

Report of Independent Auditors and  
Consolidated Financial Statements

**Golden Valley Bancshares, Inc.**

December 31, 2024 and 2023

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## **Report of Independent Auditors**

The Board of Directors and Shareholders  
Golden Valley Bancshares, Inc. and Subsidiary

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Golden Valley Bancshares, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Golden Valley Bancshares, Inc. and Subsidiary as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Golden Valley Bancshares, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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



Sacramento, California

March 28, 2025

## **Consolidated Financial Statements**

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**Golden Valley Bancshares, Inc. and Subsidiary**  
**Consolidated Balance Sheets**  
**December 31, 2024 and 2023**

	2024	2023
<b>ASSETS</b>		
Cash and cash equivalents		
Cash and due from banks	\$ 10,859,614	\$ 7,142,073
Federal funds sold	7,729,012	11,624,168
Interest-bearing deposits in other financial institutions	63,698,577	23,652,439
Total cash and cash equivalents	82,287,203	42,418,680
Interest-bearing time deposits in other financial institutions	13,921,500	13,162,900
Available-for-sale investment securities, at fair value (amortized cost of \$116,960,078 and \$97,186,656 and allowance for credit losses of \$0, as of December 31, 2024 and 2023)	104,341,365	84,416,426
Held-to-maturity investment securities, at amortized cost, net of allowance for credit losses of \$0 at December 31, 2024 and 2023	76,200,643	95,605,200
Loans, less allowance for credit losses of \$3,937,772 in 2024, and \$3,936,502 in 2023	243,562,379	236,167,990
Bank premises and equipment, net	3,419,788	3,715,044
Right-of-use (ROU) lease asset	1,088,823	1,435,419
Bank-owned life insurance, net	1,358,337	1,332,772
Accrued interest receivable and other assets	10,110,576	10,309,088
Total assets	<u>\$ 536,290,614</u>	<u>\$ 488,563,519</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities		
Deposits		
Noninterest-bearing	\$ 159,637,471	\$ 168,059,693
Interest-bearing	329,278,121	276,985,692
Total deposits	488,915,592	445,045,385
Subordinated debt	5,891,291	5,842,976
ROU lease liability	1,154,114	1,522,338
Accrued interest payable and other liabilities	1,625,410	1,525,550
Total liabilities	497,586,407	453,936,249
Commitments and contingencies (Note 11)		
Shareholders' equity		
Preferred stock – no par value; 5,000,000 shares authorized, none outstanding	-	-
Common stock – no par value; 50,000,000 shares authorized; shares issued and outstanding 2,236,861 in 2024, and 2,228,611 in 2023	19,334,256	19,217,734
Retained earnings	30,379,050	27,134,494
Accumulated other comprehensive loss, net of tax	(11,009,099)	(11,724,958)
Total shareholders' equity	38,704,207	34,627,270
Total liabilities and shareholders' equity	<u>\$ 536,290,614</u>	<u>\$ 488,563,519</u>

See accompanying notes.

**Golden Valley Bancshares, Inc. and Subsidiary**  
**Consolidated Statements of Income**  
**Years Ended December 31, 2024 and 2023**

	2024	2023
Interest income		
Interest and fees on loans	\$ 13,549,514	\$ 12,495,163
Interest on time deposits and in other financial institutions	3,428,743	1,897,117
Interest on federal funds sold	312,773	516,219
Interest on tax-exempt investment securities	181,495	183,042
Interest on taxable investment securities	4,060,279	4,336,638
Total interest income	21,532,804	19,428,179
Interest expense		
Interest on deposits	6,486,316	4,126,650
Interest on borrowings	303,334	303,332
Total interest expense	6,789,650	4,429,982
Net interest income before provision for credit losses	14,743,154	14,998,197
Provision for credit losses	4,000	8,613
Net interest income after provision for credit losses	14,739,154	14,989,584
Non-interest income		
Service charges and fees	883,894	843,140
Loan mortgage fees	151,499	67,256
Other	68,553	64,564
Total non-interest income	1,103,946	974,960
Non-interest expense		
Salaries and employee benefits	6,542,480	6,176,001
Occupancy and equipment	936,256	834,647
Other	3,899,709	3,668,444
Total non-interest expense	11,378,445	10,679,092
Income before provision for income taxes	4,464,655	5,285,452
Provision for income taxes	1,220,099	1,535,000
Net income	<u>\$ 3,244,556</u>	<u>\$ 3,750,452</u>
Basic income per common share	<u>\$ 1.45</u>	<u>\$ 1.68</u>
Diluted income per common share	<u>\$ 1.42</u>	<u>\$ 1.66</u>

See accompanying notes.

**Golden Valley Bancshares, Inc. and Subsidiary**  
**Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2024 and 2023**

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	2024	2023
Net income	\$ 3,244,556	\$ 3,750,452
Other comprehensive income		
Unrealized holding gain arising during the year on available-for-sale investment securities	151,515	2,373,645
Less reclassification adjustment for amortization of unrealized losses on securities transferred to held-to-maturity	865,344	892,176
Tax effect	(301,000)	563,691
Total other comprehensive income	715,859	3,829,512
Total comprehensive income	<u>\$ 3,960,415</u>	<u>\$ 7,579,964</u>

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See accompanying notes.



**Golden Valley Bancshares, Inc. and Subsidiary**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**Years Ended December 31, 2024 and 2023**

	Common Stock		Retained	Accumulated	Total
	Shares	Amount	Earnings	Other Comprehensive Income (Loss)	Shareholders' Equity
Balance, December 31, 2022	2,235,188	\$ 19,140,359	\$ 23,570,042	\$ (15,554,470)	\$ 27,155,931
Cumulative change from adoption of ASU 2016-13, net of tax	-	-	(186,000)	-	(186,000)
Net income	-	-	3,750,452	-	3,750,452
Other comprehensive income	-	-	-	3,829,512	3,829,512
Share-based compensation	-	174,610	-	-	174,610
Repurchase of common stock	(6,577)	(97,235)	-	-	(97,235)
Balance, December 31, 2023	2,228,611	19,217,734	27,134,494	(11,724,958)	34,627,270
Net income	-	-	3,244,556	-	3,244,556
Other comprehensive income	-	-	-	715,859	715,859
Share-based compensation	-	105,522	-	-	105,522
Exercise of stock options, net	8,250	11,000	-	-	11,000
Balance, December 31, 2024	<u>2,236,861</u>	<u>\$ 19,334,256</u>	<u>\$ 30,379,050</u>	<u>\$ (11,009,099)</u>	<u>\$ 38,704,207</u>

See accompanying notes.

**Golden Valley Bancshares, Inc. and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2024 and 2023**

	2024	2023
Cash flows from operating activities		
Net income	\$ 3,244,556	\$ 3,750,452
Adjustment to reconcile net income to net cash provided by operating activities		
Provision for credit losses	4,000	8,613
Depreciation and amortization	422,287	340,859
Amortization of ROU lease asset	346,596	333,996
Change in lease liability	(368,224)	(346,528)
Net loss on disposal of bank premises and equipment	1,385	-
Changes in deferred loan origination fees, net	118,743	(22,752)
Change in deferred income taxes	125,126	115,067
Investment securities amortization	361,534	383,148
Share-based compensation expense	105,522	174,610
Increase in cash surrender value of bank-owned life insurance, net	(25,565)	(25,082)
Change in accrued interest receivable and other assets	(219,835)	(309,063)
Change in accrued interest payable and other liabilities	99,860	645,917
Net cash provided by operating activities	4,215,985	5,049,237
Cash flows from investing activities		
Change in interest-bearing time deposits in banks	(758,600)	(1,240,450)
Purchase of available-for-sale investment securities	(26,887,972)	(1,574,949)
Proceeds from sales and calls of available-for-sale investment securities	2,027,565	1,133,271
Proceeds from principal payments on available-for-sale investment securities	4,823,939	3,885,826
Proceeds from principal payments on held-to-maturity investment securities	20,171,411	2,239,509
Net change in loans	(7,517,132)	1,605,586
Purchase of Federal Home Loan Bank stock	(15,300)	(271,900)
Purchase of premises and equipment, net	(72,580)	(2,010,729)
Net cash provided by (used in) investing activities	(8,228,669)	3,766,164
Cash flows from financing activities		
Increase (decrease) in demand, interest bearing and savings, net	46,531,527	(27,289,078)
(Decrease) increase in time deposits, net	(2,661,320)	29,169,556
Proceeds from exercised options	82,500	-
Cash paid in exercise of stock options and stock repurchases	(71,500)	(97,235)
Net cash provided by financing activities	43,881,207	1,783,243
Net increase in cash and cash equivalents	39,868,523	10,598,644
Cash and cash equivalents, beginning of year	42,418,680	31,820,036
Cash and cash equivalents, end of year	\$ 82,287,203	\$ 42,418,680

See accompanying notes.

**Golden Valley Bancshares, Inc. and Subsidiary**  
**Consolidated Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2024 and 2023**

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	2024	2023
Supplemental disclosure of cash-flow information		
Cash paid during the year		
Interest expense	\$ 6,851,225	\$ 4,408,057
Income taxes	\$ 1,200,000	\$ 1,380,000
Supplemental disclosures of noncash activities		
Unrealized loss on investment securities available-for-sale, net of amortization of unrealized losses on securities transferred to held-to-maturity	\$ 715,859	\$ 3,829,512
Right-of-use lease asset recorded on new leases	\$ -	\$ 771,832

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See accompanying notes.

