UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED**
September 30, 2025

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

COMMISSION FILE NUMBER: 000-49883

PLUMAS BANCORP
(Exact Name of Registrant as Specified in Its Charter)

California	**75-2987096**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
5525 Kietzke Lane, Suite 100, Reno, Nevada	**89511**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code **(775) 786-0907**

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule12b-2 of the Exchange Act:

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

Title of Each Class:	**Trading Symbol**	**Name of Each Exchange on which Registered:**
Common Stock, no par value	PLBC	The NASDAQ Stock Market LLC

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of November 3, 2025: 6,955,514 shares.

PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

PLUMAS BANCORP AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share data)

	September 30, 2025	December 31, 2024
Assets		
Cash and cash equivalents	$ 87,279	$ 82,018
Investment securities available for sale, net of allowance for credit losses of $0 at September 30, 2025 and December 31, 2024	484,686	437,735
Loans, less allowance for credit losses of $19,564 at September 30, 2025 and $13,196 at December 31, 2024	1,480,415	1,005,375
Other real estate owned	114	91
Premises and equipment, net	24,983	12,495
Right-of-use assets	23,937	24,334
Bank owned life insurance	33,396	16,519
Goodwill	24,215	5,502
Accrued interest receivable and other assets	70,383	39,257
Total assets	$ 2,229,408	$ 1,623,326
Liabilities and Shareholders' Equity		
Deposits:		
Non-interest bearing	$ 862,085	$ 699,401
Interest bearing	957,451	671,700
Total deposits	1,819,536	1,371,101
Repurchase agreements	93,863	22,073
Lease liabilities	24,631	24,759
Accrued interest payable and other liabilities	18,723	12,493
Other borrowings	26,705	15,000
Total liabilities	1,983,458	1,445,426
Commitments and contingencies (Note 5)		
Shareholders' equity:		
Common stock, no par value; 22,500,000 shares authorized; issued and outstanding – 6,952,064 shares at September 30, 2025 and 5,903,368 at December 31, 2024	75,426	29,043
Retained earnings	187,015	174,002
Accumulated other comprehensive loss, net	(16,491)	(25,145)
Total shareholders' equity	245,950	177,900
Total liabilities and shareholders' equity	$ 2,229,408	$ 1,623,326

See notes to unaudited condensed consolidated financial statements.

PLUMAS BANCORP AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	**2024**	**2025**	**2024**
Interest Income:				
Interest and fees on loans	$ 23,635	$ 15,635	$ 54,643	$ 45,639
Interest on investment securities	4,934	4,481	13,948	13,412
Other	1,228	1,746	2,429	3,998
Total interest income	29,797	21,862	71,020	63,049
Interest Expense:				
Interest on deposits	3,884	1,571	8,064	4,074
Interest on borrowings	422	1,413	713	4,210
Other	317	8	347	33
Total interest expense	4,623	2,992	9,124	8,317
Net interest income before provision for (recovery of) credit losses	25,174	18,870	61,896	54,732
Provision for (Recovery of) Credit Losses	5,373	(400)	6,483	1,346
Net interest income after provision for (recovery of) credit losses	19,801	19,270	55,413	53,386
Non-Interest Income:				
Interchange revenue	912	818	2,386	2,340
Service charges	816	766	2,303	2,224
Net (loss) gain on sale of investment securities	(374)	9	(371)	(19,817)
Gain on sale of buildings	-	-	-	19,854
Other	894	644	3,504	1,978
Total non-interest income	2,248	2,237	7,822	6,579
Non-Interest Expenses:				
Salaries and employee benefits	7,418	5,481	18,851	16,129
Occupancy and equipment	2,471	1,988	6,535	5,627
Other	5,245	3,355	12,226	9,861
Total non-interest expenses	15,134	10,824	37,612	31,617
Income before provision for income taxes	6,915	10,683	25,623	28,348
Provision for Income Taxes	1,769	2,853	6,977	7,478
Net income	$ 5,146	$ 7,830	$ 18,646	$ 20,870
Basic earnings per share	$ 0.74	$ 1.33	$ 2.98	$ 3.54
Diluted earnings per share	$ 0.73	$ 1.31	$ 2.94	$ 3.50

See notes to unaudited condensed consolidated financial statements.

PLUMAS BANCORP AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	**2024**	**2025**	**2024**
Net income	$ 5,146	$ 7,830	$ 18,646	$ 20,870
Other comprehensive income:				
Change in net unrealized loss on securities	5,316	14,761	11,662	5,378
Change in fair value hedge	254	-	254	-
Less: reclassification adjustments for net (gain) loss included in net income	374	(9)	371	19,817
Net unrealized holding gain	5,944	14,752	12,287	25,195
Related tax effect:				
Change in net unrealized loss on securities	(1,571)	(4,363)	(3,448)	(1,590)
Change in fair value hedge	(75)	-	(75)	-
Reclassification of net gain (loss) included in net income	(111)	3	(110)	(5,858)
Income tax effect	(1,757)	(4,360)	(3,633)	(7,448)
Other comprehensive income	4,187	10,392	8,654	17,747
Total comprehensive income	$ 9,333	$ 18,222	$ 27,300	$ 38,617

See notes to unaudited condensed consolidated financial statements.

PLUMAS BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands, except shares)

	Common Stock		Retained	Accumulated Other Comprehensive	Total
	Shares	Amount	Earnings	Loss (Net of Taxes)	Shareholders' Equity
Balance, December 31, 2023	5,871,523	$ 28,033	$ 151,748	$ (32,464)	$ 147,317
Net Income	-	-	20,870	-	20,870
Other comprehensive income	-	-		17,747	17,747
Cash dividends on common stock ($0.81 per share)	-	-	(4,772)	-	(4,772)
Exercise of stock options	25,010	367	-	-	367
Stock-based compensation expense	-	413	-	-	413
Balance, September 30, 2024	5,896,533	$ 28,813	$ 167,846	$ (14,717)	$ 181,942
Balance, December 31, 2024	5,903,368	$ 29,043	$ 174,002	$ (25,145)	$ 177,900
Net Income	-	-	18,646	-	18,646
Other comprehensive income	-	-	-	8,654	8,654
Cash dividends on common stock ($0.90 per share)	-	-	(5,633)	-	(5,633)
Issuance of Common Stock	1,003,718	44,625	-	-	44,625
Vesting of stock options assumed in merger	-	552	-	-	552
Vesting of restricted stock units	3,033	-	-	-	-
Exercise of stock options	41,945	936	-	-	936
Stock-based compensation expense	-	270	-	-	270
Balance, September 30, 2025	6,952,064	$ 75,426	$ 187,015	$ (16,491)	$ 245,950

	Common Stock		Retained	Accumulated Other Comprehensive	Total
	Shares	Amount	Earnings	Loss (Net of Taxes)	Shareholders' Equity
Balance, June 30, 2024	5,895,900	$ 28,656	$ 161,608	$ (25,109)	$ 165,155
Net Income	-	-	7,830	-	7,830
Other comprehensive income	-	-	-	10,392	10,392
Cash dividends on common stock ($0.27 per share)	-	-	(1,592)	-	(1,592)
Exercise of stock options	633	-	-	-	-
Stock-based compensation expense	-	157	-	-	157
Balance, September 30, 2024	5,896,533	$ 28,813	$ 167,846	$ (14,717)	$ 181,942
Balance, June 30, 2025	5,933,706	$ 29,803	$ 183,954	$ (20,678)	$ 193,079
Net Income	-	-	5,146	-	5,146
Other comprehensive income	-	-	-	4,187	4,187
Cash dividends on common stock ($0.30 per share)	-	-	(2,085)	-	(2,085)
Issuance of Common Stock	1,003,718	44,625	-	-	44,625
Vesting of stock options assumed in merger	-	552	-	-	552
Exercise of stock options	14,640	353	-	-	353
Stock-based compensation expense	-	93	-	-	93
Balance, September 30, 2025	6,952,064	$ 75,426	$ 187,015	$ (16,491)	$ 245,950

See notes to unaudited condensed consolidated financial statements.

PLUMAS BANCORP AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	For the Nine Months Ended September 30,	
	2025	**2024**
Cash Flows from Operating Activities:		
Net income	$ 18,646	$ 20,870
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	6,483	1,346
Provision for Other Real Estate Owned (OREO) losses	27	-
Change in deferred loan origination costs/fees, net	(339)	(291)
Depreciation of premises and equipment and amortization of intangibles	1,786	1,132
Stock-based compensation expense	270	413
Net loss on sale of investment securities	371	19,817
Amortization of discount on subordinated debentures	84	-
Accretion of premium on time deposits	(651)	-
Amortization of investment security premiums	538	644
Accretion of investment security discounts	(950)	(881)
Accretion of discount on loans	(455)	-
Loss on sale of other vehicles	43	77
Gain on sale of loans held for sale	-	(37)
Loans originated for sale	(865)	(1,131)
Proceeds from loan sales	-	757
Earnings on bank-owned life insurance	(478)	(305)
Gain on sale of buildings	-	(19,854)
Increase in accrued interest receivable and other assets	(6,546)	(527)
(Decrease) increase in accrued interest payable and other liabilities	(2,792)	195
Net cash provided by operating activities	15,172	22,225
Cash Flows from Investing Activities:		
Proceeds from principal repayments from available-for-sale securities	31,765	27,352
Proceeds from sale of available-for-sale securities	88,009	116,285
Proceeds from matured and called available-for-sale securities	870	4,700
Purchases of available-for-sale securities	(67,454)	(110,261)
Purchase of Federal Reserve Bank stock	(998)	(6)
Net increase in loans	(17,438)	(45,977)
Cash acquired in acquisition, net of consideration paid	35,777	-
Proceeds from the sale of OREO	-	362
Proceeds from sale of other vehicles	266	630
Proceeds from the sale of buildings	-	25,690
Purchase of premises and equipment	(1,005)	(570)
Net cash provided by investing activities	69,792	18,205

Continued on next page.

PLUMAS BANCORP AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)
(Continued)

	For the Nine Months Ended September 30,	
	2025	**2024**
Cash Flows from Financing Activities:		
Net (decrease) increase in demand, interest bearing and savings deposits	$ (116,608)	$ 6,752
Net (decrease) increase in time deposits	(15,188)	10,589
Net increase (decrease) in securities sold under agreements to repurchase	71,790	(6,062)
Cash dividends paid on common stock	(5,633)	(4,772)
Increase in other borrowings	-	30,000
Decrease in other borrowings	(15,000)	(45,000)
Proceeds from exercise of stock options	936	367
Net cash used in financing activities	(79,703)	(8,126)
Increase in cash and cash equivalents	5,261	32,304
Cash and Cash Equivalents at Beginning of Period	82,018	85,655
Cash and Cash Equivalents at End of Period	$ 87,279	$ 117,959
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest expense	$ 9,784	$ 6,645
Income taxes	$ 8,595	$ 6,875
Supplemental noncash disclosures		
Real estate and vehicles acquired through foreclosure/repossession	$ 274	$ 727
Common stock retired in connection with the exercise of stock options	$ 86	$ 78
Lease liabilities arising from obtaining right-of-use assets	$ 303	$ 22,588
Assets acquired in acquisition plus goodwill recognized	$ 659,348	$ -
Liabilities assumed in acquisition	$ 616,745	$ -
Common stock issued in acquisition	$ 45,177	$ -

See notes to unaudited condensed consolidated financial statements.

1. THE BUSINESS OF PLUMAS BANCORP

During 2002, Plumas Bancorp (the "Company") was incorporated as a bank holding company for the purpose of acquiring Plumas Bank (the "Bank") in a one bank holding company reorganization. This corporate structure gives the Company and the Bank greater flexibility in terms of operation, expansion and diversification. Plumas Bancorp's Principal Executive Office is located in Reno, Nevada.

The Bank operates seventeen branches in California, including branches in Alturas, Anderson, Chester, Chico, Fall River Mills, Greenville, Kings Beach, Portola, Quincy, Redding (3 branches), Red Bluff, Susanville, Tahoe City, Truckee and Yuba City. The Bank's newest branch was opened in April 2023 and is located in Chico, California. The Bank's administrative headquarters are in Quincy, California. In December 2015 the Bank opened a branch in Reno, Nevada, its first branch outside of California, and in 2018 the Bank purchased a branch located in Carson City, Nevada. In addition, the Bank operates a lending office specializing in government-guaranteed lending in Auburn, California, and a commercial/agricultural lending office in Klamath Falls, Oregon. The Bank's primary source of revenue is generated from providing loans to customers who are predominately small and middle market businesses and individuals residing in the surrounding areas. On July 1, 2025, the Company completed its acquisition of Cornerstone Community Bancorp (Cornerstone) increasing its branch network in California by four branches: one in Anderson, one in Red Bluff and two in Redding.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Company and the consolidated accounts of its wholly-owned subsidiary, Plumas Bank. All significant intercompany balances and transactions have been eliminated.

The accounting and reporting policies of Plumas Bancorp and subsidiary conform with accounting principles generally accepted in the United States of America and prevailing practices within the banking industry. In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the Company's financial position at September 30, 2025 and the results of its operations and its cash flows for the three and nine-month periods. Our condensed consolidated balance sheet at December 31, 2024 is derived from audited financial statements.

The unaudited condensed consolidated financial statements of the Company have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim reporting on Form 10-Q. Accordingly, certain disclosures normally presented in the notes to the annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted. The Company believes that the disclosures are adequate to make the information not misleading. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2024 Annual Report to Shareholders on Form 10-K. The results of operations for the three and nine-month periods ended September 30, 2025, may not necessarily be indicative of future operating results. In preparing such financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the periods reported. Actual results could differ significantly from those estimates.

Segment Information

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

The chief operating decision maker makes operating decisions and assesses performance based on an ongoing review of the Company's community banking activities, which constitutes the Company's only operating segment for financial reporting purposes. The Company's single reportable segment is determined by the Chief Financial Officer, who is the designated chief operating decision maker, based upon information provided about the Company's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business such as branches and departments, which are then aggregated if operating performance, products/services, and customers are similar. The chief operating decision maker will evaluate the financial performance of the Company's business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's segment and in the determination of allocating resources. The chief operating decision maker uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The chief operating decision maker uses consolidated net income to benchmark the Company against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results are used in assessment performance and in establishing compensation. Loans, investments, and deposits provide the revenues in the banking operation. Interest expense, provisions for credit losses, and payroll provide the significant expenses in the banking operation. The consolidated expense information is the same as is reported on the income statement as consolidated net income. The measure of segment assets is reported on the balance sheet as total consolidated assets. All operations are domestic.

Purchased Credit Deteriorated (PCD) Loans

PCD loans are loans acquired at a discount that is due, in part, to credit quality deterioration since origination which may be determined through observation of missed payments, downgrade in risk rating, deterioration of a borrower's financial trends or other observable factors including subjectivity utilized by management. PCD loans are initially recorded at fair value, by taking the sum of the present value of expected future cash flows and an allowance for credit losses, at acquisition. The allowance for credit losses for PCD loans is recorded through a gross-up of reserves on the consolidated balance sheets, while the allowance for acquired non-PCD loans, such as loans, is recorded through the provision for credit losses on the consolidated statements of income, consistent with originated loans. Subsequent to acquisition, the allowance for credit losses for PCD loans will generally follow the same forward-looking estimation, provision, and charge-off process as non-PCD acquired and originated loans.

As part of the acquisition of Cornerstone on July 1, 2025, the Company acquired PCD loans. At acquisition, the Company recorded PCD loans at their purchase price and simultaneously established an allowance for credit losses based on expected credit losses over the life of the loans.

Reconciliation of Purchase Price to Par Value (in thousands):

Par value of Acquired PCD Loans	$34,115
Less Credit Mark (ACL)	(315)
Less: Interest Mark (Non-Credit Discount)	(3,609)
Fair Value (Purchase Price)	$30,191

The fair value of PCD loans acquired in the Cornerstone acquisition was determined using a discounted cash flow (DCF) model. Key inputs and assumptions included:

- Expected cash flows based on contractual terms adjusted for estimated prepayments and defaults
- Discount rates reflecting current market rates for similar loans, adjusted for credit risk
- Loss expectations derived from historical performance and forward-looking economic forecasts
- Segmentation by loan type (e.g., commercial, consumer, real estate) to reflect differing risk profiles

The resulting fair value represents the present value of expected future cash flows, net of credit losses, and includes a gross-up for the allowance for credit losses under ASC 326.

Non-PCD Loans

As part of the acquisition of Cornerstone, the Company acquired a portfolio of loan receivables that did not exhibit credit deterioration at the acquisition date (non-PCD loans). In accordance with ASC 805 and ASC 326, these loans were initially recorded at fair value. An allowance for credit losses related to the non-PCD loans was recognized separately from the purchase price allocation, resulting in a charge to credit loss expense on the acquisition date. This treatment reflects the expected credit losses on the acquired loans and is consistent with the CECL model. The total fair value of non-PCD loans acquired was $432 million, the gross contractual amounts receivable is $579 million, and our best estimate of the contractual cash flows not expected to be collected is $6.7 million.

Business Combination and Fair Value Measurements

The Company completed its acquisition of Cornerstone on July 1, 2025. The transaction was accounted for under the acquisition method in accordance with ASC 805, Business Combinations, and the identifiable assets acquired, and liabilities assumed were recorded at their estimated fair values. Acquisition-related costs, including legal, accounting, and other professional fees, totaled approximately $1.9 million and were expensed as incurred in accordance with ASC 805.

Fair Value Methodologies:

- **Loans**: Fair value was estimated using a discounted cash flow model that considered credit quality, interest rate environment, and expected prepayments. Credit mark adjustments were applied to reflect estimated losses.
- **Investment Securities**: Valued based on quoted market prices or observable inputs such as yield curves and credit spreads.
- **Premises and Equipment**: Based on third-party appraisals and market comparables.
- **Core Deposit Intangible**: Determined using a discounted cash flow model based on expected deposit retention and cost differentials relative to market rates.
- **Time Deposits and Borrowings**: Measured using present value techniques based on current market rates for similar instruments.
- **Goodwill**: Arises from synergies expected from the acquisition and is not amortizable for tax purposes.

