

Risk Factors Comparison 2025-03-17 to 2024-03-12 Form: 10-K

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

Risks Related to Interest Rates Fluctuations in interest rates may reduce net interest income and otherwise negatively impact our 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 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. **However, When-when** interest rates decrease, the rate of interest we receive on our assets, such as loans, ~~may declines~~ **decline** 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. The impact on earnings is more adverse when the slope of the yield curve flattens **or becomes inverted**, that is, when short- term interest rates **remain constant or** increase more than long- term interest rates or when long- term interest rates decrease more than short- term interest rates. Interest rate increases often result in larger payment requirements for our borrowers, which increases the potential for default. At the same time, the marketability of the underlying property may be adversely affected by any reduced demand resulting from higher interest rates. In a declining interest rate environment, there may be an increase in prepayments on loans as borrowers refinance their mortgages and other indebtedness at lower rates. At December 31, ~~2023~~ **2024**, total loans held for investment ("**HFI**") were ~~80-81.2-7~~ % of our earning assets and exhibited a positive 4 % sensitivity to rising interest rates in a 100 basis point parallel shock. Changes in interest rates also can affect the value of loans, securities and other assets. 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. Rising interest rates will result in a decline in the 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 (loss) and reduce total shareholders' equity. Unrealized losses do not negatively impact our regulatory capital ratios; however, tangible common 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. If short- term interest rates remain constant but longer- term interest rates fall, we could experience net interest margin compression as our interest earning assets would continue to reprice downward while our interest- bearing liability rates could fail to decline in tandem. This would have a material adverse effect on our net interest income and our results of operations. We could recognize losses on securities held in our securities portfolio, particularly if interest rates increase or economic and market conditions deteriorate. As of December 31, ~~2023~~ **2024**, the fair value of our securities portfolio was approximately \$ ~~324-425.2-1~~ million. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. For example, fixed- rate securities acquired by us are generally subject to decreases in market value when interest rates rise. 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 other- than- temporary impairment in future periods and result in realized losses. The process for determining whether impairment is other- than- temporary 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, the financial condition of issuers of the securities and the performance of the underlying collateral, we may recognize realized and / or unrealized losses in future periods, which could have an adverse effect on our financial condition and results of operations. At December 31, ~~2023~~ **2024**, \$ ~~319-420.0-2~~ million of our securities were classified as ~~AFS available- for- sale~~ with an aggregate **pre- tax** net unrealized loss of \$ ~~28-29.1-2~~ million. We increase or decrease shareholders' 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 available- for- sale~~ 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 shareholders' 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. Risks Related to Our Business **Changes** ~~A decline in~~ general business and economic conditions and any regulatory responses to such conditions could have a material adverse effect on our business, financial position, results of operations and growth prospects. Our business and operations are sensitive to general business and economic conditions in the United States, generally, and particularly in the states of California, Nevada, Illinois, New Jersey, Hawaii and New York, and the Los Angeles, New York City, Chicago, Las Vegas and Honolulu metropolitan areas. Unfavorable or uncertain economic and market conditions could lead to credit quality concerns related to repayment ability and collateral protection as well as reduced demand for the products and services we offer. In **addition**,

economic conditions the recent year there has been a gradual decline in the foreign countries, including global political hostilities, U. S. economy as evidenced by a decline in the housing market, higher unemployment and lower prices in foreign tariff policies and uncertainty over the equities stability of the euro currency, could affect the stability of global financial markets ; however, which could hinder domestic economic growth has been uneven, and opinions vary on the strength and direction of the economy. Uncertainties also have arisen regarding the potential for a reversal or renegotiation of international trade agreements, as the current U. S. administration has with China, the European Union and the United Kingdom. In addition, concerns **Concerns** about the performance of international economies , especially in Europe **can impact the economy** and emerging financial markets here in the U. S. in several ways. For example , and a significant deterioration of economic conditions in Asia **could expose us to** , particularly among the other things, economies economic of China and transfer risk, and we could experience and an Taiwan, **outflow of deposits by those of our customers with connections to Asia. Transfer risk may result when can an entity is unable to obtain the foreign exchange needed to meet its obligations or to provide liquidity. This may adversely** impact the economy and financial markets in the U. S **recoverability of investments with, or loans made to, such entities** . If the national, regional and local economies experience **worsening a decline in** economic conditions, including high levels of unemployment, our growth and profitability could be constrained. Weak economic conditions are characterized by, among other indicators, deflation, elevated levels of unemployment, fluctuations in the debt and equity capital markets, increased delinquencies on mortgage, commercial and consumer loans, residential and commercial real estate price declines, lower home sales and commercial activity, and fluctuations in the commercial and Federal Housing Administration financing sector. **All A significant outbreak of disease pandemics** these factors are generally detrimental to our - **or other adverse public health developments in the population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could adversely affect our customers' business-businesses and results of operations** . Our business is significantly affected by monetary and other regulatory policies of the U. S. federal government, its agencies and government- sponsored entities. **Changes in any of In recent years, economic growth has been uneven, and opinions vary on these-- the strength and direction of the economy. Uncertainties also have arisen regarding the potential for a reversal or renegotiation of international trade agreements with China, the European Union and the United Kingdom, and the impact such actions may have on economic and market conditions. A trade war or other governmental action related to tariffs or international trade agreements or policies are influenced by macroeconomic conditions , as well as military conflicts, including the military actions between Ukraine and Russia, war and conflicts in the Middle East and tension between China and Taiwan, or other potential epidemics** factors that are beyond our- or control **pandemics** , are difficult to predict and could have a material **the potential to negatively impact our and / or our customers' costs, demand for our customers' products, and / or the U. S. economy or certain sectors thereof and, thus, adverse adversely effect affect** on our business, financial position **condition** , and results of operations and growth prospects. **Although** 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 **levels moved closer to the Federal Open market-Market disruptions. Ongoing Committee' s (" FOMC ") target rate of 2 % in 2024, as of December 31, 2024, inflation rates remained** elevated above the target rate. **To the extent** inflation **persists, it** poses a risk to the economy overall, and could indirectly 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 - **In addition, sustained inflationary pressure has led the Federal Reserve' s Federal Open Market Committee to raise interest rates rapidly, which has increased our interest rate risk** . 