

Risk Factors Comparison 2025-03-14 to 2024-03-15 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

An investment in our common stock is subject to risks inherent in our business. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included in this Form 10-K. The risks described below are not the only ones we face. Additional risks and uncertainties not currently known to us or that are currently deemed to be immaterial may also materially and adversely affect our business, financial condition, capital levels, cash flows, liquidity, results of operations and prospects. The market price of our common stock could decline significantly due to any identified or other risks, and some or all of your investment value could diminish. The risks discussed below include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. This Form 10-K is qualified in its entirety by these risk factors.

Risks Related to Macroeconomic Conditions Our business may be adversely affected by downturns in the national economy and the regional economies in which we operate. We provide banking and financial services primarily to businesses and individuals in the states of California, Colorado, Nevada, New Mexico, and Washington. All our branches and most of our deposit clients are located in these five states. **A return of recessionary conditions or adverse economic conditions in the our markets- market we serve may areas could impact our growth rate,** reduce our rate of growth, affect our customers' ability to repay loans, and adversely impact our business, financial condition, and results of operations. **Broader economic factors such as inflation, unemployment and money supply fluctuations also may adversely affect our profitability.** Further, **because a high concentration of trade wars, tariffs, our- or shifts client base is in trade policies between the United States and other nations could disrupt supply chains, increase costs for businesses, and reduce export opportunities for our customers. These developments may, in turn, negatively impact these businesses and, by extension, our operations and financial performance. In addition, adverse weather conditions as well as decreases in market prices for agricultural products grown in our markets can adversely affect agricultural businesses in our markets. A downturn in economic conditions in the market areas we serve, in particular the San Francisco Bay area-Area, Southern California, Denver, Colorado, Seattle, Washington, Central New Mexico and the agricultural region of the California Central Valley, be it due to inflation, recessionary trends, geopolitical conflicts, adverse weather, or the other factors** deterioration of businesses in this market, or one or more businesses with a large employee base in this market, could have a material adverse effect on our business, financial condition and results of operations. General economic conditions, including inflation, unemployment and money supply fluctuations, also may adversely affect our profitability. Weakness in the global economy and global supply chain issues have adversely affected many businesses operating in our markets that are dependent upon international trade. Changes in agreements or relationships between the United States and other countries may further affect these businesses. In addition, adverse weather conditions as well as decreases in market prices for agricultural products grown in our markets can adversely affect agricultural businesses in our markets. A downturn in economic conditions in the market areas we serve, in particular the San Francisco Bay Area, Southern California, Denver, Colorado, Seattle, Washington, Central New Mexico and the agricultural region of the California Central Valley, whether due to inflation, recessionary trends, geopolitical conflicts, adverse weather, or other factors, could have a material adverse effect on our business, financial condition, and results of operations, including but not limited to:

- Reduced demand for our products and services, potentially leading to a decline in our overall loans or assets.
- Elevated levels of loan delinquencies, ~~problematic~~ **problem** assets, and foreclosures.
- An increase in our allowance for credit losses on loans.
- Depreciation in collateral values linked to our loans, thereby diminishing borrowing capacities and asset values tied to existing loans.
- Reduced net worth and liquidity of loan guarantors, possibly impairing their ability to meet commitments to us.
- Reduction in our low-cost or noninterest-bearing deposits.

A decline in local or regional economic conditions may have a greater effect on our earnings and capital **compared to than on the earnings and capital of larger financial institutions whose with more geographically diverse real estate loan portfolios are geographically diverse. Many Because a significant portion of the our loans- loan in our portfolio are is** secured by real estate, or fixtures attached to real estate. Any deterioration in the real estate markets associated with the collateral securing mortgage **could impair borrowers' ability to repay** loans could significantly impact borrowers' repayment capabilities and **reduce** the value of **the underlying** collateral. Real estate values are affected **influenced** by various other **a range of** factors, including economic conditions, regulatory changes, **government policies**, and natural disasters such as (e. g., earthquakes, **flooding** floods, fires and mudslides **tornadoes**), and trade-related pressures affecting construction costs or material availability. **Liquidating** If we are required to liquidate a significant amount of collateral during a period of **reduced-depressed** real estate values, **could negatively impact** our financial condition and profitability could be adversely affected. **Monetary policy, inflation, deflation, and other** External ~~external~~ economic factors **could**, such as changes in monetary policy and inflation and deflation, may have an adverse **adversely impact** effect on our business, financial condition **performance** and results of operations. Our financial condition and results of operations are affected by credit policies of monetary authorities, particularly the Federal Reserve. Actions by monetary and fiscal authorities, including the Federal Reserve, could lead to inflation, deflation, or other economic phenomena that could adversely affect our financial performance. **Higher U. S. tariffs on imported goods could exacerbate Inflation inflationary pressures by increasing** has risen sharply since the end **cost** of 2021 **goods and materials** throughout 2022 at levels not seen for over 40 years **businesses and consumers**. **This may particularly affect** Inflationary pressures, while easing recently, remained elevated throughout the first half of 2023. Small ~~small~~ to medium-sized businesses, may be impacted more during periods of high inflation as they are **not less** able to leverage economies of scale to mitigate cost pressures compared to

larger businesses. Consequently, the ability of our business clients may experience increased financial strain, reducing their ability to repay their loans and may deteriorate quickly, which would adversely impact impacting our results of operations and financial condition. Furthermore, a prolonged period of inflation could cause wages and other costs to us the Company to increase, which could adversely affect our results of operations and financial condition. Virtually all of our assets and liabilities are monetary in nature. As and, as a result, market interest rates tend to have a more significant impact on our performance than general levels of inflation or deflation. However, interest interest rates do not necessarily move in the same direction or by the same magnitude as the prices of goods and services, creating additional uncertainty in the economic environment.

