

Risk Factors Comparison 2025-03-10 to 2024-03-11 Form: 10-K

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

Our business, financial condition and results of operations are subject to various risks, including those discussed below. The risks discussed below are those that we believe are the most significant risks, although additional risks not presently known to us or that we currently deem less significant may also **materially and** adversely affect our business, financial condition and results of operations ~~, perhaps materially~~. Summary of Risk Factors

Risks Related to Our Operations

- **Interruptions, cyberattacks, fraud and other security breaches**
- **Difficulties from our third-party providers**
- **Failure to attract and retain well-qualified directors, management and other skilled professionals**
- **The soundness of other financial institutions**
- **Failure of our risk management framework**
- **Team member misconduct**
- **Inaccurate information provided to us by clients or counterparties**
- **Environmental, social and governance practices**
- **Severe weather, natural disasters, pandemics, acts of war or terrorism, social unrest and other external events**

Risks Related to Our Business

- ~~Unfavorable general business, economic and market conditions~~
- ~~Effects related to pandemics, epidemics and other infectious disease outbreaks, including the COVID-19 pandemic~~
- ~~Geographic concentration in the Greater San Francisco Bay Area~~
- ~~Monetary policies and~~
- **Failure to maintain a favorable reputation with our clients and communities**
- ~~Competition for customer deposits~~
- ~~Rapid technological developments in the financial services industry~~

Risks Related to Our Loans

- ~~Negative changes in the economy affecting real estate values and liquidity~~
- ~~Risks involved with~~
- **land and** ~~construction and land~~ development loans
- ~~Increased scrutiny by regulators of commercial real estate concentrations~~
- ~~Unreliability of loan appraisals used in real property loan decisions~~
- ~~Commercial loans are more sensitive to the borrower's successful operations or property development~~
- ~~Small and medium business loans are subject to greater risks from adverse business developments~~
- ~~Underwriting criteria and practices may not prevent poor loan performance~~

Risks Related to Our SBA Loan Program

- ~~Dependence on U. S. federal government SBA loan program~~
- ~~Recognition of gains on sale of loans and servicing asset valuations reflect certain assumptions we use~~
- ~~Credit risks from non-guaranteed portion of SBA loans we retain and do not sell~~
- ~~Credit risks from SBA loans we sell as a result of repurchase obligations~~

Risks Related to Our Credit Quality

- ~~Managing credit risk~~
- ~~Nonperforming assets require management time to resolve and can affect our financial results~~
- ~~The allowance for credit losses on loans may be insufficient to absorb potential losses in our loan portfolio~~
- **Nonperforming assets**
- ~~Real estate market volatility may have an~~
- **can** ~~adverse effect~~ **affect** ~~on disposition of other real estate owned~~ **our financial results and require management time to resolve**
- ~~Exposure to environmental liabilities on foreclosed real estate collateral~~

Risks Related to our Growth Strategy

- ~~General risks~~
- **Risks** associated with acquisitions, including availability of suitable targets and integration risks
- ~~Dilution affect resulting from the issuance of common stock consideration for acquisitions~~
- ~~Impairment of the goodwill recorded from an acquisition~~
- ~~Incorrect estimate of fair value for assets acquired in an acquisitions~~
- ~~Managing our branch growth strategy~~
- ~~Managing risks of adding new lines of business and new products~~

Risks Related to Our Financial Strength and Liquidity

- **Actual or perceived reduction in our financial strength**
- **Increased challenges in credit markets**
- ~~Fluctuations in interest rates may reduce net income and increased challenges in credit markets impact our business~~
- **Failure to maintain effective internal controls over financial reporting**
- **Significant deferred tax assets may not be fully realized**
- ~~Unrealized losses on our securities portfolio, particularly from the impact of increased interest rates on our securities available-for-sale portfolio~~
- **Adverse changes in credit ratings**
- ~~Liquidity risks, particularly from limited access to lines of credit, deposits, and other traditional forms of funding~~

Risks Related to Our Capital

- ~~More stringent capital requirements~~

Risks Related to Our Legal and Regulatory Environment

- ~~Raising new capital in conditions beyond our control~~

Risks Related to Management

- **Complexity and scope of regulatory oversight and the costs of managing compliance with applicable laws and regulations**
- ~~Changes in accounting standards~~
- ~~Our success depends on the skills and retention of our management~~
- ~~Competition~~
- **Litigation, regulatory actions, investigations** ~~for~~ **or similar matters, could subject us** ~~skilled and experienced management level and senior-level employees~~
- ~~Risks Related to Our uninsured liabilities and Reputation~~
- **reputational harm and otherwise materially affect our business, financial condition and results of Operations**
- ~~operations~~
- **Costs and risks associated**
- ~~Failure to maintain a favorable reputation with potential data our customers and communities~~
- ~~Effects from failures of non-related banks and reputation of the banking industry and financial institutions as a whole~~
- ~~Failure of our risk management framework~~
- ~~Interruptions, cyber-attacks, fraud and other security breaches~~
- ~~Difficulties from~~
- **and associated litigation** ~~our-~~
- **or regulatory** ~~third-party providers~~
- ~~Employee misconduct~~
- ~~Inaccurate information provided to us by customers or counterparties~~
- ~~Environmental, social and governance practices~~

Risks from Competition

- ~~Competition~~
- **for** ~~client deposits~~ **from financial service companies and other companies that offer commercial banking services**
- ~~Competitive need to implement new technology and related operational challenges~~

Risks Related to Other Business

- ~~Costs and effects of litigation, investigations or similar matters~~
- ~~The soundness of other financial institutions~~
- ~~Severe weather, natural disasters (including fire and earthquakes, pandemics, acts of war, terrorism, and social unrest)~~

Risks Related to Finance and Accounting

- ~~Reliance on estimates and risk management processes and analytical and forecasting models~~
- ~~Changes in accounting standards~~
- ~~Failure to maintain effective internal controls over financial reporting~~
- ~~Realization of our deferred tax assets~~

Risks Related to Legislative and Regulatory Developments

- ~~Extensive government regulation that could limit or restrict our activities~~
- ~~Legislative and regulatory actions taken now or in the future increase our costs, and impact our business~~
- **Rapid technological developments in** ~~Federal and state regulatory exams~~
- ~~Noncompliance with the BSA and other~~
- **the financial services industry**
- ~~Risks~~ ~~anti-money laundering statutes and regulations~~
- ~~Consumer protection laws and regulations~~
- ~~Failure to comply with privacy, data protection and information security legal requirements~~

Risks Related to Our Common Stock

- ~~Investment in~~

our common stock is not an insured deposit • Volatile trading price • Dilution affect resulting from the issuance of our common stock • Dividends may change without notice and payment thereof is subject to restrictions • Limitations on director liability for monetary damages for failure to exercise their fiduciary duty • Potential dilution from issuance of additional equity securities • Issuance of preferred stock which may have rights and preferences over our common stock • Holders of our debt obligations may have rights and preferences over holders under our subordinated notes would preclude the payment of dividends our common stock • Our charter documents and California law may have an anti-takeover effect limiting changes of control Risks Relating to Our Business Our Operations Interruptions, cyberattacks, fraudulent activity or other security breaches may have a material adverse effect on our business or be difficult to replace. Leadership changes will occur from time to time, and we cannot always anticipate predict whether significant resignations will occur or whether control the timing of these changes. Similarly, we will cannot offer assurance that we would be able to recruit additional qualified personnel on a timely basis, either to fill vacancies created by departures or to grow our executive team to respond to and prepare for the expansion of our business. Competition for senior executives and skilled personnel in the financial services and banking industry is intense, which means the cost of hiring, paying incentives and retaining skilled personnel may continue to increase. We need to continue to attract and retain key personnel and to recruit qualified individuals to succeed existing key personnel to ensure the continued growth and successful operation of our business. Our ability to effectively compete effectively for senior executives and other qualified leadership personnel by offering competitive compensation and benefit arrangements may increase our potential costs compensation and administrative expenses and may be restricted by applicable banking laws and regulations. The loss of the services of any director, senior executive or other key personnel, or the inability to recruit and retain qualified personnel in the future, could be adversely affected by unfavorable economic the deterioration of other financial institutions or the financial service industry's reputation. Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services companies are interrelated as a result of trading, clearing, counterparty and other relationships. We have exposure to different industries and counterparties, and through transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services companies, or the financial services industry generally, have led to market conditions. Our business-wide liquidity problems and operations are sensitive to general business and economic conditions in the United States, generally, and particularly the state of California and our market area, which is situated almost exclusively in the San Francisco Bay Area. Unfavorable or uncertain economic and market conditions could lead to losses or defaults by us or by other institutions, credit quality concerns related to borrower repayment ability and collateral protection as well as reduced demand impact the trading prices of our common stock. These losses for or the products defaults could have a material adverse effect on our business, financial condition and results of operations. The 2023 high-profile bank failures of Silicon Valley Bank, Signature Bank and First Republic have generated significant market volatility among publicly traded bank holding companies. These market developments have negatively impacted client confidence in the safety and soundness in the financial services we industry, which persisted throughout 2024. We cannot offer these economic assurances that the risks underlying negative publicity and public opinion have ameliorated or that adverse media stories, other bank failures, or geopolitical and market conditions in the financial services industry, which has persisted into early 2024. We cannot offer assurances that the risks underlying negative publicity and public opinion have ameliorated or that adverse media stories, other bank failures, or geopolitical or market conditions will not exacerbate or continue these conditions. Partly as a result of these conditions, some community and regional bank depositors have chosen to place their deposits with larger financial institutions or to invest in higher yielding short-term fixed income securities, all of which have unfavorably affected, and may continue to materially adversely impact our liquidity, cost of funding, loan funding capacity, net interest margin, capital, and results of operations. In connection with high-profile bank failures, uncertainty and concern has been, and may be in the future, compounded by advances in technology that increase the speed at which deposits can arise suddenly be moved, as did well as the speed and reach of media attention, including social media, and its ability to disseminate concerns or rumors, in each case potentially exacerbating liquidity concerns. Further, any current or future measures announced by the Department of the Treasury, the Federal Reserve, and the Federal Deposit Insurance Corporation ("FDIC") intended to reassure depositors of the availability of their deposits may not be successful in restoring client confidence in the banking system. Events such as these may also result in potentially adverse changes to laws or regulations governing banks and bank holding companies or result in the imposition of restrictions through supervisory or enforcement activities, including higher capital requirements, which could have a material impact on our business. The cost of resolving the recent bank failures may prompt the FDIC to increase its premiums above the recently increased levels or to issue additional special assessments. Our risk management framework may not be effective in mitigating risks and/or losses to us. Our risk management framework is comprised of various processes, systems and strategies, and is designed to manage the types of risk to which we are subject, including, among others, credit, market, liquidity, interest rate and compliance. Our risk management framework may not be effective under all circumstances and may not adequately mitigate any risk or loss to us. If our risk management framework is not effective, we could suffer unexpected losses and our business, financial condition and results of operations could be materially and adversely conditions. financial condition and results of operations could be materially and adversely affected. Employee We may also be subject to potentially adverse regulatory consequences. 20 Team member misconduct could expose us to significant legal liability and reputational harm. We are vulnerable to reputational harm because we operate in an industry in which integrity and the confidence of our customers clients are of critical importance. Our employees could engage in Conduct by our team members that reflects

