

Risk Factors Comparison 2025-02-28 to 2024-02-23 Form: 10-K

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

Ownership of our common stock involves certain risks. The risks and uncertainties described below are not the only ones we face. You should carefully consider the risks described below, as well as all other information contained in this Annual Report on Form 10-K. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of these risks actually ~~occurs~~ **occur**, our business, financial condition, and / or results of operations could be materially and adversely affected.

GENERAL ECONOMIC AND MARKET CONDITIONS RISKS The economic environment could pose significant challenges for the Company and could adversely affect our financial condition and results of operations. Our financial condition and results of operations are dependent on the U. S. economy, generally, and markets we serve, specifically. We primarily serve markets in California, and major metropolitan areas in Washington, Oregon, Arizona, and Nevada, though certain of our products and services are offered nationwide. Financial stress on our customers as a result of an uncertain future economic environment could have an adverse effect on the Company's customers and their ability to **maintain their deposits and / or** repay their loans, which could adversely affect the Company's business, financial condition, and results of operations. A weakening of these conditions in the markets in which we operate would likely have an adverse effect on us and others in the financial institutions industry. For example, a deterioration in economic conditions in our markets could drive losses beyond that which is provided for in our allowance for credit losses. We may also face the following risks in connection with these events:

- economic conditions that negatively affect real estate values, the profitability of business operations, and the job market may result in the deterioration of the credit quality of our loan portfolio, and such deterioration in credit quality could have a negative impact on our business;
- a decrease in the demand for loans and other products and services offered by us, particularly in light of the current higher interest rate environment;
- a decrease in deposit balances, including low-cost and noninterest-bearing deposits, and changes in our interest rate mix toward higher-cost deposits;
- a decrease in net interest income derived from our lending and deposit gathering activities;
- a decrease in the value of our loans or other assets secured by collateral such as commercial or residential real estate;
- a decrease in consumer confidence levels and adverse changes in payment patterns, causing increases in delinquencies and default rates on loans and other credit facilities;
- the processes we use to estimate our allowance for credit losses ("ACL") under the CECL methodology requires the use of complex judgments, including forecasts of economic conditions, which are difficult to estimate, and adverse economic conditions or expected economic conditions may require us to provide for a significantly greater ACL;
- our ability to assess the creditworthiness of our customers may become less effective in controlling charge-offs; and
- reduced volumes of transactions that impact certain of our lines of business, such as transactions utilizing escrow services and 1031 exchange transactions.

~~In the wake of actions by government authorities and other parties to mitigate health risks associated with the COVID-19 pandemic, and fiscal and monetary policy measures used to mitigate the adverse effects of the pandemic on individual households and businesses, a number of macroeconomic challenges emerged, including without limitation inflation, supply chain issues, and labor market disruptions.~~ Although inflation levels ~~abated significantly~~ **moved closer to the Federal Open Market Committee's ("FOMC") target rate of 2% in 2023-2024, as of December 31, 2024**, inflation ~~to rates remained elevated above the target rate. To~~ the extent **inflation persists**, it ~~persists~~ poses risk to the economy overall, and could pose direct or indirect challenges to our clients and to our business. Elevated inflation can impact our business customers through loss of purchasing power for their customers, leading to lower sales. ~~Rising~~ **Elevated** inflation can also increase input and inventory costs for our customers, forcing them to raise their prices or lower their profitability. Supply chain disruption, also leading to inflation, can delay our customers' shipping ability, or timing on receiving inputs for their production or inventory. Inflation can lead to higher wages for our business customers, increasing costs. All of these inflationary risks for our business customer base can be financially detrimental, leading to increased likelihood that the customer may become delinquent or otherwise default on a loan. To the extent such conditions exist or worsen, we could experience adverse effects on our business, financial condition, and results of operations. Financial markets may be adversely affected by the current or anticipated impact of military conflict, other geopolitical risk, and trade tensions. Military conflicts include military actions **or potential military actions** between Russia and Ukraine, **Israel war** and **Hamas, overall tension and conflict** in the Middle East, **tension between China and Taiwan**, and terrorism. Geopolitical risk is generally rising, with shipping incidents in the Red Sea causing losses and disruption to commercial shipping routes. In addition, trade tensions between the U. S. and **any of its significant trading partners, including** China, **Canada and Mexico** ~~the two largest global economies~~, increases economic uncertainty. Adverse economic conditions in California, Washington, Oregon, Arizona, and / or Nevada, may cause us to suffer higher default rates on our loans and reduce the value of the assets we hold as collateral. ~~Our~~ **Although we do provide products and services nation-wide, our** business activities and credit exposure are concentrated in California, and to a lesser extent the Western U. S., including Washington, Oregon, Arizona, and Nevada. Difficult economic conditions in these markets may cause us to incur losses associated with higher default rates and decreased collateral values in our loan portfolio. In addition, demand for our products and services may decline. Declines in the real estate market could hurt our business because if real estate values were to decline, the collateral for our loans would provide less security. As a result, our ability to recover on defaulted loans by selling the underlying real estate would be diminished, and we would be more likely to suffer losses on defaulted loans. The majority of our loans, approximately ~~59-61%~~ **59-61%** of the aggregate outstanding **principal balance** as of December 31, ~~2023-2024~~, are secured, at least in part, by real estate located within California. While customer confidence in the banking system has improved considerably since **the regional banking crisis in** the first half of 2023, risk related to disintermediation and

