



# SUMMITBANK

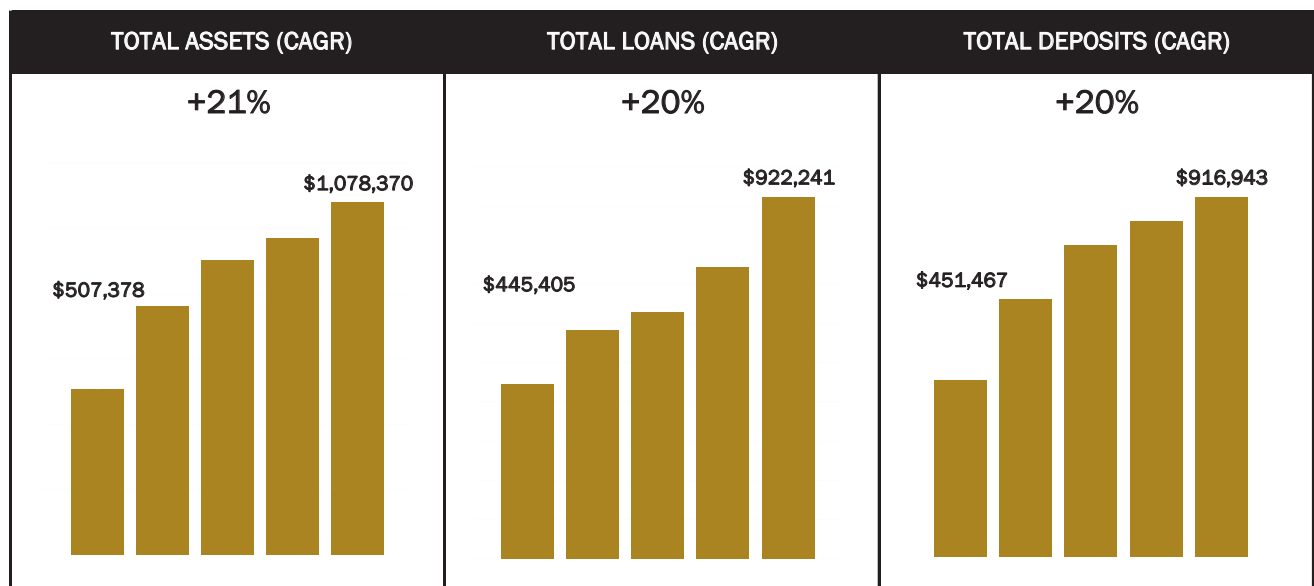
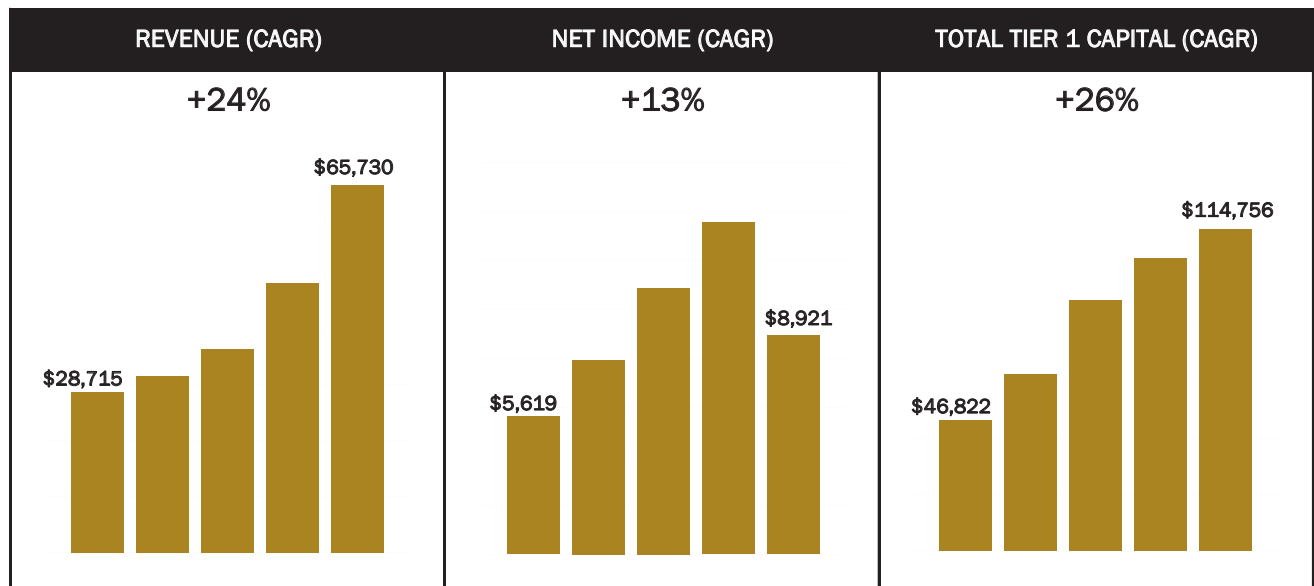
GROUP, INC.

**2023**  
ANNUAL  
REPORT

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FINANCIAL HIGHLIGHTS (DOLLARS IN THOUSANDS)					
	2019	2020	2021	2022	2023
REVENUE	\$ 28,715	\$ 31,478	\$ 36,408	\$ 48,210	\$ 65,730
NET INCOME	\$ 5,619	\$ 7,933	\$ 10,871	\$ 13,553	\$ 8,921
TOTAL TIER 1 CAPITAL	\$ 46,822	\$ 63,117	\$ 89,601	\$ 104,419	\$ 114,756
TOTAL ASSETS	\$ 507,378	\$ 761,136	\$ 902,510	\$ 968,984	\$ 1,078,370
TOTAL LOANS	\$ 445,405	\$ 583,209	\$ 628,182	\$ 743,800	\$ 922,241
TOTAL DEPOSITS	\$ 451,467	\$ 657,136	\$ 794,669	\$ 857,119	\$ 916,943



\*CAGR = Compounded Annual Growth Rate for Years 2019 through 2023

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# TO OUR SHAREHOLDERS,

As we reflect on the past year, we are pleased to share with you the progress and achievements of Summit Bank. Despite the challenges presented by the dynamic economic landscape, Summit Bank has remained resilient and focused on delivering value to our shareholders, community, clients and colleagues.

In addition, we achieved solid deposit growth in 2023 of \$59.8 million or 7.0%. Our growth in this area came particularly from demand (core) deposit products including money (savings) market accounts, which were up \$66.9 million or 18.9%. This achievement is even more commendable considering the backdrop of Silicon Valley Bank, Signature Bank and First Republic's failures, which led to deposits running off community bank balance sheets across the Country. We are grateful for the trust and confidence our depositors have placed in Summit Bank.

In addition to growing our deposits and recording our 8th year over the last nine years of loan growth exceeding 20%, we increased our capital by \$11 million through retained earnings and increased net interest income this

year by \$5.2 million or 12.7% from 2022. These achievements underscore our commitment to financial strength and stability.

However, it's important to acknowledge the challenges we faced this year, including a significant increase in provision for credit losses in our Equipment Finance Division. The division experienced significantly increased charge-off activity that reduced earnings relative to previous years during which the credit performance of this segment of the Bank's operations enjoyed historically low credit losses. In response, we took proactive measures such as tightening underwriting standards and making adjustments in pricing to mitigate risk effectively.



On the operational front, we completed the remodel of Basecamp in Eugene, transforming our basement into a beautiful, versatile space for hosting events. The remodel includes the addition of a new kitchen, training room and locker rooms, enhancing the overall experience for our colleagues and clients alike.

Looking ahead, we are excited to announce the addition of our Redmond office, scheduled to open in Q2 2024, as well as the establishment of a full-service office in Westside Portland. Furthermore, we reaffirmed our commitment to downtown Portland by signing a new lease on the 17th floor of the KOIN building, doubling our space to make room for our growing team.

We are pleased to share that Summit Bank has been recognized as one of the Top 100 Companies to Work in Oregon by Oregon Business Magazine, landing #19 out of 33 large companies with headquarters in Oregon. As the top ranked bank on the list, this is a testament to our unwavering dedication to our colleagues' well-being and professional growth. Our goal, as always, is to be the best place in Oregon to work and to bank.

Lastly, we want to extend our gratitude to our Board of Directors and our Advisory Boards in Eugene, Central Oregon and Portland. We appreciate their invaluable referrals and support given to our teams throughout the year.

In closing, we express our appreciation to our shareholders for their continued trust and confidence in Summit Bank. As we navigate the opportunities and challenges ahead, we remain committed to delivering sustainable growth and value creation. #summitonthree

Sincerely,

A handwritten signature in black ink, reading "Paul Weinhold".

R. Paul Weinhold  
*Board Chair*

A handwritten signature in black ink, reading "Craig A. Wanichek".

Craig A. Wanichek  
*President & CEO*



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## **Independent Auditors' Report**

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To the Board of Directors and Stockholders of  
Summit Bank Group, Inc. and Subsidiary

### **Opinion**

We have audited the accompanying consolidated balance sheets of Summit Bank Group, Inc. and Subsidiary (collectively, "the Company") as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, "the financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Summit Bank Group, Inc. and Subsidiary as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (U.S.).

### **Basis for Opinion**

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

### **Change in Accounting Principle**

As discussed in Note 1 to the accompanying financial statements, effective January 1, 2023, the Company adopted the provisions of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. Our opinion is not modified with respect to this matter.

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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



In performing an audit in accordance with GAAS, we:

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

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

DELAP LLP

March 12, 2024



**SUMMITBANK** Group, Inc. and Subsidiary  
**CONSOLIDATED BALANCE SHEETS**

	December 31	
	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents:		
Cash and due from financial institutions	\$ 20,056,416	\$ 67,018,460
Interest-bearing deposits with other financial institutions	10,698,549	7,349,884
Deposits with Federal Reserve Bank	43,646,908	65,951,239
Total cash and cash equivalents	74,401,873	140,319,583
Investment securities available-for-sale, at estimated fair value	56,762,642	62,960,462
Loans, less allowance for credit losses of \$12,308,605 and \$11,664,704 as of 2023 and 2022	909,932,479	732,135,068
Interest receivable	3,951,787	3,169,999
FHLB and PCBB stock, at cost	2,594,100	1,517,700
Premises and equipment, net of accumulated depreciation	10,315,177	7,046,827
Deferred income taxes, net	2,571,502	2,651,529
Reposessed assets, net	672,135	342,610
Cash surrender value of bank-owned life insurance	8,373,759	8,185,532
Other assets	8,794,798	10,654,482
Total assets	1,003,968,379	828,664,209
	<u>\$ 1,078,370,252</u>	<u>\$ 968,983,792</u>
<b>LIABILITIES and STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Deposits:		
Noninterest-bearing demand	\$ 175,717,297	\$ 181,448,534
Savings and interest-bearing demand	687,862,650	631,026,444
Time deposits	53,363,003	44,643,820
Total deposits	916,942,950	857,118,798
Interest payable	96,525	150,592
Other liabilities	7,396,975	5,967,722
Repurchase agreements and secured borrowings	38,603,528	1,489,141
Term borrowings, net of debt issuance costs	19,674,899	19,633,799
Total liabilities	982,714,877	884,360,052
Stockholders' equity:		
Preferred stock, no par value; 1,000,000 shares authorized; none issued	-	-
Common stock, no par value; 10,000,000 shares authorized, 7,677,786 and 7,645,194 shares outstanding in 2023 and 2022	31,082,804	30,403,794
Retained earnings	67,311,492	58,390,703
Accumulated other comprehensive income (loss)	(2,738,921)	(4,170,757)
Total stockholders' equity	95,655,375	84,623,740
Total liabilities and stockholders' equity	<u>\$ 1,078,370,252</u>	<u>\$ 968,983,792</u>

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



**SUMMITBANK** Group, Inc. and Subsidiary  
**CONSOLIDATED STATEMENTS OF INCOME**

	Year Ended December 31	
	2023	2022
Interest income:		
Interest and fees on loans	\$ 58,739,937	\$ 40,905,710
Interest on investment securities	983,051	1,815,025
Interest on deposits with other banks	5,499,289	2,729,445
Total interest income	65,222,277	45,450,180
Interest expense	18,748,452	4,208,071
Net interest income	46,473,825	41,242,109
Provision for credit losses	8,966,362	4,661,150
Net interest income after provision for credit losses	37,507,463	36,580,959
Noninterest income:		
Early termination gains on loans	834,998	952,485
Bank card and interchange fees	691,581	819,987
Service charges on deposit accounts	124,912	109,858
Real estate lease income	43,815	50,502
Loan servicing fees	140,939	198,044
Bank-owned life insurance income	168,300	89,606
Gains (losses) on sales and write-downs of repossessed assets, net	(1,824,101)	(66,294)
Other	327,429	605,898
Total noninterest income	507,873	2,760,086
Noninterest expense:		
Salaries and employee benefits	17,532,075	15,367,839
Occupancy and equipment expense	1,379,927	1,009,671
Data processing	1,374,784	1,079,547
Repossessed assets expenses	139,998	91,323
Other	5,369,017	3,763,915
Total noninterest expense	25,795,801	21,312,295
Income before income taxes	12,219,535	18,028,750
Income tax provision	3,298,746	4,475,729
Net income	\$ 8,920,789	\$ 13,553,021
Earnings per share:		
Basic	\$ 1.16	\$ 1.78
Diluted	\$ 1.15	\$ 1.76