# Golden Valley Bancshares, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 1 – Summary of Significant Accounting Policies

**General** – Golden Valley Bancshares, Inc. (the “Company”) is a bank holding company incorporated under the laws of the State of California on December 2, 2019. The consolidated financial statements include accounts of Golden Valley Bancshares and its wholly-owned subsidiary, Golden Valley Bank (the “Bank”). The Bank was approved as a state-chartered nonmember bank on April 24, 2006, and is subject to regulation by the California Department of Financial Protection and Innovation (the “DFPI”) and the Federal Deposit Insurance Corporation (the “FDIC”). The Company is headquartered in Chico, California, with full-service offices in Redding and Oroville, California, and provides products and services to customers who are predominately small to middle-market businesses, professionals, and not-for-profit organizations located in Butte, Shasta, and surrounding counties. The Company opened its Business Banking Office in Oroville, California, in October 2023.

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. A summary of the more significant accounting and reporting policies follows. Certain reclassifications were made to the prior year consolidated financial statements to conform to the current year consolidated financial statements presentation. Such reclassifications have no impact on previously reported net income or shareholders’ equity.

**Principles of consolidation** – All significant intercompany balances and transactions have been eliminated in consolidation.

**Subsequent events** – Management has evaluated subsequent events for recognition and disclosure through March 28, 2025, which is the date the consolidated financial statements were available to be issued.

**Use of estimates** – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of 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 these estimates. Material estimates that are particularly susceptible to changes in the near term relate primarily to determinations of the allowance for credit losses and the determination of fair value of financial instruments for measurement and disclosure.

**Cash and cash equivalents** – For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and due from banks, federal funds sold, and interest-bearing deposits in other financial institutions with original maturities of less than three months. Generally, federal funds are sold for one-day periods.

**Interest-bearing time deposits in other financial institutions** – Interest-bearing time deposits in other financial institutions have original maturities greater than three months and are carried at cost.

**Investment securities** – Investment securities are classified into the following categories:

- Available-for-sale securities, reported at fair value, with unrealized gains and losses excluded from earnings and reported, net of taxes, as accumulated other comprehensive income (loss), net of tax within shareholders’ equity.

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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- Held-to-maturity securities, which management has the positive intent and ability to hold, reported at amortized cost, adjusted for the accretion of discounts and amortization of premiums.

Management determines the appropriate classification of its investments at the time of purchase and may only change the classification in certain limited circumstances. All transfers between categories are accounted for at fair value.

Gains and losses on the sale of investment securities are computed using the specific identification method. Interest earned on investment securities is reported in interest income, net of applicable adjustments for accretion of discounts and amortization of premiums. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities, or to the earliest call date for callable securities purchased at a premium.

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

Changes in the ACL are recorded as a provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on available-for-sale debt securities is not included in the estimate of credit losses.

**Allowance for Credit Losses on Held-to-Maturity Debt Securities** – Management measures expected credit losses on held-to-maturity securities by individual basis. Accrued interest receivable on held-to-maturity debt securities is excluded from the estimate of credit losses. The estimate of expected credit losses considers credit ratings and historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

**Federal Home Loan Bank ("FHLB") stock** – The Company is a member of the FHLB system. Members are required to own a certain amount of stock based on their level of borrowings and other factors. FHLB stock is carried at cost and is redeemable at par with certain restrictions. Both cash and stock dividends are reported as income.

**Bank-owned life insurance** – The Company has purchased life insurance policies on certain key executives. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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**Loans** – Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at principal balances outstanding. Substantially all loan origination fees, commitment fees, direct loan origination costs and purchase premiums, and discounts on loans are deferred and recognized as an adjustment of yield, to be amortized to interest income over the contractual term of the loan. The unamortized balance of deferred fees and costs is reported as a component of net loans.

Interest income on all loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. A loan is moved to nonaccrual status in accordance with the Company's policy, typically after 90 days of nonpayment.

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

**Allowance for credit losses on loans** – On January 1, 2023 the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit losses (CECL) methodology. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loans receivable and held-to-maturity debt securities and applies to certain off-balance sheet credit exposures. The adoption resulted in a cumulative-effect adjustment of \$186,000 to decrease the beginning balance of retained earnings.

The allowance for credit losses on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed and recoveries are credited to the allowance when received. In the case of recoveries, amounts may not exceed the aggregate of amounts previously charged off.

Management utilizes relevant available information, from internal and external sources, relating to past events, current conditions, historical loss experience, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in the current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

Accrued interest receivable is excluded from the estimate of credit losses for loans.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. These portfolio segments include commercial, commercial real estate, 1-4 family real estate, real estate construction, and consumer loans. The relative significant of risk considerations vary by portfolio segment.

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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

The Company assigns a risk rating to all loans and periodically performs detailed reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by independent specialists engaged by the Company and the Company's regulators. During these internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which borrowers operate, and the fair values of collateral securing these loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into five major categories, defined as follows:

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

*Special mention* – 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 Company's credit position at some future date. Special mention loans are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.

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

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

*Loss* – Loans classified as loss are considered uncollectible and charged off immediately.

The general reserve component of the allowance for credit losses also consists of reserve factors that are based on management's assessment of the following for each portfolio segment: (1) inherent credit risk, (2) historical losses, and (3) other qualitative factors. These reserve factors are inherently subjective and are driven by the repayment risk associated with each portfolio class described below.

*Commercial* – Commercial loans generally possess a lower inherent risk of loss than real estate portfolio segments because these loans are generally underwritten to existing cash flows of operating businesses. Debt coverage is provided by business cash flows, and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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

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

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

*Consumer and other* – Consumer loans generally consist of a large number of small loans scheduled to be amortized over a specific period of time. Most installment loans are made directly for consumer purchases such as automobiles. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. At least quarterly, the Board of Directors reviews the adequacy of the allowance, including consideration of the relative risks in the portfolio, current economic conditions and other factors. If the Board of Directors and management determine that changes are warranted based on those reviews, the allowance is adjusted. In addition, the Company's primary regulators, the FDIC and the DFPI, as an integral part of their examination process, review the adequacy of the allowance. These regulatory agencies may require additions to the allowance based on their judgment about information available at the time of their examinations.

**Allowance for credit losses on unfunded commitments** – The Company maintains a separate allowance for losses related to off-balance-sheet exposures. Management estimates the amount of probable losses by applying a loss factor and utilization assumptions to the available portion of undisbursed lines of credit. This allowance of \$200,000 and \$200,000, is included in accrued interest payable and other liabilities on the consolidated balance sheets at December 31, 2024 and 2023, respectively.



## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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**Bank premises and equipment** – Land is carried at cost. Bank premises and equipment are carried at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets. The useful lives of premises are estimated to be 39 years. The useful lives of furniture, fixtures, and equipment are estimated to be three to seven years. Leasehold improvements are amortized over five to 20 years, which represents the remaining lease term, including renewal periods that are reasonably assured. Leased equipment, meeting certain capital lease criteria, is capitalized and the present value of the related lease payments is recorded as a liability. Amortization of capital leases is computed using a straight-line method over the shorter of the estimated useful life of the equipment or the initial lease term.

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

**Income taxes** – Income tax expense is the total of the current year income tax due or refundable, and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax basis of assets and liabilities, computed using enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. The realization of deferred income tax assets is assessed and a valuation allowance is recorded if it is “more likely than not” that all or a portion of the deferred tax asset will not be realized. “More likely than not” is defined as greater than a 50% chance. Based upon their analysis of available evidence, management determined that it is “more likely than not” that all of the deferred income tax assets as of December 31, 2024 and 2023, will be fully realized and therefore no valuation allowance was recorded. Interest and/or penalties related to income tax matters are recognized in income tax expense.

**Accounting for uncertainty in income taxes** – The Company uses a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken, or expected to be taken, on a tax return. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

**Earnings per common share** – Basic earnings per share (“EPS”), which excludes dilution, is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as stock options or restricted stock, result in the issuance of common stock that share in the earnings of the Company. The treasury stock method is applied to determine the dilutive effect of stock options and restricted stock in computing diluted EPS.

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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**Comprehensive income (loss)** – Comprehensive (loss) income consists of net income and other comprehensive income. Other comprehensive income includes the after tax effect of unrealized gains and losses on securities available-for-sale and changes in the net unrealized loss on available-for-sale securities transferred to held-to-maturity.

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

**Revenue recognition** – The Company records revenue from contracts with customers in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (“Topic 606”). Under Topic 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Company satisfies a performance obligation.

Most of the Company’s revenue-generating transactions are not subject to Topic 606, including revenue generated from financial instruments, such as loans and other investments. In addition, certain noninterest income streams such as fees associated with servicing income and sale of loans are also not in scope of the new guidance. The Company fully satisfies their performance obligations on their contracts with customers as services are rendered and the transaction prices are typically fixed, charged either on a periodic basis or based on activity. Consideration is often received immediately or shortly after the Company satisfies its performance obligation and revenue is recognized. The contracts evaluated that are in scope of Topic 606 are primarily related to service charges and fees on deposit accounts, stop payment fees, ATM surcharge fees, and other service charges, commissions and fees.

