss | With an Allowance for Credit Loss | Total | Loans Past Due 90+ Accruing |
| Real estate: | | | | |
| Residential real estate | $ 210 | $ — | $ 210 | $ — |
| Farmland | — | 1,717 | 1,717 | — |
| Total real estate | 210 | 1,717 | 1,927 | — |
| Other commercial | 11,304 | — | 11,304 | — |
| Total | $ 11,514 | $ 1,717 | $ 13,231 | $ — |

The Company did recognized approximately $1.1 million in interest income on nonaccrual loans during the three and nine months ended September 30, 2026 and none during the three and nine months ended September 30, 2025 and would have recognized an additional $0.1 million and $0.9 million in interest income on nonaccrual loans during the first nine months of 2026 and 2025, respectively, had those loans not been designated as nonaccrual. During the three months ended September 30, 2026, the Company reversed $0.2 million of accrued interest receivable associated with loans placed on nonaccrual status, which reduced interest income, and an inconsequential amount during the three months ended September 30, 2025. For the nine months ended September 30, 2026 and 2025, these reversals totaled $0.4 million and $0.3 million, respectively.

The following table presents the amortized cost basis of collateral-dependent loans by class as of September 30, 2026, and December 31, 2025:

**Collateral Dependent Loans**
(dollars in thousands, unaudited)

| | September 30, 2026 | | December 31, 2025 | |
|---|---|---|---|---|
| | Amortized Cost | Individual Reserves | Amortized Cost | Individual Reserves |
| Real estate: | | | | |
| Residential real estate | $ 316 | $ — | $ 210 | $ — |
| Commercial real estate | 5,095 | — | — | — |
| Farmland | 3,060 | — | 1,717 | 11 |
| Total real estate | 8,471 | — | 1,927 | 11 |
| Other commercial [1] | 405 | — | 11,297 | — |
| Total Loans | $ 8,876 | $ — | $ 13,224 | $ 11 |

(1) The collateral type on this loan category is primarily agricultural assets.

During the first nine months of 2026, the amortized cost basis of collateral-dependent loans decreased by $4.3 million, primarily due to the successful resolution of an agricultural production loan that resulted in the recovery of substantially all principal, accrued interest, and fees previously deemed uncollectible. The weighted average loan-to-value ratio of collateral-dependent loans was 62.9% at September 30, 2026. There were no consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process as of September 30, 2026, and December 31, 2025.

**Past Due Loans**

(dollars in thousands, unaudited)

| | September 30, 2026 | | | | | |
|---|---|---|---|---|---|---|
| | 30-59 Days Past Due | 60-89 Days Past Due | Loans Past Due 90+ Days | Total Past Due | Loans not Past Due | Total Loans |
| Real estate: | | | | | | |
| Residential real estate | $ — | $ — | $ 302 | $ 302 | $ 341,760 | $ 342,062 |
| Commercial real estate | 2,356 | — | 5,095 | 7,451 | 1,457,571 | 1,465,022 |
| Other construction/land | — | — | — | — | 15,891 | 15,891 |
| Farmland | 12 | — | 2,678 | 2,690 | 60,427 | 63,117 |
| Total real estate | 2,368 | — | 8,075 | 10,443 | 1,875,649 | 1,886,092 |
| Other commercial | 166 | — | 876 | 1,042 | 178,600 | 179,642 |
| Mortgage warehouse facilities | — | — | — | — | 360,326 | 360,326 |
| Consumer | — | — | — | — | 2,451 | 2,451 |
| Total Loans | $ 2,534 | $ — | $ 8,951 | $ 11,485 | $ 2,417,026 | $ 2,428,511 |

| | December 31, 2025 | | | | | |
|---|---|---|---|---|---|---|
| | 30-59 Days Past Due | 60-89 Days Past Due | Loans Past Due 90+ Days | Total Past Due | Loans not Past Due | Total Loans |
| Real estate: | | | | | | |
| Residential real estate | $ 18 | $ — | $ 192 | $ 210 | $ 359,304 | $ 359,514 |
| Commercial real estate | 4,657 | — | — | 4,657 | 1,386,233 | 1,390,890 |
| Other construction/land | — | — | — | — | 14,414 | 14,414 |
| Farmland | 2,037 | — | 1,717 | 3,754 | 64,553 | 68,307 |
| Total real estate | 6,712 | — | 1,909 | 8,621 | 1,824,504 | 1,833,125 |
| Other commercial | 131 | — | 11,304 | 11,435 | 181,142 | 192,577 |
| Mortgage warehouse facilities | — | — | — | — | 518,333 | 518,333 |
| Consumer | 11 | — | — | 11 | 2,799 | 2,810 |
| Total Loans | $ 6,854 | $ — | $ 13,213 | $ 20,067 | $ 2,526,778 | $ 2,546,845 |

**Loan Modifications**

Occasionally, the Company modifies loans to borrowers experiencing financial difficulty by providing principal forgiveness, rate reduction, payment deferral, or term extension. When principal forgiveness is provided, the amount of forgiveness is charged off against the allowance for credit losses.

In certain cases, the Company provides multiple types of concessions on a single loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. For the loans included in the “combination” columns below, multiple types of modifications have been made on the same loan within the current reporting period. The combination is at least two of the following: principal forgiveness, rate reduction, payment deferral, and/or term extension.

The following tables present the amortized cost basis of loans at September 30, 2026 and 2025, that were both experiencing financial difficulty by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers experiencing financial difficulty as compared to the amortized cost basis of each class of financing receivable is also presented below (dollars in thousands, unaudited):

| | Three months ended September 30, 2026 | | | | | |
|---|---|---|---|---|---|---|
| | Principal Forgiveness | Payment Delay | Term Extension | Combination Term Extension and Payment Delay | Combination Term Extension Interest Rate Reduction | Total Class of Financing Receivable |
| Other commercial | $ — | $ — | $ 28 | 33 | $ 254 | 0.18% |
| **Total** | $ — | $ — | $ 28 | $ 33 | $ 254 | 0.01% |

| | Three months ended September 30, 2025 | | | | | |
|---|---|---|---|---|---|---|
| | Principal Forgiveness | Payment Delay | Term Extension | Combination Term Extension and Principal Forgiveness | Combination Term Extension Interest Rate Reduction | Total Class of Financing Receivable |
| Other commercial | — | — | 14 | — | — | 0.01% |
| **Total** | $ — | $ — | $ 14 | $ — | $ — | 0.00% |

| | Nine months ended September 30, 2026 | | | | | |
|---|---|---|---|---|---|---|
| | Principal Forgiveness | Payment Delay | Term Extension | Combination Term Extension and Payment Delay | Combination Term Extension Interest Rate Reduction | Total Class of Financing Receivable |
| Other commercial | $ — | $ — | $ 793 | 33 | $ 483 | 0.73% |
| **Total** | $ — | $ — | $ 793 | $ 33 | $ 483 | 0.05% |

| | Nine months ended September 30, 2025 | | | | | |
|---|---|---|---|---|---|---|
| | Principal Forgiveness | Payment Delay | Term Extension | Combination Term Extension and Principal Forgiveness | Combination Term Extension Interest Rate Reduction | Total Class of Financing Receivable |
| Other commercial | — | — | 270 | — | 219 | 0.26% |
| **Total** | $ — | $ — | $ 270 | $ — | $ 219 | 0.02% |

The following tables present the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the three and nine months ended September 30, 2026 and 2025 (dollars in thousands, unaudited):

| | Three months ended September 30, 2026 | | |
|---|---|---|---|
| | Principal Forgiveness | Weighted-Average Interest Rate Reduction | Weighted-Average Term Extension (years) |
| Other commercial | $ — | 0.50% | 6.10 |

| | Three months ended September 30, 2025 | | |
|---|---|---|---|
| | Principal Forgiveness | Weighted-Average Interest Rate Reduction | Weighted-Average Term Extension (years) |
| Other commercial | $ — | 0.31% | 7.48 |

| | Nine months ended September 30, 2026 | | |
|---|---|---|---|
| | Principal Forgiveness | Weighted-Average Interest Rate Reduction | Weighted-Average Term Extension (years) |
| Other commercial | $ — | 0.50% | 3.74 |

| | Nine months ended September 30, 2025 | | |
|---|---|---|---|
| | Principal Forgiveness | Weighted-Average Interest Rate Reduction | Weighted-Average Term Extension (years) |
| Other commercial | $ — | 0.31% | 7.27 |

There were no payment defaults on loans previously modified in the preceding 12 months for either of the periods ending September 30, 2026 and 2025. For the purpose of this disclosure, the Company defines a payment default as 90 days past due. The Company had $0.1 million in additional funds committed on loans which have been modified to borrowers experiencing financial difficulty as of both September 30, 2026, and September 30, 2025.

The Company monitors the credit quality of loans on a continuous basis using the regulatory and accounting classifications of pass, special mention, and substandard to characterize and qualify the associated credit risk. Loans classified as “loss” are immediately charged off. The Company uses the following definitions of risk classifications:

- **Pass:** Includes larger, non-homogeneous loans not meeting the risk rating definitions below and smaller, homogeneous loans not assessed on an individual basis.

- **Special Mention:** Includes loans with a potential weakness that deserves Management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company’s credit position at some future date.

- **Substandard:** Includes loans with clear and well-defined weaknesses, such as a highly leveraged position, unfavorable financial operating results and/or trends, uncertain repayment sources, or poor financial condition, which may jeopardize ultimate recoverability of the debt.

**Loan Credit Quality by Vintage**
(dollars in thousands, unaudited)

| | September 30, 2026 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Term Loans Amortized Cost Basis by Origination Year | | | | | | | | |
| | 2026 | 2025 | 2024 | 2023 | 2022 | Prior | Revolving Loans Amortized Cost | Revolving Loans Converted to Term Loans | Total Loans |
| Residential real estate | | | | | | | | | |
| Pass | $ — | $ — | $ — | $ — | $ 84,166 | $ 243,765 | $ 9,752 | $ 3,267 | $ 340,950 |
| Special mention | — | — | — | — | — | 101 | — | 347 | 448 |
| Substandard | — | — | — | — | — | 491 | — | 173 | 664 |
| Subtotal | — | — | — | — | 84,166 | 244,357 | 9,752 | 3,787 | 342,062 |
| Current period gross charge-offs | — | — | — | — | — | — | — | 40 | 40 |
| Commercial real estate | | | | | | | | | |
| Pass | 173,436 | 147,406 | 135,554 | 90,748 | 180,129 | 645,871 | 18,017 | 6,061 | 1,397,222 |
| Special mention | — | 27 | — | — | 23,470 | 21,684 | 289 | — | 45,470 |
| Substandard | — | — | 4,594 | — | — | 17,236 | 500 | — | 22,330 |
| Subtotal | 173,436 | 147,433 | 140,148 | 90,748 | 203,599 | 684,791 | 18,806 | 6,061 | 1,465,022 |
| Current period gross charge-offs | — | — | — | — | — | — | — | 90 | 90 |
| Other construction/land | | | | | | | | | |
| Pass | — | 1,843 | 9,909 | — | — | 2,623 | — | — | 14,375 |
| Special mention | — | — | — | — | — | 1,516 | — | — | 1,516 |
| Subtotal | — | 1,843 | 9,909 | — | — | 4,139 | — | — | 15,891 |
| Current period gross charge-offs | — | — | — | — | — | — | — | — | — |
| Farmland | | | | | | | | | |
| Pass | — | 3,257 | 4,675 | 4,856 | 8,238 | 20,245 | 2,632 | 572 | 44,475 |
| Special mention | — | — | 8,429 | — | — | 304 | 6,838 | — | 15,571 |
| Substandard | — | — | 976 | 1,417 | — | 678 | — | — | 3,071 |
| Subtotal | — | 3,257 | 14,080 | 6,273 | 8,238 | 21,227 | 9,470 | 572 | 63,117 |
| Current period gross charge-offs | — | — | — | — | — | — | — | — | — |
| Other commercial | | | | | | | | | |
| Pass | 3,605 | 5,873 | 4,890 | 4,352 | 1,687 | 11,325 | 125,866 | 4,366 | 161,964 |
| Special mention | — | 12 | 8 | — | — | — | 14,259 | 2,429 | 16,708 |
| Substandard | — | 178 | — | 92 | — | — | 294 | 406 | 970 |
| Subtotal | 3,605 | 6,063 | 4,898 | 4,444 | 1,687 | 11,325 | 140,419 | 7,201 | 179,642 |
| Current period gross charge-offs (1) | — | — | — | 10 | — | — | 104 | 123 | 237 |
| Mortgage warehouse facilities | | | | | | | | | |
| Pass | — | — | — | — | — | — | 360,326 | — | 360,326 |
| Subtotal | — | — | — | — | — | — | 360,326 | — | 360,326 |
| Current period gross charge-offs | — | — | — | — | — | — | — | — | — |
| Consumer | | | | | | | | | |
| Pass | — | — | 30 | 133 | 33 | 67 | 2,188 | — | 2,451 |
| Special mention | — | — | — | — | — | — | — | — | — |
| Substandard | — | — | — | — | — | — | — | — | — |
| Subtotal | — | — | 30 | 133 | 33 | 67 | 2,188 | — | 2,451 |
| Current period gross charge-offs (1) | — | — | — | — | — | — | 437 | 73 | 510 |
| Total | $ 177,041 | $ 158,596 | $ 169,065 | $ 101,598 | $ 297,723 | $ 965,906 | $ 540,961 | $ 17,621 | $ 2,428,511 |

(1) Consumer overdrafts are included in consumer loans and commercial overdrafts are included in other commercial. Overdrafts make up the majority of the gross charge-offs of loans originated in the revolving loans category for these loan classes.

**Loan Credit Quality by Vintage**
(dollars in thousands, unaudited)

| | December 31, 2025 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Term Loans Amortized Cost Basis by Origination Year | | | | | | | | |
| | 2025 | 2024 | 2023 | 2022 | 2021 | Prior | Revolving Loans Amortized Cost | Revolving Loans Converted to Term Loans | Total Loans |
| Residential real estate | | | | | | | | | |
| Pass | $ 1,144 | $ — | $ — | $ 89,643 | $ 205,789 | $ 47,613 | $ 9,113 | $ 3,741 | $ 357,043 |
| Special mention | — | — | — | — | 1,384 | 522 | — | — | 1,906 |
| Substandard | — | — | — | — | — | 384 | 34 | 147 | 565 |
| Subtotal | 1,144 | — | — | 89,643 | 207,173 | 48,519 | 9,147 | 3,888 | 359,514 |
| Current period gross charge-offs | — | — | — | — | — | — | — | — | — |
| Commercial real estate | | | | | | | | | |
| Pass | 145,537 | 140,079 | 98,341 | 191,505 | 43,829 | 676,260 | 21,803 | 7,517 | 1,324,871 |
| Special mention | 83 | — | — | 19,356 | — | 28,727 | 60 | — | 48,226 |
| Substandard | — | — | — | — | — | 17,793 | — | — | 17,793 |
| Subtotal | 145,620 | 140,079 | 98,341 | 210,861 | 43,829 | 722,780 | 21,863 | 7,517 | 1,390,890 |
| Current period gross charge-offs | — | — | — | — | — | 274 | — | 1,147 | 1,421 |
| Other construction/land | | | | | | | | | |
| Pass | 482 | 9,616 | — | — | — | 3,262 | — | — | 13,360 |
| Special mention | — | — | — | — | — | 1,054 | — | — | 1,054 |
| Subtotal | 482 | 9,616 | — | — | — | 4,316 | — | — | 14,414 |
| Current period gross charge-offs | — | — | — | — | — | — | — | — | — |
| Farmland | | | | | | | | | |
| Pass | 3,439 | 14,361 | 4,946 | 8,501 | 10,752 | 11,660 | 11,934 | 611 | 66,204 |
| Special mention | — | — | — | — | — | 355 | — | — | 355 |
| Substandard | — | — | 1,717 | — | — | 31 | — | — | 1,748 |
| Subtotal | 3,439 | 14,361 | 6,663 | 8,501 | 10,752 | 12,046 | 11,934 | 611 | 68,307 |
| Current period gross charge-offs | — | — | — | — | — | — | — | — | — |
| Other commercial | | | | | | | | | |
| Pass | 7,162 | 5,995 | 5,863 | 2,658 | 429 | 13,229 | 137,208 | 2,150 | 174,694 |
| Special mention | 197 | 11 | — | 13 | — | — | 3,710 | 2,636 | 6,567 |
| Substandard | — | 12 | 7 | — | — | — | 10,116 | 1,181 | 11,316 |
| Subtotal | 7,359 | 6,018 | 5,870 | 2,671 | 429 | 13,229 | 151,034 | 5,967 | 192,577 |
| Current period gross charge-offs (1) | 121 | 25 | 2,292 | — | 7 | 1 | 276 | 5,300 | 8,022 |
| Mortgage warehouse facilities | | | | | | | | | |
| Pass | — | — | — | — | — | — | 518,333 | — | 518,333 |
| Subtotal | — | — | — | — | — | — | 518,333 | — | 518,333 |
| Current period gross charge-offs | — | — | — | — | — | — | — | — | — |
| Consumer | | | | | | | | | |
| Pass | 768 | 38 | 212 | 49 | 27 | 80 | 1,614 | — | 2,788 |
| Special mention | — | — | — | — | — | 3 | 8 | — | 11 |
| Substandard | — | — | 11 | — | — | — | — | — | 11 |
| Subtotal | 768 | 38 | 223 | 49 | 27 | 83 | 1,622 | — | 2,810 |
| Current period gross charge-offs (1) | 826 | 6 | 1 | 1 | — | 31 | 42 | — | 907 |
| Total | $ 158,812 | $ 170,112 | $ 111,097 | $ 311,725 | $ 262,210 | $ 800,973 | $ 713,933 | $ 17,983 | $ 2,546,845 |

(1) Consumer overdrafts are included in consumer loans and commercial overdrafts are included in other commercial. Overdrafts make up the majority of the gross charge-offs of loans originated in the current year for these loan classes.