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Year Ended December 31	
	2023	2022
Net income	\$ 8,920,789	\$ 13,553,021
Other comprehensive income (loss):		
Change in unrealized gains (losses) on investment securities available-for-sale	1,887,819	(5,182,895)
Tax effect of the change in unrealized gains (losses) on investment securities available-for-sale	(455,983)	1,322,365
Comprehensive income	<u>\$ 10,352,625</u>	<u>\$ 9,692,491</u>

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the Years Ended December 31, 2023 and 2022

	Common Stock		Retained	Accumulated	
	Shares	Amount	Earnings	Other Comprehensive Income (loss)	Total
Balance, December 31, 2021	7,572,360	\$ 29,680,533	\$ 44,837,682	\$ (310,227)	\$ 74,207,988
Net income			13,553,021		13,553,021
Other comprehensive income (loss)				(3,860,530)	(3,860,530)
Issuance of common stock, net	3,333	49,995			49,995
Stock options exercised	44,538	284,554			284,554
Share-based compensation	24,963	388,712			388,712
Balance, December 31, 2022	7,645,194	30,403,794	58,390,703	(4,170,757)	84,623,740
Net income			8,920,789		8,920,789
Other comprehensive income (loss)				1,431,836	1,431,836
Stock options exercised	5,860	59,889			59,889
Share-based compensation	26,732	619,121			619,121
Balance, December 31, 2023	<u>7,677,786</u>	<u>\$ 31,082,804</u>	<u>\$ 67,311,492</u>	<u>\$ (2,738,921)</u>	<u>\$ 95,655,375</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Net income	\$ 8,920,789	\$ 13,553,021
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	643,499	528,554
Share-based compensation	619,121	388,712
Amortization of investment premiums, net	301,063	336,392
Provision for credit losses	8,966,362	4,661,150
Amortization of debt issuance costs	41,100	41,076
Bank-owned life insurance income	(168,300)	(89,606)
Losses (gains) on sales of repossessed assets, net	1,781,601	(5,124)
Write-downs of repossessed assets	42,500	71,418
Deferred income taxes	(375,956)	124,683
Ineffective portion of interest rate swaps	(527,700)	(614,900)
Change in:		
Interest receivable and other assets	(634,334)	(1,786,245)
Deferred loan fees	1,530,296	(1,861,175)
Interest payable and other liabilities	947,072	244,261
Net cash provided by operating activities	22,087,113	15,592,217
Cash flows from investing activities:		
Purchases of investment securities	-	(5,500,000)
Purchases of FHLB stock	(1,076,400)	(164,100)
Principal payments and maturities of investment securities	7,784,576	5,145,324
Net proceeds from sales of loans	288,964	-
Purchases of loans	(1,001,741)	(1,405,484)
Proceeds from sales of repossessed assets	2,676,500	1,179,079
Purchase of bank-owned life insurance	(19,927)	(2,010,212)
Loans originated, net of principal collected	(189,743,374)	(131,150,794)
Purchases of premises and equipment	(3,911,849)	(1,144,396)
Net cash used in investing activities	(185,003,251)	(135,050,583)
Cash flows from financing activities:		
Net increase in deposits	59,824,152	62,449,752
Proceeds from common stock offering, net of costs	-	49,995
Increase (decrease) in repurchase agreements and secured borrowings	37,114,387	(894)
Proceeds from stock options exercised	59,889	284,554
Net cash provided by financing activities	96,998,428	62,783,407
Net increase in cash and cash equivalents	(65,917,710)	(56,674,959)
Cash and cash equivalents, beginning of year	140,319,583	196,994,542
Cash and cash equivalents, end of year	\$ 74,401,873	\$ 140,319,583
Supplemental information:		
Cash paid during the year for interest	\$ 18,802,519	\$ 4,308,418
Cash paid during the year for income taxes	2,821,181	4,514,856
Change in unrealized gains (losses) on investment securities available-for-sale, net of deferred income taxes	1,431,836	(3,860,530)
Transfer of loans to repossessed assets	4,830,126	1,559,453

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

**1. Summary of Significant Accounting Policies:**

**Basis of Presentation** – The consolidated financial statements include the accounts of Summit Bank Group, Inc. (the Holding Company), a bank holding company and its wholly-owned subsidiary, Summit Bank (the Bank). As of December 31, 2023 the Holding Company had 10,000,000 shares of common stock authorized of which 7,677,786 were outstanding. All significant intercompany accounts and transactions have been eliminated in consolidation.

**Nature of Operations** – The Bank provides commercial banking, financing, real estate lending and other services primarily in Lane, Deschutes, Multnomah, and Washington counties in Oregon.

**Financial Statement Presentation** – The accounting and reporting policies of the Holding Company conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates are the allowance for credit losses and fair value estimates. The Bank has evaluated subsequent events through March 12<sup>th</sup>, 2024, the date the consolidated financial statements were available to be issued.

**Cash and Cash Equivalents** – For purposes of reporting cash flows, cash and cash equivalents are cash on-hand and due from financial institutions. Such amounts include both interest-bearing and non-interest-bearing deposits with other financial institutions, short-term time deposits, and federal funds sold on an overnight basis and may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC).

**Investment Securities** – The Bank classifies all investments in debt securities as available-for-sale. Securities available-for-sale are held for indefinite periods of time and may be sold in response to changes in market interest rates, shifts in the maturity mix or concentration of Bank assets or liabilities, or to alleviate liquidity demands. Securities designated as available-for-sale are reported at estimated fair value. Unrealized gains and losses are excluded from earnings and are included in accumulated other comprehensive income (loss) in stockholders' equity, net of applicable deferred taxes. Principally all of the Bank's debt securities were issued by the U.S. government, its agencies or sponsored enterprises. These securities carry the explicit or implicit guarantee of the U.S. government.

Gains and losses realized on sales of securities are recognized using the specific identification method. Interest income on securities is included in income using the effective interest method. Interest income includes accretion and amortization of discounts and premiums resulting from securities purchased at other than par value. Both are calculated using a "constant yield" methodology either to maturity (for securities purchased at a discount) or to "earliest call date" for (for securities purchased at a premium). Premiums and discounts on mortgage backed securities are amortized/accreted based upon current and expected future rates of prepayments on the securities.

The Bank evaluates its securities classified as available-for-sale that are in an unrealized loss position and assesses whether it intends to sell or it is more likely than not that it will be required to sell a security before recovery of its amortized cost basis.

For investment securities that the Bank either does not intend to sell or will not be required to sell prior to recovery of the amortized cost basis, the Bank would separate the amount of the impairment into the amount that is credit related (credit loss component) and the amount due to all other factors. The credit loss component equal to the difference between the security's amortized cost basis and the present value of its expected future cash flows discounted at the security's effective yield would be recognized as an allowance for credit losses and recorded in earnings. The remaining difference between the security's fair value and the present value of expected future cash flows would be due to factors that are not credit related and would be recognized in other comprehensive income (loss). Management believes that any unrealized losses on investment securities at December 31, 2023 are temporary and/or not credit related. Therefore, there was no allowance for credit losses for investment securities as of December 31<sup>st</sup>, 2023.

**Loans and Income Recognition** – Loans are stated at the amount of unpaid principal, reduced by net deferred loan origination fees and an allowance for credit losses. Interest on loans is calculated using the simple-interest method on daily balances of the principal amounts outstanding. Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts, that the borrower's financial condition is such that collection of the interest is doubtful. Payments received on nonaccrual loans are applied to the principal balance and no interest income is recognized. Interest income is subsequently recognized only to the extent cash payments are received satisfying all delinquent principal and interest amounts, and the prospects for future payments in accordance with the loan agreement appear relatively certain. A nonaccrual loan may be restored to accrual status when none of its principal and interest is due and unpaid and the Bank expects full repayment of the remaining contractual principal and interest, or when it otherwise becomes well secured and in the process of collection. Loan origination fees, net of associated direct costs, if significant, are deferred and amortized using the interest or straight-line method over the contractual life of the loan as an adjustment to the yield of the related loan. If a loan is repaid prior to maturity, any remaining unamortized net deferred origination fees and costs are recognized in income at the time of repayment.

**Allowance for Credit Losses** – Effective January 1<sup>st</sup> 2023, the Bank adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. The Allowance for Credit Losses (ACL) under ASU 2016-13 utilizes the CECL methodology, which estimates the expected loan losses over the contractual life of the loans in the loan portfolio of the Bank. Prior to January 1<sup>st</sup> 2023, the ALLL incurred loss methodology was used which estimated the amount of loan losses that had been incurred at the balance sheet date. The ACL is established through a provision for credit losses charged to expense. While management has allocated the allowance for credit losses to various loan classes, the allowance is general in nature and is available for the loan portfolio in its entirety.

The ACL is determined through monthly assessments of the present value of expected future cash flows within the loan portfolio, which is deducted from each loan's amortized cost basis to determine the expected credit losses within the loan portfolio. The ACL is estimated using relevant and reliable available information, which is derived from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Additions to and recaptures from the ACL are charged to current period earnings through the provision for credit losses. Loan amounts that are determined to be uncollectible are charged directly against the ACL and netted against amounts recovered on previously charged-off loans.

The ACL is comprised of reserves measured on a collective (pool) basis using a quantitative DCF model for all loan classes with similar risk characteristics and then qualitatively adjusted for current market conditions. The principal pool segments for the loan portfolio are as follows:

- Small Commercial Equipment
- Commercial Real Estate Secured
- Commercial Construction and Development
- Commercial Non Real Estate Secured
- Consumer Real Estate Secured
- Consumer Non Real Estate Secured

The quantitative non-linear DCF model utilizes anticipated period cash flows determined on a loan-level basis. The anticipated cash flows take into account contractual principal and interest payments, anticipated segment level prepayments, probability of defaults and historical loss given defaults. The Bank's historical loss experience along with industry peer loss experience were evaluated against a selection of 22 national, state and local macroeconomic factors with the factors most highly correlated to historical loss experience selected for each loan pool segment. The most significant factors for charge-off market risk for the loan portfolio as a whole are; National Unemployment, Oregon Employment, and National Producer Price. The most significant factors for the Small Commercial Equipment pool segment are; National Real Disposable Income Growth, National Consumer Confidence, and National Price Indices. The Bank utilizes a quarterly updated 24-month reasonable and supportable forecast for the macroeconomic factors, after which the loss expectation for each pool segment reverts to its historical mean. An ACL on accrued interest receivable balances is not measured as these balances are written-off in a timely manner as a reduction to interest income when loans are placed on nonaccrual status.

Additionally, the allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and include adjustments for lending management experience and risk tolerance, loan review and audit results, asset quality and portfolio trends, loan portfolio growth, industry concentrations, trends in underlying collateral, external factors and economic conditions not already captured by the quantitative analytics.

Loans are individually evaluated for credit losses if they do not share similar risk characteristics of other loans within their respective pools. Individually evaluated loans are loans to borrowers experiencing financial difficulty such that full satisfaction of the contractual terms of the loan are in question, including all loans with an internally assigned risk rating of "8" or "9".

For collateral dependent loans, the Bank calculates the allowance as the difference between the amortized cost of the loan and the fair market value of the collateral. The fair market value of the collateral is determined by either the discounted expected future cash flows from the operation of the collateral or the appraised value of the collateral, less costs to sell. If the fair value of the collateral is greater than the amortized cost of the loan, no reserve is recorded.

The Bank reports certain loans as modifications when the Bank grants a concession(s) (other than minor adjustments to payment schedules) to a borrower experiencing financial difficulties that it would not otherwise consider. Examples of such concessions include extending the maturity date(s) or providing a lower interest rate than would normally be available for a transaction of similar risk. A modified loan is considered to be impaired and as such would be individually evaluated for impairment.