Risks Related to Our Lending Activities Nonperforming assets take significant time to resolve and adversely affect our results of operations and financial condition and could result in further losses in the future. Nonperforming assets adversely affect our earnings in various ways. We do not record interest income on nonaccrual loans or foreclosed assets, and nonaccrual loans and foreclosed assets increase our loan administration costs. Upon foreclosure or similar proceedings, we record the repossessed asset at the its estimated fair value, less costs to sell, which may result in a write-down or loss. A significant increase in the level of nonperforming assets from current levels would also increase our risk profile and may impact the capital levels our regulators believe are appropriate in light of the 29th increased risk profile. While we attempt to reduce problem assets through collection efforts, asset sales and workouts and restructurings, decreases in the value of the underlying collateral, or in the borrower's performance or financial condition, could adversely affect our business, results of operations and financial condition. In addition, the resolution of nonperforming assets can require significant commitments of time from management, diverting their attention from other aspects of our operations. Many of our loans are to commercial borrowers, which have a higher degree of risk than other types of loans. At December 31, 2023-2024, we had \$ 1. 8 billion of commercial loans, consisting of \$ 1. 7 billion of commercial real estate and construction and land loans, representing 87-85. 1-5 % of total loans, and \$ 162-173. 9 million of commercial and industrial loans, representing 8. 4-9 % of total loans, where real estate is not the primary source of collateral. The \$ 1. 7 billion of commercial real estate loans includes \$ 249-225. 5-2 million of multifamily loans and \$ 9-1. 6-5 million of commercial construction and land loans. Commercial loans typically involve higher larger principal amounts than other types of loans, with and some of our commercial borrowers have more than one loan outstanding with us. Consequently, an adverse development related with respect to one a single loan or one credit relationship poses can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to- four family residential mortgage loan. Because payments on such loans are. Repayment of commercial loans often dependent depends on the cash flow of generated by the business commercial venture and the successful operation or development of the property / business involved, making them repayment of such loans is often more sensitive than other types of loans to adverse conditions in the real estate market, or the general business climate and, or economy. For Repayments of loans secured by non- owner occupied properties, repayments rely heavily on tenant rent payments, and any downturn downturns in the real estate market or economic conditions heightens heightens our repayment risk risks. In addition, many of our commercial real estate loans are not fully amortizing and require large balloon payments upon maturity. Such balloon payments may require the borrower to either sell or refinance the underlying property in order to make the payment, which may compel the borrower to sell or refinance the property, increase increasing the risk of default or nonpayment. Meanwhile, our commercial Commercial business loans are primarily typically made based on the cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. A borrower's cash flow can may prove to be unpredictable, and collateral securing these loans may fluctuate in value. Most often, this collateral includes accounts receivable, inventory, equipment or For real estate. In the case 32 of loans secured by accounts receivable, the availability of funds for the repayment is often of these loans may be substantially dependent on the borrower's ability of the borrower to collect amounts due from its clients -, while Other other forms of collateral securing commercial business loans may depreciate over time, may be difficult to appraise, may be illiquid, or affected by business and may fluctuate in value based on the success of the business. An increase Increases in specific reserves and charge offs related to our commercial and industrial loan portfolio could have a material materially impact adverse effect on our business, financial condition, results of operations, and future prospects. In recent years, the commercial real estate markets market has have been experiencing experienced substantial growth, and with increased competitive competition pressures have contributed contributing significantly to historically low capitalization rates and rising property values. Further However, commercial real estate markets have been particularly impacted by the economic disruption resulting from caused by the COVID- 19 pandemic significantly impacted this market. The COVID- 19 pandemic has also accelerated been a catalyst for the evolution adoption of various remote work options, which could impact has led many companies to re- evaluate the their long- term real estate needs. While some businesses are returning to traditional office environments, others are downsizing or shifting to hybrid models, creating uncertainty in demand for office spaces and other commercial properties. This trend could result in prolonged vacancies, declining rental income, and reduced property values, adversely affecting the performance of some types of properties within our commercial real estate loan portfolio. Accordingly, the federal Federal banking regulatory regulators agencies also have expressed raised concerns about weaknesses in the current commercial real estate market. Failures in our risk management policies, procedures and controls could lead to higher delinquencies and losses, adversely affect affecting our ability to manage this portfolio going forward and could result in an increased rate of delinquencies in, and increased losses from, this portfolio, which could have a material adverse effect on our business, financial condition, and results of operations. Construction loans are based upon estimates of costs and values associated with the complete completed project. These estimates may be inaccurate, and we may be exposed to significant losses on loans for these projects. Construction and land development loans totaled \$ 9-1. 6-5 million, or 0. 5-1 % of total loans as of December 31, 2023-2024, nearly all of which \$ 1. 6 million were commercial real estate construction loans and \$ 8. 0 million were residential real estate construction loans. These loans involve additional risks because funds are advanced based on the project's uncertain value prior to its completion, and costs may exceed realizable values in declining real estate

markets. Because of the uncertainties inherent in estimating construction costs and the realizable market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to accurately evaluate the total funds required to complete a project and the related loan-to-value ratio. Higher than anticipated **building construction** costs may cause actual results to vary significantly from those estimated. Further, this type of lending often involves larger loan principal amounts and might be **concentrated** among a limited number of builders. A downturn in the commercial real estate market could increase delinquencies, defaults, foreclosures, and significantly impair the value of our collateral, hindering our ability to sell the collateral upon foreclosure. **Dealing with builders who have multiple loans with us exposes us to heightened risks where, as** adverse developments in one credit relationship **can** could substantially increase **overall our risk** exposure. During the term of some of our construction loans, borrowers **are do not required to** make payments, as accumulated interest is added to the principal through an interest reserve. **Therefore** **Consequently**, repayment **often depends is contingent, in part,** on the project's success and the borrower's ability to sell or lease the property, rather than solely on the borrower's repayment capacity. Overstating the completed project's value, a **decline declining in market values conditions**, or **falling rental rate rates could result in** drops might leave us with insufficient security for **collateral to secure** loan repayment post-construction. **Additionally, Monitoring monitoring** the building process **requires** involves additional costs, including on-site inspections and cost comparisons, **adding to administrative costs**. Properties under construction are **generally difficult to sell and** often difficult to sell and typically must be completed **before a in order to be successfully-- successful sold sale can occur**, complicating the **handling management** of problem construction loans. If we foreclose on a defaulted construction loan **during prior to or at before** project completion, we might not recover the **entire unpaid balance**, accrued interest, and **or** foreclosure and holding costs. Further, **completing unfinished projects may require** additional funding, **may be needed to complete the project** and we may have **need** to hold the property **properties** for **extended an unspecified period periods before** of time while we attempt to dispose **disposing of it them**. Our construction loans include those with a sales contract or permanent loan in place for the finished homes and those for which purchasers for the finished homes may not be identified either during or following the construction period, known as speculative construction loans **— projects without identified**. Speculative construction loans pose additional risks, especially regarding finding end-purchasers for finished projects **— which pose heightened risks due to market uncertainties**. We also offer **provide** loans **on for** land under development or held for future construction. These loans carry additional risks **due to, including** longer development periods **timelines**, **vulnerability exposure** to real estate value declines, economic fluctuations **delaying projects**, political changes affecting land use, and the collateral's illiquid nature. During **this these** extended **financing to completion period periods**, the collateral **often typically** generates no cash flow. **Our** Our business may be adversely affected by credit risk associated with residential property. At December 31, **2023-2024**, \$ **86-109 . 0-7** million, or **4-5 . 6** % of total loans, was secured by first liens on one- to- four family residential real estate. In addition, at December 31, **2023-2024**, our home equity loans and lines of credit totaled \$ **5 . 9-1** million. A portion of our one- to- four family residential **real estate loan portfolio** consists of jumbo loans **that do not conform to secondary market mortgage requirements**, and therefore are not immediately sellable **which exceed the maximum balance allowed for sale** to Fannie Mae or Freddie Mac **because such and therefore cannot be sold to these government- sponsored enterprises. These jumbo** loans **carry** exceed the maximum balance allowable for sale. Jumbo one- to- four family residential loans may expose us to increased risk **because of due to** their larger balances and **limited liquidity** because they cannot be immediately sold to government sponsored enterprises. In addition, one- to- four family residential loans are generally sensitive to regional and local economic conditions that **significantly impact the affect borrowers' ability of borrowers** to meet their loan payment obligations, making loss levels difficult to predict. A **decline in residential real estate values resulting from a downturn in the housing market in our market areas** may reduce the value of the real estate collateral securing these types of loans and, **increase increasing our the** risk of loss **if in the event of borrowers-- borrower default defaults** on their loans. Recessionary conditions, **decreased or declines in the volume of real estate sales volumes** and /or the sales prices coupled with, and elevated unemployment rates **may result in could lead to** higher than expected loan delinquencies or, problem assets, and **reduced a decline in** demand for our products and services. These **adverse conditions could result in** potential negative events may cause us to incur losses and **adversely affect negatively impact** our business, financial condition, and results of operations. Agricultural lending and volatility in government regulations may adversely affect our financial condition and results of operations. At December 31, **2023-2024**, agricultural loans, including agricultural real estate and operating loans, were \$ **15-12 . 3-0** million, or **0 . 8-61** % of total loans. Agricultural lending involves a greater degree of risk and typically involves higher principal amounts than other types of loans. Repayment is dependent upon the successful operation of the business, which is greatly dependent on many things outside the control of either us or the borrowers. These factors include adverse weather conditions that prevent the planting of a crops or limit crop yields (such as hail, drought and floods), loss of livestock due to disease or other factors, declines in market prices for agricultural products (both domestically and internationally) and the impact of government regulations (including changes in price supports, subsidies, tariffs and environmental regulations). In addition, many farms are dependent on a limited number of key individuals whose injury or death may significantly affect the successful operation of the farm. If the cash flow from a farming operation is diminished, the borrower's ability to repay the loan may be impaired and the Bank may be unable to collect all principal and interest contractually due. Consequently, agricultural loans may involve a greater degree of risk than other types of loans, particularly in the case of loans that are unsecured or secured by rapidly depreciating assets such as farm equipment (some of which is highly specialized with a limited or no market for resale), or assets such as livestock or crops. In such cases, any repossessed collateral for a defaulted agricultural operating loan may not provide an adequate source of repayment of **the 31the** outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation or because the assessed value of the collateral exceeds the eventual realization value. The success of our SBA lending program is dependent upon the continued availability of SBA loan programs, our status as a preferred lender under the SBA loan programs and our ability to comply with

