

# annual report

MISSION BANCORP 2024



 MISSION BANCORP



# Banking on tomorrow's business

**Mission Bank was born when a group of Bakersfield business leaders imagined a bank that could better serve local business needs. When Mission Bank opened in October 1998, it had \$5 million in capital and a single office in downtown Bakersfield. In just seven months, Mission Bank achieved positive earnings. Thus began a steady course of 103 consecutive profitable quarters for Mission Bank, starting in April 1999 and continuing through to today.**

From those humble beginnings, Mission Bancorp has now grown to \$208 million in capital and \$1.9 billion in assets, with eight locations in six counties. As we enter our 27th year in operation, we proudly remain the sole locally based business bank in Bakersfield and are nearing a record \$2 billion in total assets (with half of that business coming from our expanding footprint).

Borrowing from the adage “the good, the bad, and the ugly,” in 2024, we saw good growth results, bad industry trends, and avoided anything ugly. As for the good, Mission Bank had industry-leading growth in both loans and deposits during the year. As for the bad, net interest margin was negatively impacted when the Federal Reserve lowered the Fed Funds rate by 100-basis points in the middle of the year. At the end of the day, our phenomenal growth was offset by margin reduction, which left income flat year over year.

Looking ahead to the next 25 years, our board succession strategy has positioned the Bank well for its next phase of growth and success. Founding board member and Chairman Emeritus, Arnold Cattani, retired in 2024. Arnold, a Kern County native and pillar of the California banking industry, built the bank's first Board of Directors and led the launch of Mission Bank. Arnold has been the driving force behind the Mission Bank culture. As we move toward a promising future of continued growth and profitability, we will ensure that the values created by our founders remain the cornerstone of our culture. Newly

added directors, Emmy Cattani and Mike Hair Jr., share this vision and are welcome additions to our outstanding Board of Directors.

In 2024, we ushered in a new era for our brand image. Led by Marketing Officer, Miranda Whitworth, we modernized the Mission Bank logo and color scheme. We believe these changes will energize the Mission Bank brand for the next 25 years and achieve the dual goals of creating a fresh new look while retaining ties to our founding values.

Mission Bank's success is built on customer trust. Customers trust our input and rely on us as both personal advisors and stewards of community resources. We are a traditional community bank: our customers are established in local industries within our communities. We aren't part of the flashy, new fads or trends that you may see with other regional banks. Our customers are farmers, real estate professionals, service providers, doctors, restaurants, manufacturers, distributors, accountants, lawyers, and non-profits. We bank locally, with you.

Customer trust is largely based on Mission Bank's proven track record of navigating turbulent industry conditions. During the Great Recession of 2008, Mission Bank never had a losing quarter. At times, our conservative approach has led critics to label us “a boring bank” but those same critics can't deny our impressive combination of consistent industry-leading returns and noteworthy growth. Boring or





**Meet Mike Vandborg**  
**Third Generation Farmer**  
Customer Since 2015



not, Mission Bank's strategy is truly a winning combination for our shareholders.

We are extremely proud of our 2024 performance. In a difficult year for the banking industry, Mission Bank thrived, growing deposits by nearly 15% and loans by nearly 7%. At the same time, many of our peers had shrinking loans and deposits or, at best, nominal growth rates. The continued battle for deposits was one of the defining characteristics of the banking industry over the last 24 months. Between higher deposit rates and increased competition, achieving deposit growth has become more difficult than ever. Despite these challenges, our team continues to excel. In the face of competition not only from traditional competitors (such as banks and credit unions), but also the very large and powerful U.S. Treasury Department (with customer funds easily moved into short-term treasury bills), our 2024 deposit growth was all the more remarkable. We are happy to report that the inverted yield curve (which made it hard for banks to compete), may be returning to normal. We welcome a return to normalized competition from the private sector rather than the government.

Mission Bank's continued success is directly tied to our business banking model: building and maintaining deep relationships, while providing high-touch customer service. Though the country's economic future may be uncertain, we are confident that Mission Bank's culture and conservative principles position it well for tomorrow and beyond. Thank you to the team and our customers, your commitment to Mission Bank allows us to continue fulfilling our core purpose: to fuel and grow vibrant and prosperous communities.

Despite overall success in deposit growth and the Bank's continued low cost of funds, our net interest margin began to shrink in the second half of 2024 as the Federal Reserve Bank lowered its Fed Funds rate. The math is fairly straight-forward—for every \$1 billion in assets, a 100-basis point decrease means that the Bank immediately earns \$10 million less annually. While this rate decrease will also result in lower deposit costs, it takes much longer (months, perhaps years) for that decrease to materialize. Notwithstanding this decline, Mission Bank's margin remains favorable relative to our peers. End result, even if our earnings were to shrink while peer earnings expand, Mission Bank's overall ROA and ROE would remain greater in both scenarios.

Mission Bancorp achieved industry-leading results with a 17.3% ROAE and a 1.74% ROAA. Mission Bancorp net income and diluted earnings per share grew to \$30.14 million and to \$11.27, respectively. Our secret to long-term success and consistent earnings growth in double-digit percentages is simple: foster strong banking relationships.

Our strategy for growth has three prongs: (i) organically grow business within our existing markets; (ii) identify new markets for opening offices; and (iii) strategically pursue mergers. In 2024, we identified Westlake, which borders Ventura and Los Angeles counties, as our next expansion area. Megan Petti, one of our very best business bankers is already generating new business in that market and we plan to hire additional team members and open a physical office in the near future.

Strong financial performance starts with a strong leadership team. If you see our hard-working team members, please say "thank you." The numbers we are able to consistently report are due to the effort, skill, and dedication they demonstrate daily. A brief summary of the 2024 highlights (spear-headed by our outstanding managers) and other important developments includes the following:

- Led by our Chief Banking Officer, Bryan Easterly, our team of superstar business bankers and relationship managers achieved impressive results. The team remained focused on identifying key opportunities in a competitive environment and those efforts paid off. Deposits grew by 14.8% to \$1.65 billion and loans grew by 6.6% to \$1.29 billion. These results are driven by our relationship managers and business bankers earning customer trust through consistent, reliable advice. It is worth noting that this growth was achieved at a time when the banking industry overall only grew loans by single digits. Once again, our team is outpacing the industry.
- Our Ag Division continued to excel in 2024. Led by Division Manager Rob Hallum, we added a net of \$28 million in Ag loans, which includes loans through the Farmer Mac program. The Farmer Mac program allows us to leverage our industry expertise and offer competitive fixed-rate financing in amounts up to \$50 million. Mr. Hallum and the team provide significant value to the Ag community and are a tremendous asset to the Bank.
- Led by Jason Castle, our Chief Operating Officer and Chief Financial Officer, our back-office teams are thriving.



Sheldon Ralph, Debbie Howland, Rodney Maston, Ryan Alvord, and Nathan Wilkerson, continue to improve efficiency and build necessary infrastructure in areas of compliance, IT, accounting, finance, and budgeting. In 2024, we also upgraded several internal systems and revamped the strategic planning process in order to ensure the Bank is poised for years of growth.

- Led by Chief Credit Officer, Mike Congdon, and Credit Administrator, Stuart Annable, our credit culture remains a key ingredient of our success. Credit quality continues to be strong, notwithstanding record loan growth. Non-performing loans (i.e., loans on non-accrual or more than 90 days past due) were \$1.1 million at year-end. We continue to make provision expenses in line with our record loan growth.

- Mission 1031 Exchange continues to be a highly-effective tool for gaining new bank customers. Led by Karen Clemens, we have acted as the qualified intermediary on nearly \$2.75 billion in value associated with exchanges! Our advantage continues to be the safety of exchange funds and our extraordinarily responsive customer service.

- At Mission Bank, our regulatory mantra is 100% Compliance. Our team continues to meet and exceed regulatory expectations and we fully understand that this is our ticket to continued growth. Led by our Chief Compliance and Audit Officer, Esmeralda Rivas, we continue to have positive, collaborative relationships with our regulators. Ms. Rivas has truly grown into an industry leader in audit, compliance, and regulatory matters!

- We are also proud to report record loan production for SBA 7a loans. We made an intentional decision to utilize our relationship banking strategy for 7a loans, rather than aggressively seek loans outside of our markets. Using this approach, Regional Presidents, RMs, and Business Bankers are driving 7a volume to core customers in our markets. Craig Howells, our SBA Division Manager, and his team have streamlined the government process for our customers, ensuring that the loan process is both smooth and compliant.

While we celebrate our success, we also recognize that we must work hard to maintain our achievements and meet new goals as we grow. The good news for our shareholders is that our team is up to the challenge and well on the way to making those goals a reality.

## The foundation of our continued success is our people and our culture.

We define our culture with a Vision, Purpose, Values, and Goals.

### OUR VISION

Mission Bank is the best business bank in California. Our brand represents the highest quality people and service. Business owners, organizational leaders, and professionals desire to bank with us because of our reputation.

### OUR PURPOSE

To fuel and grow vibrant and prosperous communities.

### OUR VALUES

Integrity, Drive, Ownership, and Collaboration.

### OUR LONG TERM GOALS

\$8 billion in assets by 2028. Earn an after-tax ROA of 1.60% and after-tax ROE of 18%.

As always, we thank both our team and our customers. Together they are the driving force behind our success and growing shareholder value. We also take this opportunity to thank our shareholders for their long-term commitment to our Company. Here's looking forward to an exciting and profitable 2025.



Bruce Beretta  
Chairman of the Board



A. J. Antongiovanni  
President and CEO





Aric (left) and Alec Avedissian stand in their Ventura County warehouse where Rareform bag patterns are cut from discarded billboards.



**Alec and Aric Avedissian are brothers and the founders of Rareform, a hand and tote bag manufacturer that uses recycled billboard materials to craft their products. The Ventura County natives started the business after Alec spent a year working for a non-profit in El Salvador.**

"I had the idea for the company after seeing friends using billboards as roofing materials. We were just amazed at their ingenuity and of the material itself being so durable. I came back to the US and started seeing all this material differently."



From left; Rareform COO Aric Avedissian, Mission Bank Regional President Jason Ritchey, Mission Bank Business Banker Lead Megan Petti, Rareform CEO Alec Avedissian

# one of a kind

Aric jumped on-board during the company's infancy after working a successful trade show where their bags made a big impression on attendees.

"We were packed the whole time, tons of people coming and asking for products so it kind of felt like maybe we do have a business here. That was 12 years ago and obviously we've had our struggles, but Alec and I work so well together, he has his part of the business, and I have my part, and we sync so well it's great."

Rareform's bags and accessories are all one of a kind, with the pieces and patterns cut from unique billboards by their team of warehouse employees in Ventura County and Nashville, Tennessee. The bags are assembled overseas and photographed for sale as they come off the line.

"Primarily we sell direct to consumer via ecommerce right from our website, Rareform.com," says Alec. "The

customer will pick the exact bag they want and our team here in Ventura will pick that product off the shelf, package it up and send it to the customer. Every bag is one of a kind, so if you like it you have to buy it quick. If you don't somebody else will."

Rareform is now responsible for collecting 80% of used billboard materials in the United States and after more than 10 years in operation their truly unique business was ready for a unique banking experience.

"We were with a tech focused bank, and ecommerce focused bank for a long time and we just weren't happy with the relationship, there just wasn't anything there," says Alec. "When we first connected with Mission Bank, Jason Ritchey and Megan Petti came in. They met with us at our office, and they got to know us. It felt totally different."

Working with a community bank and setting up shop in the community that raised them makes sense to

the Avedissians.

"One of the coolest parts about being a business owner is that you are able to employ people in your neighborhood," Says Aric. "We grew up in Camarillo and went to school in Santa Barbara, so we've stayed in this area, we are California born and raised and don't want to leave, we love being here. ■"





# analyzing your swing

**Chuck Pankratz and Tony Garcia are the co-owners of The Varsity Club at SIS, a unique entertainment experience that's offering something for kids and adults in Ventura. The Varsity Club is part restaurant, part sports simulator, part hang-out and was born from Tony Garcia's life on the road as a travel baseball dad.**

"A lot of the bigger cities have these really nice venues that have good food, good drinks, and these interactive environments that are good for kids but also their parents. I know in Ventura people are looking for something more to do than just go out to eat, so we wanted to bring that here."

The Varsity Club features a bar and restaurant, large area called "The Loft" where corn hole, ping pong, and friendly games of pickle ball can be played, but the show-piece is the row of sports simulators with golf, racing, and something that's nearly one-of-a kind in the state of California.

"Other than the San Francisco Giants, we are the only facility in the state to have a HitTrax Suite," says Garcia. "It's used for analytics for a



From left, The Varsity Club Co-founder Tony Garcia, Mission Bank Relationship Manager Scott Boutelier, and The Varsity Club Co-founder Chuck Pankratz

baseball player's swing, but it also has a game mode where you can be really competitive with your friends, you can do home run derby, you can do point challenges, and you can play in a simulation of major league or college stadiums."

The Varsity Club is an extension of Pankratz and Garcia's other venture SIS Athletics, an indoor training facility that Pankratz says goes beyond improving swing.

"We focus on skills training but also focus on injury prevention which is something that I think is very important in young athletes who are asked to do a lot with their skills, we don't want to sacrifice their safety and enjoyment of playing sports."

Pankratz reached out to Mission Bank for help with SIS and The Varsity Club because he and his wife were

already happy customers.

"Mission Bank was the bank that financed my wife's medical practice," says Pankratz. "We really enjoyed the personal relationship we had with the Ventura office. It's an extraordinary local resource and has been great for day-to-day banking."

With The Varsity Club open, Garcia and Pankratz are focusing back on their main mission.

"We want to inspire and educate all athletes and anyone who wants to learn and get better," says Garcia. "If you become a pro, great, but at the end of the day we just want these kids to be good people in their community and if they can learn that at SIS, we've done what we came to do." ■





Tony García demonstrates the Hit Tracks Suite using a simulated version of Dodger Stadium.





From left; Graham and Associates CEO Matt Graham, Mission Bank Regional President Dustin Della



**In the heart of the Central Valley of California lies Graham and Associates, a distinguished real estate brokerage and land development firm spearheaded by President and Broker Matt Graham. A lifelong resident of Visalia, Graham has been an unwavering advocate for Tulare and Kings Counties.**

His intimate knowledge of the region, combined with a passion for showcasing its agricultural, commercial, retail, and office properties, has positioned Graham and Associates as a leader in the industry.

Matt understands the unique

potential of Tulare County. Under his stewardship, the firm has transformed numerous underutilized properties into thriving entities, thereby enhancing the local economy. Through meticulous attention to detail and a commitment to excellence, Graham and Associates has gained a reputation for integrity and professionalism.

Despite challenges such as rising materials and labor costs, the pressures faced by business owners in Northern and Southern California are notably less burdensome in the Central Valley. "We remain optimistic about the year ahead," Graham reflects, citing a surge of tenants



seeking accommodations for their employees.

Graham, who has become a valued customer of Mission Bank following its expansion to Visalia in 2022, highlights the bank's vital role in fostering local economic growth.

# optimistic



"Mission Bank has set the standard for community banking," he states, praising its seamless lending process and exceptional customer service. "The Visalia team has always been there for my company when we need them and has always treated every referral into the bank with great flexibility and customer service."

With a supportive environment for small businesses and an appealing quality of life, Tulare County stands out as an ideal location for families. "Tulare County is the only place I would raise my boys," he shares, embodying the promise of a thriving community. ■





**AG DIVISION**  
**SUNRISE SPRAYERS**

"It is surreal to look back and think farming all started for me when I began driving a tractor with my dad at five years old."

farming  
is a new day  
every day

**Mike Vandborg is the President of Sunrise Sprayers and V-4 Enterprises. He's a proud third-generation farmer who carries on the family tradition in the place he's always called home.**

"My grandfather relocated from Denmark in 1950. I was born and raised on the farm. Farming is my passion. It is surreal to look back and think farming all started for me when I began driving a tractor with my dad at five years old."

Vandborg, a Cal Poly alumni and father of three with another on the way, has been taking his farm and spray company in new and different directions, hedging his bets against





From left; Mission Bank Relationship Manager Michael Martens, Sunrise Sprayers President Mike Vandborg

a changing industry, and diversifying his products and services. Vandborg purchased Sunrise Sprayers in 2015, and that's when his relationship with Mission Bank began. "I have been banking with Mission for 10 years, and our relationship began when I bought the spray company. We now solely partner with Mission for banking, loans, and all of Sunrise Sprayers and the farms' needs."

Sunrise Sprayers operates in the south end of the San Joaquin Valley, servicing approximately 40,000 acres of farmland in the counties of Kern, Kings, Tulare, and further. According to Vandborg, they spray it all. "Citrus, almonds, pistachios,

grapes, alfalfa, and pretty much anything else that comes our way. We purchased a row crop sprayer a couple of years ago in anticipation of the market change to ensure we can service and support the farming community's needs."

The farming industry is unpredictable, but Vandborg says that's what he likes about the business. "Farming is a new day every day. There's always a new challenge, and nothing is the same. It will make you pull your hair out, and it's fulfilling all at the same time."

That's why the relationship with Mission Bank has been so valuable. "When we need something done,

the Mission team is on the ball, everyone is very responsive, and that's a big deal for us," says Vandborg. "Between family, the farm, and Sunrise, there is always a lot going on, and it's vital for us to have someone like our Relationship Manager Mike Martens, who is always there to make it happen, and the support of the whole Mission team." ■







From left; Cherokee Memorial Park and Funeral Home CEO Walter Scheffer, CFO John Silvestri, Mission Bank Business Banker Melissa Cuellar, Mission Bank Relationship Manager Lead Jeff Johnson

# a timeline of progress

**Cherokee Memorial Park and Funeral Home sits along the 99 Freeway in Lodi, California. The property is lush and green and displays a timeline of progress from the mid-century mausoleum and Japanese inspired gardens at the south end of the property to the brand-new state of the art funeral home and administrative offices near the north end.**

Walter Scheffer has been with Cherokee for 26 years and has been President of the organization for the last 10. He's spent his tenure on a mission of continual improvement.

"We've added new gardens, we've converted our old cemetery

office into a reception area, we've built the Vineyard Chapel as well as our funeral home and cemetery administrative offices that are just over 30,000 square feet."

The transformation has meant an expansion of services for the residents of Lodi and the surrounding areas.

"We can now serve everyone from one location, they can have funeral service, cremation, burial, flowers as well as a reception all at one convenient location."

An existing relationship with a banker brought Scheffer to Mission Bank, but he says it's the reliability and experience that has kept him a customer.

"Mission Bank understands our industry and are great partners for us. This construction has been going on for the last 10 years and Mission Bank has supplied the funds so we could move ahead and make all of this happen. When we need something, we can call and ask, and when they need something, they can call and ask. We are connected and we're all on the same team."

Scheffer has spent 52 years in the industry and keeps a countdown timer on his phone reminding him of his upcoming retirement at the end of 2025. Even though he's ready to sit back and relax, he can't help thinking about the future of Cherokee.

"The cemetery never stops growing, it's always developing, we always need more land. Our next step is to go across the street and expand our gardens. We have 44 acres of land there and that's where our cemetery will grow." ■



# headquarters of hope

**Covenant Community Services is a beacon on North Chester Avenue, their mid-century building houses administrative offices and a gourmet coffee shop that feels more like a Brooklyn or Santa Monica hangout, not a space on the main drag of Bakersfield's Oildale neighborhood.**

"We call it the headquarters of hope because we give hope to foster youth and actually to the community," says founder Randy Martin. "We have been planted in a very unique spot to be a bright light on North Chester and since we've been here about seven businesses have opened up just on Chester alone."

