

2025
ANNUAL REPORT

BANC OF CALIFORNIA, INC.

WE ARE THE PREMIER RELATIONSHIP-FOCUSED **BUSINESS BANK.**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2025

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission File Number 001-35522

BANC OF CALIFORNIA, INC.

(Exact name of registrant as specified in its charter)

Maryland	**04-3639825**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

11611 San Vicente Boulevard, Suite 500
Los Angeles, CA 90049
(Address of Principal Executive Offices, Including Zip Code)

(855) 361-2262
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $0.01 per share	**BANC**	**New York Stock Exchange**
Depositary Shares, each representing a 1/40th interest in a share of 7.75% fixed rate reset non-cumulative perpetual preferred stock, Series F	**BANC/PF**	**New York Stock Exchange**
(Title of Each Class)	*(Trading Symbol)*	*(Name of Exchange on Which Registered)*

Securities Registered Pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☑ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☑ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

☑ Large accelerated filer	☐ Accelerated filer
☐ Non-accelerated filer	☐ Smaller reporting company
	☐ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☑ No

The aggregate market value of the voting common stock held by non-affiliates of the registrant, computed by reference to the average high and low sales prices on The New York Stock Exchange as of the close of business on June 30, 2025, was $1.9 billion.

As of February 13, 2026, there were 149,963,520 shares of registrant's voting common stock outstanding, excluding 75,498 shares of unvested restricted stock, and the registrant had 477,321 shares of class B non-voting common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K will be found in the Company's definitive proxy statement for its 2026 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, and such information is incorporated herein by this reference.

BANC OF CALIFORNIA, INC.
2025 ANNUAL REPORT ON FORM 10-K
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PART I

Forward-Looking Information

This Annual Report on Form 10-K contains certain "forward-looking statements" about the Company and its subsidiaries within the meaning of the Private Securities Litigation Reform Act of 1995, including certain plans, strategies, goals, and projections and including statements about our expectations regarding our operating expenses, profitability, allowance for credit losses, net interest margin, net interest income, deposit growth, loan and lease portfolio growth and production, acquisitions and related integrations, maintaining capital adequacy, liquidity, goodwill, and IRR management. All statements contained in this Annual Report on Form 10-K that are not clearly historical in nature are forward-looking, and the words "anticipate," "assume," "intend," "believe," "forecast," "expect," "estimate," "plan," "continue," "will," "should," "look forward" and similar expressions are generally intended to identify forward-looking statements. You should not place undue reliance on these statements as they involve risks, uncertainties and contingencies, many of which are beyond our control, which may cause actual results, performance, or achievements to differ materially from those expressed in them as a result of risks and uncertainties more fully described under "Risk Factors" in Item 1A of this Form 10-K. All forward-looking statements included in this Annual Report on Form 10-K are based on information available at the time the statement is made. We are under no obligation to (and expressly disclaim any such obligation to) update or alter our forward-looking statements, whether as a result of new information, future events or otherwise except as required by law.

Available Information

We maintain a website for Banc of California at http://bancofcal.com. Via the "Financials and Filings" link at http://investors.bancofcal.com, our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, including any exhibits attached to such filings, and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available, free of charge, as soon as reasonably practicable after such forms are electronically filed with, or furnished to, the SEC. The SEC maintains an Internet website at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. You may obtain copies of Banc of California's filings and PacWest Bancorp's historical filings on the SEC website.

We have adopted a written Code of Business Conduct and Ethics that applies to all directors, officers and employees, including our principal executive officer and senior financial officers, in accordance with Section 406 of the Sarbanes-Oxley Act of 2002 and the rules of the SEC promulgated thereunder and it is available via the "Governance - Documents & Charters" link at http://investors.bancofcal.com. Any changes in, or waivers from, the provisions of this code of ethics that the SEC requires us to disclose are posted on our website in such section. In the same "Governance - Documents & Charters" section of our website, we have also posted the charters for our Audit Committee; Finance Committee; Compensation, Nominating and Corporate Governance Committee; and Enterprise Risk Committee, as well as our Corporate Governance Guidelines. In addition, information concerning purchases and sales of our equity securities by our executive officers and directors is posted on Banc of California, Inc.'s website.

All website addresses given in this document are for information only and are not intended to be an active link or to incorporate any website information into this document.

Glossary of Acronyms, Abbreviations, and Terms

The acronyms, abbreviations, and terms listed below are used in various sections of this Annual Report on Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and "Financial Statements and Notes to the Consolidated Financial Statements" in Item 8.

ACL	Allowance for Credit Losses	FRBSF	Federal Reserve Bank of San Francisco
AFS	Available-for-Sale	HFI	Held for Investment
ALLL	Allowance for Loan and Lease Losses	HFS	Held for Sale
ASC	Accounting Standards Codification	HLBV	Hypothetical Liquidation at Book Value
ASU	Accounting Standards Update	HOA	Homeowners Association
ATM	Automated Teller Machine	HTM	Held-to-Maturity
Basel III	A comprehensive capital framework and rules for U.S. banking organizations approved by the FRB and the FDIC in 2013	IRR	Interest Rate Risk
BHCA	Bank Holding Company Act of 1956, as amended	LIHTC	Low Income Housing Tax Credit
BOLI	Bank Owned Life Insurance	LOCOM	Lower of Cost or Market
CDI	Core Deposit Intangible Assets	MBS	Mortgage-Backed Securities
CECL	Current Expected Credit Loss	NAV	Net Asset Value
CET1	Common Equity Tier 1	NII	Net Interest Income
CFPB	Consumer Financial Protection Bureau	Non-PCD	Non-Purchased Credit Deteriorated
CMBS	Commercial Mortgage-Backed Securities	NVCE	Non-Voting Common Stock Equivalents
CMOs	Collateralized Mortgage Obligations	OFAC	U.S. Treasury Department's Office of Foreign Assets Control
CODM	Chief Operating Decision Maker	OREO	Other Real Estate Owned
CPI	Consumer Price Index	PCD	Purchased Credit Deteriorated
CRE	Commercial Real Estate	PSUs	Performance Stock Units
CRA	Community Reinvestment Act of 1977, as amended	ROU	Right-of-use
CRI	Customer Relationship Intangible Assets	RSUs	Restricted Stock Units
DFPI	California Department of Financial Protection and Innovation	S&P	Standard & Poor's
DTAs	Deferred Tax Assets	SBA	Small Business Administration
DIF	Deposit Insurance Fund	SBIC	Small Business Investment Company
ECR	Earnings Credit Rate	SEC	Securities and Exchange Commission
EVE	Economic Value of Equity	SFR	Single-Family Residential
FASB	Financial Accounting Standards Board	SOFR	Secured Overnight Financing Rate
FDIC	Federal Deposit Insurance Corporation	TRSAs	Time-Based Restricted Stock Awards
FHLB	Federal Home Loan Bank of San Francisco	U.S. GAAP	U.S. Generally Accepted Accounting Principles
FRB	Board of Governors of the Federal Reserve System	VIE	Variable Interest Entity

ITEM 1. BUSINESS

General

Banc of California, Inc., a Maryland corporation, was incorporated in March 2002 and serves as the holding company for its wholly owned subsidiary, Banc of California (the "Bank"), a California state-chartered bank and a member of the FRB. When we refer to the "parent" or the "holding company," we are referring to Banc of California, Inc., the parent company, on a stand-alone basis. When we refer to "we," "us," "our," or the "Company," we are referring to Banc of California, Inc. and its consolidated subsidiaries including the Bank, collectively. As a bank holding company, the holding company is subject to ongoing and comprehensive supervision, regulation, examination, and enforcement by the FRB. As a California state-chartered bank that is a member of the FRB, the Bank is subject to ongoing and comprehensive supervision, regulation, examination, and enforcement by the DFPI and the FRB.

On November 30, 2023, Banc of California, Inc. completed its transformational merger with PacWest Bancorp ("PacWest"), pursuant to which PacWest merged into Banc of California, Inc., (the "Merger") with Banc of California, Inc. continuing as the surviving legal corporation, and, as of December 1, 2023, Banc of California, N.A. merged into Pacific Western Bank, with Pacific Western Bank continuing under the Banc of California name and brand as the Bank. See "Note 2. Business Combinations" in Item 8 of this Form 10-K for additional information.

Our principal executive office is currently located at 11611 San Vicente Boulevard, Suite 500, Los Angeles, California, and our telephone number is (855) 361-2262. Our common stock trades on the New York Stock Exchange under the trading symbol "BANC" and our Series F preferred depositary shares trade on the New York Stock Exchange under the trading symbol "BANC/PF."

The Bank is one of the nation's premier relationship-based business banks, providing banking and treasury management services to small, middle-market, and venture-backed businesses. The Bank offers a broad range of loan and deposit products and services through 79 full-service branches located throughout California and in Denver, Colorado, and Durham, North Carolina, as well as through regional offices nationwide. The Bank also provides full-service payment processing solutions to its clients and serves the Community Association Management industry nationwide with its technology-forward platform, SmartStreet™. The Bank is committed to its local communities by supporting organizations that provide financial literacy and job training, small business support, affordable housing, and more.

The Bank is organized into four business groups – Commercial & Community Banking ("CCB"), Specialty Banking, Deposit and Transaction Services, and Payment Solutions. CCB provides in-market relationship lending and deposit gathering through regional offices and 79 branch locations throughout California, in Denver, Colorado and in Durham, North Carolina. Specialty Banking is focused on serving clients in niche verticals by industry, including HOA, venture banking, lender finance, SBA lending, mortgage warehouse lending, media and entertainment, asset-based lending, and equipment finance. Our Deposit and Transaction Services provide valuable services through tailored cash management and treasury management solutions, including foreign exchange and other liquidity management products. Our Payment Solutions delivers integrated electronic payment solutions for commercial clients, including merchant acquiring and card issuing services. These offerings are supported by a secure, bank-led payments infrastructure that ensures reliable transaction processing, settlement, and regulatory compliance. Merchant acquiring services are provided through BancEdge, the Company's proprietary platform, enabling clients to accept card payments across both physical and digital channels. Additionally, the Payments business offers card issuing solutions to support purchasing and expense management for business clients.

As of December 31, 2025, the Company had total assets of $34.8 billion, total loans and leases HFI of $25.0 billion, total deposits of $27.8 billion, and total stockholders' equity of $3.5 billion.

Our Business Strategy

Our strategic objective is to continue to be one of the nation's premier relationship-based commercial banks by delivering outstanding service to our banking clients through our team's ability to collaborate, execute and perform at a level superior to our competition. This involves listening to our clients to understand their needs so that we can actively develop and deliver customized solutions to meet their business objectives. It also involves executing promptly and holding ourselves accountable to the promises we make our clients. We are focused on fostering relationships with businesses in our markets and verticals and providing an exceptional level of service.

We offer a wide variety of deposit, loan, and other financial services to small and middle-market businesses, venture capital and private equity firms, non-profit organizations, business owners, entrepreneurs, professionals and high-net worth individuals. Our deposit products include checking, savings, money market, certificates of deposit, retirement accounts, and safe deposit boxes. Additional products and services leverage other technology and include automated bill payments, cash and treasury management, master demand accounts, foreign exchange, interest rate swaps, card payment services, remote and mobile deposit capture, automated clearing house origination, wire transfer, and direct deposit. Our lending activities are focused on providing thoughtful financing solutions to our clients. We are consistently investing in our technology infrastructure to gain operating efficiencies and to improve the client experience as we deliver our high standard of service.

Depository Products and Services

Deposits are our primary source of funds to support our interest-earning assets and provide a source of stable low-cost funds and deposit-related fee income. We offer traditional deposit products to businesses and other customers with a variety of rates and terms, including demand, money market, and time deposits. We primarily rely on our relationships from our lending activities, competitive pricing policies, marketing, and superior client service to attract and retain deposits. We also provide international banking services, multi-state deposit services, and asset management services. The Bank's deposits are insured by the DIF of the FDIC up to applicable legal limits. The Bank is a participant in the IntraFi Network, a product that offers deposit placement services such as IntraFi Cash Service and CDARS, and other reciprocal deposit networks which offer products that qualify large deposits for FDIC insurance. These products spread a customer's large deposit account among other banks in the network to increase the amount of FDIC insurance for that customer and to help us retain the customer's entire banking relationship.

Our branch network allows us to gather deposits, expand our brand presence, and service our customers' banking and cash management needs. We also serve our customers through a wide range of non-branch channels, including online, mobile, remote deposit, and telephone banking platforms, all of which allows us to expand our service area to attract new depositors without a commensurate increase in branch locations or branch traffic.

At December 31, 2025, we had ATMs at 67 of our branches located in California and one ATM at our branch in Denver, Colorado. We provide access to customer accounts via a 24-hour seven-day-a-week, toll-free, automated telephone customer service and secure online banking services.

At December 31, 2025, our total deposits were $27.8 billion and consisted of $7.8 billion in noninterest-bearing deposits, $8.5 billion in interest-bearing checking accounts, $4.9 billion in money market accounts, $1.9 billion in savings accounts, and $4.7 billion in time deposits. Our deposits are diversified and are a mix of deposits from small, middle-market, and venture-backed businesses, HOA management companies and many are related to lending relationships to a diversified client base.

Client Investment Funds

In addition to deposit products, we also offer alternative, non-depository corporate treasury solutions for clients to invest excess liquidity. These off-balance sheet client funds totaled $1.2 billion at December 31, 2025 and $1.5 billion at December 31, 2024.

Payment Processing

The Company's Payments business provides integrated electronic payment capabilities for commercial clients, including merchant acquiring and card issuing services. These offerings are delivered through a bank-led payments infrastructure designed to support secure transaction processing, settlement, and regulatory compliance.

Merchant acquiring services are provided through BancEdge, the Company's branded payments processing platform, which enables clients to accept debit and credit card payments across card-present and digital channels. BancEdge supports merchant onboarding, underwriting, transaction processing, settlement, reporting, and ongoing account servicing, and incorporates risk monitoring and compliance controls.

The Payments business also offers card issuing solutions for business and commercial clients, supporting purchasing and expense management needs through centralized onboarding, transaction processing, and portfolio management. The Company operates as an acquiring bank and program sponsor and continues to invest in scalable, API-enabled infrastructure to support additional payment capabilities while maintaining strong risk management and data security controls.

Lending Activities

We provide a variety of lending products to customers, including the loan types below. Lending activities from discontinued or divested non-core loan portfolios, which are currently in the process of running off, are not included in the lending activities described below. For additional information regarding loans, see "Note 5. Loans and Leases" in Item 8 or "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this Form 10-K.

Real Estate Loans

Real estate loans consist of CRE mortgage, residential real estate mortgage, and real estate construction and land loans, generally secured by first-priority liens. These loans are originated to professional developers and real estate investors for the acquisition, construction, refinancing, renovation, and on-going operation of CRE. Our real estate loans include the following specific lending products:

Commercial real estate mortgage. CRE loans comprise 17% and 19% of our total HFI loans as of December 31, 2025 and 2024, respectively. These loans are secured by a range of property types, including office, hotels, retail, and industrial properties, and are primarily located in major United States metropolitan markets, with 67% concentrated in California as of December 31, 2025. We also originate owner occupied CRE loans, including tax exempt financing to municipalities, schools, school districts, and non-profit borrowers, and loans under the SBA 7(a) Program and 504 Program.

Multi- Family. Multi-family loans comprise 24% and 26% of our total HFI loans as of December 31, 2025 and 2024, respectively. The loans are primarily secured by income-producing residential properties with five or more dwelling units and are originated to experienced sponsors and professional real estate investors. Multi-family loans are generally used to finance the acquisition, refinancing, and ongoing operation of stabilized apartment properties. The portfolio is located in major United States metropolitan markets, with 73% concentrated in California as of December 31, 2025.

Other residential real estate mortgage. Residential real estate mortgage loans comprise 14% and 12% of our total HFI loans as of December 31, 2025 and 2024, respectively. These loans are secured by other residential income producing assets, non-owner occupied for-rent residential properties, and owner-occupied single-family properties. The Company has purchased SFR mortgage loans that met our established lending criteria from multiple third-party lenders.

Real estate construction and land. Real estate construction and land comprise 8% and 13% of our total HFI loans as of December 31, 2025 and 2024, respectively. These loans finance the construction or substantial renovation of residential and select commercial properties, and generally have shorter contractual terms than permanent real estate loans. These loans are primarily secured by multi-family, residential properties undergoing a substantial renovation, and office properties.

Commercial Loans and Leases

Commercial loans and leases consist of a diversified portfolio of assets secured lending products and venture related borrowers. These loans support working capital needs, equipment financing, receivable financing, and growth initiatives. Our commercial loans include the following specific lending products:

Lender finance. Lender finance loans comprise 6% and 3% of our total HFI loans as of December 31, 2025 and 2024, respectively. These loans are primarily revolving facilities to small business, CRE, and consumer lenders and alternative asset managers, secured primarily by finance receivables, with borrowing bases tied to eligible collateral. Repayment is from borrower operating cash flow and collections on the financed receivables.

Equipment finance. Equipment finance loans comprise 3% and 3% of our total HFI loans as of December 31, 2025 and 2024, respectively. These loans are financing of equipment essential to the operations of our borrowers or lessees. Loans are secured by the equipment, leased or owned equipment, under contract with the lessees. Repayment is primarily from operating cash flow and/or residual realization through a sale of the equipment.

Other asset-based. Other asset-based loans comprise 1% and 1% of our total HFI loans as of December 31, 2025 and 2024, respectively. These loans are working capital facilities secured by receivables and/or inventories. Repayment is from borrower cash flow, collection of the receivables, and/or the sale of the inventories securing the loans.

Venture capital. *V*enture capital loans comprise 9% and 6% of our total HFI loans as of December 31, 2025 and 2024, respectively. These are loans directly to venture capital firms themselves or to venture-backed companies, and are composed of two categories: Equity fund loans and Venture lending. Equity fund loans are facilities to venture and private equity funds and managers, typically secured by capital call rights, management fees, and other assets. Equity fund repayments are from capital calls, realizations from sale of portfolio company investments, and management fees. Venture lending loans are to venture-backed companies (primarily technology and life sciences) bridging between funding rounds or strategic outcomes, typically secured by first priority liens on corporate assets and, where relevant, intellectual property.

Secured business. Secured business loans comprise 3% of our total HFI loans as of both December 31, 2025 and 2024. These are secured business loans originated through the CCB group. The primary source of repayment is the cash flow of the borrowers. The loans can be up to five years and are secured by a specific asset or assets of the borrower.

Warehouse loans. Warehouse loans comprise 8% and 6% of our total HFI loans as of December 31, 2025 and 2024, respectively. These loans are short-term revolving lines to mortgage originators to fund closed loans prior to sale or securitization. Repayment is from proceeds of loan sales in the secondary market, either directly or through securitization, of the mortgage loans funded on the warehouse line.

Other lending. Other lending loans comprise 4% of our total HFI loans as of both December 31, 2025 and 2024, respectively. These loans include CCB business loans, loans to homeowner associations, loans to municipalities and non-profit borrowers, and SBA 7(a) loans for small business expansion. The primary sources of repayments is from borrower cash flow or municipalities tax collections.

Consumer Loans

Consumer loans comprise 1% and 2% of our total HFI loans as of December 31, 2025 and 2024, respectively. These loans primarily consist of purchased private student loans (not government guaranteed) and, to a lesser extent, purchased auto loans and internally originated personal, home equity lines, and other consumer loans. Purchased pools must meet our thresholds for weighted average credit scores, income, and free cash flow. We monitor originators' and servicers' performance and enforce our contractual rights.

Lending Activity Risk Factors and Mitigation Measures

Our lending activities are subject to a variety of risks that may adversely affect credit quality, portfolio performance, and financial results. These risks include, but are not limited to, changes in macroeconomic conditions, interest rate fluctuations, borrower financial stress, collateral value declines, operational and environmental risks, regulatory changes, and concentration exposures. Our loan portfolios may also be impacted by industry-specific trends, legislative developments, and external events such as natural disasters or market disruptions. For a detailed discussion of these and other risks, refer to “Risk Factors” in Item 1A of this Form 10-K.

To address these risks, we employs a comprehensive risk management framework that includes disciplined credit policies, rigorous underwriting standards, and ongoing portfolio monitoring. Key mitigation strategies include borrower due diligence, collateral valuation and controls, covenant enforcement, portfolio concentration limits, and regular performance reviews. We also maintains oversight of third-party originators and servicers, and ensures compliance with applicable regulatory requirements. These measures are designed to identify, assess, and manage credit risk across all lending activities, supporting the our commitment to maintaining sound asset quality and prudent risk management practices.

Financing

We depend on deposits, including brokered deposits, and external financing sources to fund our operations. We employ a variety of financing arrangements, including term debt, subordinated debt, and equity. As a member of the FHLB, the Bank had secured financing capacity with the FHLB as of December 31, 2025 of $6.9 billion, collateralized by a blanket lien on $10.3 billion of qualifying loans and $20.5 million of securities. The Bank also had secured financing capacity with the FRBSF of $5.0 billion as of December 31, 2025 collateralized by liens on $4.6 billion of qualifying loans and $1.5 billion of securities.

Information Technology Systems

We devote significant financial and management resources to maintain stable, reliable, efficient, secure, and scalable information technology systems. Where possible, we utilize third-party software systems that are hosted and supported by nationally recognized vendors. We work with our third-party vendors to monitor and maximize the efficiency of our use of their applications. We use integrated systems to originate and process loans and deposit accounts, which reduces processing time, automates numerous internal controls, improves customer experiences and reduces costs. Most customer records are maintained digitally. We also provide online, mobile, and telephone banking services to further improve the overall client experience.

We use an enterprise data warehouse system in order to aggregate, analyze, and report key metrics associated with our customers and products. Data is collected across multiple systems so that standard and ad hoc reports are available to assist with managing our business.

We maintain an information technology strategic plan. This plan defines the overall innovation and technology agenda and vision. Through our annual information technology budgeting process, we analyze our infrastructure for capacity planning, detail migration plans to replace aging hardware and software, and resource plan for internal and external information technology staffing needs against planned initiatives.

Protecting our systems to ensure the safety of customer information is critical to our business. We have an information security program subject to oversight by our Board of Directors and Senior Management. We use multiple layers of protection to control access, detect unusual activity, and reduce risk. We regularly conduct a variety of audits and vulnerability and penetration tests on our platforms, systems, and applications and maintain comprehensive incident response plans to minimize potential risks, including cyber-attacks. To protect our business operations against disasters, we employ multiple layers of redundancy, including geographically distributed systems, replication, and comprehensive recovery plans.

Risk Oversight and Management

We believe risk management is another core competency of our business. We have a comprehensive risk management process that measures, monitors, evaluates, and manages the risks we assume in conducting our activities. Our oversight of this risk management process is conducted by the Company's Board of Directors (the "Board") and its standing committees. The committees each report to the Board and the Board has overall oversight responsibility for risk management.

Our risk framework is structured to guide decisions regarding the appropriate balance between risk and return considerations in our business. Our risk framework is based upon our business strategy, risk appetite, and financial plans approved by our Board. Our risk framework is supported by an enterprise risk management program. Our enterprise risk management program integrates all risk efforts under one common framework. This framework includes risk policies, procedures, measured and reported limits and targets, and reporting. Our Board approves our risk appetite statement, which sets forth the amount and type of risks we are willing to accept in pursuit of achieving our strategic, business, and financial objectives. Our risk appetite statement provides the context for our risk management tools, including, among others, risk policies, limits, portfolio composition, underwriting standards, and operational processes.

Competition

The banking business is highly competitive. We compete nationwide with other commercial banks and financial services institutions for loans and leases, deposits, and employees. Some of these competitors are larger in total assets and capitalization, with more offices over a wider geographic area and offer a broader range of financial services than our operations. Our most direct competition for loans comes from larger regional and national banks, diversified finance companies, venture debt funds, and community banks that target the same customers as we do. In recent years, competition has increased from institutions not subject to the same regulatory restrictions as domestic banks and bank holding companies. Those competitors include non-bank specialty lenders, insurance companies, private investment funds, investment banks, financial technology companies, and other financial and non-financial institutions.

Competition is based on a number of factors, including interest rates charged on loans and leases and paid on deposits, underwriting standards, loan covenants, required guarantees, the scope and type of banking and financial services offered, convenience of our branch locations, customer service, technological changes, and regulatory constraints. Many of our competitors are large companies that have substantial capital, technological, and marketing resources. Some of our competitors have substantial market positions and have access to a lower cost of capital or a less expensive source of funds. Because of economies of scale, our larger, nationwide competitors may offer loan pricing that is more attractive than what we are willing to offer.

Economic factors, along with legislative and technological changes, will have an ongoing impact on the competitive environment within the financial services industry. We work to anticipate and adapt to dynamic competitive conditions whether it is by developing and marketing innovative products and services, adopting or developing new technologies that differentiate our products and services, cross marketing, or providing highly personalized banking services. We strive to distinguish ourselves from other banks and financial services providers in our marketplace by providing an extremely high level of service to enhance customer loyalty and to attract and retain business.

We differentiate ourselves in the marketplace through the quality of service we provide to borrowers while maintaining competitive interest rates, loan fees and other loan terms. We emphasize personalized relationship banking services and the efficient decision-making of our lending business units. We compete effectively based on our in-depth knowledge of our borrowers' industries and their business needs based upon information received from our borrowers' key decision-makers, analysis by our experienced professionals, and interaction between these two groups; our breadth of loan product offerings and flexible and creative approach to structuring products that meet our borrowers' business and timing needs; and our dedication to superior client service. However, we can provide no assurance as to the effectiveness of these efforts on our future business or results of operations, as to our continued ability to anticipate and adapt to changing conditions, and as to sufficiently improving our services and banking products in order to successfully compete in the marketplace.

Human Capital Management

Our human capital strategy empowers people to build a high-performing culture. Among our core business objectives are talent development and creating an environment where everyone has an opportunity to succeed. Our business strategy is to operate a client-focused, well-capitalized, and profitable nationwide bank dedicated to providing personal service to our business and individual customers. Our team members are our most important assets, and they set the foundation for our ability to achieve our strategic objectives. We believe that we have a competitive advantage in the markets we serve because of our long-standing reputation for providing superior, relationship-based customer service. In order to continue to provide the expertise and customer service for which we are known, it is crucial that we continue to attract, retain, and develop top talent. To facilitate talent attraction and retention, we strive to make the Bank an inclusive and safe workplace, with opportunities for our team members to grow and advance in their careers, supported by strong compensation, benefits, and health and wellness programs.

Oversight and Management

We strive to attract, develop, and retain highly qualified team members for each role in the organization. Working under this principle, our Human Resources Department is tasked with managing employment-related matters, including recruiting and hiring, onboarding and training, compensation planning, performance management, and professional development. Our Board of Directors and Compensation, Nominating and Corporate Governance Committee provide oversight on certain human capital matters, including our compensation and benefit programs. As noted in its charter, our Compensation, Nominating and Corporate Governance Committee is responsible for periodically reviewing employee compensation programs and initiatives to ensure they are competitive and aligned with our stockholders' long-term interests, including incentives and benefits, as well as our succession planning and strategies. Our Compensation, Nominating and Corporate Governance Committee also works closely with the Enterprise Risk Committee to monitor current and emerging human capital management risks and to mitigate exposure to those risks.

Demographics

At December 31, 2025, we had 1,904 full-time and part-time employees, the overwhelming majority of which were full-time employees. None of the Company's employees are represented by a labor union or by collective bargaining agreements.

Human Capital Management Objectives

Our key human capital management objectives are to attract, retain, and develop the highest quality talent. To support these objectives, our human resources programs are designed to develop talent to prepare them for critical roles and leadership positions for the future, reward and support team members through competitive pay, benefit, and perquisite programs, enhance the Company's culture through efforts aimed at making the workplace more engaging and inclusive, acquire talent, and facilitate internal talent mobility to create a high-performing, diverse workforce, and evolve and invest in technology, tools and resources to enable team members to effectively and efficiently perform their responsibilities and achieve their full potential.

Some examples of key programs and initiatives that are focused to attract, develop and retain our workforce include:

Compensation and Benefits. The philosophy and objectives underlying our compensation programs are to employ and retain talented team members to ensure we execute on our business goals, drive short- and long-term profitable growth of the Company, and create long-term stockholder value. In allocating total compensation, we seek to provide competitive levels of fixed compensation (base salary) and, through annual and long-term incentives, provide for increased total compensation when performance objectives are met or exceeded and appropriately lower total compensation if performance objectives are not met.