These fair value estimates are preliminary and subject to change as additional information becomes available during the measurement period.

3. INVESTMENT SECURITIES AVAILABLE FOR SALE

The amortized cost and estimated fair value of investment securities at September 30, 2025 and December 31, 2024 consisted of the following, in thousands:

Available-for-Sale	September 30, 2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:				
U.S. Government-sponsored agencies collateralized by mortgage obligations - residential	258,397	2,216	(9,748)	250,865
U.S. Government- sponsored agencies collateralized by mortgage obligations - commercial	147,614	1,253	(9,929)	138,938
Obligations of states and political subdivisions	102,086	686	(7,889)	94,883
	$ 508,097	$ 4,155	$ (27,566)	$ 484,686

Unrealized losses on available-for-sale investment securities totaling $23,411,000 were recorded, net of $6,920,000 in tax benefit, as accumulated other comprehensive loss within shareholders' equity at September 30, 2025. During the nine months ended September 30, 2025, the Company sold 90 available-for-sale investment securities for proceeds of $88,009,000, recording a $625,000 loss on sale. The loss was partially offset by a gain of $254,000 on the termination of a fair value hedge. The Company realized a gain on sale from fifteen of these securities totaling $36,000 and a loss on sale of 75 securities totaling $661,000. During the nine months ended September 30, 2024, the Company sold 157 available-for-sale investment securities for proceeds of $116,285,000 recording a $19,817,000 net loss on sale. The Company realized a gain on sale from ten of these securities totaling $115,000 and a loss on sale of 147 securities totaling $19,932,000.

Available-for-Sale	December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:				
U.S. Government-sponsored agencies collateralized by mortgage obligations - residential	243,709	138	(15,456)	228,391
U.S. Government- sponsored agencies collateralized by mortgage obligations - commercial	133,749	77	(11,956)	121,870

Obligations of states and political subdivisions	95,975	315	(8,816)	87,474
	$ 473,433	$ 530	$ (36,228)	$ 437,735

Unrealized losses on available-for-sale investment securities totaling $35,698,000 were recorded, net of $10,553,000 in tax benefits, as accumulated other comprehensive loss within shareholders' equity at December 31, 2024. During the twelve months ended December 31, 2024, the Company sold 157 available-for-sale investment securities for proceeds of $116,285,000, recording a $19,817,000 net loss on sale. The Company realized a gain on sale from ten of these securities totaling $115,000 and a loss on sale of 147 securities totaling $19,932,000.

There were no transfers of available-for-sale investment securities during the nine months ended September 30, 2025 and twelve months ended December 31, 2024. There were no securities classified as held-to-maturity at September 30, 2025 or December 31, 2024.

Investment securities with unrealized losses at September 30, 2025 and December 31, 2024 are summarized and classified according to the duration of the loss period as follows, in thousands:

September 30, 2025	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities:						
U.S. Government-sponsored agencies collateralized by mortgage obligations - residential	$ 5,916	$ 22	$ 92,489	$ 9,726	$ 98,405	$ 9,748
U.S. Government- sponsored agencies collateralized by mortgage obligations - commercial	8,193	36	64,400	9,893	72,593	9,929
Obligations of states and political subdivisions	14,340	199	47,875	7,690	62,215	7,889
	$ 28,449	$ 257	$ 204,764	$ 27,309	$ 233,213	$ 27,566

December 31, 2024	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities:						
U.S. Government-sponsored agencies collateralized by mortgage obligations - residential	107,328	1,917	94,506	13,539	201,834	15,456
U.S. Government- sponsored agencies collateralized by mortgage obligations - commercial	55,921	926	57,735	11,030	113,656	11,956
Obligations of states and political subdivisions	18,938	250	48,460	8,566	67,398	8,816
	$ 182,187	$ 3,093	$ 200,701	$ 33,135	$ 382,888	$ 36,228

At September 30, 2025, the Company held 326 securities of which 22 were in a loss position for less than twelve months and 173 were in a loss position for twelve months or more. Of the 326 securities, 101 are U.S. Government-sponsored agencies collateralized by residential mortgage obligations, 51 were U.S. Government agencies collateralized by commercial mortgage obligations and 174 were obligations of states and political subdivisions. The unrealized losses relate to market rate conditions. All of the securities continue to pay as scheduled. For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. At September 30, 2025, neither of the criteria regarding intent or requirement to sell was met for any of the securities in an unrealized loss position.

Unrealized losses on investments in obligations of U.S. government agencies and U.S. government sponsored agencies are caused by interest rate increases.

Obligations of states and political subdivisions: Management reviewed the collectability of the obligations of the states and political subdivisions taking into consideration such factors as the financial condition of the issuers, credit ratings, and other information. Management believes the unrealized losses on the obligations of states and political subdivisions are attributable to changes in the investment spreads and interest rates and not changes in the credit quality of the issuers.

The amortized cost and estimated fair value of investment in debt securities at September 30, 2025 by contractual maturity are shown below, in thousands.

	Amortized Cost	Estimated Fair Value
Within one year	$ 735	$ 734
After one year through five years	6,575	6,655
After five years through ten years	19,025	19,069
After ten years	75,751	68,425
Investment securities not due at a single maturity date:		
U.S. Government-sponsored agencies collateralized by mortgage obligations - residential	258,397	250,865
U.S. Government- sponsored agencies collateralized by mortgage obligations - commercial	147,614	138,938
	$ 508,097	$ 484,686

Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

Investment securities with amortized costs totaling $440,935,000 and $225,313,000 and estimated fair values totaling $421,337,000 and $212,001,000 at September 30, 2025 and December 31, 2024, respectively, were pledged to secure deposits, repurchase agreements and Federal Reserve Bank borrowings.

4. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES

Outstanding loans are summarized below, in thousands:

	September 30, 2025	December 31, 2024
Commercial	$ 161,667	$ 77,444
Agricultural	154,107	118,866
Real estate – residential	33,657	11,539
Real estate – commercial	980,694	646,378
Real estate – construction and land development	49,199	53,503
Equity lines of credit (Equity LOC)	53,283	37,888
Auto	45,142	64,734
Other	18,745	5,072
Total loans	1,496,494	1,015,424
Deferred loan costs, net	3,485	3,147
Loans, amortized cost basis	1,499,979	1,018,571
Allowance for credit losses	(19,564)	(13,196)
Total net loans	$ 1,480,415	$ 1,005,375

Salaries and employee benefits totaling $951,000 and $599,000 have been deferred as loan origination costs during the three months ended September 30, 2025 and 2024, respectively. Salaries and employee benefits totaling $2,173,000 and $2,062,000 have been deferred as loan origination costs during the nine months ended September 30, 2025, and 2024, respectively.

The Company assigns a risk rating to all loans and periodically, but not less than annually, performs detailed reviews of all criticized and classified loans over $100,000 to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by independent specialists engaged by the Company and the Company's regulators. During these internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which borrowers operate and the fair values of collateral securing these loans. These credit quality indicators are used to assign a risk rating to each individual loan.

The risk ratings can be grouped into three major categories, defined as follows:

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

Substandard – A substandard loan is not adequately protected by the current sound 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 the project's failure to fulfill economic expectations. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

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

Loans not meeting the criteria above that are analyzed individually as part of the above-described process are considered to be pass-rated loans.

For other loans, which are primarily consumer loans and automobile loans the Company evaluates credit quality based on the aging status of the loan and by payment activity. Non-performing loans consist of nonaccrual loans and loans past due 90 days or more and still accruing.

Other Real Estate Owned

Other real estate owned relates to real estate acquired in full or partial settlement of loan obligations. On September 30, 2025, other real estate owned totaled $114,000, consisting of two single family residential real estate (SFR) properties. On December 31, 2024, other real estate owned totaled $91,000, consisting of one SFR property. There was one commercial real estate loan totaling $221,000 secured by commercial property, two residential real estate loans totaling $185,000, two agricultural loans totaling $2,337,000 secured partially by SFR properties and additionally by agricultural land and one equity line of credit totaling $79,000 secured by SFR property for which formal foreclosure proceedings were in process at September 30, 2025 There was one commercial loan with a balance of $53,000 secured by a SFR property for which formal foreclosure proceedings were in process at December 31, 2024.

The following table presents the amortized cost basis of the loan portfolio allocated by management's internal risk ratings or payment activity at the dates indicated, in thousands:

	Amortized Cost Basis by Origination Year and Risk Grades - As of September 30, 2025								
(in thousands)	2025	2024	2023	2022	2021	Prior	Revolving Loans Book Amortized Cost Basis	Revolving Loans Converted to Term Amortized Cost Basis	Total - Amortized Cost Basis
Commercial									
Pass	$ 13,873	$ 27,143	$ 24,011	$ 27,998	$ 12,811	$ 15,126	38,605	$ -	$ 159,567
Special Mention	-	-	-	-	939	638	443	-	2,020
Substandard	3	-	230	99	133	280	165	-	910
Total Commercial loans	$ 13,876	$ 27,143	$ 24,241	$ 28,097	$ 13,883	$ 16,044	$ 39,213	$ -	$ 162,497
Current period gross charge-offs	$ -	$ 114	$ -	$ 51	$ -	$ -	$ 25	$ -	$ 190
Agricultural									
Pass	$ 7,820	$ 6,910	$ 16,167	$ 12,000	$ 14,182	$ 35,902	$ 26,064	$ -	$ 119,045
Special Mention	1,114	-	499	7,129	806	6,591	3,273	-	19,412
Substandard	420	-	2,747	5,175	3,059	1,330	3,178	-	15,909
Total Agricultural	$ 9,354	$ 6,910	$ 19,413	$ 24,304	$ 18,047	$ 43,823	$ 32,515	$ -	$ 154,366
Current period gross charge-offs	$ -	$ -	$ 11	$ -	$ -	$ -	$ -	$ -	$ 11
Real Estate - Residential									
Pass	$ 2,033	$ 4,482	$ 1,822	$ 9,381	$ 5,991	$ 9,401	$ 156	$ -	$ 33,266
Special Mention	-	-	-	-	-	149	-	-	149
Substandard	-	-	-	-	-	273	-	-	273
Total Real Estate - Residential	$ 2,033	$ 4,482	$ 1,822	$ 9,381	$ 5,991	$ 9,823	$ 156	$ -	$ 33,688
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real Estate -Commercial									
Pass	$ 74,401	$ 117,536	$ 134,415	$ 170,782	$ 137,156	$ 330,501	$ 3,869	$ -	$ 968,660
Special Mention	994	-	-	238	950	3,015	-	-	5,197
Substandard	-	-	-	378	409	7,041	-	-	7,828
Total Real Estate -Commercial	$ 75,395	$ 117,536	$ 134,415	$ 171,398	$ 138,515	$ 340,557	$ 3,869	$ -	$ 981,685
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real Estate -Construction									
Pass	$ 8,095	$ 18,853	$ 4,134	$ 3,582	$ 5,235	$ 1,092	$ 3,757	$ -	$ 44,748
Special Mention	-	-	4,307	-	-	-	-	-	4,307
Total Real Estate -Construction	$ 8,095	$ 18,853	$ 8,441	$ 3,582	$ 5,235	$ 1,092	$ 3,757	$ -	$ 49,055
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Equity LOC									
Pass	$ -	$ -	$ -	$ -	$ -	$ -	$ 50,727	$ 2,397	$ 53,124
Substandard	-	-	-	103	-	-	987	-	1,090
Total Equity LOC	$ -	$ -	$ -	$ 103	$ -	$ -	$ 51,714	$ 2,397	$ 54,214
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ 19	$ -	$ 19
Total									
Pass	$ 106,222	$ 174,924	$ 180,549	$ 223,743	$ 175,375	$ 392,022	$ 123,178	$ 2,397	$ 1,378,410
Special Mention	2,108	-	4,806	7,367	2,695	10,393	3,716	-	31,085
Substandard	423	-	2,977	5,755	3,601	8,924	4,330	-	26,010
Total	$ 108,753	$ 174,924	$ 188,332	$ 236,865	$ 181,671	$ 411,339	$ 131,224	$ 2,397	$ 1,435,505
Current period gross charge-offs	$ -	$ 114	$ 11	$ 51	$ -	$ -	$ 44	$ -	$ 220
Auto									
Performing	$ -	$ -	$ 17,744	$ 16,310	$ 6,529	$ 4,248	$ -	$ -	$ 44,831
Non-performing	-	-	204	197	257	165	-	-	823
Total Auto	$ -	$ -	$ 17,948	$ 16,507	$ 6,786	$ 4,413	$ -	$ -	$ 45,654
Current period gross charge-offs	$ -	$ -	$ 100	$ 181	$ 25	$ 102	$ -	$ -	$ 408
Other									
Performing	$ 5,117	$ 7,032	$ 2,442	$ 3,571	$ 148	$ 35	$ 463	$ -	$ 18,808
Non-performing	-	4	1	6	1	-	-	-	12
Total Other	$ 5,117	$ 7,036	$ 2,443	$ 3,577	$ 149	$ 35	$ 463	$ -	$ 18,820
Current period gross charge-offs	$ -	$ 36	$ 38	$ 18	$ 2	$ 8	$ -	$ -	$ 102
Total									
Performing	$ 5,117	$ 7,032	$ 20,186	$ 19,881	$ 6,677	$ 4,283	$ 463	$ -	$ 63,639
Non-performing	-	4	205	203	258	165	-	-	835
Total	$ 5,117	$ 7,036	$ 20,391	$ 20,084	$ 6,935	$ 4,448	$ 463	$ -	$ 64,474
Total Loans	$ 113,870	$ 181,960	$ 208,723	$ 256,949	$ 188,606	$ 415,787	$ 131,687	$ 2,397	$ 1,499,979
Total gross charge-offs	$ -	$ 150	$ 149	$ 250	$ 27	$ 110	$ 44	$ -	$ 730

Term Loans
Amortized Cost Basis by Origination Year and Risk Grades - As of December 31, 2024

(in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans Book Balance Basis	Revolving loans converted to term Book Balance Basis	Total
Commercial									
Pass	$ 19,885	$ 12,642	$ 12,042	$ 8,405	$ 1,658	$ 6,886	$ 13,232	$ -	$ 74,750
Special Mention	-	-	157	444	-	36	513	-	1,150
Substandard	61	244	1,050	365	469	30	75	-	2,294
Total Commercial loans	$ 19,946	$ 12,886	$ 13,249	$ 9,214	$ 2,127	$ 6,952	$ 13,820	$ -	$ 78,194
Current period gross charge-offs	$ -	$ 86	$ 43	$ -	$ -	$ 22	$ 151	$ -	$ 302
Agricultural									
Pass	$ 6,421	$ 9,331	$ 14,290	$ 11,389	$ 14,252	$ 28,075	$ 13,356	$ -	$ 97,114
Special Mention	518	53	1,159	358	1,307	1,639	534	-	5,568
Substandard	-	2,710	4,606	3,252	78	1,281	4,501	-	16,428
Total Agricultural	$ 6,939	$ 12,094	$ 20,055	$ 14,999	$ 15,637	$ 30,995	$ 18,391	$ -	$ 119,110
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real Estate - Residential									
Pass	$ 632	$ 1,105	$ -	$ 2,064	$ 2,355	$ 4,639	$ 520	$ -	$ 11,315
Substandard	-	-	-	-	-	253	-	-	253
Total Real Estate - Residential	$ 632	$ 1,105	$ -	$ 2,064	$ 2,355	$ 4,892	$ 520	-	$ 11,568
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real Estate -Commercial									
Pass	$ 90,579	$ 92,735	$ 137,607	$ 82,627	$ 73,405	$ 154,466	$ 7,142	$ -	$ 638,561
Special Mention	-	-	171	-	-	4,460	450	-	5,081
Substandard	-	-	628	-	921	1,760	-	-	3,309
Total Real Estate -Commercial	$ 90,579	$ 92,735	$ 138,406	$ 82,627	$ 74,326	$ 160,686	$ 7,592	$ -	$ 646,951
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real Estate -Construction									
Pass	$ 21,110	$ 15,244	$ 11,054	$ 3,767	$ 947	$ 843	$ -	$ -	$ 52,965
Special Mention	-	-	210	-	-	-	-	-	210
Substandard	110	-	-	-	-	-	-	-	110
Total Real Estate -Construction	$ 21,220	$ 15,244	$ 11,264	$ 3,767	$ 947	$ 843	$ -	$ -	$ 53,285
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Equity LOC									
Pass	$ -	$ -	$ -	$ -	$ -		$ 34,622	$ 3,483	$ 38,105
Substandard	-	-	-	-	-		371	279	650
Total Equity LOC	$ -	$ -	$ -	$ -	$ -	$ -	$ 34,993	$ 3,762	$ 38,755
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total									
Pass	$ 138,627	$ 131,057	$ 174,993	$ 108,252	$ 92,617	$ 194,909	$ 68,872	$ 3,483	$ 912,810
Special Mention	518	53	1,697	802	1,307	6,135	1,497	-	12,009
Substandard	171	2,954	6,284	3,617	1,468	3,324	4,947	279	23,044
Total	$ 139,316	$ 134,064	$ 182,974	$ 112,671	$ 95,392	$ 204,368	$ 75,316	$ 3,762	$ 947,863
Current period gross charge-offs	$ -	$ 86	$ 43	$ -	$ -	$ 22	$ 151	$ -	$ 302
Auto									
Performing	$ -	$ 23,163	$ 22,361	$ 10,426	$ 4,779	$ 4,063	$ -	$ -	$ 64,792
Non-performing	-	147	241	187	129	88	-	-	792
Total Auto	$ -	$ 23,310	$ 22,602	$ 10,613	$ 4,908	$ 4,151	$ -	$ -	$ 65,584
Current period gross charge-offs	$ -	$ 389	$ 598	$ 262	$ 171	$ 223	$ -	$ -	$ 1,643
Other									
Performing	$ 2,433	$ 1,245	$ 799	$ 318	$ 88	$ 5	$ 157	$ -	$ 5,045
Non-performing	-	48	24	3	2	-	2	-	79
Total Other	$ 2,433	$ 1,293	$ 823	$ 321	$ 90	$ 5	$ 159	$ -	$ 5,124
Current period gross charge-offs	$ -	$ 9	$ 35	$ 31	$ 6	$ 12	$ 1	$ -	$ 94
Total									
Performing	$ 2,433	$ 24,408	$ 23,160	$ 10,744	$ 4,867	$ 4,068	$ 157	$ -	$ 69,837
Non-performing	-	195	265	190	131	88	2	-	871
Total	$ 2,433	$ 24,603	$ 23,425	$ 10,934	$ 4,998	$ 4,156	$ 159	$ -	$ 70,708
Total Loans	$ 141,749	$ 158,667	$ 206,399	$ 123,605	$ 100,390	$ 208,524	$ 75,475	$ 3,762	$ 1,018,571
Total gross charge-offs	$ -	$ 484	$ 676	$ 293	$ 177	$ 257	$ 152	$ -	$ 2,039

The following table shows the ending balance of nonaccrual loans by loan category as of the date indicated:

	Non-Performing Loans					
	September 30, 2025			December 31, 2024		
(in thousands)	Nonaccrual with no allowance for credit losses	Total nonaccrual	Past due 90 days or more and still accruing	Nonaccrual with no allowance for credit losses	Total nonaccrual	Past due 90 days or more and still accruing
Commercial	$ 257	$ 508	$ -	$ 302	$ 355	$ -
Agricultural	8,501	10,540	-	567	567	-
Real estate – residential	258	258	-	83	83	-
Real estate – commercial	1,798	1,798	-	1,579	1,579	-
Real estate – construction & land development	-	-	-	-	-	-
Equity lines of credit	1,090	1,090	-	650	650	-
Auto	823	823	-	792	792	-
Other	12	12	-	77	79	-
Total Gross Loans	$ 12,739	$ 15,029	$ -	$ 4,050	$ 4,105	$ -

The Company places loans 90 days or more past due on nonaccrual status unless the loan is well secured and in the process of collection. A loan is considered to be in the process of collection if, based on a probable specific event, it is expected that the loan will be repaid or brought current. Generally, this collection period would not exceed 90 days. When a loan is placed on nonaccrual status the Company's general policy is to reverse and charge against current income previously accrued but unpaid interest. Interest income on such loans is subsequently recognized only to the extent that cash is received, and future collection of principal is deemed by management to be probable. Where the collectability of the principal or interest on a loan is considered to be doubtful by management, it is placed on nonaccrual status prior to becoming 90 days delinquent.