**Advertising** – Advertising costs are charged to expense in the period incurred and totaled \$239,114 and \$380,867 for the years ended December 31, 2024 and 2023, respectively.

**Share-based compensation** – The Company has one share-based payment plan, the 2016 Golden Valley Bancshares Equity Incentive, which is described more fully in Note 12. The Company accounts for share-based expense using a fair-value based method and requires that share-based expense be recorded for all stock options that are ultimately expected to vest as the requisite service is rendered. The expense related to restricted stock is based on the grant date fair value and is expensed over the vesting period.

Management estimates the fair value of each option award as of the date of grant using a Black-Scholes-Merton option pricing formula and the following assumptions. Expected volatility is based on historical volatility of similar entities over a preceding period commensurate with the expected term of the option as well as consideration of the Company’s common stock volatility. A simplified method is used to determine the expected term of the Company’s options due to the lack of sufficient data. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant with substantially the same remaining term as the term of the option.

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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**Fair value and financial instruments** – Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 2. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

**Operating segments** – While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on a Company - wide basis. Operating segments are aggregated into one as operating results for all segments are similar. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment. See Note 17 to the consolidated financial statements.

**Leases** – The Company determines if an arrangement is a lease at inception. Operating lease right-of-use (ROU) assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. Substantially all of the Company's leases are comprised of operating leases in which the Company is the lessee of real estate property for branches. The Company elected not to include short-term leases (i.e., leases with initial terms of 12 months or less) within the ROU asset and lease liability. The Company uses the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception, on a collateralized basis, over a similar term. The Company's lease terms may include options to extend or terminate the lease, which it recognizes when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

**Recent accounting pronouncements** – Segment Reporting (Topic 280) – In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures*, to enhance disclosures about significant segment expenses for public entities reporting segment information under Topic 280. It requires that a public entity disclose, on an annual and interim basis, significant expense categories for each reportable segment. Significant expense categories are derived from expenses that are 1) regularly reported to an entity's Chief Operating Decision Maker ("CODM"), and 2) included in a segment's reported measure of profit or loss. The disclosures should include an amount for "other segment items," reflecting the difference between 1) segment revenue less significant segment expenses, and 2) the reportable segment's profit or loss measures. It requires that a public entity disclose the title and position of the CODM and how the CODM uses the reported measure of profit or loss to assess segment performance and to allocate resources. Further it clarifies that entities with a single reportable segment must disclose both new and existing segment reporting requirements. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Entities must adopt the guidance on a retrospective basis. The Company has evaluated the disclosure requirements of this update and have presented these enhancements in Note 17 - Segment Information.

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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Income Taxes (Topic 740) – In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740) – Improvements to Income Tax Disclosures*, to provide additional transparency into an entity's income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The standard requires that public business entities disclose, on an annual basis, specific categories in the rate reconciliation and additional information for reconciling items meeting a certain quantitative threshold. The amendments also require that entities disclose on an annual basis: 1) income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes and 2) the income taxes paid (net of refunds received) disaggregated by individual jurisdictions exceeding 5% of total income taxes paid (net of refunds received). The amendments are effective for public business entities for annual periods beginning after December 15, 2024. The Company is evaluating the accounting and disclosure requirements of this update and does not expect them to have a material effect on the consolidated financial statements.

#### Note 2 – Fair Value

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

**Fair value hierarchy** – The Company groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. Valuations within these levels are based upon:

**Level 1** – Quoted market prices for identical instruments traded in active exchange markets.

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

**Level 3** – Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Company's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management judgment and estimation that may be significant. This category also includes observable inputs from a pricing service not corroborated by observable market data.

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

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

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

**Fair value of financial instruments** – The carrying amounts and estimated fair values of financial instruments not carried at fair value are as follows as of December 31, 2024 and 2023:

2024					
	Carrying Amount	Level 1	Fair Value Measurements Using: Level 2	Level 3	Total
Financial assets					
Cash and due from banks	\$10,859,614	\$10,859,614	\$ -	\$ -	\$10,859,614
Federal funds sold	7,729,012	7,729,012	-	-	7,729,012
Interest-bearing deposits in other financial institutions	63,698,577	63,698,577	-	-	63,698,577
Interest-bearing time deposits in other financial institutions	13,921,500	-	13,921,500	-	13,921,500
Held-to-maturity investment securities	76,200,643	-	71,746,204	-	71,746,204
Loans, net	243,562,379	-	-	238,156,000	238,156,000
Financial liabilities					
Deposits	\$488,915,592	\$401,202,000	\$44,579,000	\$ -	\$445,781,000
Subordinated debt	5,891,291	-	5,097,000	-	5,097,000
2023					
	Carrying Amount	Level 1	Fair Value Measurements Using: Level 2	Level 3	Total
Financial assets					
Cash and due from banks	\$ 7,142,073	\$ 7,142,073	\$ -	\$ -	\$ 7,142,073
Federal funds sold	11,624,168	11,624,168	-	-	11,624,168
Interest-bearing deposits in other financial institutions	23,652,439	23,652,439	-	-	23,652,439
Interest-bearing time deposits in other financial institutions	13,162,900	-	13,162,900	-	13,162,900
Held-to-maturity investment securities	95,605,200	-	90,707,050	-	90,707,050
Loans, net	236,167,990	-	-	225,489,000	225,489,000
Financial liabilities					
Deposits	\$445,045,385	\$353,350,000	\$ 40,245,000	\$ -	\$393,595,000
Subordinated debt	5,842,976	-	4,887,000	-	4,887,000

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

# Golden Valley Bancshares, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Fair value measurements

*Assets recorded at fair value* – The following tables present information about the Company's assets measured at fair value on a recurring and nonrecurring basis as of December 31, 2024 and 2023:

2024				
	Fair Value	Level 1	Level 2	Level 3
Available for sale debt securities				
Government guaranteed residential				
mortgage-backed securities	\$ 2,937,199	\$ -	\$ 2,937,199	\$ -
Municipal securities	55,896,963	-	55,896,963	-
Corporate debt securities	10,105,503	-	9,580,153	525,350
Collateralized mortgage obligations	35,401,700	-	35,401,700	-
 Total assets measured at fair value	 \$104,341,365	 \$ -	 \$103,816,015	 \$ 525,350

  

2023				
	Fair Value	Level 1	Level 2	Level 3
Available for Sale				
Debt securities				
Government guaranteed residential				
mortgage-backed securities	\$ 3,454,349	\$ -	\$ 3,454,349	\$ -
Municipal securities	56,168,129	-	56,168,129	-
Corporate debt securities	8,733,400	-	8,733,400	-
Collateralized mortgage obligations	16,060,548	-	16,060,548	-
 Total assets measured at fair value	 \$ 84,416,426	 \$ -	 \$ 84,416,426	 \$ -

At December 31, 2024 and 2023, the Company had no liabilities measured at fair value on a recurring basis. Fair values for Level 2 available-for-sale investment securities are based on quoted market prices for similar securities and model-based valuation techniques for which all significant assumptions are observable.

Transfers between levels of the fair value hierarchy are recognized on the actual date of the event or circumstances that caused the transfer. There were no transfers between any levels during 2024 or 2023.

The following table provides a reconciliation of assets measured at fair value using significant unobservable inputs (Level 3) on a recurring basis during the year ended December 31, 2024.

# Golden Valley Bancshares, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

	Corporate Debt Securities
Balance of recurring Level 3 assets at January 1, 2024	\$ -
Purchases	500,000
Total unrealized gains for the period included in other comprehensive income	25,350
Transfers into (out of) Level 3	-
Total recurring Level 3 assets at December 31, 2024	<u>\$ 525,350</u>

*Nonrecurring basis* – The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis. These include assets that are measured at the lower of cost or fair value, that were recognized at fair value, which was below cost at the reporting date. The Company did not have any assets or liabilities measured on a nonrecurring basis as of December 31, 2024 and 2023.