Randy and his wife Kim began Covenant Community Services after a camp experience with foster youth changed their lives. The organization began in 2003 with the mission to help kids ages 18-25 transitioning out of the foster care system. Today, Covenant Services has two gourmet coffee shops offering on-the-job training to their program participants, transitional and low-cost housing, education and life skills training, mentorships, case management and more.

Kim Martin says they focused on kids 18 to 25 because it can be a make-or-break point in life, regardless of your background.

"Most 18-year-olds whether they are in the foster system or they come from a really loving and supportive background, are not ready to be out in the world on their own. We work really hard to give our kids every opportunity that we can to help them succeed in life, and that means they



From left, Covenant Community Services' Kim and Randy Martin

can have that opportunity to fail, and we are there to help pick them up and move them to the next step."

Covenant Services currently helps 175 kids in Kern County, with a robust set of services, and multiple locations. Randy says it was important they found a local bank that could keep up.

"It's been a great relationship with the whole entire team at Mission Bank. We couldn't be happier with the level of service and expertise that they give to a local non-profit that

has a pretty wild set of books. They seem to manage us with ease and it's great to be friends and business associates."

From coffee subscriptions to custom K-Cups, Covenant Services provides coffee to restaurants, organizations, and individuals across the country. The coffee is roasted at their Oildale shop and the revenue stream helps fund their programs.

Visit [CovenantCoffee.org](https://CovenantCoffee.org) to learn more. ■





From left; Mission Bank Business Banker Lead Ricky Jeffords, AVTA CEO Martin Tompkins, Mission Bank Business Banker Naomi Guzman, Mission Bank Relationship Manager Lead Jeff Johnson



# 100% electrified fleet

**The Antelope Valley Transit Authority (AVTA) is doing big things in Southern California. Their service area covers 1,200 square miles, taking them from the Antelope Valley to San Bernardino County, as far west as the I5, south to the VA Hospital in downtown Los Angeles, and as far north as the Kern County line. Their service area is impressive, and they are the only transit authority in the United States that's doing it all with a 100% electrified fleet.**

Martin Tompkins is the Executive Director and CEO of the AVTA, he's spent 38 years in the transit industry and marvels at the impacts going fully electric has made on his community.

"We started our journey in 2014 with two pilot electric buses, by 2016 our board had a vision to increase that amount. Since then, we've been able to avoid over six million gallons of diesel fuel and reduced our particulate matter by hundreds of thousands of pounds."

It's not just about the environment, the rider and employee experience has improved dramatically says Tompkins.

"You think of that diesel bus with the black smoke, there's no more of that. There's no more diesel smell or loud rattling noises. The buses are quiet and smooth and great for everyone."

Tompkins began his career as a bus driver in Los Angeles. He worked his way up through the transit industry and has been leading the AVTA since 2019. He takes pride in working with Lancaster bus manufacturer BYD to

stock his fleet and he knows how important it is to bank local.

"Keeping the money in the community is huge, and Mission Bank is a great community partner. Whenever we need anything, they are very responsive to our needs, it's been a real partnership. There are a lot of other community agencies and organizations that bank with Mission, I think it's really the place to be."

Tompkins is a community minded leader, his passion for transit is rooted in the service aspects of the industry.

"Today as an agency leader, finding solutions for our seniors and disabled is the most rewarding thing. Finding transportation solutions for people who don't have the means is important, it's about improving the



A view from the window seat.

community overall," says Tompkins. "I think back to the 80's when I drove, to be able to help someone get home, when they didn't know which way to go, guiding them from one bus to another, for me that's satisfaction." ■



Electrified buses charge in the shade of solar panel structures on the AVTA campus.



**Empire Electrical Solutions Inc. was founded in 2015 by Cole Cheatwood and his business partner Matt Waldrop; they bring a combined experience of nearly 40 years in the industry. Cheatwood was still in high school when he began working in the trades at the age of 17.**

"It was just a great opportunity at first. A friend of a friend had an electrical business, and I was their shop guy during the end of my high school years. When I got out of high school, I worked there part-time while I was going to college and just stuck with it."



# expanding

Cheatwood earned a business degree from Cal State University Bakersfield and has traded the hot and dusty central valley for the cool foothills of San Luis Obispo. He and Waldrop have expanded operations up and down the state as far south as Goleta to as far north as San Jose with projects along the coast and stretching as far east as the central valley. According to Cheatwood, they do a whole lot of everything.

"The majority of our business is multi-family mixed use construction.



A lot of 100-unit up to 400-unit apartment complexes, some mixed-use commercial spaces, a few custom homes, and a bit of industrial public work projects like traffic signals, road controls, freeway lighting and things like that."

While development has been booming in SLO over the last few years, Cheatwood knows expanding his footprint and remaining diversified is going to count in the long run.

"In the next two to five years we're going to start seeing it tail off a little with space constraints in SLO so we're looking to expand operations further south and north where we'll still see some growth opportunities in large scale projects."

That's where Mission Bank came in, for Cheatwood and Waldrop finding a community bank that could help them achieve their goals was a huge priority.

"We had our accounts with a large national bank and as we

started to grow and our needs for lending and credit lines increased, they just weren't a good fit for us anymore." Says Cheatwood. "Austin and Jin were really helpful in setting up our business accounts and credit lines, consolidating everything under the Mission umbrella. They also introduced us to our current bonding agency."

The relationship with the bonding agency and assistance with other items internally lead them to secure a bond on a federal project. Doors continue to open and Cheatwood is thankful for the partnership with Mission Bank.

"More recently we've been adding accounts and making some structural changes within the business and Austin and Jin have been super helpful in getting that going as well. So, it's been really great for us to work with Mission, continue our growth and make more connections that will help us evolve." ■





From left; Mission Bank Relationship Manager Jin Kim, Empire Electrical Solutions' Matt Waldrop and Cole Cheatwood, Mission Bank Regional President Austin Petty



## Mission Bancorp Directors

**A. J. ANTONGIOVANNI**  
President and  
Chief Executive Officer  
Mission Bancorp/Bank

**J. BRYAN BATEY**  
President  
Rosedale Homes, Inc.

**BRUCE L. BERETTA**  
Chairman  
Mission Bancorp/Bank

**JOHN BIDART**  
Vice Chairman  
Mission Bancorp/Bank  
Managing Partner  
Bidart Dairy, LLC

**MARY ELISABETH CATTANI**  
Managing Partner  
East Fork Partners, LLC

**PARAMJIT S. DOSANJH**  
Managing Partner  
Dosanjh Brothers, LLC  
Golden Gem Farms, LLC

**RICHARD E. FANUCCHI**  
Managing Partner  
Fanucchi Family, LLC

**CURTIS E. FLOYD, ESQ.**  
President  
Curtis E. Floyd, Esquire  
A Professional Law  
Corporation

**MICHAEL F. HAIR, JR.**  
Managing Member  
Whitney Oak, LLC

**MARY JANE WILSON**  
President and  
Chief Executive Officer  
WZI, Inc.

## Mission Bank Team

**A. J. ANTONGIOVANNI**  
President and  
Chief Executive Officer

**JASON CASTLE**  
Chief Operating Officer/  
Chief Financial Officer

**MICHAEL CONGDON**  
Chief Credit Officer

**BRYAN EASTERLY**  
Chief Banking Officer

**ESMERALDA RIVAS**  
Chief Compliance and  
Audit Officer

**SHELDON RALPH**  
Chief Administrative Officer

**DEBBIE HOWLAND**  
Director of Operations

**STUART ANNABLE**  
Credit Administrator

**CHRISTINE RICE**  
Note Department Manager

**CHRISTIAN SARGENT**  
Credit Policy & Reporting Officer

**VALERIE VICKERS**  
Credit Service Officer

**TREVOR MITCHELL**  
Loan Team Manager

**MARIAM GRIGORYAN**  
Manager of Organizational  
Excellence

**RODNEY MASTON**  
Chief Accounting Officer

**NATHAN WILKERSON**  
Financial Reporting Manager  
and FP&A

**LONI OLSON**  
Compensation & Benefits Manager

**RYAN ALVORD**  
Treasurer

**JASON RITCHEY**  
Regional President

**DUSTIN DELLA**  
Regional President

**AUSTIN PETTY**  
Regional President

**KAREN HEISINGER**  
Regional President

**ROB HALLUM**  
Ag Division Manager

**CRAIG HOWELLS**  
SBA Division Manager

**KAREN CLEMANS**  
Director of 1031 Exchange

**MIRANDA WHITWORTH**  
Marketing Officer

**JESSICA PINEDA**  
Director of Talent Management  
and Onboarding



# Shareholder Information

## STOCK TRANSFER AGENT AND REGISTRAR

Computershare Investor Services  
150 Royall Street, Suite 101  
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## INDEPENDENT AUDITORS

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400 Capitol Mall, Suite 1400  
Sacramento, CA 95814-4498  
T: 916.441.1000  
F: 916.441.1110

## STOCK LISTING

The company's common stock is traded on  
the OTCPK Market under the symbol "MSBC."

## INVESTOR AND SHAREHOLDER INFORMATION

Requests for information by shareholders and  
investors interested in Mission Bancorp, Inc.  
may contact:

Hilltop Securities, Inc.  
Michael Natzic  
Hilltop Securities  
Community Bank & Wealth Management Group  
T: 800.288.2811







it's a new day





Report of Independent Auditors and  
Consolidated Financial Statements for

## Mission Bancorp

December 31, 2024 and 2023



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Mission Bancorp  
Bakersfield, California

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

#### ***Opinion***

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

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

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Mission Bancorp's internal control over financial reporting as of December 31, 2024, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated March 3, 2025 expressed an unmodified opinion.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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(Continued)



In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mission Bancorp's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mission Bancorp's ability to continue as a going concern for a reasonable period of time.

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

*Crowe LLP*

Crowe LLP

Sacramento, California  
March 3, 2025



## **CONSOLIDATED FINANCIAL STATEMENTS**

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**MISSION BANCORP**  
**CONSOLIDATED BALANCE SHEETS**

| <b>ASSETS</b>   |                         |                         |
|---|-------------------------|-------------------------|
|   | DECEMBER 31,            |                         |
|   | 2024                    | 2023                    |
| Cash and cash due from banks  | \$ 47,236,290           | \$ 39,479,394           |
| Interest earning deposits in other banks  | 244,711,079             | 107,298,402             |
| Restricted cash and interest earning deposits   | 1,520,575               | 3,005,136               |
| Total cash and cash equivalents   | 293,467,944             | 149,782,932             |
| Interest earning deposits maturing over ninety days   | 490,000                 | 490,000                 |
| Investment securities available-for-sale, at fair value   | 244,922,263             | 242,680,954             |
| Loans, net of allowance for credit losses of \$19,423,233 and \$18,205,702 at December 31, 2024 and 2023, respectively  | 1,271,334,603           | 1,192,247,626           |
| Premises and equipment, net   | 2,785,173               | 3,175,295               |
| Bank owned life insurance   | 21,899,407              | 21,284,564              |
| Deferred tax asset, net   | 16,363,568              | 15,593,905              |
| Interest receivable and other assets  | 24,592,554              | 26,713,481              |
| <b>TOTAL ASSETS</b>   | <b>\$ 1,875,855,512</b> | <b>\$ 1,651,968,757</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                         |                         |
| Deposits  |                         |                         |
| Noninterest-bearing demand  | \$ 646,129,078          | \$ 645,255,956          |
| Savings, NOW, exchange, and escrow  | 142,598,571             | 148,414,289             |
| Money market  | 765,214,734             | 571,307,856             |
| Time deposits   | 95,382,476              | 71,788,636              |
| Total deposits  | 1,649,324,859           | 1,436,766,737           |
| Subordinated debentures, net of issuance costs  | 21,933,904              | 21,863,080              |
| Other borrowings  | -                       | 20,000,000              |
| Interest payable and other liabilities  | 15,111,386              | 16,624,833              |
| Total liabilities   | 1,686,370,149           | 1,495,254,650           |
| COMMITMENTS AND CONTINGENCIES (NOTE 14)   |                         |                         |
| SHAREHOLDERS' EQUITY  |                         |                         |
| Common stock - 10,000,000 shares authorized;<br>no par value; 2,636,608 and 2,475,744 shares<br>issued and outstanding at December 31, 2024<br>and 2023, respectively | 89,495,677              | 76,964,672              |
| Retained earnings   | 118,248,023             | 98,604,884              |
| Accumulated other comprehensive loss  | (18,258,337)            | (18,855,449)            |
| Total shareholders' equity  | 189,485,363             | 156,714,107             |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>   | <b>\$ 1,875,855,512</b> | <b>\$ 1,651,968,757</b> |



**MISSION BANCORP**  
**CONSOLIDATED STATEMENTS OF INCOME**

|  | YEARS ENDED DECEMBER 31, |               |
|--|--------------------------|---------------|
|  | 2024                     | 2023          |
| INTEREST INCOME  |                          |               |
| Interest and fees on loans                                       | \$ 79,819,967            | \$ 69,949,661 |
| Interest on investment securities                                | 9,957,557                | 9,605,314     |
| Other interest income  | 9,377,644                | 5,242,675     |
| Total interest income  | 99,155,168               | 84,797,650    |
| INTEREST EXPENSE   |                          |               |
| Interest on other deposits                                       | 23,304,338               | 12,473,756    |
| Interest on time deposits  | 3,333,790                | 852,118       |
| Other borrowings and subordinated debentures                     | 1,385,700                | 1,881,573     |
| Total interest expense   | 28,023,828               | 15,207,447    |
| NET INTEREST INCOME  | 71,131,340               | 69,590,203    |
| CREDIT LOSS EXPENSE (REVERSAL)                                   |                          |               |
| Credit loss expense - loans                                      | 1,568,750                | 2,220,000     |
| Credit loss reversal - unfunded loan commitments                 | (100,000)                | (800,000)     |
| Total credit loss expense  | 1,468,750                | 1,420,000     |
| NET INTEREST INCOME AFTER CREDIT<br>LOSS EXPENSE (REVERSAL)      | 69,662,590               | 68,170,203    |
| NON-INTEREST INCOME  |                          |               |
| Gain on sale of premises and equipment                           | -                        | 306,484       |
| Loss on sale of securities                                       | (31,162)                 | (736,739)     |
| Service charges, fees, and other income                          | 7,259,235                | 5,845,491     |
| Total non-interest income  | 7,228,073                | 5,415,236     |
| NON-INTEREST EXPENSES  |                          |               |
| Salaries, wages, and employee benefits                           | 21,235,956               | 18,718,606    |
| Professional services  | 4,883,552                | 4,887,476     |
| Occupancy and equipment expenses                                 | 2,320,831                | 2,349,402     |
| Data processing and communication expenses                       | 1,621,197                | 1,509,685     |
| Other expenses   | 4,803,178                | 4,162,023     |
| Total non-interest expenses                                      | 34,864,714               | 31,627,192    |
| NET INCOME BEFORE PROVISION FOR INCOME TAXES                     | 42,025,949               | 41,958,247    |
| PROVISION FOR INCOME TAXES                                       | 11,883,862               | 11,489,339    |
| NET INCOME   | \$ 30,142,087            | \$ 30,468,908 |
| EARNINGS PER SHARE AVAILABLE TO COMMON<br>SHAREHOLDERS - BASIC   | \$ 11.47                 | \$ 11.78      |
| EARNINGS PER SHARE AVAILABLE TO COMMON<br>SHAREHOLDERS - DILUTED | \$ 11.27                 | \$ 11.54      |

See accompanying notes.



**MISSION BANCORP**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

|  | YEARS ENDED DECEMBER 31, |               |
|--|--------------------------|---------------|
|  | 2024                     | 2023          |
| NET INCOME   | \$ 30,142,087            | \$ 30,468,908 |
| OTHER COMPREHENSIVE INCOME, net of tax   |                          |               |
| Change in unrealized gain on securities available-for-sale<br>and derivatives, net of income tax expense of \$239,800<br>in 2024 and \$878,595 in 2023 | 575,161                  | 2,098,137     |
| Reclassification adjustment for loss included in net<br>income, net of income tax benefit of \$9,211 in 2024<br>and \$217,780 in 2023                  | 21,951                   | 518,959       |
| Total change in unrealized gain on securities<br>available-for-sale and derivatives  | 597,112                  | 2,617,096     |
| TOTAL COMPREHENSIVE INCOME   | \$ 30,739,199            | \$ 33,086,004 |



# MISSION BANCORP

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

|   | YEARS ENDED DECEMBER 31, 2024 AND 2023 |               |                      |                                |                               |
|---|--|---------------|----------------------|--------------------------------|-------------------------------|
|   | Common Stock                           |               | Accumulated          |                                |                               |
|   | Number of<br>Shares                    | Amount        | Retained<br>Earnings | Comprehensive<br>Income (Loss) | Total Shareholders'<br>Equity |
| BALANCE, December 31, 2022                                | 2,309,933                              | \$ 65,271,637 | \$ 79,985,463        | \$ (21,472,545)                | \$ 123,784,555                |
| Reclassification related to adoption of<br>of ASU 2016-13 | -                                      | -             | (1,405,853)          | -                              | (1,405,853)                   |
| Stock based compensation                                  | -                                      | 1,092,650     | -                    | -                              | 1,092,650                     |
| Net income  | -                                      | -             | 30,468,908           | -                              | 30,468,908                    |
| 5% stock dividend   | 117,912                                | 10,429,414    | (10,429,414)         | -                              | -                             |
| Fractional shares cancelled                               | (153)                                  | -             | (14,220)             | -                              | (14,220)                      |
| Issuance of restricted stock awards                       | 6,045                                  | -             | -                    | -                              | -                             |
| Options exercised   | 51,297                                 | 327,560       | -                    | -                              | 327,560                       |
| Net settled shares forfeited                              | (7,410)                                | (100)         | -                    | -                              | (100)                         |
| Restricted stock awards cancelled                         | (109)                                  | -             | -                    | -                              | -                             |
| Repurchase of common stock                                | (1,771)                                | (156,489)     | -                    | -                              | (156,489)                     |
| Other comprehensive income, net                           | -                                      | -             | -                    | 2,617,096                      | 2,617,096                     |
| BALANCE, December 31, 2023                                | 2,475,744                              | 76,964,672    | 98,604,884           | (18,855,449)                   | 156,714,107                   |
| Stock based compensation                                  | -                                      | 1,171,514     | -                    | -                              | 1,171,514                     |
| Net income  | -                                      | -             | 30,142,087           | -                              | 30,142,087                    |
| 5% stock dividend   | 125,357                                | 10,483,003    | (10,483,003)         | -                              | -                             |
| Fractional shares cancelled                               | (178)                                  | -             | (15,945)             | -                              | (15,945)                      |
| Issuance of restricted stock awards                       | 7,834                                  | -             | -                    | -                              | -                             |
| Options exercised   | 41,130                                 | 1,424,307     | -                    | -                              | 1,424,307                     |
| Net settled shares forfeited                              | (5,830)                                | (426)         | -                    | -                              | (426)                         |
| Restricted stock awards cancelled                         | (1,292)                                | -             | -                    | -                              | -                             |
| Repurchase of common stock                                | (6,157)                                | (547,393)     | -                    | -                              | (547,393)                     |
| Other comprehensive income, net                           | -                                      | -             | -                    | 597,112                        | 597,112                       |
| BALANCE, December 31, 2024                                | 2,636,608                              | \$ 89,495,677 | \$ 118,248,023       | \$ (18,258,337)                | \$ 189,485,363                |

See accompanying notes.