uninsured deposits remain, and could continue to have a material effect on the Company's operations and / or stock price. The high-profile bank failures in the first half of 2023 generated significant market volatility among publicly-traded bank holding companies and, in particular, regional banks like Pacific Premier. The industry has stabilized since these failures and the customer confidence in the safety and soundness of smaller regional banks has improved considerably. Nevertheless, risks remain that customers may choose to invest in higher yielding and higher-rated short-term fixed income securities or maintain deposits with larger more systematically important financial institutions, **or shift their deposits into higher-cost products that we offer**, all of which could materially and adversely impact our liquidity, loan funding capacity, net interest margin, capital, and results of operations. In addition, **we may need to increase our interest rates to avoid deposit attrition, and funding costs may also increase if deposits lost are replaced with wholesale funding. The bank failures in the first half of 2023 highlighted the speed at which deposits can be moved in the digital economy. The** banking operating environments 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 and potentially, our results of operations. Separately, banking regulators have announced a more stringent supervisory posture after the bank failures. Health crises have in the past, and could in the future, materially and adversely affect our business and our customers, counterparties, employees, and third-party service providers. Pandemics, epidemics, or other health crises, including COVID-19, have had and could have repercussions that could impact household, business, economic, and market conditions, including in California and the Western U.S. where we conduct most of our business. These events have caused and could in the future, cause us to implement measures to combat such health crises, including restrictions impacting ~~individual, including~~ our current and potential investors and customers, and the manner in which business continues to ~~operate~~ **operate**. Additionally, our operations may be impacted by the need to close certain offices and limit how customers conduct business through our branch network. Health crises could impact our business, capital, liquidity, financial position, results of operations, and business prospects due to the potential effect on our customers, employees, and third-party service providers. In addition, health crises can lead to lingering impacts on economies and markets ; ~~for~~ **For** example, the unprecedented extent of economic stimulus during the COVID-19 pandemic ~~that~~ caused and / or exacerbated inflationary pressures. MARKET RISKS Interest rate changes, which are beyond our control, could harm our profitability. Our profitability depends to a large extent upon net interest income, which is the difference between interest income and dividends we earn on interest-earning assets, such as loans and investments, and interest expense we pay on interest-bearing liabilities, such as deposits and borrowings. Any change in general market interest rates, whether as a result of changes in the monetary policy of the Federal Reserve or otherwise, may have a significant effect on net interest income and prepayments on our loans. ~~After maintaining its~~ **Beginning in early 2022, in response to growing signs of inflation, the FOMC increased interest rates rapidly, causing the** federal funds rate ~~target in~~ **to reach a 22-year high at** a range of ~~5.0% to 0.25% from March 2020 until March 2022, as part of~~ **to 5.5%. Although the FOMC reduced its efforts to combat benchmark rates by 100 basis points during the final four months of 2024, the inflation-inflationary outlook in the U.S. remains uncertain due to the risk of an uptick in the inflationary trend. Furthermore, the low unemployment rate will challenge** the FOMC ~~raised~~ **to maintain short-term borrowing cost elevated in 2025. Rapid changes in interest rates make it more difficult for us to balance our loan and deposit portfolios, which may adversely affect our results of operations by, for example, reducing asset yields or spreads, creating operating issues, or having other adverse impacts on our business. Elevated interest rates increase the borrowing costs of our customers, making it more difficult for the them to repay their loans or other obligations. High interest rates may also push down asset prices and weaken economic activity. While we currently anticipate that there will be further decreases in the target** federal funds **rate in 2025, the pace of rate cuts remains uncertain. However, inflationary pressures remain a key concern, and the specific timing and extent of interest rate cuts is important, as higher rates continue to pressure asset valuations and dampen demand for loans. If interest rates remain elevated or increase, or if the long end of the yield curve rises despite decreases to the target federal funds rate, the increase in rates could continue to constrain our interest rate spread and adversely affect our business forecasts. More broadly, changes in levels of market interest rates could materially and adversely affect our financial condition, loan origination volumes, net interest margin, results of operations, and profitability. Changes in interest rates also have a significant impact on** range of ~~4.25% to 4.5% between March 2022 and December 2022 and further continued the~~ **carrying value** monetary tightening campaign throughout 2023 ~~raising the benchmark rate to a range of certain of our assets~~ **5.25% to 5.5%. Additionally, the FOMC began shrinking its** ~~including loans, real estate, and investment securities, on our~~ **balance sheet** in June 2022 by reducing its holdings of Treasury and mortgage-backed securities. The actions of the FOMC have helped inflation trend down from near highs in early 2022 but it still remains above the FOMC's 2% target. The Federal Reserve has indicated that the target rate may have reached its peak but continues to monitor the economic data to support rate cuts in 2024 and beyond. The myriad of Federal Reserve commentary has continued to complicate investors' outlook, fueling volatility in the markets and a consensus on the timing of potential rate cuts for 2024. As a result, the economic outlook for 2024 will continue to be highly uncertain. Our assets and liabilities may react differently to changes in overall interest rates or conditions. In general, higher interest rates are associated with a lower volume of loan originations while lower interest rates are usually associated with higher loan originations. During the rising interest rate environment, adjustable rate loan holders have been motivated to pay off loans. Further, if interest rates decline, our fixed, higher-rate loans may be refinanced at lower rates or paid off and our investments may be prepaid earlier than expected. If that occurs, we may have to redeploy the loan or investment proceeds into lower yielding assets, which might also decrease our income. Additionally, the ratio of fixed to floating rate loans has an impact on the Bank's income in a rising rate environment. The Bank closely monitors this ratio in assessing go-forward strategies with respect to loan originations. Additionally, the mixture of fixed to variable rate investment securities has an impact on the Bank's earnings in a rising rate environment. Accordingly, changes in levels of market interest rates could materially and adversely affect our financial condition, loan origination volumes, net interest margin,

results of operations, and profitability. Changes in interest rates also have a significant impact on the carrying value of certain of our assets, including loans, real estate, and investment securities, on our balance sheet. We may incur debt in the future, and that debt may also be sensitive to interest rates. Further, federal monetary policy significantly affects credit conditions for us, as well as for our borrowers, particularly as implemented by the Federal Reserve, primarily through open market operations in U. S. government securities, the federal funds rate target, the discount rate for bank borrowings, and reserve requirements. A material change in any of these conditions could have a material impact on us or our customers (including borrowers), and therefore on our results of operations. The Company's modeling of its sensitivity to changes in interest rates **is remains** low in a rising interest rate environment and low- to- moderate in a falling rate environment based on the current profile of the Company's loan portfolio and deposits. See Item 7A. Quantitative and Qualitative Disclosures About Market Risk. If the interest rates on our loans increase comparably faster than the interest rate on our interest- bearing demand deposits, money market, and savings deposits, our core deposit balances may decrease as customers use those funds to repay higher cost loans. In addition, if we need to offer additional interest- bearing demand deposit products or higher interest rates on our current interest- bearing demand, money market, or savings deposit accounts in order to maintain current customers or attract new customers, our interest expense will increase, perhaps materially. Furthermore, if we fail to offer competitive rates sufficient to retain these accounts, our core deposits may decrease, which would require us to seek alternative, higher cost funding sources or risk slowing our future asset growth. In these circumstances, our net interest income may decrease, which may adversely affect our financial condition and results of operations. As interest rates rise, our existing customers who have adjustable rate loans may see their loan payments increase and, as a result, may experience difficulty repaying those loans, which in turn could lead to higher losses for us. Increasing delinquencies, nonaccrual loans, and defaults lead to higher loan loss provisions, and potentially greater eventual losses that would lower our current profitability and capital ratios. We use derivative financial instruments, primarily consisting of interest rate swaps, to limit our exposure to interest rate risk. No hedging strategy can completely protect us, and the derivative financial instruments we elect may not have the effect of reducing our interest rate risk. Poorly designed strategies, inaccurate assumptions, improperly executed transactions, or the failure of a counterparty to fulfill its obligations could serve to increase our risks and losses. In addition, hedging strategies involve transaction and other costs. Our hedging strategies and the derivatives that we use may not adequately offset the risks of interest rate volatility and could result in or magnify losses, which could have an adverse effect on our financial condition and results of operations. Changes in the fair value of our investment securities may reduce our stockholders' equity and net income. At December 31, **2023-2024**, \$ **1. 14-68** billion of our securities were classified as AFS with an aggregate net unrealized loss of \$ **36-17. 0-2** million. We increase or decrease stockholders' equity by the amount of change from the unrealized gain or loss (the difference between the estimated fair value and the amortized cost) of our AFS securities portfolio, net of the related tax, under the category of accumulated other comprehensive income (loss). Therefore, a decline in the estimated fair value of this portfolio will result in a decline in reported stockholders' equity, book value per common share, and tangible book value per common share. This decrease will occur even though the securities are not sold. In the case of debt securities, if these securities are never sold and there are no credit impairments, the decrease will be recovered over the life of the securities. In the case of equity securities, which have no stated maturity, the declines in fair value may or may not be recovered over time. At December 31, **2023-2024**, we had stock holdings **of \$ 17. 3 million** in the FHLB **totaling \$ 19. 4 million**, \$ **75. 2-6** million in FRB stock, and \$ **4. 7** million in other stock. The stock held by us is evaluated for impairment under applicable accounting standards. In **2023-2024**, we did not recognize an impairment charge related to our stock holdings. There can be no assurance that future negative changes to the financial condition of the issuers may require us to recognize an impairment charge with respect to such stock holdings. CREDIT RISKS We may suffer losses in our loan portfolio, and those losses may exceed our allowance for credit losses. Our total nonperforming assets amounted to \$ **25-28. 1-9** million, or **0. 13-16** % of our total assets, at December 31, **2023-2024**. We had \$ **17-20. 6-4** million of net loan charge- offs and reported a provision expense for loans losses of \$ **14-6. 4-2** million in **2023-2024**. If increases in our nonperforming assets occur in the future, our net loan charge- offs and / or provision for credit losses may also increase, which may have an adverse effect upon our financial condition and results of operations. We seek to mitigate the risks inherent in our loan portfolio by adhering to specific underwriting practices. These practices generally include **assessing business and guarantor and business**-capacity, obtaining full and / or partial personal guarantees from borrowers, **analyzing history and prospects, analysis of a borrower's history and future prospects as well as** available cash flow, **and** cash flow projections (when appropriate), **obtaining a** valuation of collateral based on reports of independent appraisers, and other metrics. Although we believe that our underwriting criteria are appropriate for the various kinds of loans we make, we may incur losses on loans that meet our underwriting criteria but subsequently deteriorate, and these losses may exceed the amounts set aside as reserves in our ACL under the CECL methodology. We estimate credit losses using the CECL methodology, which incorporates the use of and is reliant **on-upon** reasonable and supportable forecasts of economic conditions and variables. As of December 31, **2023-2024**, economic variables that have significant influence in the model for determining ACL include, without limitation: changes in the U. S. unemployment rate, U. S. real GDP growth, CRE prices, and interest rates. Changes in one or more of these economic variables could have an impact on our ACL determination. Please refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates. Because the CECL methodology is more dependent on future economic forecasts, assumptions, and models than **methods of reserving for loan losses under** the previous accounting standards, it may result in increases and add volatility to our ACL and future provisions for loan losses. The forecasts, assumptions, and models required by CECL are based upon third- party forecasts, subject to management's review and adjustment in light of information currently available. Although we maintain an ACL at a level that we believe is adequate to absorb future expected credit losses under the CECL methodology, our ACL may not be adequate to absorb actual credit losses. Changes in economic, operating, and other conditions, including a sharp decline in real estate values as well as lower or higher interest rates (or a persistently higher- for- longer interest rate environment), which are beyond our