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 between Russia and Ukraine, Israel and Hamas, overall tension and conflict in the Middle East, 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 China, the two largest global economies, increases economic uncertainty** . While customer confidence in the banking system has improved considerably since the first half of 2023, risk related to disintermediation and uninsured deposits remain, and could continue to have a material effect on **our the Company' s** operations and / or stock price. Several 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. 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, all of which could materially and adversely impact our liquidity, loan funding capacity, net interest margin, capital, and results of operations. In addition, 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. These events have **in the past** caused, and could in the future, cause, us to implement measures to combat such health crises, including restrictions impacting **individual individuals**, including our current and potential investors and customers, and the manner in which business continues to operate. Additionally, our operations may be impacted by the need to close certain offices and limit how customers conduct business through our branch network. Pandemics, epidemics, or other 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 example, the unprecedented extent of economic stimulus during the COVID- 19 pandemic that caused and / or exacerbated inflationary pressures. 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 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. **The inability to maintain adequate liquidity could materially and adversely affect our business, results of operations or financial condition.** Our business depends on our ability to attract and retain Asian- American immigrants as clients. A significant portion of our business is based on successfully attracting and retaining Asian- American immigrants as clients for both our non- qualified residential mortgage loans and deposits. We may be limited in our ability to attract Asian- American clients to the extent the U. S. adopts restrictive domestic immigration laws. Changes to U. S. immigration policies that restrain the flow of immigrants may inhibit our ability to meet our goals and budgets for non- qualified SFR mortgage loans and deposits, which may adversely affect our net interest income and net income. 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. At December 31, ~~2023~~ **2024**, approximately ~~93-94~~ **60** % of our loan portfolio was comprised of loans with real estate as a primary or secondary component of collateral. ~~Adverse developments affecting real estate values in our market areas could increase the credit risk associated with our real estate loan portfolio.~~ The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the area in which the real estate is located. 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 could result in losses that would adversely affect profitability. Such declines and losses would have a material adverse impact on our business, results of operations and growth prospects. ~~In addition, if hazardous or toxic substances are found on properties pledged as collateral, the value of the real estate could be impaired. If we foreclose on and take title to such properties, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property's value or limit our ability to use or sell the affected property.~~ Many of our loans are to commercial borrowers, which have a higher degree of risk than other types of loans. At December 31, ~~2023~~ **2024**, we had \$ 1. 5 billion of commercial loans, consisting of \$ 1. ~~17~~ **2** billion of CRE loans, \$ ~~130~~ **129**. ~~16~~ million of C & I loans for which real estate is not the primary source of collateral and \$ ~~181~~ **173**. ~~53~~ million of C & D loans. C & I loans represented 4. ~~3~~ **2** % of our total loan portfolio at December 31, ~~2023~~ **2024**. 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 residential 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 C & I loans are primarily made based on the identified cash flow of the borrower and secondarily on the collateral underlying the loans. Most often, this collateral consists of accounts receivable, inventory and equipment. Inventory and equipment may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. If the cash flow from business operations is reduced, the borrower' s ability to repay the loan may be impaired. 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 impact on our financial condition and results of operations. We have a concentration in commercial real estate,

which could cause our regulators to restrict our ability to grow. As a part of their regulatory oversight, the federal regulators have issued the CRE Concentration Guidance on sound risk management practices with respect to a financial institution's concentrations in commercial real estate lending activities. These guidelines were issued in response to the agencies' concerns that rising CRE concentrations might expose institutions to unanticipated earnings and capital volatility in the event of adverse changes in the commercial real estate market. The CRE Concentration Guidance identifies certain concentration levels that, if exceeded, will expose the institution to additional supervisory analysis with regard to the institution's CRE concentration risk. The CRE Concentration Guidance is designed to promote appropriate levels of capital and sound loan and risk management practices for institutions with a concentration of CRE loans. In general, the CRE Concentration Guidance establishes the following supervisory criteria as preliminary indications of possible CRE concentration risk: (1) the institution's total construction, land development and other land loans represent 100 % or more of total risk-based capital; or (2) total CRE loans as defined in the regulatory guidelines represent 300 % or more of total risk-based capital, and the institution's CRE loan portfolio has increased by 50 % or more during the prior 36-month period. Pursuant to the CRE Concentration Guidelines, loans secured by owner occupied commercial real estate are not included for purposes of CRE Concentration calculation. ~~We believe that the CRE Concentration Guidance is applicable to us.~~ As of December 31, ~~2023~~ **2024**, our CRE loans represented ~~183-207~~ % of our Bank total risk-based capital, as compared to ~~183-215 % and 251 %~~ as of December 31, ~~2022-2023~~ **and 2021**, ~~respectively~~. We actively work to manage our CRE concentration and we have discussed the CRE Concentration Guidance with the FDIC and believe that our underwriting policies, management information systems, independent credit administration process, and monitoring of real estate loan concentrations are currently sufficient to address the CRE Concentration Guidance. Nevertheless, the FDIC ~~or the DFPI~~ could become concerned about our CRE loan concentrations, and they could limit our ability to grow by restricting their approvals for the establishment or acquisition of branches, or approvals of mergers or other acquisition opportunities. Our SFR loan product consists primarily of non-qualified SFR mortgage loans, which may be considered less liquid and more risky. As of December 31, ~~2023-2024~~, our SFR mortgage loan portfolio amounted to \$ 1.49 billion or ~~49-48.1-9~~ % of our ~~held for investment loan~~ **loans HFI** portfolio. As of that date, ~~96-97.7-0~~ % of our SFR mortgage loans consisted of non-qualified mortgage loans, which are considered to have a higher degree of risk and are less liquid than qualified mortgage loans. We