CECL replaced the legacy accounting for loans designated as purchased credit impaired ("PCI") with loans designated as purchased credit deteriorated ("PCD"). PCD loans are loans acquired or purchased, which as of acquisition, had evidence of more than insignificant credit deterioration since origination. Due to the immaterial balance in the Company's PCI loans at the CECL implementation date, Management elected not to transition these loans into the PCD designation. As of September 30, 2026, the Company had no loans categorized as PCD.

Management calculates the quantitative portion of collectively evaluated reserves for all loan categories, with the exception of Farmland, Agricultural Production and Consumer loans, using a discounted cash flow ("DCF") methodology. For purposes of calculating the quantitative portion of collectively evaluated reserves on Farmland, Agricultural Production, and Consumer categories, a Remaining Life methodology is utilized.

The model used for calculating the Company's ACL is reviewed and revised periodically. Recently a full review with modifications in the third quarter of 2024, a partial review with minimal modifications in the third quarter of 2025, and a comprehensive review during the third quarter of 2026 were completed. The Company continues to utilize the multi-factor regression framework adopted during the 2024 update and continues to utilize California-based peer banks with assets between $1.5 billion and $10 billion in estimating expected credit losses. The 2026 comprehensice review included an evaluation of alternative peer group selections, loss drivers, prepayment assumptions, funding assumptions, and qualitative factor methodologies. Based on that review, Management elected to retain the California peer group and multi-factor regression framework, while updating model assumptions and incorporating additional historical data where appropriate. The Company's ACL is calculated quarterly, with any difference in the calculated ACL and the recorded ACL adjusted through an entry to the provision (benefit) for credit losses. For purposes of estimating the Company's ACL, Management generally evaluates collectively evaluated loans by call code in order to group loans with similar risk characteristics together; however, Management has grouped loans in selected call codes together in determining portfolio segments due to similar risk characteristics and reserve methodologies used for certain call code classifications.

The DCF quantitative reserve methodology incorporates the consideration of probability of default ("PD") and loss given default ("LGD") estimates to estimate periodic losses. The PD estimates are derived through the application of reasonable and supportable economic forecasts to call code specific regression models, derived from the consideration of historical bank-specific and peer loss-rate data. The loss-rate data has been regressed against benchmark economic indicators, for which reasonable and supportable forecasts exist, in the development of the call-code specific regression models. Regression models are updated periodically, in order to pull in more recent loss-rate data. Reasonable and supportable forecasts of the selected economic metric are then input into the regression model to calculate an expected default rate. The expected default rates are then applied to expected monthly loan balances estimated through the consideration of contractual repayment terms and expected prepayments. The Company utilizes a four-quarter forecast period, after which the expected default rates revert to the historical average for each call code, over a four-quarter reversion period, on a straight-line basis. The prepayment assumptions applied to expected cash flow over the contractual life of the loans are estimated based on historical, bank-specific experience, peer data, and the consideration of current and expected conditions and circumstances including the level of interest rates. Management may update prepayment assumptions when changing conditions impact Management's estimate or additional historical data indicates a reevaluation is warranted. LGD utilized in the DCF is derived from the application of the Frye-Jacobs theory, which relates LGD to PD based on historical peer data, as calculated by a third-party. Economic forecasts are considered over a four-quarter forecast period, with reversion to mean occurring on a straight-line basis over four quarters. The call code multiple factor regression models utilized as of September 30, 2026, for Residential Real Estate loans relied upon reasonable and supportable forecasts of the National Unemployment Rate and House Price Index (HPI). The call code multiple factor regression models utilized as of September 30, 2026, for Commercial Real Estate and Other Construction loans relied upon reasonable and supportable forecasts of the National Unemployment Rate and Gross Domestic Product (GDP). Management selected the National Unemployment Rate, HPI, and GDP as the drivers of quantitative portion of collectively evaluated reserves on loan classes reliant upon the DCF methodology, primarily as a result of high correlation coefficients identified in regression modeling, the availability of forecasts including the quarterly Federal Open Market Committee (FOMC) forecast and given the widespread familiarity of stakeholders with these economic metrics.

The quantitative reserves for Farmland, Agricultural Production, and Consumer loans are calculated using a Remaining Life methodology where the Company's average historical loss-rates are applied to expected loan balances over an estimated remaining life of loans in calculation of the quantitative portion of collectively evaluated loans in these classes. The estimated remaining life is calculated using historical peer data. During the 2026 refresh, Management evaluated alternative methodologies for the Farmland and Agricultural Production portfolios, including a DCF approach utilizing broader peer data. Management concluded that continuing to utilize the remaining life methodology and the Bank's own historical loss experience provided a more representative estimate of expected credit losses given the characteristics of these portfolios and the Company's recent loss history. Reasonable and supportable forecasts of the National Unemployment Rate, GDP, and HPI are incorporated through qualitative factor adjustments for these portfolio segments.

As part of the 2026 review, Management also examined prepayment assumptions, funding assumptions, and qualitative factor methodologies. Updated assumptions were incorporated where appropriate; however, the overall CECL framework, forecast horizon, reversion methodology, segmentation approach, and primary economic drivers remained substantially unchanged from the methodologies adopted in prior periods.

Management recognizes there are additional factors impacting risk of loss in the loan portfolio beyond what is captured in the quantitative portion of reserves on collectively evaluated loans. As current and expected conditions may vary compared with conditions over the historical lookback period, which is utilized in the calculation of quantitative reserves, Management considers whether additional or reduced reserve levels on collectively evaluated loans may be warranted given the consideration of a variety of qualitative factors. Several of the following qualitative factors ("Q-factors") considered by Management reflect the legacy regulatory guidance on Q-factors, whereas several others represent factors unique to the Company or unique to the current time period.

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices
- Changes in international, regional, and local economic and business conditions, and developments that affect the collectability of the portfolio, as reflected in forecasts of the Housing Price Index, Real GDP, and the National Unemployment Rate (Farmland & Agricultural Production and Consumer segments only)
- Changes in the nature and volume of the loan portfolio
- Changes in the experience, ability, and depth of lending Management and other relevant staff
- Changes in the volume and severity of past due, nonaccruals loans, and adversely classified loans, as reflected in changes of the relative level of loans classified as substandard and special mention
- Changes in the quality of the Company's loan review processes
- Changes in the value of underlying collateral for loans not identified as collateral-dependent
- Changes in loan categorization concentrations
- Other external factors, which include the influence of peer data on estimated quantitative reserves, residual COVID-19 related risk, expected impact of current and expected inflationary environment, reliance on the National Unemployment rate as opposed to the California unemployment rate in the calculation of quantitative reserves, the expected impact of current and expected geo-political conditions

The qualitative portion of the Company's reserves on collectively evaluated loans are calculated using a combination of numeric frameworks and Management judgment to determine risk categorizations in each of the Q-factors presented above. The amount of qualitative reserves is also contingent upon the historical peer, life-of-loan equivalent, loss-rate ranges, and the relative weighting of Q-factors according to Management's judgment.

Although collectively evaluated reserves are generally calculated separately at the call code or loan class level, Management has grouped loan classes with similar risk characteristics into the following portfolio segments:

- 1-4 Family Real Estate
- Commercial Real Estate
- Farmland & Agricultural Production
- Commercial & Industrial
- Mortgage Warehouse
- Consumer

Loans secured by Residential Real Estate have a different profile from those secured by Commercial Real Estate, as borrowers for the former are typically consumers, whereas Commercial Real Estate borrowers are often businesses. Loan performance during the COVID-19 pandemic clearly illustrated how these two categories of real estate loans were subject to different risks, exacerbated by the widespread work-from-home model adopted by many companies during and since the pandemic. Farmland and Agricultural Production loans are included in a single segment as these loans are often made to the same types of borrowers, facing the same risks relating to commodity prices, water supply and drought conditions, in addition to other environmental concerns. Commercial & Industrial loans are separated into a separate segment given the uniqueness of these loans, which are often revolving and secured by business assets other than real estate. Mortgage Warehouse balances warrant presentation as an individual portfolio segment given the specific nature of these constantly revolving lines to mortgage originators and a very limited loss history, even after consideration of peer data. Finally, Consumer loans are split out due to the small balances and homogeneous terms that characterize these loans.

Management individually evaluates loans that do not share risk characteristics with other loans when estimating reserves. As of September 30, 2026 and 2025, the only loans Management considered to have different risk characteristics from other loans sharing the same call report code were loans designated as nonaccrual.

The following tables present the activity in the allowance for credit losses by portfolio segment for the three and nine months ended September 30, 2026 and 2025:

**Allowance for Credit Losses**
(dollars in thousands, unaudited)

| | Residential Real Estate | Commercial Real Estate | Farmland & Agricultural Production | Commercial & Industrial | Mortgage Warehouse Facilities | Consumer | Total |
|---|---|---|---|---|---|---|---|
| Allowance for credit losses: | | | | | | | |
| Balance June 30, 2026 | $ 1,320 | $ 16,220 | $ 4,205 | $ 1,222 | $ 525 | $ 108 | $ 23,600 |
| Charge-offs | (40) | — | (76) | (44) | — | (162) | (322) |
| Recoveries | — | — | — | 1 | — | 38 | 39 |
| (Benefit) provision for credit losses | (159) | 737 | (2,576) | 181 | (360) | 153 | (2,024) |
| Initial allowance on purchased seasoned loans | — | 357 | — | — | — | — | 357 |
| Balance September 30, 2026 | $ 1,121 | $ 17,314 | $ 1,553 | $ 1,360 | $ 165 | $ 137 | $ 21,650 |

| | Residential Real Estate | Commercial Real Estate | Farmland & Agricultural Production | Commercial & Industrial | Mortgage Warehouse Facilities | Consumer | Total |
|---|---|---|---|---|---|---|---|
| Allowance for credit losses: | | | | | | | |
| Balance June 30, 2025 | $ 1,694 | $ 17,335 | $ 521 | $ 1,571 | $ 451 | $ 108 | $ 21,680 |
| Charge-offs | — | (18) | — | (31) | — | (231) | (280) |
| Recoveries | — | — | — | 10 | — | 61 | 71 |
| (Benefit) provision for credit losses | (294) | (524) | 4,081 | 216 | 55 | 175 | 3,709 |
| Balance September 30, 2025 | $ 1,400 | $ 16,793 | $ 4,602 | $ 1,766 | $ 506 | $ 113 | $ 25,180 |

| | Residential Real Estate | Commercial Real Estate | Farmland & Agricultural Production | Commercial & Industrial | Mortgage Warehouse Facilities | Consumer | Total |
|---|---|---|---|---|---|---|---|
| Allowance for credit losses: | | | | | | | |
| Balance, December 31, 2025 | $ 1,411 | $ 16,650 | $ 1,146 | $ 1,496 | $ 665 | $ 112 | $ 21,480 |
| Charge-offs | (40) | (90) | (76) | (161) | — | (510) | (877) |
| Recoveries | — | — | 21 | 206 | — | 127 | 354 |
| (Benefit) provision for credit losses | (250) | 397 | 462 | (181) | (500) | 408 | 336 |
| Initial allowance on purchased seasoned loans | — | 357 | — | — | — | — | 357 |
| Balance September 30, 2026 | $ 1,121 | $ 17,314 | $ 1,553 | $ 1,360 | $ 165 | $ 137 | $ 21,650 |

| | Residential Real Estate | Commercial Real Estate | Farmland & Agricultural Production | Commercial & Industrial | Mortgage Warehouse Facilities | Consumer | Total |
|---|---|---|---|---|---|---|---|
| Allowance for credit losses: | | | | | | | |
| Balance, December 31, 2024 | $ 1,808 | $ 17,143 | $ 3,827 | $ 1,282 | $ 398 | $ 372 | $ 24,830 |
| Charge-offs | — | (1,165) | (5,300) | (206) | — | (727) | (7,398) |
| Recoveries | — | — | 410 | 35 | — | 423 | 868 |
| (Benefit) provision for credit losses | (408) | 815 | 5,665 | 655 | 108 | 45 | 6,880 |
| Balance September 30, 2025 | $ 1,400 | $ 16,793 | $ 4,602 | $ 1,766 | $ 506 | $ 113 | $ 25,180 |

***Note 11 – Goodwill***

The balance of goodwill at the nine months beginning and ended September 30, 2026 and 2025, was $27.4 million. There was no acquired goodwill for the nine months ended September 30, 2026 and 2025.

The Company performs its goodwill impairment tests annually, or more often if events or circumstances indicate the carrying value may not be recoverable.

The Company performed its annual quantitative goodwill impairment assessment subsequent to the September 30, 2026, period end, effective as of October 1, 2026, using a market approach. Based on the results of the Company's goodwill impairment assessment, the Company determined that the fair value of its reporting unit, which was at the consolidated level, exceeded the carrying value. Management continues to evaluate whether or not a triggering event occurs, or circumstances change that would more likely than not reduce the fair value of the Company below its carrying amount before the next annual test in 2027 and has concluded no such events have occurred. Therefore, goodwill was not impaired as of September 30, 2026, and there were no impairment charges related to the Company's goodwill recorded during the nine months ended September 30, 2026 and 2025.

***Note 12 – Borrowings and Other Arrangements***

**Repurchase Agreements** – Repurchase agreements represent "sweep accounts," where commercial deposit balances above a specified threshold are transferred at the close of each business day into separate non-deposit accounts. Customers use balances of the non-deposit accounts to purchase government bonds from the Company daily, subject to an agreement from the Company to repurchase such securities the next business day. Repurchase agreements totaled $113.1 million at September 30, 2026, relative to a balance of $130.9 million at December 31, 2025.

**Long-Term Debt** – The Company has long-term debt in the form of fixed to floating rate subordinated debentures with a fixed rate of 3.25% until September 30, 2026, then floating rate at 253.5 basis points over 3-month term Secured Overnight Financing Rate ("SOFR") until maturity on October 1, 2031. The balance of the Company's long-term debt, net of unamortized issuance costs, was $49.6 million at September 30, 2026, and $49.5 million at December 31, 2025.

**Subordinated Debentures** – Sierra Statutory Trust II ("Trust II"), Sierra Capital Trust III ("Trust III"), and Coast Bancorp Statutory Trust II ("Trust IV") (collectively, the "Trusts") exist solely for the purpose of issuing trust preferred securities fully and are unconditionally guaranteed by the Company. For financial reporting purposes, the Trusts are not consolidated, and the Floating Rate Junior Subordinated Deferrable Interest Debentures (the "Subordinated Debentures") held by the Trusts and issued and guaranteed by the Company are reflected in the Company's consolidated balance sheet in accordance with provisions of ASC Topic 810. Trust preferred securities are variable rate instruments which were benchmarked against the London Interbank Offered Rate (LIBOR) plus a spread until LIBOR was phased out on June 30, 2023. These instruments are benchmarked against the SOFR, effective June 30, 2023. At September 30, 2026, and December 31, 2025, the Company's trust-preferred securities totaled $36.2 million and $36.0 million, respectively.

The following table summarizes the Company's other borrowings as of September 30, 2026, and December 31, 2025:

| | September 30, 2026 | | December 31, 2025 | |
|---|---|---|---|---|
| | Balance | Weighted Average Rate | Balance | Weighted Average Rate |
| Overnight Fed funds purchased | $ — | 3.76% | $ 210,000 | 4.19% |
| Federal reserve discount window | 17,000 | 3.80% | — | 0.00% |
| Short-term FHLB advance | — | 4.00% | 12,700 | 4.50% |
| Long-term FHLB advance | 35,000 | 3.86% | 80,000 | 3.91% |
| Total other borrowings | $ 52,000 | 3.80% | $ 302,700 | 4.05% |

The Company has established secured and unsecured lines of credit under which it may borrow funds from time to time on a term or overnight basis from the FHLB, FRB, and other correspondent banks.

**Federal Funds Purchased** – The Company had unsecured lines of credit with its correspondent banks which, in the aggregate, amounted to $511.8 million at September 30, 2026, and $250.8 million at December 31, 2025, at fixed interest rates which vary with market conditions. There were no outstanding overnight balances under these lines of credit at September 30, 2026, and $210.0 million at December 31, 2025.

**Secured FHLB Borrowings** – At September 30, 2026, and December 31, 2025, the Company had secured available lines of credit with the FHLB totaling $604.3 million and $629.5 million, respectively, based on eligible collateral of certain loans and investment securities. There were no borrowings outstanding against these lines at September 30, 2026, and $12.7 million outstanding at December 31, 2025.