Federal and state bank regulatory agencies, as an integral part of their examination process, periodically review the Bank's ACL. Such agencies may require the Bank to recognize additions to the allowance in the future based on their judgment of the information available to them at the time of their examinations.

**Allowance for Credit Losses on Unfunded Loan Commitments** – The Bank also records an ACL on unfunded loan commitments and letters of credit for all such commitments where the Bank lacks the option to unconditionally cancel the obligation. Expected credit losses are calculated based on an estimate of what will be funded which is derived from historical utilization rates (for revolving credit facilities) and from the term of the facility (for non-revolving credit facilities) and the quantitative ACL rate for the appropriate loan pool segment. The ACL on unfunded commitments and letters of credit was \$461,135 and \$171,164 at December 31, 2023 and 2022, respectively and is included in "Other Liabilities" on the consolidated balance sheets, with changes to the balance being charged to current period earnings through the provision for credit losses.

**Federal Home Loan Bank (FHLB) and Pacific Coast Bankers' Bank (PCBB) Stock** – FHLB and PCBB stock consists of the following at December 31:

	2023	2022
FHLB stock	\$ 2,154,100	\$ 1,077,700
PCBB stock	440,000	440,000
	<u>\$ 2,594,100</u>	<u>\$ 1,517,700</u>

The Bank, as a member of the FHLB system, is required to maintain a minimum level of investment in FHLB stock based on specific percentages of its outstanding mortgages, total assets and FHLB advances. At December 31, 2023, the Bank's minimum required investment was \$2,154,100. Stock redemptions may be requested at par value and are made at the discretion of the FHLB. The Bank's investment in FHLB stock is carried at cost, which approximates its fair value. The Bank evaluates its investment in FHLB stock for impairment as needed. The Bank's determination of whether this investment is impaired is based on its assessment of the ultimate recoverability of cost rather than by recognizing temporary declines in value.

The Bank also holds an investment in its primary correspondent bank, PCBB. This investment is carried at cost, which approximates its fair value.

**Premises and Equipment** – Premises and equipment are stated at cost, net of accumulated depreciation. Additions and betterments are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Gains or losses realized from sales or retirements are reflected in current operations. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

**Impairment of Long-lived Assets** – The Bank accounts for long-lived assets at amortized cost. Management reviews long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. If there is an indication of impairment, management would prepare an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these estimated cash flows were less than the carrying amount of the asset, an impairment loss would be recognized to write down the asset to its estimated fair value.



**Reposessed Assets** – Repossessed assets consist of commercial equipment and commercial real property and are considered held-for-sale. Repossessed assets are initially recorded at fair value at the date of acquisition based on current appraisals and management's estimate of value, establishing a new cost basis. Any excess of the loan balance over the net realizable value of the property is charged to the allowance for credit losses when a property is acquired. Subsequent to acquisition, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated costs to sell. Gains and losses on sales, write-downs, and changes in valuation allowances are recorded in noninterest income.

The valuation of repossessed assets is subjective in nature and may be adjusted in future periods because of changes in economic conditions. The valuation of repossessed assets is also subject to review by bank regulatory authorities who may require increases or decreases to carrying amounts based on their evaluation of the information available to them at the time of their examination of the Bank.

**Bank-owned Life Insurance (BOLI)** - The Bank is the owner and beneficiary of BOLI on certain Bank officers. BOLI policies are recorded at their cash surrender values (net of surrender charges). Income from BOLI policies is recognized when earned and is included in noninterest income.

**Advertising** – Advertising costs are charged to expense during the period in which they are incurred. Advertising expenses were \$218,055 and \$212,237 for the years ended December 31, 2023 and 2022, respectively.

**Income Taxes** – Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are calculated on differences between the financial statement and tax basis of assets and liabilities using tax rates in effect for the year in which the differences are expected to be realized. A valuation allowance is recognized if, based on the available evidence, it is determined it is more likely than not that some portion or all of the deferred tax assets will not be realized. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through income tax provision.

Uncertain tax positions that meet the more likely than not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the amount of benefit that management believes has a greater than 50% likelihood of realization upon settlement. The Bank's policy is to recognize interest and penalties related to income tax settlements as a component of income tax provision.

The Bank files income tax returns for federal and various state jurisdictions. There is no material impact of potential tax uncertainties on the Bank's consolidated financial condition or results of operations as of or for the year ended December 31, 2023.

**Transfers of Financial Assets** - Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

**Derivative Instruments** – The Bank uses derivative financial instruments (interest rate swaps) to limit exposure to changes in interest rates related to specific loan assets. Derivatives entered into by the Bank are designated as fair value hedges and generally exhibit perfect effectiveness between changes in the value of the interest rate swap and the hedged instrument (loan asset), with any identified ineffectiveness between the value of the swap and the hedged instrument being recorded in earnings. All derivatives and related hedged loans are recognized in the consolidated balance sheet at their fair values. Changes in the fair value of a derivative that is highly effective, along with the loss or gain on the hedged loan asset that is attributable to the hedged risk, are recorded in current-period earnings. The Bank formally documents all relationships between hedging instruments and hedged assets, as well as its risk-management objective and strategy for undertaking various hedged transactions. The Bank also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items. The Bank would discontinue hedge accounting when: (1) it is determined that a derivative is no longer effective in offsetting changes in the fair value of the associated hedged loan asset; (2) the derivative expires or is sold, terminated, or exercised; or (3) management determines that designation of the derivative as a hedge instrument is no longer appropriate. The hedged loan asset would no longer be adjusted for changes in fair value and the derivative would be carried at its fair value in the consolidated balance sheet, with changes in its fair value recognized in current-period earnings.

**Stockholders' Equity and Earnings Per Share** – Basic earnings per share are computed by dividing net income by the weighted average number of shares outstanding during the period. Diluted earnings per share include the effect of common stock equivalents that would arise from the exercise of stock options and the vesting of restricted stock and restricted stock units discussed in Note 9. All references in the financial statements and notes to the number of shares outstanding, per-share amounts, and stock option data of the Holding Company's common stock have been restated to reflect the cumulative effect of stock split activity for all prior periods.

**Share-Based Compensation** – GAAP requires companies to measure compensation expense for all share-based payments based on the fair value of the awards at the grant date and recognize such costs as an expense over the requisite service period (which is generally the vesting period). See Note 9 for discussion of the Bank's share-based compensation arrangements.

**Small Business Administration (SBA) Loans Sales and Servicing**—The Bank holds in its portfolio certain loans where the government guaranteed portion of the loans (with loan servicing retained) has been sold for proceeds equal to the principal amount of loans, as adjusted to yield interest to the investor based upon the current market rates at the time of sale. The Bank records an asset representing the right to service sold loans when it retains significant servicing rights. This asset is included in other assets in the accompanying consolidated balance sheet. The carrying value of loans sold is allocated between the loans and the servicing rights, based on their relative fair values. The fair value of servicing rights is estimated by discounting estimated future cash flows from servicing using discount rates that approximate current market rates and using estimated prepayment rates. The net servicing rights, i.e. the excess of estimated fair value of servicing rights less the estimated cost of servicing if any, are carried at the lower of cost or market and are amortized in proportion to, and over the period of the estimated net servicing income, assuming prepayments. The Bank held no servicing rights assets as of December 31, 2023 and 2022.

**New Accounting Pronouncements** - In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (ASU 2016-13) as amended by ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, and ASU 2019-11. ASU 2016-13 replaces the existing incurred losses methodology for estimating allowances with a current expected credit losses methodology with respect to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity investment securities, and off-balance sheet commitments. In addition, ASU 2016-13 requires credit losses relating to available-for-sale debt securities to be recorded through an allowance for credit losses rather than a reduction of the carrying amount. ASU 2016-13 also changes the accounting for purchased credit-impaired debt securities and loans. ASU 2016-13 retains many of the disclosure requirements in current GAAP and expands certain disclosure requirements. ASU 2016-13 was effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted ASU 2016-13 using the modified retrospective method for all financial assets measured at amortized cost and off balance sheet (OBS) credit exposures. Results for reporting periods beginning after January 1<sup>st</sup> 2023 are presented under ASU 2016-13 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded no change to retained earnings as of January 1<sup>st</sup> 2023 as the cumulative effect of adopting ASU 2016-13 was negligible.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the effects of Reference Rate Reform on Financial Reporting (ASU 2020-04). ASU 2020-04 applies to contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate ("LIBOR") or other rate references expected to be discontinued because of reference rate reform. ASU 2020-04 permits an entity to make necessary modifications to eligible contracts or transactions without requiring contract remeasurement or reassessment of a previous accounting determination. ASU 2020-04 was effective for all entities as of March 12, 2020 through December 31, 2022. In December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of Sunset Date of Topic 848 (ASU 2022-06), which defers the sunset date from December 31, 2022 to December 31, 2024. The Company has adopted ASU 2020-04 and ASU 2022-02 as of January 1<sup>st</sup> 2023 with insignificant impact on the consolidated financial statements.

In March 2022, the FASB issued ASU 2022-02, Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures (ASU 2022-02). ASU 2022-02 eliminates the accounting guidance for TDRs for creditors, requires new disclosures for creditors for certain loan refinancings and restructurings when a borrower is experiencing financial difficulty, and requires public business entities to include current-period gross write-offs in the vintage disclosure tables. The amendments in ASU 2022-02 were effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Bank's adoption of ASU 2022-02 had an insignificant impact on the Bank's consolidated financial statements.

## 2. Restricted Assets:

The Bank must meet reserve requirements as established by Federal Reserve Board (FRB) regulation which were zero at both December 31, 2023 and 2022. When and if the reserve requirement is not zero, the Bank complies with such requirements by holding cash on hand and maintaining average reserve balances on deposit with its primary correspondent bank in accordance with the regulations.

### 3. Investment Securities Available-for-Sale:

The tables below detail the amortized cost and estimated fair values of available-for-sale investment securities, as well as the amount of any unrealized losses and the length of time these unrealized losses existed as of the dates indicated:

December 31, 2023								
	Available-for-Sale			Securities in Continuous Unrealized Loss Position for Less Than 12 Months		Securities in Continuous Unrealized Loss Position for 12 Months or Longer		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Obligations of U.S. Government and U.S. sponsored agencies	\$ 46,141,308	\$ -	\$ (2,417,536)	\$ 43,723,772	\$ -	\$ -	\$ 43,723,772	\$ (2,417,536)
Mortgage-backed securities	14,334,272	-	(1,295,403)	13,038,870	-	-	13,038,870	(1,295,403)
	<u>\$ 60,475,580</u>	<u>\$ -</u>	<u>\$ (3,712,939)</u>	<u>\$ 56,762,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,762,642</u>	<u>\$ (3,712,939)</u>

December 31, 2022								
	Available-for-Sale			Securities in Continuous Unrealized Loss Position for Less Than 12 Months		Securities in Continuous Unrealized Loss Position for 12 Months or Longer		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Obligations of U.S. Government and U.S. sponsored agencies	\$ 50,327,025	\$ -	\$ (3,801,651)	\$ 46,525,374	\$ 5,877,249	\$ (138,963)	\$ 40,648,125	\$ (3,662,688)
Corporate debt securities	500,000	-	(8,636)	491,364	491,364	(8,636)	-	-
Mortgage-backed securities	17,734,194	-	(1,790,470)	15,943,724	1,536,051	(36,811)	14,407,673	(1,753,659)
	<u>\$ 68,561,219</u>	<u>\$ -</u>	<u>\$ (5,600,757)</u>	<u>\$ 62,960,462</u>	<u>\$ 7,904,664</u>	<u>\$ (184,410)</u>	<u>\$ 55,055,798</u>	<u>\$ (5,416,347)</u>

The unrealized losses on the Bank's investment securities were solely attributable to increases in market interest rates subsequent to their purchase by the Bank. The Bank expects the fair value of these securities to recover as the securities approach their maturity dates or sooner if market yields for such securities decline. The Bank does not believe that these securities are other than temporarily impaired because of their credit quality or related to any issuer or industry specific event. Based on Management's evaluation and intent, the unrealized losses related to the investment securities in the above tables are considered temporary.

The amortized cost and estimated fair value of investment securities at December 31, 2023 and 2022 are shown below by contractual maturity or projected average life depending on the type of security. Obligations of U.S. government sponsored agencies are shown by contractual maturity. Mortgage-backed securities are disclosed by projected average life.