offer two SFR mortgage products, a low loan-to-value, alternative document hybrid non-qualified SFR mortgage loan, or non-qualified SFR mortgage loan, and a qualified SFR mortgage loan. As of December 31, ~~2023-2024~~, our non-qualified SFR mortgage loans had an average loan-to-value of ~~57-55.3-9~~ % and an average FICO score of 763. As of December 31, ~~2023-2024~~, ~~3.3-0~~ % of our total SFR mortgage loan portfolio were loans originated to foreign nationals. The non-qualified ~~SFR single-family residential~~ mortgage loans that we originate are designed to assist Asian-Americans who have recently immigrated to the United States and as such are willing to provide higher down payment amounts and pay higher interest rates and fees in return for reduced documentation requirements. Non-qualified SFR mortgage loans are considered less liquid than qualified SFR mortgage loans because such loans are not able to be securitized and can only be sold directly to other financial institutions. Such non-qualified loans may be considered more risky than qualified mortgage loans although we attempt to address this enhanced risk through our underwriting process, including requiring larger down payments and, in some cases, interest reserves. We also have a concentration in our SFR secondary sale market, as a substantial portion of our non-qualified mortgage loans have been historically sold to two banks; although, we are currently selling SFR mortgage loans to three banks. Although, we are taking steps to reduce our dependence on these banks by expanding the number of banks that we sell our non-qualified SFR mortgages to, we may not be successful **in** expanding our sales market for our non-qualified mortgage loans. These loans also present **a** pricing risk as rates change, and our sale premiums cannot be guaranteed. Further, the criteria for our loans to be purchased by other banks may change from time to time, which could result in a lower volume of corresponding loan originations. Mortgage production ~~historically~~, including refinancing activity, **historically** declines in rising interest rate environments, **such as the current environment in which we have experienced in recent increasing rates over the last year years**. The non-guaranteed portion of SBA loans that we retain on our balance sheet as well as the guaranteed portion of SBA loans that we sell could expose us to various credit and default risks. We originated \$ ~~11-31.4-2~~ million of SBA loans for the year ended December 31, ~~2023-2024~~. We sold \$ ~~4-13.1-8~~ million of the guaranteed portion of our SBA loans for the year ended December 31, ~~2023-2024~~. Consequently, as of December 31, ~~2023-2024~~, we held \$ ~~52-47.1-3~~ million of SBA loans on our balance sheet, **of which \$ 47-45.4-3 million of which or 95.9 %** consisted of the non-guaranteed portion of SBA loans and \$ ~~2.0 million or 4.1-7 million or 8.9~~ % consisted of the guaranteed portion of SBA loans. 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. We attempt to limit this risk by generally requiring such loans to be collateralized and limiting the overall amount that can be held on our balance sheet to 75 % of our total capital. 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 loan 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. Curtailment of government guaranteed loan programs could affect a segment of our business. A significant segment of our business consists of originating and periodically selling U. S. government guaranteed loans, in particular those guaranteed by the SBA. Presently, the SBA guarantees 75 % of the principal amount of each qualifying SBA loan originated under the SBA's 7 (a) loan program. There is no assurance that the U. S. government will maintain the SBA 7 (a) loan program or if it does, that such guaranteed portion will remain at its current level. In addition, from time to time, the government agencies that guarantee these loans reach their internal limits and cease to guarantee future loans.

In addition, these agencies may change their rules for qualifying loans or Congress may adopt legislation that would have the effect of discontinuing or changing the loan guarantee programs. Non- governmental programs could replace government programs for some borrowers, but the terms might not be equally acceptable. Therefore, if these changes occur, the volume of loans to small **business-businesses**, industrial and agricultural borrowers of the types that now qualify for government guaranteed loans could decline. Also, the profitability associated with the sale of the guaranteed portion of these loans could decline as a result of market displacements due to increases in interest rates, and could cause the premiums realized on the sale of the guaranteed portions to decline from current levels. As the funding and sale of the guaranteed portion of SBA 7 (a) loans is a **major** portion of our business and a **part significant portion** of our noninterest income, any significant changes to the funding for the SBA 7 (a) loan program may have an unfavorable impact on our prospects, future performance and results of operations. Real estate construction loans are based upon estimates of costs and values associated with the complete project. These estimates may be inaccurate, and we may be exposed to significant losses on loans for these projects. Real estate construction loans, including land development loans, comprised approximately **6-5.0-7%** of our total loan portfolio as of December 31, **2023-2024**, and such **Such** lending involves 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 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 construction of the project. 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. **The risks inherent in construction lending may affect** **If any of these events occur, our financial condition, results of operations and cash flows could be materially and** adversely our results of operations. Such risks include, among other things, the possibility that contractors may fail to complete, or complete on a timely basis, construction of the relevant properties; substantial cost overruns in excess of original estimates and financing; market deterioration during construction; and lack of permanent take- out financing. Loans secured by such properties also involve additional risk because they have no operating history. In these loans, loan funds are advanced upon the security of the project under construction (which is of uncertain value prior to completion of construction) and the estimated operating cash flow to be generated by the completed project. Such properties may not be sold or leased so as to generate the cash flow anticipated by the borrower. A general decline in real estate sales and prices across the United States or locally in the relevant real estate market, a decline in demand for residential real estate, economic weakness, higher interest rates, high rates of unemployment, and reduced availability of mortgage credit, are some of the factors that can adversely affect **affected** the borrowers' ability to repay their obligations to us and the value of our security interest in collateral, and thereby adversely affect our results of operations and financial results. Nonperforming assets take significant time to resolve and adversely affect our results of operations and financial condition, and could result in further losses in the future. As of December 31, **2023-2024**, our nonperforming loans (which consist of nonaccrual loans and modified loans) totaled \$ **31.6** million, or **1.04%**, of our held for investment (HFI) loan portfolio, and our nonperforming assets totaled \$ **31-81.6-0** million, or **0-2.79-03%**, of total assets. **Nonperforming loans totaled \$ 81.0 million, and consisted of \$ 11.2 million of nonaccrual loans HFS, and \$ 69.8 million of nonaccrual loans HFI. Nonaccrual loans HFI were 2.29% of our loan HFI portfolio.** In addition, we had \$ **16-22.8-1** million in accruing loans that were 30- 89 days delinquent as of December 31, **2023-2024**. **There was no** Our nonperforming assets (which consist of nonperforming loans and other real estate owned ("**OREO**") **at December 31, 2024. Our nonperforming assets** adversely affect our net income in various ways. We do not record interest income on nonaccrual loans or OREO, thereby adversely affecting our net income and returns on assets and equity, increasing our loan administration costs and adversely affecting our efficiency ratio. 