Our compensation and benefits programs are designed to be competitive and aligned with industry standards, ensuring fairness based on employee position, skill level, experience, and knowledge. As of December 31, 2025, our minimum starting wage is $20 per hour. We regularly engage nationally recognized compensation and benefits consulting firms to independently evaluate and benchmark our offerings, resulting in robust, market-competitive benefits. These include a comprehensive suite of health insurance options, a competitive 401(k) match program, and additional benefits that support employees' long-term financial wellness. Executive compensation is structured to align with stockholder interests, linking realizable pay to Company performance. Annual increases and incentive compensation are merit-based and communicated clearly to employees through our talent management and review processes. All full-time employees are eligible for a wide range of benefits, including medical, dental, and vision insurance, paid and unpaid leaves, 401(k) participation, life and disability coverage, enhanced mental health resources, and employee assistance programs. We also offer voluntary benefits such as health savings and flexible spending accounts, paid parental leave, public transportation reimbursement, personalized wellness programs, and tuition reimbursement to meet diverse employee needs.

Health, Safety and Wellness. The health, safety, and wellness of our team members is fundamentally connected to the success of our business. We provide our team members and their families with access to a variety of flexible, convenient, and innovative health and wellness programs to help them improve or maintain their physical and mental well-being. The safety of our team members and customers is paramount. We strive to ensure that all team members feel safe in their respective work environment. We closely monitor external developments and governmental regulations regarding workplace safety and employee health and adjust our policies and procedures accordingly.

Talent Development. We believe that creating an environment which encourages continual learning and development is essential for us to maintain a high level of service and to achieve our goal to have every team member feel that they are a valued and contributing member. This is why we have implemented a variety of learning and development resources for all levels of employees across the Bank. Team members have access to more than 20,000 training resources online to foster personal and professional development with enhanced training centered on building strong relationships and always striving to be client focused. We also offer team members career development resources, including individual development plans, an internship program, a mentorship program, leadership and management programs, and tuition reimbursement. Through our talent management processes of goal setting, performance reviews, succession planning, career development, and encouraging internal mobility, we strive to continually develop our people and meet the dynamic needs of our clients.

Culture of Inclusion. We aspire to have a highly talented workforce that also reflects the diversity of the communities in which we operate and of the clients we serve. We take pride in providing equal employment opportunities and building a workplace culture where all team members feel supported and respected, and have equal access to career and development opportunities without regard to race, religion/ creed, color, national origin, age, marital status, ancestry, sex, gender, gender identity/expression, sexual orientation, veteran status, physical or mental disability, medical condition, military status, or any other characteristic protected by federal, state or local laws.

Financial and Statistical Disclosure

Certain of our statistical information is presented within "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and "Quantitive and Qualitative Disclosures" in Item 7A of this Form 10-K. This information should be read in conjunction with the "Financial Statements and Notes to the Consolidated Financial Statements" in Item 8 of this Form 10-K.

Supervision and Regulation

General

We are extensively regulated under federal and state laws. As a bank holding company, Banc of California, Inc. (the "Company") is subject to the BHCA and is subject to ongoing and comprehensive supervision, regulation, examination and enforcement by the FRB. The FRB's jurisdiction also extends to any company that is directly or indirectly controlled by a bank holding company. The Company has also elected to be a financial holding company under the BHCA. As a California state-chartered bank that is a member of the FRB, the Bank is subject to ongoing and comprehensive supervision, regulation, examination and enforcement by the DFPI and the FRB. In addition, as an FDIC-insured depository institution, the Bank is also subject to regulation by the FDIC.

Federal and state laws and regulations generally applicable to financial institutions regulate the Company's and the Bank's scope of business, investments, reserves against deposits, capital levels, the nature and amount of collateral for loans, the establishment of branches, mergers, acquisitions, dividends, and other matters. This regulation and supervision by the banking agencies is intended primarily for the protection of clients and depositors, the public, the stability of the U.S. financial system, and the DIF administered by the FDIC and not for the benefit of stockholders or debt holders. Statutes, regulations and policies govern, among other things, the scope of activities that we may conduct and the manner in which we may conduct them; our business plan and growth; our board, management, and risk management infrastructure; the type, terms, and pricing of our products and services; our loan and investment portfolio; our capital and liquidity levels; our reserves against deposits; our ability to pay dividends, buy-back stock or distribute capital; and our ability to engage in mergers, acquisitions and other strategic initiatives. The legal and regulatory framework is continually under review by legislatures, regulators and other governmental bodies, and changes regularly occur through the enactment or amendment of laws and regulations or through shifts in policy, implementation or enforcement. Changes are difficult to predict and could have significant effects on our business.

The description of regulatory requirements below, as well as other descriptions of laws and regulations in this Form 10-K, is not complete and is qualified in its entirety by reference to applicable laws and regulations, is not intended to summarize all laws and regulations applicable to us and our subsidiaries, and is based upon the statutes, regulations, policies, interpretive letters and other written guidance that are in effect as of the date of this Annual Report on Form 10-K.

Banc of California, Inc.

Permissible Activities. In general, the BHCA limits the activities permissible for bank holding companies to the business of banking, managing or controlling banks and such other activities as the FRB has determined to be so closely related to banking as to be properly incidental thereto.

As a bank holding company that has elected to be a financial holding company pursuant to the BHCA, the Company is permitted to engage in a broader range of activities. Permitted activities for a financial holding company include securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; and merchant banking.

For a bank holding company to be and remain eligible for financial holding company status, the bank holding company and each of its subsidiary U.S. depository institutions must be "well capitalized" and "well managed," and each of its subsidiary U.S. depository institutions must have received at least a "satisfactory" rating on its most recent assessment under the CRA. If the bank holding company fails to meet applicable standards for financial holding company status, it may be restricted from engaging in new types of financial activities or making certain types of acquisitions or investments in reliance on its status as a financial holding company or other restrictions. If restrictions are imposed on the activities of a financial holding company, such information may not necessarily be available to the public.

The bank regulatory framework requires that we obtain prior approval of one or more regulators for various initiatives or corporate actions, including certain acquisitions or investments and the establishment of branches. Regulators take into account a range of factors in determining whether to grant a requested approval, including the supervisory status of the applicant and its affiliates. Thus, there is no guarantee that a particular proposal by us would receive the required regulatory approvals.

Acquisitions. The BHCA and regulations thereunder require a bank holding company to obtain the prior approval of the FRB before it: (i) may acquire direct or indirect ownership or control of more than 5% of any class of voting shares of any bank or savings and loan association; (ii) or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank or savings and loan association; or (iii) may merge or consolidate with any other bank holding company. In reviewing applications seeking approval of merger and acquisition transactions, the bank regulatory authorities will consider, among other things, the competitive effect and public benefits of the transactions, the capital position of the combined organization, the risks to the stability of the U.S. banking or financial system, the applicant's managerial and financial resources, the applicant's performance record under the CRA, fair housing laws and other consumer compliance laws, and the effectiveness of the banks in combating money laundering activities.

Capital Requirements. As a bank holding company, the Company is subject to the regulations of the FRB imposing capital requirements for a bank holding company, which establish a capital framework as described in "*Capital Requirements and Prompt Corrective Action*" below. As of December 31, 2025, the Company had capital ratios in excess of the minimums required to be considered "well capitalized."

Repurchases/Redemptions; Dividends. The ability of the Company to buy back stock and make capital distributions is limited by regulatory capital rules and other aspects of the regulatory framework. For example, it is the policy of the FRB that bank holding companies should pay cash dividends on common stock only out of income available over the past year and only if prospective earnings retention is consistent with the organization's expected future capital needs, asset quality, and overall financial condition. Under the FRB's policy statement on the payment of cash dividends, a bank holding company generally should not maintain a level of cash dividends that undermines the bank holding company's ability to serve as a source of strength to its banking subsidiaries. FRB policy also provides that a bank holding company should inform the FRB reasonably in advance of declaring or paying a dividend that exceeds earnings for the period for which the dividend is being paid or that could result in a material adverse change to the bank holding company's capital structure. Regarding dividends, see "*Capital Requirements and Prompt Corrective Action*" below.

Source of Strength. Under FRB regulations and federal law, a bank holding company, such as the Company, must serve as a source of financial and managerial strength for any FDIC-insured depository institution that it controls, such as the Bank. Thus, if the Bank were to be in financial distress or to otherwise be viewed by the regulators as in unsatisfactory condition, then the regulators could require the Company to provide additional capital or liquidity support, or take other action, in support of the Bank—even if doing so is not otherwise in the best interest of the Company.

The Bank

Liquidity. The Bank is subject to a variety of requirements under federal law. The Bank is required to maintain sufficient liquidity to ensure safe and sound operations. For additional information, see "Liquidity" in Item 7 of this Form 10-K.

Safety and Soundness. A principal objective of the U.S. bank regulatory system is to ensure the safety and soundness of banking organizations. Safety and soundness is a broad concept that includes financial, operational, compliance, and reputational considerations, including matters such as capital, asset quality, quality of board and management oversight, earnings, liquidity, and sensitivity to market and interest rate risk.

The banking and financial regulators have broad examination and enforcement authority. The regulators require banking organizations to file detailed periodic reports and regularly examine the operations of banking organizations. Banking organizations that do not meet the regulators' supervisory expectations can be subjected to increased scrutiny and supervisory criticism. The regulators have various remedies available, which may be public or of a confidential supervisory nature, if they determine that an institution's condition, management, operations or risk profile are unsatisfactory. The regulators may also take action if they determine that the banking organization or its management is violating or has violated any applicable law or regulation. Regulators have broad authority to take various actions if they identify violations or unsafe practices. They can require us to take corrective measures, issue administrative orders that are enforceable in court, and mandate increases in our capital levels. Additionally, regulators may direct the sale of subsidiaries or other assets, limit our ability to pay dividends and make distributions, and restrict our growth or business activities. They also have the power to assess civil monetary penalties, remove officers and directors, and, in severe cases, terminate our deposit insurance.

Engaging in unsafe or unsound practices or failing to comply with applicable laws, regulations and supervisory agreements could subject us and our subsidiaries or their officers, directors and institution-affiliated parties to the remedies described above and other sanctions.

Acquisitions. The FRB and the DFPI must approve the Bank's acquisition of other financial institutions and certain other acquisitions. The acquisition of the Bank is also subject to approval by applicable federal and state bank regulators. For a discussion of the factors generally considered by the bank regulators in connection with such acquisitions, see "*—Banc of California, Inc.—Acquisitions*" above.

Lending Limits. Our lending activities are subject to a variety of lending limits imposed by law and regulation. In general, the Bank is subject to a legal lending limit on loans to a single borrower based on the Bank's capital level. The dollar amounts of the Bank's lending limit increases or decreases as the Bank's capital increases or decreases. As of December 31, 2025, the Bank has no loans in excess of its loans-to-one borrower limit.

Dividends. The Company's primary source of liquidity is dividend payments from the Bank. The regulatory regime imposes various restrictions on the ability of the Bank to make capital distributions, which include dividends, stock redemptions or repurchases, and certain other items. For example, taking into account the financial condition of the Bank and other factors, the DFPI may object and therefore prevent the Bank from paying dividends to the Company. Generally, the Bank may declare a dividend without the approval of the DFPI as long as the total dividends declared in a calendar year do not exceed either the retained earnings of the Bank nor the total of net earnings of the Bank for three previous fiscal years less any dividend paid during such period. Dividends can also be restricted if the capital conservation buffer requirement is not met. In general, the Bank may declare a dividend without the approval of the FRB as long as the total of all dividends declared by the Bank during the calendar year, including the proposed dividend, does not exceed the sum of the Bank's net income during the current calendar year and the retained net income of the prior two calendar years. Regarding dividends, see "*Capital Requirements*" below.

FDIC Insurance

The Bank's deposits are insured by the DIF of the FDIC up to applicable legal limits. As an FDIC-insured depository institution, the Bank is subject under certain circumstances to regulation by the FDIC. The FDIC charges deposit insurance assessments to FDIC-insured institutions, including the Bank, to fund and support the DIF. The rate of these deposit insurance assessments is based on, among other things, the risk characteristics of the Bank. The FDIC has the power to terminate the Bank's deposit insurance if it determines the Bank is engaging in unsafe or unsound practices. Federal banking laws provide for the appointment of the FDIC as receiver in the event the Bank were to fail, such as in connection with undercapitalization, insolvency, unsafe or unsound condition or other financial distress. In a receivership, the claims of the Bank's depositors (and those of the FDIC as subrogee of the Bank) would have priority over other general unsecured claims against the Bank.

Brokered Deposits

The Federal Deposit Insurance Act restricts the use of brokered deposits by certain depository institutions. A well-capitalized insured depository institution may solicit and accept, renew or roll over any brokered deposit without restriction. An adequately capitalized insured depository institution may not accept, renew or roll over any brokered deposit unless it has applied for and been granted a waiver of this prohibition by the FDIC. The FDIC may grant a waiver upon a finding that the acceptance of brokered deposits does not constitute an unsafe or unsound practice with respect to such institution. The rates that an adequately capitalized institution with a waiver may pay on brokered deposits may not exceed certain ceilings. An "undercapitalized insured depository institution" may not accept, renew or roll over any brokered deposit. As of December 31, 2025, the Bank was considered "well capitalized" for this purpose.

Capital Requirements and Prompt Corrective Action

The bank regulators view capital levels as important indicators of an institution's financial soundness. As a general matter, FDIC-insured depository institutions and their holding companies are required to maintain a specified level of capital relative to the amount and types of assets they hold. While capital can serve as an important cushion against losses, higher capital requirements can also adversely affect an institution's ability to grow and/or increase leverage through deposit-gathering or other sources of funding.

The Company and the Bank are each subject to generally similar capital regulations adopted by the FRB. These regulations establish required minimum ratios for CET1 capital, Tier 1 capital and total capital and a leverage ratio; set risk-weighting for assets and certain other items for purposes of the risk-based capital ratios; require an additional capital conservation buffer over the minimum required capital ratios in order to avoid certain limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses; and define what qualifies as capital for purposes of meeting the capital requirements.

We elected to delay the estimated impact on regulatory capital from the adoption of the CECL methodology for two years followed by a three-year transition period to phase out the aggregate amount of capital benefit provided during the initial two-year delay. As of January 1, 2025, the impact of the CECL standard was fully reflected in our regulatory capital.

As of December 31, 2025, we were in compliance with the minimum CET1, Tier 1, total capital, and leverage ratios and the minimum capital conservation buffer set forth in these generally applicable regulations. These capital requirements are the minimum ratios generally applicable to banking organizations. The regulators assess any particular institution's capital adequacy based on numerous factors. The regulators may require a particular banking organization to maintain capital at levels higher than the generally applicable minimums.

The Federal Deposit Insurance Act provides for a system of "prompt corrective action" (the "PCA"). The PCA guidelines provide for capitalization categories ranging from "well capitalized" to "critically undercapitalized." An institution's PCA category is determined primarily by its regulatory capital ratios. The PCA requires remedial actions and imposes limitations that become increasingly stringent as an institution's condition deteriorates and its PCA capitalization category declines. Among other things, institutions that are less than well capitalized become subject to increasingly stringent restrictions on their ability to accept and/or rollover brokered deposits. As of December 31, 2025, the Bank was considered "well capitalized" for purposes of the PCA.

In addition to capital requirements, depository institutions are required to maintain noninterest bearing reserves at specified levels against their transaction accounts and certain non-personal time deposits.

Anti-Money Laundering and Suspicious Activity

We are subject to several federal laws related to anti-money laundering ("AML"), economic sanctions, and prevention of financial crime, including the Bank Secrecy Act, the Money Laundering Control Act, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("Patriot Act"), and economic sanctions programs. We are required to, among other things, maintain an effective AML and counter-terrorist compliance program, identify and file suspicious activity and currency transaction reports, and block transactions with sanctioned persons or jurisdictions. Compliance with these laws requires significant investment of management attention and resources. These laws are enforced by a number of regulatory authorities, including the FRB, OFAC, the Financial Crimes Enforcement Network, the U.S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. Failure to comply with these laws, or to meet our regulators' supervisory expectations in connection with these laws, could subject us to supervisory or enforcement action, significant financial penalties, criminal liability, and/or reputational harm.

The Bank is also subject to regulation under economic or financial sanctions imposed, administered, or enforced from time to time by the U.S. government, including as administered by OFAC (such regulations, "Sanctions Laws"). The Sanctions Laws are intended to restrict transactions with persons, companies or foreign governments sanctioned by U.S. authorities. An institution that fails to meet these standards may be subject to civil or criminal enforcement actions. The Bank has established compliance programs designed to comply with the Bank Secrecy Act, the Patriot Act and applicable Sanctions Laws.

Community Reinvestment Act

The Bank is subject to the provisions of the CRA. The FRB regularly assesses the Bank on its record in helping meet the credit needs of the communities it serves, including low-income and moderate-income neighborhoods. The Bank is subject to periodic examination under the CRA by the FRB, which will assign ratings based on the methodologies set forth in its regulations and guidance. Less favorable CRA ratings, or concerns raised under the CRA, may adversely affect the Bank's ability to obtain approval for certain types of applications.

Performance under the CRA also is considered when the relevant federal bank regulator reviews applications to acquire, merge or consolidate with another banking institution or its holding company or to open or relocate a branch office. Also, in the case of a bank holding company applying for approval to acquire a bank, the FRB will assess the CRA records of each subsidiary depository institution of the applicant bank holding company. An unsatisfactory CRA record may be the basis for denying the application. Based on the most recent CRA examination, the Bank was rated "outstanding."

Financial Privacy Under the Requirements of the Gramm-Leach-Bliley Act

We are subject to various laws related to the privacy of consumer information. The Company and its subsidiaries are required under federal law to periodically disclose to their retail clients the Company's policies and practices with respect to the sharing of nonpublic client information with its affiliates and others, and the confidentiality and security of that information. Under the Gramm-Leach-Bliley Act of 1999 (the "GLBA"), in some cases, the Bank must obtain a consumer's consent before sharing information with an unaffiliated third-party, and the Bank must give a consumer the opportunity to "opt out" of the Bank's sharing of information with its affiliates for marketing and certain other purposes. In some cases, the Bank must obtain a consumer's consent before sharing information with an unaffiliated third-party, and the Bank must allow a consumer to opt out of the Bank's sharing of information with its affiliates for marketing and certain other purposes.

Limitations on Transactions with Affiliates and Loans to Insiders

Banks are subject to restrictions on their ability to conduct transactions with affiliates and other related parties under federal banking laws. For example, federal banking laws impose quantitative limits, qualitative requirements, and collateral standards on certain extensions of credit and other transactions by an insured depository institution with, or for the benefit of, its affiliates. In addition, these restrictions require most types of transactions by an insured depository institution with, or for the benefit of, an affiliate be on market terms or better for the insured depository institution.

In addition, subject to certain exceptions, the Federal Reserve Act and related regulations place quantitative and other restrictions on the extension of credit to executive officers, directors and principal stockholders (including the Company) and their related interests of the Bank and its affiliates, including a requirement that loans to directors, executive officers and principal stockholders be made on terms substantially the same as those offered in comparable transactions to other persons, and not involve more than the normal risk of repayment or present other unfavorable features. In addition, purchases and sales of assets between an insured depository institution and its executive officers, directors, and principal stockholders may also be limited under such laws. The Sarbanes-Oxley Act generally prohibits loans by public companies to their executive officers and directors. However, there is a specific exception for loans by financial institutions, such as the Bank, to its executive officers and directors that are made in compliance with federal banking laws.

The Company and its affiliates, including the Bank, maintain programs to comply with the limitations on transactions with affiliates and restrictions on loans to insiders and the Company believes it and the Bank are currently in compliance with these requirements.

Acquisition of a Significant Interest in the Company

Banking laws impose various regulatory requirements on parties that may seek to acquire a significant interest in the Company. For example, the Change in Bank Control Act of 1978 would generally require that any party file a formal notice with, and obtain non-objection of, the FRB prior to acquiring (directly or indirectly, whether alone or acting in concert with any other party) 10% or more of any class of voting securities of the Company. Further approval requirements and significant ongoing regulatory consequences would apply to any company that (directly or indirectly, whether alone or as part of an association with another company) seeks to acquire "control" of the Company or the Bank for purposes of the BHCA. The determination whether a party "controls" a depository institution or its holding company for purposes of these laws is based on applicable regulations and all of the facts and circumstances surrounding the investment.

Identity Theft

Under the Fair and Accurate Credit Transactions Act (the "FACT Act"), the Bank is required to develop and implement a written Identity Theft Prevention Program (the "Program") to detect, prevent and mitigate identity theft "red flags" in connection with the opening of certain accounts or certain existing accounts. Under the FACT Act, the Bank is required to adopt reasonable policies and procedures to: (i) identify relevant red flags for covered accounts and incorporate those red flags into the Program; (ii) detect red flags that have been incorporated into the Program; (iii) respond appropriately to any red flags that are detected to prevent and mitigate identity theft; and (iv) ensure the Program is updated periodically, to reflect changes in risks to clients or to the safety and soundness of the financial institution or creditor from identity theft.

The Bank maintains a Program to meet the requirements of the FACT Act and the Bank believes it is currently in compliance with these requirements.

Consumer Protection Laws and Regulations

We are subject to a broad array of federal, state and local consumer protection laws and regulations that govern almost every aspect of our business relationships with consumers. Among other things, these laws and regulations relate to the content and adequacy of disclosures, pricing and fees, fair lending, anti-discrimination, privacy, cybersecurity, usury, mortgages and housing finance, lending to service members, escheatment, debt collection, loan servicing, collateral secured lending, and unfair, deceptive or abusive acts or practice, and regulate the manner in which financial institutions must deal with clients when taking deposits, making loans, servicing loans and providing other services. If the Bank fails to comply with these laws and regulations, it may be subject to significant penalties, judgments, other monetary or injunctive remedies, lawsuits (including putative class action lawsuits and actions by state and local attorney generals), customer recession rights, supervisory or enforcement actions, and civil or criminal liability.

The CFPB is generally responsible for rulemaking with respect to certain federal laws related to the provision of financial products and services to consumers. In addition, the CFPB has supervision, examination and primary enforcement authority with respect to federal consumer financial protection laws with respect to banking organizations with assets of $10 billion or more. The Bank has assets in excess of $10 billion; therefore, we are subject to the supervision, examination and primary enforcement jurisdiction of the CFPB with respect to federal consumer financial protection laws. Additionally, under the current U.S. administration, a level of heightened uncertainty exists with respect to the future of the CFPB, including its structure, staffing, and responsibilities. It remains uncertain whether, or to what extent, changes at the CFPB will impact our business and the overall regulatory environment. We cannot predict whether future executive or legislative actions regarding the CFPB, consumer laws, and related regulations may impact the industry generally, including potential actions that state or other federal regulators may take in response to such executive or legislative actions.

Information Technology and Cybersecurity

We are subject to laws and regulatory requirements related to information technology and cybersecurity. For example, the Federal Financial Institutions Examination Council (the "FFIEC"), which is a council comprised of the primary federal banking regulators, has issued guidance and supervisory expectations for banking organizations with respect to information technology and cybersecurity. In addition, state regulators have also been increasingly active in implementing privacy and cybersecurity standards and regulations. Recently, several states have adopted regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including implementing or modifying data encryption requirements, data breach notifications, and information security. We expect this trend of state-level activity and consumer expectations in those areas to continue to heighten, and we are continually monitoring for developments in the states in which our clients are located. Our regulators regularly examine us for compliance with applicable laws and standards with respect to these topics. If we fail to observe such regulatory guidance and standards, we could be subject to various regulatory sanctions.

A banking organization is required to notify its primary federal regulator as soon as possible, and no later than 36 hours after, the banking organization determines that a "computer-security incident" rising to the level of a "notification incident" has occurred. Notification is required for incidents that have materially affected or are reasonably likely to materially affect the viability of a banking organization's operations, its ability to deliver banking products and services, or the stability of the financial sector. Service providers are required to notify affected banking organization customers as soon as possible when the provider determines that it has experienced a computer-security incident that has materially affected or is reasonably likely to materially affect the banking organization's customers for four or more hours.

Other Regulations

The Bank is a member of the FHLB, which makes loans or advances to members. All advances are required to be fully secured by sufficient collateral as determined by the FHLB. To be a FHLB member, financial institutions must demonstrate that they originate and/or purchase long-term home mortgage loans or MBS. The Bank is required to purchase and maintain stock in the FHLB. At December 31, 2025, the Bank had $46.7 million in FHLB stock, which was in compliance with this requirement.

Volcker Rule

The so-called "Volcker Rule" restricts banking entities from engaging in short-term proprietary trading and from certain activities with "covered funds." These restrictions do not currently have, and are not expected to have, a material impact on the Company's investing or trading activities. The Volcker Rule permits various exempt activities, including transactions involving government obligations, repurchase and reverse-repurchase agreements, securities lending, and liquidity-management transactions conducted in accordance with regulatory requirements.

Effect on Economic Environment

The policies of regulatory authorities, including the monetary policy of the FRB, have a significant effect on the operating results of bank holding companies and their subsidiaries. Among the means available to the FRB to affect the money supply are open market operations in U.S. government securities, changes in the discount rate on borrowings and changes in reserve requirements with respect to deposits. These means are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may affect interest rates charged on loans or paid for deposits. The FRB monetary policies have materially affected the operating results of commercial banks in the past and are expected to continue to do so in the future. We cannot predict the nature of future monetary policies and the effect of such policies on our business and earnings.

Future Legislation or Regulation

Federal, state and local governments, legislators and regulators regularly introduce measures or take actions that would modify the regulatory requirements applicable to banks, their holding companies and other financial institutions. Changes in laws, regulations or regulatory policies could adversely affect the operating environment for us in substantial and unpredictable ways, increase our cost of doing business, impose new restrictions on the way in which we conduct our operations or add significant operational constraints that might impair our profitability. We cannot predict whether new policies or legislation will be enacted or adopted and, if enacted or adopted, the effect that it, or any implementing regulations, would have on us and our subsidiaries' business, financial condition or results of operations. The full effect that these changes will have on us and our subsidiaries remains uncertain at this time and may have a material adverse effect on our business, our operations or financial condition.For more information on how the regulatory environment, enforcement actions, findings and ratings could also have an impact on our strategies, the value of our assets, or otherwise adversely affect our business see "Risk Factors" in Item 1A of this Form 10-K.

ITEM 1A. RISK FACTORS

An investment in our securities is subject to certain risks. Prospective and current investors in our securities should carefully consider the following risks, together with all the other information contained in this Annual Report on Form 10-K, including the sections titled "Forward-Looking Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes in this Annual Report on Form 10-K. If any of the following risks actually occur, our business, results of operations, and financial condition could suffer. In that event, the value of our securities could decline, and you may lose all or part of your investment. Our business, results of operations, and financial condition could also be harmed by risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

Risks Relating to Our Operations

New lines of business, new products and services, or strategic project initiatives, or new partnerships may subject us to additional risks.

From time to time, we may seek to implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services, we may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved, and price and profitability targets may not prove feasible, which could in turn have a material negative effect on our operating results. New lines of business and/or new products or services also could subject us to additional regulatory requirements, increased scrutiny by our regulators and other legal risks.

Additionally, from time to time we undertake strategic project initiatives, including but not limited to, payment processing, investment in technology, process improvement, client experience and fintech partnerships or acquisitions, such as our acquisition of BancEdge. Significant effort and resources are necessary to manage and oversee the successful completion of these initiatives. These initiatives often place significant demands on a limited number of employees with subject matter expertise and management and may involve significant costs to implement as well as increase operational risk as employees learn to process transactions under new systems. The failure to properly execute on these strategic initiatives could adversely impact our business and results of operations.

Increasingly, community banks, including the Bank, are partnering with fintech providers to distribute or market their products and services. Bank regulators have, and may in the future, hold banks responsible for the activities of these fintech companies, including in respect of bank secrecy act or anti-money laundering matters, or may take the view that these relationships present safety and soundness issues.

We are subject to certain risks in connection with our use of technology.

Our cybersecurity measures may not be sufficient to mitigate losses or exposure to cyber-attack or cyber theft.

Communications and information systems are essential to the conduct of our business, as we use such systems to manage our client relationships, our general ledger and virtually all other aspects of our business as well as process customer and merchant payments via the BancEdge platform. Our operations rely on the secure processing, storage, and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, the security of our computer systems, software, and networks are vulnerable to breaches, unauthorized access either directly or indirectly through our vendors, misuse, computer viruses, or other malicious code and other types of cyber-attacks. Generative artificial intelligence is further increasing risks in this area, including by making fraud detection more difficult, particularly with detection devices that use voice recognition or authentication. The techniques used by bad actors change frequently, may not be recognized until launched, and may not be recognized until well after a breach has occurred. If one or more of these events occur, this could jeopardize our clients' confidential and other information that we process and store, or otherwise cause interruptions in our operations or the operations of our clients or counterparties.