fraudulent, illegal, wrongful or suspicious activities, and/or activities they act in a manner that resulting results in consumer harm that, may adversely affects affect our customers-clients and / or our business. The precautions we take to detect and prevent such misconduct may not always be effective and could result in regulatory sanctions and / or penalties, criminal or civil penalties and, serious harm to our reputation, financial condition, customer-client relationships, team member relationships and ability to attract new customers-clients. In addition, improper use or disclosure of confidential information by our employees-team members, even if inadvertent, could result in serious harm to our reputation, financial condition and current and future business relationships. If our internal controls against operational risks fail to prevent or detect an occurrence of such employee-team member error or misconduct, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on our business, financial condition and results of operations. We depend on the accuracy and completeness of information provided by customers-clients and counterparties and any misrepresented information could adversely affect our business, financial condition and results of operations. In deciding whether to extend credit or to enter into other transactions with customers-clients and counterparties, we may rely on information furnished to us by or on behalf of customers-clients and counterparties, including financial statements and other financial information. Some of the information regarding customers-clients provided to us is also used in our proprietary credit decision making and scoring models, which we use to determine whether to do business with customers and clients. Further, the risk profiles of such clients may customers which are subsequently be utilized by counterparties who may lend us capital to fund our operations. We may also rely on representations of customers-clients and counterparties as to the accuracy and completeness of that information. In deciding whether to extend credit, we may rely upon our customers-clients' representations that their financial statements conform to stated Generally Accepted Accounting accounting Principles principles ("GAAP") and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer-client. We also may rely on customer-client representations and certifications, or other audit or accountants' reports, with respect to the business and financial condition of our customers-clients. Whether a misrepresentation is made by the applicant, another third party or one of our employees-team members, we generally bear the risk of loss associated with the misrepresentation. We may not detect all misrepresented information in our originations or from service providers we engage to assist in the approval process. Any such misrepresented information could have a associated with may rely on customer representations and certifications, or other audit or accountants' reports, with respect to the business and financial condition of our customers. Whether a misrepresentation is made by the applicant, another third party or one of our employees, we generally bear the risk of loss associated with the misrepresentation. We may not detect all misrepresented information in our originations or from service providers we engage to assist in the approval process. Any such misrepresented information could have a material adverse effect on our business, financial condition and results of operations. Increasing operations. Increasing scrutiny and evolving expectations from customers-clients, 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. Companies are facing increasing scrutiny from customers-clients, 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 for us as well as among our suppliers, vendors and various other parties within our supply chain could result in increases to our overall operational costs. New government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure. However, over the last few years there has been an increase in anti-ESG measures and proposals by investor advocacy groups, shareholders and policymakers. The potential impact of the 2024 new presidential election administration on additional changes in agency personnel, policies and priorities on the 45 financial-- financial services industry cannot be predicted at this time. Failure to adapt to or comply with evolving regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, access to capital, and our stock price. Severe weather, natural disasters, pandemics, acts of war or terrorism, social unrest and other external events could significantly impact our operations. Severe weather, natural disasters (including fires, earthquakes, and floods), wide spread disease or pandemics, such as the COVID-19 pandemic, acts of war or terrorism, social unrest and the other full adverse external events have had in the past and could have in the future a significant impact of on our ability to conduct business and create significant volatility and disruption in global and U. S. economies. Such Such conditions can be difficult to predict. In addition, geopolitical and domestic political developments, such as existing and potential trade wars and other events could affect beyond our control, can increase levels of political and economic unpredictability globally and increase the volatility of financial markets. Concerns about the performance of international economies, reduce access to liquidity especially in Europe and emerging markets, 21 impair our client's and economic conditions in Asia, can impact the economy and financial markets here in condition, affect the United States. If stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and / or cause us to incur national-- additional expenses. The majority of our branches are located in the San Jose, regional and local economies San Francisco, Oakland areas, which in the past have experience-experienced both severe earthquakes worsening economic conditions, including declining growth and high levels of unemployment wildfires. We do not carry earthquake insurance on our properties. Earthquakes, wildfires our- or growth and profitability other natural disasters could severely disrupt our operations. Operations in our market could be disrupted constrained. Weak economic conditions are characterized by both, among other-- the evacuation indicators, deflation, inflation, elevated levels of large portions unemployment, fluctuations in debt and equity capital markets, increased delinquencies on mortgage, commercial and consumer loans, residential and commercial real estate price declines, related vacancy rates, and lower home sales and commercial activity. Various market conditions may also negatively affect our operating results. Real estate market conditions

directly affect performance of our loans secured by real estate. Debt markets affect the **population as well as damage** availability of credit, which affects the rates and terms at which we offer loans and leases. Stock market downturns affect businesses' ability to raise capital and invest in business expansion. Stock market downturns often signal broader economic deterioration and / or **lack of access** a downward trend in business earnings, which adversely affects businesses' ability to service **our banking and operation facilities. Although management has established disaster recovery policies and procedures, their-- the occurrence of any** debts. There can be no assurance that economic conditions will improve, and these conditions could worsen. Economic pressure on consumers and uncertainty regarding continuing economic improvement may result in changes in consumer and business spending, borrowing and saving habits. Such **such** conditions **events** could have a material adverse effect on the credit quality of our loans or our business, financial condition and results and **of** operations. **Risks**

An economic recession or a downturn in various markets could have one or more of the following adverse effects on our business: ● a decrease in the demand for our loan or other products and services offered by us; ● a decrease in our deposit balances due to an overall reduction in customer balances; ● a decrease in the value of our investment securities and loans; ● an increase in the level of nonperforming and classified loans; ● an increase in the provision for credit losses and loan charge-offs; ● a decrease in net interest income derived from our lending and deposit-gathering activities; ● a decrease in the Company's stock price; ● an increase in our operating expenses associated with attending to the effects of the above-listed circumstances; and / or ● a decrease in real estate values or a general decrease in capital available to finance real estate transactions, which could have a negative impact on borrowers' ability to pay off their loans as they mature. 30The COVID-19 pandemic has in the past negatively affected, and future pandemics, epidemics, disease outbreaks and other public health crises could negatively affect the global and U. S. economies and could harm our business and results of operations, and such effects will depend on future developments, which are highly uncertain and are difficult to predict. Pandemics, epidemics or disease outbreaks, such as the COVID-19 pandemic, in the U. S. or globally have in the past negatively affected, and could in the future negatively affect, the global and U. S. economies, including by increasing unemployment levels, disrupting supply chains and businesses in many industries, lowering equity market valuations, decreasing liquidity in fixed income markets, and creating **Relating** significant volatility and disruption in financial markets. Social and governmental reactions to those events have from time to time affected, and may in the future continue to affect, customers' banking patterns and preferences and their need for liquidity, particularly at times when layoffs, furloughs, and remote working requirements are in effect. The extent to which the COVID-19 pandemic or any future pandemic, epidemic, disease outbreak or other public health crisis could adversely affect our business, financial condition and results of operations, as well as our liquidity and capital profile, and provisions for credit losses, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic, the widespread availability, use and effectiveness of vaccines, actions taken by governmental authorities and other third parties in response to the pandemic and the direct and indirect impact of the pandemic on us, our clients and customers, our service providers and other market participants. Our **BusinessOur** profitability is dependent upon the geographic concentration of the markets in which we operate. We operate primarily in the general San Francisco Bay Area of California in the counties of Alameda, Contra Costa, Marin, San Benito, San Francisco, San Mateo, and Santa Clara and, as a result, our business, financial condition and results of operations are subject to the demand for our products in those areas and is also subject to changes in the economic conditions in those areas. Our success depends upon the business activity, population, income levels, deposits and real estate activity in these markets. Although our subsidiary's, Bay View Funding, **the Bank's factoring subsidiary,** and our customers' **clients'** business and financial interests may extend well beyond these market areas, adverse economic conditions that affect these market areas could reduce our growth rate, affect the ability of our **customers clients** to repay their loans to us and, **could impair the value of the collateral securing our loans, or otherwise** generally **could** affect our business, financial condition and results of operations. Because of our geographic concentration, we are less able than regional or national financial institutions to diversify demand for our products or our credit risks across multiple markets. **Monetary policies Similarly, geologic, weather- related, and regulations of the other Federal Reserve hazards such as wildfires, earthquakes, droughts, floods and storms, frequently threaten our markets, and in certain circumstances could be expected to have a disproportionate effect on our business as compared to financial institutions whose client and asset bases are more diversified. Such events may harm our business directly or may harm our clients and prospective clients in a way that increases the risks of defaults on our loans, reduces the value of our collateral, and increases clients' need for liquidity, thus reducing our deposit base and potentially increasing our costs of funds. Our ability to maintain our reputation is critical to the success of our business, and the failure to do so may materially** adversely affect our business, financial condition and results of operations. **We** In addition to being affected by general economic conditions, our earnings and growth are **a community bank, and our reputation** affected by the policies of the Federal Reserve. An important function of the Federal Reserve is to regulate the money-- **one of** supply and credit conditions. Among the instruments used by the Federal Reserve to implement these-- **the most valuable components** objectives are open market purchases and sales of U-**our business** . S-Threats to our reputation can come from many sources, including adverse sentiment about financial institutions generally, unethical practices, team member misconduct, cybersecurity failures or disruptions, failure to deliver minimum standards of service or quality, compliance deficiencies, and questionable or fraudulent activities of our clients or third parties . Negative publicity regarding our business, team members, or clients, with or without merit, may result in the loss of clients, investors and team members, costly litigation, a decline in revenues and increased government **governmental** securities, adjustments of the discount rate and changes in banks' reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits. The monetary policies and regulations-- **regulation and** of the Federal Reserve have had a **material** significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. Competition among U. S.