**Federal Reserve Line of Credit** – The Company has an available line of credit with the FRB of San Francisco secured by certain loans and investments. At September 30, 2026, and December 31, 2025, the Company had borrowing capacity under this line totaling $212.9 million and $254.9 million, respectively. The Company had outstanding borrowings of $17.0 million and zero on this line of credit as of September 30, 2026, and December 31, 2025, respectively.

***Note 13 – Revenue Recognition***

The Company utilizes the guidance found in ASU 2014-09, Revenue from Contracts with Customers (ASC 606), when accounting for certain noninterest income. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Sufficient information should be provided to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company's revenue streams that are within the scope of and accounted for under Topic 606 include service charges on deposit accounts, debit card interchange fees, and fees levied for other services the Company provides its customers. The guidance does not apply to revenue associated with financial instruments such as loans and investments, and other noninterest income such as loan servicing fees and earnings on bank-owned life insurance, which are accounted for on an accrual basis under other provisions of GAAP.

All of the Company's revenue from contracts within the scope of ASC 606 is recognized as noninterest income. Due to the short-term nature of the Company's contracts with customers, an insignificant amount of receivables related to such revenue was recorded at the three and nine months ended September 30, 2026 and 2025. The following table presents the Company's sources of noninterest income. Items outside the scope of ASC 606 are noted as such (dollars in thousands, unaudited).

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 |
| Noninterest income | | | | |
| Service charges on deposits | | | | |
| Returned item and overdraft fees | $ 1,344 | $ 1,357 | $ 3,980 | $ 3,856 |
| Other service charges on deposits | 2,734 | 2,681 | 7,741 | 7,609 |
| Debit card interchange income | 2,034 | 2,027 | 6,052 | 6,036 |
| Dividends on equity investments[(1)] | 443 | 320 | 1,442 | 1,011 |
| Unrealized gain recognized on equity investments[(1)] | — | — | 602 | — |
| Net gain on sale of securities[(1)] | — | — | — | 124 |
| Other[(1)] | 1,161 | 1,673 | 4,439 | 4,616 |
| Total noninterest income | $ 7,716 | $ 8,058 | $ 24,256 | $ 23,252 |
| Percentage of noninterest income not within scope of ASC 606. | 20.79% | 24.73% | 26.73% | 24.73% |

(1) Not within scope of ASC 606. Revenue streams are not related to contracts with customers and are accounted for under other provisions of GAAP.

With regard to noninterest income associated with customer contracts, the Company has determined that transaction prices are fixed, and performance obligations are satisfied as services are rendered, thus there is little or no judgment involved in the timing of revenue recognition under contracts that are within the scope of ASC 606.

**PART I - FINANCIAL INFORMATION**

**ITEM 2**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

## FORWARD-LOOKING STATEMENTS

This Form 10-Q includes forward-looking statements that involve inherent risks and uncertainties. These forward-looking statements are within the meaning of Section 27A of the Securities Act of 1933 ("1933 Act"), as amended and Section 21E of the Securities Exchange Act of 1934 ("1934 Act"), as amended. Those sections of the 1933 Act and 1934 Act provide a "safe harbor" for forward-looking statements in order to encourage companies to provide prospective information about their financial performance as long as important factors that could cause actual results to differ significantly from projected results are identified with meaningful cautionary statements. Words such as "expects," "anticipates," "believes," "projects," "intends," and "estimates" or variations of such words and similar expressions, as well as future or conditional verbs preceded by "will," "would," "should," "could," or "may" are intended to identify forward-looking statements. These forward-looking statements are based on certain underlying assumptions and are not guarantees of future performance, as they could be impacted by several potential risks and developments that cannot be predicted with any degree of certainty.

These statements are based on Management's current expectations regarding economic, legislative, regulatory, and other environmental issues that may affect earnings in future periods. Therefore, actual outcomes and results may differ materially from what is expressed, forecast in, or implied by such forward-looking statements.

A variety of factors could have a material adverse impact on the Company's financial condition or results of operations and should be considered when evaluating the Company's potential future financial performance. They include, but are not limited to:

- risks associated with fluctuations in interest rates, including the impact on other comprehensive income, the ability for customers to repay floating or adjustable rates loans, the impact upon the availability and cost of deposits and other sources of funding, the impact on earning assets and the associated interest income, the impact on valuations of collateral which support our loans, and the impact on fair value of longer-term assets and liabilities;

- risks associated with inflation (including efforts by the Federal Open Market Committee of the Federal Reserve Bank ("FRB") to control the same);

- the risk of unfavorable economic conditions in the Company's market areas, or the impact on the Company's market areas of national or international economic conditions or changes to economic policies, including tariffs and trade agreements;

- liquidity risks, including the ability to effectively manage the potential loss of or decline in deposits, the ability to maintain funding lines of credit, and the loss of value of unencumbered investment securities;

- increases in nonperforming assets and credit losses that could occur, particularly in times of weak economic conditions or rising interest rates;

- the impact of adverse developments at other banks, including bank failures, which impact general sentiment regarding the stability and liquidity of banks;

- risks associated with the multitude of, or changes to, current and prospective bank and accounting laws and regulations, and related interpretations, to which the Company is and will be subject;

- operational risks including the ability to prevent and detect financial reporting errors, operational errors, and fraud;
- the Company's ability to diversify and grow its loan portfolio;
- the Company's ability to attract and retain skilled employees;
- the risks related to the development, implementation, use and management of emerging technologies, including artificial intelligence and the ability to achieve expected or potential benefits, such as increased productivity, profitability and cost savings;
- the risk to the Company's operations and ability to serve customers due to cyber security risks and the inability of a vendor to meet its service level agreements;
- the outcome of any existing or future legal action for which the Company or Bank is a defendant;
- risks associated with a U.S. Government shutdown, including delays in regulatory reviews, approvals, or rulemaking from federal agencies, reduced access to government economic data and reports which could affect our ability to assess risk and make informed investment or risk management decisions, heightened volatility or reduced liquidity in financial markets, credit and counterparty risk exposure in connection with clients or counterparties that rely on government funding or contracts, and diminished investor and consumer confidence which could reduce demand for financial products;
- the effects of severe weather events, pandemics, other public health crises, geopolitical events including acts of war or terrorism, and other external events; and
- the success of acquisitions or branch expansions, closures, or consolidations.

Risk factors that could cause actual results to differ materially from results that might be implied by forward-looking statements include the risk factors detailed in the Company's Form 10-K for the fiscal year ended December 31, 2025, and in Item 1A, herein. The Company does not update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made or to reflect the occurrence of unanticipated events.

## CRITICAL ACCOUNTING POLICY AND ACCOUNTING ESTIMATES

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States. The financial information and disclosures contained within those statements are significantly impacted by Management's estimates and judgments, which are based on historical experience and incorporate various assumptions that are believed to be reasonable under current circumstances. Actual results may differ from those estimates under divergent conditions.

Critical accounting policies are those that involve the most complex and subjective decisions and assessments which have the greatest potential impact on the Company's stated results of operations. In Management's opinion, the Company's has identified one critical accounting policy:

- the establishment of the allowance for credit losses on loans, including the valuation of individually evaluated loans, as explained in detail in Notes 8 and 10 to the consolidated financial statements and in the "Provision for Credit Losses" and "Allowance for Credit Losses" sections of this discussion and analysis

Critical accounting estimates are evaluated on an ongoing basis to ensure the Company's financial statements incorporate its most recent expectations regarding those areas.

## OVERVIEW OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

*RESULTS OF OPERATIONS SUMMARY*

**Third Quarter 2026 Compared to Third Quarter 2025**

Third quarter 2026 net income was $15.3 million, and $1.18 per diluted share as compared to $9.7 million and $0.72 per diluted share in the third quarter of 2025. The Company's annualized return on average equity was 16.49% and annualized return on average assets was 1.66% for the quarter ended September 30, 2026, compared to 10.81% and 1.04%, respectively, for the same quarter in 2025. The primary drivers behind the increase in third quarter net income are as follows:

- Credit loss (benefit) expense on loans improved by $5.7 million, driven primarily by a provision benefit recorded during the third quarter of 2026 resulting from the favorable resolution of a previously reserved agricultural production credit relationship in the lumber industry.

- Net interest income increased $0.4 million, or 1%, to $32.4 million. Included in net interest income was a $1.1 million recovery of interest on a separate agricultural nonperforming loan that was paid in full. Net interest margin expanded to 3.91% from 3.78% in the third quarter of 2025.

- Noninterest income and noninterest expense changes included a $0.5 million decrease in earnings from separate-account life insurance and a $0.3 million decrease in deferred compensation expense. Separate-account life insurance income and deferred compensation expense are designed to offset each other.

- Overall noninterest expense decreased by $1.3 million primarily due to lower salaries and employee benefits expense and reduced deposit service costs. Salaries and employee benefits, excluding deferred compensation, declined $0.6 million, primarily due to a reduction of full-time equivalent staffing levels.

**First Nine Months of 2026 Compared to First Nine Months of 2025**

- Net income increased $8.3 million, or 28%, to $37.7 million for the first nine months of 2026. The increase was driven primarily by a $6.8 million reduction in credit loss (benefit) expense, a $2.2 million decline in noninterest expense, a $1.0 million increase in noninterest income, and a $0.7 million improvement in net interest income. Diluted earnings per share increased 35% to $2.90 compared to $2.15 for the same period in 2025.

- Net interest income increased $0.7 million, or 1%, compared to the first nine months of 2025. Included in the increase was a $1.1 million recovery of interest as described above in the quarterly comparison. Tax-equivalent net interest margin increased seven basis points to 3.80% from 3.73%. Cost of funds declined to 1.32% from 1.47%, while the cost of deposits decreased to 1.16% from 1.31%.

- Noninterest income increased $1.0 million, or 4%, compared to the first nine months of 2025. The increase was primarily attributable to a $0.4 million gain on the sale of fixed assets, a $0.3 million increase in cash surrender value income from bank-owned life insurance, and higher service charges and fee income.

- Noninterest expense decreased $2.2 million, or 3%, compared to the first nine months of 2025. The reduction was driven primarily by lower salaries and employee benefits expense, lower deposit service costs, and reduced other operating expenses.

*FINANCIAL CONDITION SUMMARY*

**September 30, 2026, Relative to December 31, 2025 (unless otherwise noted)**

The Company's assets totaled $3.7 billion at September 30, 2026, a decrease of $154.1 million, or 4% from December 31, 2025. The following provides a summary of key balance sheet changes during the first nine months of 2026:

- Investment securities decreased $53.7 million, or 6%, to $862.5 million, primarily due to principal repayments, maturities, and runoff within the mortgage-backed securities and collateralized loan obligations ("CLO") portfolios.

- Gross loans decreased $118.3 million, or 5%, to $2.43 billion. The decline was primarily driven by a $158.0 million decrease in mortgage warehouse facility utilization, a $12.9 million decrease in other commercial loans, a $17.5 million decrease in residential real estate loans, and a $5.2 million decrease in farmland loans. These decreases were partially offset by a $74.1 million increase in commercial real estate loans and a $1.5 million increase in other construction and land development loans.

- Commercial real estate lending activity strengthened during the third quarter of 2026. Commercial real estate balances increased $75.3 million during the quarter, while mortgage warehouse balances declined $97.1 million. Average commercial and industrial loan balances increased 15% from the linked quarter, reflecting continued success in originating relationship-based commercial lending.

- Mortgage warehouse balances declined $158.0 million, or 30%, from December 31, 2025, as the Company temporarily paused growth in mortgage warehouse to allow our focus to be on enhanced controls amid elevated interest rate volatility and increased market uncertainty. The focus reflects a disciplined approach to managing risk while preserving profitability, as average third quarter mortgage warehouse balances declined only $20.8 million from the linked quarter and associated mortgage warehouse interest income only declined by $0.2 million.

- Total deposits increased $108.3 million, or 4%, to $2.98 billion. Growth was concentrated in core deposit categories, including a $59.5 million increase in noninterest-bearing demand deposits, a $35.0 million increase in interest-bearing transaction accounts, and a $28.9 million increase in money market deposits. Customer deposits increased $106.3 million, while brokered deposits increased $2.1 million during the period.

- Other interest-bearing liabilities declined $250.7 million, or 83%, to $52.0 million at September 30, 2026, from $302.7 million at December 31, 2025. The decline primarily reflects a significant reduction in overnight borrowings as mortgage warehouse balances decreased and deposit growth strengthened.

- Asset quality metrics improved during the first nine months of 2026. Nonperforming assets declined to $9.3 million, or 0.38% of loans plus foreclosed assets, compared to $14.8 million, or 0.58%, at December 31, 2025. Classified loans declined to $27.0 million from $31.4 million at year-end 2025.

- Total shareholders' equity was $361.7 million at September 30, 2026, compared to $364.9 million at December 31, 2025. The decrease was primarily attributable to an $18.6 million increase in accumulated other comprehensive loss, $14.4 million of share repurchases during the year, and $10.3 million of cash dividends declared, partially offset by $37.7 million of net income during the first nine months of 2026. The remaining difference was related to activity from stock options and restricted stock awards during the year. Despite these factors, regulatory capital ratios remained strong, with the subsidiary Bank's leverage ratio increasing to 12.43% at September 30, 2026.

## EARNINGS PERFORMANCE

The Company earns income from two primary sources. The first is net interest income, which is interest income generated by earning assets less interest expense on deposits and other borrowed money. The second is noninterest income, which primarily consists of customer service charges and fees but also comes from non-customer sources such as BOLI, investments in bank stocks, and investment gains. The majority of the Company's noninterest expense is comprised of operating costs that facilitate offering a full range of banking services to its customers.

### NET INTEREST INCOME AND NET INTEREST MARGIN

Net interest income was $32.4 million for the third quarter of 2026, an increase of $0.4 million, or 1%, compared to the third quarter of 2025. The increase was primarily attributable to lower funding costs, higher loan yields, and the recovery of approximately $1.1 million of previously unrecognized interest income associated with a nonaccrual agricultural production loan that paid in full during the quarter. This credit relationship is unrelated to the agricultural production credit discussed in the Provision for Credit Loss Expense section. The favorable interest recovery was partially offset by lower average investment securities balances and yields. Interest expense declined $1.4 million, or 12%, from the prior-year quarter, reflecting lower rates on deposits and borrowed funds and a decrease in the average balance of borrowed funds.

For the third quarter of 2026, average interest-earning assets decreased $67.4 million, or 2%, from the same period in 2025, while the yield on those assets remained relatively stable at 5.17%, compared to 5.18% in the prior-year quarter. The decline in average earning assets was primarily attributable to lower investment securities balances, partially offset by growth in average commercial real estate and mortgage warehouse loan balances.

Average interest-bearing liabilities decreased $45.6 million, or 2%, compared to the third quarter of 2025, while the cost of those liabilities declined 21 basis points to 1.92%. The decrease in funding costs was primarily attributable to lower costs on interest-bearing deposits and borrowed funds. Average customer time deposits declined $42.2 million from the prior-year quarter and brokered deposit costs decreased 33 basis points, contributing to the improvement in overall funding costs.

The reduction in funding costs and improvement in loan yields more than offset modest pressure on earning asset balances, resulting in a 13 basis point increase in tax-equivalent net interest margin to 3.91%, compared to 3.78% in the third quarter of 2025.

Net interest income for the first nine months of 2026 increased $0.7 million, or 1%, to $93.4 million, compared to the same period in 2025. The increase was primarily attributable to lower funding costs and the recovery of approximately $1.1 million of previously unrecognized interest income associated with a nonaccrual loan that paid in full during the third quarter, partially offset by lower average investment securities balances. Average interest-earning assets decreased $35.7 million, or 1%, while the tax-equivalent yield on earning assets declined seven basis points to 5.07%.

For the first nine months of 2026, interest expense decreased $3.7 million, or 10%, to $31.7 million. The decrease was driven by a 22 basis point reduction in the cost of interest-bearing liabilities to 1.93%, reflecting favorable repricing of deposits and wholesale funding balances. As a result, tax-equivalent net interest margin increased seven basis points to 3.80%, compared to 3.73% for the same period in 2025.

The Company temporarily paused growth within its mortgage warehouse portfolio during the quarter in response to elevated interest rate volatility and changing conditions in the residential mortgage market. Enhanced reviews of our customer's credit risk profiles, including hedging positions and pipelines, resulted in a more selective approach to extending mortgage warehouse credit at the end of the third quarter 2026. Despite a decline of $97.1 million in period-end mortgage warehouse balances during the quarter, average mortgage warehouse balances decreased by only $20.8 million compared to the linked quarter, while related interest income declined slightly by $0.2 million, reflecting the continued profitability of the portfolio.

The Company had $1.8 billion in adjustable and variable rate loans and $196.9 million in floating rate bonds, as compared to $201.6 million in floating rate CDs and $36.1 million in floating rate trust preferred securities at September 30, 2026. Subsequent to quarter-end, approximately $49.6 million of subordinated debt transitioned from a fixed interest rate to a variable rate based on SOFR. The adjustable-rate loans have repricing frequencies ranging from 30-days to 10-years. Of the $1.8 billion in adjustable and variable rate loans, $704.4 million reprice or mature in the next twelve months, including $360.3 million in mortgage warehouse facilities. Although the mortgage warehouse facilities do not generally reprice while outstanding, their short duration and rapid turnover result in yields that adjust quickly to changes in market interest rates. In addition, there were $647.7 million of fixed-term deposits that reprice or mature within twelve months. Of the $704.4 million in adjustable and variable rate loans that reprice or mature over the next twelve months, $265.2 million, or 38%, have a pricing index rate higher than the current index, while $3.3 million, or less than 1%, have a pricing index rate lower than the current index. The remaining balance of $436.0 million in loans are priced at the current index rate.