Several states and their governmental agencies also have adopted or proposed cybersecurity laws. Privacy laws in the State of California and the State of Colorado, for example, require regulated entities to establish measures to identify, manage, secure, track, produce, and delete personal information. The occurrence of cyber-attacks may require us to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through our current insurance policies. If a cyber-attack succeeds in disrupting our operations or disclosing confidential data, we could also suffer significant reputational damage in addition to possible regulatory fines or client lawsuits.

We provide internet banking services to our clients which have additional cyber risks related to our client's personal electronic devices and electronic communication. Any compromise of personal electronic device security could jeopardize the confidential information of our clients and expose our clients to account take-overs and the possibility for financial crimes such as fraud or identity theft and deter clients from using our internet banking services. The precautions we take may not protect our systems from future vulnerabilities, data breaches or other cyber threats. Losses due to unauthorized account activity could harm our reputation and may have a material adverse effect on our business, financial condition, results of operations, and prospects.

Our security measures may not protect us from systems failures or interruptions.

While we have established policies and technical controls to prevent or limit the impact of systems failures and interruptions, there are no absolute assurances that such events will not occur or that the resulting damages will be adequately mitigated.

We rely on communications, information, operating and financial control systems technology from third-party service providers, and we may suffer an interruption in those systems.

We outsource certain aspects of our data processing and operational functions to third-party service providers. If our third-party service providers encounter difficulties, or if we have difficulty in communicating with them, our ability to adequately process and account for transactions could be affected, our and our clients' information may be compromised, and our business operations could be adversely impacted.

We rely on third-party service providers to help ensure the confidentiality of our and our clients' information and acknowledge the additional risks these third parties expose us to. Third-party service providers may experience unauthorized access to and disclosure of or destruction or corruption of our or our clients' information. In addition, we are exposed indirectly through our third-party service providers who may experience their own cyber breach and as a result compromise our data and/or lead to service interruptions. Any failure or interruption, or breaches in security, of these systems could result in failures or interruptions in our client relationship management, general ledger, deposit, loan origination, and servicing systems. The occurrence of any systems failure or interruption could damage our reputation and result in a loss of clients and business, could subject us to additional regulatory scrutiny, or could expose us to legal liability. Any of these occurrences could have a material adverse effect on our financial condition and results of operations.

The development and use of new technologies, including artificial intelligence ("AI"), presents risks and challenges that may adversely impact our business.

The banking and financial services industry is experiencing rapid technological change, including increased use of AI. We and our third-party vendors may develop or utilize AI and other emerging technologies in certain business processes, products, or services. Our ability to successfully implement and manage these technologies, or to integrate them into existing systems, may be limited and could result in service disruptions, processing errors, compliance failures, or increased operational risk.

AI systems, particularly those developed or operated by third parties, may produce inaccurate or harmful outputs, improperly disclose confidential or proprietary information, reflect unintended biases, or otherwise fail to perform as intended. Our reliance on third-party technology providers may limit our visibility into or control over these risks. Any failures in the development, implementation, or use of AI or other technologies, or evolving legal and regulatory requirements governing their use, could expose us to regulatory scrutiny, litigation, financial losses, or reputational harm and adversely affect our business, financial condition, and results of operations.

To the extent we acquire other banks, bank branches, other assets, or other businesses, we may be negatively impacted by certain risks inherent with such acquisitions.

Acquiring other banks, bank branches, other assets, or other businesses involves various risks, including the risks of incorrectly assessing the credit quality of acquired assets, encountering greater than expected costs of integrating acquired banks, branches or businesses, or in the development of technology platforms, the risk of loss of clients and/or employees of the acquired bank, branch or business, executing cost savings measures, not achieving revenue enhancements and otherwise not realizing the transaction's anticipated benefits. Our ability to address these matters successfully cannot be assured. There are also regulatory risks in connection with acquisitions, including remaining in good standing with existing regulatory bodies or receiving any necessary pre-closing or post-closing approvals, as well as being subject to new regulators with oversight over an acquired business. In addition, pursuing an acquisition may divert resources or management's attention from ongoing business operations, may require investment in integration and in development and enhancement of additional operational and reporting processes and controls, and may subject us to additional regulatory scrutiny. To finance an acquisition, we may borrow funds, thereby increasing our leverage and diminishing our liquidity, or raise additional capital, which could dilute our existing stockholders.

Acquiring other banks, bank branches, other assets or other businesses, also involves risks associated with integration, which may cause us to not fully realize the benefits of an acquisition.

The success of any such transaction will depend on, among other things, our ability to combine and integrate the acquired assets or business into our business. If we are not able to successfully achieve this objective, the anticipated benefits of the transaction may not be realized fully, or at all, or may take longer to realize than expected. The integration process for an acquisition will likely result in the diversion of management's time on integration-related issues and could result in the disruption of our business. These transition matters could have an adverse effect on us for an undetermined amount of time after the completion of any acquisition.

Our payment processing and merchant acquiring activities expose us to regulatory, fraud, third-party, and operational risks that could materially adversely affect our business and financial results.

We provide payment processing and merchant acquiring services and are subject to extensive requirements imposed by payment card networks, NACHA, and other payment networks. Failure by us, our merchants, or third-party intermediaries to comply with these requirements, or changes in network rules or their interpretation, could result in fines, penalties, increased costs, suspension, or termination of our registrations or certifications, which could limit our ability to provide these services and adversely affect our business. In some cases, we may be required to bear fines, penalties, or other losses if we are unable to recover such amounts from merchants or other third parties.

Our payment processing activities also expose us to fraud, chargebacks, and other losses arising from merchant activity, including situations in which merchants are unwilling or unable to satisfy their obligations due to financial distress, closure, or bankruptcy. In addition, our reliance on independent sales organizations, employees, third-party vendors, and technology systems increases our exposure to operational risks, including failures in oversight, execution errors, data processing or technology disruptions, cybersecurity incidents, and breakdowns in internal controls. Any of these risks, individually or in the aggregate, could have a material adverse effect on our business, financial condition, and results of operations.

Managing reputational risk is important to attracting and maintaining clients, investors and employees.

Threats to our reputation can come from many sources, including adverse sentiment about financial institutions generally, unethical practices, employee misconduct, failure to deliver minimum standards of service or quality, compliance deficiencies, regulatory investigations, marketplace rumors and fraudulent activities of our clients. Negative publicity regarding our business, employees, or clients, with or without merit, may result in the loss of clients, investors and employees, costly litigation, a decline in revenues, and/or increased governmental oversight.

If the public perception of financial institutions remains negative, then our reputation and business may be adversely affected by negative publicity or information regarding our business and personnel, whether or not accurate or true. Such information has in the past and may in the future be posted on social media or other Internet forums or published by news organizations and the speed and pervasiveness with which information can be disseminated through these channels, in particular social media, may magnify risks relating to negative publicity.

Moreover, our customers, shareholders, employees, regulators, and other stakeholders have diverse expectations, demands, and perspective on a range of topics, including environmental and social topics, which are continuing to evolve and, in some cases, diverge. We may not be able to meet the diverse expectations and demands of all of our stakeholders, which could harm our reputation, reduce customer demand for our products and services, and subject us to legal and operational risks.

We depend on key management personnel.

Our success, to a large extent, depends on the continued employment of our key management personnel. The unexpected loss of the services of any of these individuals could have a detrimental effect on our business. Although we have entered into employment agreements with our Chief Executive Officer and our Chief Financial Officer, no assurance can be given that these individuals, or any of our key management personnel, will continue to be employed by us. The loss of any of these individuals could negatively affect our ability to achieve our business plan and could have a material adverse effect on our results of operations and financial condition.

We have a net deferred tax asset that may not be fully realized.

We have a net DTA and cannot assure that it will be fully realized. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between the carrying amounts and the tax basis of assets and liabilities computed using enacted tax rates. If we determine that we will not achieve sufficient future taxable income to realize our net deferred tax asset, we are required under GAAP to establish a full or partial valuation allowance. If we determine that a valuation allowance is necessary, we are required to incur a charge to operations. We regularly assess available positive and negative evidence to determine whether it is more likely than not that our net deferred tax asset will be realized. Realization of a deferred tax asset requires us to apply significant judgment and is inherently speculative because it requires estimates that cannot be made with certainty. As of December 31, 2025, we had a net DTA of $656.8 million. For additional information, see "Note 16. Income Taxes″ in Item 8 of this Form 10-K.

Changes in market conditions or strategic balance sheet actions may result in realized losses on investment securities or other assets.

Following the Merger, the Company executed a balance sheet repositioning strategy designed improve funding mix, reduce interest rate sensitivity, and support long-term earnings performance. As part of this strategy, we sold certain securities portfolios and mortgage loans. These transactions resulted in the recognition of losses, primarily reflecting market conditions and interest rate movements at the time of sale; however, these actions were undertaken as part of our broader efforts to strengthen our balance sheet and reposition the Company for future growth. The fair value of our investment securities, loan portfolios and certain other financial assets is influenced by a variety of factors, including changes in interest rates, credit spreads, market liquidity, prepayment assumptions and overall economic conditions. As a result, these assets may from time to time have a fair value that is below their amortized cost basis. Unrealized losses on AFS securities are reflected in accumulated other comprehensive income (loss), while HTM securities are carried at amortized cost and not adjusted for changes in fair value unless a credit-related impairment is recognized. If we were to sell securities or other assets that are in an unrealized loss position, we may be required to recognize realized losses in earnings.

We regularly evaluate opportunities to improve our asset mix, funding profile, and risk positioning in light of market conditions and strategic objectives. Future asset sales, if any, could result in additional gains or losses depending on market factors, including interest rates, credit spreads, and buyer demand at the time of sale. While such transactions may result in the recognition of losses in the period incurred, they may also improve our long-term liquidity profile, capital position, and earnings stability. Any material losses recognized in future periods, whether from strategic repositioning activities or the realization of previously unrealized losses, could adversely affect our financial condition and results of operations.

Our level of indebtedness could adversely affect our ability to raise capital and meet our debt obligations.

As of December 31, 2025, the Company had outstanding indebtedness in the amount of approximately $3.0 billion. Our existing indebtedness, together with any future incurrence of additional indebtedness, could have important consequences for our creditors and stockholders. For example, our indebtedness could limit our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions, and other general corporate purposes. It may also restrict us from making strategic acquisitions or could force us to make non-strategic divestitures. Additionally, our debt obligations could limit our ability to pay dividends to stockholders and increase our vulnerability to general economic and industry conditions. Furthermore, a substantial portion of our cash flow from operations may need to be dedicated to the payment of principal and interest on our indebtedness, thereby reducing the cash available to fund our operations, capital expenditures, and future business opportunities.

Risks Related to Credit and Interest Rates

If actual losses on our loans exceed our estimates used to establish our allowance for credit losses, our business, financial condition and profitability may suffer.

The determination of the appropriate level of the allowance for credit losses inherently involves a high degree of subjectivity and requires us to make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. If our estimates are incorrect, the allowance for credit losses may not be sufficient to cover losses inherent in our loan portfolio, resulting in the need for additions to our allowance through an increase in the provision for loan losses. Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans, fraud and other factors, both within and outside of our control, may require an increase in the allowance for loan losses. Our allowance for credit losses was 1.12% of loans and leases HFI and 176.25% of nonaccrual loans and leases as of December 31, 2025. In addition, bank regulatory agencies periodically review our allowance for credit losses and may require an increase in the provision for credit losses or the recognition of further charge-offs (which may in turn also require an increase in the provision for credit losses), based on judgments different than that of management. Any increases in the provision for credit losses will result in a decrease in net earnings and may have a material adverse effect on our financial condition and results of operations.

ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which we adopted on January 1, 2020, substantially changed the accounting for credit losses on loans and other financial assets held by banks, financial institutions, and other organizations. The CECL model materially impacts how we determine our allowance for credit losses and required us to increase our allowance for credit losses. Furthermore, we may experience more fluctuations in our allowance for credit losses, which may be significant.

Additionally, loans to venture-backed borrowers support the borrowers' operations, including operating losses, working capital requirements, and fixed asset acquisitions. Venture-backed borrowers are at various stages in their development and are, generally, reporting operating losses. The primary sources of repayment are future additional venture capital equity investments or the sale of the company or its assets. Our venture-backed borrowers' business plans may fail, increasing the likelihood for credit losses related to loans to venture-backed borrowers.

In accordance with GAAP, we maintain an allowance for loan and lease losses to provide for loan defaults and non-performance. Our allowance for loan and lease losses allocable to loans to venture-backed borrowers may not be appropriate to absorb actual credit losses arising from these loans, and future provisions for credit losses could materially and adversely affect our operating results.

There are risks associated with our lending activities and our allowance for credit losses may prove to be insufficient to absorb actual losses in our loan portfolio.

Lending money is a substantial part of our business. Every loan carries a certain risk that it will not be repaid in accordance with its terms or that any underlying collateral will not be sufficient to assure repayment. This risk is influenced by several factors, including the cash flow for the borrower, and, if applicable, the project being financed, as well as the borrower's credit history. In the case of collateralized loans, changes and uncertainties regarding the future value of the collateral also play a significant role. Additionally, fluctuations in interest rates, shifts in economic and industry conditions, and the duration of the loan all contribute to the overall level of risk.

We maintain an allowance for credit losses which we believe is appropriate to provide for probable losses inherent in our loan portfolio. Management determines the amount of this allowance through regular reviews and consideration of various factors. These include an ongoing assessment of the quality, size, and diversity of the loan portfolio, as well as evaluations of nonaccrual loans. Historical default, loss, and recovery experiences are also taken into account, along with current and anticipated economic conditions. Additionally, management considers the risk characteristics associated with different loan classifications and the amount and quality of collateral, including guarantees, that secure the loans.

Our business and operating results could be adversely affected by uncertainty in the political environment and governmental fiscal and monetary policies.

Our success depends, to a certain extent, upon local and national economic and political conditions, as well as governmental, fiscal, and monetary policies. An unpredictable or volatile political environment in the United States, reductions in government spending, concerns related to the U.S. debt ceiling, the imposition of tariffs and retaliatory responses, other changes in government policy, and other factors beyond our control, could negatively impact business and market conditions, economic growth, financial stability, and business, consumer, investor, and regulatory sentiments, any one or more of which in turn could cause our business and financial results to suffer. Federal budget deficit concerns and the potential for political conflict over legislation to fund U.S. government operations and raise the U.S. government's debt limit may increase the possibility of a default by the U.S. government on its debt obligations, related credit-rating downgrades, or an economic recession in the United States. Many of our investment securities are issued by the U.S. government and government agencies and sponsored entities. As a result of uncertain domestic political conditions, including potential future federal government shutdowns, the possibility of the federal government defaulting on its obligations for a period of time due to debt ceiling limitations, or other unresolved political issues, investments in financial instruments issued or guaranteed by the federal government pose liquidity risks. In connection with prior political disputes over U.S. fiscal and budgetary issues leading to the U.S. government shutdown in 2023, Fitch lowered its long-term sovereign credit rating on the U.S. from AAA to AA+. A further downgrade, or downgrades by other rating agencies, as well as sovereign debt issues facing the governments of other countries, could have a material adverse impact on financial markets and economic conditions in the U.S. and worldwide.

Our business and financial results are also significantly affected by the fiscal and monetary policies of the U.S. government and its agencies. We are particularly affected by the policies of the FRB, which regulates the supply of money and credit in the United States in pursuit of maximum employment, stable prices, and moderate long-term interest rates. The FRB and its policies influence the availability and demand for loans and deposits, the rates and other terms for loans and deposits, the conditions in equity, fixed-income, currency, and other markets, and the value of securities and other financial instruments. Additionally, tax, tariff, and other fiscal policies, moreover, impact not only general economic and market conditions but also give rise to incentives or disincentives that affect how we and our customers prioritize objectives, deploy resources, and run households or operate businesses. Both the timing and the nature of any changes in monetary or fiscal policies, as well as their consequences for the economy and the markets in which we operate, are beyond our control and difficult to predict but could adversely affect our business and operating results.

Also, the FRB regulates the supply of money and credit in the United States. Its monetary policies determine in a large part our cost of funds for lending and investing and the return that can be earned on those loans and investments, both of which affect our net interest margin. FRB policies can also materially affect the value of financial instruments that we hold, such as debt securities and certain mortgage loans HFS. Its policies also can affect our borrowers, potentially increasing the risk that they may fail to repay their loans or satisfy their obligations to us. Changes in policies of the FRB are beyond our control and the impact of changes in those policies on our activities and results of operations can be difficult to predict.

Our business may be adversely affected by difficult economic conditions, including inflationary pressures or volatility in the financial markets, which may impact our business, financial position, and results of operations.

Robust demand, labor shortages, and supply chain constraints have led to persistent inflationary pressures throughout the economy. In response to these inflationary pressures, beginning early in 2022, the FRB raised benchmark interest rates rapidly, causing the federal funds rate to reach a 23-year high. Although the FRB reduced its benchmark rates several times in 2024 and 2025, the inflationary outlook in the United States is currently uncertain. Amidst these uncertainties, including potential recessionary economic conditions, financial markets have continued to experience volatility. Changes in interest rates can affect numerous aspects of our business and may impact our future performance.

Prolonged periods of inflation have impacted, and may continue to impact, our profitability by negatively impacting our costs and expenses, including increasing funding costs and expense related to talent acquisition and retention, and negatively impacting the demand for our products and services. Additionally, inflation has led to, and may continue to lead to, a decrease in consumer and clients purchasing power and negatively affect the need or demand for our products and services. If significant inflation continues, our business could be negatively affected by, among other things, increased default rates leading to credit losses which could decrease our appetite for new credit extensions.

If financial markets remain volatile, this may impact the future performance of various segments of our business, including the value of our investment securities portfolio. We continue to closely monitor economic conditions and the pace of inflation and the impacts of inflation on the larger market, including labor and supply chain impacts.

Any of the effects of these adverse economic conditions would likely have an adverse impact on our earnings, with the significance of the impact generally depending on the nature and severity of such adverse economic conditions.

Our business may be adversely affected by credit risk associated with residential property and declining property values.

As of December 31, 2025, $3.3 billion, or 14%, of our total loans HFI were loans in the other residential real estate mortgage loan portfolio class, as compared with $2.8 billion, or 12%, of our total loans HFI as of December 31, 2024. This type of lending is particularly sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations, making loss levels difficult to predict. A decline in residential real estate values as a result of a downturn in the national housing markets has reduced in some areas, and may continue to reduce, the value of the real estate collateral securing these types of loans and increase the risk that we would incur losses if borrowers default on their loans. As a result, these loans may experience higher rates of delinquencies, defaults and losses, which will in turn adversely affect our financial condition and results of operations.

Our real estate loan portfolio is subject to certain risks including market, environmental and project-specific risks.

Our real estate loan portfolio encompasses CRE mortgage, residential real estate mortgage, and real estate construction and land loans, which implicate a variety of risks, including: (i) market risks including increased competition in pricing and loan structure, macroeconomic conditions in the United States and in the markets where we lend, and decreased commercial and residential real estate values in the markets where we lend; (ii) environmental risks including natural disasters and impact on underlying real estate collateral and environmental liabilities with respect to real properties acquired; and (iii) project-specific risks including higher construction costs, failure by developers and contractors to meet project specifications or timelines, and buyers of completed construction projects not being able to secure permanent financing. For further information on these risks and others related to our real estate loan portfolio, see "Lending Activities" in Item 1 of this Form 10-K.

Our loan portfolio possesses increased risk due to our level of adjustable rate loans.

Approximately 39% of our loans HFI are adjustable rate loans as of December 31, 2025. Any rise in prevailing market interest rates may result in increased payments for some borrowers who have adjustable rate loans, increasing the possibility of defaults.

Our underwriting practices may not protect us against losses in our loan portfolio.

We seek to mitigate the risks inherent in our loan portfolio by adhering to specific underwriting practices, including: analyzing a borrower's credit history, financial statements, tax returns, and cash flow projections; valuing collateral based on reports of independent appraisers; and verifying liquid assets. Notwithstanding these practices, we have incurred losses on loans that have met these criteria, and may continue to experience higher than expected losses depending on economic factors and borrower behavior. In addition, our ability to assess the creditworthiness of our clients may be impaired if the models and approaches we use to select, manage, and underwrite our clients become less predictive of future behaviors, or in the case of borrower fraud. Finally, we may have higher credit risk, or experience higher credit losses, to the extent our loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral. Deterioration in real estate values and underlying economic conditions in Southern California in particular could result in significantly higher credit losses to our portfolio.

Repayment of our commercial and industrial loans is often dependent on the cash flows of the borrower, which may be unpredictable, and the collateral securing these loans may not be sufficient to repay the loan in the event of default.

We make our commercial and industrial loans primarily based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Collateral securing commercial and industrial loans may depreciate over time, be difficult to appraise and fluctuate in value and in the event we are required to assume direct responsibility for the collateral, including but not limited to residential mortgage loans in the case of warehouse credit facilities that we provide to non-bank financial institutions, our allowance for credit losses may increase, which may, in turn, adversely affect our financial condition and results of operations. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect the amounts due from its clients. As of December 31, 2025, our commercial and industrial loans totaled $9.0 billion, or 36% of our total loans HFI.

We are exposed to risk of environmental liabilities with respect to real properties acquired.

In prior years, due to weakness of the U.S. economy and, more specifically, the California economy, including higher levels of unemployment than the nationwide average and declines in real estate values, certain borrowers have been unable to meet their loan repayment obligations and, as a result, we have had to initiate foreclosure proceedings with respect to and take title to a number of real properties that had collateralized their loans. As an owner of such properties, we could become subject to environmental liabilities and incur substantial costs for any property damage, personal injury, investigation and clean-up that may be required due to any environmental contamination that may be found to exist at any of those properties, even though we did not engage in the activities that led to such contamination. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties seeking damages for environmental contamination emanating from the site. If we were to become subject to significant environmental liabilities or costs, our business, financial condition, results of operations, and prospects could be adversely affected.

Secondary mortgage market conditions could have a material adverse impact on our business, results of operations, financial condition, or liquidity.

In addition to being affected by interest rates, the secondary mortgage markets are subject to investor demand for mortgage loans and MBS and investor yield requirements for those loans and securities. These conditions may fluctuate or even worsen in the future.

From time to time, as part of our balance sheet management process, we may also sell SFR loans and other types of mortgage loans from our portfolio, including multi-family loans. We may use the proceeds of loan sales for generating new loans or for other purposes. If secondary mortgage market conditions were to deteriorate in the future and we cannot sell loans at our desired levels, our balance sheet management objectives might not be met. As a result, our business, results of operations, financial condition, or liquidity may be adversely affected.

Any breach of representations and warranties made by us to our loan purchasers or credit default on our loan sales may require us to repurchase loans we have sold.

We have sold or securitized loans we originated into the secondary market pursuant to agreements that generally require us to repurchase loans in the event of a breach of a representation or warranty made by us to the loan purchaser. Any fraud or misrepresentation during the loan origination process, whether by us, the borrower, or other party in the transaction, or, in some cases, upon any early payment default on such loans, may require us to repurchase such loans.

We believe that, as a result of the increased defaults and foreclosures during the 2007 to 2009 recession resulting in increased demand for repurchases and indemnification in the secondary market, many purchasers of loans are particularly sensitive to obtaining indemnification or the requirement of originators to repurchase loans, and would benefit from enforcing any repurchase remedies they may have. Our exposure to repurchases under our representations and warranties could include the current unpaid balance of all loans we have sold. During the years ended December 31, 2025, 2024, and 2023, we sold multi-family and SFR mortgage loans aggregating $24 million, $2.0 billion, and $3.0 billion, respectively. To recognize the potential loan repurchase or indemnification losses on all SFR mortgage and multi-family loans sold, we maintained a total reserve of $1.8 million as of December 31, 2025. Increases to this reserve as a result of the sale of loans are a reduction in our gain on the sale of loans. Increases and decreases to this reserve subsequent to the sale are included as a component of noninterest expense. The determination of the appropriate level of the reserve inherently involves a high degree of subjectivity and requires us to make estimates of repurchase and indemnification risks and expected losses. The estimates used could be inaccurate, resulting in a level of reserve that is less than actual losses.

Deterioration in the economy, an increase in interest rates or a decrease in home and collateral values could increase client defaults on loans that were sold and increase demand for repurchases and indemnification and increase our losses from loan repurchases and indemnification. If we are required to indemnify loan purchasers or repurchase loans and incur losses that exceed our reserve, this could adversely affect our business, financial condition, and results of operations. In addition, any claims asserted against us in the future by loan purchasers may result in liabilities or legal expenses that could have a material adverse effect on our results of operations and financial condition.

Credit impairment in our investment securities portfolio could result in losses and adversely affect our continuing operations.

As of December 31, 2025, we had $2.5 billion of AFS securities, as compared with $2.2 billion of AFS securities as of December 31, 2024.

As of December 31, 2025, AFS securities that were in an unrealized loss position had a total fair value of $1.4 billion with aggregate unrealized losses of $196.9 million. These unrealized losses related primarily to changes in overall interest rates and the resulting impact on valuations of MBS, CMOs, SBA securities and corporate debt securities.

As of December 31, 2025, we had $2.3 billion of HTM securities, which had a total fair value of $2.2 billion. As of December 31, 2024, we had $2.3 billion of HTM securities, which had a total fair value of $2.2 billion.

The Company follows a robust credit monitoring process to ensure it has appropriate credit support and, as of December 31, 2025, we believed there was no credit losses and did not have the intent to sell any of our securities in an unrealized loss position and it is likely that we will not be required to sell such securities before their anticipated recovery. Debt securities HTM and AFS are analyzed for credit losses under ASC 326, *Financial Instruments - Credit Losses*. For debt securities HTM and AFS, the Company estimates current expected credit losses. An allowance for credit losses is established for losses on debt securities HTM and AFS due to credit losses and is reported as a component of provision for credit losses. Accrued interest is excluded from our expected credit loss estimates. For more information about ASC Topic 326, see "Note 1. Nature of Operations and Significant Accounting Policies″ in Item 8 of this Form 10-K.

We closely monitor our investment securities for changes in credit risk. The valuation of our investment securities also is influenced by external market and other factors, including implementation of SEC and FASB guidance on fair value accounting. Accordingly, if market conditions deteriorate further and we determine our holdings of other investment securities have experienced credit losses, our future earnings, stockholders' equity, regulatory capital, and continuing operations could be materially adversely affected.

Our income property loans, consisting of commercial real estate and multi-family loans, involve higher principal amounts than other loans and repayment of these loans may be dependent on factors outside our control or the control of our borrowers.

We originate CRE and multi-family loans for individuals and businesses for various purposes, which are secured by commercial properties. These loans typically involve higher principal amounts than other types of loans, and repayment is dependent upon income generated, or expected to be generated, by the property securing the loan in amounts sufficient to cover operating expenses and debt service, which may be adversely affected by changes in the economy or local market conditions. For example, if the cash flow from the borrower's project is reduced as a result of leases not being obtained or renewed in a timely manner or at all, the borrower's ability to repay the loan may be impaired.

CRE and multi-family loans also expose us to credit risk because the collateral securing these loans often cannot be sold easily at acceptable terms. In addition, many of our CRE and multi-family loans are not fully amortizing and contain large balloon payments upon maturity. Such balloon payments may require the borrower to either sell or refinance the underlying property in order to make the payment, which may increase the risk of default or non-payment.

The COVID-19 pandemic and its aftermath has had a potentially long-term negative impact on some CRE portfolios. We continue to monitor our real estate loans secured by office properties because of the risk that tenants may continue to reduce the office space they lease as some portion of the workforce continues to work remotely on a hybrid or permanent basis and that we may not collect all amounts contractually owed to us.

If we foreclose on a CRE or multi-family loan, our holding period for the collateral typically is longer than for residential mortgage loans because there are fewer potential purchasers of the collateral. Additionally, CRE and multi-family loans generally have relatively large balances to single borrowers or groups of related borrowers. Accordingly, if we make any errors in judgment in the collectability of our CRE and multi-family loans, any resulting charge-offs may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios. Our CRE and multi-family loans decreased during the year ended December 31, 2025 to $10.4 billion, or 41% of our total loans HFI, from $10.6 billion, or 45% of our total loans HFI, as of December 31, 2024.

The federal banking agencies have expressed concerns about weaknesses in the current CRE market and have applied increased regulatory scrutiny to institutions with CRE loan portfolios that are fast growing or large relative to the institutions' total capital. Our failure to adequately implement enhanced risk management policies, procedures and controls could adversely affect our ability to increase this portfolio going forward and could result in an increased rate of delinquencies in, and increased losses from, this portfolio.

Our business is subject to interest rate risk and variations in interest rates may hurt our profits.