banks for customer deposits is intense, may increase the cost of retaining current deposits or procuring new deposits, and may otherwise negatively affect our ability to grow our deposit base. Competition among U. S. banks for customer deposits is intense, may increase the cost of retaining current deposits or procuring new deposits, and may otherwise negatively affect our ability to grow our deposit base. Maintaining and attracting new deposits is integral to our business and a major decline in deposits or failure to attract deposits in the future, including any such decline or failure related to an increase in interest rates paid by our competitors on interest-bearing accounts, could have an adverse effect on our business, financial conditions and results of operations. Interest-bearing accounts earn interest at rates established by management based on competitive market factors. The demand for the deposit products we offer may also be reduced due to a variety of factors, such as demographic patterns, changes in customer preferences, reductions in consumers' disposable income, regulatory actions that decrease customer access to particular products, or the availability of competing products. ³¹We may not keep pace with the rapid technological developments in the financial services industry. Fraudulent and other illegal activity involving our products, services and systems could adversely affect our financial position and results of operations. The financial services industry is subject to rapid technological changes, of which we cannot predict the effects on our business. We expect that new services and technologies applicable to our industry will continue to emerge, and these new services and technologies may be superior to, or render obsolete, the technologies we currently utilize in our products and services. These rapid changes increase cybersecurity risks to our Company and our third-party vendors and service providers, including the risk of security breaches, "denial of service" attacks, "hacking" and identity theft. Criminals are using increasingly sophisticated methods to engage in illegal activities, including through the use of deposit account products and customer information and may also see their effectiveness enhanced by the use of artificial intelligence. A single significant incident of fraud, or increases in the overall level of fraud, involving our products and services could result in reputational damage to us. Such damage could reduce the use and acceptance of our products and services or lead to greater regulation that would increase our compliance costs. Fraudulent activity could also result in the imposition of regulatory sanctions, including significant monetary fines, which could adversely affect our business, results of operations and financial condition. To address the challenges that we face with respect to fraudulent activity, we maintain certain risk control policies and procedures, both internally and with respect to our third-party vendors and service providers, that make it more difficult for to fraudulently obtain and use our products and services. However, our inability to keep pace with technological changes, including our ability to identify and address cybersecurity risks, may significantly affect our financial position and results of operation **operations**.

Risks Related to Our Loans Because a significant portion of our loan portfolio is comprised of real estate loans, negative changes in the economy affecting real estate values and liquidity could impair the value of collateral securing our real estate loans and result in loan and other losses. Real estate lending (including commercial, land development and construction, home equity, multifamily, and residential mortgage loans) is a large portion of our loan portfolio. At December 31, **2023-2024**, approximately \$ **2.87-9** billion, or **85-84** % of our loan portfolio, was comprised of loans with real estate as a primary or secondary component of collateral. Included in CRE loans were owner occupied loans of \$ **583-601.3-6** million, or 17 % of total loans. The real estate securing our loan portfolio is concentrated in California. The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located. Real estate values and real estate markets are generally affected by changes in national, regional or local economic conditions, the rate of unemployment, fluctuations in interest rates and the availability of loans to potential purchasers, fluctuations in vacancy **rates-22rates**, changes in tax laws and other governmental statutes, regulations and policies, **access to insurance coverage**, and acts of nature, such as **wildfires**, earthquakes and other natural disasters **or adverse events**. Adverse changes affecting real estate values and the liquidity of real estate in one or more of our markets could increase the credit risk associated with our loan portfolio, significantly impair the value of property pledged as collateral on loans and affect our ability to sell the collateral upon foreclosure without a loss or additional losses, which would adversely affect profitability. Such declines and losses would have a material adverse effect on our business, financial condition, and results of operations. Our **land and** construction and land development loans are based upon estimates of costs and value associated with the **complete-completed** project. These estimates may be inaccurate and we may be exposed to more losses on these projects than on other loans. At December 31, **2023-2024**, land and construction loans, (including land acquisition and development loans) totaled \$ **140-127.5-8** million or 4 % of our portfolio. Of these loans, **13-18** % were comprised of owner occupied and **87-82** % non-owner occupied **land and** construction and land loans. These loans involve additional risks because funds are advanced upon the security of the project, which is of 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 evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. As a result, construction loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor to **32repay-- repay** principal and interest. If our appraisal of the value of the completed project proves to be overstated or market values or rental rates decline, we may have inadequate security for the repayment of the loan upon completion of project construction. If we are forced to foreclose on a project prior to or at completion due to a default, we may not be able to recover all of the unpaid balance of, and accrued interest on, the loan as well as related foreclosure and holding costs. In addition, we may be required to fund additional amounts to complete the project and may have to hold the property for an unspecified period of time while we attempt to dispose of it. Increased scrutiny by regulators of commercial real estate concentrations could restrict our activities and impose financial requirements or limits on the conduct of our business. Banking regulators are giving commercial real estate lending greater scrutiny, and may require banks with higher levels of commercial real estate loans to implement improved underwriting, internal controls, risk management policies and portfolio stress testing, as well as possibly higher levels of allowances for credit losses on loans and capital levels as a result of

commercial real estate lending growth and exposures. Therefore, we could be required to raise additional capital or restrict our future growth as a result of our higher level of commercial real estate loans. Our use of appraisals in deciding whether to make a loan on or secured by real property does not ensure the value of the real property collateral. In considering whether to make a loan secured by real property we generally require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is conducted, and an error in fact or judgment could adversely affect the reliability of an appraisal. In addition, events occurring after the initial appraisal may cause the value of the real estate to decrease. As a result of any of these factors the value of collateral securing a loan may be less than estimated, and if a default occurs, we may not recover the outstanding balance of the loan. Many of our loans are to commercial borrowers, which may have a higher degree of risk than other types of borrowers. At December 31, 2023-2024, commercial loans totaled \$ 463-531. 8-4 million or 14-15 % of our loan portfolio (including SBA loans, PPP loans, asset- based lending, and factored receivables) -Commercial loans represented 16 % of our total loan portfolio at December 31, 2022-. Commercial loans are often larger and involve greater risks than other types of lending. Because payments on such loans are often dependent on the successful operation or development of the property or business involved, 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 economy. Accordingly, a downturn in the real estate market and a challenging business and economic environment may increase our risk related to commercial loans, particularly commercial real estate loans. Unlike home mortgage loans, which generally are made on the basis of the borrowers' ability to make repayment from their employment and other income and which are secured by real property whose value tends to be more easily ascertainable, commercial loans typically are made on the basis of the borrowers' ability to make repayment from the cash flow of the commercial venture. Our commercial and industrial loans are primarily made based on the identified cash flow of the borrower and secondarily on the collateral underlying the loans. Most often, collateral consists of accounts receivable, inventory and equipment and may incorporate a personal guarantee. Inventory and equipment may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. Accounts receivable may be uncollectable. If the cash flow from business operations is reduced, the borrower's ability to repay the loan may be impaired. Vacancy rates can also negatively impact cash flows from business operations. Thus, HBC's borrowers and their guarantors could be adversely impacted by a downturn in these sectors of the economy which could further impact the borrower's ability to repay their loans. Due to the larger average size of each commercial loan as compared with other loans such as residential loans, as well as collateral that is generally less readily- marketable, losses incurred on a small number of commercial loans could have a material adverse effect on our business, financial condition and results of operations. The small and medium- sized businesses that we lend to may have fewer resources to weather adverse business developments, which may impair a borrower's ability to repay a loan, and such impairment could adversely affect our business, financial condition and results of operation. We target our business development and marketing strategy primarily to serve the banking and financial services needs of small to medium- sized businesses. These businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities, frequently have smaller market shares than their competition, may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete and may experience substantial volatility in operating results, any of which may impair a borrower's ability to repay a loan. In addition, the success of a small and medium- sized business often depends on the management talents and efforts of one or two people or a small group of people, and the death, disability or resignation of one or more of these people could have a material adverse impact on the business and its ability to repay its loan. Negative general economic conditions in our markets where we operate that adversely affect our medium- sized business borrowers may impair the borrower's ability to repay a loan and such impairment could have a material adverse effect on our business, financial condition and results of operation. We may suffer losses in our loan portfolio despite our underwriting practices. We mitigate the risks inherent in our loan portfolio by adhering to sound and proven underwriting practices, managed by experienced and knowledgeable credit professionals. These practices include analysis of a borrower's prior credit history, financial statements, tax returns, and cash flow projections, valuations of collateral based on reports of independent appraisers and verifications of liquid assets. Nonetheless, we may incur losses on loans that meet our underwriting criteria, and these losses may exceed the amounts set aside as reserves in our allowance for loan loss. Risks Related to our SBA Loan Program Small Business Administration lending is an important part of our business. Our SBA lending program is dependent upon the U. S. federal government, and we face specific risks associated with originating SBA loans. At December 31, 2023-2024, SBA loans totaled \$ 34-29. 4-9 million, which are included in the commercial loan portfolio. SBA loans held- for- sale totaled \$ 2. 2-4 million at December 31, 2023-2024. In addition, the Company had \$ 426, 000 of SBA PPP loans at December 31, 2023-. Our SBA lending program is dependent upon the U. S. federal government. As an approved participant in the SBA Preferred Lender's Program (an " SBA Preferred Lender "), we enable our clients to obtain SBA loans without being subject to the potentially lengthy SBA approval process necessary for lenders that are not SBA Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders to assess, among other things, whether the lender exhibits prudent risk management. When weaknesses are identified, the SBA may request corrective actions or impose enforcement actions, including revocation of the lender's SBA Preferred Lender status. If we lose our status as an SBA Preferred Lender, we may lose some or all of our customers-clients to lenders who are SBA Preferred Lenders, and as a result we could experience a material adverse effect to our financial results. Any changes to the SBA program, including but not limited to changes to the level of guarantee provided by the federal government on SBA loans, changes to program specific rules impacting volume eligibility under the guaranty program, as well as changes to the program amounts authorized by Congress may also have a material adverse effect on our business. In addition, any default by the U. S. government on its obligations or any prolonged government shutdown could, among other things, impede our ability to originate SBA loans or sell such loans in the secondary market, which could have a material adverse effect on our business, financial condition and results of operations. The SBA's 7 (a) Loan Program is the SBA's primary program for helping start- up and