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 **assets 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 impacted and our loan administration costs could increase, each of which could have an adverse effect on our net income and related ratios, such as return on assets and equity. **Adverse conditions in Asia and elsewhere could adversely affect our business. We are likely to feel the effects of adverse economic and political conditions in Asia, including the effects of rising inflation or slowing growth and volatility in the real estate and stock markets in China and other regions. U. S. and global economic policies, military tensions, and unfavorable global economic conditions may adversely impact the Asian economies. In addition, pandemics and other public health crises or concerns over the possibility of such crises could create economic and financial disruptions in the region. A significant deterioration of economic conditions in Asia could expose us to, among other things, economic and transfer risk, and we could experience an outflow of deposits by those of our customers with connections to Asia. Transfer risk may result when an entity is unable to obtain the foreign exchange needed to meet its obligations or to provide liquidity. This may adversely impact the recoverability of investments with, or loans made to, such entities. Adverse economic conditions in Asia, and in China or Taiwan in particular, may also negatively impact asset values and the profitability and liquidity of our customers who operate in this region. The Bank is a California state chartered bank with operations in California, Hawaii, Illinois, New**

York, New Jersey, and Nevada. We have no overseas operations, including in China and the Far East. Risks Related to Our Deposits Our deposit portfolio includes significant concentrations and a large percentage of our deposits are attributable to a relatively small number of clients. As a commercial bank, we provide services to a number of clients whose deposit levels vary considerably and have a significant amount of seasonality. ~~165~~ At December 31, 2023, 148 clients maintained balances (aggregating all related accounts, including multiple business entities and personal funds of business owners) in excess of \$ 2. 0 million per client ~~at December 31, 2024~~. This amounted to \$ 844. 1 ~~41~~ million ~~billion~~, or approximately ~~34~~ 26. 6%, of the Bank' s total deposits as of December 31, 2023-2024. In addition, our ten largest depositor relationships accounted for approximately ~~11~~ 7. 8% of our deposits at December 31, 2023-2024. Our largest depositor relationship accounted for approximately ~~12~~ 4. 2% of our deposits at December 31, 2023-2024. These deposits can and do fluctuate substantially. The loss of any combination of these depositors, or a significant decline in the deposit balances due to ordinary course fluctuations related to these customers' businesses, would adversely affect our liquidity and require us to raise deposit rates to attract new deposits, ~~or otherwise~~ purchase federal funds or borrow funds on a short- term basis to replace such deposits. Depending on the interest rate environment and competitive factors, low cost deposits may need to be replaced with higher cost funding, resulting in a decrease in net interest income and net income. ~~Consequently~~ During 2023, noninterest- bearing deposits decreased by \$ 259. 1 million due to the ~~occurrence of~~ Bank' s customers pursuing higher rates offered by the Bank' s time deposits, interest- bearing non- maturity deposits increased by \$ 17. 4 million, and time deposits increased by \$ 438. 8 million. While these events could have a material impact on the Bank' s results, the Bank expects, in the ordinary course of business, that these deposits will fluctuate and believes it is capable of mitigating this risk, as well as the risk of losing one of these depositors, through additional liquidity, and business generation in the future. However, should a significant number of these customers leave the Bank, it ~~could have a material adverse impact on the Bank~~ ~~to our operations and financial results~~. Risk Related to our Allowance for Credit Losses (" ACL ") If we do not effectively manage our credit risk, we may experience increased levels of delinquencies, nonperforming loans and charge- offs, which could require increases in our provision for ~~loan- credit~~ losses. As of January 1, 2022, we adopted ASU 2016- 13 (~~Topic~~ ASC 326), " Measurement of Credit Losses on Financial Instruments, " commonly referenced as the CECL model, which changes how we estimate credit losses and increased the required level of our ACL. There are risks inherent in making any loan, including risks inherent in dealing with individual borrowers, risks of nonpayment, risks resulting from uncertainties as to the future value of collateral and cash flows available to service debt and risks resulting from changes in economic and market conditions. We cannot guarantee that our credit underwriting and monitoring procedures will reduce these credit risks, and they cannot be expected to completely eliminate our credit risks. If the overall economic climate in the U. S., generally, or our market areas, specifically, declines, our borrowers may experience difficulties in repaying their loans, and the level of nonperforming loans, charge- offs and delinquencies could rise and require further increases in the provision for ~~loan- credit~~ losses, which would cause our net income, return on equity and capital to decrease. Our ACL may prove to be insufficient to absorb potential credit losses in our loan portfolio. We establish our ACL and maintain it at a level that management considers adequate to absorb expected credit losses based on an analysis of our portfolio and market environment. The ACL represents our estimate of expected credit losses in the portfolio at each balance sheet date and is based upon relevant information available to us. The allowance contains provisions for expected credit losses that have been identified relating to specific borrowing relationships, as well as expected credit losses inherent in the loan portfolio and credit undertakings that are not specifically identified. Additions to the ACL, which are charged to earnings through the provision for credit losses, are determined based on a variety of factors, including an analysis of the loan portfolio, historical loss experience, reasonable and supportable forecasts and an evaluation of current economic conditions in our market areas. The actual amount of credit losses is affected by changes in economic, operating and other conditions within our markets, which may be beyond our control, and such losses may exceed current estimates. We estimate credit losses using the CECL model, which incorporates the use of and is more reliant on reasonable and supportable forecasts of economic conditions, including, but not limited to: forecasts of GDP growth rates, levels of unemployment, vacancy rates, and changes in the value of commercial real estate properties. Because the CECL methodology is more dependent on future economic forecasts, assumptions, and models than the previous accounting standards, it may result in increases and add volatility to our ACL and future provisions for ~~loan- credit~~ 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. As of December 31, 2023-2024, our ACL as a percentage of total loans ~~HFI~~ was 1. 38-59% and as a percentage of total nonperforming loans ~~HFI~~ was ~~132~~ 69. 5-4%. Although management believes that the ACL is adequate to absorb losses on any existing loans that may become uncollectible, we may be required to take additional provisions for credit losses in the future to further supplement the ACL, ~~either due to~~ ~~a variety of factors~~ ~~management' s decision to do so or because our banking regulators require us to do so~~. Our bank regulatory agencies will periodically review our ACL and the value attributed to nonaccrual loans or to ~~OREO~~ real estate acquired through foreclosure and may require us to adjust our determination of the value for these items. These adjustments may adversely affect our business, financial condition and results of operations. Risks Related to our ~~Acquisition- Growth~~ Strategy Our strategy of pursuing growth via ~~Acquisitions may disrupt our business. We successfully completed six whole bank~~ acquisitions exposes us to financial, execution and operational risks that could have a material adverse effect on ~~one branch acquisition~~ our business, financial position, results of operations and growth prospects. Since ~~since~~ late July 2010-2011, we have been pursuing a strategy of leveraging our human and financial capital by acquiring other financial institutions in our target markets. We have completed several ~~The success of future~~ acquisitions in recent years and we may ~~consummate may depend~~ continue pursuing this strategy. Our acquisition activities could require us to use a substantial amount of cash, ~~in part, on other--~~ ~~the~~ liquid assets, ~~ability to realize the estimated cost savings~~ and ~~combine the acquired businesses /or incur debt~~. In addition, if goodwill recorded in connection with our ~~potential-existing operations 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,