Our profitability depends to a large extent upon our ability to earn more money in interest that we receive on loans and investments than we pay to our depositors and lenders in interest. Any change in general market interest rates, whether as a result of changes in the monetary policy of the FRB or otherwise, may have a significant effect on NII and prepayments on our loans. If interest rates rise, our NII and the value of our assets could be reduced if interest paid on interest-bearing liabilities, such as deposits and borrowings, increases more quickly than interest received on interest-earning assets, such as loans, and investment securities. This is most likely to occur if short-term interest rates increase at a faster rate than long-term interest rates, which would cause our NII to go down. In addition, rising interest rates may hurt our income, because that may reduce the demand for loans and the value of our securities. If interest rates decline, our fixed, higher-rate loans may be refinanced at lower rates or paid off and our investments may be prepaid earlier than expected. If that occurs, we may have to redeploy the loan or investment proceeds into lower yielding assets, which might also decrease our income. Accordingly, changes in levels of market interest rates could materially and adversely affect our financial condition, net interest margin, results of operations, and profitability. Changes in interest rates also have a significant impact on the carrying value of certain of our assets, such as investment securities, on our balance sheet. In a rapidly changing interest rate environment, we may not be able to manage our IRR effectively, which would adversely impact our financial condition and results of operations.

A reduction in our credit ratings could adversely affect our access to capital and could increase our cost of funds.

The credit rating agencies regularly evaluate the Company and the Bank, and credit ratings are based on a number of factors, including our financial strength and ability to generate earnings, as well as factors not entirely within our control, including conditions affecting the financial services industry, the economy, and changes in rating methodologies. There can be no assurance that we will maintain our current credit ratings. A downgrade of the credit ratings of the Company or the Bank could adversely affect our access to liquidity and capital and could significantly increase our cost of funds, trigger additional collateral or funding requirements, and decrease the number of investors and counterparties willing to lend to us or purchase our securities, reducing our ability to generate earnings.

Funding and Liquidity Risks

We may not be able to develop and maintain a strong core deposit base or other low cost funding sources.

We depend on checking, savings and money market deposit account balances and other forms of deposits as the primary source of funding for our lending activities. Our future growth will largely depend on our ability to expand core deposits, to provide a less costly and stable source of funding. The deposit markets are competitive, and therefore it may prove difficult to grow our core deposit base. Changes we make to the rates offered on our deposit products may affect our finances and liquidity. In addition, our ability to maintain existing or obtain additional deposits may be impacted by factors beyond our control, including perceptions about our reputation, financial strength or the banking industry generally, which could reduce the number of consumers choosing to place deposits with us.

Our ability to obtain deposit funding and offer competitive interest rates on deposits is also dependent on capital levels of our bank subsidiary. While the Bank met the FDIC's definition of "well-capitalized" as of December 31, 2025, there can be no assurance that it will continue to meet this definition. Our regulators can adjust the requirements to be "well-capitalized" at any time and have authority to place limitations on our deposit businesses, including the interest rate we pay on deposits. An inability to develop and maintain a strong deposit base could have a material adverse impact on our business, financial condition, and results of operations.

In a competitive market, depositors have many choices as to where to place their deposit accounts. As the Bank continues to grow its core deposit base and seeks to reduce its exposure to high rate/high volatility accounts, it may experience a net deposit outflow, which could negatively impact our business, financial condition, and results of operations.

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans, and other sources has had, and could continue to have, a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities or on terms that are acceptable to us has been, and could continue to be, impaired by factors that affect us specifically or the financial services industry or economy in general.

Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity as a result of a downturn in the markets in which our loans are concentrated or adverse regulatory action against us. Our ability to borrow has also been, and could continue to be, impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry.

The failure of other financial institutions may cause deposit outflows as customers spread deposits among several different banks so as to maximize their amount of FDIC insurance, move deposits to banks deemed "too big to fail" or remove deposits from the banking system entirely. As of December 31, 2025, approximately 28% of our deposits were uninsured and uncollateralized and we rely on these deposits for liquidity. A failure to maintain adequate liquidity could have a material adverse effect on our business, financial condition, and results of operations.

Problems encountered by, or adverse news concerning, other financial institutions may adversely affect financial and capital markets generally as well as the Bank.

The soundness and stability of financial institutions are closely interrelated as a result of credit, trading, clearing, and other relationships between institutions. Given the interconnectedness of financial institutions, concerns about, or a default or threatened default by, or failure or threatened failure of, one or more institutions could lead to financial market disruptions and increased expenses, including significant market-wide liquidity problems, losses or defaults by us or other institutions, or credit risk in the event of default of our counterparty or customer. Even rumors or adverse news developments concerning other financial institutions or the Bank may result in rapid deterioration in investor and customer confidence.

We are subject to regulatory capital requirements, which could be made more stringent in the discretion of our regulators.

We are subject to capital and other regulatory requirements specifying minimum amounts and types of capital that we must maintain. From time to time, the regulators may change these regulatory capital and related requirements. If we fail to meet these minimum capital and related requirements, we or our subsidiaries may be restricted in the types of activities we may conduct and we may be prohibited from taking certain capital actions, such as paying dividends and repurchasing or redeeming capital securities. In addition, the failure to meet such requirements could result in one or more of our regulators placing limitations or conditions on our activities, including our growth initiatives, or restricting the commencement of new activities, and could affect customer and investor confidence, our costs of funds and level of required deposit insurance assessments to the FDIC, our ability to pay dividends on our capital stock, our ability to make acquisitions, and our business, results of operations, and financial condition, generally.

The FRB may require us to commit capital resources or take other action to support the Bank.

A bank holding company is required to act as a source of financial and managerial strength to its subsidiary banks and to commit resources to support its subsidiary banks. The FRB may require a bank holding company to make capital injections into, or take other action in support of, a troubled subsidiary bank at times when the bank holding company may not be inclined to do so and may charge the bank holding company with engaging in unsafe and unsound practices for failing to commit resources to such a subsidiary bank. Accordingly, we could be required to provide financial assistance to the Bank if it experiences financial distress—even if doing so is not otherwise in the best interest of the Company.

Such a capital injection or other support may be required at a time when our resources are limited, and we may be required to borrow the funds to make the required capital injection. In the event of a bank holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the holding company's general unsecured creditors, including the holders of any note obligations.

We may elect or be compelled to seek additional capital in the future, but that capital may not be available when it is needed or on acceptable terms.

We face significant capital and other regulatory requirements as a financial institution. We may need to raise additional capital in the future to provide sufficient capital resources and liquidity to meet our commitments and business needs, which could include the possibility of financing acquisitions. In addition, we, on a consolidated basis, and the Bank, on a standalone basis, must meet certain regulatory capital requirements and maintain sufficient liquidity. Importantly, regulatory capital requirements could increase from current levels, which could require us to raise additional capital or reduce our operations.

Our ability to raise additional capital depends on conditions in the capital markets, economic conditions, and a number of other factors, including investor perceptions regarding the financial services and banking industry, market conditions, and governmental activities, and on our financial condition and performance. Accordingly, we may be unable to raise additional capital if needed or on acceptable terms. If we fail to maintain capital to meet regulatory requirements, our liquidity, business, financial condition, and results of operations could be adversely affected.

Our holding company relies on dividends from the Bank for substantially all of its income and as the primary source of funds for cash dividends to our preferred, common, and NVCE stockholders.

The Company is the parent company of, and a separate and distinct legal entity from, the Bank. Legal entity liquidity is an important consideration as there are legal, regulatory, contractual and other limitations on our ability to utilize liquidity from one legal entity to satisfy the liquidity requirements of another, which could result in adverse liquidity events at either the Company and/or the Bank. In particular, the Bank is subject to laws that restrict dividend payments or authorize federal bank regulators to block or reduce the flow of funds from those subsidiaries to the parent company or other subsidiaries. Applicable laws and regulations, including capital and liquidity requirements, could restrict the Bank's ability to pay dividends or distribute capital to the Company, which could adversely affect our cash flow and financial condition.

There can be no assurance as to the level of dividends we may pay on our common stock and NVCE stock.

Holders of our common stock and NVCE stock are only entitled to receive such dividends as our Board of Directors declares out of funds legally available for such payments. Although we have historically declared cash dividends on our common stock, we are not required to do so and there may be circumstances under which we would reduce, suspend, or eliminate our common stock dividend in the future. This could adversely affect the market price of our common stock.

As a bank holding company, our ability to pay dividends is affected by the policies and enforcement powers of the FRB and any future payment of dividends will depend on the Bank's ability to make distributions and payments to the Company as our principal source of funds to pay such dividends. The Bank is also subject to various legal, regulatory and other restrictions on its ability to make distributions and payments to the Company. There are numerous laws and banking regulations that restrict the Bank's ability to pay dividends or make capital distributions to the Company. These statutes and regulations require, among other things, that the Bank maintain certain levels of capital in order to pay a dividend. Further, our banking authorities have the ability to restrict the Bank's payment of dividends through supervisory action. In addition, in the future, we may enter into borrowing or other contractual arrangements that restrict its ability to pay dividends. As a consequence of these various limitations and restrictions, we may not be able to make the payment of dividends on our common stock and NVCE stock.

Legal and Compliance Risks

We operate in a highly regulated environment and our business, operations, and income may be adversely affected by changes in laws, rules, and regulations governing our operations.

We are subject to extensive regulation, supervision and legal requirements that affect virtually all aspects of our business and operations. The regulatory agencies governing banking organizations are focused on protecting customers, depositors, the DIF, and the overall financial stability of the United States—not our stockholders or creditors. See "Supervision and Regulation" in Item 1 of this Form 10-K for information on the regulation and supervision framework which governs our Company and its activities.

We are regularly examined and inspected by our regulators, including the FRB and DFPI, who possess extensive authority and discretion in their interpretation, implementation, supervision and enforcement of their regulatory agenda.This oversight covers a wide range of matters, such as dividends or capital distributions by the Bank or the Company, and capital and liquidity requirements, which may be more stringent than generally applicable laws. Regulators also influence the types and terms of products we offer, the activities we conduct, our operations, and the investments we make. They may assess the composition, risk characteristics, potential adverse classification, allowance and risk reserves in connection with loans and other assets, including reclassifying assets. Additionally, they evaluate the level of deposit insurance premiums as well as our deposit-gathering and other funding sources. The quality of our board and management oversight, as well as the effectiveness of our risk management and compliance programs, including consumer protection, information technology, cybersecurity, third-party risk management, anti-money laundering, and sanctions compliance are also subject to regulatory review. Furthermore, regulators evaluate our commitment to meeting the credit needs of low and moderate income neighborhoods under the CRA, and their approval is required for applications related to new branches, new activities, mergers, and acquisitions. Finally, they influence our rate of growth and other strategic or expansionary initiatives.

Also, failure by the Company to meet the applicable eligibility requirements for financial holding company status (including capital and management requirements and that the Bank maintain at least a "Satisfactory" CRA rating) may result in restrictions on certain activities of the Company, including the commencement of new activities and mergers with or acquisitions of other financial institutions and could ultimately result in the loss of financial holding company status. We must devote substantial time and resources to compliance and meeting our regulators' supervisory expectations, which may adversely affect our ability to operate profitably or to pursue advantageous business opportunities.

Congress, state legislatures, and federal and state agencies continually review banking, lending, and other laws, regulations and policies for possible changes, and there have been significant revisions to the laws, regulations, and policies applicable to banks and bank holding companies that have been enacted or proposed in recent years. We face the risk of becoming subject to new or more stringent requirements in connection with the introduction of new regulations or modifications of existing regulations, including based on changes in the U.S. presidential administrations or one or both houses of Congress and other factors, and this could require us to hold more capital or liquidity or have other adverse effects on our businesses or profitability. Moreover, changes in the leadership of federal banking agencies may impact rulemaking, supervision, examination, and enforcement priorities and policies of the agencies, and which may result in changing interpretations of existing rules and guidance. The impact of such changes may impact our business and our customers' business in unpredictable ways.

Any change in such regulation and oversight, whether in the form of regulatory policy, new regulations or legislation, that applies to us could have a material adverse impact on our operations. Because our business is highly regulated, the laws and applicable regulations are subject to frequent change. Any new laws, rules and regulations such as the California Consumer Privacy Act (the "CCPA") and the Colorado Privacy Act could make compliance more difficult, expensive, costly to implement or may otherwise adversely affect our business, financial condition or growth prospects. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things.

We are a party to a variety of litigation and other actions.

We are subject to a variety of litigation pertaining to fiduciary and other claims and legal proceedings in the ordinary course of business and in connection with the Merger. Currently, there are certain legal proceedings pending against us in the ordinary course of business and in connection with the Merger. Such legal proceedings have caused us to incur costs and diverted the time and attention of our board and management, and may continue to do so in the future. While the outcome of any legal proceeding is inherently uncertain, we believe that any liabilities arising from pending legal matters would be immaterial based on information currently available. However, if actual results differ from our expectations, it could have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

Changes in federal, state or local tax laws, or audits from tax authorities, could negatively affect our financial condition and results of operations.

We are subject to changes in tax law that could increase our effective tax rates. These law changes may be retroactive to previous periods and as a result could negatively affect our current and future financial performance. The value of the properties securing loans in our loan portfolio may be adversely impacted as a result of the changing economics of home ownership, which could require an increase in our provision for loan losses, which would reduce our profitability and could materially adversely affect our business, financial condition, and results of operations. Further, tax law changes could make some businesses and industries less inclined to borrow, potentially reducing demand for our commercial loan products. Finally, we may be negatively impacted more than our competitors because our business strategy focuses on California, which has a higher cost real estate market compared to other states.

We are also subject to potential tax audits in various jurisdictions and in such event, tax authorities may disagree with certain positions we have taken and assess penalties or additional taxes. While we assess regularly the likely outcomes of these potential audits, there can be no assurance that we will accurately predict the outcome of a potential audit, and an audit could have a material adverse impact on our business, results of operations, and financial condition.

Failure to comply with applicable laws or regulations, or to satisfy our regulators' supervisory expectations, could subject us to supervisory or enforcement action, which could adversely affect our business, financial condition, and results of operations.

If we do not comply with applicable laws or regulations, if we are deemed to have engaged in unsafe or unsound conduct, or if we do not satisfy our regulators' supervisory expectations, then we may be subject to increased scrutiny, supervisory criticism, governmental or private litigation and/or a wide range of potential monetary penalties or enforcement actions. Such actions could arise even if we are acting in good faith or operating under a reasonable interpretation of the law. Such actions may be public or of a confidential supervisory nature. Such actions could include, for example, monetary penalties, payment of damages, restitution or disgorgement of profits, directives to take remedial action or to cease or modify practices, restrictions on growth or expansionary proposals, denial or refusal to accept applications, removal of officers or directors, prohibition on dividends or capital distributions, increases in capital or liquidity requirements and/or termination of the Bank's deposit insurance. Such actions could have an adverse effect on our business, financial condition, and results of operations, including as a result of reputational harm.

In addition, the U.S. federal government, U.S. states, and certain other countries and regions have adopted or are considering legislation, regulation, or policies that reflect diverging and, in some cases, potentially conflicting, policy goals, for example, on social and environmental topics such as climate change, diversity, and companies' actions, commitments, and initiatives on such issues. Compliance with such laws, regulations, or policies, including any that may be adopted in the future, could, among other things, increase the costs of operating our businesses, reduce the demand for our products and services, impact our ability to meet or maintain current or future goals, targets or commitments, and increase our legal, operational, and reputational risks, any or all of which could adversely affect our results of operations.

Non-compliance with laws and regulations could result in fines or sanctions or operating restrictions.

Our federal regulators have extensive discretion in connection with their supervisory and enforcement activities over our operations and compliance laws and regulations. Any new laws and regulations could make compliance more difficult or expensive or otherwise adversely affect our business. One aspect of our business that we believe presents risks in this particular area is the conflict between federal and state law, including but not limited to cannabis and cannabis related businesses, which are legal in the State of California and the State of Colorado and prohibited by federal law. If our risk management and compliance programs prove to be ineffective, incomplete or inaccurate, we could suffer unexpected losses and/or incur fines, penalties or restrictions to operations, which could materially adversely affect our results of operations or financial condition. As part of our federal regulators' enforcement authority, significant civil or criminal monetary penalties, consent orders, or other regulatory actions can be assessed against the Bank. Such actions could require us to make changes to our operations, including the clients that we serve, and may have an adverse impact on our operating results.

We are subject to federal and state fair lending laws, and failure to comply with these laws could lead to material penalties.

The provision of financial services to consumers is governed by a wide range of laws and regulations, including the Equal Credit Opportunity Act, the Fair Housing Act, the GLBA, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The CFPB, the Justice Department and other federal agencies are generally responsible for enforcing these laws and regulations. Failure to comply with these laws could result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on mergers and acquisitions activity, and restrictions on expansion activity. Private parties may also have the ability to challenge an institution's performance under certain of these in private or class action litigation.

In addition, the CFPB has broad rulemaking, supervisory, and enforcement powers under various federal consumer financial protection laws with respect to banking organizations with assets of $10 billion or more. The Bank has assets of at least $10 billion; therefore, we are subject to the supervision, examination, and primary enforcement jurisdiction of the CFPB with respect to federal consumer financial protection laws. Such actions may adversely affect our business, financial condition, results of operations, and/or competitive position may be adversely affected as a result.

We are subject to a wide range of laws related to anti-money laundering, economic sanctions, and prevention of financial crime, which could increase our costs or subject us to significant penalties.

We are subject to a wide range of laws related to anti-money laundering, economic sanctions and prevention of financial crime, including but not limited to the BSA, the USA PATRIOT Act and economic sanctions programs. We are required to, among other things, maintain an effective anti-money laundering and counter-terrorist compliance program, identify and file suspicious activity and currency transaction reports, and block transactions with sanctioned persons or jurisdictions. Compliance with these laws requires significant investment of management attention and resources. These laws are enforced by a number of regulatory authorities, including the FRB, OFAC, the Financial Crimes Enforcement Network, the U.S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. Failure to comply with these laws, or to meet our regulators' supervisory expectations in connection with these laws, could subject us to supervisory or enforcement action, significant financial penalties, criminal liability, and/or reputational harm. Several banking institutions have received large fines, or suffered limitations on their operations, for non-compliance with these laws and regulations. Although we have developed policies, procedures and processes designed to assist in compliance with these laws and regulations, no assurance can be given that these policies and procedures will be effective in detecting violations of these laws and regulations.

Risks Relating to External Factors and Markets

Severe weather events, natural disasters such as earthquakes and wildfires, pandemics, epidemics and other public health crises, acts of war or terrorism, and other external events could significantly impact our business.

Severe weather events, natural disasters such as earthquakes and wildfires, pandemics, epidemics and other public health crises, acts of war or terrorism (and any responses thereto), and other external events have had and could have a significant adverse impact on our ability to conduct business. Such events could affect the stability of our deposit base, impair the ability of our borrowers to repay their outstanding loans, cause significant property damage or otherwise impair the value of collateral securing our loans, and result in loss of revenue and/or cause us to incur additional expenses. The occurrence of any such event could have a material adverse effect on us or our results of operations and our financial condition.

Ongoing geopolitical instability, including as a result of Russia's invasion of Ukraine and the conflict in the Middle East, has negatively impacted, and could in the future negatively impact, the global and U.S. economies, including by causing supply chain disruptions, rising prices for oil and other commodities, volatility in capital markets and foreign currency exchange rates, rising interest rates and heightened cybersecurity risks. The extent to which such geopolitical instability adversely affects our business, financial condition and results of operations, as well as our liquidity and capital profile, will depend on future developments, which are highly uncertain and unpredictable.

Our financial condition and results of operations are dependent on the national and local economy, particularly in the Bank's market areas. A worsening in economic conditions in the market areas we serve may impact our earnings adversely and could increase the credit risk of our loan portfolio.

We cannot accurately predict the possibility of the national or local economy's return to recessionary conditions or to a period of economic weakness, which would adversely impact the markets we serve. Our primary market area is concentrated in the greater Los Angeles, Orange, San Diego, San Bernardino, Riverside, and Ventura counties of California, with full-service branches also located in Denver, Colorado and Durham, North Carolina. Adverse economic conditions in any of these areas can reduce our rate of growth, affect our clients' ability to repay loans and adversely impact our financial condition and earnings. General economic conditions, including inflation, unemployment and money supply fluctuations, also may affect our profitability adversely.

A deterioration in economic conditions could result in a number of consequences, including but not limited to the following, any of which could have a material adverse effect on our business, financial condition, and results of operations. For example, we could experience reduced demand for our products and services, an increase in loan delinquencies, problem assets, and foreclosures, and a decrease in the value of collateral securing our loans. Additionally, the amount of our low-cost or noninterest-bearing deposits could decline, further impacting our financial stability.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client.

Strong competition within our market areas may limit our growth and profitability.

Competition in the banking and financial services industry is intense. In our market areas, we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, non-bank lenders, mutual funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Many of these competitors have substantially greater name recognition, resources and lending limits than we do and may offer certain services or prices for services that we do not or cannot provide. Our profitability depends upon our continued ability to successfully compete in our markets.

Continued technological advances, including cryptocurrencies and blockchain and other distributed ledger technologies, and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products, and for financial institutions and other companies to provide electronic and internet-based financial solutions, including electronic securities trading, lending and payment solutions. In addition, technological advances, including digital currencies and alternative payment methods, may diminish the importance of depository institutions and other financial intermediaries in the transfer

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Cybersecurity Risk Management and Strategy

Our enterprise risk management program is designed to identify, measure, monitor and control all significant risks across various aspects of our company. Cybersecurity risk management processes are integrated into this program, given the increasing reliance on technology and potential of cyber threats. Our Chief Information Security Officer ("CISO") is primarily responsible for our cybersecurity program and is a key member of the risk management function, reporting directly to our Chief Risk Officer ("CRO").

Our objective for managing cybersecurity risk is to maintain appropriate layers of safeguards to protect information systems from possible threats and to avoid or minimize the impacts of external threat events or other efforts to penetrate, disrupt or misuse our systems or information. Our information security program is designed in accordance with industry frameworks, such as the National Institute of Standards and Technology ("NIST") Cybersecurity Framework, and is periodically reviewed and updated at least annually and upon significant changes to our operating environment. Our program includes the following key elements:

- *Systems Safeguards.* We adopt the "trust by design" framework when designing new products, services and technology. We employ a variety of administrative, preventative and detective controls and tools designed to monitor, detect, block, and provide alerts regarding suspicious and unauthorized activity and to report on suspected advanced persistent threats.
- *Incident Response.* We maintain an Incident Response Plan ("IRP") that provides a documented framework for responding to actual or potential cybersecurity incidents. The IRP is coordinated through the CISO and key members of management and addresses roles, responsibilities, and communication and contract strategies in the event of a compromise, including analysis of reportable events in accordance with applicable legal and compliance requirements.
- *Collaboration.* We engage cybersecurity experts and third-party specialists to perform regular assessments of our infrastructure, software systems and network architecture. We also leverage internal and external auditors and independent external partners to periodically review our processes, systems and controls, including with respect to our information security program, to assess their design and operating effectiveness.
- *Education and Training.* We have regular and ongoing security education and training for employees, practical exercises that simulate actual cyber-attacks, and recovery and resilience tests.
- *Third-Party Risk Management.* We maintain a third-party risk management program designed to identify, assess and manage cybersecurity risks associated with external service providers, contractors and vendors.

To our knowledge, cybersecurity threats, including as a result of any previous cybersecurity incidents, have not materially affected the Company, including its business strategy, results of operations, or financial conditions. Our internal systems, processes, and controls are designed to mitigate and minimize potential losses resulting from cyber-attacks, however, there can be no assurance that our cybersecurity risk management program will be fully effective in protecting the confidentiality, integrity and availability of our information systems and our solutions. For further discussion of risks from cybersecurity threats, see Item 1A "Risk Factors" in the section titled "*We are subject to certain risks in connection with our use of technology*."

Governance

Our Board of Directors considers cybersecurity risk as part of its risk management function and has delegated to the Enterprise Risk Committee oversight and governance of the technology program and the information security program, including management's actions to identify, assess, mitigate, and remediate or prevent material cybersecurity issues and risks. The Enterprise Risk Committee reviews our cybersecurity risk profile on a quarterly basis. Additionally, our CISO and our Chief Information Officer ("CIO") provide quarterly reports to the Enterprise Risk Committee regarding the information security program and the technology program, key enterprise cybersecurity initiatives, and other matters relating to cybersecurity processes.

The Information Technology and Information Security sub-committee is a sub-committee of the management level Enterprise Risk Management Committee and is represented by managers within various departments and includes the CISO, the Chief Technology Officer ("CTO"), and the CIO and other key departmental managers throughout the entire company. This sub-committee meets quarterly to provide oversight of the technology management strategy, standards, policies, practices, controls, and mitigation and prevention efforts employed to manage security risks. Meetings with key team leaders occur as required and in accordance with the IRP in order to facilitate timely informing and monitoring efforts. The Company's Executive Leadership Team meets monthly with the CISO, CIO, and CTO and reports summaries of key issues, including significant cybersecurity and/or privacy incidents, discussed at various meetings and responses to any actions taken to/from the Enterprise Risk Committee on a quarterly basis or more frequently as may be required by the IRP.

Our CISO has substantial relevant expertise and formal training in the areas of information security and cybersecurity risk management and is accountable for managing our enterprise information security department and developing and implementing our information security program. The responsibilities of this department include cybersecurity risk assessment, defense operations, incident response, vulnerability assessment, threat intelligence, identity access governance, third-party risk management, client, vendor and employee education and awareness, and business continuity and disaster recovery. The department, as a whole, consists of information security professionals with varying degrees of professional education, certifications and experience.

ITEM 2. PROPERTIES

As of December 31, 2025, we had a total of 107 properties consisting of 79 full-service branch offices and 28 other offices. We own six locations, and the remaining properties are leased. Our properties are located throughout the United States, however, the vast majority of which are located in California. Our headquarters, which we lease, is located at 11611 San Vicente Blvd., Suite 500, Los Angeles, CA 90049.

For additional information regarding properties of the Company, see "Note 6. Premises and Equipment, Net″ in Item 8 of this Form 10-K.

ITEM 3. LEGAL PROCEEDINGS

See "Note 13. Commitments and Contingencies″ in Item 8 of this Form 10-K. That information is incorporated into this item by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Marketplace Designation and Holders

Our voting common stock is listed on the NYSE and is traded under the symbol "BANC." As of February 13, 2026, and based on the records of our transfer agent, there were approximately 2,155 record holders of our voting common stock. Certain shares are held in "nominee" or "street" name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number.

Our Class B non-voting common stock is not listed or traded on any national securities exchange or automated quotation system, and there currently is no established trading market for such stock. As of December 31, 2025, we had 477,321 shares of Class B non-voting common stock outstanding and held by three holders of record.

Our NVCE stock is not listed or traded on any national securities exchange or automated quotation system, and there currently is no established trading market for such stock. As of December 31, 2025, we had 5,017,064 shares of NVCE stock outstanding and held by three holders of record.

As of December 31, 2025, we had 513,250 shares of preferred stock outstanding, all of which were shares of our 7.75% fixed rate reset non-cumulative perpetual preferred stock, Series F, liquidation amount $1,000 per share ("Series F Preferred Stock"). Depositary shares each representing 1/40th of a share of the Series F Preferred Stock are listed on the NYSE and traded under the symbol "BANC/PF." The Series F Preferred Stock ranks senior to our common stock and NVCE stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of Banc of California, Inc.

Dividends

During the year ended December 31, 2025, the holding company paid dividends in the amount of $63.9 million to its common stockholders and $39.8 million to its preferred stockholders. The Bank paid dividends of $430.0 million to the holding company during the year ended December 31, 2025.