existing small businesses, with financing guaranteed for a variety of general business purposes. Generally, we sell the guaranteed portion of our SBA 7 (a) loans in the secondary market. These sales result in premium income for us at the time of sale and create a stream of future servicing income, as we retain the servicing rights to these loans. For the reasons described above, we may not be able to continue originating these loans or sell them in the secondary market. Furthermore, even if we are able to continue to originate and sell SBA 7 (a) loans in the secondary market, we might not continue to realize premiums upon the sale of the guaranteed portion of these loans or the premiums may decline due to economic and competitive factors. When we originate SBA loans, we incur credit risk on the non-guaranteed portion of the loans, and if a customer-client defaults on a loan, we share 24% any loss and recovery related to the loan pro-rata with the SBA. If the SBA establishes that a loss on an SBA guaranteed loan is attributable to significant technical deficiencies in the manner in which the loan was originated, funded or serviced by us, the SBA may seek recovery of the principal loss related to the deficiency from us. Generally, we do not maintain reserves or loss allowances for such potential claims and any such claims could materially adversely affect our business, financial condition and results of operations. In addition, the Company's SBA loans include loans under the U. S. Department of Agriculture guaranteed lending programs. 34The laws, regulations and standard operating procedures that are applicable to SBA loan products may change in the future. We cannot predict the effects of these changes on our business and profitability. Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies and especially our organization, changes in the laws, regulations and procedures applicable to SBA loans could adversely affect our ability to operate profitably. The recognition of gains on the sale of loans and servicing asset valuations reflect certain assumptions. We expect that gains on the sale of U. S. government guaranteed loans will contribute to noninterest income. The gains on such sales recognized for the year ended December 31, 2023-2024 was \$ 482-473, 000. The determination of these gains is based on assumptions regarding the value of unguaranteed loans retained, servicing rights retained and deferred fees and costs, and net premiums paid by purchasers of the guaranteed portions of U. S. government guaranteed loans. The value of retained unguaranteed loans and servicing rights are determined based on market derived factors such as prepayment rates, current market conditions and recent loan sales. Deferred fees and costs are determined using internal analysis of the cost to originate loans. Significant errors in assumptions used to compute gains on sale of loans or servicing asset valuations could result in material revenue misstatements, which may have a material adverse effect on our business, financial condition and results of operations. We originated \$ 19-38. 48 million of SBA loans for the year ended December 31, 2023-2024. We sold \$ 7-5. 9 million of the guaranteed portion of our SBA loans for the year ended December 31, 2023-2024. We generally retain the non-guaranteed portions of the SBA loans that we originate. Consequently, as of December 31, 2023-2024, we held \$ 36-32. 63 million of SBA loans (including loans held-for-sale) on our balance sheet, \$ 21-18. 53 million of which consisted of the non-guaranteed portion of SBA loans, and \$ 15-14. 10 million of which consisted of the guaranteed portion of SBA loans. At December 31, 2023-2024, \$ 2. 24 million, or 6-7. 235 %, consisted of the guaranteed portion of SBA loans which we intend to sell in 2024-2025. The non-guaranteed portion of SBA loans have a higher degree of credit risk and risk of loss as compared to the guaranteed portion of such loans and make up a substantial majority of our remaining SBA loans. When we sell the guaranteed portion of SBA loans in the ordinary course of business, we are required to make certain representations and warranties to the purchaser about the SBA loans and the manner in which they were originated. Under these agreements, we may be required to repurchase the guaranteed portion of the SBA loan if we have breached any of these representations or warranties, in which case we may record a loss. In addition, if repurchase and indemnity demands increase on loans that we sell from our portfolios, our liquidity, results of operations and financial condition could be adversely affected. Further, we generally retain the non-guaranteed portions of the SBA loans that we originate and sell, and to the extent the borrowers of such loans experience financial difficulties, our financial condition and results of operations could be adversely impacted. Risks Related to our Credit QualityOur business depends on our ability to successfully manage credit risk. The operation of our business requires us to manage credit risk. As a lender, we are exposed to the risk that our borrowers will be unable to repay their loans according to their terms, and that the collateral securing repayment of their loans, if any, may not be sufficient to ensure repayment. In addition, there are risks inherent in making any loan, including risks with respect to the period of time over which the loan may be repaid, risks relating to proper loan underwriting, risks resulting from changes in economic and industry conditions and risks inherent in dealing with individual borrowers. In order to successfully manage credit risk, we must, among other things, maintain disciplined and prudent underwriting standards and ensure that our bankers follow those standards. The weakening of these standards for any reason, a lack of discipline-25discipline or diligence by our employees-team members in underwriting and monitoring loans, the inability of our employees-team members to adequately adapt policies and procedures to changes in economic or any other conditions affecting borrowers and the quality of our loan portfolio, may result in loan defaults, foreclosures and additional charge-offs and may necessitate that we significantly increase our allowance for credit losses on loans, each of which could adversely affect our net income. As a result, our inability to successfully manage credit risk could have a material adverse effect on our business, financial condition and results of operations. 35Our allowance for credit losses on loans may prove to be insufficient to absorb potential losses in our loan portfolio. We maintain an allowance for credit losses on loans to provide for loan defaults and non-performance, which reflects our estimate of the current expected credit losses in our loan portfolio at the relevant balance sheet date. This Our allowance for credit losses was \$ 49. 0 million, or 1. 40 % expressed as a percentage of loans, was 1. 43 %, at December 31, 2023-2024. Allowance for credit losses on loans is funded from a provision for credit losses on loans, which is a charge to our income statement. The Company had a provision for credit losses on loans of \$ 749,000-2. 1 million for the year ended December 31, 2023-2024. The processes we use to estimate the allowance for credit losses on loans reflects our and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and the other market measures on current expected credit losses in our financial condition and results of operations, depends upon the use of analytical models which takes into account known risks, composition and growth of the loan portfolio at and economic forecasts. These models may not be

accurate, particularly in times of market stress, unforeseen circumstances or due to flaws in the relevant balance sheet model's design or implementation. If the models we use for interest rate risk and asset-liability management are inadequate, we may incur increased or unexpected losses upon changes in market interest rates or other market measures. Our allowance for credit losses on loans are inadequate is based on our prior experience, as well as an evaluation of the known risks in the current portfolio, composition and growth of the loan portfolio and economic forecasts for correlated economic factors. The determination of an appropriate level of allowance for credit losses on loans is an inherently difficult and subjective process may not be sufficient to support future charge-offs. If the models we use to measure the fair value of financial instruments are inadequate, requiring complex judgments, and is based the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what we could realize upon sale or settlement of such financial instruments. Any such failure in our analytical models could result in losses that could have a material adverse effect on our business numerous analytical assumptions. The amount of future losses is susceptible to changes in economic and other conditions, including changes in interest rates, changes in economic forecasts, changes in the financial condition of borrowers, and deteriorating values of collateral that may be beyond our control, and these losses may exceed current estimates. The allowance is only an estimate results of operations the probable incurred losses in the loan portfolio and may not represent actual over time, either of losses in excess of the allowance or of losses less than the allowance. In addition, we evaluate all loans identified as individually evaluated loans and allocate an allowance based upon our estimation of the potential loss associated with those problem loans. While we strive to carefully manage and monitor credit quality and to identify loans that may be deteriorating, at any time there are loans included in the portfolio that may result in losses, but that have not yet been identified as nonperforming or potential problem loans. Through established credit practices, we attempt to identify deteriorating loans and adjust the allowance for credit losses on loans accordingly. However, because future events are uncertain and because we may not successfully identify all deteriorating loans in a timely manner, there may be loans that deteriorate in an accelerated time frame. We cannot be sure that we will be able to identify deteriorating loans before they become nonperforming assets, or that we will be able to limit losses on those loans that have been so identified. Although management believes that the allowance for credit losses on loans is adequate to absorb losses on any existing loans that may become uncollectible, we may be required to take additional provisions for credit losses on loans in the future to further supplement the allowance for credit losses on loans, either due to management's decision to do so or because our banking regulators require us to do so. Our bank regulatory agencies will periodically review our allowance for credit losses on loans and the value attributed to nonaccrual loans or to real estate acquired through foreclosure and may require us to adjust our determination of the value for these items. If our allowance for credit losses on loans is inaccurate, for any of the reasons discussed above (or other reasons), and is inadequate to cover the loan losses that we actually experience, the resulting losses could have a material adverse effect on our business, financial condition and results of operations. Nonperforming assets adversely affect our results of operations and financial condition, and take significant time to resolve. As of December 31, 2023-2024, our nonperforming loans (which consist of nonaccrual loans, loans past due 90 days or more and still accruing interest) totaled \$ 7. 7 million, or 0. 23-22 % of our loan portfolio, and our nonperforming assets (which include nonperforming loans plus other real estate owned) also totaled \$ 7. 7 million, or 0. 15-14 % of total assets. Our nonperforming assets adversely affect our net income in various ways. We do not record interest income on nonaccrual loans or other real estate owned, thereby adversely affecting our net interest income, net income and returns on-26on assets and equity, and our loan administration costs increase, which together with reduced interest income adversely affects our efficiency ratio. Further, when we place a loan on nonaccrual status, we reverse any accrued but unpaid interest receivable, which decreases interest income. Subsequently, we continue to have a cost to fund the loan, which is reflected as interest expense, without any interest income to offset the associated funding expense. When we take collateral in foreclosure and similar proceedings, we are required to mark the collateral to its then- fair market value, which may result in a loss. These nonperforming loans and other real estate owned also increase our risk profile and the level of capital our regulators believe is appropriate for us to maintain in light of such risks. The resolution of nonperforming assets requires significant time commitments from management and can be detrimental to the performance of their other responsibilities. If we experience increases in nonperforming loans and nonperforming assets, our net interest income may be negatively 36impacted-- impacted and our loan administration costs could increase, each of which could have a material adverse effect on our business, financial condition and results of operations. Real estate market volatility and future changes in our disposition strategies could result in net proceeds that differ significantly from our other real estate owned fair value appraisals. As of December 31, 2023 we had no other real estate owned ("OREO") on our financial statements, but in the ordinary course of our business we expect to hold some level of OREO from time to time. OREO typically consists of properties that we obtain through foreclosure or through an in- substance foreclosure in satisfaction of an outstanding loan. OREO properties are valued on our books at the lesser of the recorded investment in the loan for which the property previously served as collateral or the property's " fair value," which represents the estimated sales price of the property on the date acquired less estimated selling costs. Generally, in determining " fair value," an orderly disposition of the property is assumed, unless a different disposition strategy is expected. Significant judgment is required in estimating the fair value of OREO property, and the period of time within which such estimates can be considered current is significantly shortened during periods of market volatility. In response to market conditions and other economic factors, we may utilize alternative sale strategies other than orderly disposition as part of our OREO disposition strategy, such as immediate liquidation sales. In this event, as a result of the significant judgments required in estimating fair value and the variables involved in different methods of disposition, the net proceeds realized from such sales transactions could differ significantly from the appraisals, comparable sales and other estimates used to determine the fair value of our OREO properties. We could be exposed to risk of environmental liabilities with respect to properties to which we take title. In the course of our business, we may foreclose and take title to real estate, and could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental

entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. Significant environmental liabilities could have a material adverse effect on our business, financial condition, and results of operations.