	Available-for-Sale December 31 2023	
	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 5,005,284	\$ 4,962,543
Due after one year through five years	52,931,022	49,330,514
Due after five years through ten years	2,539,274	2,469,584
Due after ten years	-	-
	<u>\$ 60,475,580</u>	<u>\$ 56,762,642</u>

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	Available-for-Sale December 31 2022	
	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 4,588,472	\$ 4,414,144
Due after one year through five years	60,692,437	55,385,097
Due after five years through ten years	3,280,310	3,161,221
Due after ten years	-	-
	<u>\$ 68,561,219</u>	<u>\$ 62,960,462</u>

There were no sales of investment securities during 2023 or 2022.

At December 31, 2023, investment securities with a total estimated fair value of \$56,754,290 and amortized cost of \$60,466,739 were pledged for potential FHLB borrowings, repurchase agreements and other purposes. At December 31, 2022, investment securities with a total estimated fair value of \$6,643,479 and amortized cost of \$6,936,730 were pledged for potential FHLB borrowings, repurchase agreements and other purposes.

#### 4. Loans and Allowance for Credit Losses:

Major classifications of loans at December 31 are as follows:

	2023	2022
<b>Real Estate</b>		
Acquisition, Development & Construction	\$ 41,915,850	\$ 35,813,254
Commercial	253,853,976	218,934,801
Multifamily	87,905,681	31,242,895
Owner Occupied	233,924,228	199,496,910
<b>Commercial and Industrial</b>		
Small Commercial Equipment	75,795,735	86,019,463
U.S. Small Business Administration (SBA) PPP	40,744	60,002
Other Commercial & Industrial	206,780,967	149,291,176
<b>Consumer</b>		
Secured	18,134,794	17,625,579
Unsecured	2,091,969	1,988,257
	<u>920,443,944</u>	<u>740,472,337</u>
Capitalized Loan Origination Costs (Fees), net	1,797,140	3,327,435
	<u>922,241,084</u>	<u>743,799,772</u>
Allowance for Credit Losses	(12,308,605)	(11,664,704)
<b>Loans receivable, net</b>	<u><u>\$ 909,932,479</u></u>	<u><u>\$ 732,135,068</u></u>

**Risk Elements** – The Bank manages credit risk through lending limit constraints, credit review, approval policies and extensive ongoing internal monitoring. Additionally, credit risk is managed via diversification of the loan portfolio by loan, industry and borrower type as well as limits on the aggregation of debt to a single borrower. The Bank also obtains periodic credit file reviews from independent third-parties as part of its ongoing credit monitoring process and loans are underwritten so as to ensure the highest probability of repayment in full, according to board-approved policies and procedures. The following are the loan segment risk characteristics of the Bank's portfolio:



**Acquisition, Development & Construction** – includes both loans and lines of credit for the purpose of purchasing, carrying and developing land into commercial developments or residential subdivisions. Also included in this designation are loans and lines of credit for construction of residential, multi-family and commercial buildings. Generally, the primary source of repayment is dependent upon the sale or refinance of the real estate collateral. Construction lending can involve a higher level of risk than other types of lending because funds are advanced based on a prospective value of the project at completion, the total estimated construction cost of the project, and the borrowers' equity at risk. Additionally, the repayment of the loan may be conditional on the success of the ultimate project which could be subject to interest rate changes, governmental regulations, general economic conditions and the ability of the borrower to sell or lease the property or refinance the indebtedness. The bank attempts to mitigate the risks associated with this type of credit by limiting concentration exposure and utilizing enhanced underwriting procedures as outlined in proprietary policies and procedures as approved by the board of directors not less than annually.

**Commercial Real Estate** – loans in this category are assigned to one of two specific subcategories:

- **Commercial** – includes loans to finance income-producing commercial properties. Loans in this class include retail centers, hotels, office buildings, single-tenant retail buildings, warehouses and other properties where the source of repayment on the loan comes primarily from non-related tenant lease income. There are board-approved enhanced underwriting procedures in place that govern the approval and funding of these types of loans.
- **Owner Occupied** – includes loans secured by business facilities to finance business operations, equipment and owner-occupied facilities for commercial customers. Generally, the primary source of repayment is the operating cash flow from business activities of the owner of the property or related entity.

**Multi-family Real Estate** – these loans are secured by – and are generally repaid by the lease income from – real estate properties built to house 5 or more families in a single property or complex. Apartment buildings and complexes are the major collateral in this category. This category does not include 1-4 family rental properties.

**Commercial & Industrial** - loans in this category are assigned to one of three specific subcategories:

- **Small Commercial Equipment** – includes loans secured by commercial equipment, typically rolling stock. The primary source of repayment is generally derived from income generated by utilization of the equipment collateralizing the loans, and thus, is more subject to potential disruption relative to larger and more diversified borrowers. The lack of significant secondary sources of repayment results in a higher risk of loss and thus these loans carry market rates of interest that are higher than the Bank's other loan types. These loans possess homogeneous risk characteristics unique to small business lending to the transportation industry. These risks are mitigated via ongoing industry trend analysis and through concentration limits on the portfolio as a whole as well as within industry subclasses. The majority of these loans are originated to borrowers outside of the Bank's primary market areas of Lane, Deschutes and Multnomah and Washington counties, throughout the continental United States.
- **SBA PPP** – The CARES Act authorized the SBA to temporarily guarantee loans under a loan program designed to mitigate the impact of the COVID-19 pandemic on small businesses. PPP loans made to eligible borrowers are 100% guaranteed by the SBA, carry an interest rate of 1.0%, have either a two year or five year maturity, and are fully amortizing following a period of deferred principal and interest payments of at least six months from the date of initial

disbursement. The entire principal amount of a PPP loan, including any accrued interest, is eligible to be forgiven and repaid by the SBA.

- Other Commercial and Industrial – The primary source of repayment for these loans is generally cash flow from continuing business operations. Under the Bank's policy, primary and secondary repayment sources must be identified upon approval and prior to funding.

**Consumer** – the Bank engages in limited consumer lending of both a secured and unsecured nature. This primarily takes the form of home equity lines of credit and personal and professional lines of credit which may or may not be secured by tangible collateral.

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of such serviced loans were \$30,433,485 and \$32,743,867 at December 31, 2023 and 2022, respectively.

The loan portfolio at December 31, 2023 and 2022 includes \$115,893,769 and \$87,923,070 respectively, of loans which have rates of interest that change more often than annually. Additionally, the loan portfolio at December 31, 2023 and 2022 includes fixed rate loans of \$149,597,638 and \$145,535,692, respectively, that are effectively converted to variable rate loans via interest rate swaps. There were no loans at their contractual floors at December 31, 2023 nor December 31, 2022.

Changes in the allowance for credit losses for the year ended December 31, 2023 are as follows:

	Beginning Balance	ASU 2016-13 Adoption	Charge-offs	Recoveries	Provision	Ending Balance	Individual Evaluation	General Allocation
<b>Real Estate</b>								
Acquisition, Development & Construction	\$ 648,661	\$ (440,137)	\$ -	\$ -	\$ 142,751	\$ 351,274	\$ -	\$ 351,274
Commercial	2,604,918	(1,851,304)	-	-	250,903	1,004,518	-	1,004,518
Multifamily	429,807	(295,335)	-	-	270,894	405,367	-	405,367
Owner Occupied	1,841,591	(978,287)	-	-	465,009	1,328,321	182,746	1,145,575
<b>Commercial and Industrial</b>								
Small Commercial Equipment	3,790,938	4,982,919	(8,102,700)	-	6,986,260	7,657,417	236,774	7,420,643
Other Commercial & Industrial	2,171,176	(1,296,264)	(9,782)	2,162	624,708	1,492,001	566,891	925,110
<b>Consumer</b>								
Secured	171,784	(103,364)	-	-	1,086	69,505	9,455	60,050
Unsecured	5,829	(4,553)	-	-	(1,064)	211	-	211
<b>Total</b>	<u>\$ 11,664,704</u>	<u>\$ 13,674</u>	<u>\$ (8,112,482)</u>	<u>\$ 2,162</u>	<u>\$ 8,740,546</u>	<u>\$ 12,308,605</u>	<u>\$ 995,866</u>	<u>\$ 11,312,749</u>

Changes in the allowance for loan losses for the year ended December 31, 2022 are as follows:

	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance	Specific Reserve	General Allocation
<b>Real Estate</b>							
Acquisition, Development & Construction	\$ 533,592	\$ -	\$ -	\$ 115,069	\$ 648,661	\$ -	\$ 648,661
Commercial	1,744,662	-	-	860,256	2,604,918	-	2,604,918
Multifamily	426,030	-	-	3,777	429,807	-	429,807
Owner Occupied	1,875,613	-	-	(34,022)	1,841,591	162,743	1,678,848
<b>Commercial and Industrial</b>							
Small Commercial Equipment	3,158,568	(2,427,682)	-	3,060,052	3,790,938	168,919	3,622,019
Other Commercial & Industrial	1,652,695	(127,151)	613	645,019	2,171,176	12,124	2,159,052
<b>Consumer</b>							
Secured	156,678	-	-	15,106	171,784	-	171,784
Unsecured	9,936	-	-	(4,107)	5,829	-	5,829
<b>Total</b>	<u>\$ 9,557,774</u>	<u>\$ (2,554,833)</u>	<u>\$ 613</u>	<u>\$ 4,661,150</u>	<u>\$ 11,664,704</u>	<u>\$ 343,786</u>	<u>\$ 11,320,918</u>



**Risk Rating** – The monitoring process of the Bank’s loan portfolio includes periodic reviews of individual loans with a risk rating assigned to each loan. Risk ratings are assigned according to various qualitative and quantitative measurements.

- Risk ratings 1 – 6 represent increasing degrees of risk within the regulatory definition of “Pass” loans as ratings move from 1 to 6. Regulatory bodies do not draw distinctions between these categories; as such, assignment of these ratings is for internal management purposes only.
- Risk Rating 7 – loans in this category adhere to the regulatory definition of “Special Mention” loans. A Special Mention loan has potential weaknesses that deserve management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Bank’s credit position at some future date. Special Mention loans are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.
- Risk Rating 8 – loans in this category adhere to the regulatory definition of “Substandard.” Loans classified Substandard are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the borrower’s debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.
- Risk Rating 9 – loans in this category adhere to the regulatory definition of “Doubtful.” Loans classified Doubtful have all of the weaknesses inherent in those classified 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.
- Risk Rating 10 – loans in this category adhere to the regulatory definition of “Loss.” Loans classified Loss are uncollectible and of such little value that their continuance as a bankable asset is not warranted. When identified, these loans are charged off.

Loans risk rated 8, 9 or 10 are reviewed regularly to assess the ability of the borrowers to service all interest and principal obligations and, as a result, the risk ratings may be adjusted accordingly. In the event that full collection of principal and interest is not reasonably assured, the loan is appropriately downgraded and if warranted, placed on non-accrual status even though the loan may be current as to principal and interest payments. Additionally, such loans are individually evaluated for ACL purposes and an assessment is made as to whether the loan warrants a write down of the loan.