Repurchases of Common Stock

The following table presents stock repurchases we made during the fourth quarter of 2025:

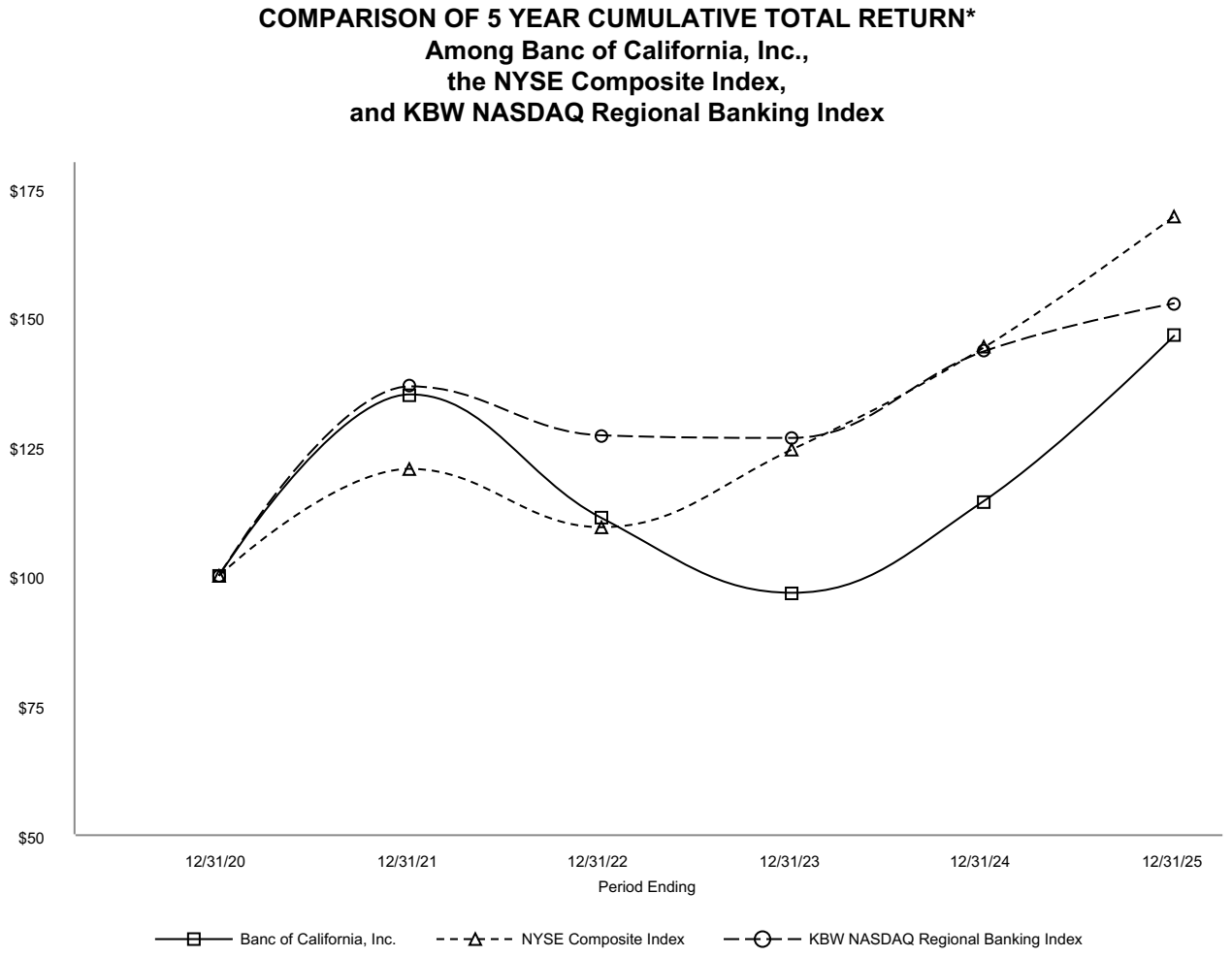
Purchase Dates	Total Number of Share Purchased [1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publically Announced Program [2]	Maximum Dollar Value of Shares That May Yet to be Purchased Under the Program [2]
		(Dollars in thousands, except per share amounts)		
October 1 - October 31, 2025	66	$ 17.49	—	$ 114,502
November 1 - November 30, 2025	3,743	$ 17.31	—	$ 114,502
December 1 - December 31, 2025	1,570	$ 19.83	—	$ 114,502
Total	5,379	$ 18.05	—	

(1) Includes shares repurchased pursuant to net settlement by employees in satisfaction of income tax withholding obligations incurred through the vesting of Company stock awards, and shares repurchased pursuant to the Company's publicly announced Stock Repurchase Program described in (2) below.

(2) On March 17, 2025, the Company announced that its Board of Directors authorized a Stock Repurchase Program to purchase up to $150.0 million of its common stock. On April 23, 2025, the Company announced an upsize of its stock repurchase program from $150.0 million to $300.0 million and expanded the program to cover both the Company's common stock and depositary shares representing its preferred stock. The repurchase authorization expires in March 2026. The program may be changed, suspended, or discontinued at any time.

Five-Year Stock Performance Graph

The following chart and discussion are provided with this Annual Report on Form 10-K pursuant to Item 201(e) of Regulation S-K and shall not be deemed to be "soliciting materials" or "filed" with the SEC (other than as provided in Item 201) nor incorporated in future filings under the Securities Act or the Exchange Act, except if specifically referenced into a filing. The chart compares the yearly percentage change in the cumulative stockholder return on our common stock based on the closing price during the five years ended December 31, 2025, with (1) the Total Return Index for U.S. companies traded on The New York Stock Exchange (the "NYSE Composite Index") and (2) the Total Return Index for KBW NASDAQ Regional Bank Stocks (the "KBW NASDAQ Regional Banking Index"). This comparison assumes $100 was invested on December 31, 2020, in our common stock and the comparison groups and assumes the reinvestment of all cash dividends prior to any tax effect and retention of all stock dividends. The chart is historical only and may not be indicative of possible future performance.



* $100 invested on December 31, 2020 in stock or index, including reinvestment of dividends.

	Year Ended December 31,					
Index	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Banc of California, Inc.	$ 100.00	$ 135.08	$ 111.21	$ 96.71	$ 114.42	$ 146.52
NYSE Composite Index	100.00	120.68	109.39	124.46	144.12	169.62
KBW NASDAQ Regional Banking Index	100.00	136.64	127.17	126.67	143.39	152.71

ITEM 6.

Reserved.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Annual Report on Form 10-K. In addition to historical data, this discussion and analysis contains forward-looking statements about our business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Our actual results or outcomes may differ materially from those in this discussion and analysis as a result of various factors, including but not limited to those discussed in "Risk Factors" in Item 1A of this Form 10-K.

For the discussion of the financial condition and results of operations for the year ended December 31, 2024 compared to the year ended December 31, 2023, refer to "Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024 filed with the SEC on March 3, 2025, which is incorporated herein by reference.

Overview

Banc of California, Inc., a Maryland corporation, was incorporated in March 2002 and serves as the holding company for its wholly owned subsidiary, Banc of California (the "Bank"), a California state-chartered bank and a member of the FRB. When we refer to the "parent" or the "holding company," we are referring to Banc of California, Inc., the parent company, on a stand-alone basis. When we refer to "we," "us," "our," or the "Company," we are referring to Banc of California, Inc. and its consolidated subsidiaries including the Bank, collectively. The Bank is one of the nation's premier relationship-based business banks, providing banking and treasury management services to small, middle-market, and venture-backed businesses. The Bank offers a broad range of loan and deposit products and services through 79 full-service branches located throughout California and in Denver, Colorado, and Durham, North Carolina, as well as through regional offices nationwide. The Bank also provides full-service payment processing solutions to its clients and serves the Community Association Management industry nationwide with its technology-forward platform, SmartStreet™. The Bank is committed to its local communities by supporting organizations that provide financial literacy and job training, small business support, affordable housing, and more.

Presentation of Results – PacWest Bancorp Merger

On November 30, 2023, PacWest Bancorp merged with and into Banc of California, Inc. (the "Merger"), which remained the legal corporation and completed a $400 million equity capital raise. The Merger, an all-stock transaction, was treated as a reverse merger for accounting, making PacWest Bancorp the acquirer for financial reporting, though Banc of California, Inc. was the legal acquirer. Financial results before November 30, 2023, reflect only PacWest Bancorp and results for December 2023 included the combined company. The shares issued and outstanding, earnings per share, and all references to share quantities or metrics were retrospectively restated to reflect the Merger, and Banc of California, Inc, assets and liabilities were recorded at fair value as of the merger date. Refer to "Note 2. Business Combinations" in Item 8 of this Form 10-K for additional information on this merger.

Recent Events

Stock Repurchase Program

On March 17, 2025, we announced that our Board of Directors authorized the repurchase of up to $150.0 million of our common stock. On April 23, 2025, the Company announced an upsize of its stock repurchase program from $150.0 million to $300.0 million and expanded the program to cover both the Company's common stock and depositary shares representing its preferred stock. The repurchase authorization expires in March 2026.

During the year ended December 31, 2025, the Company repurchased a total of approximately 13.6 million shares of common and common equivalent stock for $185.5 million, at a weighted-average price of $13.59 per share. This included the repurchase of 2.7 million shares in the first quarter, 8.8 million in the second quarter, and 2.2 million in the third quarter of 2025. As of December 31, 2025, the Company had $114.5 million remaining under the stock repurchase authorization. For further information on the stock repurchase program, see "Note 21. Stockholders' Equity″ in Item 8 of this Form 10-K.

Strategic Loan Sales

During the second quarter of 2025, the Company commenced a strategic loan sale process, reclassifying approximately $506.7 million of loans as HFS. While many of the loans sold had sufficient collateral values, they had attributes that drive credit migration, and as a result we commenced the sales process for these loans in the second quarter. As a result of the transfer, the Company recognized charge-offs totaling $36.9 million resulting in an incremental impact to provision expense of $26.3 million in the second quarter. The charge-off and provision impact reflects the estimated fair value based on active bids or other market inputs.

As of December 31, 2025, $292.0 million of these loans had been liquidated through the sale of $236.4 million of loans and the repayment of an additional $55.6 million prior to the sale. The Company recognized a loss of $0.4 million on the loans sold. As of December 31, 2025, $174.6 million of loans remained to be sold.

Key Performance Indicators

Among other factors, our operating results generally depend on the following key performance indicators:

The Level of Net Interest Income

NII is the excess of interest earned on our interest-earning assets over the interest paid on our interest-bearing liabilities. Net interest margin is NII (annualized if related to a non-annual period) expressed as a percentage of average interest-earning assets.

NII is affected by changes in both interest rates and the volume of average interest-earning assets and interest-bearing liabilities. Our primary interest-earning assets are loans and investment securities, and our primary interest-bearing liabilities are deposits and borrowings. While our deposit balances will fluctuate depending on our customers' liquidity and cash flow, market conditions, and competitive pressures, we seek to minimize the impact of these variances by attracting a high percentage of noninterest-bearing deposits. We continue to focus on growing granular relationship-based deposits as a key component of our core deposit strategy, which supports a stable funding base and strengthens our client franchise.

Loan and Lease Production

We actively seek new lending opportunities under an array of lending products. Our lending activities include real estate mortgage loans, real estate construction and land loans, commercial loans and leases, and a small amount of consumer lending. Our CRE loans and real estate construction loans are secured by a range of property types. Our commercial loans and leases portfolio is diverse and generally includes various asset-secured loans, lender finance loans, equipment-secured loans and leases, venture capital loans to support venture capital firms' operations and the operations of entrepreneurial and venture-backed companies during the various phases of their early life cycles, warehouse loans, and secured business loans.

Our loan origination process emphasizes credit quality. To augment our internal loan production, we have purchased loans such as SFR mortgage loans, multi-family loans from other banks, and private student loans from third-party lenders. These loan purchases help us manage the concentrations in our portfolio as they diversify the geographic risk, interest-rate risk, credit risk, and product composition of our loan portfolio. Achieving net loan growth is subject to many factors, including maintaining strict credit standards, competition from other lenders, and borrowers that opt to prepay loans.

The Magnitude of Credit Losses

We emphasize credit quality in originating and monitoring our loans and leases, and we measure our success by the levels of our classified loans and leases, nonaccrual loans and leases, and net charge-offs. We maintain an ACL on loans and leases, which is the sum of the ALLL and the reserve for unfunded loan commitments. Provisions for credit losses are charged to operations as and when needed for both on and off-balance sheet credit exposures. Loans and leases that are deemed uncollectable are charged off and deducted from the ALLL. Recoveries on loans and leases previously charged off are added to the ALLL. The provision for credit losses on the loan and lease portfolio is based on our allowance methodology, which considers the impact of assumptions and is reflective of historical experience, economic forecasts viewed to be reasonable and supportable by management, the current loan and lease composition, and relative credit risks known as of the balance sheet date. For originated and acquired credit-deteriorated loans, a provision for credit losses may be recorded to reflect credit deterioration after the origination date or after the acquisition date, respectively.

We regularly review loans and leases to determine whether there has been any deterioration in credit quality resulting from borrower operations or changes in collateral value or other factors which may affect the collectability of our loans and leases. Changes in economic conditions, such as the rate of economic growth, the unemployment rate, rate of inflation, increases in the general level of interest rates, declines in real estate values, changes in commodity prices, and adverse conditions in borrowers' businesses, could negatively impact our borrowers and cause us to adversely classify loans and leases. An increase in classified loans and leases generally results in increased provisions for credit losses and an increased ACL. Any deterioration in the real estate market may lead to increased provisions for credit losses because our loans are concentrated in real estate loans.

The Level of Noninterest Expense

Our noninterest expense includes fixed and controllable overhead, the largest components of which are compensation expense, customer related expense, information technology and data processing expense, and occupancy expense. Customer related expenses are primarily ECRs payments to customers and are mostly driven by the HOA business. ECRs are rate-sensitive and fluctuate in response to changes in the federal funds rate. Additionally, noninterest expense includes insurance and assessments, intangible asset amortization, leased equipment depreciation, other professional services, loan expenses, acquisition, integration and organization costs, and other expense. We monitor our efficiency ratio as a key measure of operational performance.

Critical Accounting Policies and Estimates

The following discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements and the notes thereto, which have been prepared in accordance with U.S. GAAP. The preparation of the consolidated financial statements requires us to make a number of estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. On an ongoing basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. We believe that our estimates and assumptions are reasonable; however, actual results may ultimately differ significantly from these estimates and assumptions, which could have a material adverse effect on the carrying value of assets and liabilities at the balance sheet dates and on our results of operations for the reporting periods.

Our significant accounting policies and practices are described in "Note 1. Nature of Operations and Summary of Significant Accounting Policies″ in Item 8 of this form 10-K. We have identified two policies and estimates as being critical because they require management to make particularly difficult, subjective, and/or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts would be reported under different conditions or using different assumptions. These policies relate to the ACL on loans and leases HFI and the realization of deferred tax assets and liabilities.

Allowance for Credit Losses on Loans and Leases Held for Investment

The ACL represents management's estimate of current expected credit losses on loans and leases HFI and related unfunded loan commitments. The ACL is evaluated quarterly and reflects management's judgment based on historical loss experience, current conditions, and reasonable and supportable forecasts. A detailed description of the Company's accounting policies and methodology is included in the " Balance Sheet Analysis - Allowance for Credit Losses on Loans and Leases Held for Investment" in Item 7 and "Note 1. Nature of Operations and Summary of Significant Accounting Policies - Allowance for Credit Losses on Loans and Leases Held for Investment" in Item 8 of this Form 10-K.

The ACL is sensitive to change in macroeconomic conditions and management's forward-looking assumptions. Management considers multiple economic scenarios to address forecast uncertainty, and changes in the economic outlook, portfolio composition, risk rating migration, and unfunded commitment levels may result in period-to-period volatility in the ACL.

Deferred Tax Assets and Liabilities

We are subject to the income tax laws of the U.S., its states, and the municipalities in which we operate. These tax laws are complex and subject to different interpretations by the taxpayer and the relevant governing taxing authorities. Our tax returns are subject to audit by taxing authorities, which may result in the taxing authority disputing a tax position taken by the Company. Significant judgment is required in determining the tax accruals and in evaluating the tax positions, including evaluating uncertain tax positions. Changes in the estimate of accrued taxes occur periodically due to changes in tax rates, tax credits, interpretations of tax laws, the status of examinations by the taxing authorities, and newly enacted statutory, judicial, and regulatory guidance that could impact the relative merits and risks of tax positions. These changes, when they occur, impact tax expense and can materially affect our operating results and financial condition. We review income tax expense and the carrying value of deferred tax assets and liabilities quarterly, and as new information becomes available, the balances are adjusted as appropriate. In establishing a provision for income tax expense, we must make judgments and interpretations about the application of these inherently complex tax laws. We must also make estimates about when in the future certain tax items will affect taxable income in the various tax jurisdictions.

Our deferred tax assets and liabilities arise from differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We determine whether a deferred tax asset is realizable based on facts and circumstances, including our current and projected future tax position, the historical level of our taxable income, and estimates of our future taxable income. In most cases, the realization of DTAs is based on our future profitability. If we were to experience either reduced profitability or operating losses in a future period, the realization of our DTAs may no longer be considered more likely than not and, accordingly, we could be required to record a valuation allowance on our DTAs by charging earnings.

Non-GAAP Financial Measures

We use certain non-GAAP financial measures to provide meaningful supplemental information regarding the Company’s operational performance and to enhance investors’ overall understanding of such financial performance. This disclosure should not be viewed as a substitute for results determined in accordance with GAAP. The methodology for determining these non-GAAP measures may differ among companies and may not be comparable.

We use the following non-GAAP measures:return on average tangible common equity, tangible common equity ratio, efficiency ratio, adjusted return on average tangible common equity, adjusted net earnings, adjusted diluted earnings per share, and adjusted return on average assets. Given that the use of these measures is prevalent among banking regulators, investors, and analysts, we disclose them in addition to the related GAAP measures of return on average equity, stockholders' equity to assets ratio, noninterest expense to total revenue, and return on average assets, respectively. The reconciliations of these non-GAAP measures to the GAAP measures are presented in the following tables for and as of the periods presented.

Return on Average Tangible Common Equity ("ROATCE")	Year Ended December 31, 2025	2024	2023
		(Dollars in thousands)	
Net earnings (loss)	$ 228,973	$ 126,888	$ (1,899,137)
Earnings (loss) before income taxes		$ 168,654	$ (2,211,338)
Add: Goodwill impairment		—	1,376,736
Add: Intangible asset amortization		33,143	11,419
Adjusted earnings (loss) before income taxes for ROATCE		201,797	(823,183)
Adjusted income tax expense (benefit) [1]		49,965	(116,233)
Adjustments:			
Intangible asset amortization	28,267		
Tax impact of adjustment above [1]	(7,593)		
Adjustment to net earnings	20,674		
Adjusted net earnings (loss) for ROATCE	249,647	151,832	(706,950)
Less: Preferred stock dividends	39,788	39,788	39,788
Adjusted net earnings (loss) available to common and equivalent stockholders for ROATCE	$ 209,859	$ 112,044	$ (746,738)
Average stockholders' equity	$ 3,471,278	$ 3,431,364	$ 2,994,428
Less: Average goodwill and intangible assets	333,815	356,960	379,005
Less: Average preferred stock	498,516	498,516	498,516
Average tangible common equity	$ 2,638,947	$ 2,575,888	$ 2,116,907
Return on average equity [2]	6.60 %	3.70 %	(63.42)%
Return on average tangible common equity [3]	7.95 %	4.35 %	(35.27)%

(1) Effective tax rate of 26.86%, 24.76%, and 14.12% for the years ended December 31, 2025, 2024, and 2023.
(2) Net earnings (loss) divided by average stockholders' equity.
(3) Adjusted net earnings (loss) available to common and equivalent stockholders for ROATCE divided by average tangible common equity.

Tangible Common Equity Ratio	December 31, 2025	2024	2023
		(Dollars in thousands, except per share data)	
Stockholders' equity	$ 3,541,277	$ 3,499,949	$ 3,390,765
Less: Preferred stock	498,516	498,516	498,516
Total common equity	3,042,761	3,001,433	2,892,249
Less: Goodwill and intangible assets	319,808	347,465	364,104
Tangible common equity	$ 2,722,953	$ 2,653,968	$ 2,528,145
Total assets	$ 34,797,442	$ 33,542,864	$ 38,534,064
Less: Goodwill and intangible assets	319,808	347,465	364,104
Tangible assets	$ 34,477,634	$ 33,195,399	$ 38,169,960
Total stockholders' equity to total assets ratio	10.18 %	10.43 %	8.80 %
Tangible common equity ratio [1]	7.90 %	7.99 %	6.62 %

(1) Tangible common equity divided by tangible assets.

Efficiency Ratio	Year Ended December 31, 2025	2024	2023
Noninterest expense [1]	$ 735,850	$ 791,740	$ 2,458,181
Less: Intangible asset amortization	(28,267)	(33,143)	(11,419)
Less: Acquisition, integration, and reorganization costs	—	14,183	(142,633)
Less: Goodwill impairment	$ —	$ —	$ (1,376,736)
Noninterest expense used for efficiency ratio	$ 707,583	$ 772,780	$ 927,393
Net interest income	$ 977,386	$ 926,050	$ 747,128
Noninterest income (loss)	142,139	77,145	(448,285)
Total revenue	1,119,525	1,003,195	298,843
Add: Loss on sale of securities	—	60,400	442,413
Total revenue used for efficiency ratio	$ 1,119,525	$ 1,063,595	$ 741,256
Noninterest expense to total revenue	65.73 %	78.92 %	822.57 %
Efficiency ratio [2]	63.20 %	72.66 %	125.11 %

(1) Includes customer related expense of $105.4 million, $129.5 million, and $124.1 million for the years ended December 31, 2025, 2024, and 2023.
(2) Noninterest expense used for efficiency ratio divided by total revenue used for efficiency ratio.

Adjusted Return on Average Tangible Common Equity ("ROATCE")	**Year Ended December 31,**		
	2025	**2024**	**2023**
		(Dollars in thousands)	
Net earnings (loss)	$ 228,973	$ 126,888	$ (1,899,137)
Earnings (loss) before income taxes		$ 168,654	$ (2,211,338)
Add: Intangible asset amortization		33,143	11,419
Add: Goodwill impairment		—	1,376,736
Add: FDIC special assessment		4,814	32,746
Add: Loss on sale of securities		59,946	442,413
Less: Acquisition, integration, and reorganization costs		(510)	142,633
Add: Loan fair value loss adjustments		—	170,971
Add: Unfunded commitments fair value loss adjustments		—	106,767
Adjusted earnings before income taxes used for adjusted ROATCE		266,047	72,347
Adjusted income tax expense [1]		65,873	10,215
Adjustments:			
Intangible asset amortization	28,267		
Provision for credit losses related to transfer of loans to held for sale	26,289		
Total adjustments	54,556		
Tax impact of adjustments above [1]	(14,654)		
Income tax related adjustments	9,792		
Adjustments to net earnings	49,694		
Adjusted net earnings for adjusted ROATCE	278,667	200,174	62,132
Less: Preferred stock dividends	39,788	39,788	39,788
Adjusted net earnings available to common and equivalent stockholders for adjusted ROATCE	$ 238,879	$ 160,386	$ 22,344
Average stockholders' equity	$ 3,471,278	$ 3,431,364	$ 2,994,428
Less: Average goodwill and intangible assets	333,815	356,960	379,005
Less: Average preferred stock	498,516	498,516	498,516
Average tangible common equity	$ 2,638,947	$ 2,575,888	$ 2,116,907
Adjusted ROATCE[2]	9.05 %	6.23 %	1.06 %

(1) Effective tax rates of 26.86%, 24.76%, and 14.12% used for the years ended December 31, 2025, 2024, and 2023.
(2) Adjusted net earnings available to common and equivalent stockholders for adjusted ROATCE divided by average tangible common equity.

Adjusted Net Earnings, Net Earnings Available to Common and Equivalent Stockholders, Diluted EPS, and ROAA	**Year Ended December 31,**		
	2025	**2024**	**2023**
		(Dollars in thousands)	
Net earnings (loss)	$ 228,973	$ 126,888	$ (1,899,137)
Earnings (loss) before income taxes		$ 168,654	$ (2,211,338)
Add: FDIC special assessment		4,814	32,746
Add: Loss on sale of securities		59,946	442,413
Less: Acquisition, integration, and reorganization costs		(510)	142,633
Add: Loan fair value loss adjustments		—	170,971
Add: Unfunded commitments fair value loss adjustments		—	106,767
Add: Goodwill impairment		—	1,376,736
Adjusted earnings before income taxes		232,904	60,928
Adjusted income tax expense [1]		57,667	8,603
Adjustments:			
Provision for credit losses related to transfer of loans to held for sale	26,289		
Tax impact of adjustments above [1]	(7,061)		
Income tax related adjustments	9,792		
Adjustments to net earnings	29,020		
Adjusted net earnings	257,993	175,237	52,325
Less: Preferred stock dividends	39,788	39,788	39,788
Adjusted net earnings available to common and equivalent stockholders	$ 218,205	$ 135,449	$ 12,537
Weighted average diluted common shares outstanding	161,724	168,684	85,394
Diluted earnings (loss) per common share	$ 1.17	$ 0.52	$ (22.71)
Adjusted diluted earnings per common share [2]	$ 1.35	$ 0.80	$ 0.15
Average total assets	$ 33,665,738	$ 35,333,488	$ 40,293,380
Return on average assets (ROAA") [3]	0.68 %	0.36 %	(4.71)%
Adjusted ROAA [4]	0.77 %	0.50 %	0.13 %

(1) Effective tax rates of 26.86%, 24.76%, and 14.12% used for the years ended December 31, 2025, 2024, and 2023.
(2) Adjusted net earnings available to common and equivalent stockholders divided by weighted average diluted common shares outstanding.
(3) Net earnings (loss) divided by average assets.
(4) Adjusted net earnings divided by average assets.

Results of Operations

Earnings Performance

The following table presents performance metrics for the years indicated:

	Year Ended December 31,		
	2025	2024	2023
	(Dollars in thousands)		
Earnings Summary:			
Interest income	$ 1,676,653	$ 1,812,705	$ 1,971,000
Interest expense	(699,267)	(886,655)	(1,223,872)
Net interest income	977,386	926,050	747,128
Provision for credit losses	(70,600)	(42,801)	(52,000)
Noninterest income (loss)	142,139	77,145	(448,285)
Operating expense	(735,850)	(805,923)	(938,812)
Acquisition, integration and reorganization costs	—	14,183	(142,633)
Goodwill impairment	—	—	(1,376,736)
Earnings (loss) before income taxes	313,075	168,654	(2,211,338)
Income tax (expense) benefit	(84,102)	(41,766)	312,201
Net earnings (loss)	228,973	126,888	(1,899,137)
Preferred stock dividends	(39,788)	(39,788)	(39,788)
Net earnings (loss) available to common and equivalent stockholders	$ 189,185	$ 87,100	$ (1,938,925)
Per Common Share Data:			
Diluted earnings (loss) per share [1]	$ 1.17	$ 0.52	$ (22.71)
Adjusted diluted earnings per share [2]	$ 1.35	$ 0.80	$ 0.15
Performance Ratios:			
Return on average assets	0.68 %	0.36 %	(4.71)%
Adjusted return on average assets [2]	0.77 %	0.50 %	0.13 %
Return on average equity	6.60 %	3.70 %	(63.42)%
Return on average tangible common equity [2]	7.95 %	4.35 %	(35.27)%
Adjusted return on average tangible common equity [2]	9.05 %	6.23 %	1.06 %
Net interest margin	3.15 %	2.85 %	1.98 %
Yield on average loans and leases	5.93 %	6.11 %	5.92 %
Cost of average total deposits	2.05 %	2.52 %	2.61 %
Noninterest expense to total revenue [3]	65.73 %	78.92 %	822.57 %
Efficiency ratio [2]	63.20 %	72.66 %	125.11 %
Capital Ratios (consolidated):			
Common equity tier 1 capital ratio	10.01 %	10.55 %	10.14 %
Tier 1 capital ratio	12.34 %	12.97 %	12.44 %
Total capital ratio	16.31 %	17.05 %	16.43 %
Tier 1 leverage capital ratio	9.99 %	10.15 %	9.00 %
Risk-weighted assets	$ 26,997,617	$ 25,976,675	$ 27,338,852

(1) Shares include non-voting common stock equivalents that are participating securities.
(2) See "Non-GAAP Financial Measures" in Item 7 of this Form 10-K.
(3) Total revenue equals the sum of NII and noninterest income.