Risks Related to Our Growth StrategyWe face risks related to any future acquisitions we may make. We plan to continue to grow our business organically. However, from time to time, we may consider opportunistic strategic acquisitions that we believe support our long-term business strategy. We face significant competition from numerous other financial services institutions, many of which will have greater financial resources than we do, when considering acquisition opportunities. **Additionally, the process for obtaining any required regulatory approvals has become substantially more difficult, which could affect our evaluation or completion of strategic and competitively significant business opportunities.** Accordingly, attractive acquisition opportunities may not be available to us. We may not be successful in identifying or completing any future acquisitions, and we may incur expenses as a result of seeking these opportunities regardless of whether they are consummated. Acquisitions of financial institutions involve operational risks and uncertainties and acquired companies may have unforeseen liabilities, exposure to asset quality problems, key employee and **customer-client** retention problems and other problems that could negatively affect our organization. If we complete any future acquisitions, we may not be able to successfully integrate the operations, management, products and services of the entities that we acquire and eliminate redundancies. The integration process could result in the loss of key employees or disruption of the combined entity's ongoing business **or inconsistencies in standards, controls, procedures, and policies** that adversely affect our ability to maintain relationships with **customers-clients** and employees or achieve the anticipated benefits of the transaction. The integration process may also require significant time and attention from our management that they would otherwise direct at servicing existing business and developing new business. We may not be able to realize any projected cost savings, synergies or other benefits associated with any such acquisition we complete. We cannot determine all potential events, facts and circumstances that could result in loss and our investigation or mitigation efforts may be insufficient to protect against any such loss. **37**In addition, we must generally satisfy..... **market price of our common stock.** If the goodwill that we recorded in connection with a business acquisition becomes impaired, it could require charges to earnings, which would have a negative impact on our financial condition and results of operations. Goodwill represents the amount by which the cost of an acquisition exceeded the fair value of net assets we acquired in connection with the purchase. At December 31, **2023-2024**, our acquisition-related goodwill as reflected on our balance sheet was \$ 167. 6 million. **We review-Management assesses whether it is necessary to perform a quantitative impairment test of goodwill on a quarterly basis. In addition, the Company hires a third-party vendor to test goodwill for impairment at least annually as of November 30, or more frequently on an interim basis if an events- event triggering or changes in circumstances indicate that the carrying value of the asset might be impaired-impairment assessment may have occurred.** We **determine 27**determine impairment by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. Estimates of fair value are determined based on a complex model using cash flows, the fair value of our Company as determined by our stock price, and company comparisons. If management's estimates of future cash flows are inaccurate, fair value determined could be inaccurate and impairment may not be recognized in a timely manner. If the carrying amount (**book value**) of the reporting unit goodwill exceeds the implied fair value of that goodwill **the reporting unit**, an impairment loss is recognized in an amount equal to that excess. Any such adjustments are reflected in our results of operations in the periods in which they become known. There can be no assurance that our future evaluations of goodwill will not result in findings of impairment and related write-downs, which may have a material adverse effect on our financial condition **and results of operations.** Our decisions regarding the fair value of assets acquired could be different than initially estimated, which could materially and adversely affect our business, financial condition and results of operations. In business combinations, we acquire significant portfolios of loans that are marked to their estimated fair value. There is no assurance that the acquired loans will not suffer deterioration in value. The fluctuations in national, regional and local economic conditions, including those related to local residential, commercial real estate and construction markets, may increase the level of charge-offs in the loan portfolio that we acquire and correspondingly reduce our net income. These fluctuations are not predictable, cannot be controlled and may have a material adverse effect on our business, financial condition, and results of operations. We must effectively manage our branch growth strategy. We seek to expand our franchise safely and consistently. A successful growth strategy requires us to manage multiple aspects of our business simultaneously, such as following adequate loan underwriting standards, balancing loan and deposit growth without increasing interest rate risk or compressing our net interest margin, maintaining sufficient capital, maintaining proper system and controls, and recruiting, training and retaining qualified professionals. We also may experience a lag in profitability associated with new branch openings. As part of our general growth strategy we may expand into additional communities or attempt to strengthen our position in our current markets by opening new offices, subject to any regulatory constraints on our ability to open new offices. To the extent that we are able to open additional **38**offices-- **offices**, we are likely to experience the effects of higher operating expenses relative to operating income from the new operations for a period of time which could have a material adverse effect on our business, financial condition and results of operations. New lines of business or new products and services may subject us to additional risks. From time to time, we may implement or may acquire new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and new products and services we may invest significant time and resources. We may not achieve target timetables for the introduction and development of new lines of business and new products or services and price and profitability targets may not prove feasible. External factors, such as regulatory compliance obligations, competitive

alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and / or new product or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Financial Strength and Liquidity An actual or perceived reduction in our financial strength may cause others to reduce or cease doing business with us, which could result in a decrease in our net interest income and fee revenues. Our **customers-clients** rely upon our financial strength and stability and evaluate the risks of doing business with us. If we experience diminished financial strength or stability, actual or perceived, including due to market or regulatory developments, announced or rumored business developments or results of operations, or a decline in stock price, **customers-clients** may withdraw their deposits or otherwise seek services from other banking institutions and prospective **customers-clients** may select other service providers. The risk that we may be perceived as less creditworthy relative to other market participants is increased in the current market environment, where the consolidation of financial institutions, including major global financial institutions, is resulting in a smaller number of much larger counterparties and competitors. If **customers-clients** reduce their deposits with us or select other service providers for all or a portion of the services that we provide them, net interest income and fee revenues will decrease accordingly, and could have a material adverse effect on our results of operations. Increasing challenges in credit markets and the effects on our current and future borrowers have adversely affected, and in the future may adversely affect, our loan portfolio and may result in losses or increasing provision expense.

Although From early-2022 to mid-2023, partially as a response to inflation in the U. S. and global economies, the Federal Reserve began tightening a years-long series of economic stimulus measures that had included historically low **System (commonly referred to as “ the Fed ”)** has recently made modest incremental **28** reductions in benchmark interest rates. **As, the current interest rate environment remains significantly elevated from those measures were reversed of the recent past, and recent indications as of the date of this report are that further reductions are unlikely in the near future. Interest rates affect both our ability to reprice variable- rate loans and to originate new fixed- rate loans, and in times of significant uncertainty about interest rates, such as the present, clients and prospective investors often reduce their borrowing levels, which tends to have a deflating effect on our outstanding loan balances and thus on our interest income. During the third and fourth quarters of 2024, the Federal Reserve Open Markets committee-Committee increased-cut benchmark interest rates from near zero to more-three times and for the first time since 2020. While we do not presently expect than that the Fed will resume five percent in less than two years. These-increases have had a variety of significant impacts, among them a substantial and rapid increase in the interest paid on variable- rate loans. These effects have included a significant reduction in borrowing on existing lines of credit by corporate and individual customers that have the ability to benchmark limit increasing indebtedness, and a reduction in the volume of new loans (each of which has the effect of reducing our interest-earning assets), as well as an increase in delinquencies and classified loans (which requires us to increase our reserves for loan and leases losses and increases our collection costs). These increases also effectively reduce demand for loans that we would typically originate and hold for resale, thus reducing our noninterest income. Although interest rates appear, we are unable to have peaked over predict changes in future interest rates. Further, the conditions that led the Fed to make the these last fiscal year reductions remain uncertain and volatile, if- and thus are highly unpredictable. This is particularly true of the risks of political instability associated with the new presidential administration and subsequent governmental and economic reactions. If rates resume increasing, or if they continue to remain at relatively elevated levels for prolonged periods, our borrowers may experience increasing difficulty in repaying their loans. If Further, borrowers may defer additional borrowing decisions pending the resolution of both the political uncertainties and the potential for further market adjustments in response to these-those trends continue-matters and to general economic conditions. To the extent interest rates remain relatively elevated, or if economic conditions affecting our borrowers worsen, our allowance for credit losses and related provision could be negatively impacted, which would result in a reduction in net income for the corresponding 39-period -- period, or in some cases we may experience losses in excess of established reserves, which would have a similar effect. At the same time, even if interest rates stabilize or if reductions are less significant than clients expect, we may confront a loss of demand that adversely affects our interest earning assets. Either of These-these outcomes, alone or in combination with other factors, may have a material adverse effect on our results of operations.**