applicable SBA lending requirements. As an SBA Preferred Lender, we enable our **streamline the SBA loan process for** clients **by bypassing** to obtain SBA loans without being subject to the potentially lengthy SBA approval process necessary **procedures required** for **non-** lenders that are not SBA Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders to **evaluate** assess, among other things, whether the lender exhibits prudent risk management **practices**. When weaknesses **If deficiencies** are identified, the SBA may request corrective actions or, impose other restrictions, or **revoke a** including revocation of the lender's Preferred Lender status. **Losing this** If we lose our status **could impair our ability** as a Preferred Lender, we may be unable to compete effectively with other SBA Preferred Lenders **and**, which could have a material **materially** adverse effect **affect** on our financial results. Any **Additionally**, changes to the SBA program, including changes **such as adjustments** to federal the level of guaranty provided by the federal government on SBA loans or changes to the level **levels or funding allocations** of funds appropriated by the federal government to the various SBA programs, **could** may also have an adverse **adversely impact** effect on our business, results of operations, and financial condition. **Historically** -- **Historically**, we have sold the guaranteed portion of our SBA 7 (a) loans in the secondary market. These sales have resulted in gains or premiums on the sale of the loans and have created a stream of future servicing income. For the year ended December 31, **2023-2024**, we sold a total of \$ **72.2** million in SBA loans (guaranteed portion) for a net gain of \$ **508-199,000**. There can be no assurance that we will be able to continue originating these loans, that a secondary market will continue to exist, or that we will continue to realize premiums **upon the on future sale-sales of**. **Selling** the guaranteed portion of these SBA loans **also exposes us to**. When we sell the guaranteed portion of our SBA 7 (a) loans, we incur credit risk on the retained, non-guaranteed portion of the loans. In order **To qualify** for a borrower to be eligible to receive an SBA loan, the lender **a borrower** must **demonstrate an inability** establish that the borrower would not be able to secure **conventional financing** a bank loan without the SBA credit enhancements provided by a guaranty under the SBA program. Accordingly, the SBA loans in our portfolio **generally often** have weaker credit characteristics **characteristic than compared to the other loans** rest of our portfolio, **increasing the** and may be at greater risk of default **during** in the event of deterioration in economic conditions **downturns** or the borrower's financial condition **distress**. **If** In the event of a loan loss resulting from default **defaults** and a determination by the SBA that **determines** there **were** is a deficiency **deficiencies** in **how** the manner in which the loan was originated, funded, or serviced by us, the SBA may **deny or reduce its guaranty**, require us to repurchase the **previously sold portion** of the loan, **deny its liability** under the guaranty, **reduce the amount of the guaranty**, or, if it has already paid under the guaranty, **seek recovery of the principal loss-losses** related to the deficiency from us. Management has **We have established a recourse reserve to cover** estimated losses **on** inherent in the outstanding guaranteed portion of SBA loans **and recorded a recourse reserve at a level determined to be appropriate**. Significant increases to **this the recourse reserve** **could reduce** may materially decrease our net income **and**, which may adversely affect our business, results of operations, and financial condition. To meet our growth objectives, we may originate or purchase loans outside of our market **area areas**, which could affect the level of our net interest margin and nonperforming loans. To achieve our desired loan portfolio growth, we have sought and may continue seeking opportunities to originate or purchase loans outside of our market area, whether individually, through participations, or in bulk or "pools." Prior to purchase, we perform certain due diligence procedures and may re-underwrite these loans to our underwriting standards. Although we anticipate acquiring loans with customary limited indemnities, this approach exposes us to heightened risks, particularly when acquiring loans in unfamiliar geographic areas or of a type where our management lacks substantial prior experience. Monitoring such loans also may pose greater challenges for us. Further, when determining the purchase price for these loans, management will make certain assumptions about, among other things, whether and when borrowers will prepay their loans, real estate market conditions, and our ability to successfully manage loan collections and, if necessary, dispose of acquired real estate through foreclosure. To the extent that our underlying assumptions prove inaccurate or undergo unexpected changes, such as an unanticipated decline in the real estate market, the purchase price paid these loans could exceed the actual value, resulting in a lower yield or a loss of some or all of the loan principal. For instance, purchasing loan "pools" at a premium and experiencing earlier-than-expected loan prepayments would yield lower interest income than initially projected. Our success in growing our loan portfolio through loan purchases depends on our ability to price the loans properly and relies on the economic conditions in the geographic areas where the underlying properties or collateral for the acquired loans are located. Inaccurate estimates or declines in economic conditions or real estate values in the markets where we purchase loans could significantly adversely affect the level of our nonperforming loans and our results of operations. **Our 32Our** allowance for credit losses may prove to be insufficient to absorb losses in our loan portfolio. As with most financial institutions, we maintain an allowance for credit losses on loans to reserve for estimated potential losses on loans from defaults, which represents management's best estimate of expected credit losses inherent in the loan portfolio. Determining the appropriate level of the allowance for credit losses on loans involves estimating future losses at the time a loan is originated or acquired, incorporating a broad range of information and potential future economic scenarios. The determination of the appropriate level of the allowance for credit losses on loans inherently involves a high degree of subjectivity and requires us to make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for credit losses on loans, we review loans and our historical loss and delinquency experience and evaluate economic conditions. Management also recognizes that significant new growth in loan portfolios, new loan products, and the refinancing of existing loans can result in **35portfolios-- portfolios** comprised of unseasoned loans that may not perform **consistent consistently** with a historical or projected manner and will increase the risk that our allowance for credit losses on loans may be insufficient to absorb credit losses without significant additional provisions. If our assumptions are incorrect, our allowance for credit losses on loans may not be sufficient to cover actual losses, requiring additional provisions for credit losses on loans to replenish the allowance for credit losses on loans. Deterioration in economic conditions, new information regarding existing loans, identification of additional problem loans or relationships, and other