Overall, the Company's net interest margin benefited from lower funding costs, a favorable funding mix, and the recovery of previously unrecognized interest income during the third quarter of 2026. These factors more than offset pressure from lower average investment securities balances and yields. The level of net interest income recognized in any given period depends on a combination of factors including the average volume and yield of interest-earning assets, the average volume and cost of interest-bearing liabilities, and the mix of financial instruments which comprise the Company’s earning assets, deposits, and other interest-bearing liabilities.

The following tables show average balances for significant balance sheet categories and the amount of interest income or interest expense associated with each category for the noted periods. The tables also display calculated yields on each major component of the Company’s investment and loan portfolios, average rates paid on each key segment of the Company’s interest-bearing liabilities, and net interest margin for the noted periods.

**Average Balances and Rates**
(dollars in thousands, unaudited)

| Assets | For the three months ended September 30, 2026 Average Balance [1] | Income/ Expense | Average Rate/Yield [2] | For the three months ended September 30, 2025 Average Balance [1] | Income/ Expense | Average Rate/Yield [2] |
|---|---|---|---|---|---|---|
| Investments: | | | | | | |
| Interest-earning due from banks | $ 21,300 | $ 207 | 3.86% | $ 31,672 | $ 329 | 4.12% |
| Taxable | 673,282 | 7,874 | 4.64% | 731,274 | 9,104 | 4.94% |
| Non-taxable | 207,670 | 1,697 | 4.10% | 196,550 | 1,580 | 4.04% |
| Total investments | 902,252 | 9,778 | 4.50% | 959,496 | 11,013 | 4.73% |
| | | | | | | |
| Loans:[3] | | | | | | |
| Real estate | 1,841,662 | 23,041 | 4.96% | 1,849,065 | 22,997 | 4.93% |
| Agricultural | 55,875 | 1,819 | 12.92% | 70,033 | 961 | 5.44% |
| Commercial | 122,548 | 1,764 | 5.71% | 116,855 | 1,824 | 6.19% |
| Consumer | 2,410 | 54 | 8.89% | 2,872 | 64 | 8.84% |
| Mortgage warehouse facilities | 401,497 | 6,426 | 6.35% | 395,940 | 7,059 | 7.07% |
| Other | 3,079 | 35 | 4.51% | 2,453 | 19 | 3.07% |
| Total loans | 2,427,071 | 33,139 | 5.42% | 2,437,218 | 32,924 | 5.36% |
| Total interest-earning assets [4] | 3,329,323 | 42,917 | 5.17% | 3,396,714 | 43,937 | 5.18% |
| Other earning assets | 17,988 | | | 17,062 | | |
| Non-earning assets | 302,201 | | | 297,980 | | |
| **Total assets** | $ 3,649,512 | | | $ 3,711,756 | | |
| | | | | | | |
| **Liabilities and shareholders' equity** | | | | | | |
| Interest-bearing deposits: | | | | | | |
| Demand deposits | $ 258,011 | $ 1,406 | 2.16% | $ 251,719 | $ 1,617 | 2.55% |
| NOW | 354,243 | 84 | 0.09% | 369,586 | 131 | 0.14% |
| Savings accounts | 364,461 | 125 | 0.14% | 356,172 | 106 | 0.12% |
| Money market | 188,131 | 946 | 1.99% | 156,347 | 745 | 1.89% |
| Time deposits | 453,921 | 3,321 | 2.90% | 496,155 | 4,078 | 3.26% |
| Brokered deposits | 274,448 | 2,874 | 4.15% | 259,624 | 2,929 | 4.48% |
| Total interest-bearing deposits | 1,893,215 | 8,756 | 1.83% | 1,889,603 | 9,606 | 2.02% |
| Borrowed funds: | | | | | | |
| Federal funds purchased | 37,070 | 354 | 3.79% | 30,545 | 353 | 4.59% |
| Repurchase agreements | 126,586 | 46 | 0.14% | 134,619 | 68 | 0.20% |
| Short term borrowings | 2,578 | 25 | 3.85% | 5,539 | 68 | 4.87% |
| Long term FHLB advances | 35,000 | 335 | 3.80% | 80,000 | 788 | 3.91% |
| Long-term debt | 49,536 | 429 | 3.44% | 49,447 | 429 | 3.44% |
| Subordinated debentures | 36,123 | 607 | 6.67% | 35,945 | 657 | 7.25% |
| Total borrowed funds | 286,893 | 1,796 | 2.48% | 336,095 | 2,363 | 2.79% |
| Total interest-bearing liabilities | 2,180,108 | 10,552 | 1.92% | 2,225,698 | 11,969 | 2.13% |
| Demand deposits - noninterest-bearing | 1,034,635 | | | 1,048,639 | | |
| Other liabilities | 67,188 | | | 81,368 | | |
| Shareholders' equity | 367,581 | | | 356,051 | | |
| **Total liabilities and shareholders' equity** | $ 3,649,512 | | | $ 3,711,756 | | |
| Interest income/interest-earning assets | | | 5.17% | | | 5.18% |
| Interest expense/interest-earning assets | | | 1.26% | | | 1.40% |
| **Net interest income and margin[5]** | | $ 32,365 | 3.91% | | $ 31,968 | 3.78% |

(1) Average balances are obtained from the best available daily or monthly data and are net of deferred fees and related direct costs.

(2) Yields and net interest margin have been computed on a tax equivalent basis utilizing a 21% effective federal tax rate.

(3) Loans are gross of the allowance for expected credit losses. Loan fees have been included in the calculation of interest income. Net loan costs and loan acquisition FMV amortization were $(0.2) million and $(0.3) million for the quarters ended September 30, 2026 and 2025, respectively.

(4) Nonaccrual loans have been included in total loans for purposes of computing total earning assets.

(5) Net interest margin represents net interest income as a percentage of average interest-earning assets.

**Average Balances and Rates**
(Dollars in Thousands, Unaudited)

| | For the nine months ended September 30, 2026 | | | For the nine months ended September 30, 2025 | | |
|---|---|---|---|---|---|---|
| **Assets** | **Average Balance [1]** | **Income/ Expense** | **Average Rate/Yield [2]** | **Average Balance [1]** | **Income/ Expense** | **Average Rate/Yield [2]** |
| Investments: | | | | | | |
| Interest-earning due from banks | $ 18,651 | $ 530 | 3.80% | $ 34,728 | $ 1,128 | 4.34% |
| Taxable | 692,553 | 23,831 | 4.60% | 745,614 | 27,539 | 4.94% |
| Non-taxable | 206,342 | 5,000 | 4.10% | 196,820 | 4,733 | 4.07% |
| Total investments | 917,546 | 29,361 | 4.47% | 977,162 | 33,400 | 4.74% |
| | | | | | | |
| Loans:[3] | | | | | | |
| Real estate | 1,822,690 | 67,684 | 4.96% | 1,841,163 | 67,576 | 4.91% |
| Agricultural | 59,099 | 3,266 | 7.39% | 73,071 | 2,906 | 5.32% |
| Commercial | 113,612 | 4,892 | 5.76% | 109,854 | 4,951 | 6.03% |
| Consumer | 2,484 | 163 | 8.77% | 3,123 | 196 | 8.39% |
| Mortgage warehouse facilities | 412,629 | 19,623 | 6.36% | 359,564 | 19,029 | 7.08% |
| Other | 2,543 | 64 | 3.36% | 2,389 | 50 | 2.80% |
| Total Loans | 2,413,057 | 95,692 | 5.30% | 2,389,164 | 94,708 | 5.30% |
| Total interest-earning assets [4] | 3,330,603 | 125,053 | 5.07% | 3,366,326 | 128,108 | 5.14% |
| Other earning assets | 17,667 | | | 17,062 | | |
| Non-earning assets | 301,650 | | | 284,071 | | |
| **Total assets** | $ 3,649,920 | | | $ 3,667,459 | | |
| **Liabilities and shareholders' equity** | | | | | | |
| Interest-bearing deposits: | | | | | | |
| Demand deposits | $ 240,001 | $ 3,772 | 2.10% | $ 228,208 | $ 4,329 | 2.54% |
| NOW | 357,570 | 257 | 0.10% | 374,508 | 390 | 0.14% |
| Savings accounts | 364,820 | 341 | 0.12% | 354,551 | 292 | 0.11% |
| Money market | 171,518 | 2,334 | 1.82% | 149,252 | 1,925 | 1.72% |
| Time Deposits | 455,879 | 9,741 | 2.86% | 514,679 | 12,774 | 3.32% |
| Brokered deposits | 273,788 | 8,495 | 4.15% | 249,584 | 8,594 | 4.60% |
| Total interest-bearing deposits | 1,863,576 | 24,940 | 1.79% | 1,870,782 | 28,304 | 2.02% |
| Borrowed funds: | | | | | | |
| Federal funds purchased | 68,265 | 1,919 | 3.76% | 25,758 | 870 | 4.52% |
| Repurchase agreements | 126,705 | 153 | 0.16% | 123,954 | 216 | 0.23% |
| Short term borrowings | 3,385 | 97 | 3.83% | 11,439 | 391 | 4.57% |
| Long term FHLB advances | 51,007 | 1,473 | 3.86% | 80,000 | 2,339 | 3.91% |
| Long-term debt | 49,514 | 1,291 | 3.49% | 49,424 | 1,289 | 3.49% |
| Subordinated debentures | 36,078 | 1,794 | 6.65% | 35,900 | 1,965 | 7.32% |
| Total borrowed funds | 334,954 | 6,727 | 2.69% | 326,475 | 7,070 | 2.90% |
| Total interest-bearing liabilities | 2,198,530 | 31,667 | 1.93% | 2,197,257 | 35,374 | 2.15% |
| Demand deposits - noninterest-bearing | 1,019,725 | | | 1,024,278 | | |
| Other liabilities | 65,540 | | | 91,709 | | |
| Shareholders' equity | 366,125 | | | 354,215 | | |
| **Total liabilities and shareholders' equity** | $ 3,649,920 | | | $ 3,667,459 | | |
| Interest income/interest-earning assets | | | 5.07% | | | 5.14% |
| Interest expense/interest-earning assets | | | 1.27% | | | 1.41% |
| **Net interest income and margin[5]** | | $ 93,386 | 3.80% | | $ 92,734 | 3.73% |

(1) Average balances are obtained from the best available daily or monthly data and are net of deferred fees and related direct costs.

(2) Yields and net interest margin have been computed on a tax equivalent basis utilizing a 21% effective federal tax rate.

(3) Loans are gross of the allowance for possible loan losses. Loan fees have been included in the calculation of interest income. Net loan fees and loan acquisition FMV amortization were $(0.8) million and $(0.9) million for the nine months ended September 30, 2026 and 2025, respectively.

(4) Non-accrual loans have been included in total loans for purposes of computing total earning assets.

(5) Net interest margin represents net interest income as a percentage of average interest-earning assets.

The Volume and Rate Variances table below sets forth the dollar difference for the comparative periods in interest earned or paid for each major category of interest-earning assets and interest-bearing liabilities, and the amount of such change attributable to fluctuations in average balances (volume) or differences in average interest rates. Volume variances are equal to the increase or decrease in average balances multiplied by prior period rates, and rate variances are equal to the change in rates multiplied by prior period average balances. Variances attributable to both rate and volume changes, calculated by multiplying the change in rates by the change in average balances, have been allocated to the mix variance.

**Volume & Rate Variances**
(dollars in thousands, unaudited)

| | Three months ended September 30, 2026 over 2025 | | | | Nine months ended September 30, 2026 over 2025 | | | |
|---|---|---|---|---|---|---|---|---|
| | Increase (decrease) due to | | | | Increase (decrease) due to | | | |
| **Assets:** | **Volume** | **Rate** | **Mix** | **Net** | **Volume** | **Rate** | **Mix** | **Net** |
| Investments: | | | | | | | | |
| Federal funds sold/due from time | $ (108) | $ (21) | $ 7 | $ (122) | $ (522) | $ (141) | $ 65 | $ (598) |
| Taxable | (722) | (552) | 44 | (1,230) | (1,960) | (1,882) | 134 | (3,708) |
| Non-taxable | 23 | 26 | 68 | 117 | 290 | 36 | (59) | 267 |
| Total investments [1] | (807) | (547) | 119 | (1,235) | (2,192) | (1,987) | 140 | (4,039) |
| Loans: | | | | | | | | |
| Real estate | (92) | 137 | (1) | 44 | (678) | 794 | (8) | 108 |
| Agricultural | (194) | 1,319 | (267) | 858 | (556) | 1,132 | (216) | 360 |
| Commercial | 89 | (142) | (7) | (60) | 169 | (220) | (8) | (59) |
| Consumer | (10) | — | — | (10) | (40) | 9 | (2) | (33) |
| Mortgage warehouse | 99 | (722) | (10) | (633) | 2,808 | (1,929) | (285) | 594 |
| Other | 5 | 9 | 2 | 16 | 3 | 10 | 1 | 14 |
| Total loans [1] | (103) | 601 | (283) | 215 | 1,706 | (204) | (518) | 984 |
| Total interest-earning assets [1] | $ (910) | $ 54 | $ (164) | $ (1,020) | $ (486) | $ (2,191) | $ (378) | $ (3,055) |
| **Liabilities** | | | | | | | | |
| Interest-bearing deposits: | | | | | | | | |
| Demand deposits | $ 40 | (245) | (6) | $ (211) | $ 224 | $ (743) | (38) | $ (557) |
| NOW | (5) | (44) | 2 | (47) | (18) | (120) | 5 | (133) |
| Savings accounts | 2 | 17 | — | 19 | 8 | 40 | 1 | 49 |
| Money market | 152 | 41 | 8 | 201 | 287 | 106 | 16 | 409 |
| Time deposits | (347) | (448) | 38 | (757) | (1,459) | (1,777) | 203 | (3,033) |
| Brokered deposits | 167 | (210) | (12) | (55) | 833 | (850) | (82) | (99) |
| Total interest-bearing deposits [1] | 9 | (889) | 30 | (850) | (125) | (3,344) | 105 | (3,364) |
| Borrowed funds: | | | | | | | | |
| Federal funds purchased | 75 | (61) | (13) | 1 | 1,436 | (146) | (241) | 1,049 |
| Repurchase agreements | (4) | (19) | 1 | (22) | 5 | (67) | (1) | (63) |
| Short term borrowings | (37) | (14) | 8 | (43) | (276) | (63) | 45 | (294) |
| Long-term FHLB Advances | (444) | (22) | 13 | (453) | (847) | (29) | 10 | (866) |
| Long term debt | 1 | (1) | — | — | 2 | — | — | 2 |
| Subordinated debentures | 3 | (53) | — | (50) | 10 | (180) | (1) | (171) |
| Total borrowed funds [1] | (406) | (170) | 9 | (567) | 330 | (485) | (188) | (343) |
| Total interest-bearing liabilities [1] | (397) | (1,059) | 39 | (1,417) | 205 | (3,829) | (83) | (3,707) |
| Net interest income [1] | $ (513) | $ 1,113 | $ (203) | $ 397 | $ (691) | $ 1,638 | $ (295) | $ 652 |

(1) Subtotals are a sum of the categories above and are not recalculated on the portfolio totals.

The volume and rate analysis indicates that lower funding costs continued to be a significant contributor to earnings performance during both the quarterly and year-to-date periods. Favorable repricing of deposits and wholesale funding sources more than offset the impact of lower average investment securities balances and yields. In addition, third quarter 2026 results benefited from the recovery of approximately $1.1 million of previously unrecognized interest income associated with a separate nonaccrual agricultural production lending relationship in the lumber industry that paid in full during the quarter. While mortgage warehouse balances declined during 2026 as the Company adopted a more selective approach to extending mortgage warehouse credit, strong growth in commercial real estate lending and improved funding mix contributed to the favorable net interest margin performance.

Variances in net interest income were the result of changes discussed under the “Net Interest Income and Net Interest Margin” heading.

## PROVISION FOR CREDIT LOSS EXPENSE

Credit risk is inherent in the business of making loans. The Company sets aside an allowance for credit losses on loans, a contra-asset account, through periodic charges to earnings, which are reflected in the income statement as the provision for credit losses on loans. Specifically identifiable and quantifiable loan losses are immediately charged off against the allowance, with subsequent recoveries reflected as an increase to the allowance. The Company recorded a benefit for credit losses on loans of $2.0 million for the third quarter of 2026, compared to credit loss expense on loans of $3.7 million for the third quarter of 2025. For the first nine months of 2026, provision for credit losses on loans totaled $0.3 million, compared to $6.9 million for the same period in 2025.