The following tables show interest reversed against interest income for loans placed on nonaccrual status during the three and nine months ended September 30, 2025 and 2024.

Three months ended:

(in thousands)	September 30, 2025	September 30, 2024
Commercial	$ 17	$ 6
Agricultural	41	29
Real estate – residential	1	-
Real estate – commercial	2	26
Equity lines of credit	3	-
Auto	7	12
Other	-	-
Total	$ 71	$ 73

Nine months ended:

(in thousands)	September 30, 2025	September 30, 2024
Commercial	$ 28	$ 10
Agricultural	381	29
Real estate – residential	1	9
Real estate – commercial	7	40
Equity lines of credit	18	10
Auto	14	21
Other	1	-
Total	$ 450	$ 119

The following table presents the amortized cost basis of loans at September 30, 2025, that were both experiencing financial difficulty and modified during the three months ended September 30, 2025, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

	Term Extension	
(in thousands)	Amortized Cost Basis	Total Class of Financing Receivable
Agricultural	2,232	1.45%
Real estate – commercial	76	0.01%
Total	$ 2,308	0.15%

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty as of September 30, 2025:

	Weighted-Average Term Extension (in months)
Agricultural	5.0
Real estate – commercial	24.0
Total	5.6

The following table presents the amortized cost basis of loans at September 30, 2025, that were both experiencing financial difficulty and modified during the nine months ended September 30, 2025, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

	Term Extension	
(in thousands)	Amortized Cost Basis	Total Class of Financing Receivable
Agricultural	7,105	4.60%
Real estate – commercial	848	0.09%
Total	$ 7,953	0.53%

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty as of September 30, 2025:

	Weighted-Average Term Extension (in months)
Agricultural	5.3
Real estate – commercial	4.9
Total	5.3

The following table presents the amortized cost basis of loans at September 30, 2024, that were both experiencing financial difficulty and modified during the three months ended September 30, 2024, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

	Term Extension	
(in thousands)	Amortized Cost Basis	Total Class of Financing Receivable
Agricultural	2,357	1.93%

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty as of September 30, 2024:

	Weighted-Average Term Extension (in months)
Agricultural	6.0

The following table presents the amortized cost basis of loans at September 30, 2024, that were both experiencing financial difficulty and modified during the nine months ended September 30, 2024, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

	Term Extension	
(in thousands)	Amortized Cost Basis	Total Class of Financing Receivable
Commercial	32	0.04%
Agricultural	2,413	1.98%
Total	$ 2,445	0.24%

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty as of September 30, 2024:

	Weighted-Average Term Extension (in months)
Commercial	6.0
Agricultural	7.3
Total	7.2

Loans with payment defaults by borrowers experiencing financial difficulty during the nine months ended September 30, 2025, which had material modifications in rate, term or principal forgiveness during the twelve months prior to default totaled $9.1 million in agricultural loans. Of the $9.1 million, four loans totaling $4.9 million were 107 days past due, one loan totaling $2 million was 168 days past due and one loan totaling $2.2 million was 15 days past due at September 30, 2025. Loans with payment defaults by borrowers experiencing financial difficulty during the nine months ended September 30, 2024, which had material modifications in rate, term or principal forgiveness during the twelve months prior to default totaled $4.8 million in agricultural loans which were 46 days past due at September 30, 2024, and one commercial loan totaling $32,000 which was 70 days past due at September 30, 2024. The commercial loan experienced a payment default in the current three-month period while the agricultural loans experienced payment defaults during the nine months ended September 30, 2024, as well as in the three-month period ended September 30, 2024. Additionally, $1.3 million in agricultural loans that were in payment default earlier in the year, paid off during the three months ended September 30, 2024.

The following tables show the allocation of the allowance for credit losses at the dates indicated, in thousands:

Nine Months Ended September 30, 2025:	Commercial	Agricultural	Real Estate-Residential	Real Estate-Commercial	Real Estate-Construction	Equity LOC	Auto	Other	Total
Allowance for credit losses									
Beginning balance	$ 1,265	$ 1,802	$ 102	$ 7,459	$ 815	$ 460	$ 1,215	$ 78	$ 13,196
Charge-offs	(190)	(11)	-	-	-	(19)	(408)	(102)	(730)
Recoveries	22	-	49	-	-	-	430	10	511
Initial allowance on acquired PCD loans	58	31	-	226	-	-	-	-	315
Provision for (recovery of) credit losses	1,321	1,434	114	3,394	(89)	159	(398)	337	6,272
Ending balance	$ 2,476	$ 3,256	$ 265	$ 11,079	$ 726	$ 600	$ 839	$ 323	$ 19,564
Three Months Ended September 30, 2025:									
Allowance for credit losses									
Beginning balance	$ 1,397	$ 2,657	$ 110	$ 7,742	$ 694	$ 562	$ 955	$ 92	$ 14,209
Charge-offs	(25)	-	-	-	-	(19)	(157)	(23)	(224)
Recoveries	11	-	47	-	-	-	80	3	141
Initial allowance on acquired PCD loans	58	31	-	226	-	-	-	-	315
Provision for (recovery of) credit losses	1,035	568	108	3,111	32	57	(39)	251	5,123
Ending balance	$ 2,476	$ 3,256	$ 265	$ 11,079	$ 726	$ 600	$ 839	$ 323	$ 19,564
Nine Months Ended September 30, 2024:									
Allowance for credit losses									
Beginning balance	$ 1,134	$ 1,738	$ 137	$ 6,678	$ 797	$ 439	$ 1,865	$ 79	$ 12,867
Charge-offs	(65)	-	-	-	-	-	(1,292)	(65)	(1,422)
Recoveries	21	-	3	-	-	-	642	20	686
Provision for (recovery of) credit losses	269	32	(30)	830	51	17	253	53	1,475
Ending balance	$ 1,359	$ 1,770	$ 110	$ 7,508	$ 848	$ 456	$ 1,468	$ 87	$ 13,606
Three Months Ended September 30, 2024:									
Allowance for credit losses									
Beginning balance	$ 1,426	$ 1,780	$ 121	$ 7,581	$ 973	$ 458	$ 1,654	$ 89	$ 14,082
Charge-offs	-	-	-	-	-	-	(396)	(16)	(412)
Recoveries	6	-	1	-	-	-	266	13	286
Provision for (recovery of) credit losses	(73)	(10)	(12)	(73)	(125)	(2)	(56)	1	(350)

Ending balance	$ 1,359	$ 1,770	$ 110	$ 7,508	$ 848	$ 456	$ 1,468	$ 87	$ 13,606

The following tables summarize the activity in the reserve for unfunded commitments, which is recorded on the balance sheet within other liabilities, for the three and nine months ended September 30, 2025 and 2024.

Three months ended:

(in thousands)	September 30, 2025	September 30, 2024
Beginning balance	$ 580	$ 720
Provision on acquired loan commitments	351	-
Recovery of provision for credit losses	(100)	(50)
Ending balance	$ 831	$ 670

Nine months ended:

(in thousands)	September 30, 2025	September 30, 2024
Beginning balance	$ 620	$ 799
Provision on acquired loans commitments	351	-
Recovery of provision for credit losses	(140)	(129)
Ending balance	$ 831	$ 670

The following tables show an aging analysis of the loan portfolio by the time past due, in thousands:

September 30, 2025	30-59 Days Past Due	60-89 Days Past Due	90 Days and Still Accruing	Nonaccrual	Total Past Due and Nonaccrual	Current	Total
Commercial	$ 513	$ 188	$ -	$ 508	$ 1,209	$ 161,288	$ 162,497
Agricultural	-	341	-	10,540	10,881	143,485	154,366
Real estate – residential	-	-	-	258	258	33,430	33,688
Real estate – commercial	6,038	-	-	1,798	7,836	973,849	981,685
Real estate - construction & land	909		-	-	909	48,146	49,055
Equity Lines of Credit	1,284	321	-	1,090	2,695	51,519	54,214
Auto	1,216	70	-	823	2,109	43,545	45,654
Other	69	44	-	12	125	18,695	18,820
Total	$ 10,029	$ 964	$ -	$ 15,029	$ 26,022	$ 1,473,957	$ 1,499,979

December 31, 2024	30-59 Days Past Due	60-89 Days Past Due	90 Days and Still Accruing	Nonaccrual	Total Past Due and Nonaccrual	Current	Total
Commercial	$ 1,074	$ 533	$ -	$ 355	$ 1,962	$ 76,232	$ 78,194
Agricultural	273	-	-	567	840	118,270	119,110
Real estate – residential	348	319	-	83	750	10,818	11,568
Real estate - commercial	1,954	82	-	1,579	3,615	643,336	646,951
Real estate - construction & land	2,133	-	-	-	2,133	51,152	53,285
Equity Lines of Credit	1,416	189	-	650	2,255	36,500	38,755
Auto	1,251	242	-	792	2,285	63,299	65,584
Other	72	7	-	79	158	4,966	5,124
Total	$ 8,521	$ 1,372	$ -	$ 4,105	$ 13,998	$ 1,004,573	$ 1,018,571

The following tables present the amortized cost basis of collateral dependent loans by class of loans at September 30, 2025 in thousands:

	Equipment	Crops	Livestock	Farmland	Commercial - 1st Deed	SFR-1st Deed	SFR-2nd Deed	Land	Total
Commercial	$ 60	$ -	$ -	$ -	$ -	$ 170	$ -	$ -	$ 230
Agricultural	-	4,872	225	2,307	2,241	336	-	454	10,435
Real estate – residential	-	-	-	-	-	151	-	-	151
Real estate – commercial	-	-	-	-	1,420	30	119	-	1,569
Equity Lines of Credit	-	-	-	-	-		405	-	405
Total	$ 60	$ 4,872	$ 225	$ 2,307	$ 3,661	$ 687	$ 524	$ 454	$ 12,790

The following tables present the amortized cost basis of collateral dependent loans by class of loans at December 31, 2024 in thousands:

	Equipment	Crops	Commercial - 1st Deed	SFR-1st Deed	SFR-2nd Deed	SFR-3rd Deed	Total
Commercial	$ 245	$ -	$ -	$ -	$ -	$ -	$ 245
Agricultural	-	535	-	-	-	-	535
Real estate – residential	-	-	-	-	-	-	-
Real estate – commercial	-	-	739	53	652	50	1,494
Real estate - construction & land	-	-	-	-	-	-	-
Equity Lines of Credit	-	-	-		173	-	173
Total	$ 245	$ 535	$ 739	$ 53	$ 825	$ 50	$ 2,447

5. COMMITMENTS AND CONTINGENCIES

The Company is party to claims and legal proceedings arising in the ordinary course of business. In the opinion of the Company's management, the amount of ultimate liability with respect to such proceedings will not have a material adverse effect on the financial condition or result of operations of the Company taken as a whole. In the normal course of business, there are various outstanding commitments to extend credit, which are not reflected in the financial statements, including loan commitments of $275.9 million and $155.4 million at September 30, 2025 and December 31, 2024, respectively.

Of the loan commitments outstanding at September 30, 2025, $22.2 million are real estate construction loan commitments that are expected to fund within the next twelve months. The remaining commitments primarily relate to revolving lines of credit or other commercial loans, and many of these are expected to expire without being drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Each loan commitment and the amount and type of collateral obtained, if any, are evaluated on an individual basis. Collateral held varies, but may include real property, bank deposits, debt or equity securities or business assets. The reserve for unfunded commitments at September 30, 2025 and December 31, 2024 totaled $831,000 and $620,000, respectively.

Stand-by letters of credit are conditional commitments written to guarantee the performance of a customer to a third party. These guarantees are primarily related to the purchases of inventory by commercial customers and are typically short-term in nature. Credit risk is similar to that involved in extending loan commitments to customers and accordingly, evaluation and collateral requirements similar to those for loan commitments are used. Stand-by letters of credit on September 30, 2025, totaled $1.6 million. There were no stand-by letters of credit on December 31, 2024,

6. EARNINGS PER SHARE

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as stock options, result in the issuance of common stock which shares in the earnings of the Company. The treasury stock method has been applied to determine the dilutive effect of stock options in computing diluted earnings per share.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(In thousands, except per share data)	2025	2024	2025	2024
Net Income:				
Net income	$ 5,146	$ 7,830	$ 18,646	$ 20,870
Earnings Per Share:				
Basic earnings per share	$ 0.74	$ 1.33	$ 2.98	$ 3.54
Diluted earnings per share	$ 0.73	$ 1.31	$ 2.94	$ 3.50
Weighted Average Number of Shares Outstanding:				
Basic shares	6,947	5,896	6,266	5,893
Effect of dilutive stock options and restricted stock	84	72	87	63
Diluted shares	7,031	5,968	6,353	5,956

There were no stock options having an antidilutive effect during the three-month and nine-month periods ended September 30, 2025 and 2024.

7. STOCK-BASED COMPENSATION

In May 2022, the Company's shareholders approved the 2022 Equity Incentive Plan (the "2022 Plan"), which provides for the grant of up to 576,550 shares of common stock, including 126,550 shares that remained available for grant under the 2013 Stock Option Plan when the 2022 Plan was adopted. The 2022 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards. The frequency, amount and terms of stock-based awards may be determined by the Board of Directors or its compensation committee, consistent with the terms and purposes of the 2022 plan.

In May 2013, the Company established the 2013 Stock Option Plan (the "2013 Plan") for which 90,792 shares of common stock are reserved. With the establishment of the Company's 2022 Equity Incentive Plan no further options may be issued under the 2013 Plan, though options previously granted continue to be outstanding and governed by the 2013 Stock Option Plan.

Options granted during the nine months ended September 30, 2025 consisted of 30,803 options which were assumed on the acquisition of Cornerstone (see Note 12). 107,200 options were granted under the 2022 Plan during the nine months ended September 30, 2024. The fair value of each option granted in 2025 and 2024 was estimated on the date of grant using the following assumptions.

	2025	2024
Expected life of stock options (in years)	4.7	6.2
Risk free interest rate	4.50%	3.98%
Annualized Volatility	34.8%	32.3%
Dividend yields	2.70%	3.17%
Weighted-average fair value of options granted during the nine months ended September 30, 2025 and 2024	$ 17.90	$ 9.25

A summary of the activity within the 2013 Plan follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Intrinsic Value
Options outstanding at January 1, 2024	165,517	$ 21.52		
Options exercised	(32,070)	17.03		
Options cancelled	(1,600)	24.40		
Options outstanding at December 31, 2024	131,847	$ 22.58		
Options cancelled	(800)	$ 24.40		
Options exercised	(40,255)	22.56		
Options outstanding at September 30, 2025	90,792	$ 22.57	1.4	$ 1,867,655
Options exercisable at September 30, 2025	90,792	$ 22.57	1.4	$ 1,867,655

A summary of the activity within the 2022 Plan follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Intrinsic Value
Options outstanding at January 1, 2024	105,500	$ 31.00		
Options granted	107,200	34.07		
Options cancelled	(1,200)	34.07		
Options exercised	(1,300)	31.00		
Options outstanding at December 31, 2024	210,200	$ 32.55		
Options granted	30,803	31.09		
Options cancelled	(2,760)	34.07		
Options exercised	(3,600)	31.51		
Options outstanding at September 30, 2025	234,643	$ 32.35	7.4	$ 2,530,689
Options exercisable at September 30, 2025	113,443	$ 31.57	7.0	$ 1,312,289
Options expected to vest after September 30, 2025	107,662	$ 33.09	7.8	$ 1,082,305

As of September 30, 2025, there was $1.1 million in total unrecognized compensation cost related to non-vested stock options under the 2022 plan. That cost is expected to be recognized over a weighted average period of 2.9 years. There were no unrecognized costs remaining under the 2013 plan as of September 30, 2025.