Fluctuations in interest rates may reduce net interest income and otherwise negatively affect our business, financial condition and results of operations. Shifts in short- term interest rates may reduce net interest income, which is the principal component of our earnings. Net interest income is the difference between the amounts received by us on our interest- earning assets and the interest paid by us on our interest- bearing liabilities. When interest rates rise, the rate of interest we receive on our assets, such as floating interest rate loans, rises more quickly than the rate of interest that we pay on our interest- bearing liabilities, such as deposits, which may cause our profits to increase. When interest rates decrease, the rate of interest we receive on our assets, such as floating interest rate loans, declines more quickly than the rate of interest that we pay on our interest- bearing liabilities, such as deposits, which may cause our profits to decrease. Changes in interest rates could influence our ability to originate loans and deposits. Historically, there has been an inverse correlation between the demand for loans and interest rates. Loan origination volume usually declines during periods of rising or high interest rates and increases during periods of declining or low interest rates. Changes in interest rates can also affect the level of loan refinancing activity, which impacts the amount of prepayment penalty income we receive on loans we hold. Because prepayment penalties are recorded as interest income when received, the extent to which they increase or decrease during any given period could have a significant impact on the level of net interest income and net income we generate during that time. A decrease in our prepayment penalty income resulting from any change in interest rates or as a result of regulatory limitations on our ability to charge prepayment penalties could therefore adversely affect our net interest income, net income or results of operations. An increase in interest rates that adversely affects the ability of borrowers to

pay the principal or interest on loans may lead to an increase in nonperforming assets and a reduction of income recognized, which could have a material adverse effect on our results of operations and cash flows. Further, when we place a loan on nonaccrual status, we reverse any accrued but unpaid interest receivable, which decreases interest income. Subsequently, we continue to have a cost to fund the loan, which is reflected as interest expense, without any interest income to offset the associated funding expense. Thus, an increase in the amount of nonperforming assets would have an adverse impact on net interest income. Changes in interest rates also can affect the value of loans, securities and other assets. Rising interest rates will result in a decline in value of the fixed- rate debt securities we hold in our investment securities portfolio. The unrealized losses resulting from holding these securities would be recognized in accumulated other comprehensive income and reduce total shareholders' equity. Unrealized losses do not negatively impact our regulatory capital ratios. However, tangible **common** **29common** equity and the associated ratios would be reduced. If debt securities in an unrealized loss position are sold, such losses become realized and will reduce our regulatory capital ratios. **Rising Failure to maintain effective internal controls over financial reporting could have a material adverse effect on our business and stock price. We are required to comply with the Securities and Exchange Commission' s (" SEC ") rules implementing** Section 302, Section 404, and Section 906 of the Sarbanes- Oxley Act, which will require management to certify financial and other information in our quarterly and annual reports and provide an annual management report as to the effectiveness of controls **over financial reporting. In particular, we are required to certify our compliance with Section 404 of the Sarbanes- Oxley Act, which requires us to furnish annually a report by management on the effectiveness of our internal control over financial reporting and our independent registered public accounting firm is required to report on the effectiveness of our internal control** over financial reporting. If we identify any material weaknesses in our internal control over financial reporting or are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors, counterparties and **customers- clients** may lose confidence in the accuracy and completeness of our financial statements and reports; our liquidity, access to capital markets and perceptions of our creditworthiness could be adversely affected; and the market price of our common stock could decline. In addition, we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, the Federal Reserve, the FDIC, the **California Department of Financial Protection and Innovation (" DFPI ")** or other regulatory authorities, which could require additional financial and management resources. These events could have a material adverse effect on our business and stock price. We have significant deferred tax assets and cannot assure that they will be fully realized. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between the carrying amounts and tax basis of assets and liabilities computed using enacted tax rates. We regularly assess available positive and negative evidence to determine whether it is more likely than not that our net deferred tax assets will be realized. Realization of a deferred tax asset requires us to apply significant judgment and is inherently speculative because it requires estimates that cannot be made with certainty. At December 31, **2023-2024**, we had a net deferred tax asset of \$ **29-27. 8** million. If we were to determine at some point in the future that we will not achieve sufficient future taxable income to realize our net deferred tax asset, we would be required, under generally accepted accounting principles, to establish a full or partial valuation allowance which would require us to incur a charge to income for the period in **which the determination was made. Fluctuations in market** interest rates **may** have **decreased- a material effect on** the value of a portion of the Company' s securities portfolio, **and the Company would realize losses if it were required to sell such securities to meet liquidity needs.** As of December 31, **2023-2024**, the fair value of our securities portfolio was approximately \$ **1-753. 0-3** billion **million**, of which approximately \$ **256. 3** million were categorized as available- for- sale. Fixed- rate investment securities acquired by us are, such as bonds, treasuries and mortgage- backed securities, generally **decline** subject to decreases in market value when interest rates rise **above the rates applicable to such securities**. As a result **Correspondingly, declining interest rates tend to increase the value of fixed- rate securities issued in times of relatively higher rates, but those declines also affect our net interest income because they force us to pay above- market rates on certificates of deposit and other longer- term obligations, and clients tend to exit those investments less frequently under those conditions because their earning capacity in other investments is relatively less attractive. In response to** inflationary pressures and other general economic conditions, the Federal Open Market Committee of the Board of Governors of the **Fed Federal Reserve System has** rapidly and significantly increased interest rates **over- between early 2022 and mid- 2024, which resulted in declines in the last- carrying value of both our held- two- to years- maturity and, particularly, our available- for- sale securities portfolios.** When **Market** interest rates increase, fixed- rate investment securities and loans held for sale tend to decline in value, because investors can often place funds in higher- yielding instruments rather than purchasing debt securities that have **declined modestly in response to a yield that is lower than those -- the Fed' s recent earning at a newly- increased market interest rate reductions.** These **However, the economy remains highly uncertain with respect to various factors, including inflation and employment statistics, and it is thus extremely difficult for management to predict when, to what degree, or in which direction the Fed may attempt to adjust rates further. Such** fluctuations have in the past resulted in declines, and in the future may cause further declines, in the carrying value of our available- for- sale securities portfolio and our portfolio of fixed rate loans, as well as the value of securities pledged as collateral for certain borrowing lines. These trends can be exacerbated if the Company were required to sell such securities to meet liquidity needs, including in the event of deposit outflows or slower deposit growth. **Correspondingly, additional rate reductions may affect our net interest income as we seek to price our deposit products in a way that remains competitive and attractive to clients, while also mitigating the risk that future declines may leave us with elevated borrowing costs. 40Additional** **30Additional** factors beyond our control can further significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. Additional factors include, but are not limited to, rating agency downgrades of the securities or our own analysis of the value of the security, defaults by the issuer or individual

mortgagors with respect to the underlying securities, and continued instability in the credit markets. Any of the foregoing factors could cause credit-related impairment in future periods and result in realized losses. The process for determining whether impairment is credit related usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting interest rates, we may recognize realized and / or unrealized losses in future periods, **or we may face periods of compressed net interest margins, either of** which could have a material adverse effect on our business, financial condition and results of operations. Adverse changes to our credit ratings could limit our access to funding and increase our borrowing costs. Credit ratings are subject to ongoing review by rating agencies, which consider a number of factors, including our financial strength, performance, prospects and operations as well as factors not under our control. Other factors that influence our credit ratings include changes to the rating agencies' methodologies for our industry or certain security types; the rating agencies' assessment of the general operating environment for financial services companies; our relative positions in the markets in which we compete; our various risk exposures and risk management policies and activities; pending litigation and other contingencies; our reputation; our liquidity position, diversity of funding sources and funding costs; the current and expected level and volatility of our earnings; our capital position and capital management practices; our corporate governance; current or future regulatory and legislative initiatives; and the agencies' views on whether the U. S. government would provide meaningful support to us or our subsidiaries in a crisis. Rating agencies could make adjustments to our credit ratings at any time, and there can be no assurance that they will maintain our ratings at current levels or that downgrades will not occur. Any downgrade in our credit ratings could potentially adversely affect the cost and other terms upon which we are able to borrow or obtain funding, increase our cost of capital and / or limit our access to capital markets. Credit rating downgrades or negative watch warnings could negatively impact our reputation with lenders, investors and other third parties, which could also impair our ability to compete in certain markets or engage in certain transactions. In particular, holders of deposits may perceive such a downgrade or warning negatively and withdraw all or a portion of such deposits. While certain aspects of a credit rating downgrade are quantifiable, the impact that such a downgrade would have on our liquidity, business and results of operations in future periods is inherently uncertain and would depend on a number of interrelated factors, including, among other things, the magnitude of the downgrade, the rating relative to peers, the rating assigned by the relevant agency pre- downgrade, individual client behavior and future mitigating actions we might take. Liquidity risks could affect operations and jeopardize our business, financial condition, and results of operations. Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and / or investment securities, and from other sources could have a substantial negative effect on our liquidity. Our most important source of funds consists of our ~~customer-client~~ deposits. **If the Company is unable to maintain or grow its deposits, it may be subject to paying higher funding costs.** The composition of our deposit base, and particularly the extent to which our deposits are not federally insured, may present a heightened risk of withdrawal. Such deposit balances can decrease during periods of economic uncertainty or when ~~customers-clients~~ perceive alternative investments are providing a better risk / return tradeoff. Our measures to mitigate these risks, including correspondent deposit relationships, may not be completely effective in retaining and reassuring ~~customers-clients~~ about their deposits and may increase the costs of maintaining **or growing** those deposits **resulting in higher funding costs.** Further, significant economic fluctuations, or ~~customers-clients~~ expectations about such events (whether or not those expectations materialize) may exacerbate depositors' sensitivity to the availability of cash to fund immediate withdrawals. If ~~customers-clients~~ move money out of bank deposits and into other investments, we could face a material decrease in the volume of our deposits and lose a relatively low cost source of funds, thereby increasing our funding costs and reducing net interest income and net income. We could have to raise interest rates to retain deposits, thereby increasing our funding costs and reducing net interest income and net income. Additional liquidity is provided by our ability to borrow from the Federal Reserve Bank of San Francisco and the Federal Home Loan Bank of San Francisco. We also may borrow from third- party lenders from time to time. Our access to funding sources in amounts adequate to finance or capitalize our activities on terms that are acceptable to us could be ~~41impaired~~ **31impaired** by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry. Any decline in available funding could adversely impact our ability to continue to implement our strategic plan, including our ability to originate loans, invest in securities, meet our expenses, or to fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could have a material adverse effect on our liquidity, business, financial condition and results of operations. Risks Related to Our Capital We may be subject to more stringent capital requirements in the future. We are subject to current and changing regulatory requirements specifying minimum amounts and types of capital that we must maintain. The failure to meet applicable regulatory capital requirements could result in one or more of our regulators placing limitations or conditions on our activities, including our growth initiatives, or restricting the commencement of new activities, and could affect ~~customer-client~~ and investor confidence, our costs of funds and FDIC insurance costs, our ability to pay dividends on our common stock, **our ability to fund share repurchases**, our ability to make acquisitions, and could materially adversely affect our business, financial condition and results of operations. We may need to raise additional capital in the future, and if we fail to maintain sufficient capital, whether due to losses, an inability to raise additional capital or otherwise, our financial condition, liquidity and results of operations, as well as our ability to maintain regulatory compliance, would be adversely affected. We face significant capital and other regulatory requirements as a financial institution. We may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments and business needs, which could include the possibility of financing acquisitions. Our ability to raise additional capital depends on conditions in the capital markets, 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. Any occurrence that may limit our access to the capital

markets may adversely affect our capital costs and our ability to raise capital. Moreover, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital and would have to compete with those institutions for investors. We, therefore, may not be able to raise additional capital if needed or on terms acceptable to us.