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The following tables present the Bank's loan portfolio by loan type and credit quality indicator as of December 31, 2023 and 2022:

	Term Loans by Year of Origination							
	2023	2022	2021	2020	2019	Prior	Revolving	Total
Real Estate - Acquisition, Development and Construction								
Pass (Ratings 1-6)	\$ 27,747,158	\$ 4,651,230	\$ 5,059,011	\$ -	\$ -	\$ 1,518,166	\$ 2,940,285	\$ 41,915,850
Special Mention (Rating 7)	-	-	-	-	-	-	-	-
Substandard (Rating 8)	-	-	-	-	-	-	-	-
Doubtful (Rating 9)	-	-	-	-	-	-	-	-
Total	<u>\$ 27,747,158</u>	<u>\$ 4,651,230</u>	<u>\$ 5,059,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,518,166</u>	<u>\$ 2,940,285</u>	<u>\$ 41,915,850</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate - Commercial								
Pass (Ratings 1-6)	\$ 49,799,282	\$ 46,254,283	\$ 41,978,915	\$ 25,747,591	\$ 29,228,944	\$ 60,212,191	\$ -	\$ 253,221,206
Special Mention (Rating 7)	-	-	-	-	632,770	-	-	632,770
Substandard (Rating 8)	-	-	-	-	-	-	-	-
Doubtful (Rating 9)	-	-	-	-	-	-	-	-
Total	<u>\$ 49,799,282</u>	<u>\$ 46,254,283</u>	<u>\$ 41,978,915</u>	<u>\$ 25,747,591</u>	<u>\$ 29,861,714</u>	<u>\$ 60,212,191</u>	<u>\$ -</u>	<u>\$ 253,853,976</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate - Multifamily								
Pass (Ratings 1-6)	\$ 29,351,135	\$ 21,929,334	\$ 16,165,790	\$ 5,803,781	\$ 4,844,902	\$ 8,843,306	\$ 967,435	\$ 87,905,681
Special Mention (Rating 7)	-	-	-	-	-	-	-	-
Substandard (Rating 8)	-	-	-	-	-	-	-	-
Doubtful (Rating 9)	-	-	-	-	-	-	-	-
Total	<u>\$ 29,351,135</u>	<u>\$ 21,929,334</u>	<u>\$ 16,165,790</u>	<u>\$ 5,803,781</u>	<u>\$ 4,844,902</u>	<u>\$ 8,843,306</u>	<u>\$ 967,435</u>	<u>\$ 87,905,681</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate - Owner Occupied								
Pass (Ratings 1-6)	\$ 48,822,754	\$ 53,055,329	\$ 45,581,898	\$ 28,432,240	\$ 15,878,408	\$ 33,663,322	\$ 120,000	\$ 225,553,951
Special Mention (Rating 7)	-	554,079	2,410,323	-	1,411,810	2,414,833	-	6,791,045
Substandard (Rating 8)	-	-	1,183,114	-	-	396,118	-	1,579,232
Doubtful (Rating 9)	-	-	-	-	-	-	-	-
Total	<u>\$ 48,822,754</u>	<u>\$ 53,609,408</u>	<u>\$ 49,175,335</u>	<u>\$ 28,432,240</u>	<u>\$ 17,290,217</u>	<u>\$ 36,474,273</u>	<u>\$ 120,000</u>	<u>\$ 233,924,228</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial and Industrial - Small Commercial Equipment								
Pass (Ratings 1-6)	\$ 31,728,299	\$ 25,992,793	\$ 12,249,379	\$ 2,159,946	\$ 130,271	\$ 72,975	\$ -	\$ 72,333,663
Special Mention (Rating 7)	429,542	864,818	313,230	50,478	4,373	-	-	1,662,441
Substandard (Rating 8)	188,738	708,832	474,277	62,341	77,359	41,954	-	1,553,501
Doubtful (Rating 9)	51,000	130,891	52,038	12,200	-	-	-	246,130
Total	<u>\$ 32,397,579</u>	<u>\$ 27,697,334</u>	<u>\$ 13,088,925</u>	<u>\$ 2,284,965</u>	<u>\$ 212,002</u>	<u>\$ 114,929</u>	<u>\$ -</u>	<u>\$ 75,795,735</u>
Current period gross charge-offs	\$ 866,207	\$ 4,820,488	\$ 2,132,149	\$ 579,601	\$ 80,418	\$ 75,629	\$ -	\$ 8,554,493
Commercial and Industrial - Other								
Pass (Ratings 1-6)	\$ 64,679,442	\$ 56,767,991	\$ 26,519,709	\$ 9,220,635	\$ 4,697,585	\$ 12,583,997	\$ 23,847,206	\$ 198,316,565
Special Mention (Rating 7)	162,422	4,883,474	67,555	5,944	72,912	116,011	250,000	5,558,318
Substandard (Rating 8)	500,000	2,101,955	225,011	13,136	-	106,726	-	2,946,827
Doubtful (Rating 9)	-	-	-	-	-	-	-	-
Total	<u>\$ 65,341,865</u>	<u>\$ 63,753,420</u>	<u>\$ 26,812,275</u>	<u>\$ 9,239,715</u>	<u>\$ 4,770,497</u>	<u>\$ 12,806,733</u>	<u>\$ 24,097,206</u>	<u>\$ 206,821,711</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,782	\$ -	\$ 9,782
Consumer - Secured								
Pass (Ratings 1-6)	\$ 2,044,550	\$ 2,351,486	\$ 2,361,969	\$ 1,627,575	\$ 1,579,199	\$ 2,003,656	\$ 5,939,879	\$ 17,908,314
Special Mention (Rating 7)	-	-	-	-	-	131,928	-	131,928
Substandard (Rating 8)	-	-	-	-	-	94,553	-	94,553
Doubtful (Rating 9)	-	-	-	-	-	-	-	-
Total	<u>\$ 2,044,550</u>	<u>\$ 2,351,486</u>	<u>\$ 2,361,969</u>	<u>\$ 1,627,575</u>	<u>\$ 1,579,199</u>	<u>\$ 2,230,136</u>	<u>\$ 5,939,879</u>	<u>\$ 18,134,794</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer - Unsecured								
Pass (Ratings 1-6)	\$ -	\$ -	\$ 24,501	\$ -	\$ -	\$ 8,876	\$ 2,058,592	\$ 2,091,969
Special Mention (Rating 7)	-	-	-	-	-	-	-	-
Substandard (Rating 8)	-	-	-	-	-	-	-	-
Doubtful (Rating 9)	-	-	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,876</u>	<u>\$ 2,058,592</u>	<u>\$ 2,091,969</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**SUMMITBANK** Group, Inc. and Subsidiary  
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As of December 31, 2022					
Loan Grade					
	Pass (Ratings 1-6)	Special Mention (Rating 7)	Substandard (Rating 8)	Doubtful (Rating 9)	Totals
<b>Real Estate</b>					
Acquisition, Development & Construction	\$ 35,813,254	\$ -	\$ -	\$ -	\$ 35,813,254
Commercial	215,162,226	-	3,772,575	-	218,934,801
Multifamily	31,242,895	-	-	-	31,242,895
Owner Occupied	188,872,900	4,196,692	6,427,318	-	199,496,910
<b>Commercial and Industrial</b>					
Small Commercial Equipment	83,743,883	1,345,604	802,494	127,482	86,019,463
U.S. SBA PPP	60,002	-	-	-	60,002
Other Commercial & Industrial	146,906,707	448,369	1,936,100	-	149,291,176
<b>Consumer</b>					
Secured	17,498,043	27,936	99,600	-	17,625,579
Unsecured	1,988,257	-	-	-	1,988,257
Total	<u>\$ 721,288,167</u>	<u>\$ 6,018,601</u>	<u>\$ 13,038,087</u>	<u>\$ 127,482</u>	<u>\$ 740,472,337</u>
Percentage of Total Portfolio	97.41%	0.81%	1.76%	0.02%	100.00%

The following tables present an aged analysis of past due and nonaccrual loans at December 31, 2023 and 2022:

As of December 31, 2023							
	30-59 Days Past Due Still Accruing	60-89 Days Past Due Still Accruing	Greater than 90 Days Past Due Still Accruing	Nonaccrual	Total Past Due and Nonaccrual	Total Current	Total Loans Receivable
<b>Real Estate</b>							
Acquisition, Development & Construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,915,850	\$ 41,915,850
Commercial	-	-	-	-	-	253,853,976	253,853,976
Multifamily	-	-	-	-	-	87,905,681	87,905,681
Owner Occupied	-	-	-	-	-	233,924,228	233,924,228
<b>Commercial and Industrial</b>							
Small Commercial Equipment	1,614,686	947,360	-	773,941	3,335,987	72,459,748	75,795,735
U.S. SBA PPP	-	-	-	-	-	40,744	40,744
Other Commercial & Industrial	-	-	-	862,467	862,467	205,918,500	206,780,967
<b>Consumer</b>							
Secured	94,552	-	-	-	94,552	18,040,242	18,134,794
Unsecured	-	-	-	-	-	2,091,969	2,091,969
Total	<u>\$ 1,709,238</u>	<u>\$ 947,360</u>	<u>\$ -</u>	<u>\$ 1,636,408</u>	<u>\$ 4,293,006</u>	<u>\$ 916,150,938</u>	<u>\$ 920,443,944</u>
Percentage of Total Portfolio	0.19%	0.10%	0.00%	0.18%	0.47%	99.53%	100.00%

As of December 31, 2022							
	30-59 Days Past Due Still Accruing	60-89 Days Past Due Still Accruing	Greater than 90 Days Past Due Still Accruing	Nonaccrual	Total Past Due and Nonaccrual	Total Current	Total Loans Receivable
<b>Real Estate</b>							
Acquisition, Development & Construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,813,254	\$ 35,813,254
Commercial	-	-	-	-	-	218,934,801	218,934,801
Multifamily	-	-	-	-	-	31,242,895	31,242,895
Owner Occupied	-	-	-	-	-	199,496,910	199,496,910
<b>Commercial and Industrial</b>							
Small Commercial Equipment	954,784	899,352	35,368	563,064	2,452,568	83,566,895	86,019,463
U.S. SBA PPP	-	-	-	-	-	60,002	60,002
Other Commercial & Industrial	-	-	-	80,827	80,827	149,210,349	149,291,176
<b>Consumer</b>							
Secured	99,600	-	-	-	99,600	17,525,979	17,625,579
Unsecured	-	-	-	-	-	1,988,257	1,988,257
Total	<u>\$ 1,054,384</u>	<u>\$ 899,352</u>	<u>\$ 35,368</u>	<u>\$ 643,891</u>	<u>\$ 2,632,995</u>	<u>\$ 737,839,342</u>	<u>\$ 740,472,337</u>
Percentage of Total Portfolio	0.14%	0.12%	0.00%	0.09%	0.36%	99.64%	100.00%

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The following is an analysis of individually evaluated loans as of December 31, 2023:

	Individually Evaluated Loans with Allowance			Individually Evaluated Loans without Allowance		Total Individually Evaluated Loans	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance
<b>Real Estate</b>							
<b>Owner Occupied</b>							
Nonaccrual	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	1,856,037	1,824,835	182,746	5,996,990	5,968,302	7,853,027	7,793,137
Subtotals	1,856,037	1,824,835	182,746	5,996,990	5,968,302	7,853,027	7,793,137
<b>Commercial and Industrial</b>							
<b>Small Commercial Equipment</b>							
Nonaccrual	698,229	762,682	228,805	-	-	698,229	762,682
Other	24,359	26,565	7,969	-	-	24,359	26,565
<b>Other Commercial &amp; Industrial</b>							
Nonaccrual	228,761	225,011	17,792	-	-	228,761	225,011
Other	2,740,545	2,721,816	549,099	-	-	2,740,545	2,721,816
Subtotals	3,691,894	3,736,074	803,665	-	-	3,691,894	3,736,074
<b>Consumer Secured</b>							
Nonaccrual	-	-	-	-	-	-	-
Other	94,925	94,552	9,455	-	-	94,925	94,552
Subtotals	94,925	94,552	9,455	-	-	94,925	94,552
<b>Totals</b>	<b>\$ 5,642,856</b>	<b>\$ 5,655,461</b>	<b>\$ 995,866</b>	<b>\$ 5,996,990</b>	<b>\$ 5,968,302</b>	<b>\$ 11,639,846</b>	<b>\$ 11,623,763</b>

The following is an analysis of impaired loans as of December 31, 2022:

	Impaired Loans with Allowance			Impaired Loans without Allowance		Total Impaired Loans	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance
<b>Real Estate</b>							
<b>Owner Occupied</b>							
Nonaccrual	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	6,139,699	6,108,375	162,743	-	-	6,139,699	6,108,375
Subtotals	6,139,699	6,108,375	162,743	-	-	6,139,699	6,108,375
<b>Commercial and Industrial</b>							
<b>Small Commercial Equipment</b>							
Nonaccrual	515,266	563,064	168,919	-	-	515,266	563,064
Other	-	-	-	-	-	-	-
<b>Other Commercial &amp; Industrial</b>							
Nonaccrual	82,459	80,827	12,124	-	-	82,459	80,827
Other	-	-	-	-	-	-	-
Subtotals	597,725	643,891	181,043	-	-	597,725	643,891
<b>Totals</b>	<b>\$ 6,737,424</b>	<b>\$ 6,752,266</b>	<b>\$ 343,786</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,737,424</b>	<b>\$ 6,752,266</b>

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Average recorded investment in individually evaluated loans and interest income recognized as of December 31 2023 is presented below:

	Average Recorded Investment	Interest Recognized on Impaired Loans
<b>Real Estate</b>		
Acquisition, Development & Construction	\$ -	\$ -
Commercial	-	-
Multifamily	-	-
Owner Occupied	6,205,469	561,426
<b>Commercial and Industrial</b>	-	-
Small Commercial Equipment	586,367	266,636
Other Commercial & Industrial	1,896,452	359,081
<b>Consumer</b>	-	-
Secured	99,016	8,870
Unsecured	-	-
<b>Total</b>	<u>\$ 8,787,304</u>	<u>\$ 1,196,013</u>

Average recorded investment in impaired loans and interest income recognized as of December 31 2022 is presented below:

	Year Ended December 31, 2022	
	Average Recorded Investment	Interest Recognized on Impaired Loans
<b>Real Estate</b>		
Acquisition, Development & Construction	\$ -	\$ -
Other	-	-
Multifamily	-	-
Owner Occupied	5,101,079	313,370
<b>Commercial and Industrial</b>	-	-
Small Commercial Equipment	280,321	159,911
Other Commercial & Industrial	91,337	-
<b>Consumer</b>	-	-
Secured	-	-
Unsecured	-	-
<b>Total</b>	<u>\$ 5,472,737</u>	<u>\$ 473,281</u>

The cash basis interest income on impaired loans was not materially different than the interest recognized on impaired loans as shown in the above tables.

