



Financial Statements

As of December 31, 2025 and 2024 and for the
years then ended and independent auditor's report.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors
Bank of San Francisco
San Francisco, California

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Crowe LLP
Crowe LLP

Sacramento, California
March 30, 2026

Bank of San Francisco
Balance Sheets
December 31, 2025 and 2024

	2025	2024
ASSETS		
Cash and due from financial institutions	\$ 10,899,024	\$ 6,022,816
Interest-bearing deposits in banks	60,827,122	69,200,264
Cash and cash equivalents	<u>71,726,146</u>	<u>75,223,080</u>
Debt securities available-for-sale, at fair value amortized cost of \$25,960,775 and \$23,849,798 December 31, 2025 and 2024, respectively	26,025,409	23,623,438
Loans, net of allowance for credit losses of \$7,659,497 and \$6,661,858 as of December 31, 2025 and 2024, respectively	615,370,749	501,307,819
Federal Home Loan Bank stock, at cost	3,576,400	3,349,100
Premises and equipment, net	2,590,013	1,410,567
Accrued interest receivable and other assets	13,764,988	10,522,956
Total Assets	<u>\$ 733,053,705</u>	<u>\$ 615,436,960</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest bearing	\$ 265,492,522	\$ 197,533,111
Interest bearing	372,072,545	333,201,769
Total deposits	<u>637,565,067</u>	<u>530,734,880</u>
Accrued interest payable and other liabilities	12,432,042	9,380,999
Total liabilities	<u>649,997,109</u>	<u>540,115,879</u>
Commitments and Contingencies		
Shareholders' Equity		
Common stock, no par; 10,000,000 shares authorized; 2,188,985 and 2,136,822 shares issued and outstanding as of December 31, 2025 and 2024, respectively	29,489,660	28,756,815
Retained earnings	53,521,408	46,743,090
Accumulated other comprehensive income	45,528	(178,824)
Total Shareholders' Equity	<u>83,056,596</u>	<u>75,321,081</u>
Total Liabilities and Shareholders' Equity	<u>\$ 733,053,705</u>	<u>\$ 615,436,960</u>

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

Bank of San Francisco
Statements of Income and Comprehensive Income
Years ended December 31, 2025 and 2024

	2025	2024
Interest and dividend income		
Loans, including fees	\$ 31,619,445	\$ 27,679,060
Deposits in banks	3,593,889	4,793,948
Investments	885,972	283,289
Federal funds sold and other	301,944	293,448
Total interest income	<u>36,401,250</u>	<u>33,049,745</u>
Interest expense		
Deposits	7,577,062	8,880,703
Borrowings	134	162
Total interest expense	<u>7,577,196</u>	<u>8,880,865</u>
Net interest income	28,824,054	24,168,880
Provision (Reversal) for credit losses	<u>1,220,000</u>	<u>(180,000)</u>
Net interest income after provision (reversal) for credit losses	27,604,054	24,348,880
Non-interest income		
Service charges on deposits	449,475	395,631
Gain on sale of loans	-	305,582
Loan servicing fees, net	22,459	51,685
Other income	128,743	177,115
Total non-interest income	<u>600,677</u>	<u>930,013</u>
Non-interest expenses		
Salaries and employee benefits	11,896,066	10,541,521
Occupancy	1,363,858	1,239,035
Information technology and equipment	1,321,489	1,208,239
Professional fees	1,355,240	882,200
Other expenses	2,776,760	2,100,258
Total non-interest expenses	<u>18,713,413</u>	<u>15,971,253</u>
Income before income taxes	9,491,318	9,307,640
Income tax expense	<u>2,713,000</u>	<u>2,770,000</u>
Net income	<u>\$ 6,778,318</u>	<u>\$ 6,537,640</u>
Other comprehensive income (loss), net of tax:		
Unrealized gain/(loss) arising during the period, net of tax	<u>224,352</u>	<u>(178,824)</u>
Comprehensive income	<u>\$ 7,002,670</u>	<u>\$ 6,358,816</u>
Earnings per share		
Basic	<u>\$ 3.22</u>	<u>\$ 3.14</u>
Diluted	<u>\$ 3.17</u>	<u>\$ 3.10</u>

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

Bank of San Francisco
Statements of Changes in Shareholders' Equity
Years ended December 31, 2025 and 2024

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total Shareholders' Equity
	Shares	Amount			
Balance, January 01, 2024	2,108,162	\$ 28,167,814	\$ 40,205,450	-	\$ 68,373,264
Net income	-	-	6,537,640	-	6,537,640
Other comprehensive (loss) income	-	-	-	(178,824)	(178,824)
Stock based compensation, net of taxes withheld	-	589,001	-	-	589,001
Restricted stock issued, net	28,660	-	-	-	-
Other comprehensive (loss)	-	-	-	-	-
Balance, December 31, 2024	2,136,822	28,756,815	46,743,090	(178,824)	75,321,081
Net income	-	-	6,778,318	-	6,778,318
Other comprehensive (loss) income	-	-	-	224,352	224,352
Stock based compensation, net of taxes withheld	-	732,845	-	-	732,845
Restricted stock issued, net	52,163	-	-	-	-
Balance, December 31, 2025	2,188,985	\$ 29,489,660	\$ 53,521,408	\$ 45,528	\$ 83,056,596

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

Bank of San Francisco
Statements of Cash Flows
Years ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Net income	\$ 6,778,318	\$ 6,537,640
Adjustments to reconcile net income to net cash from operating activities:		
Provision (reversal) for credit losses	1,220,000	(180,000)
Depreciation and amortization of premises and equipment	248,910	245,508
Change in deferred loan origination fees and discount, net	(332,019)	(194,404)
Share-based compensation expense, net	732,845	589,001
Net changes in operating assets and liabilities:		
Gain on sale of loans	-	(305,582)
Deferred income tax benefit	(442,300)	(279,168)
Net changes in operating assets and liabilities:		
Accrued interest receivable and other assets	(2,799,732)	77,943
Accrued interest payable and other liabilities	3,051,043	1,202,873
Net cash from operating activities	<u>8,457,065</u>	<u>7,693,811</u>
Cash flows from investing activities:		
Purchase of securities available-for-sale	(6,177,619)	(23,851,173)
Purchase of Federal Home Loan Bank stock	(227,300)	-
Maturities of securities available-for-sale	4,000,000	-
Loan originations and payments, net	(114,950,911)	(5,431,771)
Additions to premises and equipment	(1,428,356)	(52,481)
Net cash from investing activities	<u>(118,784,186)</u>	<u>(29,335,425)</u>
Cash flows from financing activities:		
Net change in demand, NOW, savings deposits	100,022,522	54,579,562
Net change in time deposits	6,807,665	(59,269,247)
Net cash from financing activities	<u>106,830,187</u>	<u>(4,689,685)</u>
Net change in cash and cash equivalents	(3,496,934)	(26,331,299)
Beginning cash and cash equivalents	75,223,080	101,554,379
Ending cash and cash equivalents	<u>\$ 71,726,146</u>	<u>\$ 75,223,080</u>
Supplemental cash flow information		
Cash paid for:		
Interest paid	\$ 7,811,036	\$ 8,789,139
Income taxes paid	\$ 2,700,000	\$ 2,739,025
Lease liability arising from right-of-use asset	\$ 2,991,311	\$ -

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

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

1. Nature of Business and Summary of Significant Accounting Policies

General

Bank of San Francisco (the "Bank") is a state-chartered commercial bank that commenced business on August 1, 2005. The Bank provides a full range of banking services to businesses, nonprofits and individuals located in its community. A variety of deposit products are offered, including checking, savings and money market accounts and certificates of deposit. The Bank engages in commercial and mortgage banking activities addressing the business and personal needs of the Bank's clients. The principal market for the Bank's financial services is the greater San Francisco Bay Area. The accounting and reporting policies of the Bank conform with accounting principles generally accepted in the United States of America and prevailing practices within the banking industry.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates because of the inherent subjectivity and inaccuracy of any estimation.