control, may cause our actual loan losses to exceed our current allowance estimates, which could adversely affect our financial condition and results of operations. In addition, the ~~OCC Federal Reserve and the DFPI~~, as part of ~~their~~ ~~its~~ supervisory function, periodically ~~review~~ ~~reviews~~ our credit loss reserves. ~~Either agency~~ ~~The OCC~~ may require us to increase our provision for loan losses or to recognize further loan losses, based on ~~their~~ ~~its~~ ~~judgments~~ ~~judgment~~, which may be different from ~~those~~ ~~that~~ of our management and could adversely affect our financial condition and results of operations. Concentrations within our loan portfolio could result in increased credit risk in a challenging economy. For example, our focus on commercial lending and the concentration on small- and middle- market business customers, who can have heightened vulnerability to economic conditions. While our loan portfolio is diversified across business sectors, it is concentrated in CRE and commercial business loans. **To the extent loans are concentrated by loan type, collateral, or location of borrower or property, we may have higher credit risk, or experience higher credit losses.** As of December 31, 2023-2024, our investor and business loans secured by real estate, including multifamily and CRE loans, amounted to \$ ~~11-10~~ ~~12-16~~ billion, or ~~83-84~~ ~~73~~ % of our total loan portfolio, and our commercial business loans amounted to \$ **1.71 billion, or 14.2** ~~12~~ ~~billion, or 16.0~~ % of our total loan portfolio. At such date, our largest outstanding C & I loan balance was \$ ~~264-51~~ ~~1~~ million, ~~which also belonged to our largest borrower relationship~~, and our largest outstanding CRE loan balance was \$ ~~88-87~~ ~~9-1~~ million. CRE and commercial business loans are in some respects considered riskier than single- family residential loans because they have larger balances to a single borrower or group of related borrowers. CRE and commercial business loans involve risks because the borrowers' abilities to repay the loans typically depend primarily on the successful operation of the businesses or the properties securing the loans. Most of the Company' s commercial business loans are made to small- or middle- market business customers who may have a heightened vulnerability to economic conditions. CRE valuations can be significantly affected over relatively short periods of time by changes in business climate, economic conditions, interest rates, and in many cases, the results of operations of businesses and other occupants of the real property. **Related to this, elevated interest rates may make it more difficult for borrowers to refinance maturing loans.** Deterioration of our borrowers' businesses may hinder their ability to repay their loans with us, which may increase our nonperforming assets, net loan charge- offs, and / or our provision for credit losses. **Rent control regulations and increases in vacancy rates in commercial properties can impact the value of commercial real estate.** In addition, as part of our proactive approach to credit risk management, we may determine to sell deteriorating loans at a discount. Increases in our nonperforming assets, net loan charge- offs, ~~our~~ provision for credit losses, and / or the sale of deteriorating loans, in each case in our commercial business and / or CRE loan portfolios, may adversely affect our financial condition and results of operations. In addition, ~~federal and state~~ banking regulators are examining CRE lending activity with increasingly heightened scrutiny and may require banks with higher levels of CRE loans to implement more stringent underwriting, internal controls, risk management policies, and portfolio stress testing. Because a significant portion of our loan portfolio is comprised of CRE loans, the banking regulators may require us to maintain higher levels of capital than we would otherwise be expected to maintain, which could impact our business strategy, financial condition, and results of operations.

LIQUIDITY AND CAPITAL RISKS We are subject to liquidity risk, which could adversely affect our financial condition and results of operations. Effective liquidity management is essential for the operation of our business. Although we have implemented strategies to maintain sufficient and diverse sources of funding to accommodate planned, as well as unanticipated, changes in assets, liabilities, and off- balance sheet commitments under various economic conditions, an inability to raise funds through deposits, borrowings, the sales of investment securities and other sources, **or the inability to effectively manage concentrations of funding sources,** could have a material adverse effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities could be impaired by factors that affect us specifically or the financial services industry in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity due to a market disruption, a decrease in the borrowing capacity assigned to our pledged assets by our secured creditors, or adverse regulatory action against us. Deterioration in economic conditions and the loss of confidence in financial institutions may increase our cost of funding and limit our access to some of our customary sources of liquidity, including, but not limited to, inter- bank borrowings and borrowings from the Federal Reserve and FHLB. Our ability to acquire deposits or borrow, and the possibility of deposit outflows, could also be impaired by various stress environments and other factors that are not specific to us, including a severe disruption of the financial markets or negative views and expectations about the prospects for the financial services industry generally as a result of conditions faced by banking organizations in the domestic and international credit markets. Other factors, for example a cybersecurity breach that is specific to us, could also impair our ability to acquire or retain deposits. We may need to raise additional capital in the future and such capital may not be available when needed or at all. We are required by federal and state regulators to maintain adequate levels of capital. We may need to raise additional capital in the future to meet regulatory or other internal requirements. As a publicly traded company, a likely source of additional funds is the capital markets, accomplished generally through the issuance of equity, both common and preferred stock, and the issuance of debt. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial performance. We cannot provide any assurance that access to such capital will be available to us on acceptable terms or at all. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers or ~~counterparties~~ ~~counter-parties~~ participating in the capital markets, may materially and adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity. Further, 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 then have to compete with those institutions for investors. The inability to raise additional capital on acceptable terms when needed could have a materially adverse effect on our business, financial condition, and results of operations. We are subject to capital adequacy standards and liquidity rules, and a failure to meet these standards could adversely affect our financial condition. The Corporation and the Bank are each subject to capital adequacy and liquidity rules and other regulatory requirements specifying minimum amounts and types of capital that must be maintained. From time to