The third quarter 2026 benefit was primarily attributable to the resolution of a previously identified agricultural production lending relationship in the lumber industry that had been individually evaluated for expected credit losses. During the second quarter of 2026, the Company recorded a $2.5 million allowance allocation on this credit due to elevated repayment risk and uncertainty regarding ultimate collectability. During the third quarter of 2026, the relationship was resolved through the sale of the note to another creditor. As a result, the Company recovered substantially all principal, accrued interest, and fees associated with the relationship, resulting in an immaterial charge-off and the reversal of the allowance allocation previously established on the credit. The nonaccrual agricultural production credit discussed in the Net Interest Income section is unrelated to the previously reserved agricultural production relationship in the lumber industry discussed in the Provision for Credit Loss Expense.

The resolution of this relationship contributed to a decline in the allowance for credit losses on loans from $23.6 million at June 30, 2026, to $21.7 million at September 30, 2026. Excluding the impact of this individually evaluated relationship, credit quality trends across the remainder of the loan portfolio were generally stable to improved during the quarter. Nonperforming assets declined to $9.3 million at September 30, 2026, from $14.8 million at December 31, 2025, classified loans declined to $27.0 million from $31.4 million, and loans past due 30 to 89 days improved to $2.5 million from $6.8 million at year-end 2025.

The allowance for credit losses on loans is maintained at a level that, in Management’s judgment, is adequate to absorb probable credit losses on loans related to individually identified loans as well as probable credit losses in the remaining loan portfolio.

The Company’s policies for monitoring the adequacy of the allowance, determining loan balances that should be charged off, and other detailed information with regard to changes in the allowance are discussed in Note 10 to the consolidated financial statements and below, under “Allowance for Credit Losses.” The process utilized to establish an appropriate credit allowance for losses on loans can result in a high degree of variability in the Company’s credit loss provision, and consequently in net earnings.

## NONINTEREST INCOME AND NONINTEREST EXPENSE

Noninterest Income/Expense
(dollars in thousands, unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **Noninterest income:** | **2026** | **2025** | **2026** | **2025** |
| Service charges and fees on deposit accounts | | | | |
| Interchange income on debit cards | $ 2,034 | $ 2,027 | $ 6,052 | $ 6,036 |
| Business analysis fees | 1,254 | 1,220 | 3,458 | 3,377 |
| Overdraft fee income | 1,344 | 1,357 | 3,980 | 3,857 |
| Other service charges and fees | 1,480 | 1,461 | 4,283 | 4,231 |
| Net gain on sale of securities available-for-sale | — | — | — | 124 |
| Gain (loss) on sale of fixed assets | — | — | 360 | (22) |
| Increase in cash surrender value of life insurance | 421 | 410 | 1,256 | 991 |
| Earnings on separate account life insurance | 112 | 608 | 1,118 | 1,078 |
| Other | 1,071 | 975 | 3,749 | 3,580 |
| Total noninterest income | $ 7,716 | $ 8,058 | $ 24,256 | $ 23,252 |
| As a % of average interest-earning assets [1] | 0.92% | 0.94% | 0.97% | 0.92% |
| | | | | |
| **Noninterest expense:** | | | | |
| Salaries and employee benefits | | | | |
| Salary and incentives | $ 10,203 | $ 10,863 | $ 31,014 | $ 32,014 |
| Employee benefits | 1,921 | 1,865 | 6,218 | 6,118 |
| Deferred compensation | 37 | 99 | 176 | 243 |
| Occupancy costs | 3,162 | 3,234 | 9,451 | 9,354 |
| Advertising and marketing costs | 317 | 403 | 988 | 1,156 |
| Data processing costs | 1,493 | 1,518 | 4,734 | 4,582 |
| Deposit services costs | 1,865 | 2,134 | 5,796 | 6,243 |
| Loan services costs | | | | |
| Loan processing | 107 | 173 | 337 | 425 |
| Foreclosed assets | 1 | 1 | 18 | 3 |
| Other operating costs | 929 | 901 | 2,480 | 2,905 |
| Professional services costs | | | | |
| Legal and accounting services | 738 | 641 | 1,866 | 1,712 |
| Director's costs | 342 | 332 | 1,035 | 951 |
| Deferred directors' fees cost | 154 | 438 | 621 | 942 |
| Other professional services | 721 | 763 | 2,115 | 2,180 |
| Stationery and supply costs | 77 | 102 | 274 | 335 |
| Debit card and fraud loss | 247 | 168 | 527 | 656 |
| Total noninterest expense | $ 22,314 | $ 23,635 | $ 67,650 | $ 69,819 |
| As a % of average interest-earning assets [1] | 2.66% | 2.76% | 2.72% | 2.77% |

(1) Annualized

*Noninterest Income:*

Total noninterest income decreased $0.3 million, or 4%, to $7.7 million in the third quarter 2026 from $8.1 million in the third quarter of 2025. The decrease was primarily attributable to a $0.5 million decline in earnings on separate-account life insurance, partially offset by increases in service charges and fees on deposit accounts and the above-mentioned special FHLB dividend.

For the first nine months of 2026, noninterest income increased $1.0 million, or 4%, to $24.3 million compared to $23.3 million for the same period in 2025. The increase was primarily driven by a $0.4 million gain on the sale of fixed assets, a $0.3 million increase in cash surrender value income from life insurance, a $0.3 million increase in service charges and fees on deposit accounts, and a $0.2 million increase in other income. These favorable variances were partially offset by the absence of securities gains recognized during the first nine months of 2025.

The Company’s nonqualified deferred compensation plan for officers and directors allows participants to defer a portion of their earnings and select from various hypothetical investment alternatives to determine their individual returns. The Company economically offsets this liability with separate-account life insurance policies that are invested in similar underlying fund types within the life insurance policy. Because the deferred compensation liability and the separate-account life insurance asset are not contractually linked, differences in balances, fund performance, and insurance costs can result in temporary timing mismatches between changes in separate-account life insurance income and the related deferred compensation expense.

Earnings on separate account life insurance were $0.1 million for the third quarter of 2026, compared to $0.6 million in the third quarter of 2025. For the first nine months of both 2026 and 2025, earnings on separate account life insurance totaled $1.1 million. These changes reflect market-driven fluctuations in the value of the underlying investment alternatives and do not represent changes in the operating performance or credit quality of the Company.

The majority of the related deferred compensation expense or benefit is reported within professional services expense under deferred directors' fees, as it primarily relates to directors' deferred compensation elections. Deferred directors' fee expense was $0.2 million during the third quarter of 2026, compared to $0.4 million in the third quarter of 2025. For the first nine months of 2026, deferred directors' fee expense totaled $0.6 million, compared to $0.9 million for the first nine months of 2025.

*Noninterest Expense:*

Total noninterest expense decreased $1.2 million, or 5%, to $22.3 million during the third quarter of 2026 from $23.5 million in the linked quarter. The decrease was primarily attributable to a $0.9 million decline in deferred directors' fee expense, a $0.4 million reduction in salaries and employee benefits expense, and lower data processing and deposit service costs. These favorable variances were partially offset by higher legal and accounting expenses and higher debit card and fraud losses.

Compared to the third quarter of 2025, total noninterest expense decreased $1.3 million, or 6%, from $23.6 million. Salaries and employee benefits expense declined $0.7 million, primarily due to lower full-time equivalent staffing levels, and deposit service costs decreased $0.3 million. These favorable variances were partially offset by increases in legal and accounting expenses and director-related costs.

For the first nine months of 2026, noninterest expense decreased $2.2 million, or 3%, to $67.7 million from $69.8 million for the same period in 2025. Salaries and employee benefits expense decreased $1.0 million, deposit service costs declined $0.4 million, and other operating expenses decreased $0.4 million. These improvements were partially offset by higher occupancy costs and increased legal and accounting expenses. The Company's efficiency ratio improved to 56.73% for the first nine months of 2026, compared to 59.32% for the same period in 2025.

Overall full-time equivalent employees were 447 at September 30, 2026, as compared to 465 at December 31, 2025, and 476 at September 30, 2025. The decline reflects management's continued focus on operating efficiency and controlling noninterest expense growth while maintaining service levels and support for strategic growth initiatives.

## PROVISION FOR INCOME TAXES

The Company records its provision for income taxes using the annual effective tax rate method prescribed by ASC 740, Income Taxes. Under this methodology, income tax expense is determined by applying the Company's estimated annual effective tax rate to year-to-date pre-tax income and adjusting for discrete tax items recognized in the period in which they occur. The estimated annual effective tax rate reflects the impact of tax-exempt income, tax credits, and other permanent differences between book and taxable income. Permanent differences include, but are not limited to, tax-exempt interest income, BOLI income, and certain book expenses that are not allowed as tax deductions. Tax credits consist primarily of benefits generated through investments in low-income housing tax credit funds and, more recently, renewable energy tax equity investments. The Company's effective tax rate was 22.7% for the third quarter of 2026, compared to 23.6% for the third quarter of 2025. For the first nine months of 2026, the effective tax rate was 24.2%, compared to 24.9% for the same period in 2025. The Company's effective tax rate declined during the third quarter of 2026 primarily due to the recognition of expected tax benefits associated with its renewable energy tax equity investment, consistent with management's estimate of credits expected to be realized during 2026, as well as the continued benefit of tax-exempt income.

## BALANCE SHEET ANALYSIS

### EARNING ASSETS

The Company’s interest-earning assets are comprised of loans and investments, including overnight investments and surplus balances held in interest-earning accounts in its FRB account. The composition, growth characteristics, and credit quality of both investments and loans are significant determinants of the Company’s financial condition. Investments are analyzed in the section immediately below, while the loan portfolio and other factors affecting earning assets are discussed in the sections following investments.

*INVESTMENTS*

The Company’s investments may at any given time consist of debt securities and marketable equity securities (together, the “investment portfolio”), investments in the time deposits of other banks, surplus interest-earning balances in its FRB account, and overnight fed funds sold. The Company’s investments can serve several purposes, including the following: 1) they can provide liquidity for potential funding needs; 2) they provide a source of pledged assets for securing public deposits, bankruptcy deposits and certain borrowed funds which require collateral; 3) they constitute a large base of assets with structural characteristics that can be changed more readily than loan or deposit portfolios, as might be required for interest rate risk management purposes; 4) they are another interest-earning option for the placement of surplus funds when loan demand is light; and 5) they can provide partially tax exempt income.

The majority of the investment portfolio is reflected on the consolidated balance sheet as investment securities and totaled $862.5 million, or 23% of total assets at September 30, 2026, and $916.1 million, or 24% of total assets at December 31, 2025. The modest decrease was due primarily to regularly scheduled maturities and paydowns, as well as calls of collateralized loan obligations ("CLOs").

The Company carries “available-for-sale” investments at their fair market values and “held-to-maturity” investments at amortized cost, net of allowance for credit losses. The Company currently has the intent and ability to hold investment securities to maturity, but the securities are all marketable. The expected effective duration was 3.5 years for available-for-sale investments and 5.9 years for held-to-maturity investments at September 30, 2026, as compared to 2.8 years for available-for-sale investments and 5.6 years for held-to-maturity investments at December 31, 2025.

The following table sets forth the carrying amount for available-for-sale securities, at fair value, and held-to-maturity securities, at amortized cost, net of the allowance for credit losses of the Company's investment portfolio by investment type as of the dates noted:

**Investment Portfolio**
(dollars in thousands, unaudited)

| | September 30, 2026 | | December 31, 2025 | |
|---|---|---|---|---|
| | Carrying Amount | Percent | Carrying Amount | Percent |
| Available for sale | | | | |
| U.S. government agencies | $ 22,678 | 2.63% | $ 32,901 | 3.59% |
| Mortgage-backed securities | 272,334 | 31.58% | 259,760 | 28.35% |
| State and political subdivisions | 47,511 | 5.51% | 46,921 | 5.12% |
| Corporate bonds | 83,836 | 9.72% | 86,467 | 9.44% |
| Collateralized loan obligations | 158,538 | 18.38% | 199,281 | 21.75% |
| Total available for sale | 584,897 | 67.82% | 625,330 | 68.25% |
| Held to maturity | | | | |
| U.S. government agencies | 4,161 | 0.48% | 4,523 | 0.49% |
| Mortgage-backed securities | 104,151 | 12.08% | 115,228 | 12.58% |
| State and political subdivisions | 169,265 | 19.64% | 171,060 | 18.68% |
| Total held to maturity | 277,577 | 32.18% | 290,811 | 31.75% |
| Total securities | $ 862,474 | 100.00% | $ 916,141 | 100.00% |

The fair value of investment securities pledged as collateral for borrowings and/or potential borrowings from the FHLB and the FRB, customer repurchase agreements, and other purposes as required or permitted by law totaled $300.2 million at September 30, 2026, and $367.5 million at December 31, 2025, leaving $531.6 million in unpledged debt securities at September 30, 2026, and $548.6 million at December 31, 2025. Securities pledged in excess of actual pledging needs and thus available for liquidity purposes, if needed, totaled $41.7 million at September 30, 2026, and $35.6 million at December 31, 2025.

At September 30, 2026, the Company's investment portfolio included 231 municipal bonds issued by 193 different government municipalities and agencies located within 28 different states, with an aggregate fair value of $200.2 million. The largest exposure to any single municipality or agency was a combined $4.5 million (fair value) in general obligation bonds issued by the City of New York (NY). In addition, the Company owned 105 subordinated debentures issued by bank-holding companies totaling $83.8 million (fair value).

At December 31, 2025, the Company's investment portfolio included 227 municipal bonds issued by 199 different government municipalities and agencies located within 28 states, with an aggregate fair value of $221.0 million. The largest exposure to any single municipality or agency was a combined $5.2 million (fair value) in general obligation bonds issued by the City of New York (NY). In addition, the Company owned 109 subordinated debentures issued by bank-holding companies totaling $86.5 million (fair value).

The Company's investments in bonds issued by corporations, states, municipalities, and political subdivisions are evaluated in accordance with Financial Institution Letter 48-2012, issued by the FDIC, "Revised Standards of Creditworthiness for Investment Securities," and other regulatory guidance. Credit ratings are considered in Management's analysis only as a guide to the historical default rate associated with similarly rated bonds. There have been no significant differences in internal analyses compared with the ratings assigned by the third-party credit rating agencies.

The following table summarizes the amortized cost and fair values of general obligation and revenue bonds in the Company's investment securities portfolio at the indicated dates, identifying the state in which the issuing municipality or agency operates for the Company's largest geographic concentrations:

| | September 30, 2026 | | December 31, 2025 | |
|---|---|---|---|---|
| General obligation bonds | Amortized Cost | Fair Market Value | Amortized Cost | Fair Market Value |
| *State of issuance* | | | | |
| Texas | $ 94,285 | $ 81,963 | $ 86,922 | $ 85,424 |
| California | 48,435 | 42,515 | 50,945 | 49,130 |
| Other (22 & 22 states, respectively) | 60,594 | 53,278 | 60,220 | 61,092 |
| Total general obligation bonds | 203,314 | 177,756 | 198,087 | 195,646 |
| | | | | |
| Revenue bonds | | | | |
| *State of issuance* | | | | |
| Texas | 5,537 | 4,798 | 5,534 | 5,378 |
| California | 3,597 | 3,388 | 3,583 | 3,586 |
| Other (13 & 13 states, respectively) | 16,394 | 14,294 | 16,481 | 16,416 |
| Total revenue bonds | 25,528 | 22,480 | 25,598 | 25,380 |
| Total obligations of states and political subdivisions | $ 228,842 | $ 200,236 | $ 223,685 | $ 221,026 |

*ALLOWANCE FOR CREDIT LOSSES – AFS INVESTMENT SECURITIES*

The allowance for credit losses on AFS investment securities, a contra-asset, is established through periodic provisions for credit losses on AFS investment securities. It is maintained at a level that is considered adequate to measure expected losses across the classes of major investment security types and may not be correlated with fluctuations in fair value related to changes in market conditions, primarily interest rates. The Company maintains it has intent and ability to hold AFS securities until the amortized cost basis of each security is recovered and likewise concluded as of both September 30, 2026, and December 31, 2025, that it was not more likely than not that any of the securities in an unrealized loss position would be required to be sold. The following bullets outline additional support for Management's conclusion that no amount of the unrealized loss of the securities in an unrealized loss position as of September 30, 2026, and December 31, 2025, was attributable to credit deterioration and a risk of loss, requiring an allowance for credit losses.

- U.S. government agencies are supported by the full faith and creditworthiness of the U.S. federal government and Management did not consider a default, much less a loss on these securities to be a reasonable possibility as of either September 30, 2026, or December 31, 2025.

- Mortgage-backed securities issued by government-sponsored enterprises ("GSEs") carry an implicit guarantee by the U.S. federal government, as the GSEs can draw funds from the U.S. federal government up to a limit, with an implied ability to draw funds beyond the limit. Management did not consider a default, much less a loss on these securities to be a reasonable possibility as of either September 30, 2026, or December 31, 2025.

- Management routinely monitors third party credit grades of the municipal issuers in the Company's state and political subdivisions portfolio. In addition, Management performs annual reviews of the underlying municipal issuers financial statements in order to evaluate stability and repayment capacity and has noted no concerns with any of the bonds in the Company's state and local portfolio. As of both September 30, 2026, and December 31, 2025, Management concluded that no allowance for credit losses was warranted on any of the Company's available-for-sale municipal securities and the unrealized loss position of each of the securities reflected fluctuations in market conditions, primarily interest rates, since the time of purchase.