Adoption of New Accounting Standards

Accounting Standards Update ("ASU") No. 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09") requires the disclosure of disaggregated amount of income taxes paid, net income, and income tax expense as well as the qualitative aspects of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. This standard was adopted on a prospective basis beginning with the annual period ended December 31, 2025 and has provided these enhanced income tax disclosures in Note 9. There was no impact on the Company's financial position or results of operations.

Risks and Uncertainties

In the normal course of business, the Bank encounters a wide variety of risks, some of which may be outside of the Bank's control, that could materially impact the financial results. The risks described below are significant risks to the Bank and are not inclusive of all risks which may impact the Bank. Risks from global uncertainties, economic environment, geographic concentration, other institutional failures, risks currently deemed immaterial, or other unknown risks, may materially and adversely affect our business, results of operations, liquidity, financial condition, or the market price and liquidity of the Bank's stock.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Risks and Uncertainties (continued)

Two significant risks the Bank encounters are economic and regulatory risks. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Bank is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different speeds, or on a different basis, than its interest-earning assets. Credit risk is the risk of default, primarily in the loan portfolio, that results from the borrowers' inability or unwillingness to make contractually required payments.

Market risk reflects changes in the value of collateral underlying loans receivable, the valuation of other investments, and the valuation of deferred tax assets.

The Bank is subject to the regulations of various governmental agencies. These regulations can change from period to period. Such regulations can also restrict the Bank's ability to sustain continued growth as a result of capital and other requirements. The Bank also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required allowance for credit losses and operating restrictions resulting from the regulators' judgments based upon information available to them at the time of their examination.

Subsequent Events

The Bank has evaluated events subsequent through March 30, 2026, the date that these financial statements were available to be issued. There have been no subsequent events that occurred during the period that would require recognition or disclosure in the financial statements.

Cash Flows

For the purpose of the statement of cash flows, the Bank considers all highly liquid investments with maturities of three months or less at date of acquisition to be cash equivalents. Cash equivalents include cash, due from banks, interest-bearing deposits in banks and Federal funds sold. Generally, Federal funds are sold for one-day periods.

Debt Securities

Debt Securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities not classified as held-to-maturity or trading are classified as available-for-sale. Securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Debt Securities (Continued)

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income. The amount of accrued interest reversed against interest income totaled \$0 at December 31, 2025 and December 31, 2024.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs, and an allowance for credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on mortgage and commercial loans is discontinued at the time a loan is 90 days delinquent unless the loan is well-secured and in process of collection. Consumer loans are typically charged off no later than 120 days past due for closed-end credits and 180 days for revolving credits. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off status at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual include both smaller-balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. A loan is moved to nonaccrual status in accordance with the Bank's policy, typically after 90 days of non-payment.

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

Concentration of Credit Risk

The Bank grants real estate mortgage, real estate construction, commercial and consumer loans to clients primarily in its principal market. Although management

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk (Continued)

continues to diversify the Bank's loan portfolio, a noteworthy portion of the portfolio is secured by either commercial or residential real estate.

In management's judgment, a concentration of loans exists in real estate related loans, with approximately 91% of the Bank's loans being real estate-related at December 31, 2025, and approximately 88% of the Bank's loans being real estate-related at December 31, 2024. A substantial decline in the performance of the economy in general or a decline in real estate values in the Bank's primary market area, in particular, could have an adverse impact on the loans' collectability, increase the level of real estate-related nonperforming loans, or have other adverse effects which alone or in the aggregate could have a material adverse effect on the financial condition of the Bank. Reflecting its being a community bank, the majority of the Bank's loans and collateral are in the greater San Francisco Bay Area. If that area sustained a significant decline in market value, economic loss, or natural disaster, it could have an adverse impact on the collectability of those loans. Personal and business income represents the primary source of repayment for a majority of these loans.

Allowance for Credit Losses

Accounting standards require the Bank to estimate expected future credit losses based on information about past events, current conditions, and reasonable and supportable forecasts of future conditions. Expected credit losses over the contractual life of a financial asset are recorded at origination using a weighted average remaining maturity model segregated by loan segments. The Bank has limited historical losses to derive the historical loss base for each segment. Therefore, the Bank has looked at historical losses for peer groups to determine the expected loss on the contractual life of the loan for non-residential loans. For residential loans the historical life approximates the term of fixed interest rate duration of the loan. Next, the Bank considered peer group historical credit loss experience from 2008 to the current period which provides the basis for the estimation of expected credit losses. The Bank considers peers as financial institutions doing business in the same geographic region with similar asset groups, typically those Bank's viewed as competitors for various deals. Adjustments to historical loss information are made for differences in loan-specific risk characteristics, such credit quality of residential loans. In its loss forecasting framework, the Bank incorporates forward-looking information using macroeconomic scenarios applied over a three-year forecast period with a reversion period of fourteen quarters. These macroeconomic scenarios incorporate variables that have historically been key drivers of increases and decreases in credit losses. These variables include but are not limited to changes in the United States unemployment rates. The Bank also applies qualitative factors which consider the Bay Area unemployment rates, inflation, GPD, underwriting and lending management, concentrations, value of collateral, level of problem loans and credit quality of the residential portfolio.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses (Continued)

The allowance of credit losses associated with unfunded lending commitments is calculated using the same segment and peer loss data and methodologies noted above with an assumption of the utilization at time of default. The reserve for unfunded commitments is maintained on the balance sheet in other liabilities.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

The Bank elected to present the accrued interest receivable balance within the "Accrued interest receivable and other assets" line on the balance sheet. The accrued interest receivable balance as of December 31, 2025 and 2024 was \$2,156,222 and \$1,644,122, respectively.

Credit exposures determined to be uncollectible are charged against the allowance. Cash received on previously charged off amounts is recorded as a recovery to the allowance.

The Bank disaggregates the loan portfolio into segments of loans with similar risk characteristic for the purpose of estimating the allowance for credit losses. The loan segments are also considered for purposes of monitoring and assessing credit quality based on certain risk characteristics.

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

Commercial Real Estate – Commercial real estate loans (includes multi-family real estate loans) generally possess a higher inherent risk of loss than other real estate portfolio segments, except construction and land loans. Adverse economic conditions or an overbuilt market impacts commercial real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for properties to produce sufficient cash flow to service debt obligations.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses (Continued)

Residential Real Estate – The degree of risk in residential real estate lending (includes home equity lines of credit) depends primarily on the loan amount in relation to collateral value, the interest rate and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Commercial and Industrial – Commercial and industrial loans, generally possess a higher inherent risk of loss than real estate portfolio segments because these loans are generally underwritten to operating businesses' cash flows, which are uncertain in the current business environment. Debt coverage provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

Other – Other loans include consumer loans mainly lines of credit or loans to individual for consumer purpose. Consumer loans generally possess a higher inherent risk than commercial loans because the loans are underwritten based on personal cash flow and assets. Debt coverage is provided by personal cash flow, and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrower's capacity to repay their obligations may be deteriorating. Other loans are included and are mainly lines of credit or loans not included in the other segments, overdrafts on deposit accounts and loans to finance agricultural production and other loans to farmers (not including loans secured by farm land). Overdrafts and other loans possess a high inherent risk because of the nonstandard nature of the credit.

Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. At least quarterly, the Board of Directors and management review the adequacy of the allowance, including consideration of the relative risks in the portfolio, current economic conditions and other factors.

If the Board of Directors and management determine that changes are warranted based on those reviews, the allowance is adjusted. In addition, the Bank's primary regulators, the Federal Deposit Insurance Corporation and the California Department of Financial Protection and Innovation, as an integral part of their examination process, review the adequacy of the allowance.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Allowance for Credit losses - Debt Securities Available-For-Sale

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

Accrued interest receivable on available-for-sale debt securities as of December 31, 2025 and 2024 totaled \$189,761, and \$193,698, respectively and is excluded from the estimate of credit losses.