**MISSION BANCORP**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  | YEARS ENDED DECEMBER 31, |                |
|--|--------------------------|----------------|
|  | 2024                     | 2023           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |                          |                |
| Net income   | \$ 30,142,087            | \$ 30,468,908  |
| Adjustments to reconcile net income to net cash from operating activities        |                          |                |
| Credit loss expense - loans  | 1,568,750                | 2,220,000      |
| Credit loss reversal - unfunded loan commitments                                 | (100,000)                | (800,000)      |
| Depreciation and amortization of premises and equipment                          | 669,357                  | 751,504        |
| Accretion of deferred loan fees and costs, net                                   | (76,912)                 | (5,023)        |
| Accretion and amortization on investments  | 1,917,175                | 1,840,952      |
| Amortization of debt issuance costs  | 70,824                   | 70,824         |
| Deferred tax benefit   | (1,018,674)              | (850,023)      |
| Stock-based compensation   | 1,171,514                | 1,092,650      |
| Unrealized gain on equity securities   | (11,888)                 | (41,909)       |
| Realized net loss on sale of securities  | 31,162                   | 736,739        |
| Gain on sale of premises and equipment   | -                        | (306,484)      |
| Increase in cash surrender value of bank owned life insurance                    | (614,843)                | (528,099)      |
| Net change in:   |                          |                |
| Interest receivable and other assets   | 2,168,415                | (3,962,379)    |
| Interest payable and other liabilities   | (1,413,447)              | 1,968,501      |
| Net cash provided by operating activities  | 34,503,520               | 32,656,161     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                      |                          |                |
| Decrease in restricted interest earning deposits maturing over ninety days       | -                        | 1,720,779      |
| Purchases of available-for-sale investments                                      | (70,439,078)             | (31,737,380)   |
| Proceeds from sales, repayments and maturities of available-for-sale investments | 67,095,555               | 40,520,113     |
| Net decrease in interest earning deposits maturing over ninety days              | -                        | 735,000        |
| Net increase in loans  | (80,578,815)             | (140,894,465)  |
| Purchases of premises and equipment  | (279,235)                | (1,001,651)    |
| Proceeds from sale of premises and equipment                                     | -                        | 387,450        |
| Purchase of bank owned life insurance  | -                        | (150,000)      |
| Purchase of FHLB stock and FRB stock   | (35,600)                 | (1,395,300)    |
| Net cash used in investing activities  | (84,237,173)             | (131,815,454)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                      |                          |                |
| Net increase in demand deposits and transaction accounts                         | 188,964,282              | 49,478,708     |
| Net increase in time deposits  | 23,593,840               | 48,245,153     |
| Proceeds from other borrowings   | -                        | 20,000,000     |
| Payments for other borrowings  | (20,000,000)             | -              |
| Net settled shares and fractional shares cancelled                               | (16,371)                 | (14,320)       |
| Proceeds from exercises of stock options   | 1,424,307                | 327,560        |
| Repurchase of common stock   | (547,393)                | (156,489)      |
| Net cash provided by financing activities  | 193,418,665              | 117,880,612    |
| Change in cash and cash equivalents  | 143,685,012              | 18,721,319     |
| Beginning of year  | 149,782,932              | 131,061,613    |
| End of year  | \$ 293,467,944           | \$ 149,782,932 |

**MISSION BANCORP**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

|  | YEARS ENDED DECEMBER 31, |               |
|--|--------------------------|---------------|
|  | 2024                     | 2023          |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION  |                          |               |
| Interest paid  | \$ 28,559,505            | \$ 14,496,030 |
| Taxes paid   | \$ 12,605,800            | \$ 13,256,108 |
| SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING<br>AND FINANCING ACTIVITIES                            |                          |               |
| Lease liabilities arising from obtaining right-of-use assets   | \$ -                     | \$ 2,510,407  |
| Change in loans, net due to adoption of ASU 2016-13  | \$ -                     | \$ 850,436    |
| Change in deferred tax benefit due to adoption of ASU 2016-13  | \$ -                     | \$ (590,066)  |
| Change in allowance for credit losses on unfunded loan commitments<br>due to adoption of ASU 2016-13 | \$ -                     | \$ 1,145,483  |



## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 1 – Summary of Significant Accounting Policies

**Nature of operations** – Mission Bancorp (the Company) was incorporated on January 31, 2002 and subsequently obtained approval from the Board of Governors of the Federal Reserve System to be a bank holding company in connection with its acquisition of Mission Bank (the Bank). The Company became the sole shareholder of the Bank in June 2002. The Bank is a state chartered financial institution incorporated in California on April 29, 1998. The Bank commenced banking operations on October 7, 1998. The Bank maintains eight full-service facilities, one located in Shafter, California, two located in Bakersfield, California, one located in Lancaster, California, one located in Ventura, California, one located in Stockton, California, one located in San Luis Obispo, California, and one located in Visalia, California. The Bank generates commercial, mortgage, and consumer loans and receives deposits from customers located primarily in the California counties of Kern, Los Angeles, Ventura, San Luis Obispo, San Joaquin, and Tulare.

On August 22, 2007, the Company organized Mission 1031 Exchange, LLC, a California Limited Liability Company, to facilitate IRS Code Section 1031 property exchange transactions. Mission 1031 Exchange, LLC is a wholly owned subsidiary of Mission Bancorp.

In November 2016, the Company organized Mission Community Development, LLC (MCD, LLC), a California Limited Liability Company, to facilitate and promote growth in low-income communities. MCD, LLC submitted an application with the Community Development Financial Institutions Fund and has qualified as a Community Development Entity that provides investment capital to low-income communities. MCD, LLC did not apply for New Market Tax Credit allocations in 2024 or 2023. MCD, LLC is a wholly owned subsidiary of Mission Bancorp.

In June 2017, the Company organized Nosbig 88, Inc. a Nevada Corporation, to allow the entities of the Company to participate in a pooled-risk sharing group. Nosbig 88, Inc. is a wholly-owned subsidiary of the Company that provides property and casualty insurance coverage to the Company, the Bank and the Company's subsidiaries, and reinsurance to eighteen other third-party insurance captives, for which insurance may not be currently available or economically feasible in the insurance marketplace. Nosbig 88, Inc. generates insurance premium income that is chargeable to each of the other entities in the consolidated group. This premium income and the related charges are eliminated upon consolidation within the accompanying consolidated financial statements. The insurance coverage provided by Nosbig 88, Inc. expired on December 1, 2024 and was not renewed.

**Basis of presentation and consolidation** – The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and general practices within the banking industry. The consolidated financial statements of the Company include the accounts of the Company, the Bank, Mission 1031 Exchange, LLC, Mission Community Development, LLC., and Nosbig 88, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

**Reclassifications** – Certain reclassifications have been made to the 2023 consolidated financial statements to conform to the current year presentation. These reclassifications have no effect on prior year net income or total shareholders' equity of the Company.

## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### **Note 1 – Summary of Significant Accounting Policies (continued)**

**Subsequent events** – Subsequent events are events or transactions that occur after the consolidated balance sheet date but before consolidated financial statements are issued. The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before consolidated financial statements are issued. The Company has evaluated subsequent events through March 3, 2025, which is the date the consolidated financial statements were available to be issued.

**Risks and uncertainties** – In the normal course of business, the Company encounters two significant types of risk: economic and regulatory. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different speeds, or on a different basis, than its interest-earning assets. Credit risk is the risk of default, primarily in the loan portfolio, that results from the borrowers' inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of securities, the value of collateral underlying loans receivable, the valuation of other investments, the valuation of deferred tax assets, the valuation of the interest rate swaps and the valuation of interest rate caps.

The Company is subject to the regulations of various governmental agencies. These regulations can change from period to period. Such regulations can also restrict the Company's ability to sustain continued growth as a result of capital and other requirements. The Company also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required allowance for credit losses and operating restrictions resulting from the regulators' judgments based upon information available to them at the time of their examination.

**Use of estimates** – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated balance sheets, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, valuation of investment securities, and valuation of deferred tax assets. Actual results could differ from the estimated amounts.

**Concentrations of credit risk** – The Company has no significant concentrations of credit risk with any individual party; however, the Company's lending is primarily concentrated in the California counties of Kern, Los Angeles, Ventura, San Luis Obispo, San Joaquin, and Tulare.



## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### **Note 1 – Summary of Significant Accounting Policies (continued)**

As of December 31, 2024 and 2023, the Company has cash deposits at other financial institutions in excess of the Federal Deposit Insurance Corporation insured limits. However, the Company places these deposits with major financial institutions and monitors the financial condition of these institutions.

**Business combinations** – Business combinations are accounted for under the acquisition method of accounting in accordance with ASC 805, Business Combinations. Under the acquisition method, the acquiring entity in a business combination recognizes the acquired assets and assumed liabilities, regardless of the percentage owned, at their estimated fair values as of the date of acquisition. Any excess of the purchase price over the fair value of net assets and other identifiable intangible assets acquired is recorded as goodwill. Assets acquired and liabilities assumed from contingencies must also be recognized at fair value, if the fair value can be determined during the measurement period. Results of operations of an acquired business are included in the consolidated statements of income from the date of acquisition. Acquisition related costs, including conversion, are expensed as incurred.

**Cash and cash equivalents** – For purposes of the statements of cash flows, cash and cash equivalents include cash and balances due from banks, and federal funds sold, all of which have original maturities of less than ninety days. Banking regulations require that banks maintain a percentage of their deposits as reserves in cash or on deposit with the Federal Reserve Bank. The percentage requirement was reduced to zero percent effective March 26, 2020.

**Interest earning deposits in other banks** – Interest earning deposits in other banks are carried at amortized cost and include certificates of deposits in major financial institutions located throughout the United States of America.

**Restricted cash and interest earning deposits** – The Company's subsidiary Nosbig, 88, Inc. has cash balances and interest earning deposits that are restricted in use for paying potential insurance claims.

**Investment securities** – Debt securities that will be held for indefinite periods of time, including securities that may be sold in response to changes in market interest or prepayment rates, needs for liquidity, and changes in the availability of and the yield of alternative investments, are classified as available-for-sale. These assets are carried at fair value. Fair value is determined using public market prices, dealer quotes, and prices obtained from independent pricing services that may be derived from observable and unobservable market inputs. Unrealized gains and losses, net of tax, are excluded from earnings and are reported as a separate component of shareholders' equity until realized. Debt securities that management has the ability and intent to hold to maturity are classified as held-to-maturity and carried at amortized cost.

**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 1 – Summary of Significant Accounting Policies (continued)**

Equity securities with readily determinable fair values are carried at fair value with the change in fair value recognized in net income. The total equity securities carried at fair value at December 31, 2024 and 2023 totaled \$568,729 and \$568,468 respectively. This amount is included as a component of interest receivable and other assets on the consolidated balance sheets. The total unrealized gain included in net income on these securities for the years ended December 31, 2024 and 2023 was \$11,888 and \$41,909, respectively. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment.

Interest income from the investment securities portfolio is accrued as earned, including the accretion of discounts and the amortization of premiums based on the original cost of each security owned. Discounts and premiums are accreted and amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Discounts and premiums on mortgage-backed securities are accreted and amortized to the expected maturity date of the investment security. Premiums on callable securities are amortized to their earliest call date. Realized gains or losses on the sale of investments and mortgage-backed securities are reported in earnings as of the trade date and determined using the amortized cost of the specific security sold. The gain or loss recognized on any security sold prior to maturity is based on the difference between principal proceeds and the amortized cost.

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

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.



## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 1 – Summary of Significant Accounting Policies (continued)

**Investments in common stock, substantially restricted** – The Company became a member of the Federal Reserve Bank of San Francisco (FRB) and is now under their regulatory oversight. Membership in the Federal Reserve System requires members to hold stock in an amount equivalent to six percent of the Company's capital and surplus. The Company is also a member of the Federal Home Loan Bank of San Francisco (FHLB). As a member of the FHLB, the Company is required to purchase FHLB stock in accordance with its advances, securities, and deposit agreement. The Company also invests in the stock of Pacific Coast Bankers Bank (PCBB) and Texas Independent Bank (TIB) in connection with its advance and correspondent banking arrangements with PCBB and TIB. At December 31, 2024 and 2023, the Company held \$100 thousand each of PCBB stock and TIB stock. PCBB and TIB stock is restricted as to purchase, sale, and redemption.

As of December 31, 2024 and 2023, the Company held \$1.2 million of FRB stock. The amount of FRB stock held is evaluated quarterly to determine if additional shares are required to be purchased or cancelled based on the Company's capital and surplus.

At December 31, 2024 and 2023, the Company held \$6.4 million of FHLB stock. The Company evaluates its investment in FHLB stock for impairment on a periodic basis and has not recorded an impairment on its investment of FHLB stock during 2024 and 2023.

The investments in FRB stock, FHLB stock, TIB stock, and PCBB stock are carried as cost method investments and are reported within interest receivable and other assets in the consolidated balance sheets as of December 31, 2024 and 2023.

**Originated loans** – Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at the amount of unpaid principal, reduced by an allowance for credit losses and net deferred loan fees and costs. Interest income on loans is calculated by the simple-interest method on daily balances of the principal amount outstanding. Loan origination fees, net of certain direct origination costs, are capitalized and recognized as an adjustment of the yield over the life of the related loan using the effective interest method.

The accrual of interest on originated loans is discontinued at the time the loan becomes 90 days delinquent unless the credit is well secured and in process of collection. In some cases, loans can be placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful. Subsequent collections of interest are applied to unpaid principal balances or included in interest income based upon management's assessment of the likelihood that principal will be collected.

**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 1 – Summary of Significant Accounting Policies (continued)**

When a loan is placed on nonaccrual status, previously accrued and uncollected interest is reversed from income and all amortization of deferred fees and costs is ceased. Loans on nonaccrual are charged off, or partially charged off, when one of two conditions is present: (i) it has been determined that all or a portion of an asset is uncollectible; or (ii) when there is an uncertainty as to the source or timing of any eventual payoff. Payments received on nonaccrual loans are applied first to the principal not charged off. If the loan has had a partial charge off or was charged off, the payment received after the recorded balance has been paid off is applied as a recovery to the allowance for loan losses. Once a loan is on nonaccrual, it is generally not returned to accrual status until: (i) all past due principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period; and (ii) there has been a sustained period of repayment performance (generally six months) by the borrower.

**Acquired loans** – Under ASC 326, an allowance for credit losses is required to be established at the date of acquisition. The difference between the purchase price and loan is amortized over the remaining life of the loan. For purchased loans with a more-than-insignificant amount of credit deterioration since origination that are measured at amortized cost, the initial allowance for credit losses is added to the purchase price rather than reported as a provision for credit losses. Subsequent changes in the allowance are recognized through provision for credit losses.

**Loans held for sale** – Loans that were previously held for investment that the Company has an active plan to sell are transferred to loans held for sale at the lower of cost or market (fair value). The market price is primarily determined based on quoted prices for similar loans in active markets or agreed upon sales prices. Gains are recorded in non-interest income at sale to the extent that the sale price of the loan exceeds carrying value. Any reduction in the loan's value, prior to being transferred to loans held for sale, is reflected as a charge-off of the recorded investment in the loan resulting in a new cost basis, with a corresponding reduction in the allowance for loan losses. Further decreases in the fair value of the loan are recognized in non-interest expense.

**Allowance for credit losses for loans** – The allowance for credit losses ("ACL") is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.



## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 1 – Summary of Significant Accounting Policies (continued)

The ACL represents management's estimate of expected credit losses over the expected life of the loans at the balance sheet date. The ACL is measured using historical bank and peer loss history and macroeconomic loss drivers on a collective (pool) basis when similar risk characteristics exist. The Company uses a risk rating methodology that assigns risk ratings ranging from 1 to 9 where a higher rating represents a higher risk. The Company evaluates its risk characteristics of loans based on regulatory call report code. Risk characteristics relevant to each portfolio segment are as follows:

| Segment                                   | Methodology           |
|---|-----------------------|
| Construction and land development         | Discount cash flow    |
| Non-farm and non-residential properties   | Discount cash flow    |
| Residential properties                    | Discount cash flow    |
| Farmland                                  | Discount cash flow    |
| Agricultural production                   | Discount cash flow    |
| Commercial and industrial                 | Discount cash flow    |
| Other revolving credit plans and consumer | Remaining life method |

The Company's credit loss models are based on historical data and incorporate forecasts of macroeconomic variables, expected prepayments and recoveries. Outside of the model, non-economic qualitative factors are applied to further refine the expected loss calculation for each portfolio. The quantitative calculation utilizes a loss driver analysis that results in a reasonable and supportable forecast. Regression models are built that relate one or more economic factors to the default rate of various portfolios. A four-quarter reasonable and supportable forecast period with a four-quarter reversion period is currently used for all loan portfolios. When the risk characteristics of a loan no longer match the characteristics of the collective pool, the loan is removed from the pool and individually assessed for credit losses. Generally, nonaccrual loans and collateral dependent loans are individually assessed.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are also not included in the collective evaluation. The individual assessment for credit impairment is generally based on a discounted cash flow approach unless the asset is collateral dependent. When management determines that foreclosure is probable or repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty, expected credit losses are based on the fair value of the collateral. The fair value is reduced for estimated costs to sell if the value of the collateral is expected to be realized through sale.

Qualitative factors are also assigned by management based on national and local economic trends, effects of the changes in the value of underlying collateral, trends in volume and terms of loans, effects of changes in lending policy, experience and depth of management, concentrations of credit, quality of the loan review system and effect of external factors such as competition and regulatory requirements. Each factor is weighted and assigned a risk level for each pool level, which translates into a qualitative scorecard that calculates the difference between the quantitative expected credit loss and the maximum loss rate. The qualitative scorecard provides directional consistency, objectivity, controls, and a quantifiable framework that is auditable.

**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 1 – Summary of Significant Accounting Policies (continued)**

The Company has elected to present accrued interest receivable separately from the amortized cost basis on the balance sheet and is not currently estimating an allowance for credit loss on accrued interest. This election applies to loans as well as debt securities. The Company's nonaccrual policies have not changed as a result of adopting CECL.

**Transfers of financial assets** – The Company has entered into certain participation agreements with other organizations. Transfers of an entire financial asset, a group of financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee has the right to pledge or exchange the assets (or beneficial interests) it received, free of conditions that constrain it from taking advantage of that right, and (3) the Company does not maintain effective control over the transferred financial assets or third-party beneficial interests related to those transferred assets. No gain or loss has been recognized by the Company on the sale of these interests for the years ended December 31, 2024 and 2023.

**Premises and equipment** – Premises and equipment are stated at cost, less accumulated depreciation or amortization recognized on a straight-line basis. Building and land improvements are amortized over the shorter of the life of a related lease or the estimated useful life of the improvement; and furniture, fixtures, and equipment are generally depreciated over five years. Gains and losses on the disposition of premises and equipment are included in the results of operations. Expenditures for betterments or major repairs are capitalized, while repairs and maintenance are charged to the results of operations as incurred.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. If the sum of the expected future cash flows is less than the stated amount of the asset, an impairment loss is recognized for the difference between the fair value of the asset and its carrying amount.

**Leases** – The Company enters into leases in the normal course of business primarily for financial centers, office operations and equipment, which have been classified as operating leases. The Company's leases have remaining terms that run through October 2031, some of which include renewal options to extend the lease for up to five years and some of which include options to terminate the lease. The Company includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option. The Company has elected not to recognize leases with original lease terms of 12 months or less on the consolidated balance sheets.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the term of the lease. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the term lease.



## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 1 – Summary of Significant Accounting Policies (continued)

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The Company's incremental borrowing rate is based on the FHLB advance rate, adjusted for the lease term.

**Bank owned life insurance** – The Company invests in Bank Owned Life Insurance (BOLI). BOLI involves the purchasing of life insurance by the Company on a chosen group of employees. The Company is the owner and beneficiary of these policies. BOLI is recorded as an asset in the consolidated balance sheets at its cash surrender value, net of applicable surrender charges. Increases in the cash value of these policies, as well as insurance proceeds received, are recorded in non-interest income and are not subject to income tax.