those quarters of 2022 and 2023. There can be no assurance that we our future evaluations of goodwill will not result successfully execute our organic growth strategy, that we will be able to negotiate or finance such activities or that such activities, if undertaken, will be successful. Our growth initiatives may also require us to recruit experienced personnel to assist in findings of impairment such initiatives. Accordingly, the failure to identify and retain such personnel would place significant limitations on our ability to successfully execute our growth strategy. In addition, to the extent we expand our lending beyond our current market areas, we could incur additional risks related to those new market areas write-downs, which may have a material adverse effect on our financial condition and results of operations. We may not be able to continue growing expand our market presence in our existing market areas or successfully enter new markets. If we do not successfully execute our growth plan, it could adversely affect our business, particularly if financial condition, results of operations, reputation and growth prospects. While we believe cannot make acquisitions or increase loans and deposits through organic growth, either because of an inability to find suitable acquisition candidates, constrained capital resources or otherwise. We have grown our consolidated assets from \$ 300. 5 million as of December 31, 2010 to \$ 4. 0 billion as of December 31, 2023, and our deposits from \$ 236. 4 million as of December 31, 2010 to \$ 3. 2 billion as of December 31, 2023. Some of this growth has resulted from several acquisitions that we have the executive management resources completed since 2010. While we intend to continue to grow our business through strategic acquisitions coupled with organic loan and internal systems in place to successfully manage deposit growth, we anticipate that much of our future growth will be dependent on our ability to successfully implement our acquisition growth strategy. A risk exists, however, that we will not be able to identify suitable additional candidates for acquisitions. In addition, even if suitable targets are identified, we expect to compete for such businesses with other potential bidders, many of which may have greater financial resources than we have, which may adversely affect our ability to make acquisitions at attractive prices. Although we have historically been disciplined in pricing our acquisitions, there can be no assurance growth opportunities will be available or that we the higher multiples being paid in bank acquisitions will not adversely impact our ability to execute acquisitions in the future or adversely affect the return we earn from such acquisitions. Furthermore, many acquisitions we may wish to pursue would be subject to approvals by bank regulatory authorities, and we cannot predict whether any targeted acquisitions will receive the required regulatory approvals. Moreover, our ability to continue to grow successfully manage will depend to a significant extent on our capital resources. It also will depend, in part, upon our ability to attract deposits and lessen our dependence on larger deposit accounts, identify favorable loan and investment opportunities and on whether we can continue to fund growth while maintaining cost controls and asset quality, as well on other factors beyond our control, such as national, regional and local economic conditions and interest rate trends. As we expand our business outside of California markets, we may encounter risks that could adversely affect us. We primarily operate in California, New York, New Jersey and Illinois markets with a concentration of Asian-American individuals and businesses; however, one of our strategies is to expand beyond California into other domestic markets that have concentrations of Asian- American individuals and businesses. We also currently have operations in Las Vegas, Nevada and Honolulu, Hawaii, including operating a branch office, and would consider strategic opportunities for additional branch expansion. In the course of any expansion, we may encounter significant risks and uncertainties that could have a material adverse effect on our operations. These risks and uncertainties include increased expenses and operational difficulties arising from, among other things, our ability to attract sufficient business in new markets, to manage operations in noncontiguous market areas, to comply with all of the various local laws and regulations, and to anticipate events or differences in markets in which we have no current experience. Expansion of our business beyond California could have a material adverse effect on our operations and financial results. Other Risks Related to Our Business If we fail to maintain effective internal control over financial reporting, or if we fail to remediate material weaknesses previously identified, we may not be able to report our financial results accurately and timely. Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for evaluating and reporting on that system of internal control. In the past, material weaknesses have been identified in our internal controls over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. Following identification of the material weaknesses, we implemented a number of controls and procedures designed to improve our control environment, which we believe will be sufficient to remediate our previously identified material weakness. Our actions to maintain effective controls and remedy any weakness or deficiency may not be sufficient to result in an effective internal control environment and any future failure to maintain effective internal control over financial reporting could impair the reliability of our financial statements, which in turn could harm our business, impair investor confidence in the accuracy and completeness of our financial reports, impair our access to the capital markets, cause the price of our common stock to decline and subject us to increased regulatory scrutiny and / or penalties, and higher risk of shareholder litigation. The Bank is operating under enhanced regulatory supervision that could materially and adversely affect our business. As previously disclosed in the Company's Current Report on Form 8-K filed with the SEC on October 31, 2023, effective on October 25, 2023, the Bank entered into a Stipulation to the Issuance of a Consent Order with its bank regulatory agencies, the FDIC and DFPI, consenting to the issuance of a consent order (the "Consent Order") relating to weaknesses in the Bank's Anti-Money Laundering / Countering the Financing of Terrorism ("AML / CFT") compliance program. Under the terms of the Consent Order, the Bank is required to make certain enhancements and take certain actions, which include, but are not limited to: (i) enhancing personnel with oversight responsibilities with respect to the Bank's AML / CFT compliance program, (ii) enhancing existing AML / CFT policies and practices, internal controls, customer due diligence, and training programs, and (iii) establishing an independent testing program to analyze and assess the Bank's BSA Department. The Consent Order also requires the Bank to correct certain alleged violations of the AML / CFT compliance program, including internal controls, staffing and the timing of the filing of one suspicious activity report. If the Bank fails to timely and satisfactorily comply with the Consent Order, the Bank may be