Sales and Servicing of Loans

The Bank has originated loans to clients guaranteed by either the Small Business Administration ("SBA") or the Main Street Lending Program ("MSLP"). The SBA provides guarantees of 75% or 90% of each loan. The Bank sells the guaranteed portion of some of these loans to a third party and retains the unguaranteed portion in its own portfolio. The Bank generally receives a premium in excess of the adjusted carrying value of the loan at the time of sale. The Bank may be required to refund a portion of the sales premium if the borrower defaults or the loan prepays within ninety days of the settlement date. However, none of the premiums the Bank received was subject to these recourse provisions as of December 31, 2025 and 2024. There were no SBA loan sales in 2025. The guaranteed portion of SBA loans sold totaled approximately \$3,567,105 in 2024.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Sales and Servicing of Loans (continued)

Servicing rights acquired through 1) a purchase or 2) the origination of loans which are sold with servicing rights retained are recognized as separate assets or liabilities. Servicing assets or liabilities are initially recorded at fair value and are subsequently amortized in proportion to, and over the period of the related net servicing income or expense. Fair values are estimated using discounted cash flows based on current market interest rates. Servicing assets totaling \$50,027 and \$135,394 associated with loans previously sold are included in "Accrued interest receivable and other assets" as of December 31, 2025 and 2024, respectively. Servicing asset amortization totaled \$85,367 and \$103,166 for the years ended December 31, 2025 and 2024, respectively, and is included in "Loan servicing fees, net" under "Non-interest income".

Servicing assets are periodically evaluated for impairment. Management assesses servicing rights for impairment as of each financial reporting date. The Bank evaluated the servicing asset for impairment at December 31, 2025 and 2024 and determined that no impairment was needed.

Servicing Fee Income

Servicing fee income is reported on the statement of income and comprehensive income as "Loan servicing fees, net" and is recorded for fees earned for servicing the sold portion of government guaranteed loans. Loan servicing fees are presented net of the servicing asset amortization. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. Net servicing fees totaled \$22,459 and \$51,685 for the years ended December 31, 2025 and 2024, respectively. Late fees and ancillary fees related to loan servicing are not material.

Transfers of Financial Assets

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

Premises and Equipment

Bank premises and equipment are carried at cost, less accumulated depreciation. Depreciation is determined using principally the straight-line method over the estimated useful lives of the related assets. The useful lives of furniture, fixtures and equipment are estimated to be three to ten years. Leasehold improvements are amortized over the useful life of the asset or the term of the related lease, including expected renewal periods, whichever is shorter.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Premises and Equipment (continued)

When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred. The Bank evaluates premises and equipment for financial impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable.

Leases

The Bank classified leases as operating or finance leases at the lease commencement date. The Bank records leases on the balance sheet as right-of-use "ROU" assets which represent the Bank's right to use an underlying asset for the lease term, and lease liabilities represent the Bank's obligation to make lease payments arising from the lease. The ROU assets and lease liabilities on the Bank's balance sheet are operating leases and are recognized on a straight-line basis over the lease term. The Bank considers the minimum lease term and any optional renewal periods the Bank is reasonably certain to be renewed. The Bank's leases do not contain residual value guarantees or material variable lease payments that would cause the Bank to incur additional expenses.

The Bank's variable lease components include expenses around common areas, utilities, parking, property taxes, insurance and other costs associated with the operations of the building. ROU assets and lease liabilities are recognized upon commencement of the lease based on the estimated present value of the lease payments over the lease term. The Bank uses its incremental borrowing rate at lease commencement to calculate the present value of the lease payments when the rate implicit in a lease liability is unknown.

Federal Home Loan Bank (FHLB) Stock

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

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and standby letters of credit issued to meet clients' financing needs. The face amount of these items represents the exposure to loss, before considering clients' collateral or ability to repay. Such financial instruments are recorded when they are funded.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates which are expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if, based on the weight of available evidence, management believes it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Bank considers all tax positions recognized in its financial statements for the likelihood of realization. When tax returns are filed, it is highly certain that some positions taken will be sustained upon examination by the taxing authorities, while others will be subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of the tax benefit that is more than 50 percent likely to being realized upon settlement with the applicable taxing authority.

Retirement Plans

Employee 401(k) plan expense is the amount of matching contributions and cost of services related to maintaining the plan.

Earnings Per Common Share

Basic Earnings per share (EPS) is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS, if applicable, reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as stock options and restricted stock, result in the issuance of common stock which shares in the earnings of the Bank. The treasury stock method is applied to determine the dilutive effect of stock options and restricted stock in computing diluted earnings per share. There were 73,849 and 44,846

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Earnings Per Common Share (continued)

shares of unvested restricted stock outstanding at December 31, 2025 and 2024, respectively.

Share-Based Compensation

The Bank has two share-based compensation plans, the Bank of San Francisco 2017 Equity Incentive Plan, and the Bank of San Francisco 2025 Equity Incentive Plan (the "Plans"), which have been approved by its shareholders and permits the grant of restricted stock, stock options and other share-based awards for 200,000 of the Bank's common shares. At December 31, 2025 and 2024, 170,613 and 71,333 shares, respectively, were available to grant. The Plans are designed to attract and retain employees and directors. The amount, frequency, and terms of share-based awards may vary based on competitive practices, the Bank's operating results and government regulations. New shares are issued upon option exercise or restricted share grants.

Restricted stock awards are grants of shares of common stock that are subject to forfeiture until specific conditions or goals are met. Conditions may be based on continuing employment or achieving specified performance goals. During the period of restriction, participants holding restricted stock may have full voting and dividend rights.

The restrictions lapse in accordance with a schedule or with other conditions determined by the Board of Directors or committee of the Board of Directors.

The Bank recognizes share-based compensation expense for the fair value of all restricted stock and stock options that are ultimately expected to vest as the requisite service is rendered and considering the probability of any performance criteria being achieved. The fair value of restricted stock awards is based on the value of the underlying shares at the date of the grant. Management makes estimates regarding pre-vesting forfeitures that will impact total compensation expense recognized under the Plans.

Comprehensive Income

Comprehensive income is a more inclusive financial reporting methodology that includes other comprehensive income not recognized in the calculation of net income. Other comprehensive income includes unrealized gains and losses on securities available-for-sale which are also recognized as separate components of equity.

Loss Contingencies

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

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Restrictions on Cash

Federal Reserve Board (FRB) regulations require the Bank to maintain reserve balances on deposit with the Federal Reserve Bank. There was no reserve requirement as of December 31, 2025 and 2024, respectively.

Dividend Restriction

The California Financial Code restricts the total dividend payment of any state banking association in any calendar year to the lesser of (1) the bank's retained earnings or (2) the bank's net income for its last three fiscal years, less distributions made to shareholders during the same three-year period. At December 31, 2025, \$20,246,304 was free of restrictions.

Fair Values of Financial Instruments

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

Operating Segments

While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on a Bank-wide basis. All the Bank's activities are interrelated, and each activity is dependent and assessed based on the manner in which it supports the other activities of the Bank. Accordingly, all the financial service operations are considered by management to be aggregated in one reportable operating segment.

2. Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted 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 other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

2. Fair Value Measurements (Continued)

active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a Bank’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets measured at fair value on a recurring basis, are summarized below (in thousands):

	December 31, 2025				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets:					
U.S. Treasury and federal agency	\$ 20,017	\$ 20,017	\$ -	\$ -	\$ 20,017
Commercial Mortgage-backed securities	5,015	-	5,015	-	5,015
SBA loan Pools	993	-	993	-	993
	<u>\$ 26,025</u>	<u>\$ 20,017</u>	<u>\$ 6,008</u>	<u>\$ -</u>	<u>\$ 26,025</u>

	December 31, 2024				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets:					
U.S. Treasury and federal agency	\$ 23,623	\$ 23,623	\$ -	\$ -	\$ 23,623

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

2. Fair Value Measurements (Continued)

The carrying amounts and estimated fair value of financial instruments not carried at fair value, are summarized below (in thousands):

	December 31, 2025				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets:					
Cash and cash equivalents	\$ 71,726	\$ 71,726	\$ -	\$ -	\$ 71,726
Loans, net	615,371	-	-	607,644	607,644
FHLB stock	3,576	N/A	N/A	N/A	N/A
Accrued interest receivable - loans	2,156	-	-	2,156	2,156
Accrued interest receivable - securities	190	164	26	-	190
Financial liabilities:					
Deposits	\$ 637,565	\$ 520,228	\$ 117,489	\$ -	\$ 637,717
FHLB advances	-	-	-	-	-
Other borrowings	-	-	-	-	-
Accrued interest payable	736	-	736	-	736
	December 31, 2024				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	\$ 75,223	\$ 75,223	\$ -	\$ -	\$ 75,223
Loans, net	501,308	-	-	478,548	478,548
FHLB stock	3,349	N/A	N/A	N/A	N/A
Accrued interest receivable - loans	1,644	-	-	1,644	1,644
Accrued interest receivable - securities	194	194	-	-	194
Financial liabilities:					
Deposits	\$ 530,735	\$ 420,205	\$ 110,383	\$ -	\$ 530,588
FHLB advances	-	-	-	-	-
Other borrowings	-	-	-	-	-
Accrued interest payable	970	-	970	-	970

The Bank used the following methods and significant assumptions to estimate fair value:

Cash and Cash Equivalents - The carrying amounts of cash and short-term instruments approximate fair values and are classified as Level 1.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

2. Fair Value Measurements (Continued)

Securities – The fair value for securities are determined by quoted market prices, if available (level 1). For securities where quoted market prices are not available, fair values are calculated based on the market prices of similar securities (level 2) using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, value debt securities without relying exclusively on quoted prices for the specific securities but rather relying on the securities' relationship to other benchmark quoted securities (level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cashflows or other market indicators (level 3).

FHLB Stock - It is not practical to determine the fair value FHLB stock due to restrictions placed on its transferability.

Loans – The fair value of loans is estimated using a discounted cash flow calculation. Cash flows for each loan category are projected on the basis of the stated weighted-average coupon, weighted-average maturity, estimated prepayments, and net losses. The value of each loan category is then determined by discounting the projected cash flows to the present at a rate consistent with the expectations of market participants for cash flows with similar risk characteristics. Fair value of loans is estimated by using discounted cash flow analyses that use a base market interest rate adjusted by adding returns premiums, or credit spread to the base rate of return for risk factors associated with the subject assets resulting in a Level 3 classification.

Deposits - The fair value disclosed for demand deposits (e.g., interest and non-interest checking, savings, and certain types of money market accounts) is, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount) resulting in a Level 1 classification.

Fair value for fixed rate certificates of deposit is estimated using a discounted cash flow calculation that applies adjusted current market rates and recent interest rates being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits resulting in a Level 2 classification.

Accrued Interest Receivable - The carrying amounts of accrued interest approximate fair value resulting in Level 3 for accrued interest receivable on loans.

Accrued Interest Payable – The carrying amounts of accrued interest payable approximate fair value resulting in a Level 2 classification, since accrued interest payable is from deposits that are generally classified using Level 2 inputs.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

2. Fair Value Measurements (Continued)

FHLB Advances and Other Borrowings – The carrying amounts of the borrowings approximate fair value resulting in a Level 2 classification, since the borrowings are short term in nature and are generally classified using Level 2 inputs.

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

3. Debt Securities

The following table summarizes the amortized cost, fair value, and allowance for credit losses of securities available-for-sale at December 31, 2025 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) and gross unrealized gains and losses:

2025	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available-for-sale					
U.S. Treasury and federal agency	\$ 19,934,477	\$ 84,265	\$ (2,023)	\$ -	\$ 20,016,719
Commercial Mortgage-backed securities	5,033,571	-	(18,203)	-	5,015,368
SBA loan Pools	992,727	595	-	-	993,322
Total available-for-sale	<u>\$ 25,960,775</u>	<u>\$ 84,860</u>	<u>\$ (20,226)</u>	<u>\$ -</u>	<u>\$ 26,025,409</u>

2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available-for-sale					
U.S. Treasury and federal agency	\$ 23,849,798	\$ -	\$ (226,360)	\$ -	\$ 23,623,438
Total available-for-sale	<u>\$ 23,849,798</u>	<u>\$ -</u>	<u>\$ (226,360)</u>	<u>\$ -</u>	<u>\$ 23,623,438</u>

The Bank had no sales or calls of debt securities for the year ended December 31, 2025 and 2024. The tax liability related to net unrealized gains and losses was \$19,106 as of December 31, 2025. The benefit related to the net unrealized gains and losses was \$48,911 as of December 31, 2024.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

3. Debt Securities (Continued)

The amortized cost and fair value of debt securities are shown by contractual maturity.

	December 31, 2025	
	Amortized Cost	Fair Value
Available-for-sale		
Within one year	\$ 7,986,511	\$ 7,993,437
One to five years	13,486,787	13,558,399
Five to ten years	4,487,477	4,473,573
Beyond ten years	-	-
Total	\$ 25,960,775	\$ 26,025,409

The following tables summarize debt securities available-for-sale in an unrealized loss position for which an allowance for credit loss has not been recorded at December 31, 2025, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or Longer		Total	
	Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
December 31, 2025						
Available-for-sale						
U.S. Treasury and federal agency	\$ -	\$ -	\$ 6,045,313	\$ (2,023)	\$ 6,045,313	\$ (2,023)
Commercial						
Mortgage-backed securities	5,015,368	(18,203)	-	-	5,015,368	(18,203)
Total available-for-sale	\$ 5,015,368	\$ (18,203)	\$ 6,045,313	\$ (2,023)	\$ 11,060,681	\$ (20,226)

	Less Than 12 Months		12 Months or Longer		Total	
	Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
December 31, 2024						
Available-for-sale						
U.S. Treasury and federal agency	\$ 23,623,438	\$ (226,360)	\$ -	\$ -	\$ 23,623,438	\$ (226,360)

Unrealized losses on U.S. Treasury and federal agency bonds and Commercial Mortgage-Backed Securities have not been recognized into income because the issuer bonds are of high credit quality, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline of fair value is largely due to changes in interest rates and other market conditions. Payments of principal and interest continue to be received timely, the fair value is expected to recover as the bonds approach maturity. No allowance for credit losses was recorded at December 31, 2025 and 2024.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

3. Debt Securities (Continued)

There were \$12,023,282 in debt securities pledged as of December 31, 2025 and no debt securities pledged as of December 31, 2024. As of December 31, 2025 and 2024, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

4. Federal Home Loan Bank Stock

As a member of the Federal Home Loan Bank of San Francisco (FHLB), the Bank is required to own capital stock in an amount specified by regulation. At December 31, 2025 and 2024, the Bank owned 35,764 and 33,491 of \$100 par value FHLB stock, respectively. The stock is carried at cost and is redeemable at par at the discretion of the FHLB. The amount of stock required to be held is adjusted periodically based on a determination made by the FHLB.