**Allowance for credit losses on unfunded loan commitments** – The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on unfunded loan commitments is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The Company's allowance for credit losses on unfunded loan commitments is included in interest payable and other liabilities on the consolidated balance sheets.

**Derivative financial instruments** – The Company uses derivative instruments as part of its overall interest rate management. All derivative instruments are recognized on the balance sheet at fair value. At the inception of a derivative contract, the Company designates the derivative as (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), or (3) an instrument with no hedging designation ("stand-alone derivative"). For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in current earnings as fair values change. All of the Company's derivatives are designated and qualify as fair value hedges.

Accrued settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Accrued settlements on derivatives not designated or that do not qualify for hedge accounting are reported in non-interest income.

## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### **Note 1 – Summary of Significant Accounting Policies (continued)**

The Company formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking fair value hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting changes in fair values or cash flows of the hedged items. The Company discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative is settled or terminates, a hedged forecasted transaction is no longer probable, a hedged firm commitment is no longer firm, or treatment of the derivative as a hedge is no longer appropriate or intended.

When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as non-interest income. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability.

The Company is exposed to losses if a counterparty fails to make its payments under a contract in which the Company is in the net receiving position. The Company anticipates that the counterparties will be able to fully satisfy their obligations under the agreements. All the contracts to which the Company is a party settle monthly. In addition, the Company obtains collateral above certain thresholds of the fair value of its derivatives for each counterparty based upon their credit standing and the Company has netting agreements with the dealers with which it does business.

**Income taxes** – The Company uses the asset and liability method to account for income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the income tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled.

The Company's annual tax rate is based on its income, statutory tax rates, and tax planning opportunities available in which it operates. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties. Accounting for income taxes prescribes a recognition threshold and a measurement attribute for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Benefits from tax positions are recognized in the consolidated financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.



## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### **Note 1 – Summary of Significant Accounting Policies (continued)**

The Company reviews its tax positions periodically and adjusts the balances as new information becomes available. The Company recognizes interest and penalties associated with uncertain tax positions as components of other expenses in the consolidated statements of income.

Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. The Company evaluates the recoverability of these future tax deductions by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely heavily on estimates. The Company uses historical experience and short and long-range business forecasts to provide insight. Although realization is not assured for the remaining deferred income tax assets, the Company believes it is more likely than not the deferred tax assets will be fully recoverable within the applicable statutory expiration periods. However, deferred tax assets could be reduced in the near term if estimates of taxable income are significantly reduced or available tax planning strategies are no longer viable.

**Advertising expense** – Advertising costs are expensed as incurred and amounted to \$33 thousand and \$23 thousand in 2024 and 2023, respectively.

**Off-balance sheet financial instruments** – In the ordinary course of business, the Company has entered into off-balance sheet agreements consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded or the related fees are incurred or received.

**Share-based compensation** – Share-based compensation cost is measured at the grant date based on the estimated fair value of the award and is recognized as expense over the employee's requisite service period for all stock-based awards granted, modified, or cancelled. The fair value of stock options is being measured using a Black-Scholes pricing model.

**Comprehensive income** – Accounting principles require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in shareholders' equity from non-owner sources, such as unrealized gains and losses on available-for-sale securities, are reported within comprehensive income and are reflected as a separate component of the equity section of the consolidated balance sheets. For the years ended December 31, 2024 and 2023, change in unrealized gain (loss) on securities and derivatives were the only items in other comprehensive income.

**Common stock** – The Company has authorized 10,000,000 shares of common stock. Each share entitles the holder to one vote. There are no dividend or liquidation preferences, participation rights, call prices or dates, conversion prices or rates, sinking fund requirements, or unusual voting rights associated with these shares. Stock dividends of 20% or less of common shares outstanding at the time of the dividend declaration are reported as a transfer from retained earnings to common stock and additional paid-in capital at fair value. Fractional share amounts are paid in cash with a reduction in retained earnings.

**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 1 – Summary of Significant Accounting Policies (continued)**

**Stock repurchase plan** – On April 28, 2022, the Company announced it had entered into a Rule 10b5-1 plan (the “2022 10b5-1 Plan”) to facilitate the repurchase of its common stock. Pursuant to the 2022 10b5-1 Plan, a maximum of \$1.0 million of the Company’s common stock may be repurchased by the Company. The 2022 10b5-1 Plan was extended during the current year and will expire on April 24, 2025. The extension authorizes the Company to repurchase its common stock up to a maximum of \$1.0 million. Remaining funds associated with the initial authorization were removed from the Plan and the Company may suspend or discontinue the Plan at any time. The Company repurchased 3,705 shares under the Plan at an average price of \$87.45 for the year ended December 31, 2024. The Company repurchased 592 shares under the Plan at an average price of \$79.50 for the year ended December 31, 2023. The Company has repurchased a total of 7,771 shares at an average price of \$84.93 under the Plan as of December 31, 2024.

**Earnings per share** – Earnings per share (EPS) amounts have been computed using both the weighted average number of shares outstanding of common stock for the purposes of computing basic earnings per share and the weighted average number of shares outstanding of common stock plus dilutive common stock equivalents for the purpose of computing diluted earnings per share. Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Basic EPS excludes the dilutive effect that could occur if any securities or other contracts to issue common stock were exercised or converted into or resulted in the issuance of common stock. Diluted EPS is computed using the treasury stock method by dividing net income available to common shareholders by the sum of the weighted average number of common shares outstanding for the period plus the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued. The dilutive calculation excludes -0- options outstanding for the years ended December 31, 2024 and 2023, respectively, for which the exercise price exceeded the average market price of the Company’s common stock during those years.



## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 1 – Summary of Significant Accounting Policies (continued)

Basic and diluted earnings per share are calculated as follows for the years ended December 31:

|  | 2024             | 2023             |
|--|------------------|------------------|
| Basic earnings per share   |                  |                  |
| Net income available to common shareholders  | \$ 30,142,087    | \$ 30,468,908    |
| Divided by weighted average shares outstanding   | 2,627,612        | 2,586,840        |
| Basic earnings per share   | <u>\$ 11.47</u>  | <u>\$ 11.78</u>  |
| Diluted earnings per share   |                  |                  |
| Net income available to common shareholders  | \$ 30,142,087    | \$ 30,468,908    |
| Weighted average shares outstanding  | 2,627,612        | 2,586,840        |
| Effect of dilutive securities - stock options and unvested restricted stock                            | <u>46,587</u>    | <u>54,024</u>    |
| Divided by weighted average shares outstanding, including potentially dilutive effect of stock options | <u>2,674,199</u> | <u>2,640,864</u> |
| Diluted earnings per share   | <u>\$ 11.27</u>  | <u>\$ 11.54</u>  |

For the year ended December 31, 2024, the weighted average shares outstanding and effect of dilutive securities in the table above have been adjusted for a five percent stock dividend declared on April 25, 2024. For the year ended December 31, 2023, the weighted average shares outstanding and effect of dilutive securities in the table above have been adjusted for five percent stock dividends declared on April 27, 2023 and April 25, 2024.

**Fair value measurements** – Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values for financial instruments recorded on a recurring and nonrecurring basis are included in Note 15.

**Operating segments** – Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (CODM) in deciding how to allocate resources and assessing performance. The CODM monitors financial performance and evaluates the revenue streams of various products, services, locations, and operations on a Company-wide basis. Accordingly, all operations are considered by management to be aggregated in one reportable operating segment.

**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 1 – Summary of Significant Accounting Policies (continued)**

**Recently adopted accounting standards** – On January 1, 2024, the Company adopted ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments are intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The amendments are effective for annual reporting periods beginning after December 15, 2023 and interim periods within fiscal years beginning after December 31, 2024, and shall be applied retrospectively to all prior periods presented in the financial statements. The adoption of ASU No. 2023-07 did not have a material impact on the consolidated financial statements.

On January 1, 2023, the Company adopted ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loans receivable and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC 326 using the modified retrospective approach to estimate lifetime expected losses on financial assets measured at amortized cost in addition to certain off-balance sheet credit exposures. The Company recorded a net decrease to retained earnings of \$1.4 million as of January 1, 2023 for the cumulative effect of adopting ASC 326. The increase in the Company's allowance for credit losses of \$0.9 million on loans and leases and \$1.1 million in unfunded loan commitments, net of the \$0.6 million impact of deferred taxes is reflected in the transition adjustment on January 1, 2023. There was no cumulative effect adjustment related to the Company's available-for-sale investment portfolio upon adoption.



## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 1 – Summary of Significant Accounting Policies (continued)

The following table illustrates the impact of the adoption of ASC 326 on January 1, 2023:

|   | December 31, 2022<br>Pre-ASC 326 Adoption | Impact of<br>Adoption | January 1, 2023<br>Post-ASC 326 Adoption |
|---|---|-----------------------|--|
| Assets:                                 |   |                       |  |
| Allowance for credit losses on loans:   |   |                       |  |
| Construction and land development       | \$ 2,519,012                              | \$ (862,120)          | \$ 1,656,892                             |
| Non-farm and non-residential properties | 4,052,612                                 | 4,308,465             | 8,361,077                                |
| Residential properties                  | 2,366,676                                 | (802,867)             | 1,563,809                                |
| Farmland                                | 1,491,804                                 | 900,439               | 2,392,243                                |
| Agricultural production                 | 303,915                                   | (156,337)             | 147,578                                  |
| Commercial and industrial and other     | 3,016,342                                 | (1,438,441)           | 1,577,901                                |
| Unallocated                             | 1,098,703                                 | (1,098,703)           | -  |
| Total                                   | \$ 14,849,064                             | \$ 850,436            | \$ 15,699,500                            |
| Deferred tax assets, net                | \$ 15,250,191                             | \$ 590,066            | \$ 15,840,257                            |

#### Liabilities and Shareholders' Equity:

|  |               |                |               |
|--|---------------|----------------|---------------|
| Allowance for credit losses on unfunded loan commitments | \$ 251,426    | \$ 1,145,483   | \$ 1,396,909  |
| Retained earnings  | \$ 79,985,463 | \$ (1,405,853) | \$ 78,579,610 |

The Company did not record an ACL on the available-for-sale portfolio upon the implementation of ASU No. 2016-13 on January 1, 2023, as the Company considers the unrealized loss across the classes of major security-type to be related to fluctuations in market conditions, primarily interest rates, and not reflective of a deterioration in credit value.

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The ASU eliminates the recognition and measurement guidance for troubled debt restructuring (TDR) for creditors that have adopted ASU No. 2016-13. The ASU also requires public business entities to present gross write-offs by year of origination in the vintage disclosures. The ASU has the same effective date and transition requirement as ASU 2016-13 for the Company. On January 1, 2023, the Company adopted ASU No. 2022-02. The adoption of this ASU did not have a material impact on the consolidated financial statements.

**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 – Investment Securities**

Investment securities have been classified in the consolidated balance sheets according to management’s intent. The following table summarizes the amortized cost, fair value, and allowance for credit losses of securities as of December 31, 2024 and 2023:

|  | 2024                  |                              |                               |                                |                         |
|--|-----------------------|------------------------------|-------------------------------|--------------------------------|-------------------------|
|  | Amortized Cost        | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Allowance for<br>Credit Losses | Estimated Fair<br>Value |
| Available-for-sale   |                       |                              |                               |                                |                         |
| Municipal bonds  | \$ 100,970,487        | \$ 57                        | \$ (17,663,776)               | \$ -                           | \$ 83,306,768           |
| Mortgage-backed securities,<br>government sponsored entities     | 124,314,457           | 30,866                       | (7,114,772)                   | -                              | 117,230,551             |
| Mortgage-backed securities,<br>non-government sponsored entities | 4,007,931             | 83                           | (67,666)                      | -                              | 3,940,348               |
| SBA loan pools   | 25,014,894            | -                            | (618,054)                     | -                              | 24,396,840              |
| U.S. Treasury notes  | 13,964,833            | 855                          | (942,232)                     | -                              | 13,023,456              |
| Agency securities  | 3,056,956             | -                            | (32,656)                      | -                              | 3,024,300               |
|  | <u>\$ 271,329,558</u> | <u>\$ 31,861</u>             | <u>\$ (26,439,156)</u>        | <u>\$ -</u>                    | <u>\$ 244,922,263</u>   |
|  |                       |                              |                               |                                |                         |
|  | 2023                  |                              |                               |                                |                         |
|  | Amortized Cost        | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Allowance for<br>Credit Losses | Estimated Fair<br>Value |
| Available-for-sale   |                       |                              |                               |                                |                         |
| Municipal bonds  | \$ 102,866,110        | \$ -                         | \$ (18,190,510)               | \$ -                           | \$ 84,675,600           |
| Mortgage-backed securities,<br>government sponsored entities     | 99,133,446            | 14,256                       | (6,444,195)                   | -                              | 92,703,507              |
| Mortgage-backed securities,<br>non-government sponsored entities | 5,546,621             | -                            | (181,269)                     | -                              | 5,365,352               |
| SBA loan pools   | 31,080,067            | 207,734                      | (336,512)                     | -                              | 30,951,289              |
| U.S. Treasury notes  | 27,207,007            | -                            | (1,245,201)                   | -                              | 25,961,806              |
| Agency securities  | 3,065,665             | -                            | (42,265)                      | -                              | 3,023,400               |
|  | <u>\$ 268,898,916</u> | <u>\$ 221,990</u>            | <u>\$ (26,439,952)</u>        | <u>\$ -</u>                    | <u>\$ 242,680,954</u>   |

# MISSION BANCORP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 2 – Investment Securities (continued)

Information pertaining to available-for-sale securities with gross unrealized losses, aggregated by investment type and length of time that individual securities have been in a continuous unrealized loss position at December 31 is as follows:

|  | 2024                 |                       |                       |                        |                       |                        |
|--|----------------------|-----------------------|-----------------------|------------------------|-----------------------|------------------------|
|  | Less Than 12 Months  |                       | 12 Months or More     |                        | Total                 |                        |
|  | Fair Value           | Unrealized Losses     | Fair Value            | Unrealized Losses      | Fair Value            | Unrealized Losses      |
| Available-for-sale   |                      |                       |                       |                        |                       |                        |
| Municipal bonds  | \$ 1,669,685         | \$ (257,276)          | \$ 81,322,026         | \$ (17,406,500)        | \$ 82,991,711         | \$ (17,663,776)        |
| Mortgage-backed securities,<br>government sponsored entities     | 44,202,331           | (993,651)             | 62,626,796            | (6,121,121)            | 106,829,127           | (7,114,772)            |
| Mortgage-backed securities,<br>non-government sponsored entities | 1,956,628            | (25,484)              | 1,183,897             | (42,182)               | 3,140,525             | (67,666)               |
| SBA loan pools   | 22,260,796           | (513,950)             | 2,136,044             | (104,104)              | 24,396,840            | (618,054)              |
| U.S. Treasury notes  | -                    | -                     | 11,828,385            | (942,232)              | 11,828,385            | (942,232)              |
| Agency securities  | -                    | -                     | 3,024,300             | (32,656)               | 3,024,300             | (32,656)               |
|  | <u>\$ 70,089,440</u> | <u>\$ (1,790,361)</u> | <u>\$ 162,121,448</u> | <u>\$ (24,648,795)</u> | <u>\$ 232,210,888</u> | <u>\$ (26,439,156)</u> |
|  |                      |                       |                       |                        |                       |                        |
|  | 2023                 |                       |                       |                        |                       |                        |
|  | Less Than 12 Months  |                       | 12 Months or More     |                        | Total                 |                        |
|  | Fair Value           | Unrealized Losses     | Fair Value            | Unrealized Losses      | Fair Value            | Unrealized Losses      |
| Available-for-sale   |                      |                       |                       |                        |                       |                        |
| Municipal bonds  | \$ 1,677,732         | \$ (276,386)          | \$ 82,997,868         | \$ (17,914,124)        | \$ 84,675,600         | \$ (18,190,510)        |
| Mortgage-backed securities,<br>government sponsored entities     | 9,619,829            | (134,570)             | 70,448,337            | (6,309,625)            | 80,068,166            | (6,444,195)            |
| Mortgage-backed securities,<br>non-government sponsored entities | 1,247,884            | (11,000)              | 4,117,468             | (170,269)              | 5,365,352             | (181,269)              |
| SBA loan pools   | 19,008,753           | (196,912)             | 3,451,716             | (139,600)              | 22,460,469            | (336,512)              |
| U.S. Treasury notes  | -                    | -                     | 25,961,806            | (1,245,201)            | 25,961,806            | (1,245,201)            |
| Agency securities  | 3,023,400            | (42,265)              | -                     | -                      | 3,023,400             | (42,265)               |
|  | <u>\$ 34,577,598</u> | <u>\$ (661,133)</u>   | <u>\$ 186,977,195</u> | <u>\$ (25,778,819)</u> | <u>\$ 221,554,793</u> | <u>\$ (26,439,952)</u> |



**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 2 – Investment Securities (continued)**

There were 184 and 182 available-for-sale securities in an unrealized loss position as of December 31, 2024 and 2023, respectively. As of December 31, 2024, there were 88 municipal bonds and 78 mortgage-backed securities in an unrealized loss position. As of December 31, 2023, there were 90 municipal bonds and 62 mortgage-backed securities in an unrealized loss position.

The 88 municipal bonds in a loss position as of December 31, 2024 are comprised of 34 tax-exempt issuances and 54 taxable. Internal monitoring of the municipal portfolio includes, but is not limited to, review of geographic concentrations, issuer concentrations, coupon concentration, call/maturity exposures, local issuer demographic and economic trends/projections, ratings changes and issuer financials. In addition to internal credit monitoring of the municipal portfolio, the Company engages a third party to review and evaluate the various risk attributes and exposures within the portfolio at least annually. At December 31, 2024, all bonds in the portfolio are deemed to be very low credit/default risk. The reason for the unrealized loss is directly related to benchmark rates moving 300-400bps+- higher since the bonds were purchased. Most of the taxable municipal portfolio was added in 2020 and early 2021 when rates were near their lows. Credit spreads have remained in a historical range. Credit spreads widening on individual positions relative to the market would be one of the indicators we would look for to possibly indicate credit stress. The Company has not seen this occur to this point on any of the bonds in its portfolio.

All but two of the MBS, CMO and SBA investments in a loss position are issued by government sponsored entities with either implied or explicit guarantee from the U.S. government and are deemed very low credit risk. The two non-government sponsored bonds in a loss position have growing credit support and collateral performance in line with expectations. One bond has paid down 73% since its purchase at the end of 2021. Subordinate credit enhancement has grown from 9.72% at purchase to 44.53%. This credit enhancement would absorb losses on the bond up to the percentage of principal it represents. The other bond has paid down 32% since purchase in September of 2022 and credit support has grown from 23.07% to 39.06% over the 27 months held. Benchmark interest rates have increased significantly since the time of purchase driving the unrealized losses rather than credit concerns. The underlying collateral carries a 98% FHA guaranty adding additional credit enhancement to the 39%+ subordinate credit enhancement. As such, the unrealized losses of these investments are due to changes in interest rates between the time purchased and now. None of the unrealized losses are caused by credit impairment and no allowance for credit losses is needed as of December 31, 2024.

The Company does not intend to sell, nor is it more likely than not that it will be required to sell these debt securities before recovery of their amortized cost basis. The issuers of these securities have not, to the Company's knowledge, established any cause for default on these securities at December 31, 2024 and 2023. The Company does not have any securities that required an allowance as of December 31, 2024 and 2023.