There were no loans modified during 2023. There was a single loan modified during 2022 with a principal balance of \$5,968,302 as of December 31<sup>st</sup> 2023, which is and has been both accruing interest and in compliance with its modified terms since modification. There were no commitments to lend additional funds to any borrowers whose loans have been modified. Determination of the allowance for credit losses for modified loans does not differ materially from the process for other loans in the Bank's portfolio.

## 5. Premises and Equipment:

Premises and equipment at December 31 consists of the following:

	2023	2022
Land	\$ 2,342,065	\$ 1,862,215
Building and improvements	8,920,581	6,527,439
Computer equipment and software	1,488,993	1,201,653
Furniture and equipment	2,993,310	2,241,793
Total	15,744,949	11,833,100
Accumulated depreciation	(5,429,772)	(4,786,273)
Premises and equipment, net	\$ 10,315,177	\$ 7,046,827

The Bank owns its headquarters building and leases to others approximately 10% of the building. Rental income recorded under non-cancelable leases as well as other month-to-month agreements totalled \$43,815 and \$50,502 for the years ended December 31, 2023 and 2022, respectively, and is recorded in noninterest income. At December 31, 2023, future expected rental revenues to be received under such non-cancelable leases are as follows:

2024	\$ 3,350
Total	<u>\$ 3,350</u>

## 6. Time Deposits:

Individual time deposits that met or exceeded the FDIC standard insurance coverage limit of \$250,000 totalled \$9,988,114 and \$1,767,882 at December 31, 2023 and 2022, respectively.

At December 31, 2023, the scheduled annual maturities of time deposits are as follows:

2024	\$ 53,310,748
2025	52,255
Thereafter	-
	<u>\$ 53,363,003</u>

## 7. Borrowings:

The Holding Company currently carries a total of \$20,000,000 aggregate principal in fixed to floating rate subordinated notes. The notes will mature on December 1, 2031 and bear an interest rate of 3.25% through November 30, 2026 and thereafter will bear an interest rate equal to Three-Month Term Secured Overnight Funding Rate (SOFR) plus 2.17% payable quarterly in arrears. Unamortized debt issuance costs as of December 31 2023 and 2022 were \$325,101 and \$366,201, respectively.

The Bank has repurchase agreements (REPOs) of \$3,603,528 (average rate 1.94%) and \$1,489,141 (average rate 0.40%) at December 31, 2023 and 2022, respectively. A REPO represents an agreement between the Bank and a customer to collateralize funds deposited by the customer in an interest-bearing repurchase sweep account. Investment securities are pledged by the Bank as collateral in an amount equal to the REPOs.

The Bank has a borrowing line with the FHLB equal to a maximum of 40% of the Bank's total assets, subject to limits based on collateral consisting of FHLB stock, funds on deposit with FHLB and eligible

portions of the Bank's loan and securities portfolios. The available borrowing line at December 31, 2023 was approximately \$228,800,000 exclusive of borrowings outstanding as of December 31, 2023 of \$35,000,000. The Bank had no outstanding borrowings against this line at December 31, 2022.

The Bank has secured and unsecured federal funds borrowing lines available with correspondent banks totalling \$25,000,000 at December 31, 2023. The Bank had no outstanding borrowings against these lines at December 31, 2023 nor 2022. The Bank also has a borrowing line available with the Federal Reserve Discount Window totalling approximately \$24,600,000 at December 31, 2023, which is secured by a portion of the Bank's loan portfolio. The Bank had no outstanding borrowings against this line at December 31, 2023 nor 2022.

## 8. Benefit Plans:

The Bank has a defined contribution 401(k) profit sharing plan covering substantially all employees. Employer contributions are discretionary and are determined annually by the Board of Directors. Employer contributions were \$552,909 and \$583,224 in 2023 and 2022, respectively.

The Bank has a deferred cash incentive plan for the benefit of certain key employees and a directors' deferred compensation plan for the Bank's directors. Bank contributions to these plans totalled \$241,199 and \$226,000 in 2023 and 2022, respectively. The liability for benefits under these plans totalled \$1,509,686 and \$1,248,598 as of December 31, 2023 and 2022, respectively, and is included in other liabilities in the accompanying consolidated balance sheets.

## 9. Stock Option and Equity Compensation Plans:

The Bank has employee and nonemployee equity compensation plans (the Plans) that reserve shares of stock for issuance to employees and directors in the form of stock options, restricted stock, or restricted stock units (RSUs). Under the Plans, the exercise price (for options) or the fair value (for restricted stock and RSUs) of awards granted must equal the market price of the Bank's stock on the date of the grant. Options granted under the Plans have a maximum term of ten years. Vesting generally occurs over periods ranging from one to four years. At December 31, 2023 and 2022, there were 687,571 and 754,129 shares of common stock available for future grants under the Plans.

During 2022, the Company's shareholders approved an amendment to the Plans that authorized an additional 711,485 shares available for future grants under the Plans.

The following table presents the activity related to stock options under the Plans for the years ended December 31:

	2023		2022	
	Options outstanding	Weighted- average exercise price	Options outstanding	Weighted- average exercise price
Balance, beginning of year	229,363	\$11.27	240,221	\$9.61
Granted:				
Directors	-	n/a	3,750	13.65
Employees	18,603	14.54	47,674	14.52
Exercised	(5,860)	10.22	(44,538)	6.39
Forfeited or expired	(4,804)	11.94	(17,744)	10.34
Balance, end of year	237,302	11.54	229,363	11.27
Exercisable, end of year	156,709	\$ 10.44	139,940	\$ 9.97



The total intrinsic value of stock options exercised was \$5,391 and \$349,667 for the years ended December 31, 2023 and 2022, respectively.

The following table presents additional information regarding stock options outstanding as of December 31, 2023:

Expiration	Weighted average exercise price per share in \$ dollars	Weighted average remaining contractual life	December 31, 2023	
			Exercisable	Outstanding
2024			-	-
2025	5.98	1.31	18,688	18,688
2026			-	-
2027	7.92	3.24	22,097	22,097
2028	10.21	4.09	25,281	25,281
2029	12.33	5.26	36,299	36,299
2030	10.57	6.25	12,140	16,182
2031	11.51	7.28	25,994	48,728
2032	14.46	8.21	16,210	51,424
2033	14.54	9.13	-	18,603
			<u>156,709</u>	<u>237,302</u>
Aggregate intrinsic value			<u>\$232,147</u>	<u>\$249,333</u>

The fair value of options granted under the Plans is estimated on the date of the grant using the Black-Scholes option pricing model. The fair value of the grants is amortized on a straight line basis over the requisite vesting periods. The expected life of options granted represents the period of time that they are expected to be outstanding. The expected life is determined based on the actual historical weighted average life of the Bank's options. Expected volatility is estimated at the date of grant based on the historical volatility of the Bank's common stock over a period similar to the expected life of the option. Dividends during the expected life are assumed to be zero. The risk-free interest rate is derived from the trailing twenty day U.S. Treasury yield at the time of the grant for a term equivalent to the expected life of the option. The Black-Scholes model used the following assumptions for the stock options granted during the years indicated:

	Expected Life (years)	Expected Volatility	Expected Dividends	Risk Free Rate
2023	7.0	15.5%	0.00%	3.62%
2022	7.0	8.2%	0.00%	2.03%

The weighted average fair value of options granted in 2023 and 2022 was \$4.11 and \$2.35, respectively. As of December 31, 2023, the total unrecognized compensation expense related to options granted amounted to \$116,183, which is expected to be recognized during 2024-2026, a weighted average period of 0.8 years.

The fair value of restricted stock and RSUs awarded under the Plans is measured based on the number of shares granted and the market price of the Bank's common stock on the date of grant. This amount is recognized as an expense over the corresponding requisite service period. As of December 31, 2023, the total unrecognized compensation expense related to restricted stock awards granted amounted to \$578,387, which is expected to be recognized during 2024-2026. Weighted average years to vest for outstanding restricted stock grants as of December 31, 2023 is 0.8 years. The following presents the Bank's restricted stock and RSU activity for the years ended December 31, 2023 and 2022:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested as of December 31, 2021	47,758	\$ 10.17
Granted	31,416	14.53
Vested	(24,963)	10.09
Forfeited	(4,235)	10.82
Unvested as of December 31, 2022	49,976	12.88
Granted	52,951	14.34
Vested	(26,732)	13.21
Forfeited	(192)	11.94
Unvested as of December 31, 2023	76,003	\$ 13.76

There were a total of 71,554 shares of restricted stock and options granted during 2023, none of which vested in 2023, nor were any surrendered unvested. The remaining 2023 grants are expected to vest during 2024-2026. There were 27,464 and 25,978 options that vested during the years ended December 31, 2023 and 2022 with a total fair value of \$62,658 and \$62,678, respectively. There were 26,348 and 24,963 shares of restricted stock that vested during the years ended December 31, 2023 and 2022 with a total fair value of \$348,559 and \$251,843, respectively.

Weighted average shares outstanding for the years ended December 31 are as follows:

	2023	2022
Basic	7,668,796	7,621,409
Common stock equivalents attributable to stock based grants outstanding	80,638	81,940
Fully Diluted	7,749,434	7,703,349

## 10. Revenue from Contracts with Customers:

In accordance with ASC 606, revenues are recognized when goods or services are transferred to a customer in exchange for the consideration the Bank expects to be entitled to receive. The largest portion of the Bank's revenue is from interest income, which is excluded from the scope of ASC 606. All of the Bank's revenue from contracts with customers which is within the scope of ASC 606 is recognized in noninterest income.

If a contract is determined to be within the scope of ASC 606, the Bank recognizes revenue as it satisfies a performance obligation. Payments from customers are generally collected at the time services are rendered, monthly, or quarterly. For contracts with customers within the scope of ASC 606, revenue is either earned at a point in time or revenue is earned over time. Examples of revenue earned at a point in time are automated teller machine ("ATM") transaction fees, wire transfer fees, overdraft fees and interchange fees. Revenue is primarily based on the number and type of transactions that are generally derived from transactional information accumulated by the Bank's systems and is recognized immediately as the transactions occur or upon providing the service to complete the customer's transaction. The Bank is generally the principal in these contracts, with the exception of interchange fees, in which case the Bank is acting as the agent and records revenue net of expenses paid to the principal. Examples of revenue earned over time, which generally occur on a monthly basis, are deposit account maintenance fees, merchant revenue, and safe deposit box fees. Revenue is generally derived from transactional information accumulated by the Bank's systems or those of third-parties and is recognized as the related transactions occur or services are rendered to the customer.

The following table includes the Bank's noninterest income disaggregated by type of service for the years ended December 31, 2023 and 2022:

	2023	2022
Bank card and interchange fees	\$ 691,581	\$ 819,987
Loan servicing fees <sup>1</sup>	140,939	198,044
Early termination gains on loans	834,998	952,485
Service charges on deposit accounts	124,912	109,858
Bank-owned life insurance income <sup>1</sup>	168,300	89,606
Real estate lease income <sup>1</sup>	43,815	50,502
Gains (losses) on sales and write-downs of repossessed assets, net	(1,824,101)	(66,294)
Other	327,429	605,898
Total noninterest income	<u>\$ 507,873</u>	<u>\$ 2,760,086</u>

<sup>1</sup>Not in the scope of ASC 606

For the years ended December 31, 2023 and 2022, substantially all of the Bank's revenues within the scope of ASC 606 are for performance obligations satisfied at a specified date. Revenues recognized within the scope of ASC 606 include:

**Bank card and interchange fees:** Bank card and interchange fees are earned when a debit card issued by the Bank is used. The Bank earns interchange fees from debit cardholder transactions through the Visa® payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The performance obligation is satisfied and the fees are earned when the cost of the transaction is charged to the cardholders' debit card. Certain expenses directly associated with the debit cards are recorded on a net basis with the interchange income.

**Other noninterest loan income:** Other noninterest loan income includes early termination fees and other income from loans that the Bank services. These fees are recognized on a daily, monthly, quarterly or annual basis, depending on the type of service.