time, the regulators implement changes to these regulatory capital adequacy and liquidity rules. If we fail to meet these minimum capital and liquidity rules and other regulatory requirements, we may be restricted in the types of activities we may conduct and may be prohibited from taking certain capital actions, such as paying dividends, making payments on other capital instruments, paying executive bonuses, and repurchasing or redeeming the Corporation's common stock.

RISK RELATED TO RISK MANAGEMENT We are exposed to risks related to cybersecurity, data privacy, and fraud. We collect, process and store the sensitive, nonpublic, and / or confidential data, including our or proprietary business information and that of our customers, suppliers, business partners, and personally identifiable information of our customers and employees in the ordinary course of our business. The Company is continuously enhancing and expanding our digital products and services, which often include storing, transmitting, and processing confidential client, employee, monetary, and business information. Despite instituted safeguards and monitoring our information systems, our network, digital platforms, or third-party services—service providers, including our own proprietary information in the ordinary course of business. As such, we recognize the importance of managing data privacy risks on an enterprise-wide basis to protect and maintain the security and confidentiality of the sensitive information entrusted to us. In order to effectively monitor data privacy and information security risks, we must be vulnerable able to identify, measure and control the risks associated with the entire lifecycle of our information assets; from collection, to storage, to disclosure, to destruction. Under our information security program, we have established a robust set of preventive, detective, and administrative safeguards and security controls. These controls are intended to prevent unauthorized access to or use of our sensitive information, cyber-attacks by hackers, or breaches due to employee error or misconduct, or other disruptions such as computer viruses, malicious software, ransomware, phishing schemes, fraud activities, and hardware or software failures. The We have robust preventive, detective, and administrative safeguards and security controls to help protect, identify, and mitigate against the disruptions of our operations, the intentional and unintentional misappropriation or corruption of our information systems and information, and a material event. However, the legal, regulatory, and threat landscape regarding surrounding information security, cybersecurity, and data privacy is dynamic, increasingly demanding, and challenging. Increases in data security breaches have led to an expansion of federal and state laws regulating privacy and the collection, use, processing, disclosure, and security of sensitive information. The growth in interstate data flow, together with new privacy and data security-related statutes and regulations, heightens the risk of privacy violations and creates compliance challenges. In order to mitigate and control these risks and challenges, we monitor the progress of pending federal and state legislation that, if passed, would materially alter federal and state privacy or data protection practices and requirements applicable to us. Cybersecurity and the continued development and enhancement of controls, processes, and practices designed to protect systems, computers, software, data, client-customer information, and networks against the threat of security breaches, fraud, cyber-attacks, ransomware, social engineering, and computer malware attacks, damage, or unauthorized access remain a priority for us the Company. As risks associated with cybersecurity threats constantly evolve, including as a result of artificial intelligence (“AI”), and become more sophisticated the generally, we may be required to incur significant costs to enhance, modify, and refine our protective measures against these evolving threats and to respond to such threats may increase. Our risk and exposure to-of cyber threats to our information systems, as well as those of our third-party vendors, remain heightened because of, among other things, the evolving nature of these threats, the continuation of a-remote and / or hybrid work environment environments for our employees and service providers, and our plans to continue to implement and expand digital banking services, expand operations, and use third-party information systems that include cloud-based infrastructure, platforms, and software. In addition, as geopolitical tensions rise, the threat of state-sponsored cyber-attacks on the U. S. and its financial services sector has increased. The measures that we implement to reduce and mitigate these risks may not always be effective, and there can be no assurance that our efforts will prevent breakdowns, intrusions, incidents, or breaches of our or our third-party vendors' information systems. Security breaches, cybersecurity incidents, or loss of information may result in business interruptions, exposure of proprietary or confidential information, data corruption, fines and penalties, potential liabilities from regulatory or third-party investigations, litigation costs, remediation costs, diversion of management attention, and the negative impact on our reputation and loss of clients' confidence. During 2023 In addition, we experienced a compromise to our customers and data in the custody of a third-party vendor we use for certain tax and regulatory compliance services—service providers. The incident did not impact our own information systems. For further information regarding this incident, please see our Current Report on Form 8-K filed on July 25, 2023. Client disclosure and notification and credit monitoring expenses resulting from the incident were borne by the third party. We incurred other expenses related to the incident, including fees of advisors, which in the aggregate were not material. In addition, the Company's clients and vendors rely on technology and systems unmanaged by us the Company, such as networking devices, server infrastructure, personal computers, smartphones, tablets, and other mobile devices, to contact and conduct business with us the Company. If the devices of the Company's clients or our vendors—customers and / or third-party service providers become the target of a cyber-attack, or security breach, it may result in business interruptions or unauthorized access to, misuse of, or loss of the sensitive confidential client, employee, monetary, or business information of, employees, or third-party service providers. Threat actors using improperly obtained personal or financial information of consumers can attempt to obtain loans, lines of credit, or other financial products or services from the Company, or attempt to fraudulently persuade our the Company's employees, clients—customers, or other users of our the Company's systems to disclose confidential sensitive information in order to gain improper access to our the Company's information assets and / or information systems. We also face additional costs when our customers become the victims of cyber-attacks. For example, various retailers have reported that they have been the victims of a cyber-attack in which large amounts of their clients' data, including debit and credit card information, is obtained. Our clients may include be the victims of phishing scams, providing cybercriminals access to their accounts, or credit or debit card information. In these situations, we incur costs to replace compromised cards and address fraudulent transaction