Net Interest Income and Net Interest Margin

The following table summarizes the distribution of average assets, liabilities, and stockholders' equity, as well as interest income and yields earned on average interest-earning assets and interest expense and rates paid on average interest-bearing liabilities for the years indicated:

	Year Ended December 31,								
	2025			2024			2023		
	Average Balance	Interest Income/ Expense	Yields and Rates	Average Balance	Interest Income/ Expense	Yields and Rates	Average Balance	Interest Income/ Expense	Yields and Rates
	(Dollars in thousands)								
ASSETS:									
Loans and leases [1][2]	$ 24,300,808	$ 1,440,397	5.93 %	$ 24,569,650	$ 1,501,534	6.11 %	$ 25,330,351	$ 1,498,701	5.92 %
Investment securities	4,782,267	153,326	3.21 %	4,686,615	140,794	3.00 %	6,827,059	174,996	2.56 %
Deposits in financial institutions	1,937,775	82,930	4.28 %	3,226,658	170,377	5.28 %	5,746,858	299,647	5.21 %
Total interest-earning assets [1]	31,020,850	1,676,653	5.40 %	32,482,923	1,812,705	5.58 %	37,904,268	1,973,344	5.21 %
Other assets	2,644,888			2,850,565			2,389,112		
Total assets	$ 33,665,738			$ 35,333,488			$ 40,293,380		
LIABILITIES AND STOCKHOLDERS' EQUITY:									
Interest checking	$ 7,732,697	204,070	2.64 %	$ 7,714,920	240,913	3.12 %	$ 6,992,888	220,735	3.16 %
Money market	5,231,379	122,889	2.35 %	5,164,566	138,176	2.68 %	6,724,296	190,027	2.83 %
Savings	1,954,354	49,186	2.52 %	2,005,513	66,421	3.31 %	1,051,117	30,978	2.95 %
Time	4,568,180	182,295	3.99 %	5,714,821	270,474	4.73 %	6,840,920	306,683	4.48 %
Total interest-bearing deposits	19,486,610	558,440	2.87 %	20,599,820	715,984	3.48 %	21,609,221	748,423	3.46 %
Borrowings	1,599,469	78,761	4.92 %	1,838,819	104,398	5.68 %	7,068,826	416,744	5.90 %
Subordinated debt	947,709	62,066	6.55 %	939,528	66,273	7.05 %	875,621	58,705	6.70 %
Total interest-bearing liabilities	22,033,788	699,267	3.17 %	23,378,167	886,655	3.79 %	29,553,668	1,223,872	4.14 %
Noninterest-bearing demand deposits	7,698,015			7,829,976			7,072,334		
Other liabilities	462,657			693,981			672,950		
Total liabilities	30,194,460			31,902,124			37,298,952		
Stockholders' equity	3,471,278			3,431,364			2,994,428		
Total liabilities and stockholders' equity	$ 33,665,738			$ 35,333,488			$ 40,293,380		
Net interest income [1]		$ 977,386			$ 926,050			$ 749,472	
Net interest rate spread [1]			2.23 %			1.79 %			1.07 %
Net interest margin [1]			3.15 %			2.85 %			1.98 %
Total deposits [3]	$ 27,184,625	$ 558,440	2.05 %	$ 28,429,796	$ 715,984	2.52 %	$ 28,681,555	$ 748,423	2.61 %
Total funds [4]	$ 29,731,803	$ 699,267	2.35 %	$ 31,208,143	$ 886,655	2.84 %	$ 36,626,002	$ 1,223,872	3.34 %

(1) In 2023, a $2.3 million adjustment was made to account for tax-exempt income generated from loans, using a federal statutory rate of 21% for the adjustment.
(2) Total loans are net of deferred fees, related direct costs, and premiums and discounts, but exclude the allowance for loan losses. Includes net loan discount accretion of $64.2 million, $88.0 million and $9.7 million for the years ended 2025 and 2024 and 2023, respectively.
(3) Total deposits is the sum of total interest-bearing deposits and noninterest-bearing demand deposits. The cost of total deposits is calculated as annualized interest expense on total deposits divided by average total deposits.
(4) Total funds is the sum of total interest-bearing liabilities and noninterest-bearing demand deposits. The cost of total funds is calculated as annualized total interest expense divided by average total funds.

NII is affected by changes in the amount and mix of interest-earning assets and interest-bearing liabilities, referred to as "volume change." NII is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing liabilities, referred to as "rate change." Any changes that are not solely due to either volume or rate are allocated in proportion to the percentage changes in average volume and average rate.

The following table presents changes in interest income and interest expense and related changes in rate and volume for the years indicated:

	2025 Compared to 2024			2024 Compared to 2023		
	Total Increase (Decrease)	Increase (Decrease) Due to		Total Increase (Decrease)	Increase (Decrease) Due to	
		Rate	Volume		Rate	Volume
			(In thousands)			
Interest Income:						
Loans and leases [1]	$ (61,137)	$ (44,579)	$ (16,558)	$ 2,833	$ 47,993	$ (45,160)
Investment securities	12,532	9,703	2,829	(34,202)	26,694	(60,896)
Deposits in financial institutions	(87,447)	(28,126)	(59,321)	(129,270)	3,964	(133,234)
Total interest income [1]	(136,052)	(63,002)	(73,050)	(160,639)	78,651	(239,290)
Interest Expense:						
Interest checking deposits	(36,843)	(37,393)	550	20,178	(2,780)	22,958
Money market deposits	(15,287)	(17,075)	1,788	(51,851)	(9,644)	(42,207)
Savings deposits	(17,235)	(15,571)	(1,664)	35,443	4,199	31,244
Time deposits	(88,179)	(38,633)	(49,546)	(36,209)	16,378	(52,587)
Total interest-bearing deposits	(157,544)	(108,672)	(48,872)	(32,439)	8,153	(40,592)
Borrowings	(25,637)	(12,995)	(12,642)	(312,346)	(14,986)	(297,360)
Subordinated debt	(4,207)	(4,774)	567	7,568	3,157	4,411
Total interest expense	(187,388)	(126,441)	(60,947)	(337,217)	(3,676)	(333,541)
Net interest income [1]	$ 51,336	$ 63,439	$ (12,103)	$ 176,578	$ 82,327	$ 94,251

(1) In 2023, a $2.3 million adjustment was made to account for tax-exempt income generated from loans, using a federal statutory rate of 21% for the adjustment.

2025 Compared to 2024

NII increased by $51.3 million to $977.4 million for the year ended December 31, 2025 from $926.1 million for the year ended December 31, 2024 attributable primarily to the following:

- A decrease of $157.5 million in interest expense on deposits due primarily to lower interest paid on interest-bearing deposits as a result of deposit rate repricing driven by the federal funds rate cuts of 100 basis points in the second half of 2024 and 75 basis points in the second half of 2025 and lower average balances including the paydown of brokered deposits.
- A decrease of $25.6 million in interest expense on borrowings driven by lower average balances resulting from the payoff of higher-cost borrowings in 2024, which were partially replaced with lower-cost long-term FHLB advances and lower market interest rates.
- An increase of $12.5 million in interest income from investment securities reflecting the benefits from 2024 balance sheet repositioning actions and reinvestment in higher-yield securities.

This was offset partially by:

- A decrease of $87.4 million in interest income from deposits in financial institutions driven by lower balances, as we maintained a lower cash target level and lower market interest rates.
- A decrease of $61.1 million in interest income from loans due primarily to lower market interest rates reflective of federal funds rate cuts, lower average balances attributable mainly to our July 2024 sale of $1.95 billion of Civic loans, and by lower net loan discount accretion income.

The net interest margin was 3.15% for the year ended December 31, 2025, up 30 basis points from 2.85% for the year ended December 31, 2024. The year-over-year improvement was primarily driven by a 49 basis point decrease in the average total cost of funds to 2.35%, offset by an 18 basis point decrease in the average yield on interest-earning assets to 5.40%.

The average total cost of funds decreased by 49 basis points to 2.35%, driven mainly by lower market interest rates. The average cost of deposits declined by 47 basis points to 2.05%, reflecting the impact of federal funds rate cuts in the second half of 2024 and second half of 2025. Average total deposits decreased by $1.2 billion year over year, including a $1.1 billion reduction in average interest-bearing deposits and a $132.0 million decrease in average noninterest-bearing deposits. Despite the decline, average noninterest-bearing deposits represented 28.3% of average total deposits for the year ended December 31, 2025, up from 27.5% for the comparable period in 2024. The average cost of borrowings also decreased by 76 basis points to 4.92%, reflecting the paydown of higher-cost borrowings in the prior year and their replacement with lower-cost long-term FHLB advances.

The average yield on interest-earning assets declined by 18 basis points to 5.40%, due primarily to an 18 basis point decline in the average yield on loans and leases.

Provision for Credit Losses

The following table sets forth the details of the provision for credit losses on loans and leases HFI, AFS debt securities, and HTM debt securities as well as information regarding credit quality metrics for the years indicated:

	Year Ended December 31,				
	2025	Increase (Decrease)	2024	Increase (Decrease)	2023
	(Dollars in thousands)				
Provision For Credit Losses:					
Addition to allowance for loan and lease losses	$ 64,780	$ 21,280	$ 43,500	$ (70,000)	$ 113,500
Addition to (reduction in) reserve for unfunded loan commitments	5,850	6,350	(500)	61,000	(61,500)
Total loan-related provision	70,630	27,630	43,000	(9,000)	52,000
Addition to (reduction in) allowance for AFS securities	775	974	(199)	(199)	—
Reduction in allowance for HTM securities	(805)	(805)	—	—	—
Total securities-related provision	(30)	169	(199)	(199)	—
Total provision for credit losses	$ 70,600	$ 27,799	$ 42,801	$ (9,199)	$ 52,000
Credit Quality Metrics:					
Net charge-offs on loans and leases HFI [1]	$ 58,528	$ (27,299)	$ 85,827	$ 27,659	$ 58,168
Net charge-offs to average loans and leases	0.24 %		0.35 %		0.23 %
At year-end:					
Allowance for credit losses	$ 280,533	$ 12,102	$ 268,431	$ (42,827)	$ 311,258
Allowance for credit losses to loans and leases HFI	1.12 %		1.13 %		1.22 %
Allowance for credit losses to nonaccrual loans and leases HFI	176.25 %		141.57 %		497.80 %
Nonaccrual loans and leases HFI	$ 159,168	$ (30,437)	$ 189,605	$ 127,078	$ 62,527
Nonaccrual loans and leases HFI to loans and leases HFI	0.64 %		0.80 %		0.25 %

(1) See " Balance Sheet Analysis - Allowance for Credit Losses on Loans and Leases Held for Investment" in Item 7 of this Form 10-K for detail of charge-offs and recoveries by loan portfolio segment, class, and subclass for the years presented.

Provisions for credit losses are charged to earnings for both on and off-balance sheet credit exposures. The provisions for credit losses on our loans and leases HFI, AFS debt securities, and HTM debt securities are based on our allowance methodologies and are expenses that, in our judgment, are required to maintain an appropriate ACL for these assets.

2025 Compared to 2024

The provision for credit losses was $70.6 million for the year ended December 31, 2025 compared to $42.8 million for the year ended December 31, 2024. The provision for 2025 included a provision for loan losses of $64.8 million and a provision for unfunded loan commitments of $5.9 million. The provision for credit losses for 2025 included $26.3 million related to loans transferred to HFS in the second quarter of 2025 in connection with a strategic loan sale. The remaining increase in the provision for loan losses and unfunded loan commitments was primarily driven by net charge-off activity experienced in the first half of the year, with additional impacts from changes in loan risk ratings, and higher unfunded commitments. These were offset partially by lower qualitative reserves, lower specific reserves, and a favorable shift in the portfolio mix due to growth in loan segments with lower expected credit losses.

The provision for loan losses and unfunded commitment for 2024 primarily included a $43.5 million provision for loan losses and a $0.5 million reversal of the provision for unfunded loan commitments. The provision for 2024 was driven mainly by net-charge-off activity during the year.

Certain circumstances may lead to increased provisions for credit losses on loans and leases in the future. Examples of such circumstances include an increased amount of classified and/or nonaccrual loans and leases, net loan and lease and unfunded commitment growth, and changes in economic conditions and forecasts. Changes in economic conditions and forecasts include the rate of economic growth, the unemployment rate, the rate of inflation, changes in the general level of interest rates, changes in real estate values, and adverse conditions in borrowers' businesses.

For information regarding the allowance for credit losses on loans and leases HFI and HTM securities, see "Balance Sheet Analysis - Allowance for Credit Losses on Loans and Leases sections" in Item 7, "Note 1. Nature of Operations and Summary of Significant Accounting Policies," and "Note 5. Loans and Leases" in Item 8 of this Form 10-K.

Noninterest Income (Loss)

The following table summarizes noninterest income (loss) by category for the years indicated:

	Year Ended December 31,				
Noninterest Income (Loss)	**2025**	**Increase (Decrease)**	**2024**	**Increase (Decrease)**	**2023**
			(In thousands)		
Leased equipment income	$ 47,717	$ (3,392)	$ 51,109	$ (12,058)	$ 63,167
Other commissions and fees	38,637	5,379	33,258	(4,828)	38,086
Service charges on deposit accounts	19,146	563	18,583	2,115	16,468
(Loss) gain on sale of loans and leases	(115)	(760)	645	161,991	(161,346)
Loss on sale of securities	—	60,400	(60,400)	382,013	(442,413)
Dividends and gains on equity investments	7,992	10	7,982	(7,749)	15,731
Warrant income (loss)	1,726	1,318	408	1,126	(718)
LOCOM HFS adjustment	(9)	(224)	215	8,676	(8,461)
Other income	27,045	1,700	25,345	(5,856)	31,201
Total noninterest income (loss)	$ 142,139	$ 64,994	$ 77,145	$ 525,430	$ (448,285)

2025 Compared to 2024

Noninterest income increased by $65.0 million to $142.1 million for the year ended December 31, 2025 from $77.1 million for the year ended December 31, 2024. The prior year period included a $59.9 million loss on the sale of $742 million of securities executed as part of a balance sheet repositioning initiative.

Noninterest Expense

The following table summarizes noninterest expense by category for the years indicated:

Noninterest Expense	Year Ended December 31, 2025	Increase (Decrease)	2024	Increase (Decrease)	2023
			(In thousands)		
Compensation	$ 349,506	$ 8,110	$ 341,396	$ 9,043	$ 332,353
Customer related expense	105,425	(24,046)	129,471	5,367	124,104
Occupancy	60,624	(7,369)	67,993	6,325	61,668
Information technology and data processing	55,458	(4,960)	60,418	8,613	51,805
Insurance and assessments	32,750	(38,029)	70,779	(64,887)	135,666
Intangible asset amortization	28,267	(4,876)	33,143	21,724	11,419
Leased equipment depreciation	26,393	(2,878)	29,271	(4,972)	34,243
Other professional services	23,087	2,230	20,857	(3,766)	24,623
Loan expense	16,372	(934)	17,306	(3,152)	20,458
Other	37,968	2,679	35,289	(107,184)	142,473
Total operating expense	735,850	(70,073)	805,923	(132,889)	938,812
Acquisition, integration and reorganization costs	—	14,183	(14,183)	(156,816)	142,633
Goodwill impairment	—	—	—	(1,376,736)	1,376,736
Total noninterest expense	$ 735,850	$ (55,890)	$ 791,740	$ (1,666,441)	$ 2,458,181

2025 Compared to 2024

Noninterest expense decreased by $55.9 million to $735.9 million for the year ended December 31, 2025 from $791.7 million for the year ended December 31, 2024. The decrease was due mainly to lower insurance and assessments expense of $38.0 million, lower customer related expense of $24.0 million, and lower occupancy expense of $7.4 million, offset partially by $14.2 million in acquisition, integration and reorganization costs from 2024 that did not recur. Insurance and assessments expense decreased due primarily to incremental FDIC special assessments recorded in 2024, which reflected higher assessment rates. Customer related expense decreased due to lower earnings credit rate expenses, driven by the lower federal funds rate. Occupancy expense decreased as a result of cost savings from branch consolidations following the PacWest Bancorp merger. Acquisition, integration and reorganization costs of $14.2 million in 2024 reflected adjustments to the merger-related accruals, as actual expenses were lower than previously estimated.

Income Taxes

2025 Compared to 2024

The effective tax rates were 26.9% and 24.8% for the years ended December 31, 2025 and 2024, respectively. The Company's 2025 blended statutory tax rate for federal and state was 27.7%. The higher 2025 effective tax rate was due primarily to a one-time non-cash tax expense recorded in the second quarter of 2025 for the DTA revaluation resulting from the California state tax changes passed as part of the 2025 California budget enacted on June 30, 2025 and effective retroactively to January 1, 2025. For further information on income taxes, see "Note 16. Income Taxes" in Item 8 of this Form 10-K.

Balance Sheet Analysis

The following table provides a summary of our balance sheet highlights as of the dates indicated:

Balance Sheet Highlights	December 31, 2025	December 31, 2024	Increase (Decrease)
		(In thousands)	
Cash and cash equivalents	$ 2,307,965	$ 2,502,212	$ (194,247)
Securities available-for-sale	2,454,058	2,246,839	207,219
Securities held-to-maturity	2,308,636	2,306,149	2,487
Loans HFS	182,936	26,331	156,605
Loans and leases HFI	25,032,679	23,781,663	1,251,016
Total assets	34,797,442	33,542,864	1,254,578
Noninterest-bearing deposits	$ 7,822,787	$ 7,719,913	$ 102,874
Total deposits	27,843,357	27,191,909	651,448
Borrowings	2,063,819	1,391,814	672,005
Subordinated debt	952,740	941,923	10,817
Total liabilities	31,256,165	30,042,915	1,213,250
Total stockholders' equity	3,541,277	3,499,949	41,328

During the second quarter of 2025, as part of our strategic loan sale process, we reclassified approximately $506.7 million of loans as HFS. During the third quarter of 2024, as part of our balance sheet repositioning strategy, we sold $1.95 billion of Civic loans, generating $1.91 billion in net proceeds. This sale provided capital to reposition part of our AFS securities portfolio and reduce higher-cost brokered deposits and borrowings. We sold approximately $742 million of securities with a weighted average yield of 2.94% resulting in a pre-tax loss of $59.9 million and purchased $724 million of similar quality securities with a weighted average yield of 5.65%. The liabilities that were paid off included $1.85 billion of brokered deposits with an average cost of 5.35% at the time of retirement and the remaining $545.0 million in Bank Term Funding Program balance with a rate of 5.40%. We replaced a portion of these higher-cost fundings with the addition of a $500 million long-term FHLB advance with a rate of 3.18%. These balance sheet repositioning actions that we executed resulted in net interest margin expansion and improved both our capital and liquidity.

Securities Available-for-Sale

The following table presents the composition and durations of our AFS securities as of the dates indicated:

	December 31,					
	2025			2024		
Security Type	Fair Value	% of Total	Duration (in years)	Fair Value	% of Total	Duration (in years)
	(Dollars in thousands)					
Agency residential CMOs	$ 871,624	36 %	2.3	$ 446,631	20 %	3.2
Agency residential MBS	834,085	34 %	7.6	861,840	38 %	7.6
Private label residential CMOs	228,975	9 %	4.4	316,910	14 %	3.9
Collateralized loan obligations	200,822	8 %	—	279,416	12 %	0.3
Corporate debt securities	241,596	10 %	1.0	257,712	12 %	1.4
Agency commercial MBS	50,966	2 %	3.2	51,564	2 %	1.9
Asset-backed securities	13,249	1 %	0.1	15,600	1 %	0.1
Private label commercial MBS	9,279	— %	3.1	12,372	1 %	3.6
SBA securities	3,462	— %	3.0	4,200	— %	3.2
Municipal securities	—	— %	—	594	— %	3.7
Total securities available-for-sale	$ 2,454,058	100 %	4.0	$ 2,246,839	100 %	4.4

AFS securities increased by $0.2 billion during the year ended December 31, 2025 to $2.5 billion at December 31, 2025 compared to $2.2 billion at December 31, 2024, due primarily to purchases of $605.4 million and a $88.2 million increase in the fair value of AFS securities due to higher interest rates, offset partially by $478.7 million of principal paydowns and $6.9 million of net amortization.

As of December 31, 2025, AFS securities had aggregate unrealized net after-tax losses in AOCI of $136.6 million compared to $200.1 million at December 31, 2024.

The following table presents a summary of contractual rates and contractual maturities of our AFS securities as of the date indicated:

	Due Within One Year		Due After One Year Through Five Years		Due After Five Years Through Ten Years		Due After Ten Years		Total	
December 31, 2025	Fair Value	Rate[1]	Fair Value	Rate[1]	Fair Value	Rate[1]	Fair Value	Rate[1]	Fair Value	Rate[1]
					(Dollars in thousands)					
Agency residential CMOs	$ —	— %	$ —	— %	$ 13,792	4.94 %	$ 857,832	4.68 %	$ 871,624	4.68 %
Agency residential MBS	—	— %	—	— %	—	— %	834,085	3.33 %	834,085	3.33 %
Private label residential CMOs	—	— %	—	— %	—	— %	228,975	4.08 %	228,975	4.08 %
Collateralized loan obligations	—	— %	208	5.97 %	93,793	5.69 %	106,821	5.37 %	200,822	5.52 %
Corporate debt securities	10,750	8.16 %	47,033	7.37 %	183,813	5.31 %	—	— %	241,596	5.83 %
Agency commercial MBS	—	— %	40,193	3.77 %	—	— %	10,773	4.14 %	50,966	3.85 %
Asset-backed securities	—	— %	—	— %	—	— %	13,249	5.08 %	13,249	5.08 %
Private label commercial MBS	—	— %	—	— %	5,638	3.08 %	3,641	2.62 %	9,279	2.90 %
SBA securities	—	— %	—	— %	3,462	3.06 %	—	— %	3,462	3.06 %
Total securities available-for-sale	$ 10,750	8.16 %	$ 87,434	5.71 %	$ 300,498	5.34 %	$ 2,055,376	4.10 %	$ 2,454,058	4.33 %

(1) Rates presented are weighted average rates. Rates on tax-exempt securities are contractual rates and are not presented on a tax-equivalent basis.

Securities Held-to-Maturity

The following table presents the composition and durations of our HTM securities as of the dates indicated:

	December 31,					
	2025			2024		
Security Type	Amortized Cost	% of Total	Duration (in years)	Amortized Cost	% of Total	Duration (in years)
	(Dollars in thousands)					
Municipal securities [1]	$ 1,237,792	54 %	7.5	$ 1,251,364	55 %	8.0
Agency commercial MBS	447,283	19 %	5.1	440,476	19 %	5.9
Private label commercial MBS	360,382	16 %	4.8	355,342	15 %	5.6
U.S. Treasury securities	193,022	8 %	5.0	189,985	8 %	5.9
Corporate debt securities	70,852	3 %	4.0	70,482	3 %	4.0
Total securities held-to-maturity	$ 2,309,331	100 %	6.3	$ 2,307,649	100 %	7.0

(1) As of December 31, 2025, our municipal securities are geographically concentrated primarily in California at 26%, Texas at 23%, and Washington at 15% of total municipal securities based on amortized cost.

As of December 31, 2025, HTM securities had aggregate unrealized net after-tax losses in AOCI of $133.4 million remaining from the balance established at the time of the AFS to HTM transfer, compared to $157.9 million at December 31, 2024.

The following table presents a summary of contractual rates and contractual maturities of our HTM securities as of the date indicated:

	Due Within One Year		Due After One Year Through Five Years		Due After Five Years Through Ten Years		Due After Ten Years		Total	
December 31, 2025	Amortized Cost	Rate[1]	Amortized Cost	Rate[1]	Amortized Cost	Rate[1]	Amortized Cost	Rate[1]	Amortized Cost	Rate[1]
					(Dollars in thousands)					
Municipal securities	$ —	— %	$ 149,636	1.78 %	$ 380,067	2.19 %	$ 708,089	3.78 %	$1,237,792	3.05 %
Agency commercial MBS	—	— %	69,306	1.46 %	377,977	2.07 %	—	— %	447,283	1.97 %
Private label commercial MBS	—	— %	—	— %	37,304	2.93 %	323,078	2.70 %	360,382	2.72 %
U.S. Treasury securities	—	— %	—	— %	193,022	1.22 %	—	— %	193,022	1.22 %
Corporate debt securities	—	— %	—	— %	53,719	5.13 %	17,133	4.78 %	70,852	5.04 %
Total securities held-to-maturity	$ —	— %	$ 218,942	1.68 %	$1,042,089	2.14 %	$1,048,300	3.46 %	$2,309,331	2.70 %

(1) Rates presented are weighted average rates. Rates on tax-exempt securities are contractual rates and are not presented on a tax-equivalent basis.

Loans Held for Sale

As part of our management of the loans held in our portfolio, on occasion we will transfer loans from HFI to HFS. At December 31, 2025, the loans HFS balance totaled $183 million compared to $26 million at December 31, 2024. The increase is primarily due to transfers of $495 million to HFS, offset partially by loan sales totaling $262 million during the year.

Loans and Leases Held for Investment

The following table presents the composition of our total loans and leases HFI by loan portfolio segment, class, and subclass as of the dates indicated:

	December 31,			
	2025		2024	
	Balance	% of Total	Balance	% of Total
	(Dollars in thousands)			
Real Estate Mortgage:				
Commercial real estate	$ 3,259,164	13 %	$ 3,540,612	15 %
SBA program	666,424	3 %	630,412	2 %
Hotel	389,049	1 %	407,748	2 %
Total commercial real estate mortgage	4,314,637	17 %	4,578,772	19 %
Multi-family	6,089,417	24 %	6,041,713	26 %
Residential mortgage	3,307,427	14 %	2,682,667	11 %
Investor-owned residential	32,567	— %	102,778	1 %
Residential renovation	6,739	— %	21,729	— %
Total other residential real estate mortgage	3,346,733	14 %	2,807,174	12 %
Total real estate mortgage	13,750,787	55 %	13,427,659	57 %
Real Estate Construction and Land:				
Commercial	379,387	2 %	799,131	3 %
Residential	1,568,240	6 %	2,373,162	10 %
Total real estate construction and land [1]	1,947,627	8 %	3,172,293	13 %
Total real estate	15,698,414	63 %	16,599,952	70 %
Commercial:				
Lender finance	1,623,474	6 %	727,913	3 %
Equipment finance	674,714	3 %	621,888	3 %
Premium finance	447,939	2 %	546,393	2 %
Other asset-based	204,883	1 %	191,775	1 %
Total asset-based	2,951,010	12 %	2,087,969	9 %
Equity fund loans	1,320,297	5 %	746,655	3 %
Venture lending	901,800	4 %	791,121	3 %
Total venture capital	2,222,097	9 %	1,537,776	6 %
Warehouse lending	2,100,075	8 %	1,473,074	6 %
Secured business loans	806,597	3 %	756,612	3 %
Other lending	897,427	4 %	923,398	4 %
Total other commercial	3,804,099	15 %	3,153,084	13 %
Total commercial	8,977,206	36 %	6,778,829	28 %
Consumer	357,059	1 %	402,882	2 %
Total loans and leases held for investment	$ 25,032,679	100 %	$ 23,781,663	100 %
Total unfunded loan commitments	$ 5,433,357		$ 4,887,690	

(1) Includes $214.5 million and $223.9 million at December 31, 2025 and 2024 of land acquisition and development loans.

Our non-deposit financial institutions ("NDFI") lending totaled $5.1 billion, or 20.5% as of December 31, 2025, and is diversified across multiple asset classes, including warehouse lending, equity fund loans, and lender finance. The NDFI portfolio has a history of strong asset quality performance with no delinquencies, nonperforming loans, or classified loans at December 31, 2025.

The following table presents a roll forward of loans and leases HFI for the years indicated:

Roll Forward of Loans and Leases HFI	Year Ended December 31, 2025	2024
	(In thousands)	
Balance, beginning of year	$ 23,781,663	$ 25,489,687
Additions:		
Production	3,951,397	2,160,644
Disbursements	5,600,216	5,110,783
Total production and disbursements	9,551,613	7,271,427
Reductions:		
Payoffs	(3,971,211)	(3,864,489)
Paydowns	(3,751,019)	(3,043,419)
Total payoffs and paydowns	(7,722,230)	(6,907,908)
Sales	(47,225)	(27,516)
Transfers to foreclosed assets	(7,530)	(19,978)
Charge-offs	(75,505)	(94,943)
Transfers to loans held for sale	(448,107)	(1,930,285)
Total reductions	(8,300,597)	(8,980,630)
Transfers from loans held for sale	—	1,179
Loans acquired through merger	—	—
Net increase (decrease)	1,251,016	(1,708,024)
Balance, end of year	$ 25,032,679	$ 23,781,663

Loan Concentrations

We mitigate our loan concentration risks by considering the prospects for the borrower's industry and competition, evaluating our past experiences with the borrower and with the collateral type, and adhering to written loan underwriting policies and procedures, including, among other factors, loan structures, and covenants. Each loan request and renewal is individually reviewed, with larger loans subject to approval by our credit committee. We also actively manage our real estate loan portfolio and seek to mitigate credit risks via regular monitoring of economic conditions in the regions or areas in which our borrowers are operating, evaluating borrower performance, and ensuring covenant compliance. We assign a credit risk rating to each loan and verify its accuracy and appropriateness through an independent credit review function. We also conduct regular portfolio reviews to address any loans with unfavorable credit risk ratings and ensure consistency in underwriting for loan modifications and renewals. For more information regarding our real estate loan portfolio and underwriting, see "Lending Activities" in Item 1 of this Form 10-K.