### Note 3 – Investment Securities

The amortized cost and estimated fair value of investment securities as of December 31, 2024 and 2023, consisted of the following:

	2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value
<b>Available for sale debt securities</b>					
Government guaranteed residential mortgage-backed securities	\$ 3,351,008	\$ -	\$ (413,809)	\$ -	\$ 2,937,199
Municipal securities	66,172,120	-	(10,275,157)	-	55,896,963
Corporate debt securities	10,923,285	33,463	(851,245)	-	10,105,503
Collateralized mortgage obligations	36,513,665	6,834	(1,118,799)	-	35,401,700
Total	<u>\$116,960,078</u>	<u>\$ 40,297</u>	<u>\$ (12,659,010)</u>	<u>\$ -</u>	<u>\$104,341,365</u>
<b>Held to maturity debt securities</b>					
U.S. Government-sponsored entities	\$ 29,885,682	\$ -	\$ (1,084,462)	\$ -	\$ 28,801,220
Government guaranteed residential mortgage-backed securities	9,864,582	-	(1,042,091)	-	8,822,491
Municipal securities	32,208,941	-	(2,143,216)	-	30,065,725
Collateralized mortgage obligations	4,241,438	-	(184,670)	-	4,056,768
Total	<u>\$ 76,200,643</u>	<u>\$ -</u>	<u>\$ (4,454,439)</u>	<u>\$ -</u>	<u>\$ 71,746,204</u>

# Golden Valley Bancshares, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

	2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value
Available for sale debt securities					
Government guaranteed residential					
mortgage-backed securities	\$ 3,847,060	\$ -	\$ (392,711)	\$ -	\$ 3,454,349
Municipal securities	66,369,695	-	(10,201,566)	-	56,168,129
Corporate debt securities	9,844,490	3,420	(1,114,510)	-	8,733,400
Collateralized mortgage obligations	17,125,411	2,316	(1,067,179)	-	16,060,548
Total	<u>\$ 97,186,656</u>	<u>\$ 5,736</u>	<u>\$ (12,775,966)</u>	<u>\$ -</u>	<u>\$ 84,416,426</u>
Held to maturity debt securities					
U.S. Government-sponsored entities	\$ 48,444,727	\$ -	\$ (1,521,964)	\$ -	\$ 46,922,763
Government guaranteed residential					
mortgage-backed securities	10,992,163	-	(1,036,518)	-	9,955,645
Municipal securities	31,998,060	-	(2,174,375)	-	29,823,685
Collateralized mortgage obligations	4,170,250	-	(165,293)	-	4,004,957
Total	<u>\$ 95,605,200</u>	<u>\$ -</u>	<u>\$ (4,898,150)</u>	<u>\$ -</u>	<u>\$ 90,707,050</u>

There were no sales of investment securities during the years ended December 31, 2024 and 2023.

In 2022, the Company made transfers of available for sale securities to the held to maturity portfolio totaling \$59,649,379 and recorded a net unrealized loss in accumulated other comprehensive income (loss) of \$5,111,555 as a result of the transfer. The securities were transferred at their fair value at the date of transfer. The Company intends to and has the ability to hold these securities to maturity. The net unrealized loss on the transferred securities included in accumulated other comprehensive income (loss) will be accreted over the remaining life of the securities. The original premium or discount will continue to be accreted into income over the remaining life of the securities. At December 31, 2024 and 2023, the balance of the unaccreted net unrealized loss totaled \$3,023,271 and \$3,888,615, respectively.



# Golden Valley Bancshares, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

The following table summarizes securities with unrealized losses at December 31, 2024 and 2023, aggregated by major security type and length of time in a continuous unrealized loss position:

		2024					
		Less Than 12 Months		12 Months or Longer		Total	
		Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Available for sale debt securities							
Government guaranteed							
residential mortgage-							
backed securities							
	\$	148,990	\$ (200)	\$ 2,788,209	\$ (413,609)	\$ 2,937,199	\$ (413,809)
Municipal securities		1,630,620	(388,678)	54,266,343	(9,886,479)	55,896,963	(10,275,157)
Corporate debt securities		306,991	(1,870)	7,072,600	(849,375)	7,379,591	(851,245)
Collateralized mortgage obligations		21,473,106	(152,727)	11,516,614	(966,072)	32,989,720	(1,118,799)
		<u>\$23,559,707</u>	<u>\$ (543,475)</u>	<u>\$ 75,643,766</u>	<u>\$ (12,115,535)</u>	<u>\$ 99,203,473</u>	<u>\$ (12,659,010)</u>
Held to maturity debt securities							
U.S. Government-							
sponsored entities							
	\$	-	\$ -	\$ 28,801,220	\$ (1,084,462)	\$ 28,801,220	\$ (1,084,462)
Government guaranteed							
residential mortgage-							
backed securities							
		-	-	8,822,491	(1,042,091)	8,822,491	(1,042,091)
Municipal securities		-	-	30,065,725	(2,143,216)	30,065,725	(2,143,216)
Collateralized mortgage obligations		-	-	4,056,768	(184,670)	4,056,768	(184,670)
	\$	<u>-</u>	<u>\$ -</u>	<u>\$71,746,204</u>	<u>\$ (4,454,439)</u>	<u>\$71,746,204</u>	<u>\$ (4,454,439)</u>

# Golden Valley Bancshares, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

	2023					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale debt securities						
Government guaranteed						
residential mortgage-						
backed securities	\$ -	\$ -	\$ 3,454,349	\$ (392,711)	\$ 3,454,349	\$ (392,711)
Municipal securities	-	-	56,168,129	(10,201,566)	56,168,129	(10,201,566)
Corporate debt securities	-	-	8,295,809	(1,114,510)	8,295,809	(1,114,510)
Collateralized mortgage obligations	1,178,394	(15,530)	14,390,642	(1,051,649)	15,569,036	(1,067,179)
Total	<u>\$ 1,178,394</u>	<u>\$ (15,530)</u>	<u>\$ 82,308,929</u>	<u>\$ (12,760,436)</u>	<u>\$ 83,487,323</u>	<u>\$ (12,775,966)</u>
Held to maturity debt securities						
U.S. Government-sponsored entities	\$ -	\$ -	\$ 46,922,763	\$ (1,521,964)	\$ 46,922,763	\$ (1,521,964)
Government guaranteed						
residential mortgage-						
backed securities	-	-	9,955,645	(1,036,518)	9,955,645	(1,036,518)
Municipal securities	-	-	29,823,685	(2,174,375)	29,823,685	(2,174,375)
Collateralized mortgage obligations	-	-	4,004,957	(165,293)	4,004,957	(165,293)
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,707,050</u>	<u>\$ (4,898,150)</u>	<u>\$ 90,707,050</u>	<u>\$ (4,898,150)</u>

At December 31, 2024, the Company held 134 available-for-sale securities with an amortized cost of \$87,759,301 that were in a loss position for more than 12 months. At December 31, 2023, the Company held 142 available-for-sale securities with an amortized cost of \$95,069,364 that were in a loss position for more than 12 months. The decline in market value is attributable to fluctuations in interest rates and not credit quality. Accordingly, it is expected that the securities will not be settled at a price less than amortized cost. Because the Company does not intend to sell, and it is not more likely than not that the Company will be required to sell the securities prior to their anticipated recovery, which may be maturity, the Company has recorded the unrealized losses in accumulated other comprehensive income (loss).

The only significant concentration of investment securities (greater than 10% of shareholders' equity) in any individual security issuer at December 31, 2024 and 2023, is U.S. Treasury Notes and certain government guaranteed residential mortgage-backed securities issued by the Government National Mortgage Association, Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

Investment securities with amortized costs totaling \$51,143,790 and \$30,525,081 and estimated fair values totaling \$45,773,897 and \$27,291,406 were pledged to secure certain public funds and secure borrowing arrangements at December 31, 2024 and 2023, respectively.

# Golden Valley Bancshares, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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**Contractual maturities** – The amortized cost and estimated fair value of investment securities at December 31, 2024, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of securities may have the right to call or prepay obligations with or without prepayment penalties.

	Amortized Cost	Estimated Fair Value
Available for sale debt securities		
Within one year	\$ 691,735	\$ 689,593
After one year through five years	34,928,658	32,480,641
After five years through ten years	38,517,901	33,870,544
After ten years	39,470,776	34,363,388
Subtotal	113,609,070	101,404,166
Investment securities not due at a single maturity date		
Government guaranteed residential mortgage-backed securities	3,351,008	2,937,199
Total	<u>\$ 116,960,078</u>	<u>\$ 104,341,365</u>
	Amortized Cost	Estimated Fair Value
Held to maturity debt securities		
Within one year	\$ 10,811,030	\$ 10,716,545
After one year through five years	45,557,262	43,200,630
After five years through ten years	7,152,884	6,437,446
After ten years	-	-
Subtotal	63,521,176	60,354,621
Investment securities not due at a single maturity date		
Government guaranteed residential mortgage-backed securities	9,864,582	8,822,491
U.S. Government-sponsored entities	2,814,885	2,569,092
Total	<u>\$ 76,200,643</u>	<u>\$ 71,746,204</u>

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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**Credit Quality Indicators** – The Company monitors the credit quality of debt securities held-to-maturity with credit risk exposures and no available credit rating using an internal rating system that factors a variety of institution-specific financial performance variables. There were no held-to-maturity securities on past due or on nonaccrual at December 31, 2024. The table below presents the amortized cost by rating at December 31, 2024:

	Amortized Cost
AAA/AA/A	\$ 32,208,941
BBB/BB/B	-
CCC/NA	-
No Rating	43,991,702
	<u>\$ 76,200,643</u>

#### Note 4 – Loans and Allowance for Credit Losses

Outstanding loans at December 31, 2024 and 2023, are summarized below:

	2024	2023
Commercial	\$ 45,464,504	\$ 40,953,001
Real estate – commercial	156,826,287	149,863,496
Real estate – residential	38,415,504	36,430,289
Real estate – construction	6,288,357	11,899,204
Consumer and other	238,153	572,413
	<u>247,232,805</u>	<u>239,718,403</u>
Total loans	247,232,805	239,718,403
Deferred loan origination costs (fees), net	267,346	386,089
Allowance for credit losses	<u>(3,937,772)</u>	<u>(3,936,502)</u>
Total loans and allowance for credit losses	<u>\$ 243,562,379</u>	<u>\$ 236,167,990</u>