factors, both within and outside of our control, may increase our loan charge-offs and / or otherwise require an increase in our provision for credit losses on loans. In addition, bank regulatory agencies periodically review our allowance for credit losses on loans. Based on their assessment, they ~~and~~ may require increased provisions or loan charge-offs. Any increase in the provision for credit losses on loans negatively affects net income and could materially impact our financial condition, results of operations, and capital. **Wildfires present significant risks to our loan portfolio and the adequacy of our allowance for credit losses. While the recent wildfires in Southern California that began in January 2025 do not appear to have directly impacted our borrowers in any material respects, future wildfires could lead to heightened financial distress. Borrowers affected by these fires may experience financial hardship, which could decrease their repayment capacity and increase the likelihood of loan defaults. Damage to or destruction of properties securing loans could lead to a depreciation in collateral values, further increasing the risk of potential losses. In addition, inadequate insurance coverage or denied claims may hinder recovery efforts and add uncertainty to our ability to accurately estimate credit losses. Local economic disruptions, including business closures and job losses caused by these disasters, may also affect borrowers' ability to meet their financial obligations, necessitating adjustments to our credit loss assumptions. Our concentration of loans in wildfire-prone areas further amplifies our exposure, and the growing frequency and intensity of wildfires heightens our long-term credit risks. This may require increases to our allowance for credit losses in future periods. While we continue to assess and adjust our allowance to reflect current and anticipated risks, there can be no guarantee it will fully cover actual losses, especially given the ongoing uncertainties and challenges associated with wildfires. In addition to the lending-related risks discussed above, many of our offices are located, and many of our employees reside, in wildfire-prone areas. Damage to or destruction of our offices and / or our employees' homes caused by wildfires could be materially disruptive to our operations.**

Risks Related to Market and Interest Rate Changes Our profitability is vulnerable to interest rate fluctuations. Our earnings and cash flows are largely dependent upon our net interest income, which is significantly affected by interest rates. Interest rates are highly sensitive to many factors that are beyond our control, including such as general economic conditions and policies of various set by governmental and regulatory agencies bodies, and particularly the Federal Reserve. During 2023, in response to continued inflationary pressures, the Federal Open Market Committee ("FOMC") of the Federal Reserve Board increased **Increases** the target range for the federal funds rate 100 basis points to a range of 5.25% to 5.50%. A sustained and substantial change in market interest rates could **33reduce** significantly impact our net financial condition, liquidity, and results of operations. Furthermore, fluctuations in interest rates could adversely **income, weaken the housing market by curbing refinancing activity and home purchases, and negatively** affect the valuation of broader U. S. economy, potentially leading to slower economic growth our- or recessionary conditions assets and liabilities, ultimately affecting our earnings. We principally manage interest rate risk by managing the our volume and mix of our earning assets and funding liabilities. Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and investments and the amount of interest we pay on deposits and borrowings, but could also affect (i) our ability to originate and / or sell loans and obtain deposits, (ii) the fair value of our financial assets and liabilities, which could negatively impact shareholders' equity, and our ability to realize gains from the sale of such assets, (iii) our ability to obtain and retain deposits in competition with other available investment alternatives, (iv) the ability of our borrowers to repay adjustable or variable rate loans, and (v) the average duration of our investment securities portfolio and other interest-earning assets. In a changing interest rate environment, we may not be able to manage this risk effectively. If we are unable to manage this interest rate risk effectively, our business, financial condition and results of operations could be materially affected. **Our net** A sustained increase in market interest **margin, the difference between the yield on** rates could adversely affect our earnings. A significant portion of our loans have fixed interest rates and longer terms than our deposits and borrowings. As is the case with many banks, we attempt to increase our proportion of deposits comprising either no or relatively low- **earning assets and the cost of interest-bearing accounts liabilities, which has been challenging can be adversely affected by interest rate changes. While yields on assets and costs of liabilities tend to over- move in the same direction, the they last couple may do so at different speeds, causing the margin to expand or contract. As our interest-bearing liabilities often have shorter durations than our interest-earning assets, a rise in interest rates may lead to funding costs increasing faster than asset yields, compressing our net interest margin. Additionally, changes in the slope of years-the yield curve, such as flattening or inversion, can further pressure our margins as funding costs rise relative to asset yields. Conversely, falling rates can increase loan prepayments, leading to reinvestment in lower-yielding assets, reducing income. In a rising rate environment, retaining deposits can become costlier** . At December 31, 2023-2024, our deposit composition included \$ 372-485 . 42 million in certificates of deposit maturing within one year and \$ 1. 7 billion in noninterest-bearing, NOW checking, savings, and money market accounts. **We If deposit and borrowing rates rise faster than loan and investment yields, our net interest income and overall earnings would could incur decline. A substantial amount of our loans have adjustable interest rates, which may result in a higher cost incidence of default funds to retain these deposits in a rising interest rate environment. Our net** Additionally, a significant portion of our adjustable-rate loans include interest rate floors that prevent the loan's contractual interest rate from falling below a specified level. At December 31, 2024, approximately \$ 1. 3 billion, or 67. 4 % of our loan portfolio consisted of adjustable or floating-rate loans, and approximately \$ 992. 5 million, or 75. 4 %, of those adjustable or floating-rate loans contained interest rate floors. The presence of interest rate floors can increase income during periods of declining interest rates, as the rates on these loans cannot adjust downward below the floor. However, this benefit is subject to the risk that borrowers may refinance these loans to take advantage of lower rates. Furthermore, when loans are at their floor interest rates, our interest income may not rise as quickly as our cost of funds during periods of increasing interest rates, which could be materially and adversely affected-- **affect if the rates our results of operations. While we employ** pay on deposits and borrowings increase more rapidly than the rates we earn on loans and other investments. Although management believes it has implemented effective

asset and liability management strategies to **mitigate** reduce the potential effects of changes in interest rates on our results of operations, any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations. Also, our interest rate risk modeling techniques, **unexpected, substantial, or prolonged rate changes could materially affect our financial condition and results of operations. Additionally, our interest rate risk models** and assumptions **may likely will not fully predict or capture the impact of actual interest rate changes** on our balance sheet or projected operating results. **See** For further discussion of how changes in interest rates could impact us, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Interest Rate Sensitivity and Market Risk,” of this Form 10-K for a discussion of interest rate risk modeling and the inherent risks in modeling assumptions. **36** **We** We may incur losses on our securities portfolio as a result of increases in interest rates. **Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential comprehensive income and / or earnings. These fluctuations may result from changes in market interest rates to the fair value of these securities. These factors include, but are not limited to, rating agency actions in respect of the securities, issuer defaults by, or other adverse events affecting, the issuer issues or with respect to the underlying securities, lower market prices, or limited investor demand. Our available-for-sale debt securities in and an unrealized loss position are evaluated to determine whether the decline in fair value has resulted from credit losses or other factors. If a credit loss is identified, an allowance for credit losses is recorded, resulting in a charge against earnings. Because available-for-sale securities are reported at estimated fair value, changes in market interest rates can adversely affect our financial condition and continued instability in the capital markets. Any The fair value of fixed-rate securities generally moves inversely with interest rate changes. Unrealized gains and losses on these securities are reported as a separate component of AOCI, among others, could cause net of tax. Decreases in other the fair value of securities available for sale resulting from increases temporary impairments and realized and / or unrealized losses in interest rates future periods and declines in other comprehensive income, which could have a material an adverse effect on shareholders’ equity our business, financial condition and results of operations. Additionally, there The process for determining whether impairment of a security is other than temporary usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the security to assess the probability of receiving all contractual principal and interest payments on the security. There can be no assurance that the declines in market value will not result in credit losses, which would other than temporary impairments of these assets and lead to accounting charges additional provisions for credit losses that could have a material materially adverse effect affect on our net income business, financial condition and capital levels results of operations. For the year ended December 31, 2023, we did not incur any other than temporary impairments on our securities portfolio. Risks 34 Risks** Related to our Merger and Acquisition Strategy Our strategy of pursuing acquisitions exposes us to financial, execution, compliance and operational risks that could have a material adverse effect on our business, financial condition, results of operations and growth prospects. A substantial part of our historical growth has been a result of acquisitions of other financial institutions, a strategy we plan to continue by evaluating and selectively acquiring entities that align with our client base and desired markets. However, the acquisition market is fiercely competitive, and we may encounter challenges in identifying suitable candidates that meet our acquisition standards and strategy. Our ability to compete relies on our financial resources, including cash reserves, liquidity, and the market price of our common stock. Increased competition may also drive up acquisition costs, which fluctuate with market conditions. There have been instances in the past where we were unable to secure acquisitions at acceptable prices, and we anticipate similar challenges in the future. Furthermore, identifying attractive acquisition opportunities often involves meeting various conditions, such as obtaining regulatory approvals, a process that can be burdensome, time-consuming and unpredictable. Sustaining our historical growth rate may be difficult if we are unable to identify and acquire suitable acquisition targets. We have completed ten full bank acquisitions since 2010, which has enhanced our growth rate over the years. Our pursuit of acquisitions may disrupt our business, and any equity that we issue as merger consideration may have the effect of diluting the value of your investment **in the Company**. Our acquisition activities strategy involves a number of significant risks, including:

- Diverting management attention and resources toward identifying, evaluating, and negotiating potential acquisitions, potentially detracting from our existing business operations.
- Reliance on estimates and judgments, which could be inaccurate, in evaluating credit, operational, management, and market risks of the target company or the assets and liabilities we aim to acquire.
- Exposure to potential asset quality and credit risks.
- Higher than expected deposit attrition;
- Potential exposure to unknown or contingent liabilities from acquired banks and businesses, including regulatory and compliance issues.
- The risk of not realizing expected revenue increases, cost savings, geographic or product expansions, or other projected acquisition benefits.
- Costs and time required to integrate operations and personnel from the combined businesses.
- Inconsistencies in standards, procedures, and policies that may adversely affect client and employee relationships;
- Potential increase in operating expenses relative to operating income from the new operations.
- Short-term adverse effects on our financial results, such as increases in general and administrative expenses initially, which potentially adversely affects our efficiency ratio.
- Challenges related to the conversion and integration of financial and client data.

37 Borrowing funds or alternative financing methods, such as issuing common or convertible preferred stock, that may increase leverage, diminish liquidity, and result in dilution for existing shareholders.

- Risks of impairment to goodwill, which would require a charge to earnings. Any of the foregoing could have a material adverse effect on our business, financial condition, and results of operations. Any expansion into new markets or new lines of business might not be successful. As part of our strategic plan, we may consider expansion into new geographic markets. Such expansion might take the form of de novo branches or the acquisition of existing banks or branches. There are substantial risks associated with such efforts, including risks that (i) revenues from such activities might not be sufficient to offset the development, compliance, and other implementation costs, (ii) competing products and services and shifting market preferences might affect the profitability of such activities, and (iii) our

internal controls might be inadequate to manage the risks associated with new activities. Furthermore, our unfamiliarity with new markets or lines of business might adversely affect the success of such actions. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences, may also affect the ultimate implementation of a new line of business or offerings of new products, product enhancements or services. If any such expansions into new geographic or product markets are not successful, there could be an adverse effect on our financial condition and results of operations. Risks Related to Accounting Matters We may experience future goodwill impairment, which could reduce our earnings. We performed our test for goodwill impairment at December 31, 2023-2024 and the test concluded that recorded goodwill was not impaired. Our test of goodwill for potential impairment is based on a qualitative assessment by management that takes into consideration macroeconomic conditions, industry and market conditions, cost or margin factors, financial performance and share price. Our evaluation of the fair value of goodwill involves a substantial amount of judgment. If our judgment were incorrect, or if events or circumstances change, and an impairment of goodwill was deemed to exist, we would be required to write down our goodwill, resulting in a charge against operations, which may materially adversely affect our results of operations. Our The Company's reported financial results depend on management's selection of accounting methods and certain assumptions and estimates, which, if incorrect, could cause unexpected losses in the future. Our The Company's accounting policies and methods are fundamental to how we the Company records record and reports report its our financial condition and results of operations. The Company's management-Management must exercise judgment in selecting and applying many of these accounting policies and methods so that they comply with generally accepted accounting principles and reflect management's judgment regarding the most appropriate manner to report our the Company's financial condition and results of operations. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which might be reasonable under the circumstances, yet might result in us the Company's reporting materially different results than would have been reported under a different alternative. Certain accounting policies, most notably the allowance for credit losses, are critical to presenting our the Company's financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. For more information, refer to "Critical Accounting Estimates" included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-K. We are subject to an extensive body of accounting rules and best practices. Periodic changes to such rules may change the treatment and recognition of critical financial line items and affect our profitability. Our business operations are significantly influenced by the extensive body of accounting regulations in the United States. Regulatory bodies periodically-regularly issue new guidance, altering accounting rules and reporting requirements, which 38can-- can substantially affect the preparation and reporting presentation of our financial statements. These changes might necessitate may require retrospective application, potentially leading to restatements of prior period financial statements. One such significant change from 2022 was impacting our operations is the implementation of the Current Expected Credit Loss (CECL) model, which we adopted on January 1, 2023. Under the CECL model, financial assets carried at amortized cost, such as loans and held-to-maturity debt securities, are presented at the net amount expected to be collected. This forward-looking approach estimates in estimating expected credit losses by considering historical experience, current conditions, and reasonable forecasts affecting collectability. The model contrasts starkly with the previous former GAAP's "incurred loss" model methodology under GAAP, which recognized delaying recognition until a loss-losses is only when they were probable. While CECL improves the timeliness mandates considering historical experience, current conditions, and reasonable forecasts affecting collectability, leading to periodic adjustments of recognizing credit losses financial asset values. However, its this forward-looking methodology, reliant-reliance on macroeconomic forecasts variables, introduces the potential for increased earnings volatility due to unexpected changes in these economic indicators between periods. An additional Additionally, consequence of CECL is creates an accounting asymmetry between: loan-related income; is recognized periodically using based on the effective interest method, and while expected credit losses; are recognized upfront at origination. This asymmetry might create may give the perception impression of reduced profitability during periods of loan growth expansion periods due to the immediate recognition of expected credit losses. Conversely, and relatively higher profitability during periods with of stable or declining loan volumes, levels might seem relatively more profitable as income continues to accrues- accrue gradually for loans with where losses had been previously recognized. As a result of the change in methodology from the incurred loss method to the CECL model, on January 1, 2023, the Company recognized an increase in the allowance for credit loss on loans totaling \$ 1.5 million and an increase to the allowance for credit losses on unfunded commitments of \$ 45,000, as a cumulative effect adjustment from change in accounting policies, with a corresponding after-tax decrease to opening retained earnings of \$ 491,000. Risks Related to Cybersecurity, Third Parties and Technology We Technology36We are subject to certain risks in connection with our use of technology. Our security measures may not be sufficient to mitigate the risk of a cyber-attack. Communications and information systems are essential to the conduct of our business, as we use such systems to manage our client relationships, our general ledger, and virtually all other aspects of our business. Our operations rely on the secure processing, storage, and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, the security of our computer systems, software, and networks may be vulnerable to breaches, fraudulent or unauthorized access, denial or degradation of service, attacks, misuse, computer viruses, malware, or other malicious code and cyber-attacks that could have a security impact. If one or more of these events occur, this could jeopardize our or our clients' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our clients or counterparties. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered

through any insurance maintained by us. Security breaches in our internet banking activities could further expose us to possible liability and damage our reputation. Increases in criminal activity levels and sophistication, advances in computer capabilities, new discoveries, vulnerabilities in third party technologies (including browsers and operating systems), or other developments could result in a compromise or breach of the technology, processes and controls that we use to prevent fraudulent transactions, and to protect data about us, our clients, and underlying transactions. Any compromise of our security could deter clients from using our internet banking services that involve the transmission of confidential information. Although we have developed and continue to invest in systems and processes that are designed to detect and prevent security breaches and cyber- attacks and periodically test our security, these precautions may not protect our systems from compromises or breaches of our security measures, and could result in losses to us or our clients, our loss of business and / or clients, damage to our reputation, the incurrence of additional expenses, disruption to our business, our inability to grow our online services, or other businesses, additional regulatory scrutiny or penalties, or our exposure to civil litigation and possible financial liability, any of which could have a material adverse effect on our business, financial condition and results of operations. Our security measures may not protect us from system failures or interruptions. We have established policies and procedures to prevent or limit the impact of system breaches, failures and interruptions. In addition, we outsource certain aspects of our data processing and other operational functions to certain third- party providers. While we select third- party ~~39vendors~~ **vendors** carefully, we do not control their actions. If our third- party providers encounter difficulties, including those resulting from breakdowns or other disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher transaction volumes, cyber- attacks or security breaches or if we otherwise have difficulty in communicating with them, our ability to adequately process and account for transactions could be affected, and our ability to deliver products and services to our clients and otherwise conduct business operations could be adversely impacted. Replacing these third- party vendors could also entail significant delay and expense. Threats to information security also exist in the processing of client information through various other vendors and their personnel. We cannot assure you that such breaches, failures or interruptions will not occur or, if they do occur, that they will be adequately addressed by us or the third parties on which we rely. Further, while we believe we maintain adequate insurance to cover these risks, our insurance coverage may not cover all losses resulting from breaches, system failures or other disruptions. The occurrence of any systems failure or interruption could damage our reputation and result in a loss of clients and business, could subject us to additional regulatory scrutiny, or could expose us to legal liability. Any of these occurrences could have a material adverse effect on our financial condition and results of operations. **Our current and future uses of Artificial Intelligence (AI) and other emerging technologies may create additional risks. The increasing adoption of AI in financial services presents significant opportunities but also introduces a range of risks that could impact our operations, regulatory compliance, and customer trust. AI introduces model risk, where flawed algorithms or biased data could result in inaccurate credit decisions, compliance violations, or discriminatory outcomes in lending or customer service. Cybersecurity threats, such as data breaches, adversarial attacks, and data 37poisoning, pose significant challenges, particularly as these systems handle large volumes of sensitive customer information. Additionally, the opaque nature of some AI models, often referred to as "black- box" systems, raises regulatory compliance concerns, as regulators increasingly require transparency and explainability in AI- driven decision- making. Operational risks also arise from potential system failures, over- reliance on AI, and integration challenges with existing infrastructure. Disruptions in AI systems could impact critical functions such as fraud detection, transaction monitoring, and customer support. Ethical and reputational risks, including unintended consequences or perceived unfairness in AI- driven decisions, may erode customer trust and expose us to regulatory scrutiny. Mitigating these risks requires a robust governance framework, regularly testing and auditing of AI models, and strong human oversight. Investments in cybersecurity, data privacy protections, and employee training are critical to managing these risks.** We are subject to certain risks in connection with our data management or aggregation. We are reliant on our ability to manage data and our ability to aggregate data in an accurate and timely manner to ensure effective risk reporting and management. Our ability to manage data and aggregate data may be limited by the effectiveness of our policies, programs, processes and practices that govern how data is acquired, validated, stored, protected and processed. While we continuously update our policies, programs, processes and practices, many of our data management and aggregation processes are manual and subject to human error or system failure. Failure to manage data effectively and to aggregate data in an accurate and timely manner may limit our ability to manage current and emerging risks, as well as to manage changing business needs. Our business may be adversely affected by an increasing prevalence of fraud and other financial crimes. As a bank, we are susceptible to fraudulent activity, information security breaches and cybersecurity related incidents that may be committed against us or our clients, which may result in financial losses or increased costs to us or our clients, disclosure or misuse of our information or our client information, misappropriation of assets, privacy breaches against our clients, litigation or damage to our reputation. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering and other dishonest acts. Nationally, reported incidents of fraud and other financial crimes have increased. We are not aware that we have experienced any material misappropriation, loss or other unauthorized disclosure of confidential or personally identifiable information as a result of a cyber- security breach or other act ~~7~~; however, some of our clients may have been affected by these breaches, which could increase their risks of identity theft, credit card fraud and other fraudulent activity that could involve their accounts with us. While we have policies and procedures designed to prevent such losses, there can be no assurance that such losses will not occur. The financial services market is undergoing rapid technological changes, and if we are unable to stay current with those changes, we will not be able to effectively compete. The financial services market, including banking services, is undergoing rapid changes with frequent introductions of new technology- driven products and services. Our future success will depend, in part, on our ability to keep pace with technological changes and to use technology to satisfy and grow customer demand for our products and services and to create additional efficiencies in our operations. We expect that we will need to make substantial

investments in our technology and information systems to compete effectively and to stay current with technological changes. Some of our competitors have substantially greater resources to invest in technological improvements and will be able to invest more heavily in developing and adopting new technologies, which may put us at a competitive disadvantage. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. As a result, our ability to effectively compete to retain or acquire new business may be impaired, and our business, financial condition or results of operations may be adversely affected. Risks Related to Regulatory and Compliance Matters