# MISSION BANCORP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 2 – Investment Securities (continued)

The amortized cost and market values of securities at December 31, 2024, by contractual maturity, are shown in the following table. Expected and actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

|                                    | December 31, 2024     |                       |
|------------------------------------|-----------------------|-----------------------|
|                                    | Available-for-Sale    |                       |
|                                    | Amortized Cost        | Estimated Fair Value  |
| Due in one year or less            | \$ 3,993,600          | \$ 3,986,756          |
| Due in more than one to five years | 29,359,990            | 27,561,240            |
| Due in more than five years        | 237,975,968           | 213,374,267           |
|                                    | <u>\$ 271,329,558</u> | <u>\$ 244,922,263</u> |

For the year ended December 31, 2024, the Company sold \$28.2 million of mortgage-backed securities and SBA loan pools for gross gains of \$18 thousand and gross losses of \$49 thousand. For the year ended December 31, 2023, the Company sold \$19.3 million of mortgage-backed securities and municipal bonds for gross gains of \$90 thousand and gross losses of \$827 thousand. As of December 31, 2024 and 2023, securities pledged as collateral for borrowings and to secure U.S. Government, state and local agencies, and trust deposits as required by contract or law were \$78.5 million and \$83.9 million, respectively.

### Note 3 – Loans and Allowance for Credit Losses

The major classifications of loans are summarized as follows at December 31:

|   | 2024                    | 2023                    |
|---|-------------------------|-------------------------|
| Loans secured by real estate              |                         |                         |
| Construction and land development         | \$ 86,539,727           | \$ 59,927,882           |
| Non-farm non-residential properties       | 675,843,075             | 653,849,318             |
| Residential properties                    | 139,873,768             | 111,388,602             |
| Farmland                                  | 190,886,275             | 194,073,034             |
| Agricultural production                   | 53,052,535              | 56,218,477              |
| Commercial and industrial loans and other | 147,126,055             | 137,267,036             |
| Gross loans                               | 1,293,321,435           | 1,212,724,349           |
| Less                                      |                         |                         |
| Allowance for credit losses               | 19,423,233              | 18,205,702              |
| Deferred loan fees, net                   | 2,563,599               | 2,271,021               |
| Net loans                                 | <u>\$ 1,271,334,603</u> | <u>\$ 1,192,247,626</u> |

**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 3 – Loans and Allowance for Credit Losses (continued)**

The Company participated in the SBA Paycheck Protection Program (PPP) to help provide loans to customers during 2021 and 2020. The outstanding balance on PPP loans at December 31, 2024 and 2023 was \$452 thousand and \$645 thousand, respectively. These balances are included in commercial and industrial loans and other in the table above.

Below is a discussion of risk characteristics relevant to each portfolio segment.

**Construction and land development** – Construction and land development loans are made to borrowers with a proven track record of performance, capacity to generate repayment, possess assets outside of subject collateral, and have guarantor financial strength. The loans are evaluated based on current appraisals with historical and future value trends. Loans are dependent upon the success of the project and the financial resources of the borrower and guarantor that are independent of the project. In most cases, the guarantor provides an additional source of repayment.

**Non-farm non-residential properties (commercial real estate loans)** – Commercial real estate loans are made to a wide section of local borrowers in a diverse cross section of industries. A significant portion of the loans are owner occupied, where the subject collateral is used in the operations of the borrower's business. Underwriting standards for these loans include, but are not limited to, borrower reputation and historical performance, conservative loan to value ratios based on appraised values, conservative debt service coverage ratios based on appraised net operating income, underlying cash flow of the borrower, borrower's assets outside the subject collateral, and financial resources of the guarantors. In most cases, the guarantor provides an additional source of repayment.

**Residential properties** – Residential property loans are made to a select group of local home owners and investors purchasing single family residences (1-4 units) for rental income. The home owner loans are made to borrowers that are generally business owners or customers with a business banking relationship with the bank. Underwriting standards for these loans include, but are not limited to, borrower reputation and historical performance, conservative loan to value ratios based on appraised values, underlying cash flow of the borrower, and the borrower's assets outside the subject collateral. The Bank did not originate any consumer residential loans in 2024 or 2023.

The investor loans are made to local investors. Underwriting standards for these loans include, but are not limited to, borrower reputation and historical performance, conservative loan to value ratios based on appraised values, conservative debt service coverage ratios based on appraised net operating income, underlying cash flow of the borrower, borrower's assets outside the subject collateral, and financial resources of the guarantors. In most cases, the guarantor provides an additional source of repayment.



## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 3 – Loans and Allowance for Credit Losses (continued)

**Farmland** – Farmland loans are made to a wide section of local borrowers in a diverse cross section of crops. A significant portion of the loans are owner occupied, where the subject collateral is farmed by the borrower. Underwriting standards for these loans include, but are not limited to, borrower reputation and historical performance, conservative loan to value ratios based on appraised values, conservative debt service coverage ratios based on appraised net operating income, underlying cash flow of the borrower, borrower's assets outside the subject collateral, and financial resources of the guarantors. In most cases, the guarantor provides an additional source of repayment.

**Agricultural production** – Agricultural production loans are made to a wide segment of local borrowers in a diverse cross section of crops. These loans are made to finance the ongoing business operations and proceeds are used for the growing of crops. Underwriting standards for these loans include, but are not limited to, borrower reputation and historical performance, conservative advance rate against crop inventory, crops in the process of being grown, underlying cash flow of the borrower, and financial resources of the guarantors. In most cases, the guarantor provides an additional source of repayment.

**Commercial and industrial loans** – Commercial and industrial loans are made to a wide segment of local borrowers in a diverse cross section of industries. These loans are made to finance the ongoing business operations including accounts receivable, equipment acquisition, inventory, and other business purposes. Some of these loans made to the most financially strong borrowers are unsecured. Underwriting standards for these loans include, but are not limited to historical performance, conservative advance rate against collateral types, conservative debt service coverage ratios, underlying cash flow of the borrower, and financial resources of the guarantors. In most cases, the guarantor provides an additional source of repayment.

Management believes that the allowance for credit losses was adequate as of December 31, 2024. However, there is no assurance that future credit losses will not exceed the levels provided for in the allowance for credit losses and could possibly result in additional charges to credit loss expense. In addition, bank regulatory authorities, as part of their periodic examination of the Company, may require additional charges to credit loss expense in future periods if warranted as a result of their review. A significant decline in real estate market values may require an increase in the allowance for credit losses. A prolonged drop in oil prices, or continued drought conditions, may require an increase in the allowance for credit losses. The Bank does have exposure to companies in both the oil and agriculture industries. Loans related to the oil industry are included in non-farm non-residential properties loans and commercial and industrial and other loans. While there have been signs of improving economic trends in our markets, further deterioration (due in part or no part to the items above) in the Company's markets may adversely affect its loan portfolio and may lead to additional charges to credit loss expense.

The Company is a commercial bank and relies heavily on commercial borrowers. The ultimate repayment of these loans is dependent, to a certain degree, on the local economy and real estate market. However, the Company manages and controls credit risk by diversifying its portfolio by loan type, borrower type, and industry concentration within the commercial borrower population.

# MISSION BANCORP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 3 – Loans and Allowance for Credit Losses (continued)

The following tables present by portfolio segment, the activity in the allowance for credit losses for the year ended December 31, 2024 and 2023.

Recorded investment is defined as the unpaid principal balance, net of deferred fees and costs, premiums, discounts, accrued interest, and may also reflect a previous write-down of the investment. However, recorded investment for the Company approximates unpaid principal balance, net of previous write-downs, as the other components are not deemed material.

| Allowance for Credit Losses and Recorded Investment in Loans<br>As of and for the Year Ended December 31, 2024 |   |   |                           |                       |                            |   |                   |                         |
|--|---|---|---------------------------|-----------------------|----------------------------|---|-------------------|-------------------------|
|  | Construction<br>and Land<br>Development | Non-farm and<br>Non-residential<br>Properties | Residential<br>Properties | Farmland              | Agricultural<br>Production | Commercial<br>and Industrial<br>and Other | Unallocated       | Total                   |
| ALLOWANCE FOR CREDIT LOSSES  |   |   |                           |                       |                            |   |                   |                         |
| Beginning balance  | \$ 1,683,172                            | \$ 9,801,861                                  | \$ 1,474,901              | \$ 2,419,109          | \$ 202,167                 | \$ 1,778,068                              | \$ 846,424        | \$ 18,205,702           |
| Provision  | 743,248                                 | (1,168)                                       | 482,094                   | (8,686)               | (12,266)                   | 997,328                                   | (631,800)         | 1,568,750               |
| Recoveries   | -                                       | -   | 5,000                     | -                     | -                          | 49,185                                    | -                 | 54,185                  |
| Charge-offs  | -                                       | -   | -                         | -                     | -                          | (405,404)                                 | -                 | (405,404)               |
| Ending balance   | <u>\$ 2,426,420</u>                     | <u>\$ 9,800,693</u>                           | <u>\$ 1,961,995</u>       | <u>\$ 2,410,423</u>   | <u>\$ 189,901</u>          | <u>\$ 2,419,177</u>                       | <u>\$ 214,624</u> | <u>\$ 19,423,233</u>    |
| LOANS  |   |   |                           |                       |                            |   |                   |                         |
| Ending balance   | <u>\$ 86,539,727</u>                    | <u>\$ 675,843,075</u>                         | <u>\$ 139,873,768</u>     | <u>\$ 190,886,275</u> | <u>\$ 53,052,535</u>       | <u>\$ 147,126,055</u>                     | <u>\$ -</u>       | <u>\$ 1,293,321,435</u> |

| Allowance for Credit Losses and Recorded Investment in Loans<br>As of and for the Year Ended December 31, 2023 |   |   |                           |                       |                            |   |                   |                         |
|--|---|---|---------------------------|-----------------------|----------------------------|---|-------------------|-------------------------|
|  | Construction<br>and Land<br>Development | Non-farm and<br>Non-residential<br>Properties | Residential<br>Properties | Farmland              | Agricultural<br>Production | Commercial<br>and Industrial<br>and Other | Unallocated       | Total                   |
| ALLOWANCE FOR CREDIT LOSSES  |   |   |                           |                       |                            |   |                   |                         |
| Beginning balance, prior to adoption of ASC 326  | \$ 2,519,012                            | \$ 4,052,612                                  | \$ 2,366,676              | \$ 1,491,804          | \$ 303,915                 | \$ 3,016,342                              | \$ 1,098,703      | \$ 14,849,064           |
| Impact of adopting ASC 326   | (862,120)                               | 4,308,465                                     | (802,867)                 | 900,439               | (156,337)                  | (1,438,441)                               | (1,098,703)       | 850,436                 |
| Provision  | 26,280                                  | 1,440,784                                     | (95,110)                  | 26,866                | 54,589                     | (79,833)                                  | 846,424           | 2,220,000               |
| Recoveries   | -                                       | -   | 6,202                     | -                     | -                          | 280,000                                   | -                 | 286,202                 |
| Charge-offs  | -                                       | -   | -                         | -                     | -                          | -   | -                 | -                       |
| Ending balance   | <u>\$ 1,683,172</u>                     | <u>\$ 9,801,861</u>                           | <u>\$ 1,474,901</u>       | <u>\$ 2,419,109</u>   | <u>\$ 202,167</u>          | <u>\$ 1,778,068</u>                       | <u>\$ 846,424</u> | <u>\$ 18,205,702</u>    |
| LOANS  |   |   |                           |                       |                            |   |                   |                         |
| Ending balance   | <u>\$ 59,927,882</u>                    | <u>\$ 653,849,318</u>                         | <u>\$ 111,388,602</u>     | <u>\$ 194,073,034</u> | <u>\$ 56,218,477</u>       | <u>\$ 137,267,036</u>                     | <u>\$ -</u>       | <u>\$ 1,212,724,349</u> |

## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 3 – Loans and Allowance for Credit Losses (continued)

As a result of the Company's geographical concentration, there may be an increase in the credit risk associated with the Company's loans. While management believes that the allowance for credit losses at December 31, 2024 and 2023 is adequate to absorb expected losses inherent in the Company's loan portfolio, a downturn in the economy may adversely impact asset quality and require future additions to the allowance for credit losses. To the extent that such events occur, the impact on the adequacy of the Company's allowance for credit losses will be reported in the Company's consolidated financial statements in the period of occurrence.

**Credit quality indicators** – As previously noted, the Company uses several credit quality indicators to manage credit risk in an ongoing manner. The Company's primary credit quality indicators are used as an internal credit risk rating system that rates loans and leases into pass/watch, special mention, substandard, or doubtful/loss categories. Credit risk ratings are applied individually to all loans that have significant or unique credit characteristics that benefit from a case-by-case evaluation. The following are the definitions of the Company's credit quality indicators:

**Pass** – Loans in all classes that comprise the commercial and consumer portfolio segments that are not adversely rated, are contractually current as to principal and interest, and are otherwise in compliance with the contractual terms of the loan or lease agreement. Management believes that there is a low likelihood of loss related to those loans that are considered pass.

**Watch** – The loan has lower than average but still acceptable credit risk. The borrower may have higher leverage, less certain but viable repayment sources, have limited financial reserves, and may possess weaknesses that can be adequately mitigated through collateral, structural, or other credit enhancement. Management weakness could be evident. Borrower might be more susceptible to market forces.

**Special mention** – Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date.

**Substandard** – Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

**Doubtful/loss** – Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors, which may work towards strengthening of the asset, classification as a loss (and immediate charge off) is deferred until more exact status may be determined. In certain circumstances, a doubtful rating will be temporary, while the Company is awaiting an updated collateral valuation.



**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 3 – Loans and Allowance for Credit Losses (continued)**

In these cases, once the collateral is valued and appropriate margin applied, the remaining uncollateralized portion will be charged off. The remaining balance, properly margined, may then be upgraded to substandard, but must remain on nonaccrual. A loss rating is assigned to loans considered un-collectible and of such little value that the continuance as an asset is not warranted. This rating does not mean that the loan has no recovery or salvage value, but rather that the loan should be charged off now, even though partial or full recovery may be possible in the future.

The Company's credit quality indicators are periodically updated on a case-by-case basis. The following tables present by loan type and by credit quality indicator, the recorded investment in the Company's loans as of December 31:

| 2024                                      |                         |                      |                     |               |                         |
|---|-------------------------|----------------------|---------------------|---------------|-------------------------|
|   | Pass/Watch              | Special<br>Mention   | Substandard         | Doubtful/Loss | Total                   |
| Loans secured by real estate              |                         |                      |                     |               |                         |
| Construction and land development         | \$ 86,539,727           | \$ -                 | \$ -                | \$ -          | \$ 86,539,727           |
| Non-farm non-residential properties       | 671,396,707             | 3,953,429            | 492,939             | -             | 675,843,075             |
| Residential properties                    | 139,873,768             | -                    | -                   | -             | 139,873,768             |
| Farmland                                  | 189,886,275             | 1,000,000            | -                   | -             | 190,886,275             |
| Agricultural production                   | 51,955,903              | 1,096,632            | -                   | -             | 53,052,535              |
| Commercial and industrial loans and other | 141,504,644             | 4,559,875            | 1,061,536           | -             | 147,126,055             |
| Total                                     | <u>\$ 1,281,157,024</u> | <u>\$ 10,609,936</u> | <u>\$ 1,554,475</u> | <u>\$ -</u>   | <u>\$ 1,293,321,435</u> |
| 2023                                      |                         |                      |                     |               |                         |
|   | Pass/Watch              | Special<br>Mention   | Substandard         | Doubtful/Loss | Total                   |
| Loans secured by real estate              |                         |                      |                     |               |                         |
| Construction and land development         | \$ 59,927,882           | \$ -                 | \$ -                | \$ -          | \$ 59,927,882           |
| Non-farm non-residential properties       | 652,940,127             | 397,256              | 511,935             | -             | 653,849,318             |
| Residential properties                    | 111,388,602             | -                    | -                   | -             | 111,388,602             |
| Farmland                                  | 187,717,184             | 6,355,850            | -                   | -             | 194,073,034             |
| Agricultural production                   | 56,218,477              | -                    | -                   | -             | 56,218,477              |
| Commercial and industrial loans and other | 136,233,546             | 284,111              | 749,379             | -             | 137,267,036             |
| Total                                     | <u>\$ 1,204,425,818</u> | <u>\$ 7,037,217</u>  | <u>\$ 1,261,314</u> | <u>\$ -</u>   | <u>\$ 1,212,724,349</u> |

# MISSION BANCORP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 3 – Loans and Allowance for Credit Losses (continued)

The following tables present by loan type, an aging analysis and the recorded investment in past due loans still accruing interest and nonaccrual loans as of December 31:

|  | 2024                   |                        |                          |                     |                     |                         |                            |
|--|------------------------|------------------------|--------------------------|---------------------|---------------------|-------------------------|----------------------------|
|  | 30-59 Days<br>Past Due | 60-89 Days<br>Past Due | 90 Days<br>or<br>Greater | Nonaccrual          | Total Past<br>Due   | Current                 | Total Loans<br>Receivables |
| Loans secured by real estate                 |                        |                        |                          |                     |                     |                         |                            |
| Construction and land development            | \$ -                   | \$ -                   | \$ -                     | \$ -                | \$ -                | \$ 86,539,727           | \$ 86,539,727              |
| Non-farm non-residential properties          | 768,560                | -                      | -                        | -                   | 768,560             | 675,074,515             | 675,843,075                |
| Residential properties                       | -                      | -                      | -                        | -                   | -                   | 139,873,768             | 139,873,768                |
| Farmland                                     | -                      | -                      | -                        | -                   | -                   | 190,886,275             | 190,886,275                |
| Agricultural production                      | 39,467                 | -                      | -                        | -                   | 39,467              | 53,013,068              | 53,052,535                 |
| Commercial and industrial loans<br>and other | -                      | -                      | -                        | 1,061,536           | 1,061,536           | 146,064,519             | 147,126,055                |
| Total  | <u>\$ 808,027</u>      | <u>\$ -</u>            | <u>\$ -</u>              | <u>\$ 1,061,536</u> | <u>\$ 1,869,563</u> | <u>\$ 1,291,451,872</u> | <u>\$ 1,293,321,435</u>    |

|  | 2023                   |                        |                          |                   |                   |                         |                            |
|--|------------------------|------------------------|--------------------------|-------------------|-------------------|-------------------------|----------------------------|
|  | 30-59 Days<br>Past Due | 60-89 Days<br>Past Due | 90 Days<br>or<br>Greater | Nonaccrual        | Total Past<br>Due | Current                 | Total Loans<br>Receivables |
| Loans secured by real estate                 |                        |                        |                          |                   |                   |                         |                            |
| Construction and land development            | \$ -                   | \$ -                   | \$ -                     | \$ -              | \$ -              | \$ 59,927,882           | \$ 59,927,882              |
| Non-farm non-residential properties          | -                      | -                      | -                        | -                 | -                 | 653,849,318             | 653,849,318                |
| Residential properties                       | -                      | -                      | -                        | -                 | -                 | 111,388,602             | 111,388,602                |
| Farmland                                     | 309,000                | -                      | -                        | -                 | 309,000           | 193,764,034             | 194,073,034                |
| Agricultural production                      | -                      | -                      | -                        | -                 | -                 | 56,218,477              | 56,218,477                 |
| Commercial and industrial loans<br>and other | -                      | -                      | 838                      | 350,000           | 350,838           | 136,916,198             | 137,267,036                |
| Total  | <u>\$ 309,000</u>      | <u>\$ -</u>            | <u>\$ 838</u>            | <u>\$ 350,000</u> | <u>\$ 659,838</u> | <u>\$ 1,212,064,511</u> | <u>\$ 1,212,724,349</u>    |

If interest on nonaccrual loans had been recognized under the terms of the original agreements, interest income would have increased approximately \$60 thousand and \$-0- for the years ended December 31, 2024 and 2023, respectively. The nonaccrual loans as of December 31, 2024 and 2023 had related allowance for credit losses of \$962 thousand and \$-0-, respectively.