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

The following tables show the allocation and activity of the allowance for credit losses at and for the years ended December 31, 2024 and 2023, by portfolio class:

	2024				
	Commercial	Real Estate – Construction	Real Estate – Commercial	Real Estate – Residential	Consumer and Other
Allowance for credit losses					
Beginning balance	\$ 910,244	\$ 323,867	\$ 1,617,376	\$ 1,077,591	\$ 7,424
(Recovery of provision)					
provision for credit losses	98,332	(187,967)	60,867	32,177	591
Loans charged-off	-	-	-	-	(2,730)
Recoveries	-	-	-	-	-
Ending balance allocated to portfolio classes	<u>\$ 1,008,576</u>	<u>\$ 135,900</u>	<u>\$ 1,678,243</u>	<u>\$ 1,109,768</u>	<u>\$ 5,285</u>
					<u>\$ 3,937,772</u>

The Company increased the allowance for credit losses by \$1,270 for the year ended December 31, 2024. As of December 31, 2024, the levels of national unemployment and gross domestic product are forecasted to be relatively stable, the change in the allowance was driven by loan balance fluctuations across portfolio class. Commercial loans increased \$4,511,503 for the year which resulted in an allowance increase of \$98,332. The commercial real estate portfolio grew \$6,962,791 resulting in an allowance increase of \$60,867. Residential real estate grew \$1,985,215 resulting in an allowance increase of \$32,177 for the year. The construction real estate portfolio decreased by \$5,610,847 for the year resulting in a \$187,967 decrease in the allowance. The consumer and other portfolio decreased \$334,260 for the year with resulting in an allowance decrease of \$2,139, charge-offs in this segment also contributed to the balance decline. Management believes that the allowance for credit losses at December 31, 2024 appropriately reflected expected credit losses in the loan portfolio at that date.

# Golden Valley Bancshares, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

	2023					
	Commercial	Real Estate – Construction	Real Estate – Commercial	Real Estate – Residential	Consumer and Other	Total
Allowance for credit losses						
Beginning balance, prior to adoption of ASU 2016-13	\$ 573,810	\$ 238,469	\$ 2,842,357	\$ 289,469	\$ 11,380	\$ 3,955,485
Impact of adopting ASU 2016-13 (Recovery of provision)	326,476	169,039	(1,187,890)	677,345	(4,970)	(20,000)
provision for credit losses	9,958	(83,641)	(37,091)	110,777	8,610	8,613
Loans charged-off	-	-	-	-	(7,596)	(7,596)
Recoveries	-	-	-	-	-	-
Ending balance allocated to portfolio classes	<u>\$ 910,244</u>	<u>\$ 323,867</u>	<u>\$ 1,617,376</u>	<u>\$ 1,077,591</u>	<u>\$ 7,424</u>	<u>\$ 3,936,502</u>

The Company decreased the allowance for credit losses by \$18,983 for the year ended December 31, 2023. As of December 31, 2023, the levels of national unemployment and gross domestic product were forecasted to be relatively stable, the change in the allowance was attributable to the adoption of ASC 326 and further impacted by loan balance fluctuations across portfolio class. Commercial loans increased \$9,071,716 for the year which resulted in an allowance increase of \$336,434. The commercial real estate portfolio decreased \$11,483,323 resulting in an allowance decrease of \$1,224,981. Residential real estate grew \$5,364,134 resulting in an allowance increase of \$788,122 for the year. The construction real estate portfolio decreased by \$4,793,861 for the year, the net increase to the allowance was \$85,398 as a result of the adoption of ASC 326 offset by the decrease resulting from the decline in the portfolio. The consumer and other portfolio increased \$22,152 for the year with an allowance decrease of \$3,956, resulting from charge-offs in this segment and the adoption of ASC 326. Management believes that the allowance for credit losses at December 31, 2023 appropriately reflected expected credit losses in the loan portfolio at that date.

# Golden Valley Bancshares, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

The following table shows the loan portfolio allocated by the Company's internal risk ratings at December 31, 2024:

2024									
Credit Risk Profile by Internally Assigned Grade									
	Term Loans by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Amortized Cost Basis Converted to Term Loans	Total
	2024	2023	2022	2021	2020	Prior			
Commercial									
Pass	\$ 8,721,966	\$ 4,524,549	\$ 6,042,833	\$ 5,597,802	\$ 1,252,638	\$ 5,047,544	\$ 11,606,316	\$ -	\$ 42,793,648
Special Mention	-	126,739	40,252	28,439	14,214	-	254,200	-	463,844
Substandard	262,845	-	954,106	-	-	-	990,061	-	2,207,012
Total Commercial	\$ 8,984,811	\$ 4,651,288	\$ 7,037,191	\$ 5,626,241	\$ 1,266,852	\$ 5,047,544	\$ 12,850,577	\$ -	\$ 45,464,504
Current Period Gross Charge-Offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate - Commercial									
Pass	\$ 17,307,873	\$ 4,624,247	\$ 18,899,396	\$ 27,300,511	\$ 17,160,504	\$ 57,880,270	\$ -	\$ -	\$ 143,172,801
Special Mention	-	159,418	6,036,699	578,217	-	4,846,018	-	-	11,620,352
Substandard	-	-	-	-	-	2,033,134	-	-	2,033,134
Real Estate - Commercial	\$ 17,307,873	\$ 4,783,665	\$ 24,936,095	\$ 27,878,728	\$ 17,160,504	\$ 64,759,422	\$ -	\$ -	\$ 156,826,287
Current Period Gross Charge-Offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate - Residential									
Pass	\$ 2,901,036	\$ 4,467,032	\$ 5,078,850	\$ 2,022,513	\$ 1,767,737	\$ 11,238,678	\$ 9,622,673	\$ 794,202	\$ 37,892,721
Special Mention	-	-	-	-	522,783	-	-	-	522,783
Total Real Estate - Residential	\$ 2,901,036	\$ 4,467,032	\$ 5,078,850	\$ 2,022,513	\$ 2,290,520	\$ 11,238,678	\$ 9,622,673	\$ 794,202	\$ 38,415,504
Current Period Gross Charge-Offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate - Construction									
Pass	\$ 2,128,489	\$ 184,749	\$ 3,576,722	\$ -	\$ 298,990	\$ 99,407	\$ -	\$ -	\$ 6,288,357
Special Mention	-	-	-	-	-	-	-	-	-
Total Real Estate - Construction	\$ 2,128,489	\$ 184,749	\$ 3,576,722	\$ -	\$ 298,990	\$ 99,407	\$ -	\$ -	\$ 6,288,357
Current Period Gross Charge-Offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

# Golden Valley Bancshares, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

2024									
Credit Risk Profile by Internally Assigned Grade									
	Term Loans by Origination Year - continued						Revolving Loans Amortized Cost Basis	Revolving Loans Amortized Cost Basis Converted to Term Loans	Total
	2024	2023	2022	2021	2020	Prior			
Consumer and Other									
Pass	\$ 151,375	\$ 64,130	\$ -	\$ -	\$ -	\$ -	\$ 22,648	\$ -	\$ 238,153
Total Consumer and Other	\$ 151,375	\$ 64,130	\$ -	\$ -	\$ -	\$ -	\$ 22,648	\$ -	\$ 238,153
Current Period Gross Charge-Offs	\$ 2,730	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,730
Total Loans	<u>\$ 31,473,584</u>	<u>\$ 14,150,864</u>	<u>\$ 40,628,858</u>	<u>\$ 35,527,482</u>	<u>\$ 21,016,866</u>	<u>\$ 81,145,051</u>	<u>\$ 22,495,898</u>	<u>\$ 794,202</u>	<u>\$ 247,232,805</u>
Total Loans									
Pass	\$ 31,210,739	\$ 13,864,707	\$ 33,597,801	\$ 34,920,826	\$ 20,479,869	\$ 74,265,899	\$ 21,251,637	\$ 794,202	\$ 230,385,680
Special Mention	-	286,157	6,076,951	606,656	536,997	4,846,018	254,200	-	12,606,979
Substandard	262,845	-	954,106	-	-	2,033,134	990,061	-	4,240,146
Total	<u>\$ 31,473,584</u>	<u>\$ 14,150,864</u>	<u>\$ 40,628,858</u>	<u>\$ 35,527,482</u>	<u>\$ 21,016,866</u>	<u>\$ 81,145,051</u>	<u>\$ 22,495,898</u>	<u>\$ 794,202</u>	<u>\$ 247,232,805</u>
Current Period Gross Charge-Offs	\$ 2,730	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,730



# Golden Valley Bancshares, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

The following table shows the loan portfolio allocated by the Company's internal risk ratings at December 31, 2023:

2023									
Credit Risk Profile by Internally Assigned Grade									
	Term Loans by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Amortized Cost Basis Converted to Term Loans	Total
	2023	2022	2021	2020	2019	Prior			
Commercial									
Pass	\$ 5,650,961	\$ 8,953,581	\$ 8,074,995	\$ 2,048,429	\$ 1,532,478	\$ 5,429,804	\$ 8,879,790	\$ -	\$ 40,570,038
Special Mention	87,680	-	51,000	16,844	-	-	127,000	-	282,524
Substandard	-	35,325	32,623	-	32,491	-	-	-	100,439
Total Commercial	\$ 5,738,641	\$ 8,988,906	\$ 8,158,618	\$ 2,065,273	\$ 1,564,969	\$ 5,429,804	\$ 9,006,790	\$ -	\$ 40,953,001
Current Period Gross Charge-Offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate - Commercial									
Pass	\$ 5,087,025	\$ 23,765,278	\$ 30,597,236	\$ 17,765,963	\$ 17,573,382	\$ 47,497,133	\$ -	\$ -	\$ 142,286,017
Special Mention	161,412	-	592,413	-	4,923,110	-	-	-	5,676,935
Substandard	-	-	-	-	955,532	945,012	-	-	1,900,544
Real Estate - Commercial	\$ 5,248,437	\$ 23,765,278	\$ 31,189,649	\$ 17,765,963	\$ 23,452,024	\$ 48,442,145	\$ -	\$ -	\$ 149,863,496
Current Period Gross Charge-Offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate - Residential									
Pass	\$ 4,646,625	\$ 5,398,113	\$ 2,525,345	\$ 2,036,252	\$ 3,412,573	\$ 8,820,166	\$ 8,536,599	\$ 327,130	\$ 35,702,803
Special Mention	-	408,375	-	319,111	-	-	-	-	727,486
Total Real Estate - Residential	\$ 4,646,625	\$ 5,806,488	\$ 2,525,345	\$ 2,355,363	\$ 3,412,573	\$ 8,820,166	\$ 8,536,599	\$ 327,130	\$ 36,430,289
Current Period Gross Charge-Offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate - Construction									
Pass	\$ 2,022,213	\$ 8,464,481	\$ -	\$ 324,603	\$ -	\$ 112,907	\$ -	\$ -	\$ 10,924,204
Special Mention	-	-	975,000	-	-	-	-	-	975,000
Total Real Estate - Construction	\$ 2,022,213	\$ 8,464,481	\$ 975,000	\$ 324,603	\$ -	\$ 112,907	\$ -	\$ -	\$ 11,899,204
Current Period Gross Charge-Offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Golden Valley Bancshares, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**

2023									
Credit Risk Profile by Internally Assigned Grade									
	Term Loans by Origination Year - continued						Revolving Loans Amortized Cost Basis	Revolving Loans Amortized Cost Basis Converted to Term Loans	Total
	2023	2022	2021	2020	2019	Prior			
Consumer and Other									
Pass	\$ 149,795	\$ 1,472	\$ -	\$ -	\$ -	\$ -	\$ 421,146	\$ -	\$ 572,413
Total Consumer and Other	\$ 149,795	\$ 1,472	\$ -	\$ -	\$ -	\$ -	\$ 421,146	\$ -	\$ 572,413
Current Period Gross Charge-Offs	\$ 7,596	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,596
Total Loans	<u>\$ 17,805,711</u>	<u>\$ 47,026,625</u>	<u>\$ 42,848,612</u>	<u>\$ 22,511,202</u>	<u>\$ 28,429,566</u>	<u>\$ 62,805,022</u>	<u>\$ 17,964,535</u>	<u>\$ 327,130</u>	<u>\$ 239,718,403</u>
Total Loans									
Pass	\$ 17,556,619	\$ 46,582,925	\$ 41,197,576	\$ 22,175,247	\$ 22,518,433	\$ 61,860,010	\$ 17,837,535	\$ 327,130	\$ 230,055,475
Special Mention	249,092	408,375	1,618,413	335,955	4,923,110	-	127,000	-	7,661,945
Substandard	-	35,325	32,623	-	988,023	945,012	-	-	2,000,983
Total	<u>\$ 17,805,711</u>	<u>\$ 47,026,625</u>	<u>\$ 42,848,612</u>	<u>\$ 22,511,202</u>	<u>\$ 28,429,566</u>	<u>\$ 62,805,022</u>	<u>\$ 17,964,535</u>	<u>\$ 327,130</u>	<u>\$ 239,718,403</u>
Current Period Gross Charge-Offs	\$ 7,596	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,596

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

The following tables show an aging analysis of the loan portfolio by the time past due at December 31, 2024 and 2023:

2024					
	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total
Commercial	\$ -	\$ -	\$ -	\$ 45,464,504	\$ 45,464,504
Real estate – commercial	-	-	-	156,826,287	156,826,287
Real estate – residential	-	-	-	38,415,504	38,415,504
Real estate – construction	-	-	-	6,288,357	6,288,357
Consumer	-	-	-	238,153	238,153
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,232,805</u>	<u>\$ 247,232,805</u>

  

2023					
	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total
Commercial	\$ -	\$ -	\$ -	\$ 40,953,001	\$ 40,953,001
Real estate – commercial	-	-	-	149,863,496	149,863,496
Real estate – residential	-	-	-	36,430,289	36,430,289
Real estate – construction	-	-	-	11,899,204	11,899,204
Consumer	-	-	-	572,413	572,413
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,718,403</u>	<u>\$ 239,718,403</u>

There were no loans over 90 days past due accruing interest as of December 31, 2024 and 2023. The Company has no loans on nonaccrual status as of December 31, 2024 and 2023. The Company has no individually evaluated loans at December 31, 2024 and 2023.

**Loan modifications** – Occasionally, the Company modifies loans to borrowers in financial difficulty by providing principal forgiveness, term extension, payment delays or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the ACL.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. There were no modified loans to borrowers experiencing financial difficulty in 2024 and 2023.

# Golden Valley Bancshares, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 5 – Bank Premises and Equipment

Bank premises and equipment at December 31, 2024 and 2023, consisted of the following:

	2024	2023
Land	\$ 184,395	\$ 184,395
Building	2,625,605	2,567,428
Furniture, fixtures and equipment	1,287,462	1,354,973
Leasehold improvements	2,096,156	2,095,892
Construction in process	2,931	26,195
Subtotal	6,196,549	6,228,883
Less accumulated depreciation	(2,776,761)	(2,513,839)
Total bank premises and equipment	<u>\$ 3,419,788</u>	<u>\$ 3,715,044</u>

Depreciation and amortization included in occupancy and equipment expense totaled \$359,127 and \$277,698 for the years ended December 31, 2024 and 2023, respectively.

### Note 6 – Interest-Bearing Deposits

Time deposits that meet or exceed the FDIC insurance limit of \$250,000 at December 31, 2024 and 2023, were \$18,497,001 and \$24,006,200, respectively.

Interest-bearing deposits at December 31, 2024 and 2023, consisted of the following:

	2024	2023
Savings	\$ 25,095,008	\$ 26,490,220
Money market	204,010,453	150,827,854
Interest-bearing demand accounts	55,581,873	52,415,511
Time	44,590,787	47,252,107
	<u>\$ 329,278,121</u>	<u>\$ 276,985,692</u>

Aggregate annual maturities of time deposits are as follows:

Years Ending December 31,

2025	\$ 43,753,297
2026	205,901
2027	631,589
Thereafter	<u>-</u>
Total	<u>\$ 44,590,787</u>

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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Interest expense recognized on interest-bearing deposits for the years ended December 31, 2024 and 2023, consisted of the following:

	2024	2023
Savings	\$ 45,838	\$ 55,406
Money market	4,702,688	2,727,756
Interest-bearing demand accounts	76,746	88,220
Time	1,661,044	1,255,268
	<hr/>	<hr/>
Total interest expense	\$ 6,486,316	\$ 4,126,650
	<hr/>	<hr/>

#### Note 7 – Borrowing Arrangements

The Company has three unsecured federal funds lines of credit with three correspondent banks under which it can borrow up to \$15,000,000. There were no borrowings outstanding under these arrangements at December 31, 2024 and 2023.

In addition, the Company has a borrowing arrangement with the FRB. Borrowings are secured by investment securities pledged by the Company. At December 31, 2024 and 2023, the Company's borrowing capacity from the FRB was \$20,388,261 and \$10,451,145, respectively. The Company's borrowing capacity varies depending on the type and value of investments pledged. At December 31, 2024 and 2023, there were no outstanding borrowings. Investment securities with fair values totaling \$20,911,184 and \$10,666,258 were pledged to secure advances from the FRB at December 31, 2024 and 2023, respectively.

The Company obtained a letter of credit issued through Zions Bancorporation on behalf of a customer, totaling \$469,354. Any draws on the letter and associated fees are the responsibility of the customer.

The Company has a secured borrowing arrangement with the FHLB. At December 31, 2024 and 2023, there were no outstanding borrowings from the FHLB.

At December 31, 2024 and 2023, the Company's borrowing capacity from the FHLB was \$62,599,677 and \$57,944,609, respectively. The Company is required to pledge available-for-sale investment securities and certain loans to secure any advances under this arrangement. Loans totaling \$115,639,226 and \$111,227,261 were pledged to secure advances from the FHLB at December 31, 2024 and 2023, respectively.

#### Note 8 – Subordinated Debentures

In March 2022, the Company completed a private placement of \$6,000,000 in aggregate principal amount of fixed-to-floating rate subordinated notes (the "Notes") to certain qualified institutional buyers and accredited investors.