- The Company has invested in subordinated debenture issuances of other financial institutions. Various financial metrics, including credit quality, reserve adequacy, profitability, liquidity, and capital, of each of the issuing financial institutions are reviewed by Management quarterly. Following review of the financial metrics available for each of the underlying institutions as of September 30, 2026, and December 31, 2025, Management concluded the unrealized loss position of these securities were related exclusively to the fluctuation in market conditions, primarily interest rates, from the date of purchase, and were not reflective of any credit concerns with the issuing financial institution. These bonds were subject to an internal credit review prior to their purchase and are subject to ongoing quarterly reviews.

- The Company has invested exclusively in AA and AAA tranches of various collateralized loan obligations, which are securitizations of commercial loans. Each purchase is subject to an internal credit, concentration, and structure review prior to their purchase and are subject to ongoing quarterly reviews. Management monitors the credit rating, in addition to various performance metrics of these investments using a third-party informational service, on a quarterly basis. Following review of financial metrics as of both September 30, 2026, and December 31, 2025, Management concluded that any unrealized loss positions on individual securities related exclusively to the fluctuation in market conditions, primarily interest rate spreads due to changes in supply or demand, from the date of purchase, and were not reflective of any credit concerns with the tranches comprising the Company's investments.

LOAN PORTFOLIO

A distribution of the Company's loans showing the balance and percentage of loans by type is presented for the noted periods in the table below. The balances in the table are after deferred or unamortized loan origination, extension, or commitment fees, and deferred origination costs. While not reflected in the loan totals and not currently comprising a material segment of lending activities, the Company also occasionally originates and sells, or participates out portions of loans to non-affiliated investors.

**Loan Distribution**
(dollars in thousands, unaudited)

| | September 30, 2026 | | December 31, 2025 | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Real estate: | | | | |
| Residential real estate | $ 342,062 | 14.09% | $ 359,514 | 14.12% |
| Commercial real estate | 1,465,022 | 60.33% | 1,390,890 | 54.61% |
| Other construction/land | 15,891 | 0.65% | 14,414 | 0.57% |
| Farmland | 63,117 | 2.60% | 68,307 | 2.68% |
| Total real estate | 1,886,092 | 77.67% | 1,833,125 | 71.98% |
| Other commercial | 179,642 | 7.40% | 192,577 | 7.56% |
| Mortgage warehouse facilities | 360,326 | 14.83% | 518,333 | 20.35% |
| Consumer loans | 2,451 | 0.10% | 2,810 | 0.11% |
| Total loans | $ 2,428,511 | 100.00% | $ 2,546,845 | 100.00% |

The decrease in gross loan balances compared to December 31, 2025, was primarily driven by a $158.0 million decrease in mortgage warehouse utilization, partially offset by a $74.1 million increase in commercial real estate loans and continued loan production across the Company's core lending markets. The reduction in mortgage warehouse balances reflects a temporary pause in growth in the third quarter of 2026 due to the implementation of enhanced controls, as well as market volatility throughout 2026 due to the higher rate environment, while growth in commercial real estate lending demonstrates continued success in originating and retaining relationship-based commercial credits. The Company continues to add new mortgage warehouse customers with total commitments increasing $82.3 million, or 10.6%, during the first nine months of 2026. Most of the increase was in the third quarter with $54.4 million of net new commitments.

Despite the decline in period-end mortgage warehouse balances, average mortgage warehouse balances decreased by only $20.8 million during the third quarter of 2026 compared to the linked quarter, while related interest income declined slightly by $0.2 million. In addition, commercial real estate balances increased $75.3 million during the quarter, reflecting strong production activity and growth in relationship-based lending.

The Company's loan portfolio remains well diversified, with commercial real estate representing 60% of total loans, mortgage warehouse facilities representing 15%, residential real estate comprising 14%, and other commercial loans representing 7% of the portfolio at September 30, 2026. Commercial real estate lending continues to be a key area of growth, supported by strong customer demand and a healthy pipeline of opportunities.

As indicated in the loan rollforward table below, the Company significantly increased new credit extended during the quarter to $123.7 million as compared to $49.4 million in the previous quarter. The implementation of semi-monthly credit evaluation meetings has enabled the Bank’s lending teams to more effectively compete for lending opportunities. While lending activity increased, it was offset by significant declines in mortgage warehouse utilization as well as higher than normal paydowns.

| | For the three months ended: | | | For the nine months ended: | |
|---|---|---|---|---|---|
| | 9/30/2026 | 6/30/2026 | 9/30/2025 | 9/30/2026 | 9/30/2025 |
| Gross loans beginning balance | $ 2,456,206 | $ 2,466,891 | $ 2,434,605 | $ 2,546,880 | $ 2,331,341 |
| New credit extended | 123,724 | 49,370 | 48,065 | 180,905 | 162,582 |
| Loan purchases | 41,197 | — | — | 41,197 | — |
| Changes in line of credit utilization [1] | (10,694) | (4,841) | 2,628 | (38,127) | (6,914) |
| Change in mortgage warehouse facilities | (97,131) | (20,997) | 50,787 | (158,008) | 126,283 |
| Pay-downs, maturities, charge-offs, and amortization | (84,692) | (34,217) | (44,306) | (144,237) | (121,513) |
| Gross loans ending balance | 2,428,610 | 2,456,206 | 2,491,779 | 2,428,610 | 2,491,779 |
| Deferred (fees) and costs, net | (99) | (146) | 9 | (99) | 9 |
| Gross loans, amortized cost | $ 2,428,511 | $ 2,456,060 | $ 2,491,788 | $ 2,428,511 | $ 2,491,788 |

(1) Change does not include new balances on lines of credit extended during the respective periods as such balances are included as part of “New credit extended” line above.

At September 30, 2026, the total regulatory CRE concentration ratio of total CRE over Bank Tier 1 Capital plus allowance was 245.7% as compared to 242.1% at December 31, 2025. The overall level of construction and land development lending was 3.4% of Bank Tier 1 capital plus allowance at September 30, 2026. At September 30, 2026, non-owner occupied commercial real estate included $293.5 million of retail; $134.4 million of warehouse/industrial; $142.8 million of office; and $302.0 million of hospitality. Approximately $21.4 million, or 15%, of the office real estate balances mature or reprice in less than two years.

*NONPERFORMING ASSETS*

Nonperforming assets are currently comprised of loans for which the Company is no longer accruing interest and foreclosed assets.

**Nonperforming assets**
(dollars in thousands, unaudited)

| | September 30, 2026 | December 31, 2025 | September 30, 2025 |
|---|---|---|---|
| Nonperforming loans: | | | |
| Real estate: | | | |
| Residential real estate | $ 316 | $ 210 | $ 218 |
| Commercial real estate | 5,095 | — | — |
| Other construction/land | — | — | — |
| Farmland | 3,060 | 1,717 | 1,717 |
| Total real estate nonperforming loans | 8,471 | 1,927 | 1,935 |
| Other commercial | 876 | 11,304 | 12,071 |
| Consumer loans | — | — | — |
| Total nonperforming loans | 9,347 | 13,231 | 14,006 |
| | | | |
| Foreclosed assets | — | 1,565 | 1,839 |
| Total nonperforming assets | $ 9,347 | $ 14,796 | $ 15,845 |
| Nonperforming loans as a % of total gross loans | 0.38% | 0.52% | 0.56% |
| Nonperforming assets as a % of total gross loans and foreclosed assets | 0.38% | 0.58% | 0.64% |

Total nonperforming assets, comprised of nonaccrual loans and foreclosed assets, decreased $5.4 million, or 37%, to $9.3 million at September 30, 2026, from $14.8 million at December 31, 2025. The Company's ratio of nonperforming assets to gross loans plus foreclosed assets improved to 0.38% at September 30, 2026, compared to 0.58% at December 31, 2025. The improvement reflects the successful resolution of several criticized and nonperforming credit relationships. The increase in nonaccrual Farmland balances was primarily attributable to a single credit relationship with an estimated loan-to-value ratio of approximately 69%. Likewise, the increase in nonaccrual Commercial Real Estate balances was concentrated in a separate credit relationship with an estimated loan-to-value ratio of approximately 62%. Management believes both relationships remain adequately secured.

The Company had no foreclosed assets at September 30, 2026, compared to $1.6 million at December 31, 2025, as the remaining foreclosed property was resolved during the first quarter of 2026. All nonperforming loans are individually evaluated for credit losses on a quarterly basis, and Management believes the allowance for credit losses established for these loans is appropriate. Additionally, fair values of foreclosed assets are monitored quarterly and impairments are recognized when Management estimates that the expected value to be recovered has fallen below the carrying value of these assets.

An action plan is in place for each non-accruing loan, and they are all being actively managed. Collection efforts are continuously pursued for all nonperforming loans, but the Company cannot provide assurance that they will be resolved in a timely manner or that nonperforming balances will not increase.

Loans past due 30 to 89 days and still accruing declined favorably to $2.5 million at September 30, 2026, compared to $6.8 million at December 31, 2025. Classified loan levels improved to $27.0 million at September 30, 2026, compared to $31.4 million at December 31, 2025, and $29.3 million at June 30, 2026, reflecting continued improvement in overall portfolio risk characteristics. All past due loans are under Management supervision, and every effort is being taken to assist the borrowers and manage credit risk in this regard.

*ALLOWANCE FOR CREDIT LOSSES – LOANS*

The allowance for credit losses on loans, a contra-asset, is established through periodic provisions for credit losses on loans. It is maintained at a level that is considered an adequate estimation of expected losses on individually identified loans, as well as expected losses inherent in the remaining loan portfolio. Specifically identifiable and quantifiable losses are immediately charged off against the allowance; recoveries are generally recorded only when sufficient cash payments are received subsequent to the charge-off.

The following tables highlight the coverage ratios by loan category at September 30, 2026, and December 31, 2025 (dollars in thousands, unaudited):

| | As of September 30, 2026 | | | |
|---|---|---|---|---|
| | **Balance** | **Total Allowance** | **Percent of Portfolio** | **Coverage Ratio [1]** |
| Real estate: | | | | |
| Commercial real estate | $ 1,465,022 | $ 17,058 | 60.33% | 1.16% |
| Other construction/land | 15,891 | 249 | 0.65% | 1.57% |
| Farmland | 63,117 | 529 | 2.60% | 0.84% |
| Total real estate [2] | 1,544,030 | 17,836 | 63.58% | 1.16% |
| Other Commercial | 179,642 | 2,392 | 7.40% | 1.33% |
| Consumer loans (including overdrafts) | 2,451 | 136 | 0.10% | 5.55% |
| Subtotal [2] [3] | 1,726,123 | 20,364 | 71.08% | 1.18% |
| Residential real estate | 342,062 | 1,121 | 14.09% | 0.33% |
| Mortgage warehouse facilities | 360,326 | 165 | 14.83% | 0.05% |
| **Gross loans, amortized cost** | $ 2,428,511 | $ 21,650 | 100.00% | 0.89% |

| | As of December 31, 2025 | | | |
|---|---|---|---|---|
| | **Balance** | **Total Allowance** | **Percent of Portfolio** | **Coverage Ratio [1]** |
| Real estate: | | | | |
| Commercial real estate | $ 1,390,890 | $ 16,354 | 54.61% | 1.18% |
| Other construction/land | 14,414 | 296 | 0.57% | 2.05% |
| Farmland | 68,307 | 496 | 2.68% | 0.73% |
| Total real estate [2] | 1,473,611 | 17,146 | 57.86% | 1.16% |
| Other Commercial | 192,577 | 2,146 | 7.56% | 1.11% |
| Consumer loans (including overdrafts) | 2,810 | 112 | 0.11% | 3.99% |
| Subtotal [2] [3] | 1,668,998 | 19,404 | 65.53% | 1.16% |
| Residential real estate | 359,514 | 1,411 | 14.12% | 0.39% |
| Mortgage warehouse facilities | 518,333 | 665 | 20.35% | 0.13% |
| **Gross loans, amortized cost** | $ 2,546,845 | $ 21,480 | 100.00% | 0.84% |

(1) Coverage ratio equals allowance for credit losses on loans divided by total loans on the amortized cost basis.

(2) Does not include residential real estate.

(3) Does not include mortgage warehouse facilities.

The allowance for credit losses on loans was $21.7 million, or 0.89% of gross loans, at September 30, 2026, compared to $21.5 million, or 0.84% of gross loans, at December 31, 2025. The Company's overall coverage ratio is influenced by the composition of its loan portfolio, which includes significant concentrations in mortgage warehouse and residential real estate loans that have historically experienced minimal credit losses and therefore require comparatively low reserve allocations. At September 30, 2026, mortgage warehouse and residential real estate loans totaled $702.4 million, representing approximately 29% of total loans, while the related allowance was $1.3 million, or 6% of the total allowance. As a result, these portfolios reduce the Company's overall allowance coverage ratio. Excluding mortgage warehouse and residential real estate loans, the allowance for credit losses totaled $20.4 million and represented 1.18% of the remaining loan portfolio, compared to 1.16% at December 31, 2025. The Company's commercial real estate portfolio, which represents its largest loan segment, maintained a reserve coverage ratio of 1.16% at September 30, 2026.

**Allowance for Credit Losses on Loans**
(dollars in thousands, unaudited)

| Balances: | For the three months ended September 30, 2026 | For the three months ended September 30, 2025 | For the nine months ended September 30, 2026 | For the nine months ended September 30, 2025 | For the year ended December 31, 2025 |
|---|---|---|---|---|---|
| Average gross loans outstanding during period [1] | $ 2,427,071 | $ 2,437,218 | $ 2,413,057 | $ 2,389,164 | $ 2,409,304 |
| Gross Loans outstanding at end of period | $ 2,428,610 | $ 2,491,779 | $ 2,428,610 | $ 2,491,779 | $ 2,546,880 |
| | | | | | |
| Allowance for credit losses on loans: | | | | | |
| Balance at beginning of period | $ 23,600 | $ 21,680 | $ 21,480 | $ 24,830 | $ 24,830 |
| Provision charged to expense | (2,024) | 3,709 | 336 | 6,880 | 6,095 |
| Initial allowance on purchased seasoned loans | 357 | — | 357 | — | — |
| Charge-offs | | | | | |
| Real estate | | | | | |
| Residential real estate | 40 | — | 40 | — | — |
| Commercial real estate | — | 18 | 90 | 1,165 | 1,421 |
| Total real estate | 40 | 18 | 130 | 1,165 | 1,421 |
| Other commercial | 120 | 31 | 238 | 5,506 | 8,022 |
| Consumer loans | 162 | 231 | 509 | 727 | 907 |
| Total | $ 322 | $ 280 | $ 877 | $ 7,398 | $ 10,350 |
| Recoveries | | | | | |
| Real estate | | | | | |
| Farmland | $ — | $ — | $ — | $ 410 | $ 410 |
| Total real estate | — | — | — | 410 | 410 |
| Other commercial | 1 | 11 | 227 | 34 | 42 |
| Consumer loans | 38 | 60 | 127 | 424 | 453 |
| Total | $ 39 | $ 71 | $ 354 | $ 868 | $ 905 |
| Net loan charge-offs | $ 283 | $ 209 | $ 523 | $ 6,530 | $ 9,445 |
| Balance at end of period | $ 21,650 | $ 25,180 | $ 21,650 | $ 25,180 | $ 21,480 |
| | | | | | |
| **RATIOS** | | | | | |
| Net charge-offs to average loans (annualized) | 0.05% | 0.03% | 0.03% | 0.37% | 0.39% |
| Allowance for credit losses on loans to gross loans at end of period | 0.89% | 1.01% | 0.89% | 1.01% | 0.84% |
| Net loan charge-offs to allowance for credit losses on loans at end of period | 1.31% | 0.83% | 2.42% | 25.93% | 43.97% |
| Net loan (recoveries) charge-offs to provision for credit losses on loans | (13.98)% | 5.63% | 155.65% | 94.91% | 154.96% |

(1) Average balances are obtained from the best available daily or monthly data and are net of deferred fees and related direct costs.

OFF-BALANCE SHEET ARRANGEMENTS

The Company maintains commitments to extend credit in the normal course of business, as long as there are no violations of conditions established in the outstanding contractual arrangements. It is unlikely that all unused commitments will ultimately be drawn down.