**Collateral dependent loans** - As of December 31, 2024 and 2023 the Company did not have any collateral dependent loans.

**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 3 – Loans and Allowance for Credit Losses (continued)**

**Loan modifications** – Occasionally, the Company offers a variety of modifications to borrowers experiencing financial difficulty. The modification categories offered can generally be described in the following categories:

***Rate modification*** – A modification in which the interest rate is changed.

***Term modification*** – A modification in which the maturity date, timing of payments, or frequency of payments is changed.

***Interest only modification*** – A modification in which the loan is converted to interest only payments for a period of time.

***Payment modification*** – A modification in which the dollar amount of the payment is changed, other than an interest only modification described above.

***Combination modification*** – Any other type of modification, including the use of multiple categories above.

There were no loan modifications made to borrowers experiencing financial difficulty during the years ended December 31, 2024 and 2023. There are no modified loans related to borrowers experiencing financial difficulty outstanding at December 31, 2024 and 2023.



# MISSION BANCORP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 3 – Loans and Allowance for Credit Losses (continued)

The following tables present the amortized cost of loans and leases by credit quality classification in addition to loan and lease vintage as of December 31, 2024 and 2023:

|  | 2024  |                |                |                |                |                                   |                  |
|--|---|----------------|----------------|----------------|----------------|-----------------------------------|------------------|
|  | Term Loans Amortized Cost Basis by Origination Year |                |                |                |                |                                   |                  |
|  | 2024  | 2023           | 2022           | 2021           | Prior          | Revolving Loans<br>Amortized Cost | Total            |
| Construction and land development                  |   |                |                |                |                |                                   |                  |
| Pass/Watch   | \$ 27,743,107                                       | \$ 20,393,082  | \$ 37,122,664  | \$ 1,001,800   | \$ 151,320     | \$ 127,754                        | \$ 86,539,727    |
| Special mention                                    | -   | -              | -              | -              | -              | -                                 | -                |
| Substandard  | -   | -              | -              | -              | -              | -                                 | -                |
| Doubtful/Loss                                      | -   | -              | -              | -              | -              | -                                 | -                |
| Total construction and<br>land development         | \$ 27,743,107                                       | \$ 20,393,082  | \$ 37,122,664  | \$ 1,001,800   | \$ 151,320     | \$ 127,754                        | \$ 86,539,727    |
| Current period gross write-offs                    | \$ -  | \$ -           | \$ -           | \$ -           | \$ -           | \$ -                              | \$ -             |
| Non-farm non-residential properties                |   |                |                |                |                |                                   |                  |
| Pass/Watch   | \$ 83,485,022                                       | \$ 90,018,432  | \$ 161,189,435 | \$ 102,809,508 | \$ 191,358,353 | \$ 42,535,957                     | \$ 671,396,707   |
| Special mention                                    | -   | 1,854,615      | -              | 968,576        | 1,130,238      | -                                 | 3,953,429        |
| Substandard  | -   | -              | -              | -              | 492,939        | -                                 | 492,939          |
| Doubtful/Loss                                      | -   | -              | -              | -              | -              | -                                 | -                |
| Total non-farm non-residential<br>properties       | \$ 83,485,022                                       | \$ 91,873,047  | \$ 161,189,435 | \$ 103,778,084 | \$ 192,981,530 | \$ 42,535,957                     | \$ 675,843,075   |
| Current period gross write-offs                    | \$ -  | \$ -           | \$ -           | \$ -           | \$ -           | \$ -                              | \$ -             |
| Residential properties                             |   |                |                |                |                |                                   |                  |
| Pass/Watch   | \$ 57,238,636                                       | \$ 13,269,445  | \$ 30,288,023  | \$ 10,154,132  | \$ 16,401,838  | \$ 12,521,694                     | \$ 139,873,768   |
| Special mention                                    | -   | -              | -              | -              | -              | -                                 | -                |
| Substandard  | -   | -              | -              | -              | -              | -                                 | -                |
| Doubtful/Loss                                      | -   | -              | -              | -              | -              | -                                 | -                |
| Total residential properties                       | \$ 57,238,636                                       | \$ 13,269,445  | \$ 30,288,023  | \$ 10,154,132  | \$ 16,401,838  | \$ 12,521,694                     | \$ 139,873,768   |
| Current period gross write-offs                    | \$ -  | \$ -           | \$ -           | \$ -           | \$ -           | \$ -                              | \$ -             |
| Farmland   |   |                |                |                |                |                                   |                  |
| Pass/Watch   | \$ 5,368,830  | \$ 29,529,217  | \$ 37,775,993  | \$ 20,167,164  | \$ 36,710,801  | \$ 60,334,270                     | \$ 189,886,275   |
| Special mention                                    | -   | -              | -              | -              | -              | 1,000,000                         | 1,000,000        |
| Substandard  | -   | -              | -              | -              | -              | -                                 | -                |
| Doubtful/Loss                                      | -   | -              | -              | -              | -              | -                                 | -                |
| Total farmland                                     | \$ 5,368,830  | \$ 29,529,217  | \$ 37,775,993  | \$ 20,167,164  | \$ 36,710,801  | \$ 61,334,270                     | \$ 190,886,275   |
| Current period gross write-offs                    | \$ -  | \$ -           | \$ -           | \$ -           | \$ -           | \$ -                              | \$ -             |
| Agricultural production                            |   |                |                |                |                |                                   |                  |
| Pass/Watch   | \$ 1,350,661  | \$ 3,448,070   | \$ 3,567,174   | \$ 3,381,963   | \$ 761,168     | \$ 39,446,867                     | \$ 51,955,903    |
| Special mention                                    | -   | 64,149         | 501,100        | -              | -              | 531,383                           | 1,096,632        |
| Substandard  | -   | -              | -              | -              | -              | -                                 | -                |
| Doubtful/Loss                                      | -   | -              | -              | -              | -              | -                                 | -                |
| Total agricultural production                      | \$ 1,350,661  | \$ 3,512,219   | \$ 4,068,274   | \$ 3,381,963   | \$ 761,168     | \$ 39,978,250                     | \$ 53,052,535    |
| Current period gross write-offs                    | \$ -  | \$ -           | \$ -           | \$ -           | \$ -           | \$ -                              | \$ -             |
| Commercial and industrial loans and other          |   |                |                |                |                |                                   |                  |
| Pass/Watch   | \$ 23,795,066                                       | \$ 20,304,908  | \$ 11,428,044  | \$ 3,049,767   | \$ 6,832,836   | \$ 76,094,023                     | \$ 141,504,644   |
| Special mention                                    | -   | 141,094        | 2,196,043      | 542,743        | 229,995        | 1,450,000                         | 4,559,875        |
| Substandard  | -   | 447,287        | 44,554         | 170,316        | -              | 399,379                           | 1,061,536        |
| Doubtful/Loss                                      | -   | -              | -              | -              | -              | -                                 | -                |
| Total commercial and industrial<br>loans and other | \$ 23,795,066                                       | \$ 20,893,289  | \$ 13,668,641  | \$ 3,762,826   | \$ 7,062,831   | \$ 77,943,402                     | \$ 147,126,055   |
| Current period gross write-offs                    | \$ -  | \$ -           | \$ -           | \$ 315,000     | \$ 89,547      | \$ 857                            | \$ 405,404       |
| Total loans  | \$ 198,981,322                                      | \$ 179,470,299 | \$ 284,113,030 | \$ 142,245,969 | \$ 254,069,488 | \$ 234,441,327                    | \$ 1,293,321,435 |
| Total gross current period write-offs              | \$ -  | \$ -           | \$ -           | \$ 315,000     | \$ 89,547      | \$ 857                            | \$ 405,404       |

**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 3 – Loans and Allowance for Credit Losses (continued)**

|   | 2023  |                       |                       |                       |                       |                         |
|---|---|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
|   | Term Loans Amortized Cost Basis by Origination Year |                       |                       |                       | Revolving Loans       |                         |
|   | 2023  | 2022                  | 2021                  | Prior                 | Amortized Cost        | Total                   |
| Construction and land development               |   |                       |                       |                       |                       |                         |
| Pass/Watch                                      | \$ 8,640,450  | \$ 42,899,238         | \$ 5,047,909          | \$ 235,226            | \$ 3,105,059          | \$ 59,927,882           |
| Special mention                                 | -   | -                     | -                     | -                     | -                     | -                       |
| Substandard                                     | -   | -                     | -                     | -                     | -                     | -                       |
| Doubtful/Loss                                   | -   | -                     | -                     | -                     | -                     | -                       |
| Total construction and land development         | <u>\$ 8,640,450</u>                                 | <u>\$ 42,899,238</u>  | <u>\$ 5,047,909</u>   | <u>\$ 235,226</u>     | <u>\$ 3,105,059</u>   | <u>\$ 59,927,882</u>    |
| Current period gross write-offs                 | <u>\$ -</u>   | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>             |
| Non-farm non-residential properties             |   |                       |                       |                       |                       |                         |
| Pass/Watch                                      | \$ 89,557,164                                       | \$ 167,505,921        | \$ 116,916,396        | \$ 242,046,204        | \$ 36,914,442         | \$ 652,940,127          |
| Special mention                                 | -   | -                     | -                     | 397,256               | -                     | 397,256                 |
| Substandard                                     | -   | -                     | -                     | 511,935               | -                     | 511,935                 |
| Doubtful/Loss                                   | -   | -                     | -                     | -                     | -                     | -                       |
| Total non-farm non-residential properties       | <u>\$ 89,557,164</u>                                | <u>\$ 167,505,921</u> | <u>\$ 116,916,396</u> | <u>\$ 242,955,395</u> | <u>\$ 36,914,442</u>  | <u>\$ 653,849,318</u>   |
| Current period gross write-offs                 | <u>\$ -</u>   | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>             |
| Residential properties                          |   |                       |                       |                       |                       |                         |
| Pass/Watch                                      | \$ 17,126,140                                       | \$ 43,300,232         | \$ 10,980,122         | \$ 24,353,443         | \$ 15,628,665         | \$ 111,388,602          |
| Special mention                                 | -   | -                     | -                     | -                     | -                     | -                       |
| Substandard                                     | -   | -                     | -                     | -                     | -                     | -                       |
| Doubtful/Loss                                   | -   | -                     | -                     | -                     | -                     | -                       |
| Total residential properties                    | <u>\$ 17,126,140</u>                                | <u>\$ 43,300,232</u>  | <u>\$ 10,980,122</u>  | <u>\$ 24,353,443</u>  | <u>\$ 15,628,665</u>  | <u>\$ 111,388,602</u>   |
| Current period gross write-offs                 | <u>\$ -</u>   | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>             |
| Farmland  |   |                       |                       |                       |                       |                         |
| Pass/Watch                                      | \$ 31,553,777                                       | \$ 38,577,337         | \$ 21,312,924         | \$ 38,469,979         | \$ 57,803,167         | \$ 187,717,184          |
| Special mention                                 | -   | -                     | -                     | 3,776,425             | 2,579,425             | 6,355,850               |
| Substandard                                     | -   | -                     | -                     | -                     | -                     | -                       |
| Doubtful/Loss                                   | -   | -                     | -                     | -                     | -                     | -                       |
| Total farmland                                  | <u>\$ 31,553,777</u>                                | <u>\$ 38,577,337</u>  | <u>\$ 21,312,924</u>  | <u>\$ 42,246,404</u>  | <u>\$ 60,382,592</u>  | <u>\$ 194,073,034</u>   |
| Current period gross write-offs                 | <u>\$ -</u>   | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>             |
| Agricultural production                         |   |                       |                       |                       |                       |                         |
| Pass/Watch                                      | \$ 9,167,468  | \$ 4,515,635          | \$ 3,060,837          | \$ 1,185,878          | \$ 38,288,659         | \$ 56,218,477           |
| Special mention                                 | -   | -                     | -                     | -                     | -                     | -                       |
| Substandard                                     | -   | -                     | -                     | -                     | -                     | -                       |
| Doubtful/Loss                                   | -   | -                     | -                     | -                     | -                     | -                       |
| Total agricultural production                   | <u>\$ 9,167,468</u>                                 | <u>\$ 4,515,635</u>   | <u>\$ 3,060,837</u>   | <u>\$ 1,185,878</u>   | <u>\$ 38,288,659</u>  | <u>\$ 56,218,477</u>    |
| Current period gross write-offs                 | <u>\$ -</u>   | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>             |
| Commercial and industrial loans and other       |   |                       |                       |                       |                       |                         |
| Pass/Watch                                      | \$ 28,655,733                                       | \$ 15,225,604         | \$ 6,833,756          | \$ 9,216,993          | \$ 76,301,460         | \$ 136,233,546          |
| Special mention                                 | -   | -                     | 238,320               | 45,791                | -                     | 284,111                 |
| Substandard                                     | -   | -                     | 350,000               | -                     | 399,379               | 749,379                 |
| Doubtful/Loss                                   | -   | -                     | -                     | -                     | -                     | -                       |
| Total commercial and industrial loans and other | <u>\$ 28,655,733</u>                                | <u>\$ 15,225,604</u>  | <u>\$ 7,422,076</u>   | <u>\$ 9,262,784</u>   | <u>\$ 76,700,839</u>  | <u>\$ 137,267,036</u>   |
| Current period gross write-offs                 | <u>\$ -</u>   | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>             |
| Total loans                                     | <u>\$ 184,700,732</u>                               | <u>\$ 312,023,967</u> | <u>\$ 164,740,264</u> | <u>\$ 320,239,130</u> | <u>\$ 231,020,256</u> | <u>\$ 1,212,724,349</u> |
| Total gross current period write-offs           | <u>\$ -</u>   | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>             |

## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 4 – Premises and Equipment

Premises and equipment is comprised of the following at December 31:

|  | 2024                | 2023                |
|--|---------------------|---------------------|
| Land   | \$ 718,000          | \$ 718,000          |
| Buildings                                      | 707,000             | 707,000             |
| Furniture, fixtures, and equipment             | 3,377,424           | 3,260,596           |
| Software                                       | 409,221             | 409,221             |
| Building and land improvements                 | 2,289,985           | 2,180,634           |
| Autos  | 65,644              | 65,644              |
|  | 7,567,274           | 7,341,095           |
| Less accumulated depreciation and amortization | <u>(4,782,101)</u>  | <u>(4,165,800)</u>  |
|  | <u>\$ 2,785,173</u> | <u>\$ 3,175,295</u> |

Depreciation and amortization expense for the years ended December 31, 2024 and 2023 amounted to \$669 thousand and \$752 thousand, respectively.

#### Note 5 – Leases

As of December 31, 2024 and 2023, the Company has operating right-of-use assets in the amount of \$2,686,679 and \$3,362,709, respectively, which is included in interest receivable and other assets on the consolidated balance sheets. As of December 31, 2024 and 2023, the Company has operating lease liabilities in the amount of \$2,740,676 and \$3,415,227, respectively, which is included in interest payable and other liabilities on the consolidated balance sheets.

The total lease costs incurred for the years ended December 31, 2024 and 2023 was \$818,309 and \$837,366, respectively. The lease costs for the year ended December 31, 2024 consisted of \$801,653 of operating lease costs and \$16,656 of short-term lease costs. The lease costs for the year ended December 31, 2023 consisted of \$689,691 of operating lease costs and \$147,675 of short-term lease costs.



**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 5 – Leases (continued)**

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2024 are as follows:

| <u>Year ending December 31,</u>   |                            |
|-----------------------------------|----------------------------|
| 2025                              | \$ 821,169                 |
| 2026                              | 656,766                    |
| 2027                              | 520,994                    |
| 2028                              | 385,002                    |
| 2029                              | 251,516                    |
| Thereafter                        | <u>435,190</u>             |
| Total undiscounted lease payments | 3,070,637                  |
| Less: imputed interest            | <u>329,961</u>             |
| Net lease liabilities             | <u><u>\$ 2,740,676</u></u> |

Supplemental lease information

The weighted average remaining lease term for operating leases at December 31, 2024 and 2023 was 3.88 years and 4.66 years, respectively. The weighted average discount rate for operating leases at December 31, 2024 and 2023 was 4.20%.

Cash paid for amounts included in the measurement of operating lease liabilities totaled \$790,201 and \$645,680 for the year ended December 31, 2024 and 2023, respectively. Right-of-use assets obtained in exchange for new operating leases totaled \$-0- and \$2,510,407 for the year ended December 31, 2024 and 2023, respectively.

**Note 6 – Deposits**

Time deposits consisted of following at December 31:

|                                  | <u>2024</u>                 | <u>2023</u>                 |
|----------------------------------|-----------------------------|-----------------------------|
| Time deposits under \$250,000    | \$ 17,219,074               | \$ 15,017,564               |
| Time deposits \$250,000 and over | <u>78,163,402</u>           | <u>56,771,072</u>           |
| Total                            | <u><u>\$ 95,382,476</u></u> | <u><u>\$ 71,788,636</u></u> |

## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 6 – Deposits (continued)

The scheduled maturities of time deposits as of December 31, 2024 are as follows:

| <u>Year ending December 31,</u> |                      |
|---------------------------------|----------------------|
| 2025                            | \$ 88,980,560        |
| 2026                            | 5,718,034            |
| 2027                            | 570,668              |
| 2028                            | 102,691              |
| 2029                            | <u>10,523</u>        |
|                                 | <u>\$ 95,382,476</u> |

#### Note 7 – Borrowings

At December 31, 2024, the Company had six unsecured lines of credit with six different banks with a total borrowing capacity of \$141.0 million. The lines have variable interest rates based on the individual lending bank's daily federal fund rates and are due on demand. These are uncommitted lines under which availability is subject to federal fund balances of the issuing banks. The Company had no outstanding balances related to any of these lines of credit as of December 31, 2024 and 2023. The Company also had \$205.5 million and \$272.3 million of available borrowing capacity from the FHLB at December 31, 2024 and 2023, respectively, based upon loans available to be pledged. Borrowings from FHLB are collateralized by the Company's loans receivable. At December 31, 2024, \$416.4 million in loans were pledged as collateral to the FHLB for the borrowing capacity. The Company had no FHLB advances outstanding as of December 31, 2024 and 2023. Additionally, the Company had approximately \$131.6 million in available borrowing capacity from the FRB at December 31, 2024. The Company had no outstanding balance on the line at FRB as of December 31, 2024. Borrowings from the FRB are collateralized by the Company's loans receivable and investment securities. Total collateral pledged to the FRB was approximately \$150.6 million at December 31, 2024. At December 31, 2024 and 2023, the Company had no letters of credit outstanding.

On May 18, 2020, the Company issued \$10,000,000 unsecured subordinated notes, net of issuance costs in the amount of \$132,817 for net proceeds of \$9,867,183. The notes require semi-annual interest only payments at a rate of 5.50% for five years then the rate changes to a floating rate of 5.14% plus three-month LIBOR. The rate was indexed to SOFR upon expiration of LIBOR. The notes mature on May 20, 2030 and are redeemable on May 20, 2025. As of December 31, 2024, the balance on these borrowings was \$9,989,799, net of issuance costs of \$10,201. As of December 31, 2023, the balance on these borrowings was \$9,963,074, net of issuance costs of \$36,926.

On April 7, 2021, the Company issued \$12,000,000 unsecured subordinated notes, net of issuance costs in the amount of \$220,499 for net proceeds of \$11,779,501. The notes require semi-annual interest only payments at a rate of 3.75% for five years then the rate changes to a floating rate of 2.98% plus three-month term SOFR. The notes mature on April 15, 2031 and are redeemable on April 15, 2026. As of December 31, 2024, the balance on these borrowings was \$11,944,105, net of issuance costs of \$55,895. As of December 31, 2023, the balance on these borrowings was \$11,900,006, net of issuance costs of \$99,994.