5. Loans Receivable and Allowance for Credit Losses

Outstanding loans at December 31, 2025 and 2024, were as follows:

	December 31,	
	2025	2024
Loans secured by real estate:		
Commercial	\$ 237,583,507	\$ 153,088,568
Residential	317,808,540	276,651,556
Construction and land	10,556,149	17,838,835
Total real estate	565,948,196	447,578,959
Commercial and industrial	57,847,022	61,816,982
Other	1,608,372	1,279,099
Total outstanding loans	625,403,590	510,675,040
Deferred loan origination fees and discount, net	(2,373,344)	(2,705,363)
Allowance for credit losses	(7,659,497)	(6,661,858)
Net outstanding loans	\$ 615,370,749	\$ 501,307,819

Salaries and employee benefits totaling \$540,915 and \$408,420 were deferred as loan origination costs for the years ended December 31, 2025 and 2024, respectively.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

5. Loans Receivable and Allowance for Credit Losses (Continued)

The Bank has elected to present the accrued interest receivable balance within the "Accrued interest receivable and other assets" line on the balance sheet. The accrued interest receivable balance as of December 31, 2025 and 2024 was \$2,156,222 and \$1,644,122, respectively.

Certain loans have been pledged to secure borrowing arrangements (see Note 15).

The following table presents the activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2025 and 2024:

	Commercial Real Estate	Residential Real Estate	Construction and Land	Commercial & Industrial	Other Loans	Totals
December 31, 2025						
Allowance for credit losses:						
Beginning balance	\$ 2,504,261	\$ 2,603,915	\$ 306,385	\$ 1,231,381	\$ 15,916	\$ 6,661,858
Provision (reversal) for credit losses	961,993	(104,567)	(188,715)	256,571	34,718	960,000
Loans charged-off	-	-	-	-	-	-
Recoveries	-	-	-	37,639	-	37,639
Total Ending Allowance Balance	\$ 3,466,254	\$ 2,499,348	\$ 117,670	\$ 1,525,591	\$ 50,634	\$ 7,659,497
December 31, 2024						
Allowance for credit losses:						
Beginning balance	\$ 2,652,708	\$ 2,519,163	\$ 453,816	\$ 1,105,528	\$ 13,280	\$ 6,744,495
Provision (reversal) for loan losses	(286,441)	84,752	(147,431)	166,484	2,636	(180,000)
Loans charged-off	-	-	-	(40,631)	-	(40,631)
Recoveries	137,994	-	-	-	-	137,994
Total Ending Allowance Balance	\$ 2,504,261	\$ 2,603,915	\$ 306,385	\$ 1,231,381	\$ 15,916	\$ 6,661,858

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

5. Loans Receivable and Allowance for Credit Losses (Continued)

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

	Nonaccrual With No Allowance for Credit Losses	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
December 31, 2025			
Loans secured by real estate:			
Commercial	\$ -	\$ 257,243	\$ -
Residential	-	-	-
Construction and land	-	-	-
Total real estate	<u>-</u>	<u>257,243</u>	<u>-</u>
Commercial and industrial	-	423,920	-
Other	-	-	-
Sub-total	<u>-</u>	<u>681,163</u>	<u>-</u>
Less: Guaranteed loans	<u>-</u>	<u>(149,505)</u>	<u>-</u>
Net outstanding loans	<u>\$ -</u>	<u>\$ 531,658</u>	<u>\$ -</u>
December 31, 2024			
Loans secured by real estate:			
Commercial	\$ -	\$ -	\$ -
Residential	-	-	-
Construction and land	-	-	-
Total real estate	<u>-</u>	<u>-</u>	<u>-</u>
Commercial and industrial	-	1,357,861	-
Other	-	-	-
Sub-total	<u>-</u>	<u>1,357,861</u>	<u>-</u>
Less: Guaranteed loans	<u>-</u>	<u>(890,264)</u>	<u>-</u>
Net outstanding loans	<u>\$ -</u>	<u>\$ 467,597</u>	<u>\$ -</u>

The Bank recognized \$220,545 in interest income on nonaccrual loans during the year ended December 31, 2025, and \$278,863 in interest income on nonaccrual loans during the year ended December 31, 2024.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

5. Loans Receivable and Allowance for Credit Losses (Continued)

The following tables present the amortized cost basis of collateral-dependent loans by segment of loans as of December 31, 2025 and 2024:

December 31, 2025	Real Estate	Business Assets	Total Loans
Loans secured by real estate:			
Commercial	\$ -	\$ -	\$ -
Residential	-	-	-
Construction and land	-	-	-
Total real estate	-	-	-
Commercial and industrial	-	-	-
Consumer	-	-	-
Other	-	-	-
Totals	\$ -	\$ -	\$ -

December 31, 2024	Real Estate	Business Assets	Total Loans
Loans secured by real estate:			
Commercial	\$ -	\$ -	\$ -
Residential	-	-	-
Construction and land	-	-	-
Total real estate	-	-	-
Commercial and industrial	266,449	-	266,449
Consumer	-	-	-
Other	-	-	-
Totals	\$ 266,449	\$ -	\$ 266,449

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

5. Loans Receivable and Allowance for Credit Losses (Continued)

The following table presents the aging of the amortized cost in past due loans as of December 31, 2025 and 2024 by class of loans:

December 31, 2025	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Current	Total Loans
Loans secured by real estate:						
Commercial	\$ -	\$ -	\$ 257,243	\$ 257,243	\$ 237,326,264	\$ 237,583,507
Residential	273,642	-	-	273,642	317,534,898	317,808,540
Construction and land	-	-	-	-	10,556,149	10,556,149
Total real estate	273,642	-	257,243	530,885	565,417,311	565,948,196
Commercial and industrial	496,070	-	-	496,070	57,350,952	57,847,022
Other	-	-	-	-	1,608,372	1,608,372
Totals	\$ 769,712	\$ -	\$ 257,243	\$ 1,026,955	\$ 624,376,635	\$ 625,403,590

December 31, 2024	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Current	Total Loans
Loans secured by real estate:						
Commercial	\$ -	\$ -	\$ -	\$ -	\$ 153,088,568	\$ 153,088,568
Residential	-	-	-	-	276,651,556	276,651,556
Construction and land	-	-	-	-	17,838,835	17,838,835
Total real estate	-	-	-	-	447,578,959	447,578,959
Commercial and industrial	265,731	-	870,571	1,136,302	60,680,680	61,816,982
Other	-	-	-	-	1,279,099	1,279,099
Totals	\$ 265,731	\$ -	\$ 870,571	\$ 1,136,302	\$ 509,538,738	\$ 510,675,040

Loans greater than 89 days past due noted above are on nonaccrual as of December 31, 2025 and 2024.

The Bank modified loans in the amount of \$548,671 related to two borrowers experiencing financial difficulty during the year ended December 31, 2025. The Bank had no modified loans during the year ended December 31, 2024.

The Bank places all loans in various credit risk ratings and periodically performs detailed reviews of all loans over certain thresholds to identify credit risks and to assess the overall collectability of the portfolio. The reviews include numerous factors including, but not limited to, collateral, current financial information on the borrower, historical payment, strength of guarantors, current economic trends, relevant public information, loan structure and documentation.

The Bank analyzes loans individually by classifying the loans as to credit risk. These credit quality indicators are used to assign a risk rating to each individual loan. The Bank uses the following definitions for risk ratings:

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

5. Loans Receivable and Allowance for Credit Losses (Continued)

Pass – A pass loan is a credit with no existing or known potential weaknesses deserving of management's close attention.

Special Mention – These loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses could result in deterioration of the repayment prospects for the loan or in the Bank's credit position at some future date. Special Mention loans are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.