A summary of the Company's unfunded commitments and utilization is presented below (dollars in thousands, unaudited):

| | September 30, 2026 | | December 31, 2025 | | September 30, 2025 | |
|---|---|---|---|---|---|---|
| | Line Available [2] | Utilization % | Line Available [2] | Utilization % | Line Available [2] | Utilization % |
| Real estate: | | | | | | |
| Residential real estate | $ 10,570 | 52.48% | $ 15,726 | 44.50% | $ 16,717 | 43.13% |
| Commercial real estate | 15,364 | 89.92% | 23,203 | 86.93% | 22,952 | 87.28% |
| Other construction/land | 964 | 92.36% | 2,634 | 79.10% | 3,951 | 68.71% |
| Farmland | 1,842 | 85.60% | 3,126 | 80.20% | 4,211 | 73.38% |
| Total real estate | 28,740 | 85.63% | 44,689 | 80.92% | 47,831 | 79.92% |
| Other commercial | 166,490 | 49.82% | 187,084 | 48.81% | 201,990 | 45.80% |
| Consumer | 4,365 | 22.95% | 4,580 | 24.29% | 4,661 | 23.34% |
| Subtotal [1] | 199,595 | 62.86% | 236,353 | 61.00% | 254,482 | 58.75% |
| Mortgage warehouse facilities | 488,174 | 42.47% | 247,667 | 67.67% | 308,817 | 59.45% |
| Overdrafts - Commercial and Consumer | 65,689 | 1.48% | 69,112 | 1.40% | 69,956 | 1.36% |
| Total | $ 753,458 | 48.13% | $ 553,132 | 61.64% | $ 633,255 | 56.31% |
| | | | | | | |
| Unused commitment as a percent of gross loans, amortized cost | 31.03% | | 21.72% | | 25.41% | |
| Unused mortgage warehouse facilities as percent of gross loans, amortized cost | 20.10% | | 9.72% | | 12.39% | |

(1) Excludes mortgage warehouse facilities and overdraft lines.

(2) Represents unfunded loan commitments available to customers.

Included in unused commitments are mortgage warehouse facilities, which are mostly in the form of repurchase lines. The repurchase agreement structure provides stronger credit protection to the Company, as well as more favorable regulatory capital treatment, as these repurchase lines are not considered off-balance sheet commitments for regulatory capital purposes as they are unconditionally cancelable.

The Company also had undrawn letters of credit issued to customers totaling $1.8 million at September 30, 2026, and $5.7 million at December 31, 2025. The effect on the Company's revenues, expenses, cash flows and liquidity from the unused portion of commitments to provide credit cannot be reasonably predicted because there is no guarantee that the lines of credit will ever be used. However, the "Liquidity" section in this Form 10-Q outlines resources available to draw upon should the Company be required to fund a significant portion of unused commitments.

In addition to unused commitments to provide credit, the Company is utilizing a $125 million letter of credit issued by the FHLB on the Company's behalf as security for certain local agency deposits which totaled $67.5 million at September 30, 2026. That letter of credit is backed by loans pledged to the FHLB by the Company. For more information on the Company's off-balance sheet arrangements, see Note 7 to the consolidated financial statements located elsewhere herein.

## OTHER ASSETS

Interest-earning cash balances were discussed above in the "Investments" section, but the Company also maintains a certain level of cash on hand in the normal course of business, as well as non-earning deposits at other financial institutions. The Company's balance of cash and due from banks depends on the timing of collection of outstanding cash items (checks), the amount of cash held in the branches, and the reserve requirement among other things, and it is subject to significant fluctuations in the normal course of business. While cash flows are normally predictable within limits, those limits are fairly broad and the Company manages its short-term cash position through the utilization of overnight loans to, and borrowings from, correspondent banks, including the FRB and the FHLB. Should a large "short" overnight position persist for any length of time, the Company typically raises money through focused retail deposit gathering efforts or by adding brokered time deposits. If a "long" position is prevalent, the Company could let brokered deposits or other wholesale borrowings roll off as they mature, or invest excess liquidity into investments or loans, subject to the Company's risk tolerances. The Company's balance of non-earning cash and due from banks was $92.7 million at September 30, 2026, relative to $71.4 million at December 31, 2025.

Foreclosed assets are discussed above in the section titled "Nonperforming Assets."

Net premises and equipment decreased by $0.7 million during the first nine months of 2026, to $14.3 million. This decline was mostly a result of the sale of a bank owned real estate property and depreciation in the first nine months of 2026.

Goodwill was $27.4 million at September 30, 2026, unchanged during the first nine months of 2026. Goodwill is tested for impairment annually, unless events and circumstances exist which indicate that an impairment test should be performed. The annual goodwill impairment test was last performed on October 1, 2026, and it was determined that no impairment existed. Management continues to evaluate whether or not a triggering event occurs, or circumstances change that would more likely than not reduce the fair value of the Company below its carrying amount before the next annual test in 2027.

Bank-owned life insurance, with a balance of $70.5 million at September 30, 2026, increased $1.2 million during the first nine months of 2026. Additional details are discussed above in the "Noninterest Income and Noninterest Expense" section.

The remainder of other assets consists primarily of right-of-use assets tied to operating leases, accrued interest receivable, deferred taxes, investments in bank stocks, prepaid assets, investments in low-income housing credits, investments in SBA loan funds, and other miscellaneous assets. Bank stocks include Pacific Coast Bankers Bank (PCBB) stock (marked to market value annually) and restricted stock related to the Federal Home Loan Bank of San Francisco (FHLB SF) stock held in conjunction with our FHLB borrowings. Both the PCBB and FHLB SF stock are not deemed to be marketable or liquid. Our net deferred tax asset is evaluated as of every reporting date pursuant to FASB guidance, and we have determined that no impairment exists.

## DEPOSITS AND INTEREST-BEARING LIABILITIES

*DEPOSITS*

Deposits are one of the primary drivers of the Company's profitability metrics. Deposits provide liquidity to fund growth in earning assets, and the Company's net interest margin is improved to the extent that growth in deposits is concentrated in less volatile and typically less costly non-maturity accounts, such as demand deposit accounts, NOW accounts, savings accounts, and money market demand accounts. Information concerning average balances and rates paid by deposit type is included in the Average Balances and Rates tables appearing above, in the section titled "Net Interest Income and Net Interest Margin." A distribution of the Company's deposits by type, showing the period-end balance and percentage of total deposits, is presented as of the dates indicated in the following table.

**Deposit Distribution**
(dollars in thousands, unaudited)

| | September 30, 2026 | | December 31, 2025 | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Noninterest bearing demand deposits | $ 1,055,117 | 35.36% | $ 995,623 | 34.61% |
| Interest bearing demand deposits | 267,169 | 8.95% | 224,745 | 7.81% |
| NOW | 349,534 | 11.71% | 357,001 | 12.41% |
| Savings | 364,219 | 12.20% | 365,064 | 12.69% |
| Money market | 180,619 | 6.05% | 151,760 | 5.28% |
| Customer time deposits | 445,943 | 14.94% | 462,153 | 16.07% |
| Brokered deposits | 322,140 | 10.79% | 320,090 | 11.13% |
| Total deposits | $ 2,984,741 | 100.00% | $ 2,876,436 | 100.00% |

Total deposits increased $108.3 million, or 4%, to $2.98 billion at September 30, 2026, from $2.88 billion at December 31, 2025. Core non-maturity deposits increased $122.5 million, or 6%, driven by growth in noninterest-bearing demand deposits, interest-bearing transaction accounts, and money market accounts. Customer time deposits decreased $16.2 million, or 4%, reflecting the continued migration away from higher-cost deposit products. Noninterest-bearing deposits increased $59.5 million during the first nine months of 2026 and represented 35.4% of total deposits at September 30, 2026, compared to 34.6% at December 31, 2025. The Company's strong base of noninterest-bearing and other core deposit relationships continued to support a favorable funding mix and contribute to lower funding costs.

Overall uninsured deposits are estimated to be $773.7 million, or 26% of total deposit balances at September 30, 2026, excluding public agency deposits that are subject to collateralization through a letter of credit issued by the FHLB. In addition, uninsured deposits of the Bank's customers are eligible for FDIC pass-through insurance if the customer opens an IntraFi Insured Cash Sweep account or a time deposit through the Certificate of Deposit Account Registry System (CDARS). IntraFi allows for up to $285 million of combined pass-through FDIC insurance which would more than cover each of the Bank's deposit customers if a customer desired to have such pass-through insurance. The Bank maintains a diversified deposit base with no significant customer concentrations and does not bank any cryptocurrency companies. At September 30, 2026, the Company had approximately 114,000 accounts, and the 25 largest deposit balance customers had balances of approximately 12% of overall deposits. During the third quarter of 2026, there were seasonality fluctuations in the normal course of business related to the Company's 25 largest depositors.

*OTHER INTEREST-BEARING LIABILITIES*

Customer repurchase agreements were $113.1 million at September 30, 2026, as compared to $130.9 million at December 31, 2025. Customer repurchase agreements allow customers to sweep excess deposit balances over the FDIC insurance limit each day into a separate repurchase agreement account. Monies in that account are used daily by the customer to purchase specific government debt securities from the Company under an agreement from the Company to repurchase the same securities from the customer on the next business day. These accounts are not deposits and are not FDIC insured. However, the repurchase agreement provides a customer with a larger account balance to have their account effectively secured with US government securities.

The Company's non-deposit borrowings may, at any given time, include fed funds purchased from correspondent banks, borrowings from the FHLB, advances from the FRB, securities sold under agreements to repurchase, subordinated notes and/or junior subordinated debentures. The Company uses short-term FHLB and FRB borrowings and fed funds purchased on unsecured lines to support liquidity needs created by seasonal deposit flows, to temporarily satisfy funding needs from increased loan demand, and for other short-term purposes. The FHLB line consists of both a secured and unsecured component. The secured component depends on the level of pledged collateral.

At September 30, 2026, the Company had $17.0 million in overnight borrowings and $35.0 million of term FHLB borrowings, as compared to $222.7 million in overnight borrowings and $80.0 million of term FHLB borrowings at December 31, 2025. The significant reduction in borrowings was primarily attributable to lower mortgage warehouse utilization levels and growth in deposits, which reduced the Company's overall funding requirements.

Long-term debt at September 30, 2026, consisted of $49.6 million of subordinated debt. This remained relatively unchanged from December 31, 2025. Subordinated debentures related to $36.2 million of trust preferred securities at September 30, 2026, were $0.1 million higher than at December 31, 2025. The small increase resulted from the amortization of the discount on junior subordinated debentures that were part of the Company's acquisition of Coast Bancorp in 2016. Trust preferred securities are variable rate instruments benchmarked against the Secured Overnight Financing Rate (SOFR).

## OTHER NONINTEREST-BEARING LIABILITIES

Other liabilities are principally comprised of operating lease right-of-use liabilities, accrued interest payable, other accrued but unpaid expenses, and certain clearing amounts. The Company's balance of other liabilities was $77.3 million at September 30, 2026, as compared to $68.2 million at December 31, 2025, an increase of $9.1 million or 13%.

## LIQUIDITY AND MARKET RISK MANAGEMENT

*LIQUIDITY*

The Company continues to have substantial liquidity through unencumbered assets and available borrowings. In addition, the Company's loan-to-deposit ratio was 81% at September 30, 2026, and 89% at December 31, 2025.

Liquidity management refers to the Company's ability to maintain cash flows that are adequate to fund operations and meet other obligations and commitments in a timely and cost-effective manner. Detailed cash flow projections are reviewed by Management on a monthly basis, with various stress scenarios applied to assess the Company's ability to meet liquidity needs under unusual or adverse conditions. Liquidity ratios are also calculated and reviewed on a regular basis. While those ratios are merely indicators and are not measures of actual liquidity, they are closely monitored; the Company is committed to maintaining adequate liquidity resources to draw upon should unexpected needs arise.

The Company, on occasion, experiences cash needs as the result of loan growth, deposit outflows, asset purchases or liability repayments. To meet these short-term needs, the Company can borrow overnight funds from other financial institutions, draw advances via FHLB or FRB lines of credit, or solicit brokered deposits if customer deposits are not immediately obtainable from local sources.

At September 30, 2026, and December 31, 2025, the Company had the following sources of primary and secondary liquidity (dollars in thousands):

| Primary and secondary liquidity sources | 9/30/2026 | 12/31/2025 |
|---|---|---|
| Cash and cash equivalents | $ 138,307 | $ 135,628 |
| Unpledged investment securities | 531,562 | 551,406 |
| Excess pledged securities | 41,731 | 35,620 |
| FHLB borrowing availability | 604,335 | 629,481 |
| Unsecured lines of credit | 511,785 | 250,785 |
| Funds available through fed discount window | 212,862 | 254,908 |
| **Totals** | **$ 2,040,582** | **$ 1,857,828** |

Available funding sources, detailed above, of $2.0 billion represented 68% of total deposits and 264% of estimated uninsured and/or uncollateralized deposits as of September 30, 2026. Unpledged investment securities include $36.5 million of CLOs. As CLO rates reset every 90 days to current rates, the volatility of pricing of these securities is limited and the Company could sell such securities for liquidity at a significantly lower loss than selling lower-rate fixed term securities such as US government bonds or municipal bonds.

The Company performs regular stress tests on its liquidity, and at this time, Management believes it has sufficient primary and secondary liquidity sources for operations.

The Company has a higher level of actual balance sheet liquidity than might otherwise be the case since the Company utilizes a letter of credit from the FHLB rather than investment securities for certain pledging requirements. That letter of credit, which is backed by loans pledged to the FHLB by the Company, totaled $125 million at September 30, 2026, and December 31, 2025. Other sources of liquidity include the brokered deposit market, deposit listing services, Intrafi, and the ability to offer local time-deposit promotions. Management believes the Company maintains a strong liquidity position and that available liquidity sources, including on-balance sheet liquidity and contingent funding sources, are sufficient to meet anticipated funding needs, support loan growth, satisfy deposit withdrawal requirements, and meet other operating and contractual obligations.

The Company’s primary liquidity ratio was 18.7% at September 30, 2026, as compared to an internal policy guideline of “greater than 15%”. Ratios and sub-limits for the various components comprising wholesale funding, which were all well within policy guidelines at September 30, 2026, are also periodically reviewed by Management and the Board. The Company has been able to maintain a robust liquidity position in recent periods, but no assurance can be provided that the liquidity position will continue at current strong levels.

The holding company’s primary uses of funds include operating expenses incurred in the normal course of business, interest on trust preferred securities and subordinated debt, shareholder dividends, and share repurchases. Its primary source of funds is dividends from the Bank since the holding company does not conduct regular banking operations. As of September 30, 2026, the holding company maintained a cash balance of $8.7 million. Management anticipates that the holding company has sufficient liquidity to meet its funding requirements for the foreseeable future. Both the holding company and the Bank are subject to legal and regulatory limitations on dividend payments, as outlined in Item 5(c) Dividends in the Company’s Annual Report on Form 10-K for the year ended December 31, 2025, which was filed with the SEC.

*INTEREST RATE RISK MANAGEMENT*

Market risk arises from changes in interest rates, exchange rates, commodity prices, and equity prices. The Company does not engage in the trading of financial instruments, nor does it have exposure to currency exchange rates. The Company's market risk exposure is primarily driven by interest rate risk and Management has established policies and procedures to monitor and limit the Company's exposure to changes in interest rates. The principal objective of interest rate risk management is to manage the financial components of the Company's balance sheet in a manner that will optimize the risk/reward equation for earnings and capital under a variety of interest rate scenarios.

To identify areas of potential exposure to interest rate changes, the Company utilizes a third-party that uses commercially-available modeling software to perform periodic earnings simulations using a dynamic balance sheet and calculate the Company's market value of equity under varying interest rate scenarios. The model imports relevant information for the Company's financial instruments and incorporates Management's assumptions on pricing, duration, and optionality for anticipated new volumes. Assumptions regarding deposit betas in a rates up environment can range from 25% to 100% and from 0% to 100% in a rates down environment, depending on the deposit type. Deposit average life assumptions range from two to nine years based on the Company's own historical averages. Prepayment speeds are based on expectations derived from historical market data. Various rate scenarios consisting of key rate and yield curve projections are then applied in order to calculate the expected effect of a given interest rate change on interest income, interest expense, and the value of the Company's financial instruments. The rate projections can be shocked (an immediate and parallel change in all base rates, up or down), ramped (an incremental increase or decrease in rates over a specified time period), economic (based on current trends and econometric models) or stable (unchanged from current actual levels).

In addition to a stable rate scenario, which presumes that there are no changes in interest rates, the Company typically uses at least eight other interest rate scenarios in conducting rolling 12-month net interest income simulations: upward shocks of 100, 200, 300, and 400 basis points, and downward shocks of 100, 200, 300, and 400 basis points. Those scenarios may be supplemented, reduced in number, or otherwise adjusted as determined by Management to provide the most meaningful simulations considering economic conditions and expectations at the time the modeling is performed. The Company's guideline is to limit any projected decline in net interest income over the next one year relative to the stable rate scenario to no more than 10% for a 100 basis point interest rate shock, 15% for a 200 basis point shock, 20% for a 300 basis point shock, and 25% for a 400 basis point shock.

The Company had the following estimated net interest income sensitivity profiles over one year, without factoring in any potential negative impact on spreads resulting from competitive pressures or credit quality deterioration or any shifts in the Company's projected balance sheet in different rate environments (dollars in thousands, unaudited):

| | September 30, 2026 | | September 30, 2025 | |
|---|---|---|---|---|
| **Immediate change in Interest Rates (basis points)** | % Change in Net Interest Income | $ Change in Net Interest Income | % Change in Net Interest Income | $ Change in Net Interest Income |
| +400 | (2.3)% | $ (3,092) | 4.0% | $ 5,530 |
| +300 | (1.6)% | $ (2,144) | 3.2% | $ 4,440 |
| +200 | (0.9)% | $ (1,236) | 2.3% | $ 3,179 |
| +100 | (0.4)% | $ (511) | 1.3% | $ 1,776 |
| Base | | | | |
| -100 | (2.5)% | $ (3,384) | (4.8)% | $ (6,675) |
| -200 | (6.2)% | $ (8,395) | (10.0)% | $ (13,817) |
| -300 | (9.8)% | $ (13,314) | (15.0)% | $ (20,825) |
| -400 | (10.1)% | $ (13,730) | (17.3)% | $ (23,992) |

The table above presents the estimated impact of immediate, parallel shifts in interest rates across all yield curves and represents an extreme scenario. Management utilizes this analysis as one tool in evaluating the Company's overall interest rate risk profile.