**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 7 – Borrowings (continued)**

During the year ended December 31, 2023, the Company entered into an agreement with the Federal Reserve Bank of San Francisco to borrow \$20,000,000 under the Bank Term Funding Program. The interest rate is fixed at 4.70%. The borrowings were collateralized by investment securities. The outstanding balance, including accrued interest was paid in full in May 2024.

**Note 8 – Income Taxes**

The components of income tax provision consisted of the following for the years ended December 31:

|                            | <u>2024</u>          | <u>2023</u>          |
|----------------------------|----------------------|----------------------|
| Current                    |                      |                      |
| Federal                    | \$ 8,117,569         | \$ 7,666,090         |
| State                      | <u>4,784,967</u>     | <u>4,673,272</u>     |
|                            | <u>12,902,536</u>    | <u>12,339,362</u>    |
| Deferred                   |                      |                      |
| Federal                    | (675,126)            | (547,174)            |
| State                      | <u>(343,548)</u>     | <u>(302,849)</u>     |
|                            | <u>(1,018,674)</u>   | <u>(850,023)</u>     |
| Provision for income taxes | <u>\$ 11,883,862</u> | <u>\$ 11,489,339</u> |

Effective tax rates differ from the Federal statutory rate of 21% applied to income before income taxes due to the following:

|   | <u>2024</u>          |              | <u>2023</u>          |              |
|---|----------------------|--------------|----------------------|--------------|
| Statutory federal income tax rate           | \$ 8,825,449         | 21.0%        | \$ 8,811,232         | 21.0%        |
| State franchise tax, net of federal benefit | 3,531,061            | 8.4%         | 3,462,667            | 8.3%         |
| Tax exempt interest and non-taxable income  | (458,843)            | -1.1%        | (528,844)            | -1.3%        |
| Stock based compensation                    | (57,668)             | -0.1%        | (264,569)            | -0.6%        |
| Other                                       | <u>43,863</u>        | <u>0.1%</u>  | <u>8,853</u>         | <u>0.0%</u>  |
|   | <u>\$ 11,883,862</u> | <u>28.3%</u> | <u>\$ 11,489,339</u> | <u>27.4%</u> |



**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 8 – Income Taxes (continued)**

The following is a summary of the components of the net deferred tax asset at December 31:

|  | <u>2024</u>          | <u>2023</u>          |
|--|----------------------|----------------------|
| Deferred tax assets                      |                      |                      |
| Allowance for credit losses              | \$ 5,888,394         | \$ 5,558,052         |
| Lease liabilities                        | 810,144              | 1,009,541            |
| Deferred compensation                    | 1,400,197            | 1,240,491            |
| State tax                                | 1,010,797            | 972,892              |
| Salary continuation expense              | 501,708              | 455,681              |
| Accrued vacation                         | 273,134              | 238,254              |
| Stock based compensation                 | 460,279              | 468,082              |
| Other                                    | 275,404              | 276,743              |
| Depreciation and amortization            | 109,864              | 17,944               |
| Unrealized loss on investment securities | <u>7,661,924</u>     | <u>7,910,935</u>     |
| Total deferred tax assets                | <u>18,391,845</u>    | <u>18,148,615</u>    |
| Deferred tax liabilities                 |                      |                      |
| Right of use assets                      | (794,182)            | (994,017)            |
| Deferred loan costs                      | (1,025,297)          | (924,237)            |
| Prepaid expenses                         | (90,432)             | (533,365)            |
| Other                                    | <u>(118,366)</u>     | <u>(103,091)</u>     |
| Total deferred tax liabilities           | <u>(2,028,277)</u>   | <u>(2,554,710)</u>   |
| Net deferred tax asset                   | <u>\$ 16,363,568</u> | <u>\$ 15,593,905</u> |

The realization of the Company's deferred tax assets is dependent upon future taxable income and the future reversal of deferred tax liabilities. Management has evaluated the likelihood of the realization of its deferred tax assets and has determined that no valuation allowance is appropriate at December 31, 2024 and 2023, since management believes it is more likely than not that the deferred tax assets will be realized.

The Company had no unrecognized tax benefits at December 31, 2024 and 2023 and does not expect the total amount of unrecognized tax benefits to significantly increase in the next twelve months. The Company recognizes interest accrued and penalties related to unrecognized tax benefits in tax expense. During the years ended December 31, 2024 and 2023, the Company recognized no interest and penalties. The Company is no longer subject to U.S. federal tax authority examinations for the years before 2021 and California State tax authority examinations for years before 2020.

## **MISSION BANCORP**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **Note 9 – Employee Benefit Plans**

The employees of Mission Bancorp are covered under a 401(k) defined contribution plan that was established in January 1999. All employees of the Company who are 21 years of age or older and have completed 6 months of service are eligible to participate in the plan. Eligible employees may defer up to limits established by the Internal Revenue Code. The Company matches employee contributions on a discretionary basis. The Company's matching contribution of the 401(k) plan for the years ended December 31, 2024 and 2023 were \$298 thousand and \$278 thousand, respectively.

The Company implemented a Salary Continuation Plan (SCP). The SCP is a non-qualified plan in which the Company agrees to pay key executives additional benefits in the future, usually at retirement, in return for satisfactory performance by the executive. The SCP is an unfunded plan and is designed to recover its costs through the use of a life insurance policy on each of the participants. As of December 31, 2024 and 2023, approximately \$1.7 million and \$1.5 million, respectively, had been accrued in conjunction with these agreements and are reflected on the consolidated balance sheets as a component of interest payable and other liabilities. In order to fund the SCP plan, the Company purchased life insurance policies in which it is the owner and the beneficiary. Aggregate cash surrender values of these policies were \$21.9 million and \$21.3 million at December 31, 2024 and 2023, respectively, and comprise bank owned life insurance on the consolidated balance sheets.

The Company has a non-qualified deferred compensation plan (the Plan) for key executives. Under the Plan, the Company contributes amounts annually per the agreements for each executive. These amounts vest over periods of time and are payable once the executive has met certain requirements per the agreements. As of December 31, 2024 and 2023, the Company had a payable related to the Plan of approximately \$906 thousand and \$701 thousand, respectively. These amounts are reflected on the consolidated balance sheets as a component of interest payable and other liabilities.

#### **Note 10 – Stock Based Compensation**

In 2021, the Board of Directors and shareholders of the Company approved and adopted the 2021 Omnibus Plan (the Plan). The Plan permits the grant of nonstatutory options, incentive stock options, stock appreciation rights, restricted stock awards and restricted stock units (individually or collectively referred to as an "Equity Award"). The purpose of the Plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Directors and Employees of the Company and its subsidiaries and to promote the overall success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an Option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder. In addition, Stock Appreciation Rights, Restricted Stock Awards and Restricted Stock Units (which may or may not include a Dividend Equivalent) may be granted under the Plan to Directors and Employees. The Options, Stock Appreciation Rights, Restricted Stock Awards and Restricted Stock Units offered pursuant to the Plan are a matter of separate inducement and are not in lieu of salary or other compensation. The Plan provides for a maximum of 250,000 shares of authorized common stock be available for grant, adjusted for stock dividends and stock splits declared since Plan inception. To date, the Company has granted incentive stock options, restricted stock awards, and restricted stock units.

## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 10 – Stock Based Compensation (continued)

Equity Awards available for grant under the 2021 Omnibus Plan amounted to 166,867 and 203,952 as of December 31, 2024 and 2023, respectively.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model using the assumptions shown in the following table. The expected volatility was based on the volatility of the Company's stock price over a period commensurate with the expected term of the option. The Company uses historical data on option exercises to determine the expected term within the valuation model.

The risk-free rate for the expected term of the option is based upon the U.S. Treasury yield curve at the time of option grant. An expected dividend yield was not considered in the option pricing formula since the Company has not paid cash dividends and has no current plans to do so in the future.

The fair value of each restricted stock grant approximated the trading value of the Company's stock on the date of grant.

The assumptions used to estimate the fair value of stock options granted for the years ended December 31, were as follows:

|                                | <u>2024</u>   | <u>2023</u>   |
|--------------------------------|---------------|---------------|
| Risk free interest rate        | 4.33% - 4.71% | 4.02% - 4.34% |
| Weighted-average expected life | 5 - 6.5 Years | 5 - 6.5 Years |
| Volatility                     | 20.3% - 20.9% | 21.1% - 21.6% |
| Dividends                      | None          | None          |

At December 31, 2024, the estimated unrecognized pretax compensation expense related to nonvested options was \$1.3 million, which will be realized over a weighted average period of 3.2 years. Future expense related to stock option awards would be impacted by new awards and/or modifications, repurchases and forfeitures of existing awards.

**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 10 – Stock Based Compensation (continued)**

A summary of option activity and changes during the year is presented below, as of and for the year ended December 31. Balances in the table below have been adjusted for a 5% stock dividend declared during 2024:

|   | 2024            |                                    |
|---|-----------------|------------------------------------|
|   | Shares          | Weighted-Average<br>Exercise Price |
| Outstanding at beginning of year                                  | 241,667         | \$ 52.95                           |
| Granted   | 34,149          | 85.71                              |
| Exercised   | (42,731)        | 45.33                              |
| Forfeited   | (4,858)         | 71.58                              |
| Expired   | (2,937)         | 78.08                              |
| Outstanding at end of year  | <u>225,290</u>  | 58.64                              |
| Options exercisable   | <u>144,562</u>  | 49.87                              |
| Weighted-average fair value of<br>options granted during the year | <u>\$ 25.18</u> |                                    |

During 2024 and 2023, the Company awarded stock options with an aggregate fair value of \$860 thousand and \$743 thousand, respectively. The fair value of stock options that vested in 2024 and 2023 was \$735 thousand and \$556 thousand, respectively. The compensation cost has been reported in non-interest expense within the consolidated statements of income.

In 2024, employees exercised 42,731 options at an aggregate exercise price of \$1.94 million, which had an intrinsic value of \$1.70 million. In 2023, employees exercised 56,545 options at an aggregate exercise price of \$1.02 million, which had an intrinsic value of \$3.71 million. In 2024 and 2023, the Company realized \$135 thousand and \$380 thousand, respectively, of tax benefits from the stock option exercises and disqualifying dispositions of incentive stock options by employees.



# MISSION BANCORP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 10 – Stock Based Compensation (continued)

The following tables summarize information about options outstanding at December 31. Opening balances in the table below have been adjusted for a 5% stock dividend declared during both 2024 and 2023:

| 2024                      |                     |                                 |   |                     |                                 |   |
|---------------------------|---------------------|---------------------------------|---|---------------------|---------------------------------|---|
| Exercise Price            | Options Outstanding |                                 |   | Options Exercisable |                                 |   |
|                           | Number Outstanding  | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life | Number Exercisable  | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life |
| \$18.37 - \$27.82         | 34,916              | \$ 23.33                        | 1.54  | 34,916              | \$ 23.33                        | 1.54  |
| \$33.40 - \$50.10         | 23,247              | 40.12                           | 3.03  | 23,247              | 40.12                           | 3.03  |
| \$55.12 - \$82.68         | 136,473             | 64.74                           | 5.54  | 86,399              | 63.21                           | 4.66  |
| \$82.69 - \$85.71         | 30,654              | 85.71                           | 7.63  | -                   | -                               | -   |
|                           | <u>225,290</u>      | 58.64                           | 4.95  | <u>144,562</u>      | 49.87                           | 3.65  |
| Aggregate intrinsic value | <u>\$ 8,192,241</u> |                                 |   | <u>\$ 6,524,610</u> |                                 |   |
| 2023                      |                     |                                 |   |                     |                                 |   |
| Exercise Price            | Options Outstanding |                                 |   | Options Exercisable |                                 |   |
|                           | Number Outstanding  | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life | Number Exercisable  | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life |
| \$16.39 - \$24.68         | 32,807              | \$ 18.98                        | 1.33  | 32,807              | \$ 18.98                        | 1.33  |
| \$26.39 - \$39.58         | 25,056              | 28.93                           | 3.47  | 25,056              | 28.93                           | 3.47  |
| \$42.62 - \$63.94         | 80,686              | 54.06                           | 4.70  | 61,969              | 53.07                           | 4.10  |
| \$64.58 - \$78.00         | 103,118             | 68.74                           | 6.58  | 34,630              | 65.29                           | 4.43  |
|                           | <u>241,667</u>      | 52.95                           | 4.92  | <u>154,462</u>      | 44.65                           | 3.48  |
| Aggregate intrinsic value | <u>\$ 6,878,322</u> |                                 |   | <u>\$ 5,677,377</u> |                                 |   |

**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 10 – Stock Based Compensation (continued)**

**Restricted Stock**

For the years ended December 31, 2024, and 2023, the Company issued 8,202 shares and 6,621 shares of restricted stock at average grant date fair values of \$85.73 and \$77.99 per share, which approximated the fair value of the Company's common stock on the date of grant. The restricted stock vests over a five-to-seven-year period beginning on the first anniversary date. During the year ended December 31, 2024, 6,855 shares vested, and 1,339 shares were forfeited. As of January 1, 2024, the total amount of nonvested shares was 22,480 with a weighted average price of \$67.28 per share. As of December 31, 2024, 34,992 total shares of restricted stock had vested, and 22,488 shares were nonvested. The weighted average price of nonvested shares was \$74.69 per share at December 31, 2024. Compensation expense related to the grant of restricted stock for the years ended December 31, 2024 and 2023 totaled \$462 thousand and \$419 thousand, respectively. The compensation cost has been reported in non-interest expense within the consolidated statements of income. The aggregate intrinsic value of outstanding restricted stock grants was \$594 thousand and \$482 thousand as of December 31, 2024 and 2023, respectively. Shares and prices have been adjusted for 5% stock dividends declared during both 2024 and 2023.

The estimated unrecognized pretax compensation expense related to nonvested restricted stock was \$1.3 million as of December 31, 2024, which will be realized over the next five years. Future expense related to restricted stock awards would be impacted by new awards and/or modifications, repurchases and forfeitures of existing awards.

**Note 11 – Other Expenses**

Other expenses are comprised of the following for the years ended December 31:

|                                      | <u>2024</u>         | <u>2023</u>         |
|--------------------------------------|---------------------|---------------------|
| Marketing and business development   | \$ 1,803,317        | \$ 1,633,127        |
| Insurance and regulatory assessments | 917,849             | 836,550             |
| Loan related expenses                | 573,900             | 349,340             |
| Other expenses                       | <u>1,508,112</u>    | <u>1,343,006</u>    |
|                                      | <u>\$ 4,803,178</u> | <u>\$ 4,162,023</u> |

## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 12 – Non-Interest Income and Revenue from Contracts with Customers

All of the Company's revenue from contracts with customers within the scope of ASC 606 is recognized in non-interest income. Revenues that fall within the scope of ASC 606 include service charges and fee income and revenue from various sources included in other income. The Company earns fees from its deposit customers for account maintenance, transaction-based activity and overdraft services. Account maintenance fees consist primarily of account fees and analyzed account fees charged on deposit accounts on a monthly basis. The performance obligation is satisfied, and the fees are recognized on a monthly basis as the service period is completed. Transaction-based fees on deposit accounts are charged to deposit customers for specific services provided to the customer, such as non-sufficient funds fees, overdraft fees, and wire fees. The performance obligation is completed as the transaction occurs and the fees are recognized at the time each specific service is provided to the customer. The Company earns fees for IRC 1031 exchange services provided to customers. IRC 1031 exchange fee income is recognized at the completion of the exchange. Gains (losses) on sale of securities and premiums on sale of loans do not fall within the scope of ASC 606. Other income includes income from various sources and is recognized when the performance obligation is complete.

Non-interest income is comprised of the following for the years ended December 31:

|                                | <u>2024</u>         | <u>2023</u>         |
|--------------------------------|---------------------|---------------------|
| Service charges and fee income | \$ 3,660,726        | \$ 3,545,634        |
| Premiums on sale of loans      | 1,686,027           | 366,523             |
| Farmer Mac income              | 1,334,754           | 1,163,043           |
| Other income                   | <u>577,728</u>      | <u>770,291</u>      |
|                                | <u>\$ 7,259,235</u> | <u>\$ 5,845,491</u> |

#### Note 13 – Transactions with Related Parties

The Company enters into transactions with certain directors, officers, shareholders, and certain affiliates of the Company.

As part of its normal banking activities, the Company has extended credit to and received deposits from certain members of its Board of Directors, major shareholders, officers, as well as entities with which these individuals are associated.

The following table presents a summary of aggregate activity involving related party borrowers for the years ended December 31, 2024 and 2023. Activities on lines of credit are included on a net basis.

**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 13 – Transactions with Related Parties (continued)**

|  | 2024                | 2023                |
|--|---------------------|---------------------|
| Loans outstanding at beginning of year | \$ 3,326,564        | \$ 4,766,261        |
| New loans and advances                 | 210,000             | 1,150,000           |
| Less loan repayments                   | <u>(1,787,637)</u>  | <u>(2,589,697)</u>  |
| Loans outstanding at end of year       | <u>\$ 1,748,927</u> | <u>\$ 3,326,564</u> |

At December 31, 2024 and 2023, deposits of related parties amounted to \$27 million and \$30 million, respectively.

Management believes these transactions were made in the ordinary course of business. Each loan to related parties has been approved by the Board of Directors.

**Note 14 – Commitments and Contingencies**

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the consolidated balance sheet. To mitigate this risk posed by these off-balance sheet exposures, the Company has established an allowance for credit losses on unfunded loan commitments totaling \$497 thousand and \$597 thousand as of December 31, 2024 and 2023.

The Company's exposure to loan loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

A summary of the contractual or notional amounts of the Company's significant off-balance sheet financial instruments is as follows:

|                              | 2024                  | 2023                  |
|------------------------------|-----------------------|-----------------------|
| Commitments to extend credit | \$ 349,612,381        | \$ 325,698,541        |
| Standby letters of credit    | <u>9,099,077</u>      | <u>5,809,117</u>      |
|                              | <u>\$ 358,711,458</u> | <u>\$ 331,507,658</u> |



## **MISSION BANCORP**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **Note 14 – Commitments and Contingencies (continued)**

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include receivables, inventory, property, plant, and equipment, residential properties, and income-producing commercial properties. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are preliminarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions.

**Litigation** – In the ordinary course of business, the Company becomes involved in litigation. Management believes, based upon opinions of legal counsel, that the disposition of all suits pending against the Company will not have a material adverse effect on its financial position or results of income.

#### **Note 15 – Fair Value of Financial Instruments**

Fair value measurements within the Accounting Standards Codification defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurement. Fair value measurements apply to all financial assets and liabilities that are being measured and reported at fair value on a recurring and non-recurring basis.

The fair value of a financial instrument is the amount at which the asset or obligation could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire holdings of a particular financial instrument. Because no market value exists for a significant portion of the financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature, involve uncertainties and matters of judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A three-level hierarchy is used for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect our estimates about market data.