Substandard – These loans are not adequately protected by the current net worth and paying capacity of the borrower or the value of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Well defined weaknesses include a project's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time or a project's failure to fulfill economic expectations. The loans are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

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

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

5. Loans Receivable and Allowance for Credit Losses (Continued)

The following table presents the classes of the loan portfolio summarized by the amortized cost basis by origination year and rating as of December 31, 2025 and 2024, respectively:

December 31, 2025	Term Loans Amortized Cost Basis by Origination Year						Total Loans
	2025	2024	2023	2022	2021	Prior	
Commercial Real Estate:							
Risk Rating							
Pass	\$ 89,903,467	\$ 19,345,068	\$ 8,416,307	\$ 22,523,976	\$ 25,966,044	\$ 58,383,151	\$ 224,538,013
Special Mention	-	-	4,255,716	-	4,701,075	2,747,679	11,704,470
Substandard	-	-	-	-	-	1,083,781	1,083,781
Doubtful	-	-	-	-	-	257,243	257,243
Total Commercial Loans	\$ 89,903,467	\$ 19,345,068	\$ 12,672,023	\$ 22,523,976	\$ 30,667,119	\$ 62,471,854	\$ 237,583,507
Commercial Real Estate:							
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction and land:							
Risk Rating							
Pass	\$ 6,659,853	\$ 3,896,296	\$ -	\$ -	\$ -	\$ -	\$ 10,556,149
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total Construction and Land Loans	\$ 6,659,853	\$ 3,896,296	\$ -	\$ -	\$ -	\$ -	\$ 10,556,149
Construction and land:							
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial and Industrial:							
Risk Rating							
Pass	\$ 12,644,111	\$ 10,704,576	\$ 1,146,960	\$ 11,904,647	\$ 3,102,945	\$ 14,332,838	\$ 53,836,077
Special Mention	-	-	-	-	701,410	21,786	723,196
Substandard	-	-	-	-	816,455	2,284,413	3,100,868
Doubtful	-	-	-	-	-	186,881	186,881
Total Commercial and Industrial Loans	\$ 12,644,111	\$ 10,704,576	\$ 1,146,960	\$ 11,904,647	\$ 4,620,810	\$ 16,825,918	\$ 57,847,022
Commercial and industrial:							
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential Real Estate:							
Risk Rating							
Pass	\$ 71,422,015	\$ 40,222,446	\$ 11,871,193	\$ 60,319,114	\$ 64,912,797	\$ 69,060,975	\$ 317,808,540
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total Residential Real Estate Loans	\$ 71,422,015	\$ 40,222,446	\$ 11,871,193	\$ 60,319,114	\$ 64,912,797	\$ 69,060,975	\$ 317,808,540
Residential Real Estate:							
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Loans:							
Risk Rating							
Pass	\$ 1,340,770	\$ -	\$ -	\$ -	\$ 267,602	\$ -	\$ 1,608,372
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total Other Loans	\$ 1,340,770	\$ -	\$ -	\$ -	\$ 267,602	\$ -	\$ 1,608,372
Other Loans:							
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Loans	\$ 181,970,216	\$ 74,168,386	\$ 25,690,176	\$ 94,747,737	\$ 100,468,328	\$ 148,358,747	\$ 625,403,590

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Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

5. Loans Receivable and Allowance for Credit Losses (Continued)

December 31, 2024	Term Loans Amortized Cost Basis by Origination Year					
	2024	2023	2022	2021	Prior	Total Loans
Commercial Real Estate:						
Risk Rating						
Pass	\$ 20,506,370	\$ 8,317,855	\$ 24,432,377	\$ 19,413,838	\$ 64,052,994	\$ 136,723,434
Special Mention	-	-	-	10,906,723	4,215,817	15,122,540
Substandard	-	-	-	-	1,242,594	1,242,594
Doubtful	-	-	-	-	-	-
Total Commercial Loans	\$ 20,506,370	\$ 8,317,855	\$ 24,432,377	\$ 30,320,561	\$ 69,511,405	\$ 153,088,568
Commercial Real Estate:						
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction and land:						
Risk Rating						
Pass	\$ 995,921	\$ 6,798,837	\$ -	\$ 10,044,077	\$ -	\$ 17,838,835
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Total Construction and Land Loans	\$ 995,921	\$ 6,798,837	\$ -	\$ 10,044,077	\$ -	\$ 17,838,835
Construction and land:						
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial and industrial:						
Risk Rating						
Pass	\$ 14,750,798	\$ 5,427,157	\$ 13,795,765	\$ 4,812,529	\$ 18,645,169	\$ 57,431,418
Special Mention	-	-	-	1,158,124	245,840	1,403,964
Substandard	-	-	-	915,437	1,195,592	2,111,029
Doubtful	-	-	-	-	870,571	870,571
Total Commercial and Industrial Loans	\$ 14,750,798	\$ 5,427,157	\$ 13,795,765	\$ 6,886,090	\$ 20,957,172	\$ 61,816,982
Commercial and industrial:						
Current period gross write offs	\$ -	\$ -	\$ -	\$ 40,631	\$ -	\$ 40,631
Residential Real Estate:						
Risk Rating						
Pass	\$ 43,460,701	\$ 12,695,485	\$ 63,952,210	\$ 75,065,615	\$ 81,477,545	\$ 276,651,556
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Total Residential Real Estate Loans	\$ 43,460,701	\$ 12,695,485	\$ 63,952,210	\$ 75,065,615	\$ 81,477,545	\$ 276,651,556
Residential Real Estate:						
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Loans:						
Risk Rating						
Pass	\$ 413,136	\$ -	\$ -	\$ 865,963	\$ -	\$ 1,279,099
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Total Other Loans	\$ 413,136	\$ -	\$ -	\$ 865,963	\$ -	\$ 1,279,099
Other Loans:						
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Loans	\$ 80,126,926	\$ 33,239,334	\$ 102,180,352	\$ 123,182,306	\$ 171,946,122	\$ 510,675,040

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Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

6. Premises and Equipment

Premises and equipment were as follows:

	December 31,	
	2025	2024
Leasehold improvements	\$ 958,490	\$ 942,288
Construction in progress	1,274,300	-
Equipment, furniture and software	1,792,758	1,654,904
	4,025,548	2,597,192
Less: accumulated depreciation	(1,435,535)	(1,186,625)
	\$ 2,590,013	\$ 1,410,567

Depreciation and amortization included in "Information technology and equipment" expense totaled \$248,910 and \$245,508 for the years ended December 31, 2025 and 2024, respectively.

Leases

The Bank has three operating lease agreements for its San Francisco branch and administration office, a Walnut Creek location, and the new Laurel Village branch which commenced in early 2025. The ROU asset was \$7,240,417, and lease liability was \$8,025,020 as of December 31, 2025. The ROU asset was \$4,932,982, and lease liability was \$5,587,571 as of December 31, 2024. ROU assets are recorded in "Accrued interest receivable and other assets" and lease liabilities are recorded in "Accrued interest payable and other liabilities" on the balance sheet.

In 2025, the Bank subleased the Walnut Creek location for five years, with an option to cancel after three years. Sublease income was \$74,652 for the year ended December 31, 2025. The related lease expense for the lease and sublease income is included within occupancy expense on the statements of Income and Comprehensive Income.

The Bank's leases, which are non-cancelable operating leases, have remaining terms ranging from 4 to 10 years. The San Francisco and Laurel Village Leases have a renewal option of five years. After considering relevant economic and operating factors, it was determined that the exercise of the renewal option was not reasonably certain and subsequently is not included in the ROU asset and lease liability as of December 31, 2025 and 2024. Lease expense included in "Occupancy" expense totaled \$991,387 and \$746,138 for the years ended December 31, 2025 and 2024, respectively.

The Bank estimated the discount rate for each lease based on its estimated incremental borrowing rate at the lease adoption date or commencement date of the lease. The assumptions used in calculating the ROU asset and lease liability include the weighted average remaining lease term of 8.14 years and the weighted average discount rate of 4.43% as of December 31, 2025, and weighted average remaining lease term of 8.18 years and the weighted average discount rate of 4.06% as of December 31, 2024.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

6. Premises and Equipment (Continued)

Leases (Continued)

Future lease payments due under existing operating leases as of December 31, 2025 are as follows:

Year Ending December 31,	
2026	1,105,289
2027	1,138,448
2028	1,172,602
2029	1,207,780
2030	1,128,308
Thereafter	3,822,813
Total undiscounted lease payments	9,575,240
Less effects of discounting	(1,550,220)
Present value of lease payments	\$ 8,025,020

7. Interest-Bearing Deposits

The Bank uses certificates of deposit acquired through the IntraFi Network of Deposits to offer its deposit clients full FDIC insurance coverage on their balances by placing them at multiple banks with individual balances not exceeding the FDIC insured limit. In return, the Bank typically receives equal amounts of certificates of deposit through the IntraFi Network Deposits from other institutions and their clients in reciprocal transactions.