~~40The~~ ~~The~~ level of our commercial real estate loan portfolio may subject us to additional regulatory scrutiny. ~~The~~ ~~38The~~ FDIC, the Federal Reserve and the Office of the Comptroller of the Currency have promulgated joint guidance on sound risk management practices for financial institutions with concentrations in commercial real estate lending. Under this guidance, a financial institution that, like us, is actively involved in commercial real estate lending, should perform a risk assessment to identify concentrations. A financial institution may have a concentration in commercial real estate lending if, among other factors, (i) total reported loans for construction, land development and other land represent 100.0% or more of total capital, or (ii) total reported commercial real estate loans (as defined in the guidance) represent 300.0% or more of total capital. The particular focus of the guidance is on exposure to commercial real estate loans that are dependent on the cash flow from the real estate held as collateral and that are likely to be at greater risk to conditions in the commercial real estate market (as opposed to real estate collateral held as a secondary source of repayment or as an abundance of caution). The purpose of the guidance is to ~~guide~~ ~~assist~~ banks in developing risk management practices and capital levels commensurate with the level and nature of ~~their~~ real estate concentrations. The guidance states that management should employ heightened risk management practices, including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing. ~~We~~ **As of December 31, 2024, the Bank's aggregate recorded loan balances for construction, land development and land loans were 2.0% of total regulatory capital, while the Bank's commercial real estate loans as calculated in accordance with regulatory guidance were 320.2% of total regulatory capital. As a result, we** have concluded that we have a concentration in commercial real estate lending under the foregoing standards ~~because our balance in commercial real estate loans at December 31, 2023 represents more than 300% of total capital. Owner-occupied commercial real estate totaled 110.2% of total capital, while non-owner-occupied commercial real estate totals an additional 253.3% of total capital.~~ While we believe we have implemented policies and procedures with respect to our commercial real estate loan portfolio consistent with this guidance, bank regulators could require us to implement additional policies and procedures consistent with their interpretation of the guidance that may result in additional costs to us. We operate in a highly regulated environment and may be adversely affected by changes in federal and state laws and regulations that could increase our costs of operations. The banking industry is extensively regulated. Federal banking regulations are designed primarily to protect the deposit insurance funds and customers, not to benefit a company's shareholders. These regulations may sometimes impose significant limitations on our operations. The significant federal and state banking regulations that affect us are described in this Form 10-K under the heading "Item 1. Business — Supervision and Regulation." These regulations, along with the currently existing tax, accounting, securities, insurance, privacy and monetary laws, regulations, rules, standards, policies and interpretations, control the methods by which financial institutions conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. These laws, regulations, rules, standards, policies, and interpretations are constantly evolving and may change significantly over time. Any new regulation or legislation, or change in existing regulation or oversight, whether a change in regulatory policy or a change in a regulator's interpretation of a law or regulation, could have a material impact on our operations, increase our costs of regulatory compliance and of doing business and adversely affect our profitability. For example, changes in consumer privacy laws, such as the recently enacted CCPA and CPRA in California, or any non-compliance with such laws, could adversely affect our business, financial condition and results of operations. See "Item 1. Business — Supervision and Regulation — Privacy Standards" for additional information on the CCPA and the CPRA. Compliance with the CCPA, the CPRA and other state statutes or regulations designed to protect consumer personal data could potentially require us to implement substantive technology infrastructure and process changes. Non-compliance with the CCPA, the CPRA or similar laws and regulations could lead to substantial regulatory imposed fines and penalties, damages from private causes of action and / or reputational harm. ~~41Non~~ ~~Non~~-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions and limit our ability to get regulatory approval of acquisitions. The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent ~~themselves~~ ~~financial institutions~~ from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U. S. Treasury's Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of clients seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions and limit our ability to get regulatory approval of acquisitions. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance can be given that these policies and procedures will be effective ~~in preventing violations of these laws and regulations~~. If our policies, procedures and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions, which may include the denial of regulatory approvals to proceed with certain aspects ~~of~~ ~~39of~~ our business plan, including our acquisition plans. **Additionally, any perceived or actual Failure failure to prevent maintain and implement adequate programs to combat money laundering and or terrorist financing activities could also have serious significantly damage our reputational-- reputation consequences for us.** Any of these ~~These~~ ~~results~~ ~~outcomes~~ could have a material adverse effect on our business, financial condition, results of operations, and growth prospects. If our enterprise risk management framework is not effective at mitigating risk and loss to us, we could suffer unexpected losses. Our enterprise risk management framework seeks to achieve an appropriate balance between risk and return, which is critical to optimizing

stockholder ~~shareholder~~ value. We have established processes and procedures intended to identify, measure, monitor, report, analyze and control the types of risk to which we are subject. These risks include liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and compliance risk, and reputational risk, among others. We also maintain a compliance program designed to identify, measure, assess, and report on our adherence to applicable laws, policies and procedures. While we assess and improve these programs on an ongoing basis, there can be no assurance that our risk management or compliance programs, along with other related controls, will effectively mitigate all risk and limit losses in our business. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. Climate change and related legislative and regulatory initiatives may materially affect the Company's business and results of operations. The effects of climate change continue to **raise significant** create an alarming level of concern **concerns** for **about** the state of the global environment. **However** As a result, **under the new Trump administration** global business community has increased its political and social awareness surrounding the issue, and **federal policy may shift to reduce** the United States has entered into **emphasis on climate change initiatives and environmental regulations. This could include scaling back federal participation in** international agreements in an attempt to reduce global temperatures, such as reentering the Paris Agreement. Further, the U. S. Congress, state legislatures and **reducing regulatory pressures at the** federal **level on businesses** and state regulatory agencies continue to propose numerous initiatives to supplement the global effort to combat climate change. Similar and even more expansive initiatives are expected under the current administration, including potentially increasing supervisory expectations with respect to banks' risk management practices, **to address** accounting for the effects of climate change in stress testing scenarios and systemic risk assessments, revising expectations for credit portfolio concentrations based on climate-related factors **risks**. **Legislative** and **regulatory proposals aimed at combating** encouraging investment by banks in climate-related initiatives and lending to communities disproportionately impacted by the effects of climate change **may face greater scrutiny or diminished priority**. The lack of empirical data surrounding **regarding the financial and** credit and other financial risks posed by climate change **render still makes** it difficult, or even impossible, to predict how its specifically ---- **specific impact on our financial condition and results of operations. However, the physical effects of climate change, such as more frequent and severe weather disasters, could directly affect us. For instance, such events may damage real property securing loans in our portfolio or reduce the value of that collateral. If our borrowers' insurance is insufficient to cover these losses or if insurance becomes unavailable, the value of the collateral securing our loans could be negatively affected, potentially impacting our financial condition and results of operations. Moreover,** climate change may impact our financial condition and results of operations; however, the physical effects of climate change may also directly impact us. Specifically, unpredictable and more frequent weather disasters may adversely impact the real property, and / or the value of the real property, securing the loans in our portfolios. Additionally, if insurance obtained by our borrowers is insufficient to cover any losses sustained to the collateral, or if insurance coverage is otherwise unavailable to our borrowers, the collateral securing our loans may be negatively impacted by climate change, natural disasters and related events, which could impact our financial condition and results of operations. Further, the effects **affect** of climate change may negatively impact regional and local economic activity, **harming** which could lead to an adverse effect on our customers and **impact** the communities in which we operate. **Overall Regardless of changes in federal policy, the effects of** climate change, its effects and the **their** resulting, unknown **long- term impact impacts** could **still** have a material adverse effect on our financial condition and results of operations. **42Risks -- Risks** Related to Our Business and Industry Generally We rely on other companies to provide key components of our business infrastructure. We rely on numerous external vendors to provide us with products and services necessary **for to maintain** our day- to- day operations. Accordingly, our operations are exposed to **risk risks associated** that these vendors will not perform in accordance with **vendor performance** the contracted arrangements under service level agreements. **If a** The failure of an external vendor **fails to meet its** perform in accordance with the contracted **contractual obligations due to** arrangements under service level agreements because of changes in **its** the vendor's organizational structure, financial condition, support for existing products and services or, strategic focus or, for **or** any other reason, **our operations** could be **disruptive -- disrupted** to our operations, **potentially causing** which in turn could have a material **negative adverse** impact on our financial condition and results of operations. We also **Furthermore, we** could be adversely affected **if a vendor** to the extent such an agreement is not renewed by the third- party vendor or is renewed on terms less favorable to us. Additionally, the bank regulatory **Regulatory** agencies expect **also require** financial institutions to be responsible **remain** **accountable** for all aspects of our vendors' **vendor** performance, including **activities** aspects which they delegate **delegated** to third parties. **Additionally, Disruptions disruptions** or failures in the physical infrastructure or operating systems that support **supporting** our business and **clients customers**, or cyber- attacks or security breaches **involving** of the networks, systems, or devices that our clients use **used by our customers** to access our products and services, could result in **lead to** client attrition, regulatory fines, **40or** penalties or intervention, reputational damage, reimbursement or other compensation costs, and **increased** / or additional compliance costs, any **expenses. Any** of which **these outcomes** could materially **and** adversely affect our **results of operations or financial condition and results of operations**. Ineffective liquidity management could adversely affect our financial results and condition. **Maintaining sufficient Liquidity liquidity** is essential **to for the operation of** our business. We **rely require sufficient liquidity to meet customer loan requests, customer deposit maturities / withdrawals, payments** on a number of different sources in order to meet our **debt obligations as they come due** potential liquidity demands. Our primary sources of liquidity are increases in deposit accounts, **and other cash commitments under both normal operating conditions** flows from loan payments and our securities portfolio. Borrowings also provide us with a source of funds to meet liquidity demands. An inability to raise funds through deposits, borrowings, the sale of loans and other **unpredictable circumstances causing industry** sources could have a substantial negative effect on our **or liquidity general financial market stress**. Our access to funding sources in amounts adequate to finance our activities or on terms which **that** are