**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 15 – Fair Value of Financial Instruments (continued)**

In general, fair values determined by level 1 inputs utilize quoted prices (unadjusted) for identical instruments that are highly liquid, observable and actively traded in over-the-counter markets. Fair values determined by level 2 inputs utilize inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable and can be corroborated by market data. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

# MISSION BANCORP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 15 – Fair Value of Financial Instruments (continued)

The tables below present information about the Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis as of December 31, 2024 and 2023, respectively, and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

|  | 2024                  |             |                       |             |
|--|-----------------------|-------------|-----------------------|-------------|
|  | Total                 | Level 1     | Level 2               | Level 3     |
| <b>RECURRING ASSETS</b>  |                       |             |                       |             |
| Municipal bonds  | \$ 83,306,768         | \$ -        | \$ 83,306,768         | \$ -        |
| Mortgage backed securities,<br>government sponsored entities     | 117,230,551           | -           | 117,230,551           | -           |
| Mortgage backed securities,<br>non-government sponsored entities | 3,940,348             | -           | 3,940,348             | -           |
| SBA loan pools   | 24,396,840            | -           | 24,396,840            | -           |
| U.S. Treasury notes  | 13,023,456            | -           | 13,023,456            | -           |
| Agency securities  | 3,024,300             | -           | 3,024,300             | -           |
| Equity securities  | 568,729               | -           | 568,729               | -           |
| Derivative financial assets (interest rate swaps)                | 479,735               | -           | 479,735               | -           |
|  | <u>\$ 245,970,727</u> | <u>\$ -</u> | <u>\$ 245,970,727</u> | <u>\$ -</u> |
| <b>RECURRING LIABILITIES</b>                                     |                       |             |                       |             |
| Derivative financial liabilities (interest rate swaps)           | \$ 91,318             | \$ -        | \$ 91,318             | \$ -        |
|  | <u>\$ 91,318</u>      | <u>\$ -</u> | <u>\$ 91,318</u>      | <u>\$ -</u> |
|  | 2023                  |             |                       |             |
|  | Total                 | Level 1     | Level 2               | Level 3     |
| <b>RECURRING ASSETS</b>  |                       |             |                       |             |
| Municipal bonds  | \$ 84,675,600         | \$ -        | \$ 84,675,600         | \$ -        |
| Mortgage backed securities,<br>government sponsored entities     | 92,703,507            | -           | 92,703,507            | -           |
| Mortgage backed securities,<br>non-government sponsored entities | 5,365,352             | -           | 5,365,352             | -           |
| SBA loan pools   | 30,951,289            | -           | 30,951,289            | -           |
| U.S. Treasury notes  | 25,961,806            | -           | 25,961,806            | -           |
| Agency securities  | 3,023,400             | -           | 3,023,400             | -           |
| Equity securities  | 568,468               | -           | 568,468               | -           |
|  | <u>\$ 243,249,422</u> | <u>\$ -</u> | <u>\$ 243,249,422</u> | <u>\$ -</u> |
| <b>RECURRING LIABILITIES</b>                                     |                       |             |                       |             |
| Derivative financial liabilities (interest rate swaps)           | \$ 973,617            | \$ -        | \$ 973,617            | \$ -        |
|  | <u>\$ 973,617</u>     | <u>\$ -</u> | <u>\$ 973,617</u>     | <u>\$ -</u> |

The following methods were used to estimate the fair value of each class of financial instruments above:

**Investment securities** – Available-for-sale securities are measured at fair value on a recurring basis. An independent third party performs market valuations of the Company's available-for-sale securities using several sources. The techniques include pricing models that vary based on the type of asset being valued and incorporate available trade, bid, and other market information. The market valuation sources include observable market inputs and are considered level 2 inputs for purposes of determining the fair values.

# MISSION BANCORP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 15 – Fair Value of Financial Instruments (continued)

**Derivative financial assets and liabilities** – Derivative financial assets and liabilities are recorded at fair value on a recurring basis. The market valuation sources include observable market data and are considered level 2 inputs for determining the fair value. The inputs vary based on the type of derivative, but could include interest rates, prices, indices to generate continuous yield curves and prepayment rates. The majority of the inputs are actively quoted and be validated through external sources.

The following tables present information about the level in the fair value hierarchy for the Company's financial assets and liabilities that are not measured at fair value as of December 31, 2024 and 2023. The valuation of loans receivable held for investment was impacted by the adoption of ASU 2016-01. In accordance with ASU 2016-01, the fair value of loans held for investment is estimated using discounted cash flow analyses. The discount rates used to determine fair value use interest rate spreads that reflect factors such as liquidity, credit, and nonperformance risk of the loans. Loans are considered a Level 3 classification.

Transfers between levels of the fair value hierarchy are recognized on the actual date of the events or circumstances that caused the transfer, which generally corresponds to the Company's quarterly valuation process. During the years ended December 31, 2024 and 2023, there were no transfers between levels of the fair value hierarchy.

| 2024  |          |               |                               |                  |            |               |
|---|----------|---------------|-------------------------------|------------------|------------|---------------|
|   |          |               | Fair Value Measurements Using |                  |            |               |
|   | Carrying | Value         | Estimated Fair Value          | Level 1          | Level 2    | Level 3       |
| Financial assets                                |          |               |                               |                  |            |               |
| Cash and cash equivalents                       | \$       | 293,467,944   | \$ 293,467,944                | \$ 293,467,944   | \$ -       | \$ -          |
| Interest earning deposits maturing over 90 days |          | 490,000       | 490,000                       | -                | 490,000    | -             |
| Loans, net                                      |          | 1,271,334,603 | 1,247,427,147                 | -                | -          | 1,247,427,147 |
| Interest receivable                             |          | 8,090,555     | 8,090,555                     | -                | 8,090,555  | -             |
| Financial liabilities                           |          |               |                               |                  |            |               |
| Deposits, with no stated maturity               | \$       | 1,553,942,383 | \$ 1,553,942,383              | \$ 1,553,942,383 | \$ -       | \$ -          |
| Time deposits                                   |          | 95,382,476    | 95,271,759                    | -                | 95,271,759 | -             |
| Subordinated debentures, net of issuance costs  |          | 21,933,904    | 21,372,781                    | -                | 21,372,781 | -             |
| Interest payable                                |          | 289,904       | 289,904                       | -                | 289,904    | -             |
| 2023  |          |               |                               |                  |            |               |
|   |          |               | Fair Value Measurements Using |                  |            |               |
|   | Carrying | Value         | Estimated Fair Value          | Level 1          | Level 2    | Level 3       |
| Financial assets                                |          |               |                               |                  |            |               |
| Cash and cash equivalents                       | \$       | 149,782,932   | \$ 149,782,932                | \$ 149,782,932   | \$ -       | \$ -          |
| Interest earning deposits maturing over 90 days |          | 490,000       | 490,000                       | -                | 490,000    | -             |
| Loans, net                                      |          | 1,192,247,626 | 1,150,046,254                 | -                | -          | 1,150,046,254 |
| Interest receivable                             |          | 8,414,168     | 8,414,168                     | -                | 8,414,168  | -             |
| Financial liabilities                           |          |               |                               |                  |            |               |
| Deposits, with no stated maturity               | \$       | 1,364,978,101 | \$ 1,364,978,101              | \$ 1,364,978,101 | \$ -       | \$ -          |
| Time deposits                                   |          | 71,788,636    | 71,753,844                    | -                | 71,753,844 | -             |
| Subordinated debentures, net of issuance costs  |          | 21,863,080    | 20,230,348                    | -                | 20,230,348 | -             |
| Other borrowings                                |          | 20,000,000    | 20,023,684                    | -                | 20,023,684 | -             |
| Interest payable                                |          | 825,581       | 825,581                       | -                | 825,581    | -             |



## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 16 – Derivative Financial Instruments

The Company utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and other terms of the individual agreements. Derivative instruments are recognized on the balance sheet at their fair value.

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates.

The Company is exposed to changes in the fair value of certain of its pools of prepayable fixed-rate assets due to changes in benchmark interest rates. The Company uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate, USD SOFR. Interest rate swaps designated as fair value hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Company receiving variable-rate payments over the life of the agreements without the exchange of the underlying notional amount.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in interest income. The Company does not have any derivatives designated as cash flow hedges.

**Fair value hedges** – Interest rate swaps of certain available-for-sale securities were designated as fair value hedges totaling \$58 million notional at December 31, 2024 and 2023. Interest rate swaps of certain fixed rate loans were designated as fair value hedges totaling \$50 million notional at December 31, 2024 and 2023. The hedges were determined to be effective during all periods presented. The Company expects the hedges to remain effective during the remaining terms of the swaps.

**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 16 – Derivative Financial Instruments (continued)**

As of December 31, 2024 and 2023 the following amounts were recorded on the balance sheets related to the cumulative basis adjustment for fair value hedges:

| Line Item in the Consolidated Balance Sheets in Which the Hedged Item is Included | Carrying Amount of the Hedged Assets (Liabilities) |                       | Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets (Liabilities) |                   |
|---|--|-----------------------|---|-------------------|
|   | 2024   | 2023                  | 2024  | 2023              |
| Investment securities available-for-sale, at fair value (1)                       | \$ 57,512,966                                      | \$ 58,548,422         | \$ (487,034)  | \$ 548,422        |
| Loans, net (2)  | 50,083,456   | 50,424,700            | 83,456  | 424,700           |
| Total   | <u>\$ 107,596,422</u>                              | <u>\$ 108,973,122</u> | <u>\$ (403,578)</u>   | <u>\$ 973,122</u> |

(1) These amounts include the amortized cost basis of closed portfolios of available-for-sale securities used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolio anticipated to be outstanding for the designated hedged period. At December 31, 2024 and 2023, the amortized cost basis of the closed portfolios used in these hedging relationships was \$57.5 million and \$58.5 million, respectively. At December 31, 2024 and 2023, the cumulative basis adjustments associated with these hedging relationships was (\$487) thousand and \$548 thousand, respectively; and the amounts of the designated hedged items were \$58 million each year.

(2) These amounts include the amortized cost basis of closed portfolios of fixed rate loans used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolio anticipated to be outstanding for the designated hedged period. At December 31, 2024 and 2023, the amortized cost basis of the closed portfolios used in these hedging relationships was \$50.1 million and \$50.4 million, respectively. At December 31, 2024 and 2023, the cumulative basis adjustments associated with these hedging relationships was \$83 thousand and \$425 thousand, respectively; and the amounts of the designated hedged items were \$50 million each year.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the consolidated balance sheets as of December 31, 2024 and December 31, 2023.

|   | 2024                  |                    | 2023                  |                     |
|---|-----------------------|--------------------|-----------------------|---------------------|
|   | Notional Amount       | Fair Value         | Notional Amount       | Fair Value          |
| Included in interest receivable and other assets:                           |                       |                    |                       |                     |
| Derivatives designated as fair value hedges:                                |                       |                    |                       |                     |
| Interest rate swaps related to securities available-for-sale, at fair value | \$ 58,000,000         | \$ 479,735         | \$ 58,000,000         | \$ -                |
| Interest rate swaps related to loans, net                                   | 50,000,000            | -                  | 50,000,000            | -                   |
| Total included in interest receivable and other assets                      | <u>\$ 108,000,000</u> | <u>\$ 479,735</u>  | <u>\$ 108,000,000</u> | <u>\$ -</u>         |
| Included in interest payable and other liabilities:                         |                       |                    |                       |                     |
| Derivatives designated as fair value hedges:                                |                       |                    |                       |                     |
| Interest rate swaps related to securities available-for-sale, at fair value | \$ 58,000,000         | \$ -               | \$ 58,000,000         | \$ (548,281)        |
| Interest rate swaps related to loans, net                                   | 50,000,000            | (91,318)           | 50,000,000            | (425,336)           |
| Total included in interest payable and other liabilities                    | <u>\$ 108,000,000</u> | <u>\$ (91,318)</u> | <u>\$ 108,000,000</u> | <u>\$ (973,617)</u> |

# MISSION BANCORP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 16 – Derivative Financial Instruments (continued)

The table below presents the effect of the Company's derivative financial instruments on the consolidated statements of income as of December 31, 2024 and December 31, 2023.

|  | Location and Amount of Gain or (Loss) Recognized in Income on Fair Value Hedging Relationships |                  |                 |                  |
|--|--|------------------|-----------------|------------------|
|  | 2024   |                  | 2023            |                  |
|  | Interest Income  | Interest Expense | Interest Income | Interest Expense |
| Total amounts of income and expense line items presented in the statement of income in which the effects of fair value hedges are recorded | \$ 1,328,482   | \$ -             | \$ 688,399      | \$ -             |
| The effects of fair value hedging:   |  |                  |                 |                  |
| Gain (loss) on fair value hedging relationships in Subtopic 815-20   |  |                  |                 |                  |
| Interest rate swap contracts   |  |                  |                 |                  |
| Hedged items   | \$ (1,376,700)   | \$ -             | \$ 973,122      | \$ -             |
| Derivatives designated as hedging instruments  | \$ 2,705,182   | \$ -             | \$ (284,723)    | \$ -             |

The following table presents a gross presentation, the effects of offsetting and net presentation of the Company's derivatives as of December 31, 2024 and 2023.

| Offsetting of Derivative Assets |                                    |   |  |   |                          |              |
|---------------------------------|------------------------------------|---|--|---|--------------------------|--------------|
|                                 | Gross Amounts of Recognized Assets | Gross Amounts Offset in the Consolidated Balance Sheets | Net Amounts of Assets presented in the Consolidated Balance Sheets | Gross Amounts Not Offset in the Consolidated Balance Sheets |                          |              |
|                                 |                                    |   |  | Financial Instruments                                       | Cash Collateral Received | Net Amount   |
| December 31, 2024               |                                    |   |  |   |                          |              |
| Derivatives                     | \$ 479,735                         | \$ -  | \$ 479,735   | \$ -  | \$ 580,000               | \$ (100,265) |
| December 31, 2023               |                                    |   |  |   |                          |              |
| Derivatives                     | \$ -                               | \$ -  | \$ -   | \$ -  | \$ -                     | \$ -         |

| Offsetting of Derivative Liabilities |   |   |   |   |                        |            |
|--------------------------------------|---|---|---|---|------------------------|------------|
|                                      | Gross Amounts of Recognized Liabilities | Gross Amounts Offset in the Consolidated Balance Sheets | Net Amounts of Liabilities presented in the Consolidated Balance Sheets | Gross Amounts Not Offset in the Consolidated Balance Sheets |                        |            |
|                                      |   |   |   | Financial Instruments                                       | Cash Collateral Posted | Net Amount |
| December 31, 2024                    |   |   |   |   |                        |            |
| Derivatives                          | \$ 91,318                               | \$ -  | \$ 91,318   | \$ -  | \$ -                   | \$ 91,318  |
| December 31, 2023                    |   |   |   |   |                        |            |
| Derivatives                          | \$ 973,617                              | \$ -  | \$ 973,617  | \$ -  | \$ 790,000             | \$ 183,617 |

**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 16 – Derivative Financial Instruments (continued)**

The Company has an agreement with its derivative counterparty that contains a provision where the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on indebtedness.

As of December 31, 2024, the fair value of derivatives in a net asset position, which excludes any adjustment for nonperformance risk related to the agreements was \$388 thousand. As of December 31, 2023, the fair value of derivatives in a net liability position, which excludes any adjustment for nonperformance risk related to the agreements was \$974 thousand. The Company has minimum posting collateral thresholds with its derivative counterparty and has posted \$-0- and \$790 thousand as of December 31, 2024 and 2023, respectively. The Company had received \$580 thousand in cash collateral as of December 31, 2024.

**Note 17 – Segment Information**

The Company's reportable segment is determined by the Chief Operating Officer and Chief Financial Officer, who is the CODM, based upon information provided about the Company's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the CODM, who uses such information to review performance of various components of the business. The CODM will evaluate the financial performance of the Company's business components by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's segment and in the determination of allocating resources. The CODM uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The CODM uses consolidated net income to benchmark the Company against its competitors. The competitive analysis along with the monitoring of budgeted versus actual results are used in assessing performance of the segment and in establishing compensation. Loans, investments and deposits provide revenues in the banking operation. Interest expense, salaries, wages and employee benefits, and professional services provide the significant expenses in the banking operation. All operations are domestic.



## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Note 17 – Segment Information (continued)

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

|   | BANKING SEGMENT          |                 |
|---|--------------------------|-----------------|
|   | YEARS ENDED DECEMBER 31, |                 |
|   | 2024                     | 2023            |
| Interest income                                     | \$ 99,155,168            | \$ 84,797,650   |
| Other income  | 7,228,073                | 5,415,236       |
| Total consolidated income                           | 106,383,241              | 90,212,886      |
| Interest expense                                    | 28,023,828               | 15,207,447      |
| Segment net interest income and non-interest income | 78,359,413               | 75,005,439      |
| Salaries and benefits                               | 21,235,956               | 18,718,606      |
| Professional services                               | 4,883,552                | 4,887,476       |
| Other segment items*                                | 10,213,956               | 9,441,110       |
| Income tax expense                                  | 11,883,862               | 11,489,339      |
| Total expenses                                      | 48,217,326               | 44,536,531      |
| Segment net income/consolidated net income          | \$ 30,142,087            | \$ 30,468,908   |
| OTHER SEGMENT DISCLOSURES                           |                          |                 |
| Credit loss expense                                 | \$ 1,468,750             | \$ 1,420,000    |
| Depreciation  | \$ 669,357               | \$ 751,503      |
| RECONCILIATION OF ASSETS                            |                          |                 |
| Total assets for reportable segments                | \$1,875,855,512          | \$1,651,968,757 |
| Other assets  | -                        | -               |
| Total consolidated assets                           | \$1,875,855,512          | \$1,651,968,757 |

\* Other segment items include data processing, marketing, occupancy, banking assessments, credit loss expense and other expenses.

## MISSION BANCORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### **Note 18 – Regulatory Matters**

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for Prompt Corrective Action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators. As of December 31, 2024, management believes that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2024, the most recent regulatory notification categorized the Bank as well capitalized under the regulatory framework. There are no conditions or events since that notification that management believes have changed the Bank's category.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. The community bank leverage ratio minimum requirement is 9%. An eligible banking organization is provided a two-quarter grace period to correct a ratio that falls below the required amount, provided that the bank maintains a leverage of 8%.

An eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2024 and 2023, the Bank was a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

**MISSION BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 18 – Regulatory Matters (continued)**

The Bank’s actual capital amounts and ratios computed in accordance with bank regulatory requirements as of December 31, 2024 and 2023 are as follows.

|                                  |                |        | Amount of Capital Required  |       |
|----------------------------------|----------------|--------|---|-------|
|                                  |                |        | Minimum To Be Well Capitalized<br>Under Prompt Corrective Action<br>Provisions (CBLR Framework) |       |
|                                  | Amount         | Ratio  | Amount  |       |
| As of December 31, 2024          |                |        |   |       |
| Tier 1 capital to average assets | \$ 206,756,000 | 11.07% | \$ 168,150,690  | 9.00% |

|                                  |                |        | Amount of Capital Required  |       |
|----------------------------------|----------------|--------|---|-------|
|                                  |                |        | Minimum To Be Well Capitalized<br>Under Prompt Corrective Action<br>Provisions (CBLR Framework) |       |
|                                  | Amount         | Ratio  | Amount  | Ratio |
| As of December 31, 2023          |                |        |   |       |
| Tier 1 capital to average assets | \$ 188,320,000 | 11.33% | \$ 149,542,920  | 9.00% |











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## Mission Bank Business Banking Centers

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DOWNTOWN**  
1301 17th Street  
Bakersfield, CA 93301  
661.859.2500

**BAKERSFIELD  
RIVERWALK**  
11200 River Run Blvd.  
Suite 101  
Bakersfield, CA 93311  
661.410.6021

**LANCASTER**  
43830 20th Street West  
Lancaster, CA 93534  
661.949.9038

**SAN LUIS OBISPO**  
1150 Osos Street  
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San Luis Obispo, CA 93401  
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**SHAFTER**  
1110 E. Lerdo Highway  
Shafter, CA 93263  
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**STOCKTON**  
3121 W. March Lane  
Suite 210  
Stockton, CA 95219  
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**VENTURA**  
1500 Palma Drive  
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