Information related to the stock options plans during the three months ended September 30, 2025 and 2024

	2025	2024
Fair value of options vested	$ 191,000	$ 192,000
Intrinsic value of options exercised	$ 260,000	$ 25,000
Cash received from option exercises	$ 353,000	$ -
Tax benefit from option exercises	$ 24,000	$ 5,000
Compensation cost	$ 93,000	$ 131,000
Tax benefit associated with compensation cost	$ 5,000	$ 13,000

Information related to the stock options plans during the nine months ended September 30, 2025 and 2024

	2025	2024
Fair value of options vested	$ 384,000	$ 199,000
Intrinsic value of options exercised	$ 874,000	$ 561,000
Cash received from option exercises	$ 936,000	$ 367,000
Tax benefit from option exercises	$ 43,000	$ 74,000
Compensation cost	$ 256,000	$ 350,000
Tax benefit associated with compensation cost	$ 14,000	$ 33,000

During the nine months ended September 30, 2024, the Company granted 3,033 restricted stock units with a fair value of $34.07 per share and a one-year vesting period. Compensation costs related to these units during the three months ended September 30, 2025, and September 30, 2024, were $0 and $26,000, respectively. Compensation costs related to these units during the nine months ended September 30, 2025, and September 30, 2024, were $14,000 and $63,000, respectively. As of September 30, 2025, there was no unrecognized compensation cost related to restricted stock units.

8. INCOME TAXES

The Company files its income taxes on a consolidated basis with its subsidiary. Income tax expense is the total of current year income tax due or refundable and the change in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognized for the tax consequences of temporary differences between the reported amount of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. 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. On the consolidated balance sheet, net deferred tax assets are included in accrued interest receivable and other assets.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are 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. 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 tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest expense and penalties associated with unrecognized tax benefits, if any, are classified as income tax expense in the consolidated statements of income. There have been no significant changes to unrecognized tax benefits or accrued interest and penalties for the nine months ended September 30, 2025 and 2024.

9. FAIR VALUE MEASUREMENT

FASB ASC 820, "Fair Value Measurement and Disclosures," defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

The Company measures fair value under the fair value hierarchy described below.

Level 1: Quoted prices for identical instruments traded in active exchange markets.

Level 2: Quoted prices (unadjusted) for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3: Model based techniques that use one significant assumption not observable in the market. These unobservable assumptions reflect the Company's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management judgment and estimation which may be significant.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Management monitors the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets, total liabilities or total earnings.

Fair Value of Financial Instruments

FASB ASC 825, Financial Instruments, requires disclosure about fair value of financial instruments, including those financial assets and financial liabilities that are not required to be measured and reported at fair value on a recurring or nonrecurring basis. ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company. The carrying amounts and estimated fair values of the Company's financial instruments are presented in the following tables whether or not recognized on the Consolidated Balance Sheets at fair value.

The carrying amounts and estimated fair values of financial instruments, at September 30, 2025 follows in thousands:

		Fair Value Measurements at September 30, 2025, Using:			
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash and cash equivalents	$ 87,279	$ 87,279	$ -	$ -	$ 87,279
Investment securities	484,686	-	484,686	-	484,686
Loans, net	1,480,415	-	-	1,444,023	1,444,023
FHLB stock	8,804	-	8,804	-	8,804
FRB Stock	3,155	-	3,155	-	3,155
Financial liabilities:					
Deposits	1,819,536	1,604,947	-	213,842	1,818,789
Repurchase agreements	93,863	-	93,863	-	93,863
Borrowings	26,705	-	-	25,986	25,986

The carrying amounts and estimated fair values of financial instruments, at December 31, 2024 follows, in thousands:

		Fair Value Measurements at December 31, 2024, Using:			
Financial assets:	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents	$ 82,018	$ 82,018	$ -	$ -	$ 82,018
Investment securities	437,735	-	437,735	-	437,735
Loans, net	1,005,375	-	-	981,114	981,114
FHLB stock	6,234	-	6,234	-	6,234
FRB Stock	1,380	-	1,380	-	1,380
Financial liabilities:					
Deposits	1,371,101	1,276,912	-	94,161	1,371,073
Repurchase agreements	22,073	-	22,073	-	22,073
Borrowings	15,000	-	-	13,967	13,967

The methods and assumptions used to estimate the fair value of each class of financial instruments not measured at fair value are as follows:

Cash and cash equivalents - The carrying values of cash and due from banks are of such short duration that carrying value reasonably approximates fair value.

Loans - Loans are generally valued by discounting expected cash flows using market inputs with adjustments based on cohort level assumptions for certain loan types as well as internally developed estimates at a business segment level. Due to the significance of the unobservable market inputs and assumptions, as well as the absence of a liquid secondary market for most loans, these loans are classified as Level 3. Nonaccrual loans are written down and reported at their estimated recovery value which approximates their fair value and classified as Level 3.

FHLB/FRB stock -The carrying value of restricted equity investments approximates fair value based on the redemption provisions of the issuer and classified as Level 2.

Deposits - The estimated fair value of deposits with no stated maturity, such as demand deposit accounts, money market accounts, and savings accounts was the amount payable on demand at the reporting date. The fair value of time deposits was estimated based on a discounted cash flow technique using Level 3 inputs appropriate to the contractual maturity.

Repurchase agreements - The fair value of the repurchase agreement is based on Level 2 inputs. The primary inputs used in the valuation include the market interest rate and the credit quality of the underlying securities.

Borrowings - The cash flows were calculated using the contractual features of the borrowing and then discounted using observable market rates.

Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding current economic conditions, risk characteristics of various financial instruments and other factors. Those estimates that are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision are included in Level 3. Changes in assumptions could significantly affect the fair values presented.

These estimates do not reflect any premium or discount that could result from offering the Company's entire holdings of a particular financial instrument for sale at one time, nor do they attempt to estimate the value of anticipated future business related to the instruments. In addition, the tax ramifications related to the realization of unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of these estimates.

The following tables present information about the Company’s assets and liabilities measured at fair value on a recurring and non-recurring basis as of September 30, 2025 and December 31, 2024, and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

Assets and liabilities measured at fair value on a recurring basis at September 30, 2025 are summarized below, in thousands:

		Fair Value Measurements at September 30, 2025 Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
U.S. Government-sponsored agencies collateralized by mortgage obligations-residential	250,865	-	250,865	-
U.S. Government agencies collateralized by mortgage obligations-commercial	138,938	-	138,938	-
Obligations of states and political subdivisions	94,883	-	94,883	-
	$ 484,686	$ -	$ 484,686	$ -

Assets and liabilities measured at fair value on a recurring basis at December 31, 2024 are summarized below, in thousands:

		Fair Value Measurements at December 31, 2024 Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
U.S. Government-sponsored agencies collateralized by mortgage obligations - residential	228,391	-	228,391	-
U.S. Government-agencies collateralized by mortgage obligations - commercial	121,870	-	121,870	-
Obligations of states and political subdivisions	87,474	-	87,474	-
	$ 437,735	$ -	$ 437,735	$ -

The fair value of securities available-for-sale equals quoted market price, if available. If quoted market prices are not available, fair value is determined using quoted market prices for similar securities or matrix pricing. There were no changes in the valuation techniques used during 2025 or 2024. Transfers between hierarchy measurement levels are recognized by the Company as of the beginning of the reporting period. Changes in fair market value are recorded in other comprehensive income.

Assets and liabilities measured at fair value on a non-recurring basis at September 30, 2025 are summarized below, in thousands:

		Fair Value Measurements at September 30, 2025 Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses Nine Months Ended September 30, 2025
Assets:					
Collateral-dependent loans					
Commercial	$ 55	$ -	$ -	$ 55	$ 150
Agricultural	1,149	-	-	1,149	890
Total	$ 1,204	$ -	$ -	$ 1,204	$ 1,040
Other Real Estate Owned:					
RE – Residential	$ 91	$ -	$ -	$ 91	$ -
Equity lines of credit	23			23	27
Total	$ 114	$ -	$ -	$ 114	$ 27

Assets and liabilities measured at fair value on a non-recurring basis at December 31, 2024 are summarized below, in thousands:

		Fair Value Measurements at December 31, 2024 Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses Nine Months Ended September 30, 2024
Assets:					
Collateral-dependent loans					
Commercial	$ 24	$ -	$ -	$ 24	$ -
Other Real Estate Owned:					
RE – Residential	$ 91	$ -	$ -	$ 91	$ -

The following methods were used to estimate fair value.

Collateral-Dependent Loans: The Bank does not record loans at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect partial write-downs, through charge-offs or specific reserve allowances, that are based on fair value estimates of the underlying collateral. The fair value estimates for collateral-dependent loans are generally based on recent real estate appraisals or broker opinions, obtained from independent third parties, which are frequently adjusted by management to reflect current conditions and estimated selling costs (Level 3). Impairment charges recognized during the three and nine months ended September 30, 2025, related to the above collateral dependent loans, totaled $109,000 and $1,040,000, respectively. There were no impairment changes recognized during the nine months ended September 30, 2024. The collateral-dependent loans at September 30, 2025, consists of seven loans which had been allocated specific credit reserves. The collateral-dependent loans at December 31, 2024, consist solely of one loan which had been allocated a specific credit reserve.

Other Real Estate: Nonrecurring adjustments to certain real estate properties classified as other real estate owned are measured at the lower of carrying amount or fair value, less costs to sell. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized. Fair values are generally based on third party appraisals of the property which are commonly adjusted by management to reflect current conditions and selling costs (Level 3).

Appraisals for both collateral-dependent loans and other real estate are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of the Loan Administration Department reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. On a quarterly basis, the Company compares the actual selling price of similar collateral that has been liquidated to the most recent appraised value for unsold properties to determine what additional adjustment, if any, should be made to the appraisal value to arrive at fair value. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available.

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at September 30, 2025 and December 31, 2024 (dollars in thousands):

Description	Fair Value 9/30/2025	Fair Value 12/31/2024	Valuation Technique	Significant Unobservable Input	Range (Weighted Average) 9/30/2025	Range (Weighted Average) 12/31/2024
Collateral-dependent loans:						
Commercial	$ 55	$ 24	Third Party appraisals	Management Adjustments to Reflect Current Conditions and Selling Costs	37% - 100% (78%)	53%
Agricultural	1,149	-	Third Party appraisals	Management Adjustments to Reflect Current Conditions and Selling Costs	2% - 98% (44%)	
Total	$ 1,204	$ 24				
Other Real Estate:						
RE – Residential	$ 91	$ 91	Third Party appraisals	Management Adjustments to Reflect Current Conditions and Selling Costs	60%	60%
Equity lines of credit	23	-	Third Party appraisals	Management Adjustments to Reflect Current Conditions and Selling Costs	55%	
	$ 114	$ 91				

10. OTHER COMPREHENSIVE LOSS

The changes in the accumulated balances for each component of other comprehensive loss, net of tax for the nine months ended September 30, 2024 and September 30, 2025 were as follows:

	Unrealized Losses on AFS Securities	Accumulated Comprehensive Loss, net of tax
Beginning Balance, January 1, 2024	$ (46,088)	$ (32,464)
Current year-to-date other comprehensive income	25,195	17,747
Ending balance, September 30, 2024	$ (20,893)	$ (14,717)
Beginning Balance, January 1, 2025	$ (35,698)	$ (25,145)
Current year-to-date other comprehensive income	12,287	8,654
Ending balance, September 30, 2025	$ (23,411)	$ (16,491)

Reclassifications out of accumulated other comprehensive loss for the nine months ended September 30, 2025 and September 30, 2024, were as follows:

Amounts Reclassified from Accumulated Other Comprehensive Loss

Details about Accumulated Other Comprehensive (Loss) Components	Nine Months Ended September 30, 2025	Nine Months Ended September 30, 2024	Affected Line Item on the Statement of Income
Fair value hedge:			
Termination of fair value hedge	$ 254	$ -	Non-Interest Income
Tax effect	(75)	-	Provision for income taxes
Investment securities:			
Loss on sale of investment securities	371	19,817	Non-Interest Income
Tax effect	(110)	(5,858)	Provision for income taxes
Total reclassifications for the period	$ 440	$ 13,959	Net income

	Three Months Ended September 30, 2025	Three Months Ended September 30, 2024	
Fair value hedge:			
Termination of fair value hedge	$ 254	$ -	Non-Interest Income
Tax effect	(75)	-	Provision for income taxes
Investment securities:			
Loss on sale of investment securities	374	(9)	Non-Interest Income
Tax effect	(111)	3	Provision for income taxes
Total reclassifications for the period	$ 442	$ (6)	Net income

11. SUBORDINATED DEBENTURES

Plumas Bancorp has outstanding subordinated debentures with a principal amount of $12 million, comprised of (a) $2 million in aggregate principal amount of 4.75% Fixed to Floating Rate Subordinated Notes due November 30, 2035 (the "2035 Notes") and (b) $10 million in aggregate principal amount of 4.75% Fixed-to-Floating Rate Subordinated Notes due November 30, 2030 (the "2030 Notes"). The 2035 Notes, which were issued in 2020, have a fixed interest rate of 4.75% for the first ten years and thereafter a quarterly variable interest rate equal to the then current three-month term Secured Overnight Financing Rate ("SOFR") plus 4.14%. The 2030 Notes, which were issued in 2020, have a fixed interest rate of 4.75% for the first five years and thereafter a quarterly variable interest rate equal to the then current three-month term SOFR plus 4.52%. Interest expense recognized on the subordinated notes for the three and nine-months ended September 30, 2025, was $225 thousand.

12. BUSINESS COMBINATIONS - ACQUISITION OF CONERSTONE COMMUNITY BANCORP

On July 1, 2025, pursuant to a previously announced Agreement and Plan of Reorganization and Merger dated as of January 18, 2025 (the "Merger Agreement") between the Company and Cornerstone Community Bancorp ("Cornerstone"), Cornerstone merged with and into the Company with the Company continuing as the surviving corporation (the "Merger"). Immediately after the Merger, Cornerstone Community Bank ("CCB") the wholly owned bank subsidiary of Cornerstone, merged with and into Plumas Bank, with the Plumas Bank continuing as the surviving bank. The Merger and Bank Merger are collectively referred to as the "Transaction."

As part of its business strategy, the Company regularly reviews its business strategies and opportunities to enhance the value of its franchise, including through acquisitions. The Transaction is consistent with the Company's business strategy, which will (1) expand Plumas's geographic presence in existing and new markets in Northern California, (2) diversify and bring new expertise to Plumas's lending business, and (3) strengthen the Company's talent base.

Pursuant to the terms of the Merger Agreement, upon the completion of the Merger, each share of Cornerstone common stock outstanding immediately prior was converted into the right to receive 0.6608 shares of common stock of the Company and $9.75 cash, with cash paid in lieu of fractional shares. The total aggregate consideration delivered to holders of Cornerstone common stock in the Merger was 1,003,718 shares of Company common stock and $16.1 million cash. No contingent consideration was included as part of the purchase price for the acquisition of Cornerstone. The Company also assumed options to purchase 35,000 shares of Cornerstone common stock representing, on an as-converted basis, options to purchase 30,803 shares of the Company's common stock. The value of the total deal consideration was approximately $61.3 million, which is based upon the average closing trading price of Plumas common stock for the 20 trading days ending on and including the second trading day prior to July 1, 2025, the closing date of the Merger.

Immediately after the Transaction, the newly combined company, operating as Plumas Bancorp with its banking subsidiary, Plumas Bank, had total assets of approximately $2.3 billion.

The transaction was accounted for using the acquisition method of accounting in accordance with ASC 805, Business Combinations. The following table summarizes the preliminary allocation of the purchase price to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date in thousands:

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Identifiable Assets:		(in thousands)
Cash and cash equivalents	$	51,916
Investment Securities		88,067
Loans		462,489
Core deposit intangible		11,610
Bank premises and equipment		12,567
Bank owned life insurance		16,399
Other assets		16,300
Total identifiable assets acquired	$	**659,348**
Liabilities:		
Deposits:		
Non-interest bearing	$	88,557
Interest bearing		
Savings accounts		21,797
Money market accounts		334,289
Time accounts		136,239
Total deposits		**580,882**
FHLB borrowings		15,000
Subordinated debentures		11,623
Other liabilities		9,240
Total liabilities assumed	$	**616,745**
Net identifiable assets	$	**42,603**
Book value of net assets acquired from Cornerstone	$	41,727
Fair value adjustments:		
Loans (net of Cornerstone's deferred costs/fees and allowance)		(9,152)
Bank premises and equipment		(1,123)
Core deposit intangible asset		11,610
Subordinated debentures		379
Time Deposits		(556)
Other		) (317
Total purchase accounting adjustments	$	841
Deferred tax asset (tax effect of purchase accounting adjustments at 29.56% plus tax on cash paid on termination of stock options)		35
Fair value of net identifiable assets acquired from Cornerstone	$	**42,603**
Merger consideration (cash payments of $16.1 million and $45.2 million in stock)		61,316
Less: fair value of net assets acquired from Cornerstone		(42,603)
Goodwill recognized	$	**18,713**

As a result of the Acquisition, we recorded $18.7 million in goodwill, which represents the excess of the total purchase price paid over the fair value of the assets acquired, net of the fair values of liabilities assumed. Goodwill mainly reflects expected value created through the combined operations of Plumas Bank and CCB and is not tax deductible. The core deposit intangible will be amortized over 10 years. The fair value of loans includes both credit and interest-related discounts.

The results of operations of Cornerstone have been included in the Company's consolidated financial statements since the acquisition date. It is impracticable to disclose Cornerstone's separate revenue and net income since the acquisition because its operations were fully integrated into the Company's existing business structure immediately upon acquisition, and separate financial information is not maintained.

The following unaudited pro forma financial information presents the combined results of Plumas Bancorp and Cornerstone as if the acquisition had occurred on January 1, 2024, in thousands. Acquisition expenses totaling $6.4 million, net of tax, are included in the nine months ended September 30, 2024, net income. These results are not necessarily indicative of future performance.