transactions activities affecting our **customers** clients. Both internal and external fraud and theft are risks. If confidential client, employee, monetary, or business information were to be mishandled or misused, we could suffer significant regulatory consequences, reputational damage, and financial loss. Such mishandling or misuse could include, for example, if such information were erroneously provided to parties who are not permitted to have the information, either by fault of our systems, employees, or counterparties, or if such information were to be intercepted or otherwise inappropriately taken by third parties, or if our own employees abused their access to financial systems to commit fraud against our clients and the Company. These activities can occur in connection with the origination of loans and lines of credit, ACH transactions, wire transactions, ATM transactions, and checking transactions, and result in financial losses, as well as reputational damage. In addition, the growing reliance on artificial intelligence (“AI”) technologies by vendors, business partners, and technology solutions or applications introduces additional risks, including but not limited to: Algorithmic Bias that may result in unintended discriminatory outcomes and harm our reputation, loss of proprietary and confidential information through use of AI technologies, unauthorized access or breaches of data could compromise the integrity of our systems with AI dependency, evolving regulations and legal frameworks surrounding AI may pose challenges leading to legal and financial consequences for non-compliance, and protecting the intellectual property associated with AI technologies may be challenging, and unauthorized use or infringement by third parties could bring harm to our competitive position or reputation. The occurrence of any of the foregoing risks could result in a reduced ability to operate our business, additional costs, potential liability to clients, and reputational harm, any of which could adversely affect our business, financial condition, and results of operations. We rely on other companies to provide key components of our business infrastructure. We rely on certain third parties to provide products and services necessary to maintain day-to-day operations, such as data processing and storage, recording and monitoring transactions, online banking interfaces and services, internet connections, telecommunications, and network access. **We** Even though we have a vendor risk management program to, **which help helps** us carefully select and monitor the performance of third parties **in a number of key areas, including financial review, core systems, insurance coverage, information technology, data and cyber security, and privacy.** We provide each vendor with a copy of our Vendor Code of Conduct, establishing our ethical business practice expectations. **In addition, we review SOC1 assessments, which evaluate the financial reporting internal controls and processes of a service organization, for our vendors where applicable. Notwithstanding our vendor risk management program,** we do not control their-- **the actions of our third-party vendors. Further, we do not control the actions of indirect vendors, meaning vendors who provide services to our vendors, and opportunities to perform due diligence or exert influence on such indirect vendors are inherently limited since we have no direct contractual relationship with them.** The failure of a third-party to perform in accordance with the contracted arrangements for any reason could be disruptive--- **disrupt** to our operations, which could have a material adverse effect on our business, financial condition, and results of operations. Replacing these third parties could also create significant delays and **expense expenses**. Accordingly, **using use of** such third parties introduces additional risks to our business operations. **The development and use of AI presents risks and challenges that may adversely impact our business. We or our third-party (or more indirect, e. g. fourth-party) vendors, clients or counterparties may develop or incorporate AI technology in certain business processes, services, or products. We have adopted an AI Policy that, among other things, prohibits the use of generative AI in our day-to-day operations. Nevertheless, we may rely on AI models developed by third parties, and, to that extent, would be dependent in part on the manner in which those third parties develop and train their models. AI models, particularly generative AI models, may produce output or take action that is incorrect, include unauthorized material in the training data for their models, result in the release of private, confidential, or proprietary information, reflect biases included in the data on which they are trained, infringe on the intellectual property rights of others, or are otherwise harmful. Any of these risks could expose us to liability or adverse legal or regulatory consequences and harm our reputation and the public perception of our business or the effectiveness of our security measures. In addition, the complexity of many AI models makes it challenging to understand why they are generating particular outputs. This limited transparency increases the challenges associated with assessing the proper operation of AI models, understanding and monitoring the capabilities of the AI models, reducing erroneous output, eliminating bias, and complying with regulations that require documentation or explanation of the basis on which decisions are made. In addition to our use of AI technologies, we are exposed to risks arising from the use of AI technologies by bad actors to commit fraud and misappropriate funds and to facilitate cyberattacks. The legal and regulatory environment relating to AI is uncertain and rapidly evolving, both in the U. S. and internationally, and includes regulatory schemes targeted specifically at AI as well as provisions in intellectual property, privacy, consumer protection, employment, and other laws applicable to the use of AI. These evolving laws and regulations could require changes in our implementation of AI technology and increase our compliance costs and the risk of non-compliance.** A natural or man-made disaster or recurring energy shortage, especially in California, could harm our business. We are based in Irvine, California and, **at as of** December 31, **2023-2024**, approximately **59-61** % of the aggregate outstanding **principal balance** of our loans was tied to businesses or secured at least in part by real estate located in California. In addition, the computer systems that operate our internal computer network, our internet websites, and some of their back-up systems are located in Atlanta, Georgia and Las Vegas, Nevada. Historically, California has been vulnerable to natural disasters, such as earthquakes, wildfires, floods, mudslides, and droughts. **Certain of** **For example, these-- the natural disasters** **California wildfires in Los Angeles County in January 2025 destroyed considerable commercial and residential properties, impacting the businesses and lives of clients, employees and other stakeholders. Direct and indirect costs and impacts from wildfires** may be exacerbated by changing climate conditions **include potential adverse changes to the level of our nonperforming assets and charge-offs**. Natural or man-made disasters and recurring energy shortages may cause operational disruptions and damage to both our properties and the properties securing our loans. Such disasters could harm our operations directly through interference with communications, including the interruption or loss of our