Risks Related to Our Legal and Regulatory Environment We are subject to extensive and complex regulations which are costly to comply with and may subject us to significant penalties for noncompliance. Our operations are subject to extensive regulation by federal, state and local governmental authorities, including the FDIC, the Federal Reserve and the California Department of Financial Protection and Innovation, and to various laws and judicial and administrative decisions imposing requirements and restrictions on part our- or Management all of our operations. Many of these laws are complex, especially those governing fair lending, predatory or unfair or deceptive practices, and other consumer-focused practices. Similarly, these laws and regulations have expanded substantially in terms of scope and complexity in recent years, and this expansion can be expected to continue. The complexity of those rules creates additional potential liability for us because noncompliance could result in significant regulatory action, including restrictions on operations and fines, and could lead to class action lawsuits from shareholders, consumers and employees. In addition, various states, particularly California, where substantially all our operations and banking activities take place, have their own laws and regulations. These state- specific regulations include heightened data privacy, employment law and consumer protection regulations, and the cost of complying with state rules that differ from federal rules can significantly increase compliance costs. The laws, rules and regulations to which we are subject evolve and change frequently, including changes that come from judicial or administrative agency interpretations of laws and regulations outside of the legislative process that may be more difficult to anticipate, and changes to our regulatory environment are often driven by shifts of political power in the federal government. In addition, we are subject to various examinations by our regulators during the course of the year. Regulatory authorities who conduct these examinations have extensive discretion in their interpretation of various 32laws and regulations and in their supervisory and enforcement activities, including the authority to restrict our operations and certain corporate actions. Administrative and judicial interpretations of the rules that apply to our business may change the way such rules are applied, which also increases our compliance risk if the interpretation differs from our understanding or prior practice. Moreover, an increasing amount of the regulatory authority that pertains to financial institutions is in the form of informal “ guidance ” such as handbooks, guidelines, examination manuals, field interpretations by regulators or similar provisions that could affect our business or require changes in our practices in the future even if they are not formally adopted as laws or regulations. Any such changes could adversely affect our cost of doing business and our profitability and may create operational and legal risks that are difficult to anticipate or to mitigate. In addition, changes in regulation of our industry have the potential to create higher costs of compliance, including short- term costs to meet new compliance standards, limit our ability to pursue business opportunities and increase our exposure to potential fines, penalties and litigation. Changes in accounting standards could materially impact our financial statements. From time to time, the Financial Accounting Standards Board or the SEC, may change the financial accounting and reporting standards that govern the preparation of our financial statements. Such changes may result in us being subject to new or changing accounting and reporting standards. In addition, the bodies that interpret the accounting standards (such as banking regulators or outside auditors) may change their interpretations or positions on how these standards should be applied. These changes may be beyond our control, can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retrospectively, or apply an existing standard differently, also retrospectively, in each case resulting in our needing to revise or restate prior period financial statements. Restating or revising our financial statements may result in reputational harm or may have other adverse effects on us. Litigation, regulatory actions, investigations or similar matters, could subject us to uninsured liabilities and reputational harm and otherwise materially affect our business, financial condition and results of operations. We are highly dependent Other BusinessThe costs and effects of litigation, investigations or similar matters, or adverse facts and developments related thereto, could materially affect our business, financial condition and results of operations. We are and will continue to be involved from time to time in a variety of litigation, regulatory actions, investigations or similar matters arising out of our business. These matters may include supervisory or enforcement actions by our regulators, criminal proceedings by prosecutorial authorities, claims by clients or by former and current employees, including class, collective and representative actions, or environmental lawsuits stemming from property that we may hold as OREO following a foreclosure action in the course of our business. It is inherently difficult to assess the outcome of these matters, and we may not prevail in any proceedings or litigation. Any claims and lawsuits, and the disposition of such matters claims and lawsuits, whether through settlement, or litigation, could be time-consuming and expensive to resolve, involve regulatory sanctions, civil money penalties or fines, divert management attention from executing our business plan, and lead to attempts on the part of other parties to pursue similar claims. Any claims asserted against us, regardless on the part of other parties to pursue similar claims. Any proceedings or claims asserted against us, regardless of merit or eventual outcome may harm our reputation. To mitigate the cost of some of these matters, we maintain insurance coverage in amounts and with deductibles that we believe are appropriate for our operations. However, our insurance coverage does not cover any civil monetary penalties, punitive damages or fines imposed by government authorities and may not cover all other claims that might be brought against us, including certain wage and our hour management-class, collective and representative actions brought by clients, team members, and the loss of our- or senior executive officers- former team members, and ponzi schemes. In addition, such insurance coverage may not continue to be available to us at a reasonable cost or at all. As a result, we may be exposed to substantial uninsured liabilities, reputational harm, regulatory sanctions or other key employees effects which could harm our ability to implement

our strategic plan, impair our relationships with customers and adversely affect our business, prospects, financial condition and results of operations and capital position. Our ability to protect our clients' confidential information, data and privacy could adversely affect our business. We are subject to federal and state privacy regulations and confidentiality obligations, including the California Consumer Privacy Act of 2018 and the California Privacy Rights Act of 2020, that, among other things restrict the use and dissemination of, and success access depends to, in large degree certain information that we produce, store or maintain in the course of our business and establishes a new state agency to enforce these rules. We also have contractual obligations to protect certain confidential information we obtain from our existing vendors and clients. These obligations generally include protecting such confidential information in the same manner and to the same extent as we protect our own confidential information, and in some instances may impose indemnity obligations on the skills us relating to unlawful or unauthorized disclosure of any such information. The continued development and enhancement of our information security controls, processes and practices designed to protect client information, our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for our management team and our ability to retain, recruit and motivate key officers and employees. Our senior management team has as significant industry we increase our online and mobile banking offerings. As cyber threats continue to evolve, including supply chain risks, our costs to combat the cybersecurity threat can be expected to increase. Nonetheless, our measures may be insufficient to prevent all physical and electronic break-ins, denial of service and other cyber-attacks or security breaches. If we do not properly comply with privacy regulations and contractual obligations that require us to protect confidential information, or if we experience a security breach or network compromise, and we could face regulatory sanctions, penalties or fines, increased compliance costs, remedial costs such as providing credit monitoring or their other knowledge services to affected clients, litigation and relationships damage to our reputation, which in turn could result in decreased revenues and loss of clients, any or all of which would be difficult to replace. Leadership changes..... qualified personnel in the future, could have a material adverse effect on our business, financial condition and results of operations. 42 Risks Related to Our Reputation and Operations Our ability to maintain our reputation..... funding capacity, net interest margin, capital, and results of operations. In connection with high-profile bank failures, uncertainty and concern has been, and may be in the future, compounded by advances in technology that increase the speed at which deposits can be moved, as well as the speed and reach of media attention, including social media, and its ability to disseminate concerns or rumors, in each case potentially exacerbating liquidity concerns. Further, measures announced by the Department of the Treasury, the Federal Reserve, and the FDIC intended to reassure depositors of the availability of their deposits may not be successful in restoring customer confidence in the banking system. In addition, the banking operating environment and public trading prices of banking institutions can be highly correlated, in particular during times of stress, which could adversely impact the trading prices of our common stock. Further, recent experience has shown that the effects of these events on bank stock prices can cause a much more pronounced and widespread decline in trading values than might be expected based on an individual institution's specific risk profile. These recent events may also result in potentially adverse changes to laws or regulations governing banks and bank holding companies or result in the imposition of restrictions through supervisory or enforcement activities..... to capital, and our stock price. Risks from Competition We face strong competition from financial services companies and other companies that offer commercial banking services, which could harm our business. We face substantial competition in all phases of our operations from a variety of different competitors. Our competitors, including larger commercial banks, community banks, savings and loan associations, mutual savings banks, credit unions, consumer finance companies, insurance companies, securities dealers, brokers, mortgage bankers, investment advisors, money market mutual funds and other financial institutions, compete with lending and deposit gathering services offered by us. Many of these competing institutions have much greater financial and marketing resources than we have. Due to their size, many competitors can achieve larger economies of scale and may offer a broader range of products and services than we can. If we are unable to offer competitive products and services, our business may be negatively affected. Some of the financial services organizations with which we compete are not subject to the same degree of regulation as is imposed on bank holding companies and federally insured financial institutions or are not subject to increased supervisory oversight arising from regulatory examinations. As a result, these non-bank competitors have certain advantages over us in accessing funding and in providing various services. We anticipate intense competition will continue for the coming year due to the recent consolidation of many financial institutions and more changes in legislation, regulation and technology. Further, we expect loan demand to continue to be challenging due to the uncertain economic climate and the intensifying competition for creditworthy borrowers, both of which could lead to loan rate concession pressure and could impact our ability to generate profitable loans. We expect we may see tighter competition in the industry as banks seek to take market share in the most profitable customer-client segments, particularly the small business segment and the mass affluent segment, which offers a rich source of deposits as well as more profitable and less risky customer-client relationships. Further, with if the there is a rebound of higher interest rates our deposit customers-clients may perceive alternative investment opportunities as providing superior expected returns. Efforts and initiatives we undertake to retain and increase deposits, including deposit pricing, can increase our costs. When our customers-clients move money into higher yielding deposits or in favor of alternative investments, we can lose a relatively inexpensive source of funds, thus increasing our funding costs. New technology and other changes are allowing parties to effectuate financial transactions that previously required the involvement of banks. For example, consumers can maintain funds in brokerage accounts or mutual funds that would have historically been held as bank deposits. Consumers can also complete transactions such as paying bills and transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as "disintermediation," could result in the loss of fee income, as well as the loss of customer-client deposits and the related income generated from those deposits. Increased competition in our markets may result in reduced loans, deposits, and fee income, as well as reduced net interest margin and profitability. If we are unable to attract and