Period Ended	Net Interest Income	Net Income
Three Months Ended Sept 30, 2025	$ 24,458	$ 9,113
Nine Months Ended Sept 30, 2025	$ 71,098	$ 26,417
Three Months Ended Sept 30, 2024	$ 23,588	$ 2,228
Nine Months Ended Sept 30, 2024	$ 70,683	$ 8,030

During the three months ended September 30, 2024, Cornerstone recorded a provision for credit losses of $9.4 million as a result of an abnormally large charge-off on one loan relationship.

Pro Forma Adjustments Included for the Nine Months Ended September 30, 2024:

• Amortization of acquired intangibles	$ 1,700
• Accretion of discount on loans	$ 1,131
• Accretion of premium on time deposits acquired	$ 556
• Amortization of discount on subordinated debentures	$ 148
• Income tax benefit of adjustments	$ 48

ART I – FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain matters discussed in this Quarterly Report are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. Such risks and uncertainties include, among others, (1) significant increases in competitive pressures in the financial services industry; (2) changes in the interest rate environment resulting in reduced margins; (3) general economic conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality; (4) changes in regulatory environment; (5) loss of key personnel; (6) fluctuations in the real estate market; (7) changes in business conditions and inflation; (8) operational risks including data processing systems failures or fraud; and (9) changes in securities markets. Therefore, the information set forth herein should be carefully considered when evaluating the business prospects of Plumas Bancorp (the "Company").

When the Company uses in this Quarterly Report the words "anticipate", "estimate", "expect", "project", "intend", "commit", "believe" and similar expressions, the Company intends to identify forward-looking statements. Such statements are not guarantees of performance and are subject to certain risks, uncertainties and assumptions, including those described in this Quarterly Report. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, expected, projected, intended, committed or believed. The future results and stockholder values of the Company may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results and values are beyond the Company's ability to control or predict. For those statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

INTRODUCTION

The following discussion and analysis sets forth certain statistical information relating to the Company as of September 30, 2025 and December 31, 2024 and for the three and nine-month periods ended September 30, 2025 and 2024. This discussion should be read in conjunction with the condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto included in Plumas Bancorp's Annual Report filed on Form 10-K for the year ended December 31, 2024.

Plumas Bancorp trades on The NASDAQ Capital Market under the ticker symbol "PLBC".

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no changes to the Company's critical accounting policies from those disclosed in the Company's 2024 Annual Report to Shareholders on Form 10-K.

BISINESS COMBINATIONS - ACQUISTION OF CONERSTONE COMMUNITY BANCORP

On July 1, 2025 (the "Closing Date"), Plumas Bancorp (the "Company") completed its previously announced acquisition of Cornerstone Community Bancorp ("Cornerstone") pursuant to an Agreement and Plan of Merger and Reorganization, dated as of January 28, 2025, by and between the Company and Cornerstone (the "Merger Agreement"). Total book value of assets acquired from Cornerstone, excluding fair value adjustments, were $658 million, gross loans totaled $478 million, and deposits totaled $580 million. Goodwill associated with the acquisition of Cornerstone was $18.7 million; the core deposit intangible was $11.6 million. In addition, the Company recorded a discount on the acquired loans totaling $15.8 million. With the completion of the merger, Plumas Bank adds four branches in Anderson, Red Bluff and Redding (two branches), California.

Pursuant to the Merger Agreement, on the Closing Date, Cornerstone merged with and into the Company (the "Merger") with the Company continuing as the surviving corporation. Immediately following the Merger, Cornerstone's subsidiary, Cornerstone Community Bank (CCB) merged with and into the Company's subsidiary, Plumas Bank with Plumas Bank as the surviving bank. Pursuant to the terms of the Merger Agreement, upon the completion of the Merger, each share of Cornerstone common stock outstanding immediately prior was converted into the right to receive 0.6608 shares of common stock of the Company and $9.75 cash, with cash paid in lieu of fractional shares. The total aggregate consideration delivered to holders of Cornerstone common stock in the Merger was 1,003,718 shares of Company common stock and $14.8 million cash. In addition, in accordance with the Merger Agreement, the Company paid approximately $1.3 million to holders of options to purchase Cornerstone common stock that were terminated in connection with the Merger. The Company also assumed options to purchase 35,000 shares of Cornerstone common stock representing, on an as-converted basis, options to purchase 30,803 shares of the Company's common stock.

As a result of and upon the completion of the Merger, the Company assumed Cornerstone's obligations with respect to an aggregate principal amount of $12 million of subordinated notes, comprised of (a) $2 million in aggregate principal amount of 4.75% Fixed to Floating Rate Subordinated Notes due November 30, 2035 (the "2035 Notes") and (b) $10 million in aggregate principal amount of 4.75% Fixed-to-Floating Rate Subordinated Notes due November 30, 2030 (the "2030 Notes"). The 2035 Notes, which were issued in 2020, have a fixed interest rate of 4.75% for the first ten years and thereafter a quarterly variable interest rate equal to the then current three-month term Secured Overnight Financing Rate ("SOFR") plus 4.14%. The 2030 Notes, which were issued in 2020, have a fixed interest rate of 4.75% for the first five years and thereafter a quarterly variable interest rate equal to the then current three-month term SOFR plus 4.52%.

Our financial statements are prepared in conformity with accounting principles generally accepted in the United States (GAAP). In connection with the acquisition, the Company incurred a variety of non-recurring expenses which are summarized on the following page under the heading "Reconciliation of Non-GAAP Disclosure". The non-recurring expenses for the three and nine months ended September 30, 2025 were $6.2 million and $7.3 million, respectively. Excluding these expenses, non-GAAP net income for the third quarter of 2025 would have been $9.5 million, resulting in diluted earnings per share of $1.35 and return on average assets of 1.66% and non-GAAP net income for the nine months ended September 30, 2025 would have been $23.8 million, resulting in diluted earnings per share of $3.74 and return on average assets of 1.72% .

In addition, during the third quarter of 2025, the Company incurred expenses/income related to the amortization/accretion of various Fair Value (FV) marks required under GAAP. The following table presents the effect on pretax earnings of the amortization/accretion of the FV marks recorded during the three months ended September 30, 2025 and the projected effect for the three months ended December 31, 2025, and twelve months ended December 31, 2026. Positive numbers would increase pretax income and negative are a decrease in pretax income.

	(in thousands)		
Amortization/accretion of Fair Value marks	Actual Three Months Ending 9/30/2025	Projected Three Months Ending 12/31/2025	Projected Twelve Months Ending 12/31/2026
Core Deposit Intangible	$ (571)	$ (557)	$ (2,082)
Discount on acquired loans	455	336	1,290
Premium/discount on acquired time deposits	651	(61)	(92)
Discount on acquired debentures	(84)	(58)	(23)
Total amortization/accretion of Fair Value marks	$ 451	$ (340)	$ (907)

The projected accretion of the discount on acquired loans is based on the acquired loans contractual payment schedules and may differ significantly from the actual accretion during the projected periods. The accretion of the premium on time deposits of $651 thousand was accelerated with the payoff of $38.5 million in brokered deposits during the three months ended September 30, 2025. This resulted in a $160 thousand discount going forward which will be amortized as an increase in interest expense over the remaining life of the time deposits acquired.

NON-GAAP FINANCIAL MEASURES

In addition to results presented in accordance with generally accepted accounting principles in the GAAP, Management has presented these non-GAAP financial measures because it believes that they provide useful and comparative information to assess trends in the Company's core operations reflected in the current quarter's results and facilitate the comparison of our performance with the performance of our peers. However, these non-GAAP financial measures are supplemental and are not a substitute for any analysis based on GAAP.

Reconciliation of Non-GAAP Disclosure
Non-GAAP measure (excluding merger related activities).
(Unaudited. In thousands, except per share data)

	GAAP	Non-GAAP	GAAP	Non-GAAP
	For the Three Months Ended		For the Nine Months Ended	
	9/30/2025	9/30/2025	9/30/2025	9/30/2025
Income before tax	$6,915	$6,915	$25,623	$25,623
Exclude merger related items:				
Investment banking, legal and other expenses	N/A	879	N/A	1,929
CECL Day 1 loan loss allowance on acquired non-PCD loans	N/A	4,972	N/A	4,972
Unfunded commitment liability related to acquired loans	N/A	351	N/A	351
Total merger related items	N/A	6,202	N/A	7,252
Adjusted income before tax	6,915	13,117	25,623	32,875
Provision for income taxes	1,769	3,602	6,977	9,121
Net Income	$5,146	$9,515	$18,646	$23,754
Diluted shares outstanding	7,031	7,031	6,353	6,353
Average assets	2,268,029	2,268,029	1,843,153	1,843,153
Diluted earnings per share	$0.73	$1.35	$2.94	$3.74
Return on average assets	0.90%	1.66%	1.35%	1.72%

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

Net Income. The Company recorded net income of $18.6 million for the nine months ended September 30, 2025, down from net income of $20.9 million for the nine months ended September 30, 2024. Increases of $7.2 million in net interest income and $1.2 million in non-interest income, and a decline of $0.5 million in the provision for income taxes were offset by an increase of $5.1 million in the provision for credit losses and an increase of $6.0 million in non-interest expense. The annualized return on average assets was 0.90% for the three months ended September 30, 2025, down from 1.84% for the three months ended September 30, 2024. The annualized return on average equity decreased from 18.1% during the third quarter of 2024 to 8.5% during the current quarter.

Net-interest income increased from $54.7 million during the nine months ended September 30, 2024, to $61.9 million during the current period. The provision for credit losses increased from $1.4 million during the nine months ended September 30, 2024, to $6.5 million during the current nine-month period.

Non-interest income increased by $1.2 million from $6.6 million during the nine months ended September 30, 2024 to $7.8 million during the nine months ended September 30, of 2025 mostly related to a legal settlement totaling $1.1 million received in the first quarter of 2025. This settlement related to the Dixie Fire in August of 2021 which swept through the town of Greenville, California. The fire caused severe damage to the Greenville area, including the telecommunications infrastructure which adversely affected our ability to service our customers in this area during the last few years.

Non-interest expense increased by $6.0 million from $31.6 million during the nine months ended September 30, 2024, to $37.6 million during the current nine-month period. Of this amount $1.9 million relates to costs associated with our acquisition of Cornerstone. Merger transaction costs that facilitate the merger are not deductible for income tax purposes. Of the $1.9 million in merger related costs, $946 thousand is estimated to be not deductible for state and federal income tax.

The provision for income taxes decreased from $7.5 million, or 26.4% of pre-tax income, during the nine months ended September 30, 2024 to $7.0 million, or 27.2% of pre-tax income, during the current nine-month period.

The following is a detailed discussion of each component of the change in net income.

Net interest income before provision for credit losses. Driven by growth in the loan portfolio, the acquisition of Cornerstone and repayment of Bank Term Funding Program (BTFP) borrowings, net interest income increased by $7.2 million from $54.7 million during the nine months ended September 30, 2024, to $61.9 million for the nine months ended September 30, 2025. The increase in net interest income includes an increase of $8.0 million in interest income partially offset by an increase of $0.8 million in interest expense. See "Short-term Borrowing Arrangements" for a discussion of BTFP borrowing activity.

Interest and fees on loans increased by $9.0 million, mostly related to an increase in average balance. The average balance of loans during the nine months ended September 30, 2025, was $1.2 billion, an increase of $189 million from $982 million during the same period in 2024. The average yield on loans increased by 3 basis points from 6.21% during the first nine months of 2024 to 6.24% during the current period.

Interest on investment securities increased by $536 thousand related to an increase in yield of 17 basis points to 4.09% partially offset by a $736 thousand decline in average balance. The increase in investment yields is consistent with the increase in market rates and the restructuring of the investment portfolio in February of 2024. Average investment securities declined from $457 million during the nine months ended September 30, 2024, to $456 million during the current period.

Interest on cash balances declined by $1.6 million related to both a decline in balance and a decline in yield. The rate earned on cash balances declined by 99 basis points to 4.5% and the average balance declined from $97.2 million during the first nine months of 2024 to $72.2 million during the current period. The decline in rate is consistent with the decline in rate earned on Federal Reserve Bank of San Francisco (FRB) balances.

Related to an increase in interest bearing deposits, an increase in the cost of these deposits and the acquisition of CCB partially offset by a $3.7 million decline in interest on the Bank Term Funding Program (BTFP) borrowings, interest expense increased from $8.3 million during the nine months ended September 30, 2024 to $9.1 million during the current period. The average rate paid on interest bearing liabilities was 1.43% during both periods. All BTFP borrowings were paid off during 2024. Interest expense recognized on the BTFP borrowings for the three and nine months ended September 30, 2024, was $1.2 million and $3.7 million, respectively.

Interest paid on deposits increased by $4.0 million and is broken down by product type as follows: money market accounts - $3.4 million, savings deposits - $220 thousand and time deposits - $380 thousand. The average rate paid on interest-bearing deposits increased from 0.85% during the nine months ended September 30, 2024, to 1.35% during the current period. Average interest-bearing deposits totaled $796 million during the nine months ended September 30, 2025, an increase of $157 million from $639 million during the nine months ended September 30, 2024.

Net interest margin for the nine months ended September 30, 2025, increased 11 basis points to 4.87%, up from 4.76% for the same period in 2024.
The following table presents for the nine-month periods indicated the distribution of consolidated average assets, liabilities and shareholders' equity. It also presents the amounts of interest income from interest earning assets and the resultant annualized yields expressed in both dollars and annualized yield percentages, as well as the amounts of interest expense on interest bearing liabilities and the resultant cost expressed in both dollars and annualized rate percentages. Average balances are based on daily averages. Nonaccrual loans are included in the calculation of average loans while nonaccrued interest thereon is excluded from the computation of yields earned:

	For the Nine Months Ended September 30, 2025			For the Nine Months Ended September 30, 2024		
	Average Balance (in thousands)	Interest (in thousands)	Yield/ Rate	Average Balance (in thousands)	Interest (in thousands)	Yield/ Rate
Interest-earning assets:						
Loans (2) (3)	$ 1,171,116	$ 54,643	6.24%	$ 982,191	$ 45,639	6.21%
Taxable investment securities	381,124	12,133	4.26%	369,893	11,423	4.13%
Non-taxable investment securities (1)	75,084	1,815	3.23%	87,051	1,989	3.05%
Interest-bearing deposits	72,208	2,429	4.50%	97,196	3,998	5.49%
Total interest-earning assets	1,699,532	71,020	5.59%	1,536,331	63,049	5.48%
Cash and due from banks	29,379			26,978		
Other assets	114,242			85,536		
Total assets	$ 1,843,153			$ 1,648,845		
Interest-bearing liabilities:						
Money market deposits	$ 335,889	4,891	1.95%	$ 216,699	$ 1,501	0.93%
Savings deposits	311,187	752	0.32%	327,263	532	0.22%
Time interest-bearing deposits	149,218	2,421	2.17%	95,350	2,041	2.86%
Total deposits	796,294	8,064	1.35%	639,312	4,074	0.85%
Other borrowings	20,789	713	4.59%	117,136	4,210	4.80%
Repurchase agreements & other	37,863	347	1.23%	18,820	33	0.23%
Total interest-bearing liabilities	854,946	9,124	1.43%	775,268	8,317	1.43%
Non-interest-bearing deposits	743,628			678,057		
Other liabilities	39,596			33,845		
Shareholders' equity	204,983			161,675		
Total liabilities & equity	$ 1,843,153			$ 1,648,845		
Cost of funding interest-earning assets (4)			0.72%			0.72%
Net interest income and margin (5)		$ 61,896	4.87%		$ 54,732	4.76%

(1) Not computed on a tax-equivalent basis.
(2) Average nonaccrual loan balances of $7.3 million for 2025 and $4.4 million for 2024 are included in average loan balances for computational purposes.
(3) Net loan origination costs included in loan interest income for the nine-month period ended September 30, 2025 and 2024 were $776,000 and $1,090,000, respectively.
(4) Total annualized interest expense divided by the average balance of total earning assets.
(5) Annualized net interest income divided by the average balance of total earning assets.

The following table sets forth changes in interest income and interest expense for the nine-months ended September 30, 2025, and the amount of change attributable to variances in volume, rates and the combination of volume and rates based on the relative changes of volume and rates:

	2025 over 2024 change in net interest income for the nine months ended September 30, (in thousands)			
	Volume (1)	Rate (2)	Mix (3)	Total
Interest-earning assets:				
Loans	$ 8,771	$ 231	$ 2	$ 9,004
Taxable investment securities	346	363	1	710
Non-taxable investment securities	(273)	117	(18)	(174)
Interest-bearing deposits	(1,027)	(725)	183	(1,569)
Total interest income	7,817	(14)	168	7,971
Interest-bearing liabilities:				
Money market deposits	825	1,655	910	3,390
Savings deposits	(26)	259	(13)	220
Time deposits	1,152	(492)	(280)	380
Other borrowings	(3,459)	(189)	151	(3,497)
Repurchase agreements & other	33	140	141	314
Total interest expense	(1,475)	1,373	909	807
Net interest income	$ 9,292	$ (1,387)	$ (741)	$ 7,164

(1) The volume change in net interest income represents the change in average balance divided by the previous year's rate.
(2) The rate change in net interest income represents the change in rate divided by the previous year's average balance.
(3) The mix change in net interest income represents the change in average balance multiplied by the change in rate.

Provision for credit losses. During the first nine months of 2025, we recorded a provision for credit losses of $6.5 million, consisting of a provision for credit losses on loans of $6.3 million and an increase in the reserve for unfunded commitments of $211 thousand. The provision includes growth in the loan portfolio, a $5.0 million Current Expected Credit Losses (CECL) day 1 provision on non-Purchased Credit Deteriorated (non-PCD) loans acquired from CCB and the reserve for unfunded commitments on loans acquired from CCB. This compares to a provision for credit losses of $1.3 million consisting of a provision for credit losses on loans of $1.5 million and a decrease in the reserve for unfunded commitments of $129 thousand during the nine months ended September 30, 2024. See "Analysis of Asset Quality and Allowance for Loan Losses" for a discussion of loan quality trends and the provision for credit losses.