Total real estate loans HFI were $15.7 billion, or 63%, of our loan portfolio at December 31, 2025 and consisted of $13.8 billion of real estate mortgage loans and $1.9 billion of real estate construction and land loans, compared to $16.6 billion, or 70%, of our total loan portfolio at December 31, 2024 and consisted of $13.4 billion of real estate mortgage loans and $3.2 billion of real estate construction and loan loans. For both December 31, 2025 and 2024, 71% of our real estate loans was collateralized by property in California, reflecting the concentration of our community banking operations within the state.

The following table presents the composition of our real estate mortgage loans HFI by collateral types as of the dates indicated:

Real Estate Mortgage Loans by Collateral Type	December 31, 2025 Balance	December 31, 2025 % of Total	December 31, 2024 Balance	December 31, 2024 % of Total
	(Dollars in thousands)			
Commercial:				
Office	$ 956,391	7 %	$ 992,392	7 %
Industrial	951,802	7 %	1,008,877	8 %
Retail	670,385	5 %	812,552	6 %
Hotel	413,235	3 %	424,345	3 %
Healthcare	341,850	2 %	338,836	3 %
Mixed use	256,759	2 %	289,054	2 %
All other	894,002	7 %	834,303	6 %
Total commercial	$ 4,484,424	33 %	$ 4,700,359	35 %
Residential:				
Multi-family	$ 6,010,344	44 %	$ 6,066,374	45 %
Single-family residential	3,025,413	22 %	2,481,904	18 %
All other	230,606	1 %	179,022	2 %
Total residential	$ 9,266,363	67 %	$ 8,727,300	65 %
Total real estate mortgage loans	$ 13,750,787	100 %	$ 13,427,659	100 %

The largest concentration of our real estate mortgage loans is in multi-family properties. At December 31, 2025 and 2024, 73% and 74% of our real estate mortgage loans secured by multi-family properties were located in California where we principally operated.

Loan and Lease Maturities and Interest Rate Characteristics

The following table presents contractual maturity information for loans and leases HFI as of the date indicated:

December 31, 2025	Due Within One Year	Due After One Year Through Five Years	Due After Five to 15 Years	Due After 15 Years	Total
			(In thousands)		
Real estate mortgage	$ 1,277,074	$ 3,183,860	$ 2,796,606	$ 6,493,247	$ 13,750,787
Real estate construction and land	1,481,484	449,579	16,564	—	1,947,627
Commercial	4,465,661	3,772,558	524,139	214,848	8,977,206
Consumer	6,924	30,704	200,907	118,524	357,059
Total loans and leases held for investment	$ 7,231,143	$ 7,436,701	$ 3,538,216	$ 6,826,619	$ 25,032,679

At December 31, 2025, we had $7.2 billion of loans and leases HFI due to mature over the next twelve months. For any loan modifications made to these borrowers, an assessment of whether the borrower is experiencing financial difficulty is made on the date of the modification. Loans are assessed to determine whether the modification constitutes a new loan or a continuation of the existing loan. Depending on the terms of the modification and nature of the borrower, this may result in a downgrade or placing the loan on nonaccrual status, which in turn would impact the loan's classification within the ALLL. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the ALLL because of the measurement methodologies used to estimate the allowance, a change to the ALLL is generally not recorded upon modification.

The following table presents the interest rate profile of loans and leases HFI due after one year as of the date indicated:

December 31, 2025	Due After One Year		
	Fixed Rate	Variable Rate	Total
	(In thousands)		
Real estate mortgage	$ 6,785,249	$ 5,688,464	$ 12,473,713
Real estate construction and land	190,324	275,819	466,143
Commercial	1,465,130	3,046,415	4,511,545
Consumer	345,233	4,902	350,135
Total	$ 8,785,936	$ 9,015,600	$ 17,801,536

For information regarding our variable-rate loans subject to interest rate floors, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of this Form 10-K.

Allowance for Credit Losses on Loans and Leases Held for Investment

The ACL on loans and leases HFI is the combination of the allowance for loan and lease losses and the reserve for unfunded loan commitments. The allowance for loan and lease losses is reported as a reduction of the amortized cost basis of loans and leases, while the reserve for unfunded loan commitments is included within "Accrued interest payable and other liabilities" on the consolidated balance sheets. The amortized cost basis of loans and leases does not include accrued interest receivable, which is included in "Other assets" on the consolidated balance sheets. The "Provision for credit losses" on the consolidated statements of earnings (loss) is a combination of the provision for loan and lease losses, the provision for unfunded loan commitments, the provision for AFS debt securities, and the provision for HTM debt securities.

Under the CECL methodology, expected credit losses reflect losses over the remaining contractual life of an asset, considering the effect of prepayments and available information about the collectability of cash flows, including information about relevant historical experience, current conditions, and reasonable and supportable forecasts of future events and circumstances. Thus, the CECL methodology incorporates a broad range of information in developing credit loss estimates.

For further information regarding the calculation of the ACL on loans and leases HFI using the CECL methodology, see "Note 1. Nature of Operations and Summary of Significant Accounting Policies - Allowance for Credit Losses on Loans and Leases Held for Investment″ in Item 8 of this Form 10-K.

In estimating our ACL, we consider prevailing economic conditions and forward looking assumptions, including the impact of inflation, interest rates, and broader economic uncertainty. Our methodology and framework include reasonable and supportable forecast period after which we revert to the through-the-cycle environment. Certain management assumptions are reassessed every quarter based on current expectations for credit losses, while other assumptions are assessed and updated on at least an annual basis.

In estimating the expected credit losses, we consider multiple forward-looking economic scenarios to address forecast uncertainty with the scenario selection and weighting reflecting management’s assessment of current economic conditions and downside risk over our reasonable and supportable forecast period.

Qualitative adjustments are applied to capture risks not fully reflected in the quantitative model outputs. In 2025, qualitative considerations primarily related to CRE exposure, concentrations within the loan portfolio, and the volume of adversely classified loans. As part of our governance process, we conduct sensitively analysis to evaluate the reasonableness of the ACL. However, due to the interrelated nature of the model assumptions, the impact of changes in individual inputs cannot be isolated.

Management believes the allowance for credit losses appropriately reflects current expected credit losses in our loan and lease portfolio and associated unfunded loan commitments as of the reporting date. It is possible that others, given the same information, may at any point in time reach different conclusions that could result in a significant impact to the Company's financial statements.

The following table presents information regarding the ACL on loans and leases HFI as of the dates indicated:

Allowance for Credit Losses Data	December 31, 2025	December 31, 2024
	(Dollars in thousands)	
Allowance for loan and lease losses	$ 245,612	$ 239,360
Reserve for unfunded loan commitments	34,921	29,071
Total allowance for credit losses	$ 280,533	$ 268,431
Allowance for credit losses to loans and leases HFI	1.12 %	1.13 %
Allowance for credit losses to nonaccrual loans and leases HFI	176.3 %	141.6 %

The following table presents the changes in our ACL on loans and leases HFI for the years indicated:

Roll Forward of Allowance for Credit Losses on Loans and Leases HFI	Year Ended December 31, 2025	Year Ended December 31, 2024
	(Dollars in thousands)	
Balance, beginning of year	$ 268,431	$ 311,258
Provision for credit losses:		
Addition to allowance for loan and lease losses	64,780	43,500
Addition to (reduction in) reserve for unfunded loan commitments	5,850	(500)
Total provision for credit losses	70,630	43,000
Loans and leases charged off:		
Real estate mortgage	(26,507)	(63,117)
Real estate construction and land	(21,536)	—
Commercial	(22,977)	(26,322)
Consumer	(4,485)	(5,504)
Total loans and leases charged off	(75,505)	(94,943)
Recoveries on loans and leases charged off:		
Real estate mortgage	2,786	2,766
Real estate construction and land	1,370	—
Commercial	12,264	5,711
Consumer	557	639
Total recoveries on loans and leases charged off	16,977	9,116
Net charge-offs	(58,528)	(85,827)
Balance, end of year	$ 280,533	$ 268,431
Net charge-offs to average loans and leases	0.24 %	0.35 %

The following table presents net charge-offs, average loan balance, and ratio of net charge-offs to average loans by loan portfolio segment for the years indicated:

Ratio of Net Charge-offs to Average Loans	Year Ended December 31, 2025	2024	2023
		(Dollars in thousands)	
Real Estate Mortgage:			
Net charge-offs	$ 23,721	$ 60,351	$ 46,485
Average loan balance	$ 13,611,756	$ 14,483,010	$ 14,723,618
Ratio of net charge-offs to average loans	0.17 %	0.42 %	0.32 %
Real Estate Construction and Land:			
Net charge-offs	$ 20,166	$ —	$ —
Average loan balance	$ 2,487,575	$ 3,278,784	$ 3,677,785
Ratio of net charge-offs to average loans	0.81 %	— %	— %
Commercial:			
Net charge-offs	$ 10,713	$ 20,611	$ 9,536
Average loan balance	$ 7,778,950	$ 6,111,197	$ 5,717,669
Ratio of net charge-offs to average loans	0.14 %	0.34 %	0.17 %
Consumer:			
Net charge-offs	$ 3,928	$ 4,865	$ 2,147
Average loan balance	$ 381,201	$ 427,221	$ 416,797
Ratio of net charge-offs to average loans	1.03 %	1.14 %	0.52 %

Net charge-offs in 2025 were $58.5 million compared to net charge-offs of $85.8 million in 2024. This change was due primarily to net charge-offs in the real estate mortgage portfolio segment decreasing to $23.7 million in 2025 from $60.4 million in 2024 and net charge-offs in the commercial portfolio segment decreasing to $10.7 million in 2025 from $20.6 million in 2024, offset partially by net charge-offs in the real estate construction and land segment, which increased to $20.2 million in 2025, compared to no charge-offs in 2024.

Net charge-offs in 2024 were $85.8 million compared to net charge-offs of $58.2 million in 2023. This change was due primarily to net charge-offs in the real estate mortgage portfolio segment increasing to $60.4 million in 2024 from $46.5 million in 2023, and to net charge-offs in the commercial portfolio segment increasing to $20.6 million in 2024 from $9.5 million in 2023.

The following table presents charge-offs by loan portfolio segment, class, and subclass for the years indicated:

Allowance for Credit Losses Charge-offs	Year Ended December 31, 2025	2024
	(In thousands)	
Real Estate Mortgage:		
Commercial real estate	$ 17,411	$ 22,433
SBA program	634	1,154
Hotel	1,685	—
Total commercial real estate mortgage	19,730	23,587
Multi-family	3,275	—
Residential mortgage	849	242
Investor-owned residential	2,148	38,064
Residential renovation	505	1,224
Total other residential real estate mortgage	3,502	39,530
Total real estate mortgage	26,507	63,117
Real Estate Construction and Land:		
Commercial	21,536	—
Residential	—	—
Total real estate construction and land	21,536	—
Total real estate	48,043	63,117
Commercial:		
Lender finance	—	—
Equipment finance	—	—
Premium finance	—	—
Other asset-based	—	92
Total asset-based	—	92
Equity fund loans	—	—
Venture lending	6,250	16,414
Total venture capital	6,250	16,414
Secured business loans	4,386	4,490
Warehouse lending	—	—
Other lending	12,341	5,326
Total other commercial	16,727	9,816
Total commercial	22,977	26,322
Consumer	4,485	5,504
Total charge-offs	$ 75,505	$ 94,943

Charge-offs decreased by $19.4 million to $75.5 million in 2025 from $94.9 million in 2024 due mainly to decreases of $35.9 million in the investor-owned residential real estate mortgage subclass and $10.2 million in the venture lending subclass, offset partially by an increase of $21.5 million in the CRE construction and land class.

The following table presents recoveries by loan portfolio segment, class, and subclass for the years indicated:

Allowance for Credit Losses Recoveries	Year Ended December 31, 2025	2024
	(In thousands)	
Real Estate Mortgage:		
Commercial real estate	$ 2,349	$ 389
SBA program	312	480
Hotel	—	—
Total commercial real estate mortgage	2,661	869
Multi-family	—	500
Residential mortgage	28	8
Investor-owned residential	11	724
Residential renovation	86	665
Total other residential real estate mortgage	125	1,397
Total real estate mortgage	2,786	2,766
Real Estate Construction and Land:		
Commercial	1,370	—
Residential	—	—
Total real estate construction and land	1,370	—
Total real estate	4,156	2,766
Commercial:		
Lender finance	—	—
Equipment finance	—	—
Premium finance	20	—
Other asset-based	1,878	113
Total asset-based	1,898	113
Equity fund loans	—	—
Venture lending	499	1,500
Total venture capital	499	1,500
Secured business loans	2,826	504
Warehouse lending	—	—
Other lending	7,041	3,594
Total other commercial	9,867	4,098
Total commercial	12,264	5,711
Consumer	557	639
Total recoveries	$ 16,977	$ 9,116

The following table presents the allowance for loan and lease losses on loans and leases HFI by loan portfolio segment as of the dates indicated:

	Allocation of the Allowance for Loan and Lease Losses by Portfolio Segment				
	Real Estate Mortgage	Real Estate Construction and Land	Commercial	Consumer	Total
	(Dollars in thousands)				
December 31, 2025					
Allowance for loan and lease losses	$ 137,401	$ 8,849	$ 86,087	$ 13,275	$ 245,612
% of loans to total loans	55 %	8 %	36 %	1 %	100 %
December 31, 2024					
Allowance for loan and lease losses	$ 145,754	$ 10,940	$ 67,833	$ 14,833	$ 239,360
% of loans to total loans	57 %	13 %	28 %	2 %	100 %

The allowance for loan and lease losses attributable to real estate mortgage loans was $137.4 million and $145.8 million at December 31, 2025 and 2024. As ratios to real estate mortgage loans at those dates, these percentages were 1.00% and 1.09%. The decrease in the coverage ratio was primarily attributable to lower qualitative reserves for loans secured by office properties, as well as changes in the portfolio mix toward loans with stronger credit quality driven in part by the transfer of certain loans to HFS during the year.

The allowance for loan and lease losses attributable to real estate construction and land loans was $8.8 million and $10.9 million at December 31, 2025 and 2024. As ratios to real estate construction and land loans at those dates, these percentages were 0.45% and 0.34%. The increase in the coverage ratio was primarily due to an increase in classified loans during the year.

The allowance for loan and lease losses attributable to commercial loans and leases was $86.1 million and $67.8 million at December 31, 2025 and 2024. As ratios to commercial loans and leases at those dates, these percentages were 0.96% and 1.00%. The decrease in the coverage ratio was primarily due to a change in the loan portfolio composition, including growth in lending segments with lower historical losses such as lender finance, equity funds, and warehouse lending. This decrease was offset partially by higher reserve in the venture lending portfolio, driven by risk rating migration activity.

Credit Quality

Nonperforming Assets, Classified Loans and Leases, and Special Mention Loans and Leases

The following table presents information on our nonperforming assets, classified loans and leases, and special mention loans and leases as of the dates indicated:

	December 31,	
	2025	2024
	(Dollars in thousands)	
Nonaccrual loans and leases HFI	$ 159,168	$ 189,605
Accruing loans contractually past due 90 days or more	—	—
Total nonperforming loans and leases	159,168	189,605
Foreclosed assets, net	17,115	9,734
Total nonperforming assets	$ 176,283	$ 199,339
Classified loans and leases HFI	$ 800,330	$ 563,502
Special mention loans and leases HFI	458,683	1,097,315
Criticized loans and leases HFI	$ 1,259,013	$ 1,660,817
Nonaccrual loans and leases HFI to loans and leases HFI	0.64 %	0.80 %
Nonperforming assets to loans and leases HFI and foreclosed assets, net	0.70 %	0.84 %
Allowance for credit losses to nonaccrual loans and leases HFI	176.25 %	141.57 %
Classified loans and leases HFI to loans and leases HFI	3.20 %	2.37 %
Special mention loans and leases HFI to loans and leases HFI	1.83 %	4.61 %

Nonaccrual Loans and Leases Held for Investment

Nonperforming loans and leases HFI decreased by $30.4 million to $159.2 million at December 31, 2025 compared to $189.6 million at December 31, 2024, due mainly to principal and other reductions of $108.8 million, charge-offs of $26.0 million, transfers to accrual status of $24.3 million, and transfers to HFS of $5.7 million, offset partially by additions of $134.3 million. As of December 31, 2025, our three largest loan relationships on nonaccrual status had an aggregate carrying value of $43.5 million and represented 27% of total nonaccrual loans and leases.

The following table presents our nonaccrual loans and leases HFI and accruing loans and leases past due between 30 and 89 days by loan portfolio segment and class as of the dates indicated:

	December 31, 2025		December 31, 2024		Increase (Decrease)	
	Nonaccrual	Accruing and 30-89 days Past Due	Nonaccrual	Accruing and 30-89 days Past Due	Nonaccrual	Accruing and 30-89 days Past Due
	(In thousands)					
Real estate mortgage:						
Commercial	$ 93,334	$ 1,124	$ 97,655	$ —	$ (4,321)	$ 1,124
Multi-family	3,358	32,887	22,763	9,442	(19,405)	23,445
Other residential	57,984	28,614	46,788	34,417	11,196	(5,803)
Total real estate mortgage	154,676	62,625	167,206	43,859	(12,530)	18,766
Real estate construction and land:						
Commercial	—	—	—	—	—	—
Residential	—	26,540	—	—	—	26,540
Total real estate construction and land	—	26,540	—	—	—	26,540
Commercial:						
Asset-based	—	1,142	1,940	1,795	(1,940)	(653)
Venture capital	625	—	6,291	—	(5,666)	—
Other commercial	2,510	788	13,544	2,331	(11,034)	(1,543)
Total commercial	3,135	1,930	21,775	4,126	(18,640)	(2,196)
Consumer	1,357	1,933	624	2,804	733	(871)
Total held for investment	$ 159,168	$ 93,028	$ 189,605	$ 50,789	$ (30,437)	$ 42,239

Loans and leases accruing and 30-89 days past due increased by $42.2 million to $93.0 million as of December 31, 2025 compared to $50.8 million at December 31, 2024, due mainly to increases of $26.5 million in residential real estate construction and land delinquent loans and $23.4 million in multi-family real estate mortgage delinquent loans.

The amount of interest income that would have been recorded on nonaccrual loans and leases at December 31, 2025 and 2024 had such loans and leases been current in accordance with their original terms was $9.6 million and $7.8 million for 2025 and 2024.

Foreclosed Assets, Net

The following table presents foreclosed assets (primarily OREO), net of the valuation allowance, by property type as of the dates indicated:

Property Type	December 31, 2025	December 31, 2024
	(In thousands)	
Single-family residential	$ 17,095	$ 9,714
Total OREO, net	17,095	9,714
Other foreclosed assets	20	20
Total foreclosed assets, net	$ 17,115	$ 9,734

Foreclosed assets increased by $7.4 million to $17.1 million at December 31, 2025 compared to $9.7 million at December 31, 2024, due mainly to transfers from loans of $22.8 million, offset partially by sales of $14.7 million and a provision for losses of $0.8 million.

Classified and Special Mention Loans and Leases Held for Investment

The following table presents the credit risk ratings of our loans and leases HFI as of the dates indicated:

Loan and Lease Credit Risk Ratings	December 31, 2025	December 31, 2024
	(In thousands)	
Pass	$ 23,773,666	$ 22,120,846
Special mention	458,683	1,097,315
Classified	800,330	563,502
Total loans and leases held for investment	$ 25,032,679	$ 23,781,663

Classified and special mention loans and leases fluctuate from period to period as a result of loan repayments and downgrades or upgrades from our ongoing active portfolio management.

The following table presents the classified and special mention credit risk rating categories for loans and leases HFI by loan portfolio segment and class and the related net changes as of the dates indicated:

	December 31, 2025		December 31, 2024		Increase (Decrease)	
	Classified	Special Mention	Classified	Special Mention	Classified	Special Mention
			(In thousands)			
Real estate mortgage:						
Commercial	$ 297,606	$ 126,998	$ 301,278	$ 348,014	$ (3,672)	$ (221,016)
Multi-family	166,385	216,286	113,164	202,690	53,221	13,596
Other residential	58,202	—	47,993	14,351	10,209	(14,351)
Total real estate mortgage	522,193	343,284	462,435	565,055	59,758	(221,771)
Real estate construction and land:						
Commercial	52,828	—	—	148,024	52,828	(148,024)
Residential	2,982	10,714	—	203,220	2,982	(192,506)
Total real estate construction and land	55,810	10,714	—	351,244	55,810	(340,530)
Commercial:						
Asset-based	36,732	7,180	5,003	9,547	31,729	(2,367)
Venture capital	171,847	64,577	75,406	125,320	96,441	(60,743)
Other commercial	12,143	27,689	19,949	38,741	(7,806)	(11,052)
Total commercial	220,722	99,446	100,358	173,608	120,364	(74,162)
Consumer	1,605	5,239	709	7,408	896	(2,169)
Total	$ 800,330	$ 458,683	$ 563,502	$ 1,097,315	$ 236,828	$ (638,632)

Classified loans and leases increased by $236.8 million to $800.3 million at December 31, 2025 compared to $563.5 million at December 31, 2024, due mainly to increases of $96.4 million in venture capital classified loans, $53.2 million in multi-family real estate mortgage classified loans, $52.8 million in CRE construction and land classified loans, and $31.7 million in asset-based classified loans.

Special mention loans and leases decreased by $638.6 million to $458.7 million at December 31, 2025 compared to $1.1 billion at December 31, 2024, due primarily to decreases of $221.0 million in CRE mortgage special mention loans, $192.5 million in residential real estate construction and land special mention loans, $148.0 million in CRE construction and land special mention loans, and $60.7 million in venture capital special mention loans.

Deferred Tax Asset

As of December 31, 2025, the net DTA balance totaled $656.8 million, a decrease from $720.6 million as of December 31, 2024, due primarily to the decline in unrealized loss on AFS securities. As of December 31, 2025 and 2024, we have a valuation allowance of $16.1 million and $19.0 million against DTAs.

Deposits

The following table presents a summary of our average deposit amounts and average rates paid during the years indicated:

	Year Ended December 31,					
	2025		2024		2023	
Deposit Type	Average Balance	Weighted Average Rate	Average Balance	Weighted Average Rate	Average Balance	Weighted Average Rate
	(Dollars in thousands)					
Interest checking	$ 7,732,697	2.64 %	$ 7,714,920	3.12 %	$ 6,992,888	3.16 %
Money market	5,231,379	2.35 %	5,164,566	2.68 %	6,724,296	2.83 %
Savings	1,954,354	2.52 %	2,005,513	3.31 %	1,051,117	2.95 %
Time	4,568,180	3.99 %	5,714,821	4.73 %	6,840,920	4.48 %
Total interest-bearing deposits	19,486,610	2.87 %	20,599,820	3.48 %	21,609,221	3.46 %
Noninterest-bearing checking	7,698,015	—	7,829,976	—	7,072,334	—
Total deposits	$ 27,184,625	2.05 %	$ 28,429,796	2.52 %	$ 28,681,555	2.61 %

The following table presents the composition of our deposit portfolio by account type as of the dates indicated:

	December 31,			
	2025		2024	
Deposit Type	Balance	% of Total	Balance	% of Total
	(Dollars in thousands)			
Noninterest-bearing checking	$ 7,822,787	28 %	$ 7,719,913	28 %
Interest-bearing:				
Checking	8,509,587	30 %	7,610,705	28 %
Money market	4,917,857	18 %	5,361,635	20 %
Savings	1,905,863	7 %	1,933,232	7 %
Time:				
Non-brokered	2,254,293	8 %	2,488,217	9 %
Brokered	2,432,970	9 %	2,078,207	8 %
Total time deposits	4,687,263	17 %	4,566,424	17 %
Total interest-bearing	20,020,570	72 %	19,471,996	72 %
Total deposits	$ 27,843,357	100 %	$ 27,191,909	100 %

The following table presents time deposits based on the $250,000 FDIC insured limit as of the dates indicated:

	December 31,			
	2025		2024	
Time Deposits	Balance	% of Total Deposits	Balance	% of Total Deposits
	(Dollars in thousands)			
Time deposits $250,000 and under	$ 3,669,523	13 %	$ 3,468,376	13 %
Time deposits over $250,000	1,017,740	4 %	1,098,048	4 %
Total time deposits	$ 4,687,263	17 %	$ 4,566,424	17 %

Total deposits increased by $651.4 million to $27.8 billion at December 31, 2025 compared to $27.2 billion at December 31, 2024, due primarily to venture banking growth and increase in broker deposits to support loan growth. Our deposit base is also diversified by client type. As of December 31, 2025, no individual deposit relationship represented more than 10% of our total deposits.

As of December 31, 2025, FDIC-insured deposits represented approximately 71% of total deposits, down from 72% as of December 31, 2024.

The following table summarizes the maturities of time deposits as of the date indicated:

December 31, 2025	Time Deposits $250,000 and Under	Time Deposits Over $250,000	Time Deposits Total
		(In thousands)	
Maturities:			
Due in three months or less	$ 916,015	$ 471,687	$ 1,387,702
Due in over three months through six months	918,748	170,507	1,089,255
Due in over six months through 12 months	1,472,250	274,493	1,746,743
Total due within 12 months	3,307,013	916,687	4,223,700
Due in over 12 months through 24 months	357,088	94,372	451,460
Due in over 24 months	5,422	6,681	12,103
Total due over 12 months	362,510	101,053	463,563
Total	$ 3,669,523	$ 1,017,740	$ 4,687,263

The following table summarizes the maturities of estimated uninsured time deposits as of the date indicated:

December 31, 2025	Uninsured Time Deposits
	(In thousands)
Maturities:	
Due in three months or less	$ 137,211
Due in over three months through six months	132,127
Due in over six months through 12 months	160,152
Total due within 12 months	429,490
Total due over 12 months	75,105
Total	$ 504,595

Client Investment Funds

In addition to deposit products, we also offer alternative, non-depository corporate treasury solutions for clients to invest excess liquidity. These off-balance sheet client funds totaled $1.2 billion at December 31, 2025 and $1.5 billion at December 31, 2024.

Borrowings

The following table presents information on our borrowings as of the dates indicated:

	December 31,					
	2025		2024		2023	
Borrowings	Balance	Weighted Average Rate	Balance	Weighted Average Rate	Balance	Weighted Average Rate
	(Dollars in thousands)					
FHLB secured term advances	$ 1,710,185	3.90 %	$ 1,100,000	3.93 %	$ —	— %
Credit-linked notes	113,634	14.63 %	118,838	15.29 %	123,116	16.02 %
Other short-term borrowings	240,000	3.69 %	—	— %	—	— %
Senior notes	—	— %	174,000	5.25 %	174,000	5.25 %
Bank Term Funding Program	—	— %	—	— %	2,618,300	4.37 %
Total borrowings	2,063,819	4.47 %	1,392,838	5.06 %	2,915,416	4.92 %
Acquisition discount on Senior Notes	—		(1,024)		(4,094)	
Total borrowings, net	$ 2,063,819		$ 1,391,814		$ 2,911,322	
Averages for the year:						
Total borrowings, net	$ 1,599,469	4.92 %	$ 1,838,819	5.68 %	$ 7,068,826	5.90 %

Borrowings increased by $672.0 million to $2.1 billion at December 31, 2025 compared to $1.4 billion at December 31, 2024, due to higher FHLB secured advances and other short-term borrowings, offset partially by the payoff of $174.0 million of Senior Notes in the second quarter of 2025. We utilized these borrowings to manage liquidity needs, including, but not limited to, funding asset growth, accommodating liability maturities and deposit withdrawals, and supporting business operations.

Subordinated Debt

The following table presents summary information on our subordinated debt as of the dates indicated:

	December 31,			
	2025		2024	
Subordinated Debt	**Balance**	**Weighted Average Rate**	**Balance**	**Weighted Average Rate**
	(Dollars in thousands)			
Subordinated debt:				
With no unamortized acquisition discount or unamortized issuance costs	$ 152,582	6.47 %	$ 152,582	7.16 %
With unamortized acquisition discount or unamortized issuance costs	867,008	5.15 %	863,420	5.18 %
Total subordinated debt	1,019,590	5.35 %	1,016,002	5.48 %
Unamortized issuance costs	(3,263)		(3,815)	
Unamortized acquisition discount	(63,587)		(70,264)	
Total subordinated debt, net	$ 952,740		$ 941,923	
Averages for the year:				
Total subordinated debt, net	$ 947,709	6.55 %	$ 939,528	7.05 %

Subordinated debt increased by $10.8 million to $952.7 million at December 31, 2025 compared to $941.9 million at December 31, 2024, due to accretion of the acquisition discount on acquired subordinated debt and higher valuation of the Euribor-based subordinated debt. At December 31, 2025, $131.0 million of subordinated debt was included in the Company's Tier I capital and $791.6 million was included in Tier II capital.