**Service charges on deposit accounts:** Fees are earned on the Bank's deposit accounts for various products offered to or services performed for the Bank's customers. Fees include business account fees, non-sufficient fund fees, stop payment fees, wire services, safe deposit box and others. These fees are recognized on a daily, monthly or quarterly basis, depending on the type of service.

**Losses on sales and write-downs of repossessed assets, net:** The Bank records a gain or loss from the sale of repossessed assets when control of the property transfers to the buyer, which generally occurs at the time of an executed deed or title.

**Other:** Fees earned on other services, such as merchant services or occasional non-recurring type services, are recognized at the time of the event or the applicable billing cycle.

As of December 31, 2023, the Bank had no significant contract liabilities where the Bank had an obligation to transfer goods or services for which the Bank had already received consideration. In addition, the Bank had no material unsatisfied performance obligations as of this date.

# 11. Other Expense:

Other expense for the years ended December 31 is comprised of the following:

	2023	2022
Professional services	\$ 521,731	\$ 519,062
Printing, supplies and postage	548,247	440,020
Regulatory assessments	536,439	394,872
Advertising, marketing and public relations	838,562	715,241
Loan expenses and collection	750,428	238,391
Communications	263,414	207,412
Correspondent bank fees	342,859	180,335
Other operating expenses	1,567,337	1,068,582
Total other expense	<u>\$ 5,369,017</u>	<u>\$ 3,763,915</u>

# 12. Income Taxes:

The income tax provision consists of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Current		
Federal	\$ 2,589,200	\$ 3,484,571
State	629,519	897,328
Deferred	80,027	93,830
Total income tax provision	<u>\$ 3,298,746</u>	<u>\$ 4,475,729</u>

The income tax provision results in effective tax rates that are different than the federal income tax statutory rate. The nature of the differences for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Expected federal income tax provision at statutory rates	\$ 2,566,103	\$ 3,786,038
State taxes	880,500	806,355
Permanent differences	25,900	(23,072)
Other	(173,757)	(93,592)
Total income tax provision	<u>\$ 3,298,746</u>	<u>\$ 4,475,729</u>

The tax effects of temporary differences that give rise to deferred tax assets and liabilities as of December 31, 2023 and 2022 are as follows:

	<b>2023</b>	<b>2022</b>
Deferred tax assets:		
Allowance for credit losses	\$ 3,247,010	\$ 2,994,355
Accrued vacation	17,500	15,325
Other accrued expenses	45,300	33,043
Repossessioned assets	3,200	1,284
Deferred compensation	398,255	320,518
Share-based compensation	-	-
Unrealized losses on investment securities	965,380	1,430,000
Secondary accrued interest	129,700	72,494
Operating lease liability	95,485	162,721
Other	50,000	49,447
Total deferred tax assets	<u>4,951,830</u>	<u>5,079,187</u>
Deferred tax liabilities:		
Depreciation	(515,750)	(371,405)
Loan origination costs	(1,535,714)	(1,598,594)
Prepaid expenses and other	(130,000)	(108,365)
Share-based compensation	(26,000)	(25,901)
Operating lease right-of-use asset	(91,666)	(165,543)
Other	(81,198)	(157,850)
Total deferred tax liabilities	<u>(2,380,328)</u>	<u>(2,427,658)</u>
Total net deferred tax assets	<u>\$ 2,571,502</u>	<u>\$ 2,651,529</u>

The Bank has determined that it is not required to establish a valuation allowance for the net deferred tax assets as of December 31, 2023 and 2022, as management believes it is more likely than not that the net deferred tax assets will be realized through reversals of existing taxable temporary differences and future taxable income.

### 13. Commitments and Contingencies:

In order to meet the financing needs of its clients, the Bank commits to extensions of credit and issues standby letters of credit. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Commitments to extend credit are agreements to lend to a client as long as there is no violation of any conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Standby letters of credit written are conditional commitments issued by the Bank to guarantee the performance of a client to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients.

To manage interest rate risk, the Bank enters into interest rate swaps that effectively convert fixed rate

loans into variable rate instruments earning a margin over a short term index, typically SOFR. These fair value hedges have been structured in most cases to be perfectly effective. Any ineffectiveness is recognized in earnings. Cash and investment securities at December 31, 2023 totalling \$4,150,714 are held by counterparties and are pledged as security for these interest rate swaps.

Financial instruments with off-balance-sheet risk at December 31 are as follows:

	<b>2023</b>	<b>2022</b>
Commitments to extend credit	\$ 342,517,171	\$ 230,841,980
Standby letters of credit	1,067,137	1,233,948
Interest rate swaps (receive variable - pay fixed, maturing 2024-2048):		
Principal amount of hedged loans	148,645,465	143,548,715
Fair value adjustment, included in other liabilities (assets)	(5,229,957)	(8,010,000)
Total fair value of hedged loans	<u>\$ 143,415,508</u>	<u>\$ 135,538,715</u>

Due to the nature of its activities, the Bank is periodically subject to litigation arising in the ordinary course of business, which is generally expected to not have a material effect on the Bank's consolidated financial position, results of operations, and cash flows as of and for the year ended December 31, 2023.

The Bank has entered into employment agreements with certain key employees, which provide for contingent payments upon a change in control of the Bank, as defined in the agreements.

#### 14. Related Party Transactions:

In the normal course of business, the Bank has granted loans to officers and directors and to companies with which they are associated. Such loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. Activity with respect to these loans during the years ended December 31 was as follows:

	<b>2023</b>	<b>2022</b>
Balance, beginning of year	\$ 4,804,199	\$ 5,325,457
Additions or renewals	13,938,930	200,000
Principal repayments and other reductions	(1,241,698)	(721,258)
Balance, end of year	<u>\$ 17,501,431</u>	<u>\$ 4,804,199</u>

In addition, there were \$2,403,474 in commitments to extend credit to officers and directors, including related entities, at December 31, 2023 which are included as part of commitments in Note 13.

Deposits from officers and directors totalled \$7,800,394 and \$10,984,270 at December 31, 2023 and 2022, respectively.

## 15. Fair Value Measurements:

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. GAAP also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based upon the underlying inputs, each fair value measurement in its entirety is reported in one of the three levels. These levels are:

- Level 1: Fair value of the asset or liability is determined using unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Fair value of the asset or liability is determined using inputs other than quoted prices that are observable for the applicable asset or liability, either directly or indirectly, such as quoted prices for similar (as opposed to identical) assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Fair value of the asset or liability is determined using unobservable inputs that are significant to the fair value measurement and reflect management's own assumptions regarding the applicable asset or liability.

The following disclosures are made in accordance with provisions of GAAP. The use of different assumptions and estimation methods could have a significant effect on fair value amounts. Accordingly, the estimates of fair value herein are not necessarily indicative of the amounts that might be realized in a current market exchange.

The carrying amount and estimated fair value of the Bank's financial instruments are as follows at the dates indicated:

December 31, 2023	Carrying Amount	Level I	Level II	Level III	Estimated Fair Value
<b>Assets:</b>					
Cash and cash equivalents	\$ 74,401,873	\$ 74,401,873	\$ -	\$ -	\$ 74,401,873
Investment securities available-for-sale	56,762,642	-	56,762,642	-	56,762,642
Hedged loans, net of allowance for credit losses	143,415,508	-	143,415,508	-	143,415,508
Other loans, net of allowance for credit losses	766,516,971	-	739,042,268	4,646,990	743,689,257
Interest receivable	3,951,787	-	3,951,787	-	3,951,787
FHLB and PCBB stock	2,594,100	-	2,594,100	-	2,594,100
Cash surrender value of bank-owned life insurance	8,373,759	-	8,373,759	-	8,373,759
<b>Liabilities:</b>					
Time deposits	53,363,003	-	53,794,700	-	53,794,700
Repurchase agreements and secured borrowings	38,603,528	-	38,603,528	-	38,603,528
Term borrowings	19,674,899	-	19,674,899	-	19,674,899
Interest rate swap agreements	540,113	-	540,113	-	540,113
<b>December 31, 2022</b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 140,319,583	\$ 140,319,583	\$ -	\$ -	\$ 140,319,583
Investment securities available-for-sale	62,960,462	-	62,960,462	-	62,960,462
Hedged loans, net of allowance for loan losses	135,538,715	-	135,538,715	-	135,538,715
Other loans, net of allowance for loan losses	596,596,353	-	554,797,682	6,393,638	561,191,320
Interest receivable	3,169,999	-	3,169,999	-	3,169,999
FHLB and PCBB stock	1,517,700	-	1,517,700	-	1,517,700
Cash surrender value of bank-owned life insurance	8,185,532	-	8,185,532	-	8,185,532
<b>Liabilities:</b>					
Time deposits	44,643,820	-	44,853,767	-	44,853,767
Repurchase agreements and secured borrowings	1,489,141	-	1,489,141	-	1,489,141
Term borrowings	19,633,799	-	19,633,799	-	19,633,799
Interest rate swap agreements	112,000	-	112,000	-	112,000



The following methods were used to estimate the fair value of each class of financial instrument above that is measured and recorded at estimated fair value on a recurring basis:

**Investment Securities Available-for-Sale**– Fair value is estimated using quoted market prices for similar securities.

**Hedged Loans** – Fair value of hedged fixed-rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit characteristics and for the same remaining maturities.

**Interest Rate Swap Agreements** – Fair value of interest rate swap agreements is estimated based upon quoted prices for similar instruments in the over the counter swaps market.

The following tables present assets that are measured at estimated fair value on a nonrecurring basis at the dates indicated:

		Estimated fair value measurements using		
	Total estimated fair value	Level I	Level II	Level III
December 31 2023				
Reposessed assets	\$ 672,135	\$ -	\$ -	\$ 672,135
Individually evaluated loans with allowance	\$ 4,646,990	\$ -	\$ -	\$ 4,646,990
December 31 2022				
Reposessed assets	\$ 342,610	\$ -	\$ -	\$ 342,610
Impaired loans	\$ 6,393,638	\$ -	\$ -	\$ 6,393,638
	Valuation technique	Significant unobservable inputs		
Reposessed assets	Market approach	Appraised value of collateral less selling costs		
Impaired or individually evaluated loans	Market and income approach	Discounted cash flows or appraised value of collateral less selling costs		

The Bank considers third party appraisals in determining the fair value of reposessed assets and impaired loans. Appraisals are adjusted by the Bank in consideration of economic and market conditions that could impact the value of the assets.

The fair values presented above represent management's best estimates based on a range of methodologies and assumptions. Where appropriate, expected cash flows are discounted using an applicable rate considering the time of collection, credit risk, and the discount for the uncertainty of the cash flows.

There were no transfers to or from Level III during 2023 or 2022.

## 16. Leases:

The Bank has noncancelable operating lease agreements for office space that require future minimum rental payments. The Bank does not have any operating leases with an initial term of 12 months or less. The Bank's operating leases contain various provisions for increases in rental rates based on predetermined escalation schedules. The Bank's operating leases also provide the Bank with options to extend the lease terms one or more times following expiration of the initial terms. Lease extensions are not reasonably certain, and the Bank generally does not recognize payments occurring during option periods in the calculation of its operating lease right-of-use assets and operating lease liabilities.

The table below presents the operating lease right-of-use assets and operating lease liabilities recorded in the consolidated balance sheets as of December 31, 2023 and 2022:

	2023	2022	Balance sheet classification
Operating lease right-of-use assets	\$ 347,482	\$ 616,524	Other assets
Operating lease liabilities	361,958	635,724	Other liabilities
Operating lease weighted-average remaining lease term	2.26 years	2.81 years	
Operating lease weighted-average discount rate	3.41%	3.39%	

Costs of operating leases for the years ended December 31, 2023 and 2022 totalled \$286,332 and 159,994, respectively and are recorded in occupancy and equipment expense in the consolidated statements of income.

**Supplemental cash flow information** – Operating cash flows paid for the operating lease amounts included in the measurement of the lease liability were \$291,056 and \$160,996 for the years ended December 31, 2023 and 2022, respectively. The following table reconciles the undiscounted cash flows for the periods indicated related to the Bank’s operating lease liabilities as of December 31, 2023:

Years ending December 31	
2024	\$ 209,947
2025	90,600
2026	53,798
2027	22,645
Total minimum lease payments	376,990
Less: amount of lease payment representing interest	(15,032)
Lease liability	<u>\$ 361,958</u>

## 17. Regulatory Matters:

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

Regulatory capital regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. As of December 31, 2023 and 2022, the most recent regulatory notification classified the Bank as well capitalized under the prompt corrective action regulatory framework. There are no conditions or events since that notification that management believes have changed the Bank’s category

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth,

Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2021 and was elected by the Bank as of March 31, 2021. Under the interim final rules, the CBLR minimum Tier 1 capital to average assets requirement was 9.0% for 2022 and beyond. As of December 31, 2022, both the Holding Company and the Bank were qualifying community banking organizations as defined by federal banking agencies and elected to measure capital adequacy under the CBLR framework.