required to incur additional expenses in order to comply with the Consent Order and may be subject to additional regulatory action, including civil money penalties against the Bank and its officers and directors or enforcement of the Consent Order through court proceedings. These additional expenses or regulatory actions, including penalties and legal expenses, could have a material and adverse effect on our business, results of operations, financial condition, cash flows and stock price. We are exposed to risks related to fraud and cyber- attacks. **We are** ~~The Company is~~ continuously enhancing and expanding our digital products and services to meet client and business needs with desired outcomes. These digital products and services often include storing, transmitting, and processing confidential client, employee, monetary, and business information. Due to the nature of this information, and the value it has for internal and external threat actors, we, and our third- party service providers, continue to be subject to cyber- attacks and fraud activity that attempts to gain unauthorized access, misuse information and information systems, steal information, disrupt or degrade information systems, spread malicious software, and other illegal activities. We believe we have robust preventive, detective, and administrative safeguards and security controls to minimize the probability and magnitude of a material event. However, because the tactics and techniques used by threat actors to bypass safeguards and security controls change frequently, and often are not recognized until after an event has occurred, we may be unable to anticipate future tactics and techniques, or to implement adequate and timely protective measures. Cybersecurity, and the continued development and enhancement of controls, processes, and practices designed to protect client information, systems, computers, software, data, and networks from attack, damage, or unauthorized access remain a priority for **us the Company**. As cybersecurity threats continue to evolve, we may be required to expend additional resources to continue to enhance, modify, and refine our protective measures against these evolving threats. To date, we have no knowledge of a successful cyber- attack or other material information security breach affecting our systems. However, our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, the continuation of a remote work environment 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 includes cloud- based infrastructure, platforms, and software. Recent instances of attacks specifically targeting financial services businesses indicate that the risk to our systems remains significant. If we or a critical third party vendor were to experience a cyber- attack or information security breach, we could suffer damage to our reputation, productivity losses, response costs associated with investigation and resumption of services, and incur substantial additional expenses, including remediation expenses costs associated with client notification and credit monitoring services, increased insurance premiums, regulatory penalties and fines, and costs associated civil litigation, any of which could have a materially adverse effect on our business, financial condition, and results of operations. In addition, **our the Company's** clients and vendors rely on technology and systems ~~not unmanaged~~ **managed directly** 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 **our the Company's** clients or vendors become the target of a cyber- attack, or information security breach, it could result in unauthorized access to, misuse of, or loss of confidential client, employee, monetary, or business information. Threat actors using improperly obtained personal or financial information of consumers can attempt to obtain loans, lines of credit, or other financial products from **us the Company**, or attempt to fraudulently persuade **our the Company's** employees, clients, or other users of **our the Company's** systems to disclose confidential information in order to gain improper access to **our the Company's** information and 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 be the victims of phishing scams, providing cyber criminals access to their accounts, or credit or debit card information. In these situations, we incur costs to replace compromised cards and address fraudulent transaction activity affecting our 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 **us 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. Operational errors can include information system misconfiguration, clerical or record- keeping errors, or disruptions from faulty or disabled computer or telecommunications systems. Because the nature of the financial services business involves a high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. Because of **our the Company's** large transaction volume and its necessary dependence upon automated systems to record and process these transactions, there is a risk that technical flaws, tampering, or manipulation of those automated systems, arising from events wholly or partially beyond its control, may give rise to disruption of service to customers and to financial loss or liability. We are exposed to the risk that our business continuity and data security systems prove to be inadequate. The occurrence of any of these risks could result in a diminished ability for us to operate our business, additional costs to correct defects, potential liability to clients, reputational intervention, any of which could adversely affect our business, financial condition and results of operations. **Potential Liabilities from environmental regulations** **liabilities associated with commercial lending** could materially and adversely affect our business and financial condition. 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 clear up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be

substantial. In addition, as the owner or former owner of any 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. If we ever become subject to significant environmental liabilities, our business, financial condition, liquidity, and results of operations could be materially and adversely affected. **In addition, if hazardous or toxic substances are found on properties pledged as collateral, the value of the real estate could be impaired. If we foreclose on and take title to such properties, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property's value or limit our ability to use or sell the affected property.** A natural or man-made disaster or recurring energy shortage in our geographic markets, especially in California, could harm our business. We are based in California and at December 31, **2023**, approximately **50-59**, **5-2** % of the aggregate outstanding principal of our total loan portfolio was secured by real estate located in California or **business-businesses** in California. In addition, the computer systems that operate our Internet websites and some of their back-up systems are located in California. Historically, California has been vulnerable to natural disasters. Therefore, we are susceptible to the risks of natural disasters, such as earthquakes, wildfires, floods and mudslides. Certain of these natural disasters may be exacerbated by climate change. Natural or man-made disasters and recurring energy shortages 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. A natural or man-made disaster or recurring power outages may also impair the value of our largest class of assets, our loan portfolio, which is comprised substantially of real estate loans. Uninsured or underinsured disasters may reduce borrowers' ability to repay mortgage 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 energy shortages, which, if they recur, could impair the value of the real estate in those areas affected. Although we have implemented several back-up systems and protections (and maintain business interruption insurance), these measures may not protect us fully from the effects of a natural disaster. **For example, the 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 shareholders. Direct and indirect costs and impacts from wildfires may include potential adverse changes to the level of our nonperforming assets and charge-offs.