information technology structure and websites, which could prevent us from gathering deposits, originating loans, and processing and controlling our flow of business, as well as through the destruction of facilities and our operational, financial, and management information systems. The measures we have implemented to mitigate the risk of business interruption may not protect us fully from the effects of a disaster. A natural or man-made disaster or recurring energy shortages may also impair the value of our largest class of assets, our loan portfolio. Uninsured or underinsured disasters may reduce borrowers' ability to repay mortgage loans. Disasters or recurring energy shortages may diminish the profitability of our business customers and reduce their ability to repay business loans. Disasters may also reduce the value of the real estate securing our loans, impairing our ability to recover on defaulted loans through foreclosure and making it more likely that we would suffer losses on defaulted loans. California has also experienced water shortages, which, if they recur, could impair the value of the real estate or hinder the operations of businesses, including agricultural businesses, in those areas affected. The occurrence of natural and man-made disasters or energy shortages could have a material adverse effect on our business prospects, financial condition, and results of operations. Climate change could have a material negative impact on the Company and clients. The Company's business, as well as the operations and activities of our clients, could be negatively impacted by climate change. Climate change presents both immediate and long-term risks to the Company and its clients, and these risks ~~may be expected to~~ increase over time. Climate change presents multi-faceted risks, including: operational risk from the physical effects of climate events on the Company and its clients' facilities and other assets; credit risk from borrowers with significant exposure to climate risk; transition risks associated with the transition to a less carbon-dependent economy; and reputational risk from stakeholder concerns about our practices related to climate change, the Company's carbon footprint, and the Company's business relationships with clients and vendors who operate in carbon-intensive industries. **In addition, California remains at the forefront of climate-related disclosure regulations, including the Climate-Related Financial Risk Act (SB 261), as amended by California Senate Bill 219. While these laws are currently subject to legal challenge and the extent to which these laws may be pre-empted by Federal federal law is uncertain, in the absence of federal preemption the Climate-Related Financial Act would apply to us beginning in 2026 with disclosures based on 2025 data. Related compliance costs represent hard costs beyond current regulatory costs and would also involve the cost of management and personnel resources. In addition, we have multiple stakeholders, among them stockholders, customers, federal and state banking regulators-regulatory and supervisory authorities, investors, and other stakeholders-political entities, who often have increasingly viewed financial institutions as important differing, and sometimes conflicting, priorities and expectations regarding environmental, social and governance issues. For instance, we operate extensively in helping to address California, which is at the risks forefront of requiring climate-related to climate change both directly and with respect to their clients, which may result in financial institutions coming under increased pressure regarding the disclosure disclosures and management of their climate risks and related lending and investment activities. Given that climate change could impose systemic risks upon the financial sector, for example-but we also operate in states through throughout the country, and disruptions in economic activity resulting from the there physical impacts is an increasing number of state climate change or changes in policies as the economy transitions to a less carbon-level anti- ESG initiatives intensive environment, the Company may become subject to new or heightened regulatory requirements related to climate change, such as requirements relating to operational resiliency or stress testing for various climate stress scenarios. New or increased regulations could result in increased compliance costs or capital requirements. Changes in regulations and customer preferences and behaviors could negatively affect our growth or force us to alter our business strategies, including whether and on what terms and conditions we will engage in certain activities or offer certain products or services and which growth industries and customers we pursue.** Additionally, our reputation and customer relationships may be damaged due to our practices related to climate change, including our involvement, or our customers' involvement, in certain industries or projects associated with causing or exacerbating climate change, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change. Ongoing legislative or regulatory developments and changing climate risk management and related practices may result in higher regulatory, compliance and credit risks and costs. **We With the increased importance and focus on climate change, we** are making efforts to enhance our governance of climate change-related risks and integrate climate considerations into our risk governance framework. Nonetheless, the risks and expectations associated with climate change are rapidly evolving, and some of the risks are difficult to assess due to limited data and other uncertainties. We could experience increased expenses resulting from strategic planning, litigation, and technology and market changes, and reputational harm as a result of negative public sentiment, regulatory scrutiny, and reduced investor and stakeholder confidence due to our response to climate change and our climate change strategy, which, in turn, could have a material negative impact on our business, financial condition, and results of operations. **LEGAL AND REGULATORY COMPLIANCE RISKS** We are subject to extensive regulation, which could adversely affect our business. Our operations are subject to various laws and regulations, as well as regulatory oversight by various federal and state authorities. Federal and state banking regulators have significant discretion and authority to prevent or remedy what they perceive to be unsafe or unsound practices or violations of laws or regulations by financial institutions and bank holding companies in the performance of their supervisory and enforcement duties. **Such discretion and authority have been an area of focus after After the regional bank failures in 2023, we and other financial institutions have become subject to increasing scrutiny and a more stringent supervisory posture, with increased operational costs and diversion of management's time. The financial services industry also continues to face a stricter and more aggressive enforcement of laws at federal and state levels over recent years, particularly with regard to practices that may harm (or appear to harm) consumers under regulations such as Unfair, Deceptive, or Abusive Acts or Practices (UDAAPs). This heightened regulators-regulatory focus brings other meaningful risks to us and smaller regional banks that are expected-being held to increase higher standards than in their-- the exercise of past, and will need to expend greater management time and resources to adequately satisfy those standards. The more stringent**

regulatory **environment** authority and requirement of remedial actions. The exercise of regulatory authority by one or more of these agencies could have a negative impact on our financial condition and results of operations. Additionally, in order to conduct certain activities, including acquisitions, we are required to obtain regulatory approval. There is no assurance that any required approvals will be obtained, or obtained without conditions, or on a timeframe acceptable to the Company. The laws, rules, and regulations applicable to us are subject to regular modification and change. Regulations affecting banks and other financial institutions, such as the Dodd- Frank Act, are continuously reviewed and change frequently. The ultimate effect of such changes cannot be predicted. Compliance with such regulations and laws may increase our costs and limit our ability to pursue business opportunities. Further, personnel changes in elected and appointed government **leaders and** officials, may result in an evolving regulatory agenda, which could increase **or change** bank regulation and associated costs of regulatory compliance, and introduce new risks, complexities, and uncertainties. ~~There can be no assurance that laws~~ **Laws**, rules, and regulations **may will not** be proposed or adopted in the future, which could (i) make compliance much more difficult or expensive, (ii) restrict our ability to originate, modify, broker, or sell loans or accept certain deposits, (iii) restrict our ability to collect on defaulted loans or foreclose on property securing loans, (iv) further limit or restrict the amount of commissions, interest, or other charges earned on loans originated or sold by us, or (v) otherwise materially and adversely affect our business or prospects for business. These risks could affect our deposit acquisition and the performance and value of our loan and investment securities portfolios, which could negatively affect our financial condition and results of operations. **Banking regulators have announced** **On December 14, 2024 the Bank converted from a California state- chartered** more stringent supervisory posture after several bank **to a national banking association** failures in the first half of 2023. This heightened **While we are already accustomed to federal** regulatory requirements focus brings other meaningful risks to us and smaller regional banks that may be held to higher standards in the past, **this conversion** and may need to **a national** expend greater management time and resources to adequately satisfy those standards. In addition, the banking **association** operating environment and public trading prices of banking institutions can be highly correlated, in particular during times of stress, which could **pose some regulatory transition risk. The** adversely impact the trading prices of our common stock and potentially, our results of operations. ~~Corporation~~ **remains subject to supervision by the** Federal and state **Reserve Bank (“ FRB ”).** regulatory **Regulatory** agencies, including the **OCC, FRB , the DFPI,** and the CFPB, periodically monitor and conduct examinations of our business, including compliance with laws and regulations. If, as a result of an examination, a regulatory agency was to determine in its discretion that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of our operations had become unsatisfactory, or that the Company or its management was in violation of any law or regulation, it could take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin “ unsafe or unsound ” practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil monetary penalties against the Bank or our officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance. If we become subject to such regulatory actions, our business, financial condition, results of operations, and reputation may be negatively impacted. Regulations relating to privacy, information security, and data protection could increase our costs, affect or limit how we collect and use personal information, and adversely affect our business opportunities. We are subject to a dynamic regulatory landscape with evolving laws and regulations governing privacy, information security, and data protection, including the Gramm- Leach- Bliley Act. Compliance with these requirements includes, among other things, privacy disclosure processes ~~;~~ **and** maintenance of a robust information security program with stringent controls. The intricate nature of these laws and their constant evolution introduces the potential for change, which could lead us to incur substantial costs and have a significant impact on our current and planned privacy, data protection, and information security- related practices. In addition to the risks from the collection, use, retention, security, and transfer of data, we are also subject to specific obligations relating to information considered sensitive under applicable laws, such as the California Consumer Privacy Act of 2018, which came into effect on January 1, 2020, and bolstered by amendments contained in the California Privacy Act effective January 1, 2023. The original California Consumer Privacy Act, as enlarged and amended, provides businesses, employees, and consumers privacy rights regarding the use and sharing practices associated with their collected data, allows consumers to opt out of certain data sharing with third parties, and allows consumers to pursue litigation for certain non- compliance activities. Our regulators also hold us responsible for privacy and data protection obligations performed by our third- party service providers while providing services to us, as well as disclosures and notifications during a cyber or information security incident. The introduction of new laws or modification of existing laws not only increase our costs of compliance but also present challenges to our privacy- related enforcement activities and business operations. This may be in the form of increased technology costs ~~;~~ **and / or** potential income reduction and could restrict our ability to provide certain products and services. Our failure to comply with privacy, data protection, and information security laws could trigger significant regulatory or governmental investigations and we can be liable for associated investigatory expense, litigation costs, fines, sanctions, and damage to our reputation. Such outcomes could have material adverse effects on our business, financial condition, and results of operations. **RISKS RELATED TO COMPETITION** Our ability to attract and retain qualified employees is critical to our success. Our employees are our most important resource. Competition for qualified personnel is intense in many areas of the financial services industry. We endeavor to attract talented and diverse new employees and retain and motivate our existing employees to assist in executing our growth, acquisition, and business strategies. We ~~also~~ seek to retain proven, experienced senior employees with superior talent, augmented from time to time by external hires, to provide continuity ~~of~~ **and** succession ~~of~~ **within** our executive management team. **Our ability to compete effectively depends on our ability to attract new employees and retain and motivate employees, while managing compensation and other costs.** Losses ~~of~~ For changes in our current executive officers or other key personnel, or the inability to recruit ~~and,~~ retain