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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The Notes will initially bear interest at 4.25% per annum payable semi-annually until March 31, 2027, and thereafter pay a semi-annual floating interest rate based on the then current 90-Day Average Secured Overnight Financing Rate ("SOFR") plus 250 basis points, payable semi-annually in arrears. Beginning on March 31, 2027, the Notes may be redeemed, in whole or in part, at the Company's option. The Notes will mature on March 31, 2032.

Included in the proceeds from the debenture were various expenses including commission fees, legal expenses, accounting expenses and various filing expenses. The total of the issuance costs was \$245,602 and will be amortized over the life of the debt as an increase to interest expense. As of December 31, 2024 and 2023, the subordinated debenture had a net book balance, including unamortized issuance cost of \$5,891,291 and \$5,842,976, respectively.

For the years ended December 31, 2024 and 2023, the Company's interest expense, including amortization of issuance costs related to the notes was \$303,315 and \$303,332, respectively.

The Notes were structured to qualify as Tier 2 capital instruments for regulatory capital purposes at the holding company. Subsequent to the issuance of the notes, the Company made a capital investment in the Bank totaling \$3 million. This capital investment qualifies as Tier 1 capital at the Bank.

#### Note 9 – Income Taxes

Income taxes for the years ended December 31, 2024 and 2023, consisted of the following:

	2024		
	Federal	State	Total
Current	\$ 728,546	\$ 366,426	\$ 1,094,972
Deferred	25,194	99,933	125,127
Total	<u>\$ 753,740</u>	<u>\$ 466,359</u>	<u>\$ 1,220,099</u>

  

	2023		
	Federal	State	Total
Current	\$ 843,920	\$ 576,013	\$ 1,419,933
Deferred	114,080	987	115,067
Total	<u>\$ 958,000</u>	<u>\$ 577,000</u>	<u>\$ 1,535,000</u>

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

Deferred tax assets (liabilities) at December 31, 2024 and 2023, consisted of the following:

	2024	2023
Deferred tax assets		
Allowance for credit losses	\$ 1,015,533	\$ 1,021,070
Stock-based expense	141,968	172,571
State tax deferral	95,260	118,024
Lease liability	341,198	450,058
Unrealized loss on available-for-sale securities	4,626,995	4,924,954
Other	222,835	227,436
Total deferred tax assets	6,443,789	6,914,113
Deferred tax liabilities		
Loan origination costs	(330,057)	(331,241)
Premises and equipment	(211,983)	(155,180)
ROU lease asset	(321,895)	(424,362)
Other	(23,717)	(24,107)
Total deferred tax liabilities	(887,652)	(934,890)
Net deferred tax assets	\$ 5,556,137	\$ 5,979,223

The effective tax rate at December 31, 2024 and 2023, as a percentage of income before income taxes, differs from the statutory federal income tax rate as follows:

	2024	2023
Federal income tax expense, at statutory rate	21.0%	21.0%
State franchise tax, net of Federal tax effect	8.3%	8.5%
Tax-exempt income from life insurance policies	(0.1)%	(0.1)%
Tax exempt income	(0.4)%	(0.5)%
Stock based compensation	(0.5)%	0.2%
Other	(1.0)%	(0.1)%
Effective tax rate	27.3%	29.0%

The Company files income tax returns in the U.S. federal and California jurisdictions. There are currently no pending U.S. federal or state income tax examinations by tax authorities. The Company is no longer subject to tax examinations by U.S. federal taxing authorities for years ended before December 31, 2021, and by state and local taxing authorities for years ended before December 31, 2020.

As of December 31, 2024 and 2023, there were no unrecognized tax benefits or interest and penalties related to tax matters accrued by the Company.

# Golden Valley Bancshares, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 10 – Leases

The Company leases its main office and administrative offices in Chico, California, as well as its Business Banking Office in Redding, California, under noncancelable operating leases. These four leases expire on various dates through 2029. The Company maintains the lease on its former operations office and entered into a sublease agreement for this space. The lease and sublease both expire in 2025. The Company's leases often have an option to renew one or more times, at the Company's discretion following the expiration of the original term. For leases where the Company is reasonably certain that it will exercise the option to renew the lease, it has recognized those options in its ROU lease asset and liability.

Additionally, the Company leases equipment under a finance lease, expiring September 2027. The Company had no other (financing, short-term or variable) lease arrangements during the current period or the prior year. Cash paid for leases was \$396,869 and \$386,820 for the years ended December 31, 2024 and 2023, respectively.

The table below presents information regarding the Company's leases as of December 31, 2024 and 2023.

	2024	2023
ROU lease asset	\$ 1,088,823	\$ 1,435,419
Lease liability	\$ 1,154,114	\$ 1,522,338
Weighted Average Remaining Lease Term	2.62	5.90
Weighted Average Discount Rate	3.67%	3.52%

Maturities of lease liabilities as of December 31, 2024, are as follows:

2025	\$ 422,540
2026	216,120
2027	135,252
2028	113,501
Thereafter	402,228
Total undiscounted cash flows	1,289,641
Less: present value discount	(135,527)
Present value of net future minimum lease payments	\$ 1,154,114

The following table presents the components of lease expense for the years ended December 31, 2024 and 2023:

	2024	2023
Operating lease cost	\$ 390,885	\$ 384,572
Variable lease cost	51,118	56,915
Sublease income	(92,664)	(92,644)
Total lease cost	\$ 349,339	\$ 348,843



## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### **Note 11 – Commitments and Contingencies**

**Financial instruments with off-balance-sheet risk** – The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business in order to meet the financing needs of its customers. These financial instruments consist of commitments to extend credit totaling \$56,600,000 and \$55,700,000 at December 31, 2024 and 2023, respectively. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the consolidated balance sheet.

The Company's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for loans included on the consolidated balance sheet.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition 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. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include accounts receivable, inventory, equipment, and deeds of trust on residential real estate and income-producing commercial properties.

Commercial loan commitments represent approximately 67% of total commitments and are generally unsecured or secured by collateral other than real estate and have variable interest rates. Commercial real estate and construction loan commitments represent approximately 6% of total commitments and are generally secured by property with a loan-to-value ratio not to exceed 80%. The majority of real estate commitments also have variable interest rates. Home equity lines of credit represent 25% of total commitments and are generally secured by residential real estate and have variable interest rates. Agricultural loans represent 2% of total commitments and are generally secured by farmland and have fixed interest rates. Consumer loans represent 0% of total commitments and are generally secured by personal property and have fixed interest rates.

**Concentrations of credit risk** – The Company grants real estate residential, real estate construction and commercial loans to customers in Butte, Shasta, and surrounding counties. Although the Company intends to continue to diversify its loan portfolio, a substantial portion of its portfolio is secured by commercial and residential real estate at December 31, 2024 and 2023. In management's judgment at December 31, 2024, a concentration of loans exists in real estate commercial, non-real estate commercial and real estate residential related loans, which represented approximately 63%, 18%, and 16% of the Company's loans, respectively. In management's judgment at December 31, 2023, a concentration of loans exists in real estate commercial, non-real estate commercial and real estate residential related loans, which represented approximately 63%, 17%, and 15% of the Company's loans, respectively. A substantial decline in the performance of the economy in general or a confirmed decline in real estate values in the Company's primary market area, in particular, could have an adverse impact on the collectability of these loans.

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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**Contingencies** – The Company may be subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially affect the financial position or results of operations of the Company.

#### Note 12 – Share-Based Compensation

The 2006 Golden Valley Bank Equity Incentive Plan terminated on April 12, 2016, and had 13,500 outstanding options under the plan at December 31, 2024. The 2016 Golden Valley Bancshares Equity Incentive Plan (“2016 Plan”) has been approved by the Company’s shareholders and permits the grant of stock options and restricted stock for up to 718,167 shares of the Company’s common stock. Under the 2016 Plan, the Company had 530,957 shares reserved for future grants at December 31, 2024 and 2023. The 2016 Plan is designed to retain employees, directors and founders who are advisory group members. The amount, frequency, and terms of share-based awards may vary based on competitive practices, the Company’s operating results and government regulations. New shares are issued upon option exercise or restricted share grants. The 2016 Plan requires that the option price may not be less than the fair market value of the stock at the date the option is granted. All options expire on a date determined by the Board of Directors but not later than ten years from the date of grant. The vesting period for stock options and restricted stock is determined by the Board of Directors and is generally over a three to five year period. As of and for the years ended December 31, 2024 and 2023, the Company made no grants of restricted stock and had no unvested shares of restricted stock outstanding.

**Stock option awards** – A summary of option activity under the Plan for the year ended December 31, 2024, is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options				
Outstanding at January 1, 2024	213,350	\$ 13.22	4.83	\$ 426,868
Grants	-	\$ -	-	\$ -
Exercised	(8,250)	\$ 10.00	-	\$ -
Forfeited, expired, or cancelled	<u>(11,000)</u>	\$ 10.00	-	\$ -
Outstanding at December 31, 2024	<u>194,100</u>	\$ 13.54	4.26	\$ 804,677
Exercisable at December 31, 2024	<u>174,266</u>	\$ 13.21	4.00	\$ 780,152
Options expected to vest	<u>17,194</u>	\$ 16.26	6.52	\$ 21,261

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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At December 31, 2024, the unrecognized cost related to nonvested stock option awards totaled \$20,065. That cost is expected to be amortized on a straight-line basis over a weighted average period of 2.57 years and will be adjusted for subsequent changes in estimated forfeitures. Total share-based expense of \$105,522 and \$174,610 is recorded in salaries and benefits and other noninterest expense for the years ended December 31, 2024 and 2023, respectively. The fair value of options vested during 2024 and 2023 totaled \$41,189 and \$157,860, respectively.