retain banking **customers-clients** and expand our loan and deposit growth, then we may be unable to continue to grow our business which could have a material adverse effect on our financial condition and results of operations. **We 34We** have a continuing competitive need for technological change, and we may not have the resources to effectively implement new technology or we may experience operational challenges when implementing new technology. The financial services industry is continually undergoing rapid technological change with frequent introductions of new, technology- driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve **customers-clients** and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our **customers-clients** by using technology to provide products and services that will satisfy **customer-client** demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements than we do. As a result, they may be able to offer additional or superior products to those that we will be able to offer, which would put us at a competitive disadvantage. We may not be able to effectively ~~46implement~~ **implement** new, technology- driven products and services or be successful in marketing these products and services to our **customers-clients**. In addition, the implementation of technological changes and upgrades to maintain current systems and integrate new ones may also cause service interruptions, transaction processing errors and system conversion delays and may cause us to fail to comply with applicable laws. Failure to successfully keep pace with technological change affecting the financial services industry and avoid interruptions, errors and delays could have a material adverse effect on our business, financial condition and results of operations. Risks Related to **Other Business**The costs and effects of litigation..... results of operations. Risks Related to **Our Common Stock**An investment in our common stock is not an insured deposit. An investment in our common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in our common stock is inherently risky for the reasons described herein, and is subject to the same market forces that affect the price of common stock in any company. As a result, if you acquire our common stock, you could lose some or all of your investment **52The** trading volume in our common stock is less than that of other larger financial services companies. Although our common stock is listed for trading on **The the** Nasdaq Stock Market LLC (“Nasdaq”), its trading volume is less than that of other, larger financial services companies, and investors are not assured that a liquid market will exist at any given time for our common stock. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace at any given time of willing buyers and sellers of our common stock. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Given the lower trading volume of our common stock, significant sales of our common stock, or the expectation of these sales, could **cause our stock price to fall**. The price of our common stock may fluctuate significantly, and this may make it difficult for you to resell shares of common stock owned by you at times or at prices you find attractive. The stock market and, in particular, the market for financial institution stocks, has experienced significant volatility. In some cases, the markets have produced downward pressure on stock prices for certain issuers without regard to those issuers’ underlying financial strength. As a result, the trading volume in our common stock may fluctuate more than usual and cause significant price variations to occur. **The 35The** trading price of the shares of our common stock will depend on many factors, which may change from time to time and which may be beyond our control, including, without limitation, our financial condition, performance, creditworthiness and prospects, future sales or offerings of our equity or equity related securities, and other factors identified above under “Cautionary Note Regarding Forward Looking Statements” and “Risk Factors” contained in this report. These broad market fluctuations have adversely affected and may continue to adversely affect the market price of our common stock, some of which are out of our control. Among the factors that could affect our stock price are: ● changes in business and economic condition; ● actual or anticipated quarterly fluctuations in our operating results and financial condition; ● actual occurrence of one or more of the risk factors outlined above; ● recommendations by securities analysts or failure to meet, securities analysts’ estimates of our financial and operating performance, or lack of research reports by industry analysts or ceasing of coverage; ● speculation in the press or investment community generally or relating to our reputation, our operations, our market area, our competitors or the financial services industry in general; ● strategic actions by us or our competitors, such as acquisitions, restructurings, dispositions or financings; ● actions by institutional investors; ● fluctuations in the stock price and operating results of our competitors; ● future sales of our equity, equity related or debt securities; ● proposed or adopted regulatory changes or developments; ● anticipated or pending investigations, proceedings, or litigation that involve or affect us; ● the level and extent to which we do or are allowed to pay dividends; ● trading activities in our common stock, including short selling; ● deletion from well- known index or indices; ● domestic and international economic factors unrelated to our performance; and ● general market conditions and, in particular, developments related to market conditions for the financial services industry. **52The trading volume in our common stock..... cause our stock price to fall**. Our dividend policy may change without notice, and our future ability to pay dividends is subject to restrictions. Historically, our Board has declared quarterly dividends on our common stock. However, we have no obligation to continue doing so and may change our dividend policy at any time without notice to holders of our common stock. Holders of our common stock are only entitled to receive such cash dividends as our Board, in its discretion, may declare out of funds legally available for such payments. Furthermore, consistent with our strategic plans, growth initiatives, capital availability, projected liquidity needs, and other factors, we have made, and will continue to make, capital management decisions and policies that could adversely impact the amount of dividends paid to holders of our common stock. HCC is a separate and distinct legal entity from HBC. We receive substantially all of our revenue from dividends **paid 36paid** to us by HBC, which we use as the principal source of funds to pay our expenses and to pay dividends to our shareholders, if any. Various federal and / or state laws and regulations limit the amount of dividends that HBC may pay us. **The Basel III capital rules also provide for risk- based capital, leverage and liquidity standards, including capital conservation buffers, that result in restrictions on HBC and the Company's ability to make dividend payments, redemptions or other capital distributions**. If the HBC does not receive regulatory approval or does not maintain a level of

capital sufficient to permit it to make dividend payments to us while maintaining adequate capital levels, our ability to pay our expenses and our business, financial condition and results of operations could be materially adversely impacted. As a bank holding company, we are subject to regulation by the **Fed Federal Reserve**. The **Fed Federal Reserve** has indicated that bank holding companies should carefully review their dividend policy in relation to the organization's overall asset quality, current and prospective earnings and level, composition and quality of capital. The guidance provides that we inform and consult with the **Fed Federal Reserve** prior to declaring and paying a dividend that exceeds earnings for the period for which the dividend is being paid or that could result in an adverse change to our capital structure, including interest on our debt obligations. If required payments on our debt obligations are not made or are deferred, or dividends on any preferred stock we may issue are not paid, we will be prohibited from paying dividends on our common stock. ~~The Capital Rules also introduced a new capital conservation buffer on top of the minimum risk-based capital ratios. Failure to maintain a capital conservation buffer above certain levels will result in restrictions on the Company's ability to make dividend payments, redemptions or other capital distributions. These requirements, and any other new regulations or capital distribution constraints, could adversely affect the ability of the Company to pay dividends to HCC and, in turn, affect our ability to pay dividends on our common stock.~~ We have limited the circumstances in which our directors will be liable for monetary damages. We have included in our articles of incorporation a provision to eliminate the liability of directors for monetary damages to the maximum extent permitted by California law. The effect of this provision will be to reduce the situations in which we or our shareholders will be able to seek monetary damages from our directors. Our bylaws also have a provision providing for indemnification of our directors and executive officers and advancement of litigation expenses to the fullest extent permitted or required by California law, including circumstances in which indemnification is otherwise discretionary. Also, we have entered into agreements with our officers and directors in which we similarly agreed to provide indemnification that is otherwise discretionary. Such indemnification may be available for liabilities arising in connection with future offerings. ~~Future equity issuances could result in dilution, which could cause our common stock price to decline. We are generally not restricted from issuing additional shares of our common stock, up to the 100 million shares of voting common stock and 10 million shares of preferred stock authorized in our articles of incorporation (subject to Nasdaq shareholder approval rules), which in each case could be increased by a vote of a majority of our shares. We may issue additional shares of our common stock in the future pursuant to current or future equity compensation plans, upon conversions of preferred stock or debt, upon exercise of warrants or in connection with future acquisitions or financings. If we choose to raise capital by selling shares of our common stock for any reason, the issuance would have a dilutive effect on the holders of our common stock and could have a material negative effect on the market price of our common stock.~~ We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock, which could depress the price of our common stock. Although there are currently no shares of our preferred stock issued and outstanding, our articles of incorporation authorize us to issue up to 10 million shares of one or more series of preferred stock. The board also has the power, without shareholder approval (subject to Nasdaq shareholder approval rules), to set the terms of any series of preferred stock that may be issued, including voting rights, dividend rights, preferences over our common stock with respect to dividends or in the event of a dissolution, liquidation or winding up and other terms. In the event that we issue preferred stock in the future that has preference over our common stock with respect to payment of dividends or upon our liquidation, dissolution or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of the holders of our common stock or the market price of our common stock could be adversely affected. In addition, the ability of our Board to issue shares of preferred stock without any action on the part of our shareholders may impede a takeover of us and prevent a transaction perceived to be favorable to our shareholders. The holders of our debt obligations will have priority over our common stock with respect to payment in the event of liquidation, dissolution or winding up and with respect to the payment of interest and dividends. The holders of our debt obligations will have priority over our common stock with respect to payment in the event of liquidation, dissolution or winding up and with respect to the payment of interest and dividends. In any liquidation, dissolution or winding up of the Company, our common stock would rank below all claims of the holders of outstanding debt issued by the Company. As of December 31, 2023-2024, we had \$ 40. 0 million principal amount of subordinated notes outstanding due May 15, 2032. In such event, holders of our common stock would not be entitled to receive any payment or other distribution of assets upon the liquidation, dissolution or winding up of the Company until after all of the Company's obligations to the debt holders were satisfied and holders of the subordinated debt had received any payment or distribution due to them. In addition, we are required to pay interest on the subordinated notes and if we are in default in the payment of interest we would not be able to pay any dividends on our common stock. **37** ~~Provisions in our charter documents and California law may have an anti-takeover effect, and there are substantial regulatory limitations on changes of control of bank holding companies. Our articles of incorporation and bylaws contain a number of provisions relating to corporate governance and rights of shareholders that might discourage future takeover attempts. As a result, shareholders who might desire to participate in such transactions may not have an opportunity to do so. In addition, these provisions will also render the removal of our Board or management more difficult. Such provisions include a requirement that shareholder approval for any action proposed by the Company must be obtained at a shareholders meeting and may not be obtained by written consent. Our bylaws provide that shareholders seeking to make nominations of candidates for election as directors, or to bring other business before an annual meeting of the shareholders, must provide timely notice of their intent in writing and follow specific procedural steps in order for nominees or shareholder proposals to be brought before an annual meeting. Provisions of our charter documents and the California General Corporation Law, or the CGCL, could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial by our shareholders. Furthermore, with certain limited exceptions, federal regulations prohibit a person or company or a group of persons deemed to be "acting in concert" from, directly or indirectly, acquiring more than 10 % (5 % if the acquirer is a bank holding~~ 54