Non-interest income. During the nine months ended September 30, 2025, non-interest income totaled $7.8 million, an increase of $1.2 million from the nine months ended September 30, 2024. The largest component of this increase was a legal settlement totaling $1.1 million related to the Dixie Fire in August of 2021. This settlement is included in Other in the following table.

The following table describes the components of non-interest income for the nine-month periods ended September 30, 2025 and 2024, dollars in thousands:

	For the Nine Months Ended September 30,			
	2025	2024	Dollar Change	Percentage Change
Interchange revenue	2,386	2,340	46	2.0%
Service charges on deposit accounts	$ 2,303	$ 2,224	$ 79	3.6%
Loan servicing fees	490	564	(74)	(13.1)%
Earnings on life insurance policies	478	305	173	56.7%
FHLB Dividends	463	409	54	13.2%
Gain on sale of buildings	-	19,854	(19,854)	(100.0)%
Loss on sale of investment securities	(371)	(19,817)	19,446	96.8%
Other	2,073	700	1,373	196.1%
Total non-interest income	$ 7,822	$ 6,579	$ 1,243	18.9%

Non-interest expense. During the nine months ended September 30, 2025, total non-interest expense increased by $6.0 million from $31.6 million during the nine months ended September 30, 2024, to $37.6 million during the current period. The largest components of this increase were salary and benefit expenses of $2.7 million, merger related expenses of $1.9 million, and occupancy and equipment expenses of $908 thousand. The increase in salary and benefit expense included an increase in salary expense of $1.8 million primarily related to the acquisition of CCB and to a lesser extent merit and promotional salary increases. Other significant increases in salary and benefit expense were $569 thousand in bonus expense, $186 thousand in health insurance costs, $174 thousand in payroll taxes and $150 thousand in accrued vacation. The increase in occupancy and equipment expenses mostly relates to the acquisition of CCB and an increase in rent related to the February 2024 sales/leaseback transaction.

The following table describes the components of non-interest expense for the nine-month periods ended September 30, 2025 and 2024, dollars in thousands:

	For the Nine Months Ended September 30,			
	2025	2024	Dollar Change	Percentage Change
Salaries and employee benefits	$ 18,851	$ 16,129	$ 2,722	16.9%
Occupancy and equipment	6,535	5,627	908	16.1%
Outside service fees	4,008	3,430	578	16.9%
Merger and acquisition expenses	1,929	-	1,929	100.0%
Advertising and shareholder relations	818	706	112	15.9%
Professional fees	760	1,113	(353)	(31.7)%
Armored car and courier	725	651	74	11.4%
Amortization of Core Deposit Intangible	702	153	549	358.8%
Deposit insurance	650	562	88	15.7%
Business development	597	506	91	18.0%
Director compensation and expense	516	569	(53)	(9.3)%
Telephone and data communication	452	614	(162)	(26.4)%
Loan collection expenses	231	323	(92)	(28.5)%
Other	838	1,234	(396)	(32.1)%
Total non-interest expense	$ 37,612	$ 31,617	$ 5,995	19.0%

Provision for income taxes. The provision for income taxes decreased from $7.5 million, or 26.4% of pre-tax income, during the nine months ended September 30, 2024 to $7.0 million, or 27.2% of pre-tax income, during the current nine-month period. The percentages for 2025 and 2024 differ from statutory rates as tax exempt items of income, such as earnings on Bank owned life insurance and municipal securities interest, decrease taxable income while non-deductible merger transaction costs incurred during the current period increase taxable income.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2025

Net Income. The Company recorded net income of $5.1 million for the three months ended September 30, 2025, down from net income of $7.8 million for the three months ended September 30, 2024. An increase of $6.3 million in net interest income and a decline of $1.1 million in the provision for income taxes was offset by an increase of $5.8 million in the provision for credit losses and an increase of $4.3 million in non-interest expense. The annualized return on average assets was 0.90% for the three months ended September 30, 2025, down from 1.84% for the three months ended September 30, 2024. The annualized return on average equity decreased from 18.1% during the third quarter of 2024 to 8.5% during the current quarter.

Net interest income increased from $18.9 million during the three months ended September 30, 2024, to $25.2 million during the current quarter. The provision for credit losses increased from a recovery of $400 thousand during the third quarter of 2024 to $5.4 million during the current quarter.

Non-interest income totaled $2.2 million during the three months ended September 30, 2024, and 2025.

Non-interest expense increased by $4.3 million from $10.8 million during the third quarter of 2024 to $15.1 million during the current quarter. Of this amount, $879 thousand relates to costs associated with our acquisition of Cornerstone Community Bancorp. Merger transaction costs that facilitate the merger are not deductible for income tax purposes. Of the $879 thousand in merger related costs, $145 thousand is estimated to be not deductible for state and federal income tax.

The provision for income taxes decreased from $2.9 million, 26.7% of pre-tax income, during the three months ended September 30, 2024 to $1.8 million, or 25.6% of pre-tax income, during the current quarter.

The following is a detailed discussion of each component of the change in net income.

Net interest income before provision for credit losses. Net interest income was $25.2 million for the three months ended September 30, 2025, an increase of $6.3 million from the same period in 2024. The increase in net interest income includes an increase of $7.9 million in interest income partially offset by an increase of $1.6 million in interest expense.

Interest and fees on loans increased by $8.0 million related to growth in the loan portfolio, mostly related to the acquisition of CCB and to a much lesser extent an increase in yield. Average loan balances increased by $475 million, while the average yield on loans increased by 14 basis points from 6.21% during the third quarter of 2024 to 6.35% during the current quarter. The increase in loan yield includes an increase in SBA fixed rate loans, which currently have a weighted average rate of 8.2%, the repricing of loans that are priced off the 5-year Treasury and a decline in our lower yielding auto loan portfolio. Loans that are priced off the 5-year Treasury are primarily commercial real estate loans; their rate is adjusted every five years.

Interest on investment securities increased by $453 thousand as yield on these securities increased by 7 basis points to 4.06% and the average balance increased by $35 million from $447 million during the three months ended September 30, 2024, to $482 million during the current quarter.

Interest on cash balances decreased by $518 thousand related to a decline in average balance of $19 million and a decrease in average rate paid on cash balances of 94 basis points from 5.44% during the third quarter of 2024 to 4.50% during the current quarter. This decline in yield was related to a decline in rate paid on balances held at the FRB. The average rate earned on FRB balances decreased from 5.33% during the third quarter of 2024 to 4.36% during the current quarter.

Interest expense increased by $1.6 million to $4.6 million, mostly related to the acquisition of Cornerstone. The average rate paid on interest bearing liabilities increased from 1.52% during the 2024 quarter to 1.67% during the three months ended September 30, 2025.

Interest paid on deposits increased by $2.3 million and the increase is broken down by product type as follows: money market accounts - $1.8 million, savings deposits - $112 thousand and time deposits - $396 thousand. The average balance of money market accounts during the current quarter was $439 million, an increase of $216 million from $223 million during the three months ended September 30, 2024. The average rate paid on money market accounts increased 105 basis points to 2.22%. The increase is primarily related to higher rate money market accounts acquired in the acquisition of CCB. The increase in interest on savings accounts was driven by an increase in the average rate paid of 15 basis points to 37 basis points. The increase in interest on time deposits includes an increase in average balance of $140 million, partially offset by a decline in average rate paid of 106 basis points to 1.87%. The increase in the average balance of time deposits mostly relates to the acquisition of CCB. The decline in the rate paid on time deposits resulted from a reduction in interest expense of $651 thousand related to the amortization of the fair value mark on time deposits acquired in the acquisition of CCB. This amortization was accelerated with the payoff of $38.5 million in brokered deposits.

The average rate paid on interest-bearing deposits increased from 0.97% during the third quarter of 2024 to 1.56% during the current quarter. The average balance of interest-bearing deposits increased from $646 million during the three months ended September 30, 2024, to $990 million during the current quarter.

Interest on repurchase agreements and other borrowings, exclusive of the BTFP, increased by $566 thousand from $173 thousand during the three months ended September 30, 2024 to $739 thousand during the current quarter. Interest expense on the BTFP was $1.2 million during the three months ended September 30, 2024. See “Repurchase Agreements” for a discussion of the increase in the balance of this liability.

Net interest margin for the three months ended September 30, 2025, was 4.83%, up from 4.76% for the same period in 2024.

The following table presents for the three-month periods indicated the distribution of consolidated average assets, liabilities and shareholders' equity. It also presents the amounts of interest income from interest earning assets and the resultant annualized yields expressed in both dollars and annualized yield percentages, as well as the amounts of interest expense on interest bearing liabilities and the resultant cost expressed in both dollars and annualized rate percentages. Average balances are based on daily averages. Nonaccrual loans are included in the calculation of average loans while nonaccrued interest thereon is excluded from the computation of yields earned:

	For the Three Months Ended September 30, 2025			For the Three Months Ended September 30, 2024		
	Average Balance (in thousands)	Interest (in thousands)	Yield/ Rate	Average Balance (in thousands)	Interest (in thousands)	Yield/ Rate
Interest-earning assets:						
Loans (2) (3)	$ 1,476,275	$ 23,635	6.35%	$ 1,001,505	$ 15,635	6.21%
Taxable investment securities	404,241	4,293	4.21%	370,051	3,885	4.18%
Non-taxable investment securities (1)	77,621	641	3.28%	76,817	596	3.09%
Interest-bearing deposits	108,325	1,228	4.50%	127,640	1,746	5.44%
Total interest-earning assets	2,066,462	29,797	5.72%	1,576,013	21,862	5.52%
Cash and due from banks	34,689			27,480		
Other assets	166,878			86,001		
Total assets	$ 2,268,029			$ 1,689,494		
Interest-bearing liabilities:						
Money market deposits	$ 439,020	$ 2,462	2.22%	$ 223,229	$ 657	1.17%
Savings deposits	311,258	290	0.37%	323,347	178	0.22%
Time deposits	239,549	1,132	1.87%	99,815	736	2.93%
Total interest-bearing deposits	989,827	3,884	1.56%	646,391	1,571	0.97%
Other borrowings	32,168	422	5.20%	117,065	1,413	4.80%
Repurchase agreements & other	74,556	317	1.69%	17,943	8	0.18%
Total interest-bearing liabilities	1,096,551	4,623	1.67%	781,399	2,992	1.52%
Non-interest-bearing deposits	886,592			697,079		
Other liabilities	43,524			39,249		
Shareholders' equity	241,362			171,767		
Total liabilities & equity	$ 2,268,029			$ 1,689,494		
Cost of funding interest-earning assets (4)			0.89%			0.76%
Net interest income and margin (5)		$ 25,174	4.83%		$ 18,870	4.76%

(1) Not computed on a tax-equivalent basis.
(2) Average nonaccrual loan balances of $13.8 million for 2025 and $3.7 million for 2024 are included in average loan balances for computational purposes.
(3) Net loan origination costs included in loan interest income for the three-month period ended September 30, 2025 and 2024 were $305,000 and $408,000, respectively.
(4) Total annualized interest expense divided by the average balance of total earning assets.
(5) Annualized net interest income divided by the average balance of total earning assets.

The following table sets forth changes in interest income and interest expense for the three-months ended September 30, 2025, and the amount of change attributable to variances in volume, rates and the combination of volume and rates based on the relative changes of volume and rates:

	2025 over 2024 change in net interest income for the three months ended September 30, (in thousands)			
	Volume (1)	Rate (2)	Mix (3)	Total
Interest-earning assets:				
Loans	$ 7,432	$ 356	$ 212	$ 8,000
Taxable investment securities	360	35	13	408
Non-taxable investment securities	6	36	3	45
Interest-bearing deposits	(265)	(304)	51	(518)
Total interest income	7,533	123	279	7,935
Interest-bearing liabilities:				
Money market deposits	637	593	575	1,805
Savings deposits	(7)	123	(4)	112
Time deposits	1,033	(266)	(371)	396
Other borrowings	(1,028)	119	(82)	(991)
Repurchase agreements & other	25	68	216	309
Total interest expense	660	637	334	1,631
Net interest income	$ 6,873	$ (514)	$ (55)	$ 6,304

(1) The volume change in net interest income represents the change in average balance divided by the previous year's rate.
(2) The rate change in net interest income represents the change in rate divided by the previous year's average balance.
(3) The mix change in net interest income represents the change in average balance multiplied by the change in rate.

Provision for credit losses. During the third quarter of 2025 we recorded a provision for credit losses of $5.4 million, consisting of a provision for credit losses on loans of $5.1 million and an increase in the reserve for unfunded commitments of $251 thousand. The provision includes growth in the loan portfolio, a $5.0 million CECL day 1 provision on non-PCD loans acquired from CCB and an increase in the reserve for unfunded commitments on loans acquired from CCB. See "Analysis of Asset Quality and Allowance for Loan Losses" for a discussion of loan quality trends and the provision for credit losses.

Non-interest income. Non-interest income totaled $2.2 million an increase of $11 thousand from the third quarter of 2024. The largest increase was an increase of $157 thousand in earnings on bank owned life insurance (BOLI) acquired from CCB. In addition, several other categories of non-interest income increased mostly related to the acquisition of CCB. The largest decrease was a $628 thousand loss generated on the disposition of CCB's investment portfolio which was partially offset by a $254 thousand gain on termination of an interest rate swap acquired from CCB.

The following table describes the components of non-interest income for the three-month periods ended September 30, 2025 and 2024, dollars in thousands:

	For the Three Months Ended September 30,			
	2025	2024	Dollar Change	Percentage Change
Interchange revenue	$ 912	$ 818	$ 94	11.5%
Service charges on deposit accounts	816	766	50	6.5%
Earnings on life insurance policies	261	104	157	151.0%
FHLB Dividends	191	136	55	40.4%
Loan servicing fees	156	176	(20)	(11.4)%
Loss on sale of investment securities	(374)	-	(374)	(100.0)%
Other	286	237	49	20.7%
Total non-interest income	$ 2,248	$ 2,237	$ 11	0.5%

Non-interest expense. During the three months ended September 30, 2025, total non-interest expense increased by $4.3 million from $10.8 million during the third quarter of 2024 to $15.1 million during the current quarter. The largest components of this increase were merger related expenses of $879 thousand and salary and benefit expenses of $1.9 million. The increase in salary and benefit expense includes an increase in salary expense of $1.3 million mostly related to former CCB employees. Other significant increases in salary and benefits include $312 thousand in bonus expense, $217 thousand in commissions related to an increase in SBA loan fundings and an increase in the accrued vacation liability of $150 thousand. We view the increase in the accrued vacation as a non-recurring expense. Other large increases in non-interest expense, which largely relate to the acquisition of CCB, include $483 thousand in occupancy and equipment costs, $470 thousand in outside services and $564 thousand in amortization of core deposit intangible.

The following table describes the components of non-interest expense for the three-month periods ended September 30, 2025 and 2024, dollars in thousands:

	For the Three Months Ended September 30,			
	2025	2024	Dollar Change	Percentage Change
Salaries and employee benefits	$ 7,418	$ 5,481	$ 1,937	35.3%
Occupancy and equipment	2,471	1,988	483	24.3%
Outside service fees	1,584	1,114	470	42.2%
Merger and acquisition expenses	879	-	879	100.0%
Amortization of Core Deposit Intangible	615	51	564	1105.9%
Professional fees	312	345	(33)	(9.6)%
Deposit insurance	288	191	97	50.8%
Armored car and courier	284	228	56	24.6%
Advertising and shareholder relations	282	247	35	14.2%
Business development	242	143	99	69.2%
Director compensation and expense	195	203	(8)	(3.9)%
Telephone and data communication	154	188	(34)	(18.1)%
Loan collection expenses	109	102	7	6.9%
Other	301	543	(242)	(44.6)%
Total non-interest expense	$ 15,134	$ 10,824	$ 4,310	39.8%

Provision for income taxes. The provision for income taxes decreased by $1.1 million from $2.9 million, or 26.7% of pre-tax income, during the three months ended September 30, 2024, to $1.8 million, or 25.6% of pre-tax income, during the current quarter. The percentages for 2025 and 2024 differ from statutory rates as tax exempt items of income such as earnings on Bank owned life insurance and municipal securities interest decrease taxable income while non-deductible merger transaction costs incurred during the current quarter effectively increase taxable income.

FINANCIAL CONDITION

Mostly related to the acquisition of Cornerstone, total assets increased by $606 million from $1.6 billion on December 31, 2024, to $2.2 billion on September 30, 2025. The largest components of this increase were increases in net loans of $475 million, investment securities of $47 million, accrued interest receivable and other assets of $31 million, Goodwill of $19 million, BOLI of $17 million, premises and equipment of $12 million and cash and cash equivalents of $5 million. Increases in liabilities include $448 million in deposits, $72 million in repurchase agreements, $12 million in borrowings and $6 million in accrued interest payable and other liabilities. Total shareholders' equity increased by $68 million. The increase in premises and equipment, BOLI and cash and cash equivalents relates to the acquisition of Cornerstone. A detailed discussion of each of the other changes follows.

Loan Portfolio. Gross loans increased by approximately $481 million, or 47%, and totaled $1.5 billion on September 30, 2025, and $1.0 billion on December 31, 2024. The largest increases in loans were $334 million in commercial real estate loans, $84 million in commercial loans, $35 million in agricultural loans, and $22 million in residential loans. Decreases in loan balances totaled $24 million consisting of a decline in automobile loans of $20 million and a decline in construction loans of $4 million. Although the Company offers a broad array of financing options, it continues to concentrate its focus on small to medium sized commercial businesses. These loans offer diversification as to industries and types of businesses, thus limiting material exposure in any industry concentrations. The Company offers both fixed and floating rate loans and obtains collateral in the form of real property, business assets and deposit accounts, but looks to business and personal cash flows as its primary source of repayment. In the fourth quarter of 2023 we terminated our indirect automobile loan program. Ending this program, which was our lowest yielding loan segment, also improved our loan loss risk profile since this program had historically higher charge-off rates. Terminating this program also improved our consumer compliance risk profile.

As shown in the following table the Company's largest lending categories are commercial real estate loans, commercial loans, agricultural loans, and equity lines of credits.