There were no options granted in 2024 and 2023.

#### Note 13 – Shareholders' Equity

**Earnings per share** – A reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the years ended December 31, 2024 and 2023, is shown below.

	2024		
	Net Income	Weighted Average Number of Shares Outstanding	Per Share Amount
Basic earnings per share	\$ 3,244,556	2,233,615	\$ 1.45
Effect of dilutive stock options	-	47,441	
Diluted earnings per share	<u>\$ 3,244,556</u>	<u>2,281,056</u>	<u>\$ 1.42</u>
	2023		
	Net Income	Weighted Average Number of Shares Outstanding	Per Share Amount
Basic earnings per share	\$ 3,750,452	2,230,678	\$ 1.68
Effect of dilutive stock options	-	34,225	
Diluted earnings per share	<u>\$ 3,750,452</u>	<u>2,264,903</u>	<u>\$ 1.66</u>

Shares of common stock issuable under stock options for which the exercise prices were greater than the average market prices were not included in the computation of diluted earnings per share due to their antidilutive effect. Such shares totaled 60,000 and 77,500 for the years ended December 31, 2024 and 2023.

**Stock repurchased** – The Company did not repurchase or retire any shares during the year ended December 31, 2024. The Company repurchased and retired 6,577 shares of common stock for a total value of \$97,235 for the year ended December 31, 2023.

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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**Dividends** – Upon declaration by the Board of Directors, all shareholders of record will be entitled to receive dividends. The California Financial Code restricts the total dividend payment of any state banking association in any calendar year to the lesser of (1) the Company's retained earnings, or (2) the Company's net income for its last three fiscal years, less distributions made to shareholders during the same three-year period. At December 31, 2024 and 2023, no amounts were free of such restrictions. There were no dividends declared to shareholders of record in 2024 and 2023.

**Regulatory capital** – The Bank and the Company are subject to various regulatory capital requirements, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. The Company is not subject to regulatory capital requirements because its total assets are less than \$3.0 billion. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became fully effective for the Bank on January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based ratios. The capital conservation buffer requirement is 2.50%. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2024 and 2023, the Bank met all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2024 and 2023, the most recent regulatory notifications categorized the Company as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Banks are also subject to additional capital guidelines under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Company must maintain minimum total risk-based, Tier 1 risk-based, common equity Tier 1, and Tier 1 leverage ratios as set forth below. The most recent notification from the FDIC categorized the Company as well-capitalized under these guidelines. There are no conditions or events since that notification that management believes have changed the Company's category. The following table excludes the capital conservation buffer.

# Golden Valley Bancshares, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

	December 31, 2024		December 31, 2023	
	Amount	Ratio	Amount	Ratio
<b>Leverage Ratio</b>				
Golden Valley Bank	\$ 52,597,000	9.8%	\$ 49,258,000	9.6%
Minimum requirement for “Well-Capitalized” institution under prompt corrective action provisions	\$ 26,815,000	5.0%	\$ 24,428,000	5.0%
Minimum regulatory requirement	\$ 21,452,000	4.0%	\$ 19,543,000	4.0%
<b>Tier 1 Risk-Based Capital Ratio</b>				
Golden Valley Bank	\$ 52,597,000	16.7%	\$ 49,258,000	16.0%
Minimum requirement for “Well-Capitalized” institution under prompt corrective action provisions	\$ 25,206,720	8.0%	\$ 24,605,000	8.0%
Minimum regulatory requirement	\$ 18,905,040	6.0%	\$ 18,454,000	6.0%
<b>Common Equity Tier 1 Capital Ratio</b>				
Golden Valley Bank	\$ 52,597,000	16.7%	\$ 49,258,000	16.0%
Minimum requirement for “Well-Capitalized” institution under prompt corrective action provisions	\$ 20,480,460	6.5%	\$ 19,992,000	6.5%
Minimum regulatory requirement	\$ 14,178,780	4.5%	\$ 13,840,000	4.5%
<b>Total Risk-Based Capital Ratio</b>				
Golden Valley Bank	\$ 52,597,000	17.9%	\$ 49,258,000	17.3%
Minimum requirement for “Well-Capitalized” institution under prompt corrective action provisions	\$ 31,508,400	10.0%	\$ 30,756,000	10.0%
Minimum regulatory requirement	\$ 25,206,720	8.0%	\$ 24,605,000	8.0%

Management believes that the Company met all its capital adequacy requirements as of December 31, 2024 and 2023.

# Golden Valley Bancshares, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 14 – Related-Party Transactions

The Company enters into transactions with related parties, including directors and executive officers. The following is a summary of the aggregate activity involving related-party borrowers for the years ended December 31, 2024 and 2023:

	2024	2023
Balance, beginning of year	\$ 11,173,272	\$ 9,966,923
Disbursements	4,038,783	2,239,534
Amounts repaid	<u>(4,758,799)</u>	<u>(1,033,185)</u>
Balance, end of year	<u>\$ 10,453,256</u>	<u>\$ 11,173,272</u>
Undisbursed commitments to related parties, December 31	<u>\$ 1,190,214</u>	<u>\$ 1,976,975</u>

At December 31, 2024 and 2023, the Company's deposits from related parties totaled approximately \$12,266,771 and \$13,815,772, respectively. Included in related-party deposits are deposits from Golden Valley Bank Community Foundation (the Foundation).

### Note 15 – Employee Benefit Plans

**Profit sharing plan** – In 2006, the Company adopted the Golden Valley Bank 401(k) Profit Sharing Plan and Trust (the “Plan”). All employees 18 years of age or older with two months of service are eligible to participate in the salary deferral provisions of the Plan. Eligible employees may elect to make tax deferred contributions up to the maximum amount allowed by law. Deferrals can begin the first day of the following quarter after meeting eligibility requirements. The Plan accepts both pre-tax and Roth deferrals. The Company contribution is a Safe Harbor Match of employee salary deferrals and is 100% vested immediately. Any other employer contribution vests over a six-year schedule. After eligible employees have completed one year of service, they are eligible for any additional employer contribution provisions. The Company may make contributions to the Plan at the discretion of the Board of Directors. Eligible employees hired on or before August 1, 2006, are immediately vested in employer contributions. The Company contributed \$240,187 and \$230,985 to the Plan during the years ended December 31, 2024 and 2023, respectively.

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 16 – Other Expenses

Other expenses for the years ended December 31, 2024 and 2023, consisted of the following:

	2024	2023
Data processing	\$ 1,241,469	\$ 1,192,037
Professional fees	583,279	428,074
Regulatory assessments	317,968	288,554
Advertising and marketing	239,114	380,867
Director fees	280,805	313,036
Other	1,237,074	1,065,876
	<u>1,237,074</u>	<u>1,065,876</u>
Total	<u>\$ 3,899,709</u>	<u>\$ 3,668,444</u>

#### Note 17 – Segment Information

The Company's reportable segment is determined by the Chief Executive Officer and Chief Financial Officer, who are the designated CODM, based upon information provided about the Company's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the CODM, who use such information to review performance of various components of the business such as branches, which are then aggregated if operating performance, products/services, and customers are similar. The CODM will evaluate the financial performance of the Company's business components such as evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's segment and in the determination of allocating resources. The CODM use revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The benchmarking analysis coupled with monitoring of budget to actual results are used in assessment performance and in establishing compensation. Loans, investments, and deposits provide the revenues in the banking operation. Interest expense, provision for credit losses and payroll provide the significant expenses in the banking operation. All operations are domestic.

## Golden Valley Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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Accounting policies for segments are the same as those described in Note 1. Segment performance is evaluated using consolidated net income. Information reported internally for performance assessment by the CODM follows, inclusive of reconciliations of significant segment totals to the consolidated financial statements:

	Years Ended December 31,	
	2024	2023
Interest income	\$ 21,532,804	\$ 19,428,179
Reconciliation of revenue		
Other non-interest income	1,103,946	974,960
Total consolidated revenue	22,636,750	20,403,139
Less		
Interest expense	6,789,650	4,429,982
Segment net interest income and non-interest income	15,847,100	15,973,157
Less		
Provision for credit losses	4,000	8,613
Salaries and employee benefits	6,542,480	6,176,001
Occupancy and equipment	936,256	834,647
Other segment expenses	3,899,709	3,668,444
Provision for income taxes	1,220,099	1,535,000
Segment net income	3,244,556	3,750,452
Reconciliation of profit or loss		
Adjustments and reconciling items	-	-
Net income	\$ 3,244,556	\$ 3,750,452
	December 31,	
	2024	2023
Reconciliation of assets		
Total assets for reportable segment	\$ 536,290,614	\$ 488,563,519
Adjustments and reconciling items	-	-
Total assets	\$ 536,290,614	\$ 488,563,519