Interest-bearing deposits were as follows:

	December 31,	
	2025	2024
Savings	\$ 1,488,784	\$ 81,741
Money market	173,035,752	116,293,206
NOW accounts	80,210,962	106,297,440
Time – less than \$100,000	2,061,264	1,442,517
Time – \$100,000 or more	53,918,055	56,646,045
Time – IntraFi Network of Deposits	61,357,728	52,440,820
	\$ 372,072,545	\$ 333,201,769

Time deposits that meet or exceed the FDIC insurance limit of \$250,000 at year-end 2025 and 2024 were \$46,367,714 and \$51,998,348, respectively.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

7. Interest-Bearing Deposits (Continued)

Scheduled maturities of time deposits are as follows:

Year Ending December 31,	
2026	\$ 117,204,375
2027	132,672
2028	-
2029	-
2030	-
	\$ 117,337,047

Interest expense on deposits was as follows:

	December 31,	
	2025	2024
Savings	\$ 1,152	\$ 557
Money market	2,640,704	1,885,765
NOW accounts	680,406	710,917
Time – less than \$100,000	69,507	34,443
Time – \$100,000 or more	2,419,974	4,562,723
Time – IntraFi Network of Deposits	1,765,319	1,686,298
	\$ 7,577,062	\$ 8,880,703

At December 31, 2025 and 2024, the four largest deposit relationships accounted for approximately \$126,556,479, or 20%, and \$130,978,993, or 25%, of total deposits, respectively. The loss of these clients could have a material impact on the Bank's operations.

The Bank has a contingent funding plan in place which provides management guidance on courses of action and liquidity options if a liquidity need occurs. Liquidity options include obtaining broker deposits and borrowing arrangements with the FHLB and the Bank's correspondent banks (Note 15).

8. Other Benefit Plans

401(k) Plan

A 401(k) plan was established in 2011. Subject to eligibility requirements, employees may contribute up to 100% of their compensation or the maximum amount allowed by law. A discretionary match equal to 100% of the first 4% of the compensation was contributed for 2025 and equal to 100% of the first 3% of the compensation was contributed for 2024. Expenses, which include the matching contributions and cost of

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

8. Other Benefit Plans (continued)

services related to maintaining the plan, for 2025 and 2024 totaled \$272,270 and \$225,622, respectively.

9. Income Taxes

Beginning with the annual period ended December 31, 2025, the Company adopted the guidance within ASU 2023-09, which expanded disclosure requirements to increase visibility into various income tax components. This guidance was adopted on a prospective basis effective as of and for the year ended December 31, 2025, therefore, disclosures from prior periods remain unchanged. The Bank does not have pretax income from continuing foreign operations or foreign tax expense.

Income tax expense (benefit) from continuing operations:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
<u>2025</u>			
Current	\$ 2,046,936	\$ 1,108,364	\$ 3,155,300
Deferred	<u>(337,418)</u>	<u>(104,882)</u>	<u>(442,300)</u>
Income tax expense	<u>\$ 1,709,518</u>	<u>\$ 1,003,482</u>	<u>\$ 2,713,000</u>
	<u>Federal</u>	<u>State</u>	<u>Total</u>
<u>2024</u>			
Current	\$ 1,938,707	\$ 1,110,461	\$ 3,049,168
Deferred	<u>(183,206)</u>	<u>(95,962)</u>	<u>(279,168)</u>
Income tax expense	<u>\$ 1,755,501</u>	<u>\$ 1,014,499</u>	<u>\$ 2,770,000</u>

The following table presents income taxes paid (net of refunds received) during the year ended December 31, 2025 by jurisdiction:

U.S. Federal	\$ 1,710,000
U.S. state and local California	<u>990,000</u>
Total income taxes paid	<u>\$ 2,700,000</u>

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

9. Income Taxes (Continued)

Year-end deferred tax assets and liabilities were due to the following:

	2025	2024
Deferred tax assets:		
Allowance for Credit losses	\$ 2,290,326	\$ 1,953,170
Interest on nonaccrual loans	154,306	251,347
State income tax	232,756	228,517
Lease liability	2,341,540	1,638,203
Accrued Expenses	644,814	626,067
Unrealized loss on securities	-	47,535
Other, net	314,647	155,191
Total deferred tax assets	5,978,389	4,900,030
Deferred tax liabilities:		
Unrealized gain on securities	(19,106)	-
Depreciation, net	-	(13,730)
Deferred loan origination costs	(376,660)	(347,111)
Right to Use Asset	(2,112,609)	(1,446,286)
Total deferred tax liabilities	(2,508,375)	(1,807,127)
Net deferred tax assets	\$ 3,470,014	\$ 3,092,903

Management believes that based on its tax planning strategies, historical taxable income and estimated future taxable income, it is more likely than not the Bank will generate sufficient taxable income to fully utilize the net deferred tax assets. Accordingly, no valuation allowance was established as of December 31, 2025 and 2024.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

9. Income Taxes (Continued)

The following table presents a reconciliation of the recorded income tax expense to the amount of taxes computed by applying the applicable statutory Federal income tax rate for the periods indicated, as reported under ASU 2023-09:

	<u>Year Ended December 31, 2025</u>	
	<u>Amount</u>	<u>Percent</u>
Income tax at statutory rate	\$ 1,993,177	21.0
Effect of:		
State and local income tax, net of federal benefit (a)	756,812	8.0
Other adjustments		
Excess tax benefit from share awards vesting	(62,893)	(0.7)
Other, net	<u>25,904</u>	<u>0.3</u>
Total income tax expense	<u>\$ 2,713,000</u>	<u>28.6</u>

(a) State taxes in California made up the majority (greater than 50%) of the tax effects in this category

The primary difference between the federal statutory tax rate and the tax expense recorded in the financial statements is due to the state income tax for the tax year ended December 31, 2024.

The Bank files income tax returns in the United States and California. At December 31, 2025, the Bank had no net operating loss carryforwards (NOLs).

The Bank is no longer subject to tax examination by U.S. Federal taxing authorities for years ended before December 31, 2022 and by state and local taxing authorities for years ended before December 31, 2021.

10. Related-Party Transactions

During the normal course of business, the Bank enters into transactions with related parties, including Directors, executive officers and affiliates.

Loans

The Bank had no aggregate related party borrowing arrangements with related parties for the year ended December 31, 2025 or 2024.

Deposits

At December 31, 2025 and 2024, the Bank's deposits from related parties totaled approximately \$6,543,620 and \$4,923,721, respectively

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

11. Share-Based Compensation

The Bank reserved shares under Bank of San Francisco 2025 Equity Incentive Plan and the Bank of San Francisco 2017 Equity Incentive Plan ("the Plans"), which was approved by its shareholders and permits the grant of restricted stock, stock options and other share-based awards. At December 31, 2025 and 2024, 170,613 and 71,333 shares, respectively, are available to grant.

The Plans are designed to attract and retain employees and directors. The amount, frequency, and terms of share-based awards may vary based on competitive practices, the Bank's operating results and government regulations. New shares are issued upon option exercise or restricted share grants. Shares may also be granted under the Plans that vest immediately without restriction.