(dollars in thousands)	Balance at End of Period	Percent of Loans in Each Category to Total Loans	Balance at End of Period	Percent of Loans in Each Category to Total Loans
	09/30/2025	**09/30/2025**	**12/31/2024**	**12/31/2024**
Commercial	$ 161,667	10.8%	$ 77,444	7.6%
Agricultural	154,107	10.3%	118,866	11.7%
Real estate – residential	33,657	2.2%	11,539	1.1%
Real estate – commercial	980,694	65.5%	646,378	63.7%
Real estate – construction and land development	49,199	3.3%	53,503	5.3%
Equity Lines of Credit	53,283	3.6%	37,888	3.7%
Auto	45,142	3.0%	64,734	6.4%
Other	18,745	1.3%	5,072	0.5%
Total Gross Loans	$ 1,496,494	100%	$ 1,015,424	100%

The Company's real estate related loans, including real estate mortgage loans, real estate construction and land development loans, consumer equity lines of credit, and agricultural loans secured by real estate, comprised 80% of the total loan portfolio at September 30, 2025. Moreover, the business activities of the Company currently are focused in the California counties of Butte, Lassen, Modoc, Nevada, Placer, Plumas, Shasta, Sutter and Tehama and in Washoe and Carson City Counties in Northern Nevada. Consequently, the results of operations and financial condition of the Company are dependent upon the general trends in these economies and, in particular, the commercial real estate markets. In addition, the concentration of the Company's operations in these areas of Northeastern California and Northwestern Nevada exposes it to greater risk than other banking companies with a wider geographic base in the event of catastrophes, such as earthquakes, fires and floods in these regions.

Commercial real estate loans ("CRE") comprised 66% of the lending portfolio at September 30, 2025. CRE loans were 41% investor-owned, 44% owner-occupied, and 15% multi-family. Concentrations by real estate type within the CRE portfolio, excluding multi-family, were 15% Mixed Commercial Real Estate, 14% Office, 13% Retail, 10% Hospitality, 10% Industrial, 8% Gas Stations, 6% Special Purpose, and 5% Mini Storage Facilities, with all remaining concentrations below 5%. There were no rent-controlled properties within the multi-family category. Office facilities are typically small and located in more rural areas. 21% of CRE loans were located in northern Nevada and 60% were located in northern California. Of the $15.0 million in non-accrual balances at September 30, 2025, approximately 12% were CRE. Of the $26.0 million in substandard balances at September 30, 2025 approximately 30% were CRE.

CRE loans consist of term loans secured by a mortgage lien on real property and include both owner occupied CRE loans as well as investor-owned loans. Investor- owned CRE loans consist of mortgage loans to finance investments in real property that may include, but are not limited to, multi-family, industrial, office, retail and other specific use properties. The primary risk characteristics in the investor-owned portfolio include impacts of overall leasing rates, absorption timelines, levels of vacancy rates and operating expenses. The Company requires collateral values in excess of the loan amounts, cash flows in excess of expected debt service requirements and equity investment in the project. The expected cash flows from all significant new or renewed income producing property commitments are stress tested to reflect the risks in varying interest rates, vacancy rates and rental rates. Inherent lending risks are monitored on a continuous basis through quarterly monitoring and the Bank's annual underwriting process, incorporating an analysis of cash flow, collateral, market conditions and guarantor liquidity, if applicable. CRE loan policies are specific to individual product types and underwriting parameters vary depending on the risk profile of each asset class. CRE loan policies are reviewed no less than annually by management and approved by the Company's Board of Directors to ensure they align with current market conditions and the Company's moderate risk appetite. CRE concentration limits have been established by product type and are monitored quarterly by the Company's Board of Directors.

The rates of interest charged on variable rate loans are set at specific increments in relation to the Company's lending rate or other indexes such as the published prime interest rate or U.S. Treasury rates and vary with changes in these indexes. The frequency in which variable rate loans reprice can vary from one day to several years. At September 30, 2025, and December 31, 2024, approximately 80% and 77%, respectively, of the Company's loan portfolio was comprised of variable rate loans. Loans indexed to the prime interest rate were approximately 21% of the Company's variable rate loan portfolio on September 30, 2025; these loans reprice within one day to three months of a change in the prime rate. The remainder of the Company's variable rate loans mostly consist of commercial real estate loans tied to U.S. Treasury rates and reprice every five years. Approximately 75% of the variable rate loans are indexed to the five-year T-Bill rate and reprice every five years. While real estate mortgage, agricultural, commercial and consumer lending remain the foundation of the Company's historical loan mix, some changes in the mix have occurred due to the changing economic environment and the resulting change in demand for certain loan types

Analysis of Asset Quality and Allowance for Credit Losses. The Company attempts to minimize credit risk through its underwriting and credit review policies. The Company's credit review process includes internally prepared credit reviews as well as contracting with an outside firm to conduct periodic credit reviews. The Company's management and lending officers evaluate the loss exposure of classified and nonaccrual loans on a quarterly basis, or more frequently as loan conditions change. The Management Asset Resolution Committee (MARC) reviews the asset quality of criticized and past due loans monthly and reports the findings to the full Board of Directors. In management's opinion, this loan review system helps facilitate the early identification of potential criticized loans. MARC also provides guidance for the maintenance and timely disposition of OREO properties including developing financing and marketing programs to incent individuals to purchase OREO. MARC consists of the Bank's Chief Executive Officer, Chief Financial Officer and Chief Credit Officer, and the activities are governed by a formal written charter. The MARC meets monthly and reports to the Board of Directors.

The allowance for credit losses is established through charges to earnings in the form of the provision for credit losses. Loan losses are charged to, and recoveries are credited to, the allowance for credit losses. The allowance for credit losses is maintained at a level deemed appropriate by management to provide for known and inherent risks in the loan portfolio.

To estimate the Allowance for Credit Loss (ACL), the Company elected to use the Discounted Cash Flow (DCF) methodology. This method uses loan level repayment terms to determine expected cash flows which are then discounted by various assumptions such as prepayment or curtailment rates, Probability of Default and Loss Given Default rates.

The ACL is measured on the loan's amortized cost over the remaining contractual lives of the loan portfolios, adjusted for industry average prepayment and curtailment rates. The Company established a 12-month term for forecasting economic conditions followed by a 24-month straight line reversion to historical average conditions as its basis for the probability of loan default. The probability of default rate is determined by reviewing loans with similar risk characteristics that are combined to form loan pools which are statistically correlated with historical credit losses, defaults and various economic metrics, including California Unemployment rates, California Housing Prices and California Gross Domestic Product. Pool balances that are determined to have probable default are then adjusted for expected Loss Given Default. The Company selected the Frye Jacobs Index as its basis for Loss Given Default. Model forecasts may be adjusted for inherent limitations or biases that have been identified through independent validation and annual back-testing of model performance to actual realized results.

At January 1, 2023, the adoption and implementation date of ASC Topic 326, September 30, 2025, and December 31, 2024, the Company utilized a reasonable and supportable forecast period of approximately four quarters and obtained the forecast data from publicly available sources. The Company also considered the impact of portfolio concentrations, changes in underwriting practices, and other risk factors that might influence its loss estimation process. Management believes that the allowance for credit losses at September 30, 2025, appropriately reflected expected credit losses inherent in the loan portfolio at that date.

In determining the allowance for credit losses, accruing loans with similar risk characteristics are generally evaluated collectively. The Company's policy is that loans designated as nonaccrual no longer share risk characteristics similar to other loans evaluated collectively and as such, all nonaccrual loans, in excess of $100,000, are individually evaluated for reserves. As of September 30, 2025 and December 31, 2024, the Bank's nonaccrual loans comprised the entire population of loans individually evaluated. The Company's policy is that nonaccrual loans, in excess of $100,000, also represent the subset of loans where borrowers are experiencing financial difficulty where an evaluation of the source of repayment is required to determine if the nonaccrual loans should be categorized as collateral dependent. Nonaccrual loans with a balance less than or equal to $100,000 are evaluated collectively and consist primarily of automobile loans.

The following table provides certain information for the dates indicated with respect to the Company's allowance for credit losses as well as charge-off and recovery activity.

(dollars in thousands)	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2025	**2024**	**2024**	**2023**	**2022**
Balance at beginning of period	$ 13,196	$ 12,867	$ 12,867	$ 10,717	$ 10,352
Purchase of PCD loans	315	-	-	-	-
Impact of CECL Adoption	-	-	-	529	-
Adjusted balance	13,511	12,867	12,867	11,246	10,352
Charge-offs:					
Commercial	190	65	302	123	207
Agricultural	11	-	-	-	-
Real estate – residential	-	-	-	-	-
Real estate – commercial	-	-	-	-	19
Real estate – construction and land development	-	-	-	-	-
Equity Lines of Credit	19	-	-	-	-
Auto	408	1,292	1,643	1,550	1,195
Other	102	65	94	129	40
Total charge-offs	730	1,422	2,039	1,802	1,461
Recoveries:					
Commercial	22	21	25	44	27
Agricultural	-	-	-	-	-
Real estate – residential	49	3	4	3	3
Real estate – commercial	-		1	1	2
Real estate – construction and land development	-	-	-	-	-
Equity Lines of Credit	-	-	-	-	-
Auto	430	642	928	746	482
Other	10	20	35	54	12
Total recoveries	511	686	993	848	526
Net charge-offs	219	736	1,046	954	935
Provision for credit losses - loans	6,272	1,475	1,375	2,575	1,300
Balance at end of period	$ 19,564	$ 13,606	$ 13,196	$ 12,867	$ 10,717
Net charge-offs during the period to average loans (annualized for the nine-month periods)	0.03%	0.10%	0.11%	0.10%	0.11%
Allowance for credit losses to total loans	1.30%	1.35%	1.30%	1.34%	1.18%

The following table provides a breakdown of the allowance for credit losses at September 30, 2025,and December 31, 2024:

(dollars in thousands)	Balance at End of Period	Percent of Loans in Each Category to Total Loans	Balance at End of Period	Percent of Loans in Each Category to Total Loans
	9/30/2025	**9/30/2025**	**12/31/2024**	**12/31/2024**
Commercial	$ 2,476	10.8%	$ 1,265	7.6%
Agricultural	3,256	10.3%	1,802	11.7%
Real estate – residential	265	2.2%	102	1.1%
Real estate – commercial	11,079	65.5%	7,459	63.7%
Real estate – construction and land development	726	3.3%	815	5.3%
Equity Lines of Credit	600	3.6%	460	3.7%
Auto	839	3.0%	1,215	6.4%
Other	323	1.3%	78	0.5%
Total	$ 19,564	100%	$ 13,196	100%

The following table sets forth the amount of the Company's nonperforming assets as of the dates indicated.

	At September 30, 2025	At December 31, 2024	2023	2022
		(dollars in thousands)		
Nonaccrual loans	$ 15,029	$ 4,105	$ 4,820	$ 1,172
Loans past due 90 days or more and still accruing	-	-	-	-
Total nonperforming loans	15,029	4,105	4,820	1,172
Other real estate owned	114	91	357	0
Other vehicles owned	26	111	138	18
Total nonperforming assets	$ 15,169	$ 4,307	$ 5,315	$ 1,190
Interest income forgone on nonaccrual loans	$ 881	$ 301	$ 257	$ 121
Interest income recorded on a cash basis on nonaccrual loans	$ -	$ -	$ -	$ -
Nonperforming loans to total loans	1.00%	0.40%	0.50%	0.13%
Nonperforming assets to total assets	0.68%	0.27%	0.33%	0.07%

The Company places loans 90 days or more past due on nonaccrual status unless the loan is well secured and in the process of collection. A loan is considered to be in the process of collection if, based on a probable specific event, it is expected that the loan will be repaid or brought current. Generally, this collection period would not exceed 90 days. When a loan is placed on nonaccrual status the Company's general policy is to reverse and charge against current income previously accrued but unpaid interest. Interest income on such loans is subsequently recognized only to the extent that cash is received and future collection of principal is deemed by management to be probable. Where the collectability of the principal or interest on a loan is considered to be doubtful by management, it is placed on nonaccrual status prior to becoming 90 days delinquent.

Nonperforming assets (which are comprised of nonperforming loans, other real estate owned ("OREO") and repossessed vehicle holdings) at September 30, 2025, were $15.2 million, up from $4.3 million at December 31, 2024. Nonperforming assets as a percentage of total assets increased to 0.68% at September 30, 2025, up from 0.27% at December 31, 2024. OREO totaled $114 thousand at September 30, 2025, and $91 thousand December 31, 2024. Nonperforming loans were $15.0 million at September 30, 2025 and $4.1 million at December 31, 2024. Nonperforming loans as a percentage of total loans increased to 1.00% at September 30, 2025, up from 0.40% at December 31, 2024. The increase in nonperforming loans is mostly related to one agricultural loan relationship of 15 loans totaling $9.8 million. The borrower on these loans was unable to meet his commitments under modified loan agreements, and therefore during the second quarter of 2025, we placed the loans on nonaccrual status. Interest reversed on these loans during the nine months ended September 30, 2025, was $344 thousand and specific loan loss reserves totaling $870 thousand were reserved against the loans at September 30, 2025.

During the nine months ended September 30, 2025, we recorded a provision for credit losses of $6.5 million, consisting of a provision for credit losses on loans of $6.3 million and an increase in the reserve for unfunded commitments of $211 thousand. The provision includes growth in the loan portfolio, CECL day 1 provision on non-PCD loans acquired from CCB and the reserve for unfunded commitments on loans acquired from CCB. This compares to a provision for credit losses of $1.3 million consisting of a provision for credit losses on loans of $1.5 million and a decrease in the reserve for unfunded commitments of $129 thousand during the nine months ended September 30, 2024.

Net charge-offs totaled $219 thousand and $736 thousand during the nine months ended September 30, 2025, and 2024, respectively. The allowance for credit losses totaled $19.6 million at September 30, 2025, and $13.6 million at September 30, 2024. The allowance for credit losses as a percentage of total loans was 1.30% on September 30, 2025, and December 31, 2024.

The following table provides a summary of the change in the number and balance of OREO properties for the nine months ended September 30, 2025 and 2024 (dollars in thousands):

	Nine Months Ended September 30,			
	#	2025	#	2024
Beginning Balance	1	$ 91	1	$ 357
Additions	1	50	1	141
Dispositions	-	-	1	(357)
Provision from change in OREO valuation	-	(27)	-	-
Ending Balance	2	$ 114	1	$ 141

Investment Portfolio and Federal Reserve Balances. Total investment securities were $484.7 million as of September 30, 2025, and $437.7 million at December 31, 2024. Unrealized losses on available-for-sale investment securities totaling $23,411,000 were recorded, net of $6,920,000 in tax benefit, as accumulated other comprehensive loss within shareholders' equity at September 30, 2025. During the nine months ended September 30, 2025, the Company sold 90 available-for-sale investment securities for proceeds of $88,009,000, recording a $625,000 loss on sale. The Company realized a gain on sale from fifteen of these securities totaling $36,000 and a loss on sale of 75 securities totaling $661,000. These sales mostly relate to the sale of the investment portfolio acquired from CCB.

Unrealized losses on available-for-sale investment securities totaling $35.7 million were recorded, net of $10.6 million in tax benefits, as accumulated other comprehensive loss within shareholders' equity at December 31, 2024. During the first quarter of 2024 we sold $116 million in investment securities having a weighted average tax equivalent yield of 2.24% recording a $19.8 million loss on sale. Beginning in December 2023 and ending on March 27, 2024 we purchased $120 million in investment securities having a weighted average tax equivalent yield of 5.25%. These sales and purchases were made as part of an investment restructure the losses of which were offset by the gain recorded on the sales/leaseback.

The investment portfolio at September 30, 2025, consisted of $390 million in securities of U.S. Government-sponsored agencies and U.S. Government agencies, and 174 municipal securities totaling $95 million. The investment portfolio at December 31, 2024, consisted of $350 million in securities of U.S. Government-sponsored agencies and U.S. Government agencies, and 170 municipal securities totaling $88 million.

There were no Federal funds sold at September 30, 2025, and December 31, 2024; however, the Bank maintained interest earning balances at the Federal Reserve Bank totaling $48 million at September 30, 2025, and $47 million at December 31, 2024. The balance on September 30, 2025, earns interest at the rate of 4.15%.

The Company classifies its investment securities as available-for-sale or held-to-maturity. Currently all securities are classified as available-for-sale. Securities classified as available-for-sale may be sold to implement the Company's asset/liability management strategies and in response to changes in interest rates, prepayment rates and similar factors.

Deposits. Deposits totaled $1.8 billion on September 30, 2025, an increase of $448 million from December 31, 2024. The increase in deposits includes $163 million in non-interest-bearing demand deposits, $166 million in money market accounts and $120 million in time deposits. Savings deposits declined by $1 million. On September 30, 2025, 47% of the Company's deposits were in the form of non-interest-bearing demand deposits. At September 30, 2025, brokered deposits consist of a $10 million time deposit acquired from CCB. The rate paid on this deposit is 3.80%.

The following table shows the distribution of deposits by type at September 30, 2025 and December 31, 2024.

(dollars in thousands)	Balance at End of Period	Percent of Deposits in Each Category to Total Deposits	Balance at End of Period	Percent of Deposits in Each Category to Total Deposits
Distribution of Deposits by Type	**09/30/2025**	**09/30/2025**	**12/31/2024**	**12/31/2024**
Non-interest bearing	$ 862,085	47.4%	$ 699,401	51.0%
Money Market	433,832	23.8%	267,582	19.5%
Savings	309,030	17.0%	309,929	22.6%
Time	214,589	11.8%	94,189	6.9%
Total Deposits	$ 1,819,536	100%	$ 1,371,101	100%

Deposits represent the Bank's primary source of funds. Deposits are primarily core deposits in that they are demand, savings and time deposits generated from local businesses and individuals. These sources are considered to be relatively stable, long-term relationships thereby enhancing steady growth of the deposit base without major fluctuations in overall deposit balances. The Company experiences, to a small degree, some seasonality with the slower growth period between November through April, and the higher growth period from May through October. To assist in meeting any funding demands, the Company maintains several borrowing agreements as described below.