qualified personnel in the future, **and develop leadership effectively**, could materially and adversely affect our financial condition and results of operations. ~~The Company's ability to continue to compete effectively also depends in large part on our ability to attract new employees and retain and motivate existing employees, while managing compensation and other costs.~~ We face strong competition from financial services companies and other companies that offer banking services, which could materially and adversely affect our business. The financial services industry has become even more competitive as a result of legislative, regulatory, and technological changes and continued banking consolidation, which may increase in connection with current economic, market, and political conditions. We face substantial competition in all phases of our operations from a variety of competitors, including national banks, regional **and banks**, community banks, and financial technology (or "fintech") companies. We also face a growing risk associated with disintermediation, as more clients and prospective clients invest directly in U. S. Treasury securities, which carry high rates of return in the current environment and are considered as safe if not safer than FDIC- insured deposits. In addition, we compete against institutions that offer money market mutual funds, including funds that maintain a large percentage of their holdings in U. S. Treasury securities, offering relative safety at higher interest rates to customers. With the rise of U. S. Treasury rates, we have been competing directly with U. S. Treasury securities and the investment funds that emphasize them. Many of our competitors offer the same banking services that we offer, and our success depends on our ability to adapt our products and services to evolving industry standards. In addition to product and service offerings, we compete on a number of other factors, including financial and other terms, underwriting standards, technological capabilities, brand, and reputation. Increased competition in our market may result in reduced new loan production and / or decreased deposit balances or less favorable terms on loans and leases and / or deposit accounts. We also face competition from many other types of financial institutions, including without limitation, nonbank specialty lenders, insurance companies, private investment funds, investment banks, and other financial intermediaries, some with significantly greater resources, more locations, and longer operating histories. In addition, competition has increased in recent years from institutions not subject to the same regulatory restrictions as domestic banks and bank holding companies. **As competition in the financial services industry intensifies, our ability to market our products and services may be adversely affected.** If we are unable to attract and retain banking customers, we may be unable to grow or maintain the levels of our loans and deposits and our results of operations and financial condition may be adversely affected as a result. **Ultimately, The financial services industry, including the banking sector, is undergoing rapid technological change due to changes in customer behavior, competition, and the legal and regulatory framework, and** we may not be able to compete ~~successfully against current and future competitors.~~ The financial services industry, including the banking sector, is undergoing rapid technological change as a result of changes in customer behavior, competition, and the legal and regulatory framework, and we may not be able to compete **effectively due to** ~~as a result of~~ these changes. The financial services industry experiences continuous technological change with frequent introductions of new technology- driven products and services, **including as a result of AI**. The effective use of technology increases efficiency and enables financial institutions to **better** serve customers **better** and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, **and as well as to** create additional efficiencies in our operations. Many of our competitors, however, have substantially greater resources to invest in technological improvements or are technology - focused start- ups with internally developed cloud- native systems that offer improved user interfaces and experiences. We may not be able to effectively bring to market new technology- driven products and services at the same speed as certain competitors or fintech firms, or be as successful in marketing these products and services to our customers. In addition, we depend on internal and outsourced technology to support all aspects of our business operations. Interruption or failure of these systems creates a risk of business loss **due to as a result of** adverse customer experiences and possible **possibly** diminishing of our reputation, damage claims, or civil fines. Failure to ~~successfully~~ keep pace with technological change affecting the financial services industry or to ~~successfully~~ implement core processing strategies **successfully** could **have a material adverse adversely** impact on our business and, in turn, our financial condition and **the** results of **our** operations. Changes in the legal and regulatory framework under which we operate require us to update our information systems to ensure compliance. Our need to review and evaluate the impact of ongoing rule proposals, final rules and implementation guidance from regulators further complicates ~~the development~~ **developing and implementation--- implementing of** new information systems for our business. Also, recent regulatory guidance has focused on the need for financial institutions to perform increased due diligence and ongoing monitoring of third- party vendor relationships, thus increasing the scope of management involvement and decreasing the efficiency otherwise resulting from our relationships with third- party technology providers. Given the significant number of ongoing regulatory reform initiatives, ~~it is possible that we~~ **may** incur higher than expected information technology costs ~~in order~~ to comply with current and impending regulations. **RISKS RELATED TO STRATEGIC GROWTH** Acquisitions may disrupt our business. We have successfully completed eleven acquisitions since 2011. The success of future acquisitions we may consummate will depend on, among other things, our ability to realize the anticipated revenue enhancements and efficiencies and to combine our business with the business of the target institution in a manner that does not materially disrupt the existing customer relationships of either institution, or result in decreased revenues resulting from any loss of customers, and that permits growth opportunities to occur. If we are not able to successfully achieve these objectives, the anticipated benefits of future acquisitions may not be realized fully or at all or may take longer to realize than expected. It is possible that the integration process associated with an acquisition could result in the loss of key employees, the disruption of ongoing businesses or inconsistencies in standards, controls, procedures, and policies that adversely affect our ability to maintain relationships with clients, customers, depositors, and employees or to achieve the anticipated benefits of the acquisitions. Integration efforts could also divert management attention and resources. These integration matters could have an adverse effect on the combined Company. Acquisitions involve numerous other risks and uncertainties, including inaccurate financial and operational assumptions, incomplete or failed due diligence, lower- than- expected performance, higher- than- expected costs, adverse market or other