Additionally, an institution must meet other requirements to qualify for the CBLR framework, notably a limitation on total unfunded and not unconditionally cancellable loan commitments and other off balance sheet items as a percentage of total assets. The interim final rule established the maximum for this ratio at 25.0% of total assets. As of December 31 2023, the Bank's total of not unconditionally cancellable loan commitments as a percentage of total assets exceeded the 25.0% limit and thus the Bank has calculated and reported its regulatory capital ratios under the previous Risk Weighted framework as of December 31 2023.

Under the final rule, an eligible banking organization that is reporting its regulatory capital under the Risk Weighted framework can revert back to the CBLR framework without restriction, provided that it meets all requirements for doing so.

The Bank's actual and required capital amounts (in thousands) and ratios are as follows for the year ended December 31, 2023:

	Actual		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio
Total capital to risk weighted assets (\$ in thousands)	\$ 127,274	12.71%	\$ 100,121	10.00%
Tier I capital to risk weighted assets (\$ in thousands)	114,756	11.46%	\$ 80,097	8.00%
Common Equity Tier I to risk weighted assets (\$ in thousands)	114,756	11.46%	\$ 65,079	6.50%
Tier I capital to average total assets (\$ in thousands)	114,756	10.66%	\$ 53,847	5.00%

The Bank's actual and required capital amounts (in thousands) and ratios were as follows for the year ended December 31, 2022:

	Actual		To be Well Capitalized Under Prompt Corrective Action Provisions (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
Tier I capital to average total assets (\$ in thousands)	\$ 104,419	10.51%	\$ 89,381	9.00%

**The Federal Deposit Insurance Corporation has not reviewed these consolidated financial statements for accuracy or relevance.**

## Board of Directors



**RICHARD M. ABRAHAM, MD**

Dr. Abraham has been a practicing Emergency and Occupational Medicine physician with Cascade Medical Associates since 1979. He is a founding member of BestMed (formally Eugene Urgent Care) walk-in clinics and the past President and current COO of Drs. Emergency Room Corporation dba Cascade Medical Associates. He is a founding Director of Summit Bank and also serves on the boards of Cascade Health Solutions, AttWill Vascular Technologies, BestMed and McKenzie Willamette Medical Center. He has previously served on the boards of MWMC Foundation, PacificSource, the Health and Safety Institute and the Marist Foundation. Director since 2003.



**PATRICIA O. BUEHLER, MD**

Dr. Buehler is a surgeon specializing in cataract and Lasik surgery and an owner of three businesses. Dr. Buehler is a managing partner of InFocus Eye Care, a specialty vision correction facility in Bend, and an owner and founder of the Bend Surgery Center. She is the CEO and co-founder of a medical device company, Osheru, with her husband, Dr. Knute Buehler. She serves on the executive committee of the board of directors of Lines for Life, a statewide substance abuse and suicide prevention non-profit. Director since 2016.



**DANIEL P. HOBIN**

Mr. Hobin has more than 25 years of experience in starting, building, and selling technology companies. He is currently the Managing Partner of Chipper Creek Innovation, a small investment firm that invests in entrepreneurs who are passionate about giving back, making an impact, and generating attractive risk-adjusted returns. Previously, Mr. Hobin was a co-founder and CEO of G5, the leading provider of marketing software and services in the property management sector. Mr. Hobin is a co-founder of the Bend Venture Conference, and is on the advisory board for Oregon State University Cascades. Director since 2016.



**STEVEN J. KORTH**

Mr. Korth is a partner and the director of real estate and development for his family business, McKay Investment Company. He has been a Director of the Bank since 2008 and has served on the boards of the Eugene Chamber of Commerce, Lane Metro Partnership, and the Oregon Community Foundation. He is also active in local government, having served on the Mayor of Eugene's Economic Development Committee, the Eugene Enterprise Zone Committee, and as a member of the Eugene School Districts "Shaping 4-J's Future" task force. Director since 2008.



**JAMIE H. MOFFITT**

Ms. Moffitt is the Senior Vice President for Finance and Administration and CFO of the University of Oregon. She holds degrees from Harvard College, the Fletcher School of Law and Diplomacy, and Harvard Law School. Prior to joining the University of Oregon in 2003, Ms. Moffitt spent seven years working in the private sector including as a consultant with McKinsey and Company. She has served on the Board and audit committee of Anixter, Inc. (formerly NYSE: AXE), a company with over \$8.5 billion in annual revenue and on the audit committee of the PAC-12 Athletic Conference. Currently, she serves in an ex-officio capacity on the Board and investment committee of the University of Oregon Foundation. Director since 2022.



**J. ANDREW MOORE**

Mr. Moore is co-president of Bigfoot Beverages. He has been a Director of Summit Bank for more than eleven years and also serves on the boards of the Oregon Beverage Association, the American Beverage Association, Cascade Health Solutions, Pepsi Northwest Beverages, and the Pepsi-Cola Bottlers Association. Director since 2010.



**DENNIS G. OREM**

Mr. Orem is the CEO of Jerry's Home Improvement Centers located in Eugene and Springfield. He is a founding Director of the Bank and has been an active participant in local, regional, and national industry trade organizations including serving on the boards of the Western Building Materials Association, the Home Center Institute, and the Eugene Chamber of Commerce. Director since 2003.



**ANDY J. STORMENT**

Mr. Storment is a founding director of Summit Bank and current Board Vice Chair. He also manages investments in commercial real estate and operating companies primarily in the Northwest. He serves as a Trustee on the University of Oregon Board of Trustees and on the boards of Jerry's Home Improvement Centers, The Ford Family Foundation, Oregon Equipment Sales, and Stahlbush Island Farms, Inc. Director since 2003.



**CRAIG A. WANICHEK**

Mr. Wanichek currently serves as the President and Chief Executive Officer of Summit Bank and Summit Bank Group, Inc. Mr. Wanichek joined Summit Bank in 2009 holding various Executive Management positions including President and Chief Credit Administrator prior to succeeding Summit Bank's founding CEO in 2013. Mr. Wanichek previously served in several management positions with a local NYSE-traded manufacturing company following seventeen years in banking. He is Past Chairman of the Board of Directors for the Oregon Bankers Association. He was previously a Federal Delegate representing Oregon for the Independent Community Bankers of America (ICBA). He is currently serving on the Board of Directors for ICBA Securities. Mr. Wanichek has served as chair of the Eugene Chamber of Commerce and Cascade Health. He is a graduate of the University of Oregon with a Bachelor's degree in Economics. Director since 2013.



**R. PAUL WEINHOLD**

Mr. Weinhold is the President and Chief Executive Officer of the University of Oregon Foundation. He is a founding Director of Summit Bank and currently serves as the Board Chair. He has served in leadership roles for a variety of local non-profits and served as the Chair of Oregon22, the organization responsible for hosting the World Track and Field Championship in Oregon. Prior to joining the University of Oregon Foundation, he spent more than twenty years in leadership roles in the commercial insurance industry. Director since 2003.

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**PORTLAND OFFICE**

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SCOTT GOLDSTEIN  
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**PORTLAND WESTSIDE OFFICE**

LOAN PRODUCTION/DEPOSIT PRODUCTION OFFICE  
1915 NE Stucki Ave #155  
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Stock Symbol: SBKO

## SUMMIT BANK TEAM

### CENTRAL OREGON OFFICE

DAVID AXBERG, AVP Portfolio Manager  
RACHAEL BAKER, SVP Compliance Officer  
LAURA BEST, AVP Branch Operations Supervisor  
JORDAN BURCHAM, AVP Portfolio Manager  
MAKAYLA CAPON, Universal Banker I  
CARLYN CARMICHAEL, VP Business Client Advisor  
JILL L CUMMINGS, VP Central Oregon Market Manager  
SARA DANNIS, Business Client Courier  
REXANNE DOVE, Commercial Loan Support Specialist  
MATTHEW DYNICE, SVP Credit Administrator  
MYLES FUCHS, Universal Banker I  
CHRISTIAN HASLINGER, Credit Administration Associate

KAYLA KUPER, Universal Banker I  
ROGER LEE, VP Business Client Advisor  
MAARTY LEUNEN, AVP Market Development Officer  
SAVANNAH MONTGOMERY, Branch Operations Asst. Manager  
DEVON MYERS, AVP Marketing Specialist  
TAYLOR ANNE NESTELL, Associate Business Client Advisor  
GARY O CONNELL, EVP Central Oregon President  
CHELISE PEED, Lending Compliance Specialist  
ZACHARY SUNDSTEN, VP Business Client Advisor  
NOELLE SWEE, Business Banking Associate  
STEPHEN WHEELER, Associate Business Client Advisor

### PORTLAND OFFICE

TIFFANI BEAM, Universal Banker I  
ANNA BERG, Portfolio Manager  
CHRIS BARRON, VP Relationship Banking Manager  
JACQUELINE COSTELLO, VP Business Client Advisor  
KEVIN DONOVAN, Associate Business Client Advisor  
JESSE GOODMAN, Portfolio Manager  
JACOB HARTOUGH, Relationship Banking Officer

ROCHELLE LUNSFORD, AVP Branch Operations Supervisor  
REBEKAH PRATT, VP Business Client Advisor  
ANDREW SCHAEER, VP Portfolio Manager  
LOGAN SHERWOOD, Associate Business Client Advisor  
BRIAN THOMAS, SVP Commercial Banking Team Leader  
STEVEN WATTS, SVP Business Client Advisor  
SCOTT WELLS, Commercial Banking Team Leader

### WESTSIDE PORTLAND OFFICE

JOSH ADAMS, SVP Business Client Advisor  
TRACY DOBBYN, Commercial Loan Support Specialist  
FERNANDO LIRA, Relationship Banking Officer

GREGORY OAKES, SVP Business Client Advisor  
DAN WAHLIN, SVP Commercial Banking Team Leader  
ZACHARY WEBER, AVP Senior Associate Business Client Advisor



## EUGENE OFFICE

**SHELLY ADAIR**, EFG Account Support Specialist II  
**MIKE ALBIN**, Technology Support Specialist III  
**LINDA ALGER**, EFG Sr. Collections Specialist  
**RACHEL ARBOGAST**, Loan Servicing Representative II  
**DAVIS ASHLEY**, New Accounts Team Lead  
**THOMAS BALL**, VP Business Client Advisor  
**AUSTIN BANKS**, Associate Business Client Advisor  
**JENNY BENNETT**, EVP Eugene/Springfield Market President  
**JESSICA BERNDT**, Client Services Representative  
**JAMIE BROCKETT**, Loan Documentation Specialist I  
**MEGAN BROWN**, HR Specialist  
**PIOTREK BUCIARSKI**, SVP Commercial Banking Team Leader  
**CHLOE CHAPMAN**, VP Business Client Advisor  
**ALYSSA CLARE**, Branch Operations Supervisor  
**KYLE COOK**, Senior SBA Portfolio Associate  
**NATASHA CRAWFORD**, Support Specialist II  
**RACHAEL CRAWFORD**, Treasury Management Officer  
**VICKIE CUSSINS**, VP Corporate Secretary, Administration  
**DARRYL DARE**, SVP Director Information Technology Services  
**JEAN DARMADI**, Associate Business Client Advisor  
**GRACE DAVIS**, Client Services Advisor  
**NICOLE DEAN**, Client Services Representative  
**JULIE DEATON**, Loan Documentation Team Lead  
**MICHAEL DEMING**, Associate Business Client Advisor  
**LISA DEUEL**, Support Specialist I  
**ROBERT DVORAK**, EFG Collections Specialist I  
**MELANIE ELMORE**, VP SBA Program Advisor  
**TRACI EWING**, AVP eBanking Manager  
**DARVIN FOWLER**, SVP Commercial Banking Team Leader  
**MAGGIE FRITCHMAN**, Assistant Operations Supervisor  
**DANIELLE GILLETTE**, Compliance & Deposit Ops Specialist  
**WESLEY GODELL**, Finance Associate  
**RODNEY GOEBEL**, Business Client Courier  
**SCOTT GOLDSTEIN**, EVP Chief Financial Officer  
**COLLEEN HARFORD**, EFG Funding Specialist I  
**T'KEYAH HAY**, SBA Operations Manager  
**JACKSON HEATH**, Associate Business Client Advisor  
**CHRIS HEMMINGS**, EVP Strategic Planning & Risk Management  
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**MONICA HYDE**, AVP Loan Documentation Manager  
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