The Company estimates that it has approximately $724 million in uninsured deposits which includes uninsured deposits of Plumas Bancorp. Of this amount, $162 million represents deposits that are collateralized such as deposits of states, municipalities and tribal accounts. Uninsured amounts are estimated based on the portion of the account balances in excess of FDIC insurance limits.

The following table presents the maturity distribution of the portion of time deposits in excess of the FDIC insurance limit.

Maturity Distribution of Estimated Uninsured Time Deposits

(dollars in thousands)	September 30, 2025	December 31, 2024
Remaining maturity:		
Three months or less	$ 24,944	$ 11,697
After three through nine months	14,216	6,712
After six through twelve months	9,975	4,452
After twelve months	56,619	61
Total	$ 105,754	$ 22,922

Short-term Borrowing Arrangements. The Company is a member of the Federal Home Loan Bank of San Francisco (FHLB) and can borrow up to $272 million from the FHLB secured by commercial and residential mortgage loans with carrying values totaling $462 million. The Company is also eligible to borrow at the Federal Reserve Bank (FRB) Discount Window. At September 30, 2025, the Company could borrow up to $63 million at the Discount Window secured by investment securities with a fair value of $72 million. In addition to its FHLB borrowing line and the Discount Window, the Company has unsecured short-term borrowing agreements with two of its correspondent banks in the amounts of $50 million and $20 million. There were no outstanding borrowings to the FHLB, FRB Discount Window or the correspondent banks at September 30, 2025 and December 31, 2024.

The Federal Reserve Board, on March 12, 2023, announced the creation of the BTFP. At September 30, 2024, the Company had outstanding borrowings under the BTFP totaling $60 million. All BTFP borrowings were paid off during 2024. Interest expense recognized on the BTFP borrowings for the three and nine-months ended September 30, 2024, was $1.2 million and $3.7 million, respectively.

Note Payable. Plumas Bancorp has outstanding borrowings of $15 million with a correspondent bank. This loan matures on January 25, 2035, and can be prepaid at any time. During the initial three years the loan functions as an interest only revolving line of credit. Beginning on January 25, 2026 the loan converts into a term loan requiring semi-annual principal and interest payments and no further advances can be made. This borrowing bears interest at a fixed rate of 3.85% for the first 5 years and then beginning January 25, 2027 at a floating interest rate linked to WSJ Prime Rate for the remaining eight-year term. Interest expense recognized on this loan for the three and nine-months ended September 30, 2025, was $148 thousand and $438 thousand, respectively. This compares to interest of $164 thousand and $477 thousand during the three and nine months ended September 30, 2024.

The Note is secured by the common stock of the Bank. The Loan Agreement contains certain financial and non-financial covenants, which include, but are not limited to, a minimum leverage ratio at the Bank, a minimum total risk-based capital ratio at the Bank, a maximum Texas Ratio at the Bank, a minimum level of Tier 1 capital at the Bank and a return on average assets needed to generate a 1.25X debt service coverage ratio. The Loan Agreement also contains customary events of default, including, but not limited to, failure to pay principal or interest, the commencement of certain bankruptcy proceedings, and certain adverse regulatory events affecting the Company or the Bank. Upon the occurrence of an event of default under the Loan Agreement, the Company's obligations under the Loan Agreement may be accelerated. The Company was in compliance with all covenants related to the Term Note at September 30, 2025.

Subordinated Debentures. As a result of and upon the completion of the Merger, the Company assumed Cornerstone's obligations with respect to an aggregate principal amount of $12 million of subordinated notes, comprised of (a) $2 million in aggregate principal amount of 4.75% Fixed to Floating Rate Subordinated Notes due November 30, 2035 (the "2035 Notes") and (b) $10 million in aggregate principal amount of 4.75% Fixed-to-Floating Rate Subordinated Notes due November 30, 2030 (the "2030 Notes"). The 2035 Notes, which were issued in 2020, have a fixed interest rate of 4.75% for the first ten years and thereafter a quarterly variable interest rate equal to the then current three-month term Secured Overnight Financing Rate ("SOFR") plus 4.14%. The 2030 Notes, which were issued in 2020, have a fixed interest rate of 4.75% for the first five years and thereafter a quarterly variable interest rate equal to the then current three-month term SOFR plus 4.52%. It is the Company's intention to redeem the 2030 notes on December 30, 2025. Interest expense recognized on the subordinated notes for the three and nine-months ended September 30, 2025, was $225 thousand.

Repurchase Agreements. The Bank offers a repurchase agreement product for its larger customers which use securities sold under agreements to repurchase as an alternative to interest-bearing deposits. Securities sold under agreements to repurchase totaling $93.9 million and $22.1 million at September 30, 2025, and December 31, 2024, respectively, are secured by U.S. Government agency securities with a carrying amount of $104.3 million and $38.5 million at September 30, 2025 and December 31, 2024, respectively. The increase in repurchase agreements is mostly related to the acquisition of CCB. CCB maintained reciprocal deposits with several customers. During July 2025, we converted these deposits to repurchase agreements. Interest expense recognized on repurchase agreements for the three and nine-months ended September 30, 2025, was $317 thousand and $347 thousand, respectively. This compares to interest of $8 thousand and $26 thousand during the three and nine months ended September 30, 2024.

Shareholders' Equity. Shareholders' equity increased by $68 million from $178 million at December 31, 2024 to $246 million at September 30, 2025. The $68 million increase includes earnings during the nine-month period of $18.6 million, common stock and stock options issued in the acquisition of Cornerstone totaling $45.2 million, a decrease in accumulated other comprehensive loss of $8.7 million and restricted stock and stock option activity totaling $1.2 million. These items were partially offset by the payment of cash dividends totaling $5.6 million.

It is the policy of the Company to periodically distribute excess retained earnings to the shareholders through the payment of cash dividends. Such dividends help promote shareholder value and capital adequacy by enhancing the marketability of the Company's stock. All authority to provide a return to the shareholders in the form of a cash or stock dividend or split rests with the Board of Directors. The Board will periodically, but on no regular schedule, review the appropriateness of a cash dividend payment. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. The Company paid a quarterly cash dividend of $0.30 per share on August 15, 2025, May 15, 2025 and February 17, 2025 and a quarterly cash dividend of $0.27 per share on February 15, 2024, May 15, 2024, August 15, 2024, and November 15, 2024.

Capital Standards. The Company uses a variety of measures to evaluate its capital adequacy. Management reviews these capital measurements on a monthly basis and takes appropriate action to ensure that they are within established internal and external guidelines. The FDIC has promulgated risk-based capital guidelines for all state non-member banks such as the Bank. These guidelines establish a risk-adjusted ratio relating capital to different categories of assets and off-balance sheet exposures.

In July, 2013, the federal bank regulatory agencies adopted rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. depository organizations, sometimes called "Basel III," that increased the minimum regulatory capital requirements for bank holding companies and depository institutions and implemented strict eligibility criteria for regulatory capital instruments. The Basel III capital rules include a minimum common equity Tier 1 ratio of 4.5%, a Tier 1 capital ratio of 6.0%, a total risk-based capital ratio of 8.0%, and a minimum leverage ratio of 4.0% (calculated as Tier 1 capital to average consolidated assets). The minimum capital levels required to be considered "well capitalized" include a common equity Tier 1 ratio of 6.5%, a Tier 1 risk-based capital ratio of 8.0%, a total risk-based capital ratio of 10.0% and a leverage ratio of 5.0%. In addition, the Basel III capital rules require that banking organizations maintain a capital conservation buffer of 2.5% above the minimum capital requirements in order to avoid restrictions on their ability to pay dividends, repurchase stock or pay discretionary bonuses. Including the capital conservation buffer of 2.5%, the Basel III capital rules require the following minimum ratios for a bank holding company or bank to be considered well capitalized: a common equity Tier 1 capital ratio of 7.0%, a Tier 1 capital ratio of 8.5%, and a total capital ratio of 10.5%. At September 30, 2025, the Company's and the Bank's capital ratios exceeded the thresholds necessary to be considered "well capitalized" under the Basel III framework.

Under the FRB's Small Bank Holding Company and Savings and Loan Holding Company Policy Statement (the "Policy Statement"), qualifying bank holding companies with less than $3 billion in consolidated assets are exempt from the Basel III consolidated capital rules. The Company qualifies for treatment under the Policy Statement and is not currently subject to the Basel III consolidated capital rules at the bank holding company level. The Basel III capital rules continue to apply to the Bank.

In 2019, the federal bank regulators issued a rule establishing a "community bank leverage ratio" (the ratio of a bank's tier 1 capital to average total consolidated assets) that qualifying institutions with less than $10 billion in assets may elect to use in lieu of the generally applicable leverage and risk-based capital requirements under Basel III. A qualifying banking organization that elects to use the new ratio will be considered to have met all applicable federal regulatory capital and leverage requirements, including the minimum capital levels required to be considered "well capitalized," if it maintains a community bank leverage ratio exceeding 9%. The new rule became effective on January 1, 2020. Plumas Bank has chosen not to opt into the community bank leverage ratio at this time.

The following table sets forth the Bank's actual capital amounts and ratios (dollar amounts in thousands):

			Minimum Amount of Capital Required			
	Actual		For Capital Adequacy Purposes (1)		To be Well-Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2025						
Common Equity Tier 1 Ratio	$ 238,755	14.3%	$ 75,321	4.5%	$ 108,796	6.5%
Tier 1 Leverage Ratio	238,755	10.6%	90,431	4.0%	113,039	5.0%
Tier 1 Risk-Based Capital Ratio	238,755	14.3%	100,427	6.0%	133,903	8.0%
Total Risk-Based Capital Ratio	259,289	15.5%	133,903	8.0%	167,390	10.0%
December 31, 2024						
Common Equity Tier 1 Ratio	$ 199,308	17.3%	$ 51,981	4.5%	$ 75,084	6.5%
Tier 1 Leverage Ratio	199,308	11.9%	66,856	4.0%	83,570	5.0%
Tier 1 Risk-Based Capital Ratio	199,308	17.3%	69,308	6.0%	92,411	8.0%
Total Risk-Based Capital Ratio	213,124	18.5%	92,411	8.0%	115,514	10.0%

(1) Does not include amounts required to maintain the capital conservation buffer under the new capital rules.

Management believes that Plumas Bank currently meets all its capital adequacy requirements.

The current and projected capital positions of the Bank and the impact of capital plans and long-term strategies are reviewed regularly by management. The Company policy is to maintain the Bank's ratios above the prescribed well-capitalized ratios at all times.

Off-Balance Sheet Arrangements

Loan Commitments. In the normal course of business, there are various commitments outstanding to extend credits that are not reflected in the financial statements. Commitments to extend credit and letters of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Annual review of commercial credit lines, letters of credit and ongoing monitoring of outstanding balances reduces the risk of loss associated with these commitments. As of September 30, 2025, the Company had $276 million in unfunded loan commitments and $1.6 million in letters of credit. This compares to $155 million in unfunded loan commitments at December 31, 2024 and no letters of credit. Of the $276 million in unfunded loan commitments, $193 million and $83 million represent commitments to commercial and consumer customers, respectively. Of the total unfunded commitments at September 30, 2025, $125 million were secured by real estate, of which $51 million was secured by commercial real estate and $74 million was secured by residential real estate mostly in the form of equity lines of credit. The commercial loan commitments not secured by real estate primarily represent business lines of credit, while the consumer loan commitments not secured by real estate primarily represent revolving credit card lines and overdraft protection lines. Since some of the commitments are expected to expire without being drawn upon the total commitment amounts do not necessarily represent future cash requirements.

Operating Leases. The Company's leases twelve branches. Our Yuba City branch is classified as owned; however, it is subject to a long-term land lease. The Company also leases two lending offices and two administrative offices. The expiration dates of the leases vary, with the first such lease expiring during 2026 and the last such lease expiring during 2044. Including variable lease expense, total rent expense for the nine months ended September 30, 2025, and 2024 was $2.6 million and $2.2 million, respectively.

Liquidity

The Company manages its liquidity to provide the ability to generate funds to support asset growth, meet deposit withdrawals (both anticipated and unanticipated), fund customers' borrowing needs and satisfy maturity of short-term borrowings. The Company's liquidity needs are managed using assets or liabilities, or both. On the asset side, in addition to cash and due from banks, the Company maintains an investment portfolio which includes unpledged U.S. Government-sponsored agency securities that are classified as available-for-sale. On the liability side, liquidity needs are managed by offering competitive rates on deposit products and the use of established lines of credit.

The Company is a member of the Federal Home Loan Bank of San Francisco (FHLB) and can borrow up to $272 million from the FHLB secured by commercial and residential mortgage loans with carrying values totaling $462 million. The Company is also eligible to borrow at the Federal Reserve Bank (FRB) Discount Window. At September 30, 2025, the Company could borrow up to $63 million at the Discount Window secured by investment securities with a fair value of $72 million. In addition to its FHLB borrowing line and the Discount Window, the Company has unsecured short-term borrowing agreements with two of its correspondent banks in the amounts of $50 million and $20 million. There were no outstanding borrowings to the FHLB, FRB Discount Window or the correspondent banks at September 30, 2025 and December 31, 2024.

Deposits represent the Bank's primary source of funds. Deposits are primarily core deposits in that they are demand, savings and time deposits generated from local businesses and individuals. These sources are considered to be relatively stable, long- term relationships thereby enhancing steady growth of the deposit base without major fluctuations in overall deposit balances. The Company experiences, to a small degree, some seasonality with the slower growth period between November through April, and the higher growth period from May through October. The Company estimates that it has approximately $724 million in uninsured deposits which includes uninsured deposits of Plumas Bancorp. Of this amount, $162 million represents deposits that are collateralized such as deposits of states, municipalities and tribal accounts. Uninsured amounts are estimated based on the portion of the account balances in excess of FDIC insurance limits.

The Company's securities portfolio, Discount Window advances, FHLB advances, and cash and due from banks serve as the primary sources of liquidity, providing adequate funding for loans during periods of high loan demand. During periods of decreased lending, funds obtained from the maturing or sale of investments, loan payments, and new deposits are invested in short-term earning assets, such as cash held at the FRB and investment securities, to serve as a source of funding for future loan growth. Management believes that the Company's available sources of funds, including borrowings, will provide adequate liquidity for its operations in the foreseeable future.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of September 30, 2025. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2025.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2025 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company and/or its subsidiary are a party to claims and legal proceedings arising in the ordinary course of business. In the opinion of the Company's management, the amount of ultimate liability with respect to such proceedings will not have a material adverse effect on the financial condition or results of operations of the Company taken as a whole.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Form 10-Q you should carefully consider the risk factors that appeared under Item 1A, "Risk Factors" in the Company's 2024 Annual Report. There are no material changes from the risk factors included within the Company's 2024 Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) None.

(b) None.

(c) None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following documents are included or incorporated by reference in this Quarterly Report on Form 10Q:

2.1	Agreement and Plan of Merger and Reorganization dated as of January 28, 2025, by and between Plumas Bancorp and Cornerstone Community Bancorp included as Exhibit 2.1 to the Registrant's 8-K filed on January 29, 2025, which is incorporated by this reference herein.
3.1	Articles of Incorporation as amended of Registrant included as Exhibit 3.1 to the Registrant's Form S-4, File No. 333-84534, which is incorporated by reference herein.
3.2	Bylaws of Registrant as amended on August 16, 2023 included as Exhibit 3.1 to the Registrant's Form 8-K for August 17, 2023, which is incorporated by reference herein.
3.3	Amendment of the Articles of Incorporation of Registrant dated November 1, 2002, is included as Exhibit 3.3 to the Registrant's 10-Q for September 30, 2005, which is incorporated by this reference herein.
3.4	Amendment of the Articles of Incorporation of Registrant dated August 17, 2005, is included as Exhibit 3.4 to the Registrant's 10-Q for September 30, 2005, which is incorporated by this reference herein.
4	Specimen form of certificate for Plumas Bancorp included as Exhibit 4 to the Registrant's Form S-4, File No. 333-84534, which is incorporated by reference herein.
4.1	Description of Securities of Plumas Bancorp Registered Under Section 12 of the Exchange Act, is included as Exhibit 4.1 to the Registrant's 10-K for December 31, 2023, which is incorporated by this reference herein.
10.1	Completion of Acquisition, Creation of a Direct Financial Obligation, and Director Appointment as of June 30, 2025 is included in the Registrant's 8-K filed on July 2, 2025.
10.2	Change of Control Agreements as of July 21, 2025, included as Exhibit 10.1 to the Registrant's 8-K filed on July 22, 2025, which is incorporated by this reference herein.
10.3	Schedule of Executive Officers Party to the Change of Control Agreements as of July 21, 2025, included as Exhibit 10.2 to the Registrant's 8-K filed on July 22, 2025, which is incorporated by this reference herein.
10.4	Amended and Restated Change of Control Agreements as of August 22, 2025, included as Exhibit 10.1 to the Registrant's 8-K filed on August 22, 2025, which is incorporated by this reference herein.
10.5	Schedule of Executive Officers Party to the Amended and Restated Change of Control Agreements as of August 22, 2025, included as Exhibit 10.2 to the Registrant's 8-K filed on August 22, 2025, which is incorporated by this reference herein.
10.6	Form of Indemnification Agreement (Plumas Bancorp) is included as Exhibit 10.1 to the Registrant's 8-K filed on August 20,2020 which is incorporated by this reference herein.
10.7	Form of Indemnification Agreement (Plumas Bank) is included as Exhibit 10.2 to the Registrant's 8-K filed on August 20,2020 which is incorporated by this reference herein.
31.1*	Rule 13a-14(a) [Section 302] Certification of Principal Financial Officer dated August 6, 2025.
31.2*	Rule 13a-14(a) [Section 302] Certification of Principal Executive Officer dated August 6, 2025.
32.1*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated August 6, 2025.
32.2*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated August 6, 2025.

101.INS*	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).
*	Filed herewith

SIGNATURES

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

PLUMAS BANCORP
(Registrant)
Date: November 5, 2025

/s/ Richard L. Belstock
Richard L. Belstock
Chief Financial Officer

/s/ Andrew J. Ryback
Andrew J. Ryback
Director, President and Chief Executive Officer