stakeholder reactions, changes in relationships with customers or counterparties, unforeseen market shifts, the potential loss of key personnel, challenges with client retention, the possibility of litigation, and uncertainties or potential delays related to regulatory approvals. Acquisitions may dilute stockholder value. Historically, we have utilized equity securities as a substantial portion of the transaction consideration in our acquisitions. Future mergers or acquisitions, if any, may involve cash, debt or equity securities as transaction consideration. Acquisitions typically involve the payment of a premium over book and market values, and, therefore, some possible dilution of our stock's tangible book value and net income per common share may occur in connection with any future transaction. We ~~may not~~ cannot say with any certainty that we will be able to consummate, or if consummated, successfully integrate any future acquisitions, or that we ~~may will not~~ incur disruptions or unexpected expenses in integrating such acquisitions. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and / or other projected benefits from pending or future acquisitions could have a material adverse effect on our financial condition and results of operations. Changes in the value of goodwill and intangible assets could reduce our earnings. When the Company acquires a business, a substantial portion of the purchase price of the acquisition is allocated to goodwill and other identifiable intangible assets. The amount of the purchase price that is allocated to goodwill is determined by the excess of the purchase price over the fair value of the net identifiable assets acquired. As of December 31, ~~2023~~ 2024, the Company had approximately \$ ~~944,933,651~~ 944,933,651 million of goodwill and intangible assets, which includes goodwill of ~~approximately~~ \$901.3 million resulting from the acquisitions the Company has consummated since 2011. The Company accounts for goodwill and intangible assets in accordance with accounting principles generally accepted in the U. S. ("GAAP"), which requires goodwill be tested for impairment at least annually, at the reporting unit level, or more frequently if events and circumstances lead management to believe the value of goodwill may be impaired. GAAP also requires that intangible assets other than goodwill be tested for impairment when events and circumstances indicate that their carrying value may not be recoverable. In testing goodwill for impairment, GAAP allows the Company to first perform a qualitative assessment to determine if it is more likely than not the carrying value of goodwill is impaired. The Company's qualitative assessment considers known positive and negative factors, as well as any mitigating events and circumstances associated with each relevant factor that may be deemed to have an impact on the value of the Company. Such factors may include various relevant economic, industry, market and company specific factors that may have an impact on the value of the Company. Should the Company's qualitative assessment indicate the value of goodwill could be impaired, a quantitative assessment is then performed to determine whether there is impairment. GAAP also allows the Company, at its option, to unconditionally forego the qualitative assessment and proceed directly to a quantitative assessment. This assessment involves determining the fair value of the reporting unit (which in our case is the Company) and comparing that fair value to the carrying value of the Company in order to quantify the amount of the deficiency, which the Company would then recognize as impairment. For intangible assets other than goodwill, the Company first performs a qualitative assessment to determine if the carrying value of such assets may not be recoverable. A quantitative assessment is followed to determine the amount of impairment in the event the carrying value of such assets are deemed not recoverable. Impairment is measured as the amount by which their carrying value exceeds their estimated fair value. The estimation of fair values of goodwill and intangible assets involves a high degree of judgment and subjectivity in the assumptions used. Changes in the local and national economy, including inflation, the federal and state legislative and regulatory environments for financial institutions, the stock market, interest rates, and other external factors (such as natural disasters, pandemics, or significant world events) may occur from time to time, often with great unpredictability, and may materially impact the fair value of the Company and publicly traded financial institutions and result in an impairment charge at a future date. Internal factors, such as strategic decisions regarding loan and deposit growth and pricing, could also impact the fair value of goodwill. Please refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates. If we were to conclude that a future write-down of our goodwill or intangible assets is necessary, we would record the appropriate charge, which could have a material adverse effect on our financial condition and results of operations.

RISKS FROM ACCOUNTING AND OTHER ESTIMATES The Company's consolidated financial statements are based in part on assumptions and estimates which, if incorrect, could cause unexpected losses in the future. We have made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period to prepare these consolidated financial statements in conformity with GAAP. Actual results could differ from these estimates. Material estimates subject to change in the near term include, among other items, the allowance for credit losses, the carrying value of goodwill or other intangible assets, the fair value estimates of certain assets and liabilities, and the realization of deferred tax assets and liabilities. These estimates may be adjusted as more current information becomes available, and any adjustment may be significant, which could have a material adverse effect on our financial condition and results of operations. There are risks resulting from the extensive use of models in our business, and we rely on third parties for the provision of economic forecasts and other key inputs used in our models. We rely on quantitative models to measure risks and to estimate certain financial values. We use models in such processes as measuring interest rate and other market risks, predicting or estimating losses, ~~and~~ assessing capital adequacy ~~and calculating regulatory capital levels~~, as well as to estimate the value of financial instruments and balance sheet items. Inadequately designed or implemented models present the risk that our business decisions based on information incorporating model output could be adversely affected due to the inaccuracy of that information. Models are often based on historical experience to predict future outcomes, as a result new experiences or events which are not part of historical experience can significantly increase model imprecision and impact model reliability. In addition, we rely on model inputs that are provided by third parties. For example, we rely on third parties to provide forecasts of key macroeconomic variables such as U. S. unemployment rates and U. S. real GDP growth ~~and~~ **commercial real estate market trends**.

RISKS RELATED TO INVESTMENTS IN OUR SECURITIES Dividends from the Bank are a primary source of the Corporation's liquidity from which, among other things, dividends to stockholders may be

paid. Our ability to pay cash dividends to our stockholders is partially dependent upon receiving dividends from the Bank. The Bank's ability to pay dividends to us is subject to restrictions set forth in **applicable federal** the Financial Code. The Financial Code provides that a bank may not make a cash distribution to its stockholders in excess of the lesser of (1) a bank's retained earnings and (2) a bank's net income for its last three fiscal years, less the amount of any distributions made by the bank or by any majority-owned subsidiary of the bank to the stockholders of the bank during such period. However, a bank may, with the approval of the DFPI, make a distribution to its stockholders in an amount not exceeding the greatest of (a) its retained earnings; (b) its net income for its last fiscal year; or (c) its net income for its current fiscal year. In the event that banking regulators **regulations** determine that the stockholders' equity of a bank is inadequate or that the making of a distribution by the bank would be unsafe or unsound, the regulators may order the bank to refrain from making a proposed distribution. Approval of the **OCC** Federal Reserve is required for payment of any dividend by a **national banking association** state-chartered bank that is a member of the Federal Reserve System, such as the Bank, if the total of all dividends declared by the Bank in any calendar year would exceed the total of its retained net income for that year combined with its retained net income for the preceding two years. ~~In addition, a state member bank may not pay a dividend in an amount greater than its undivided profits without regulatory and stockholder approval.~~ The Bank is also prohibited under federal law from paying any dividend that would cause it to become undercapitalized. A reduction or discontinuance of dividends from the Bank to the Corporation could have an adverse effect on our ability to pay dividends on our common stock, which in turn could have a material adverse effect on our business, including the market price of our common stock. We may reduce or discontinue the payment of dividends by the Corporation on, or repurchases of, our common stock. Our stockholders are only entitled to receive such dividends as our Board may declare out of funds legally available for such payments. In addition, in January 2021, our Board authorized us to repurchase up to 4,725,000 shares of our common stock, of which 4,245,056 shares remained eligible to be repurchased as of December 31, ~~2023~~ **2024**. We are not required to pay dividends on, or effect repurchases of, our common stock and may reduce or eliminate our common stock dividend and / or share repurchase program in the future. The Corporation's ability to pay dividends to our stockholders is subject to the restrictions set forth in Delaware law, by the **OCC** Federal Reserve, and by certain covenants contained in our subordinated debentures. Notification to the Federal Reserve ~~is~~ **and the OCC may** also **be** required prior to our declaring and paying a cash dividend to our stockholders **under certain circumstances** during any period in which our quarterly and / or cumulative twelve-month net earnings are insufficient to fund the dividend amount, as was the case for the three and twelve months ended December 31, 2023, among other requirements, in which case the Federal Reserve could object to our paying the proposed dividend in the amount contemplated. In addition, we may be restricted by applicable law or regulation or actions taken by our regulators, now or in the future, from paying dividends to, or repurchasing shares of our common stock from, our stockholders. We cannot provide assurance that we will continue paying dividends on, or repurchase shares of, our common stock at current levels or at all. A reduction or discontinuance of dividends on our common stock or our share repurchase program could have a material adverse effect on the market price of our common stock. ~~47-44~~