The Company's interest rate risk profile remained within internal policy limits at September 30, 2026. Compared to September 30, 2025, the balance sheet exhibited substantially less sensitivity to changes in market interest rates. In rising-rate scenarios, projected changes in net interest income ranged from a decrease of 0.4% to a decrease of 2.3%, compared to projected increases ranging from 1.3% to 4.0% at September 30, 2025. The reduction in asset sensitivity reflects changes in the composition and repricing characteristics of the Company's balance sheet, including lower mortgage warehouse balances, reduced holdings of floating-rate collateralized loan obligations, shorter-term wholesale funding, and growth in core deposits.

While the Company remains more sensitive to declining interest rates than rising interest rates, the potential adverse impact of falling rates improved significantly from the prior year. Under a 400 basis point declining-rate scenario, net interest income is projected to decrease 10.1% at September 30, 2026, compared to a 17.3% decrease at September 30, 2025. Similarly, the projected decline under a 200 basis point shock improved to 6.2% from 10.0% in the prior year. Management believes this improvement reflects the benefit of lower funding costs already realized during the current interest rate cycle, as well as a more balanced overall interest rate risk position.

The simulation results indicate that the Company's primary interest rate risk continues to be associated with declining market rates, as variable-rate earning assets generally reprice downward more rapidly than interest-bearing liabilities. However, the magnitude of this exposure has moderated compared to prior periods, resulting in a more balanced earnings profile across a wide range of potential interest rate environments. All modeled interest rate shock scenarios remain within the Company's Board-approved policy limits.

Management also evaluates a variety of alternative interest rate paths and stress scenarios that do not assume instantaneous parallel shifts in the yield curve, including forecasts in which short-term and long-term interest rates move independently. In addition, the Company evaluates stress assumptions related to deposit balances, deposit pricing, migration from low-cost to higher-cost deposit products, and loan prepayment speeds. Consistent with prior periods, the most significant modeled risk to future net interest income remains the reduction or migration of low-cost core deposits resulting in increased reliance on higher-cost funding sources.

## CAPITAL RESOURCES

The Company had total shareholders’ equity of $361.7 million at September 30, 2026, comprised of $102.7 million in common stock, $5.1 million in additional paid-in capital, $295.7 million in retained earnings, and accumulated other comprehensive loss of $41.7 million. At the end of 2025, total shareholders’ equity was $364.9 million.

The $3.1 million, or 0.9%, decrease in equity during the first nine months of 2026 was primarily attributable to an $18.6 million unfavorable increase in accumulated other comprehensive loss, driven by the decline in the fair value of investment securities resulting from the increase in benchmark interest rakes, $14.4 million in share repurchases during the year, and $10.3 million in cash dividends declared. These unfavorable variances were partially offset by $37.7 million in net income. The remaining difference was related to activity from stock options and restricted stock awards during the year.

At September 30, 2026, the Company had a 2025 Share Repurchase Plan authorizing 1,000,000 shares of common stock, with an expiration date of October 31, 2026. At September 30, 2026, there were 381,532 shares of common stock remaining available for repurchase under the 2025 Share Repurchase Plan.

The Company uses a variety of measures to evaluate its capital adequacy, including the leverage ratio which is calculated separately for the Company and the Bank. Management reviews these capital measurements on a quarterly basis and takes appropriate action to help ensure that they meet or surpass established internal and external guidelines. As permitted by the regulators for financial institutions that are not deemed to be "advanced approaches" institutions, the Company has elected to opt out of the Basel III requirement to include accumulated other comprehensive income in risk-based capital. The following table sets forth the Company's regulatory capital ratios as of the dates indicated:

**Regulatory Capital Ratios**

| | September 30, 2026 | December 31, 2025 | Minimum Requirement to be Well Capitalized | Minimum Required Community Bank Leverage Ratio [1] |
|---|---|---|---|---|
| **Bank of the Sierra** | | | | |
| Tier 1 Capital to Adjusted Average Assets ("Leverage Ratio") | 12.43% | 11.94% | 8.00% | 8.00% |
| **Sierra Bancorp** | | | | |
| Tier 1 Capital to Adjusted Average Assets ("Leverage Ratio") | 11.35% | 10.80% | N/A | N/A |

(1) If the subsidiary bank's leverage ratio exceeds the minimum ratio under the community bank leverage ratio framework, it is deemed to be "well capitalized" under all other regulatory capital requirements. The Company may revert back to the regulatory framework for Prompt Corrective Action if the subsidiary bank's leverage ratio falls below the minimum under the community bank leverage ratio framework.

The federal banking agencies provide a simplified measure of capital adequacy for qualifying community banking organizations by allowing such banking organizations to opt into the community bank leverage ratio framework. The Company's subsidiary has opted into the community bank leverage ratio framework. This means that if the Company's subsidiary maintains a leverage ratio greater than 8%, it will be considered to have met the minimum capital requirements, the capital ratio requirements for the well capitalized category under the Prompt Corrective Action framework, and any other capital or leverage requirements to which the qualifying banking organization is subject. A qualifying community banking organization with a leverage ratio of greater than 8% may opt into the community bank leverage ratio framework if has average consolidated total assets of less than $10 billion, has off-balance-sheet exposures of 25% or less of total consolidated assets, and has total trading assets and trading liabilities of 5% or less of total consolidated assets. Further, the bank must not be an advanced approaches banking organization.

## PART I – FINANCIAL INFORMATION
## ITEM 3

## QUANTITATIVE & QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information concerning quantitative and qualitative disclosures about market risk is included in Part I, Item 2 above. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Market Risk Management."

**PART I – FINANCIAL INFORMATION**
**Item 4**

**CONTROLS AND PROCEDURES**

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and its Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report (the "Evaluation Date") have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which this quarterly report was being prepared.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that are filed or submitted under the Exchange Act is accumulated and communicated to Management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure, and that such information is recorded, processed, summarized, and reported within the time periods specified by the SEC.

Changes in Internal Controls

There were no significant changes in the Company's internal controls over financial reporting that occurred in the first nine months of 2026 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II - OTHER INFORMATION

*ITEM 1: LEGAL PROCEEDINGS*

From time to time, the Company and the Bank are defendants in legal proceedings, at various points of the legal process, arising from transactions conducted in the ordinary course of business. In the opinion of Management, in consultation with legal counsel, it is not probable that current legal actions will result in an unfavorable outcome that has a material adverse effect on the Company's consolidated balance sheets, statements of income, statements of comprehensive income, or statements of cash flows. In the event such legal action results in an unfavorable outcome, the resulting liability could have a material adverse effect on the Company's balance sheet, income statement, comprehensive income/(loss), or cash flows.

*ITEM 1A: RISK FACTORS*

There were no material changes from the risk factors disclosed in the Company's Form 10-K for the fiscal year ended December 31, 2025.

*ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS*

(c) Stock Repurchases

In October 2025, the Board approved the 2025 Share Repurchase Plan by authorizing 1,000,000 shares of common stock for repurchase which expires on October 31, 2026.

**Stock Repurchases**

| Period | Total Number of Shares Purchased [1] | Average Price Paid per Share | Total Number of Shares Purchased as Part of a Publicly Announced Plan | Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plan at the End of the Period |
|---|---|---|---|---|
| July 1 - July 31, 2026 | — | $ — | — | 381,532 |
| August 1 - August 31, 2026 | — | $ — | — | 381,532 |
| September 1 - September 30, 2026 | — | $ — | — | 381,532 |
| Total | — | | — | |

(1) The total number of shares purchased during the periods indicated includes shares purchased as part of a publicly-announced programs and/or shares received from employees upon the vesting of restricted stock awards in satisfaction of applicable tax withholding obligations, as is permitted under the Company's equity compensation plans.

*ITEM 3: DEFAULTS UPON SENIOR SECURITIES*

Not applicable

*ITEM 4: MINE SAFETY DISCLOSURES*

Not applicable

*ITEM 5: OTHER INFORMATION*

On October 29, 2026, Kevin McPhaill, Chief Executive Officer and President, entered into a trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act (the "Plan"). The maximum number of shares that can be sold under the Plan is 9,000. Each sale is subject to a minimum sales price and any shares not sold can be sold at the minimum sales price through the Plan expiration date of February 14, 2028.

Table of Contents

*ITEM 6: EXHIBITS*

| Exhibit # | Description |
|---|---|
| 3.1 | Restated Articles of Incorporation of Sierra Bancorp (1) |
| 3.2 | Amended and Restated By-laws of Sierra Bancorp (2) |
| 4.1 | Description of Securities (3) |
| 4.2 | 3.25% Fixed to Floating Subordinated Debt issued September 24, 2021 (4) |
| 4.3 | Indenture dated as of March 17, 2004, between U.S. Bank N.A., as Trustee, and Sierra Bancorp, as Issuer (7) |
| 4.4 | Indenture dated as of June 15, 2006, between Wilmington Trust Co., as Trustee, and Sierra Bancorp, as Issuer (8) |
| 4.5 | Indenture dated as of September 20, 2007, between Wilmington Trust Co., as Trustee, and Coast Bancorp, as Issuer (12) |
| 4.6 | First Supplemental Indenture dated as of July 8, 2016, between Wilmington Trust Co. as Trustee, Sierra Bancorp as the "Successor Company", and Coast Bancorp (12) |
| 10.1 | Salary Continuation Agreement for James C. Holly (5)* |
| 10.2 | Split Dollar Agreement and Amendment thereto for James C. Holly (6)* |
| 10.3 | Director Retirement and Split dollar Agreements Effective October 1, 2002, for Albert Berra, Morris Tharp, and Gordon Woods (6)* |
| 10.4 | 401 Plus Non-Qualified Deferred Compensation Plan (6)* |
| 10.5 | Amended and Restated Declaration of Trust of Sierra Statutory Trust II, dated as of March 17, 2004 (7) |
| 10.6 | Amended and Restated Declaration of Trust of Sierra Capital Trust III, dated as of June 15, 2006 (8) |
| 10.7 | 2007 Stock Incentive Plan (9) |
| 10.8 | Sample Retirement Agreement Entered into with Each Non-Employee Director Effective January 1, 2007 (10)* |
| 10.9 | Salary Continuation Agreement for Kevin J. McPhaill (10)* |
| 10.10 | First Amendment to the Salary Continuation Agreement for Kevin J. McPhaill (11)* |
| 10.11 | Amended and Restated Declaration of Trust of Coast Bancorp Statutory Trust II, dated as of September 20, 2007 (12) |
| 10.12 | 2017 Stock Incentive Plan (13)* |
| 10.13 | Employment agreements dated as of December 27, 2018, for Kevin McPhaill, CEO and Michael Olague, Chief Banking Officer (14)* |
| 10.14 | Employment agreement dated as of November 15, 2019, for Christopher Treece, Chief Financial Officer (15)* |
| 10.15 | Employment agreement dated as of December 14, 2020, for Hugh Boyle, Chief Credit Officer (16)* |
| 10.16 | Form Indemnification Agreement dated as of January 28, 2021, for Directors and Executive Officers (17)* |
| 10.17 | Split Dollar Master Agreement and Election Form Effective October 1, 2002, for Kevin McPhaill (18)* |
| 10.18 | First Amendments to employment agreements dated as of January 19, 2023 for Kevin McPhaill, CEO, Christopher Treece, CFO, Hugh Boyle, CCO, and Michael Olague, CBO (23)* |
| 10.19 | Split Dollar Agreement for Albert Berra (19)* |
| 10.20 | 2023 Equity Based Compensation Plan (20) * |
| 10.21 | Employment agreement dated as of August 25, 2023, for Natalia Coen, Chief Risk Officer (21)* |
| 10.22 | Director Emeritus Plan (22)* |
| 31.1 | Certification of Chief Executive Officer (Section 302 Certification) |
| 31.2 | Certification of Chief Financial Officer (Section 302 Certification) |
| 32 | Certification of Periodic Financial Report (Section 906 Certification) |
| 101.INS | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |

(1) Filed as Exhibit 3.1 to the Form 10-Q filed with the SEC on August 7, 2009, and incorporated herein by reference.
(2) Filed as an Exhibit to the Form 8-K filed with the SEC on May 25, 2022, and incorporated herein by reference.
(3) Filed as an Exhibit to the Form 10-K filed with the SEC on March 12, 2020, and incorporated herein by reference.
(4) Filed as an Exhibit to the Form 8-K filed with the SEC on September 24, 2021, and incorporated herein by reference.
(5) Filed as Exhibit 10.7 to the Form 10-Q filed with the SEC on May 15, 2003, and incorporated herein by reference.
(6) Filed as Exhibits 10.12, 10.18 through 10.20, and 10.22 to the Form 10-K filed with the SEC on March 15, 2006, and incorporated herein by reference.
(7) Filed as Exhibits 10.9 and 10.10 to the Form 10-Q filed with the SEC on May 14, 2004, and incorporated herein by reference.
(8) Filed as Exhibits 10.26 and 10.27 to the Form 10-Q filed with the SEC on August 9, 2006, and incorporated herein by reference.
(9) Filed as Exhibit 10.20 to the Form 10-K filed with the SEC on March 15, 2007, and incorporated herein by reference.
(10) Filed as Exhibits 10.1 through 10.2 to the Form 8-K filed with the SEC on January 8, 2007, and incorporated herein by reference.
(11) Filed as Exhibit 10.24 to the Form 10-Q filed with the SEC on May 7, 2015, and incorporated herein by reference.
(12) Filed as Exhibits 10.1 through 10.3 to the Form 8-K filed with the SEC on July 11, 2016, and incorporated herein by reference.
(13) Filed as Exhibit 10.1 to the Form 8-K filed with the SEC on March 17, 2017, and incorporated herein by reference.
(14) Filed as Exhibits 99.1 and 99.4 to the Form 8-K filed with the SEC on December 28, 2018, and incorporated by reference.
(15) Filed as Exhibit 99.1 to the Form 8-K filed with the SEC on November 11, 2019, and incorporated by reference.
(16) Filed as Exhibit 10.1 to the Form 8-K filed with the SEC on December 09, 2020, and incorporated herein by reference.
(17) Filed as Exhibit 10.1 to the Form 8-K filed with the SEC on January 29, 2021, and incorporated herein by reference.
(18) Filed as Exhibit 10.25 to the form 10-Q filed with the SEC on November 3, 2022, and incorporated herein by reference.
(19) Filed as Exhibit 10.26 to the form 10-Q filed with the SEC on May 5, 2023, and incorporated herein by reference.
(20) Filed as Exhibit 4.1 to the form S-8 filed with the SEC on June 15, 2023, and incorporated herein by reference.
(21) Filed as Exhibit 10.1 to the form 8-K filed with the SEC on August 31, 2023, and incorporated herein by reference.
(22) Filed as Exhibit 10.1 to the form 8-K filed with the SEC on July 27, 2026, and incorporated herein by reference.

*Indicates Management contract or compensatory plan or arrangement.

*SIGNATURES*

Pursuant to the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized:

| | |
|---|---|
| October 30, 2026 | /s/ *Kevin J. McPhaill* |
| Date | SIERRA BANCORP<br>Kevin J. McPhaill<br>President & Chief Executive Officer<br>(Principal Executive Officer) |
| October 30, 2026 | /s/ *Christopher G. Treece* |
| Date | SIERRA BANCORP<br>Christopher G. Treece<br>Chief Financial Officer |
| October 30, 2026 | /s/ *Marcus G. Wolfe* |
| Date | SIERRA BANCORP<br>Marcus G. Wolfe<br>Principal Accounting Officer |

**Exhibit 31.1**

**Certification of Chief Executive Officer (Section 302 Certification)**

I, Kevin J. McPhaill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sierra Bancorp ("Registrant");

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves Management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: October 30, 2026

*/s/ Kevin J. McPhaill*
Kevin J. McPhaill
President &
Chief Executive Officer

**Exhibit 31.2**

**Certification of Chief Financial Officer (Section 302 Certification)**

I, Christopher G. Treece, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sierra Bancorp ("Registrant");

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves Management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: October 30, 2026

*/s/ Christopher G. Treece*
Christopher G. Treece
Chief Financial Officer

**Exhibit 32**

**Certification of Periodic Financial Report**

Kevin J. McPhaill and Christopher G. Treece hereby certify as follows:

1. They are the Chief Executive Officer and Chief Financial Officer, respectively, of Sierra Bancorp.

2. The Form 10-Q of Sierra Bancorp for the Quarter ended September 30, 2026, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and the information contained in the report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Sierra Bancorp.

October 30, 2026
Date

/s/ *Kevin J. McPhaill*
Kevin J. McPhaill
President &
Chief Executive Officer

October 30, 2026
Date

/s/ *Christopher G. Treece*
Christopher G. Treece
Chief Financial Officer