acceptable to us could be impaired by factors that affect us specifically, or the financial services industry or economy in general generally. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity as a result of a downturn in the geographic markets in which our loans and deposits operations are concentrated; negative operating results, or difficult credit markets adverse regulatory action against us. Our ability access to borrow could deposits may also be impaired affected by factors that the liquidity needs of our depositors. In particular, a majority of our liabilities are checking not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry or deterioration in credit markets. Any decline in available funding in amounts accounts and other liquid deposits, adequate to finance our activities or on terms which are acceptable payable on demand or upon several days' notice, while by comparison, a substantial majority of our assets are loans, which cannot be called or sold in the same time frame. Although we have historically been able to replace maturing deposits and advances as necessary, we might not be able to replace such funds in the future, especially if a large number of our depositors seek to withdraw their accounts, regardless of the reason. A failure to maintain adequate liquidity could materially and adversely impact our ability to originate loans, invest in securities, meet our expenses, or fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could, in turn, have a material adverse effect affect on our business, financial condition and results of operations. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity" of this Form 10-K. Several of our large depositors have relationships with each other, which creates a higher risk that one client's withdrawal of its deposit could lead to a loss of other deposits from clients within the relationship, which, in turn, could force us to fund our business through more expensive and less stable sources. As of December 31, 2023-2024, our ten largest depositors, none of which include brokered deposits, accounted for \$ 246-304.05 million in deposits, or approximately 11-13.56% of total deposits. Several of our large depositors are locals-local unions of labor unions or have business, family, or other relationships with each other, which creates a risk that any one client's withdrawal of its deposits could lead to a loss of other deposits from clients within the relationship. At December 31, 2023-2024, \$ 658-641.35 million, or 30.9-1%, of our total deposits were comprised of deposits from labor unions, representing 714-732 different local unions with an average deposit balance per local union of approximately \$ 814-770,000. At December 31, 2023-2024, 22-20 labor unions had aggregate deposits of \$ 10.0 million or more, totaling \$ 399-385.73 million, or 18.7-1% of our total deposits. Given our use of these high average balance deposits as a source of funds, the inability to retain these funds could have an adverse effect on our liquidity. In addition, these deposits are primarily demand deposit accounts or short-term deposits and therefore may be more sensitive to changes in interest rates. If we are forced to pay higher rates on these 43 deposits--deposits to retain the funds, or if we are unable to retain the funds and are forced to turn to borrowings and other funding sources for our lending and investment activities, the interest expense associated with such borrowings or other funding sources may be higher than the rates we are paying on these deposits, which could adversely affect our net margin and net income. We may also be forced, as a result of any material withdrawal of deposits, to rely more heavily on other; potentially more expensive and less stable funding sources. Consequently, the occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operations. Our growth or future losses may require us to raise additional capital in the future, but that capital may not be available when it is needed, or the cost of that capital may be very-exceedingly high. We are required by federal regulatory authorities to maintain adequate levels of capital to support our operations. At We anticipate that our capital resources will satisfy our capital requirements for the foreseeable future. Nonetheless, we may at some point, we may need to raise additional capital or issue additional debt to support our continued growth or replenish future losses be required by our regulators to increase our capital resources. Our ability to raise additional capital or issue additional debt, if needed, will depends-depend on conditions in the capital markets at that time, which are outside our control economic conditions and a number of other factors, including investor perceptions regarding the banking industry, market conditions and governmental activities, and on our financial condition and performance. Accordingly Such borrowings or additional capital, we if sought, may not be available to us or, if available, may not be on favorable terms. Accordingly, we cannot make assurances that we will be able to raise additional capital, or issue additional debt if needed, on terms that are acceptable to us, or at all. If we cannot raise additional capital or issue additional debt when needed, our ability to further expand our operations could be materially impaired and our financial condition and liquidity-41liquidity could be materially and adversely affected. In addition, any additional capital we obtain may dilute the interests of existing holders of our common stock. Further, if we are unable to raise additional capital when required by our bank-banking regulators, we may be subject to additional adverse regulatory action. Our liquidity is dependent on dividends from the Bank. BayCom The Company is a legal entity separate and distinct from the Bank. A substantial portion of our BayCom's cash flow, including cash flow to pay principal and interest on any debt we it may incur, including the Notes, comes from dividends BayCom the Company receives from the Bank. Various federal and state laws and regulations limit the amount of dividends that the Bank may pay to BayCom the Company. Because our ability to receive dividends or loans from the Bank is restricted, our ability to pay dividends to our shareholders and repurchase our stock may also effectively be restricted. Also, BayCom the Company's right to participate in a-the distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. In the event the Bank is unable to pay dividends to us-BayCom, we may not be able to service any debt we may incur, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects. We rely heavily on our management team and could be adversely affected by the unexpected loss of key officers and relationship managers. Our We are led by a management team with brings substantial experience in the markets we serve and the financial products that we offer. Our operating strategy emphasizes focuses on providing products and services through long-term relationship managers. Accordingly- Consequently, our success relies heavily depends in large part on the performance of our key personnel and, as well as on our ability to attract, motivate, and retain highly qualified senior and middle management. Competition for skilled employees in the banking industry is

intense, and **identifying individuals** the process of locating key personnel with the **necessary** combination of skills **expertise** and attributes **required** to execute our business plan **may can** be a lengthy **process**. **The** ~~We may not be successful in retaining our key employees and the unexpected loss of services of one or more of our key personnel could have a material adverse effect on our business because of~~ **due to** their skills, **market** knowledge of our market and financial products, years of industry experience, **and** long-term client relationships ~~and the difficulty of promptly finding qualified replacement personnel~~. If the services of any of our key personnel ~~should~~ become unavailable for any reason, we may ~~not be able to~~ **face challenges in promptly identify identifying** and hire qualified persons **hiring suitable replacements** on **acceptable** terms ~~acceptable to us~~, which could ~~have an adverse~~ **adversely** effect **affect** on our business, financial condition, and results of operations. Increasing scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to our environmental, social and governance practices may impose additional costs on us or expose us to new or additional risks. **44**

Companies are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to their environmental, social, and governance (“ ESG ”) practices and disclosure. Investor advocacy groups, investment funds, and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions, and human rights. Increased ESG-related compliance costs could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements, or investor or stakeholder expectations and standards, could negatively impact our reputation, ability to do business with certain partners, and our stock price. Recent changes in the regulatory landscape under the new Trump administration have moved toward a reduction in emphasis on certain ESG priorities, particularly around climate change and diversity, equity, and inclusion (“ DEI ”). This shift is leading to the rollback of regulations that mandate specific disclosures and operational practices in these areas. However, some stakeholder groups continue to demand greater transparency and action, resulting in a complex and potentially conflicting environment for companies. If regulatory enforcement of ESG-related policies becomes less stringent, companies may face reputational risks if their practices are seen as insufficient or inconsistent with broader societal expectations, especially related to DEI and environmental stewardship. As a result, navigating this evolving regulatory and public opinion landscape may require us to balance compliance with regulatory requirements against maintaining investor, customer, and stakeholder trust. 42