** The occurrence of natural and man-made disasters or energy shortages in California 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 **us** ~~the Company~~ and clients. **Our** ~~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 **us** ~~the Company~~ and **our** clients, and these risks are expected to increase over time. Climate change presents multi-faceted risks, including: operational risk from the physical effects of climate events on **us** ~~the Company~~ and **its** ~~our~~ 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, **our** ~~the Company's~~ carbon footprint, and **our** ~~the Company's~~ business relationships with clients who operate in carbon-intensive industries. **In addition** Federal and state banking regulators and supervisory authorities, investors, and **California remains at** ~~other~~ **the forefront** stakeholders have increasingly viewed financial institutions as important in helping to address the risks 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 and management of their climate risks and related lending and investment activities. Given that climate change could impose systemic risks upon the financial sector, either via disruptions in economic activity resulting from the physical impacts of climate change or changes in policies as the economy transitions to a less carbon-intensive environment, the Company may face regulatory risk of increasing focus on the Company's resilience to climate-related risks **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 preempted by 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 the them context stockholders, customers, federal and state regulatory authorities, and political entities, who often have differing, and sometimes conflicting, priorities and expectations regarding environmental, social and governance issues. For instance, we operate extensively in California, which is at the forefront of requiring stress testing for various climate stress scenarios- related disclosures, but we also operate in states throughout the country, and there is an increasing number of state-level initiatives opposing environmental, social and governance practices. New or increased regulations could result in increased compliance costs or capital requirements. 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 **uncertainties developments and changing** ~~changes regarding~~ climate risk management and **related** practices may result in higher regulatory, compliance, **and** ~~credit~~, and ~~reputational~~ 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 associated with climate change are rapidly changing and evolving in an escalating fashion, making them 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, results of operations, and financial condition. We face strong competition from financial services companies and other companies that offer banking and mortgage banking services, which could harm our business. Our operations consist of offering banking and mortgage banking services to generate both interest and noninterest income. Many of our competitors offer the same, or a wider variety of, banking and related financial services within our market areas. These competitors include national banks, regional banks and other community banks. We also face competition from many other types of financial institutions, including savings and loan institutions, finance companies, brokerage firms, insurance companies, credit unions, mortgage banks and other financial intermediaries. In addition, a number of out-of-state financial intermediaries have opened production offices or otherwise solicit deposits in our market areas. Additionally, we face growing competition from so-called "online businesses" with few or no physical locations, including online banks, lenders and consumer and commercial lending platforms, as well as automated retirement and investment service providers. Increased competition in our markets may result in reduced loans, deposits and commissions and brokers' fees, as well as reduced net interest margin and profitability. Ultimately, we may not be able to compete successfully against current and future competitors. If we are unable to attract and retain banking and mortgage loan customers and expand our sales market for such loans, we may be unable to continue to grow our business, **and which could have a material negative impact on our business, results of operations and** financial condition ~~and results of operations may be adversely affected~~. Legislative and regulatory actions taken now or in the future may increase our costs and impact our business, governance structure, financial condition or results of operations. Our operations are subject to extensive regulation by federal, state and local governmental authorities and are subject to various laws and judicial and administrative decisions imposing requirements and restrictions on part or all of our operations. Federal and state banking regulators have significant discretion and authority to prevent or remedy 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. The exercise of regulatory authority may 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 can be no assurance that any required approvals can be obtained, or obtained without conditions or on a timeframe acceptable to us. In addition, other new proposals for legislation continue to be introduced in the U. S. Congress that could further substantially increase regulation of the bank and non-bank financial services industries and impose restrictions on the operations and general ability of firms within the industry to conduct business consistent with historical practices. Federal and state regulatory agencies also frequently adopt changes to their regulations or change the manner in which existing regulations are applied. Certain aspects of current or proposed regulatory or legislative changes to laws applicable to the financial industry, if enacted or adopted, may impact the profitability of our business activities, require more oversight or change certain of our business practices, including the ability to offer new products, obtain financing, attract deposits, make loans and achieve satisfactory interest spreads and could expose us to additional costs, including increased compliance costs. These changes also may require us to invest significant management attention and resources to make any necessary changes to operations to comply and could have an adverse effect on our business, financial condition and results of operations. Our use of third party vendors and our other ongoing third party business relationships are subject to increasing regulatory requirements and attention. We regularly use third party vendors as part of our business. We also have substantial ongoing business relationships with other third parties. These types of third party relationships are subject to increasingly demanding regulatory requirements and attention by our federal bank regulators. Recent regulation requires us to enhance our due diligence, ongoing monitoring and control over our third party vendors and other ongoing third party business relationships. In certain cases we may be required to renegotiate our agreements with these vendors to meet these enhanced requirements, which could increase our costs. We expect that our regulators will hold us responsible for deficiencies in our oversight and control of our third party relationships and in the performance of the parties with which we have these relationships. As a result, if our regulators conclude that we have not exercised adequate oversight and control over our third party vendors or other ongoing third party business relationships or that such third parties have not performed appropriately, we could be subject to enforcement actions, including civil money penalties or other administrative or judicial penalties or fines as well as requirements for customer remediation, any of which could have a material adverse effect on our business, financial condition or results of operations.