For the Year Ended December 31, 2025	Shares	Weighted-average Grant-Date Fair Value	
Nonvested beginning balance	44,846	\$	26.46
Granted	63,889	\$	29.86
Vested	24,874	\$	28.30
Forfeited	10,012	\$	30.68
Nonvested ending balance	73,849	\$	28.87

Forfeited shares issued under the 2017 Equity Incentive Plan that were canceled after the 2025 Equity Incentive Plan was approved are not included in the shares available for grant.

Share-based compensation expense recorded for the years ended December 31, 2025 and 2024 was \$737,679 and \$664,519, respectively. Shares forfeited to pay taxes on the restricted stock vesting for the years ended December 31, 2025 and 2024 was \$51,136 and \$75,518, respectively. For the years ended December 31, 2025 and 2024, the fair values of the restricted stock awards upon vesting were \$692,538 and \$587,495, respectively. Unamortized compensation expense for 2025 and 2024 was \$705,845 and \$897,910, respectively. The unamortized compensation expense for 2025 is expected to be recognized over a weighted average of 2.2 years.

12. Regulatory Capital Matters

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

12. Regulatory Capital Matters (continued)

gain or loss on available-for-sale securities is not included in computing regulatory capital. Management believes that the Bank met all its capital adequacy requirements as of December 31, 2025 and 2024.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required.

At year-ends 2025 and 2024, the most recent regulatory notifications categorized the Bank as “well-capitalized” under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution’s category.

Financial institutions under the generally applicable capital rule are required to maintain a capital conservation buffer of greater than 2.5 percent in order to avoid restrictions on capital distributions and other payments. Federal banking regulations require institutions to meet their capital conservation buffer requirement with common equity tier 1 capital.

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

12. Regulatory Capital Matters (Continued)

Actual and required capital amounts (dollars in thousands) and ratios are presented below at year end.

	2025		2024	
	Amount	Ratio	Amount	Ratio
<u>Total Risk-Based Capital Ratio</u>				
Bank of San Francisco	\$89,407	17.39%	\$80,472	19.95%
Minimum requirement for "Well-Capitalized" institution under the prompt corrective action provisions	51,403	10.00%	40,323	10.00%
Minimum regulatory requirement	41,122	8.00%	32,258	8.00%
	2025		2024	
	Amount	Ratio	Amount	Ratio
<u>Tier 1 Risk-Based Capital Ratio</u>				
Bank of San Francisco	\$82,961	16.14%	\$75,365	18.69%
Minimum requirement for "Well-Capitalized" institution under the prompt corrective action provisions	41,122	8.00%	32,258	8.00%
Minimum regulatory requirement	30,842	6.00%	24,194	6.00%
	2025		2024	
	Amount	Ratio	Amount	Ratio
<u>Common Tier 1 Risk-Based Capital Ratio</u>				
Bank of San Francisco	\$82,961	16.14%	\$75,365	18.69%
Minimum requirement for "Well-Capitalized" institution under the prompt corrective action provisions	33,412	6.50%	26,210	6.50%
Minimum regulatory requirement	23,131	4.50%	18,145	4.50%
	2025		2024	
	Amount	Ratio	Amount	Ratio
<u>Leverage Ratio</u>				
Bank of San Francisco	\$82,961	11.16%	\$75,365	12.05%
Minimum requirement for "Well-Capitalized" institution under the prompt corrective action provisions	37,158	5.00%	31,270	5.00%
Minimum regulatory requirement	29,727	4.00%	25,016	4.00%

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Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

13. Loan Commitments and Other Related Activities

Financial Instruments with Off-Balance Sheet Risk

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business in order to meet the financing needs of its clients and to reduce its own exposure to fluctuations in interest rates. These financial instruments consist of commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the balance sheet. The Bank's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and standby letters of credit as it does for loans included on the balance sheet.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance or financial obligation of a client to a third party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to clients.

The contractual amounts of financial instruments with off-balance sheet risk at year end were as follows (dollars in thousands):

	December 31,	
	2025	2024
Commitments to extend credit	111,695	102,164
Standby letters of credit	1,035	1,281

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

14. Earnings Per Share

The following table presents the factors used in the earnings per share computation. There were no anti-dilutive shares as of December 31, 2025 and 2024.

	<u>Net Income Available to Common Shareholders</u>	<u>Weighted Average Number of Shares Outstanding</u>	<u>Per Share Amount</u>
For the Year Ended December 31, 2025			
Basic earnings per share	\$ 6,778,318	2,103,241	3.22
Diluted earnings per share	\$ 6,778,318	2,140,169	3.17
For the Year Ended December 31, 2024			
Basic earnings per share	\$ 6,537,640	2,084,423	3.14
Diluted earnings per share	\$ 6,537,640	2,107,815	3.10

15. Borrowing Arrangements

Correspondent Banks

The Bank could borrow up to \$24,500,000 at December 31, 2025 and 2024, under unsecured Federal funds lines of credit with its correspondent banks. There were no amounts outstanding under these borrowing arrangements at December 31, 2025 and 2024.

Federal Home Loan Bank

The Bank has a blanket lien pledge arrangement with the FHLB, and various loans totaling approximately \$231,390,000 and \$164,974,000 were specifically identified to secure FHLB borrowings as of December 31, 2025 and 2024, respectively. At December 31, 2025 and 2024 the Bank's remaining borrowing capacity totaled approximately \$131,963,000 and \$56,425,000, respectively. There were no advances outstanding as of December 31, 2025 and 2024. There were three (3) letters of credit totaling \$15,942,000 and five (5) letters of credit totaling \$37,442,000 outstanding as of December 31, 2025 and 2024, respectively. The letters of credit outstanding were issued as collateral to support public funds deposits. All the letters of credit outstanding as of December 31, 2025, mature in 2026

Bank of San Francisco
Notes to Financial Statements
December 31, 2025 and 2024

15. Borrowing Arrangements (Continued)

Federal Reserve Bank

The Bank pledges residential loans through the Federal Reserve's discount window. At December 31, 2025 and 2024 the Bank's borrowing capacity totaled approximately \$103,802,000 and \$105,528,000, respectively. The Bank has a lien pledge arrangement with the Federal Reserve over specifically identified residential loans to secure the discount window borrowings, totaling approximately \$193,228,000 and \$209,975,000 as of December 31, 2025 and 2024, respectively. There were no amounts outstanding under this borrowing arrangement at December 31, 2025 and 2024.

16. Segment Information

The Bank's reportable segment is determined by the Chief Executive Officer, who is the designated chief operating decision-maker. The Chief Executive Officer along with others in the Bank's executive management evaluates performance and allocates resources for the Bank as one operating segment or unit. The activities of the Bank comprise one reportable segment, "Community Banking." All the Bank's activities are interrelated, and each activity is dependent and assessed based on the manner in which it supports the other activities of the Bank. All the Bank's assets are attributable to the Community Banking segment.

The chief operating decision-maker will evaluate the financial performance of the Bank's business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Bank's segment and in the determination of allocating resources. The chief operating decision maker uses revenue streams to evaluate products and significant expenses to assess performance and evaluate return on assets. The chief operating decision maker uses net interest income and net income to benchmark the Bank against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results are used in assessment performance and in establishing compensation. All revenues are derived from banking operations within the United States.

Accounting policies of the Community Banking segment are the same as those described in Note 1.

A Different Way to Bank

Direct access. Local decisions. People who stay.

Bank of San Francisco is an independent commercial and private bank built on personal relationships. Founded and headquartered in San Francisco since 2005, the Bank serves individuals, families, businesses, and nonprofits who value direct access to experienced bankers and a single point of contact across every aspect of their financial lives.

With deep community roots and a broad reach, Bank of San Francisco delivers high-touch service and quick decisions, supporting clients wherever life and business take them. Growth is fueled by referrals and the long-term loyalty of clients, colleagues, and community partners.

Bank of San Francisco trades under the symbol "BSFO" on OTCQX.



With you when it matters.

BANK OF SAN FRANCISCO

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