Risks Related to an Investment in Our Common Stock

The price of our common stock may fluctuate significantly, and this may make it difficult for you to sell shares of common stock owned by you at times or at prices you find attractive. The trading price of our common stock may fluctuate widely as a result of a number of factors, many of which are outside our control. In addition, the stock market is subject to fluctuations in the share prices and trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations could adversely affect the market price of our common stock. Among the factors that could affect our stock price are:

- actual or anticipated quarterly fluctuations in our operating results and financial condition and prospects;
- changes in revenue or earnings estimates or publication of research reports and recommendations by financial analysts;
- failure to meet analysts' revenue or earnings estimates;
- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- acquisitions of other banks or financial institutions;
- actions by institutional stockholders;
- fluctuations in the stock price and operating results of our competitors;
- general market conditions and, in particular, developments related to market conditions for the financial services industry;
- adverse audit opinion on the effectiveness of our internal controls;
- existing or increased regulatory compliance requirements, changes or proposed changes in laws or regulations, or differing interpretations thereof, affecting our business, or enforcement of laws and regulations;
- anticipated or pending investigations, proceedings, or litigation that involve or affect us;
- successful management of reputational risk;
- geopolitical and public health conditions such as acts or threats of terrorism, military conflicts, pandemics and public health issues or crises; and
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domestic and international economic factors, such as interest rates or foreign exchange rates, stock, commodity, credit, or asset valuations or volatility, unrelated to our performance. The stock market and, in particular, the market for financial institution stocks, has experienced significant volatility. As a result, the market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate more than usual and cause significant price variations to occur. The trading price of the shares of our common stock and the value of our other securities will depend on many factors, which may change from time to time, including, without limitation, our financial condition, performance, creditworthiness and prospects, future sales of our equity or equity related securities, and other factors identified above in “Forward- Looking Statements,” and in this Item 1A . —“Risk Factors.”

The capital and credit markets can experience volatility and disruption. Such volatility and disruption can reach unprecedented levels, resulting in downward pressure on stock prices and credit availability for certain issuers without regard to their underlying financial strength. A significant decline in our stock price could result in substantial losses for individual stockholders and could lead to costly and disruptive securities litigation. Our dividend policy may change. We have paid quarterly dividends since our initial public offering in the third quarter of 2017. We paid **total dividends of \$0.51 per share in 2021**, \$ 0. 56 per share in 2022 , and \$ 0. 64 per share in 2023 **and 2024** . We have no obligation to pay dividends and we may change our dividend policy at any time without notice to our shareholders. Holders of our common stock are only entitled to receive such cash dividends as our board of directors, in its discretion, may declare out of funds legally available for such payments. Furthermore, consistent with our strategic plans, growth initiatives, capital availability and requirements, projected liquidity needs, financial condition, 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 our common shareholders. We are a separate and distinct legal entity from our subsidiaries, including the Bank. We receive substantially all of our revenue from dividends from the Bank and RAM, which we use as the principal source of funds to pay our expenses. Various federal and / or state laws and regulations limit the amount of dividends that the Bank and certain of our non- bank subsidiaries may pay us. Such limits are also tied to the earnings of our subsidiaries. If the Bank does not receive regulatory approval or if our subsidiaries’ earnings are not sufficient to make dividend payments to us while maintaining adequate capital levels, our ability to pay our expenses and our business, financial condition or results of operations could be materially and adversely impacted - ~~Shares of certain shareholders may be sold into the public market in the near future. This could cause the market price of our common stock to decline. We have outstanding options to purchase 397, 903 shares of our common stock as of December 31, 2023 that may be exercised and sold (assuming all vesting requirements are met), and we have the ability to issue options exercisable for up to an additional 1, 032, 173 shares of common stock pursuant to our 2017 Omnibus Stock Incentive Plan. The sale of any of such shares could cause the market price of our stock to decline, and concerns that those sales may occur could cause the trading price of our common stock to decrease or to be lower than it might otherwise be.~~ Our business and financial results could be impacted materially by adverse results in legal proceedings. Various aspects of our operations involve the risk of legal liability. We have been, and expect to continue to be, named or threatened to be named as defendants in legal proceedings arising from our business activities. We establish accruals for legal proceedings when information related to the loss contingencies represented by those proceedings indicates both that a loss is probable and that the amount of the loss can be reasonably estimated, but we do not have accruals for all legal proceedings where we face a risk of loss. In addition, amounts accrued may not represent the ultimate loss to us from those legal proceedings. Thus, our ultimate losses may be higher or lower, and possibly significantly so, than the amounts accrued for loss contingencies arising from legal proceedings, and these losses could have a material and adverse effect on our business, financial condition, results of operations and the value of our common stock. Future **sales or** equity issuances could result in dilution, which could cause our common stock price to decline. We **have outstanding options to purchase 174, 500 shares of our common stock as of December 31, 2024 that may be exercised and sold (assuming all vesting requirements are met), and we have the ability to issue options exercisable for up to an additional 1, 004, 658 shares of common stock pursuant to our 2017 Omnibus Stock Incentive Plan. The sale of any of such shares could cause the market price of our stock to decline, and concerns that those sales may occur could cause the trading price of our common stock to decrease or to be lower than it might otherwise be.** We are also generally not restricted from issuing additional shares of our common stock, up to the 100 million shares of common stock and 100 million shares of preferred stock authorized in our articles of incorporation, 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. 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. Provisions of our charter documents and the California General Corporation Law (“ 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 company) of any class of our voting stock or obtaining the ability to control in any manner the election of a majority of our directors or otherwise direct the management or policies of our company without prior notice or application to and the approval of the Federal Reserve. Accordingly, prospective investors need to be aware of and comply with these requirements, if applicable, in connection with any purchase of shares of our common stock. Moreover, the combination of these provisions effectively inhibits certain mergers or other business combinations, which, in turn, could adversely affect the market price of our common stock.