Regulatory Matters

Capital

Bank regulatory agencies measure capital adequacy through standardized risk-based capital guidelines that compare different levels of capital (as defined by such guidelines) to risk-weighted assets and off-balance sheet obligations. At December 31, 2025, banks considered to be “well capitalized” must maintain a minimum Tier 1 leverage ratio of 5.00%, a minimum CET1 capital ratio of 6.50%, a minimum Tier 1 capital ratio of 8.00%, and a minimum total capital ratio of 10.00%.

Regulatory capital requirements limit the amount of DTAs that may be included when determining the amount of regulatory capital. Deferred tax asset amounts in excess of the calculated limit are disallowed from regulatory capital. At December 31, 2025, such disallowed amounts were $316.7 million for the Company and $294.1 million for the Bank. No assurance can be given that the regulatory capital deferred tax asset limitation will not increase in the future or that the Company and the Bank will not have increased DTAs that are disallowed.

In 2020, the federal bank regulatory authorities approved a rule that delays the estimated impact on regulatory capital resulting from the adoption of CECL. We elected the CECL phase-in option provided by regulatory capital rules which delayed for two years the estimated impact of CECL on regulatory capital and phases it in over a three-year transition period beginning in the first quarter of 2022. The full impact of the CECL standard was phased-in to regulatory capital through December 31, 2024 under this phase-in option, and beginning in the first quarter of 2025, CECL was fully reflected in our regulatory capital.

Basel III currently requires all banking organizations to maintain a 2.50% capital conservation buffer above the minimum risk-based capital requirements to avoid certain limitations on capital distributions, stock repurchases and discretionary bonus payments to executive officers. The capital conservation buffer is exclusively comprised of CET1 capital, and it applies to each of the three risk-based capital ratios but not to the leverage ratio. Effective January 1, 2019, the CET1, Tier 1, and Total capital ratio minimums inclusive of the capital conservation buffer were 7.00%, 8.50%, and 10.50%. At December 31, 2025, the Company and the Bank were in compliance with the capital conservation buffer requirements.

The following tables present a comparison of our actual capital ratios to the minimum required ratios and well capitalized ratios as of the dates indicated:

	December 31,		Minimum Required		
			For Capital Adequacy	For Capital Conservation	For Well Capitalized
	2025	2024	Purposes	Buffer	Classification
Banc of California, Inc.:					
Tier 1 leverage capital ratio	9.99%	10.15%	4.00%	N/A	N/A
CET1 capital ratio	10.01%	10.55%	4.50%	7.00%	N/A
Tier 1 capital ratio	12.34%	12.97%	6.00%	8.50%	6.00%
Total capital ratio	16.31%	17.05%	8.00%	10.50%	10.00%
Banc of California:					
Tier 1 leverage capital ratio	10.65%	11.08%	4.00%	N/A	5.00%
CET1 capital ratio	13.15%	14.17%	4.50%	7.00%	6.50%
Tier 1 capital ratio	13.15%	14.17%	6.00%	8.50%	8.00%
Total capital ratio	15.61%	16.65%	8.00%	10.50%	10.00%

The Company's consolidated risk-based capital ratios decreased during the year ended December 31, 2025 due mainly to the impact of stock repurchases and increase in risk-weighted assets driven mostly by the growth in loan balances, offset by earnings for the year. The consolidated Tier 1 leverage ratio also decreased during the year ended December 31, 2025 due mainly to the impact of stock repurchases and higher average assets, offset by earnings.

Dividends on Common Stock and Interest on Subordinated Debt

See "Dividends and Share Repurchases" in Item 1 and "Note 22. Dividend Availability and Regulatory Matters" in Item 8 of this Form 10-K, for discussions of factors affecting the availability of dividends and limitations on the ability to declare dividends. Interest payments made on subordinated debt are considered dividend payments under FRB regulations.

Dividends on Preferred Stock

The Company's ability to pay dividends on the Series F preferred stock depends on the ability of the Bank to pay dividends to the holding company. The ability of the Company and the Bank to pay dividends in the future is subject to bank regulatory requirements, including capital regulations and policies established by the FRB and the DFPI, as applicable. Dividends on the Series F preferred stock will not be declared, paid, or set aside for payment to the extent such act would cause us to fail to comply with applicable laws and regulations, including applicable FRB capital adequacy regulations and policies.

Dividends on the Series F preferred stock are not cumulative or mandatory. If the Company's Board of Directors does not declare a dividend on the Series F preferred stock in respect of a dividend period, then no dividend shall be deemed to be payable for such dividend period or be cumulative, and the Company will have no obligation to pay any dividend for that dividend period, whether or not the Board of Directors declares a dividend on the Series F preferred stock or any other class or series of its capital stock for any future dividend period. However, if dividends on the Series F preferred stock have not been declared or paid for the equivalent of six dividend payments, whether or not for consecutive dividend periods, holders of the outstanding shares of Series F preferred stock, together with holders of any other series of the Company's preferred stock ranking equal with the Series F preferred stock with similar voting rights, will generally be entitled to vote for the election of two additional directors. Additionally, so long as any share of Series F preferred stock remains outstanding, unless dividends on all outstanding shares of Series F preferred stock for the most recently completed dividend period have been paid in full or declared and a sum sufficient for the payment thereof has been set aside for payment, no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on the Company's common stock.

Liquidity

Liquidity Management

Liquidity is the ongoing ability to accommodate liability maturities and deposit withdrawals, fund asset growth and business operations, and meet contractual obligations through unconstrained access to funding at reasonable market rates. Liquidity management involves forecasting funding requirements and maintaining sufficient capacity to meet the needs and accommodate fluctuations in asset and liability levels due to changes in the Company's business operations or unanticipated events.

We have a Management Finance Committee ("MFC") that is comprised of members of Senior Management and is responsible for managing commitments to meet the needs of customers while achieving our financial objectives. MFC meets regularly to review funding capacities, current and forecasted loan demand, and investment opportunities.

We manage our liquidity by maintaining pools of liquid assets on-balance sheet, consisting of cash and receivables due from banks, interest-earning deposits in other financial institutions, and unpledged AFS securities, which we refer to as our primary liquidity. We also maintain available borrowing capacity under secured credit lines with the FHLB and the FRBSF, which we refer to as our secondary liquidity.

As a member of the FHLB, the Bank had secured borrowing capacity with the FHLB of $6.9 billion at December 31, 2025, offset partially by $514.1 million pledged for letters of credit and a balance outstanding of $1.7 billion as of that date. The FHLB secured credit line was collateralized by a blanket lien on $10.3 billion of certain qualifying loans and $20.5 million of securities. The Bank also had secured borrowing capacity with the FRBSF under the Discount Window program totaling $5.0 billion at December 31, 2025, of which was $5.0 billion was available. The FRBSF Discount Window secured credit line was collateralized by liens on $4.6 billion of qualifying loans and $1.5 billion of pledged securities.

In addition to its secured lines of credit with the FHLB and FRBSF, the Bank also had credit limits of $215.0 million in the aggregate with several commercial banks, as well as borrowing arrangements with unaffiliated financial institutions that provide for the purchase of overnight funds or other short-term borrowings. The availability of these unsecured borrowings fluctuates regularly and is subject to the discretion of the counterparties. As of December 31, 2025, the Bank had $240.0 million outstanding under these arrangements. Additionally, the holding company has a $100.0 million unsecured revolving line of credit. As of December 31, 2025, there was no balance outstanding.

The following tables provide a summary of the Company's primary and secondary liquidity levels at the dates indicated:

Primary Liquidity - On-Balance Sheet	**December 31, 2025**	**December 31, 2024**
	(Dollars in thousands)	
Cash and due from banks	$ 181,103	$ 192,006
Interest-earning deposits in financial institutions	2,126,862	2,310,206
Total cash, cash equivalents, and restricted cash	2,307,965	2,502,212
Less: Restricted cash	(170,229)	(184,159)
Add: Securities available-for-sale, at fair value	2,454,058	2,246,839
Add: Allowance on securities available-for-sale	775	—
Less: Pledged securities available-for-sale, at fair value	(3,463)	(4,200)
Less: Haircut on securities available-for-sale	(183,265)	(193,191)
Total primary liquidity	$ 4,405,841	$ 4,367,501
Ratio of primary liquidity to total assets	12.7 %	13.0 %

Secondary Liquidity - Off-Balance Sheet Available Secured Borrowing Capacity	December 31, 2025	December 31, 2024
	(In thousands)	
Total secured borrowing capacity with the FHLB	$ 6,949,898	$ 6,853,652
Less: Secured advances outstanding	(1,710,185)	(1,100,000)
Less: Letters of credit	(514,091)	(527,893)
Available secured borrowing capacity with the FHLB	4,725,622	5,225,759
Available secured borrowing capacity with the FRBSF	5,044,040	6,295,540
Total secondary liquidity	$ 9,769,662	$ 11,521,299

The Company's primary liquidity increased by $38.3 million to $4.4 billion at December 31, 2025 compared to $4.4 billion at December 31, 2024, due mainly to a $218.7 million increase in unpledged AFS securities, net of a haircut, offset partially by a $180.3 million decrease in total cash and cash equivalents excluding restricted cash. We also include certain unencumbered HTM securities in our internal liquidity stress test buffer which are not included in our primary liquidity. The Company's secondary liquidity decreased by $1.8 billion to $9.8 billion at December 31, 2025 compared to $11.5 billion at December 31, 2024, due to decreases in available secured borrowing capacity with the FRB of $1.3 billion and available secured borrowing capacity with the FHLB of $500.1 million.

Obtaining new customer deposits, or having existing customers increase their deposit balances with us, are the primary sources of funding for our operations and is one the highest priorities of the Company. See "- Balance Sheet Analysis - Deposits" in Item 7 of this Form 10-K for additional information and detail of our deposits. Additionally, we fund our operations with cash flows from our loan and securities portfolios.

Our deposit balances may decrease if customers withdraw funds from the Bank. In order to address the Bank’s liquidity risk from fluctuating deposit balances, the Bank maintains adequate levels of available liquidity on and off the balance sheet.

We use brokered deposits, the availability of which is uncertain and subject to competitive market forces and regulation, for liquidity management purposes. At December 31, 2025, brokered deposits totaled $2.9 billion, consisting of $0.5 billion of non-maturity brokered accounts and $2.4 billion of brokered time deposits. At December 31, 2024, brokered deposits totaled $2.7 billion, consisting of $0.6 billion of non-maturity brokered accounts and $2.1 billion of brokered time deposits.

Our Liquidity Management Policy establishes guidelines aligned with the Company's Risk Appetite Framework and includes a range of liquidity and funding concentration metrics designed to monitor balance sheet strength, funding stability, and available liquidity resources. These measures incorporate assessments of on-balance sheet liquidity, contingent funding capacity, and the composition of funding sources. As of December 31, 2025, the Bank was in compliance with all applicable liquidity and funding concentration guidelines.

Holding Company Liquidity

Banc of California, Inc. acts as a source of financial strength for the Bank which can also include being a source of liquidity. The primary sources of liquidity for the holding company include dividends from the Bank, intercompany tax payments from the Bank, and Banc of California, Inc.'s ability to raise capital, issue subordinated and senior debt, and secure outside borrowings. Banc of California, Inc.'s ability to obtain funds for the payment of dividends to our stockholders, the repurchase of shares of common stock and preferred stock, and other cash requirements is largely dependent upon the Bank’s earnings. The Bank is subject to restrictions under certain federal and state laws and regulations that limit its ability to transfer funds to the holding company through intercompany loans, advances, or cash dividends. Banc of California, Inc.'s ability to pay dividends is also subject to the restrictions set forth by the FRB, and by certain covenants contained in our subordinated debt. See "Supervision and Regulation - Banc of California, Inc. - Repurchases/Redemptions; Dividends” in Item 1 and "Note 22. Dividend Availability and Regulatory Matters" in Item 8 of this Form 10-K for discussions of factors affecting the availability of dividends and limitations on the ability to declare dividends.

On December 23, 2024, Banc of California, Inc. entered into an unsecured revolving line of credit agreement as a borrower for $50.0 million. On March 17, 2025, the Company executed an amendment to the credit agreement which increased the Company's unsecured revolving line of credit to $100.0 million. As of December 31, 2025 and December 31, 2024, there was no balance outstanding.

On March 17, 2025, we announced that our Board of Directors authorized the repurchase of up to $150.0 million of our common stock. On April 23, 2025, we announced an upsize of our stock repurchase program from $150.0 million to $300.0 million and expanded the program to cover both the Company's common stock and depositary shares representing its preferred stock. The repurchase authorization expires in March 2026. During the year ended December 31, 2025, common and common equivalent stock repurchased under the program totaled 13,648,429 shares at a weighted average price per share of $13.59, or $185.5 million in the aggregate. As of December 31, 2025, the Company had $114.5 million remaining under the stock repurchase authorization. The program may be changed, suspended, or discontinued at any time.

At December 31, 2025, Banc of California, Inc. had $159.7 million in cash and cash equivalents, of which a portion is on deposit at the Bank. We believe this amount of cash, along with anticipated future dividends from the Bank, will be sufficient to fund the holding company’s cash flow needs over the next 12 months.

Material Cash Requirements

Our material contractual obligations are primarily for time deposits, subordinated debt, commitments to contribute capital to investments in LIHTC partnerships, SBICs and CRA-related loan pools, and operating lease obligations. At December 31, 2025, time deposits totaled $4.7 billion, of which $4.2 billion was due within one year. Gross subordinated debt totaled $1.0 billion, of which $75.0 million was due within 5 years and the remaining $941.3 million was due after five years. Our liability to contribute capital to LIHTC partnerships was $40.9 million and our commitment to contribute capital to SBICs and CRA-related loan pools was $122.1 million for a combined total of $163.0 million, of which $87.8 million was due within one year. Our operating lease obligation for leased facilities totaled $135.1 million, of which $30.7 million was due within one year. For further information regarding these items, see "Note 10. Deposits," "Note 11. Borrowings and Subordinated Debt,″ ″Note 8. Other Assets,″ ″Note 13. Commitments and Contingencies,″ and "Note 9. Leases″ in Item 8 of this Form 10-K.

We believe that we will be able to meet our contractual obligations as they come due through the maintenance of adequate liquidity levels. We expect to maintain adequate liquidity levels through profitability, loan and lease payoffs, securities repayments and maturities, and continued deposit gathering activities. We also have in place various borrowing mechanisms for both short-term and long-term liquidity needs.

Our obligations also include off-balance sheet arrangements consisting of loan commitments, of which only a portion is expected to be funded, and standby letters of credit. At December 31, 2025, our loan commitments and standby letters of credit were $5.4 billion and $244.9 million, respectively. The loan commitments, a portion of which will eventually result in funded loans, increase our profitability through NII when drawn and unused commitment fees prior to being drawn. We manage our overall liquidity taking into consideration funded and unfunded commitments as a percentage of our liquidity sources. Our liquidity sources, as described in “Liquidity - Liquidity Management” in Item 7 of this Form 10-K, have been and are expected to be sufficient to meet the cash requirements of our lending activities. For further information on loan commitments, see "Note 13. Commitments and Contingencies″ in Item 8 of this Form 10-K.

Recent Accounting Pronouncements

See "Note 1. Nature of Operations and Summary of Significant Accounting Policies″ in Item 8 of this Form 10-K for information on recent accounting pronouncements and their expected impact, if any, on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk - Foreign Currency Exposure

We enter into foreign exchange contracts with our clients and counterparty banks primarily for the purpose of offsetting or hedging clients' foreign currency exposures arising out of commercial transactions, and we enter into cross currency swaps and foreign exchange forward contracts to hedge exposures to loans and debt instruments denominated in foreign currencies. We have experienced and will continue to experience fluctuations in our net earnings as a result of transaction gains or losses related to revaluing certain asset and liability balances that are denominated in currencies other than the U.S. Dollar and the derivatives that hedge those exposures. As of December 31, 2025, the U.S. Dollar notional amounts of loans receivable and subordinated debt payable denominated in foreign currencies were $76.8 million and $30.3 million, and the U.S. Dollar notional amounts of derivatives outstanding to hedge these foreign currency exposures were $75.8 million and $29.9 million. We recognized foreign currency translation net losses of $0.5 million for the year ended December 31, 2025 and $1.0 million for the year ended December 31, 2024, and $0.3 million for the year ended December 31, 2023.

Asset/Liability Management and Interest Rate Sensitivity

Interest Rate Risk - Company Governance. On at least a quarterly basis, we measure our IRR position using two methods: (i) NII simulation analysis and (ii) EVE modeling. The Management Finance Committee and the Finance Committee of the Company's Board of Directors review the results of these analyses at least quarterly. As discussed in more detail below, if projected changes to interest rates cause changes to our simulated net present value of equity and/or NII to be outside our pre-established IRR limits, we may adjust our asset and liability mix in an effort to bring our IRR exposure within our established limits.

The pre-established IRR limits are recommended by management, determined based on analytical review and available peer data published by regulatory agencies about the IRR limits utilized by other regional banks, and documented in the Company's Asset Liability Management Policy. This policy is approved by MFC and the Finance Committee of the Board of Directors annually. We believe our IRR limits are consistent with prevailing practice in the regional banking industry.

We use a balance sheet simulation model (the "IRR Model") to estimate changes in NII and EVE that would result from immediate and sustained changes in interest rates as of the measurement date. This IRR Model assesses the changes in NII and EVE that would occur in response to an instantaneous and sustained increase and decrease in market interest rates of +-100, +-200, +-300, and +-400 basis points. This model is an IRR management tool, and the results are not necessarily an indication of our future NII. The IRR Model has inherent limitations and the model's results are based on a given set of rate changes and assumptions at a single point in time.

The IRR Model is updated at least quarterly, and the IRR Model results are reported to MFC and the Finance Committee of the Company's Board of Directors at each monthly or quarterly meeting, as applicable.

Our Risk When Interest Rates Change. The rates of interest we earn on assets and pay on liabilities generally are established contractually for a period of time, except for non-maturity deposits. Market interest rates change over time. Accordingly, our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our assets and liabilities. The risk associated with changes in interest rates and our ability to adapt to these changes is known as IRR and is our most significant market risk.

How We Measure Our Risk of Interest Rate Changes. As part of our attempt to manage our exposure to changes in interest rates and comply with applicable regulations, we have established asset/liability committees to monitor our IRR. In monitoring IRR, we continually analyze and manage assets and liabilities based on their payment streams and interest rates, the timing of their maturities and/or prepayments, and their sensitivity to actual or potential changes in market interest rates.

The MFC is comprised of select members of Senior Management. The Company also has a Finance Committee of the Boards of Directors of the Company and the Bank (together with MFC, the “ALCOs”). In order to manage the risk of potential adverse effects of material and prolonged or volatile changes in interest rates on our results of operations, we have adopted asset/liability management policies to align maturities and repricing terms of interest-earning assets to interest-bearing liabilities. The asset/liability management policies establish guidelines for the volume and mix of assets and funding sources taking into account relative costs and spreads, interest rate sensitivity and liquidity needs, while management monitors adherence to those guidelines with oversight by the ALCOs. The objectives are to manage assets and funding sources to produce results that are consistent with liquidity, capital adequacy, growth, risk, and profitability goals. The ALCOs meet no less than quarterly to review, among other things, economic conditions and interest rate outlook, current and projected liquidity needs and capital position, anticipated changes in the volume and mix of assets and liabilities and IRR exposure limits versus current projections pursuant to our EVE analysis.

In order to manage our assets and liabilities and achieve the desired liquidity, credit quality, IRR, profitability, and capital targets, we evaluate various strategies. These include complementing our current loan origination platform through strategic acquisitions of whole loans, strategically managing multiple warehouse relationships, and originating shorter-term consumer loans. We also actively manage the level of investments and duration of investment securities, and focus on establish stable deposit relationships. Additionally, we utilize certain derivatives such as interest rate swaps and collars as hedges to align maturities and repricing terms.

At times, depending on the level of general interest rates, the relationship between long- and short-term interest rates, market conditions and competitive factors, the ALCOs may decide to increase our IRR position within the asset/liability tolerance set forth by our Board of Directors. As part of its procedures, the ALCOs regularly review IRR by forecasting the impact of alternative interest rate environments on NII and our EVE.

Interest Rate Sensitivity of Economic Value of Equity and Net Interest Income

IRR results from our banking activities and is the primary market risk for us. IRR is caused by the following factors:

- Repricing risk - timing differences in the repricing and maturity of interest-earning assets and interest-bearing liabilities;
- Option risk - changes in the expected maturities of assets and liabilities, such as borrowers' ability to prepay loans and depositors' ability to redeem certificates of deposit before maturity;
- Yield curve risk - changes in the yield curve where interest rates increase or decrease in a nonparallel fashion; and
- Basis risk - changes in spread relationships between different yield curves, such as U.S. Treasuries, U.S. Prime Rate, and SOFR.

Since our earnings are primarily dependent on our ability to generate NII, we focus on actively monitoring and managing the effects of adverse changes in interest rates on our NII. Management of our IRR is overseen by the Finance Committee of the Boards of Directors of the Company and Bank, which delegates the day-to-day management of IRR to the MFC. MFC ensures that the Bank is following the appropriate and current regulatory guidance in the formulation and implementation of our IRR program. The Finance Committee of the Boards of Directors of the Company and the Bank reviews the results of our IRR modeling at least quarterly to ensure that we have appropriately measured our IRR, mitigated our exposures appropriately and any residual risk is acceptable. In addition to our annual review of our Asset Liability Management Policy, our Board of Directors periodically reviews the IRR limits.

IRR management is an ongoing process that monitors loan and deposit flows, along with investment and funding activities. Effective IRR management begins with understanding the repricing characteristics of assets and liabilities and estimating an appropriate risk posture based on forecasts, objectives, market expectations, and policy constraints.

IRR exposure is measured using several tools, including a simulation model that performs interest rate sensitivity under multiple scenarios. The model reflects the actual maturities and re-pricing characteristics of interest rate sensitive assets and liabilities and includes instantaneous parallel interest rate shocks. Results are evaluated using two metrics: NII at Risk and EVE. NII at Risk estimates the impact of rate changes on NII using assumptions for assets, liabilities, and derivatives.

The NII simulation estimates changes in NII over the next twelve months from immediate and sustained rate changes as of December 31, 2025. The Analysis assumes a static balance sheet with no growth or product mix changes. This model is a risk management tool and does not necessarily predict future NII.

EVE measures the present value of assets minus liabilities and assesses changes in the economic value under various interest rate scenarios. Unlike the NII approach, EVE captures the impact of all anticipated cash flows and provides a longer-term perspective.

A balance sheet is considered "asset sensitive" when an increase in short-term interest rates is expected to expand our NII, as rates earned on our interest-earning assets reprice higher at a pace faster than rates paid on our interest-bearing liabilities. Conversely, a bank balance sheet is considered "liability sensitive" when an increase in short-term interest rates is expected to compress our NII, as rates paid on our interest-bearing liabilities reprice higher at a pace faster than rates earned on our interest-earning assets.

At both December 31, 2025 and December 31, 2024, our IRR profile remained close to "neutral." This position reflects our balanced composition of repricing assets and beta-adjusted repricing deposits and other interest-bearing liabilities over the course of the next twelve months. Given the uncertainty of the magnitude, timing, and direction of future interest rate movements, as well as the shape of the yield curve, actual results may vary materially from those predicted by our model.

The following table presents the projected change in the Company's EVE at December 31, 2025 and NII over the next twelve months, which would occur upon an immediate change in interest rates, but without giving effect to any steps that management might take to counteract that change:

	Change in Interest Rates in Basis Points (bps) [1]					
	Economic Value of Equity			Net Interest Income		
December 31, 2025	Amount	Amount Change	Percentage Change	Amount	Amount Change	Percentage Change
	(Dollars in millions)					
+200 bps	$ 4,739	$ (508)	(9.7)%	$ 1,082	$ 25	2.4 %
+100 bps	$ 5,060	$ (187)	(3.6)%	$ 1,069	$ 12	1.1 %
0 bps	$ 5,247			$ 1,057		
-100 bps	$ 5,348	$ 101	1.9 %	$ 1,052	$ (5)	(0.4)%
-200 bps	$ 5,378	$ 132	2.5 %	$ 1,049	$ (8)	(0.7)%

(1) Assumes an instantaneous uniform change in interest rates at all maturities and no rate shock has a rate lower than zero percent.

Earnings-at-Risk

In addition to IRR associated with NII, certain noninterest expense items are also sensitive to changes in market interest rates. One such item is the cost of ECRs provided on certain deposit accounts, primarily those associated with our HOA business. ECRs comprise most of our customer related expense and fluctuate in response to changes in short term rates and can therefore influence the Company's overall earnings sensitivity profile. We expect that a declining interest rate environment would reduce ECR costs and thereby reduce noninterest expense, conversely, when interest rates rise, ECR costs would also rise, thereby increasing noninterest expense. The Company's Earnings-at-Risk modeling incorporates the impact of these rate-sensitive noninterest expenses, in addition to interest income and expense, to assess the effect of interest rate movements on projected earnings over a twelve-month horizon.

As of December 31, 2025, client deposits eligible for ECRs totaled approximately $3.6 billion. Taking into account the rate sensitivity of ECRs, which are primarily attributable to such deposits, the Company's overall earnings profile would be considered "liability sensitive." During the second quarter of 2025, the Company also entered into interest rate collars with a notional value of $1.0 billion to mitigate the risk of increasing interest expense if short term interest rates increase. For further information on the interest rate collars, see "Note 12. Derivatives″ in Item 8 of this Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Banc of California, Inc., including its consolidated subsidiaries, is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with U.S. GAAP. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. Management also takes steps to see that information and communication flows are effective and to monitor performance, including performance of internal control procedures.

As of December 31, 2025, Banc of California, Inc. management assessed the effectiveness of the Company's internal control over financial reporting based on the framework established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2025, is effective.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements should they occur. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the control procedures may deteriorate.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements included in this Annual Report on Form 10-K, has issued a report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2025. The report, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2025, is included in this Item under the heading "Report of Independent Registered Public Accounting Firm."

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Banc of California, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Banc of California, Inc. and subsidiaries (the Company) as of December 31, 2025 and 2024, the related consolidated statements of earnings (loss), comprehensive income (loss), changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 2025, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2025, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2025, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 27, 2026 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for loan and lease losses - collectively evaluated

Description of the Matter

The Company's allowance for loan and lease losses (ALLL) was $245.6 million as of December 31, 2025, of which $243.3 million relates to the collectively evaluated ALLL. The provision for loan and lease losses was $64.8 million for the year ended December 31, 2025. As discussed in Note 1 to the consolidated financial statements, the ALLL is measured using the current expected credit loss (CECL) approach for the Company's loan and lease portfolio. The ALLL is comprised on an individually evaluated component for loans and leases that no longer share similar risk characteristics with other loans and leases and a pooled loans component for loans and leases that share similar risk characteristics. The Company's CECL methodology for the pooled loans component includes both quantitative and qualitative loss factors which are applied to its population of loans and leases and assessed at a pool level. The quantitative CECL model estimates credit losses by applying pool-specific probability of default and loss given default rates to the expected exposure at default over the contractual life of loans and leases. The qualitative component considers internal and external risk factors that may not be appropriately assessed in the quantitative model.

Auditing management's collectively evaluated ALLL estimate and related provision for loan and lease losses was complex due to the judgmental nature of the probability weighted economic scenarios, loss models and qualitative adjustments.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over establishing the collectively evaluated ALLL. For example, we tested controls over: 1) the selection and application of forward-looking economic scenarios and the probability weights assigned to them; 2) loss models, including model validation and the completeness and accuracy of inputs and assumptions used in the models; and 3) management's consideration of qualitative factors.

We assessed the economic scenarios and related probability weights by, among other procedures, evaluating management's methodology and comparing economic variables used by management to external sources. We also performed sensitivity analyses and analytical procedures as well as evaluated the ALLL to historical statistics and peer bank information. With respect to the loss models, with the support of specialists and among other procedures, we evaluated model calculation design and reperformed the calculation for a sample of models. We also tested inputs and assumptions used in these models by comparing a sample of inputs and assumptions to internal and external sources.

With respect to qualitative adjustments, with the support of specialists and among other procedures, we evaluated management's methodology, assumptions used, and the effect of those factors on the collectively evaluated ALLL compared with relevant credit risk factors and credit trends. We searched for and evaluated information that corroborates or contradicts management's identification and measurement of qualitative factors.

We evaluated the overall ALLL amount, including model estimates, qualitative factors adjustments, and whether the recorded ALLL was reflective of current expected credit losses on the loan and lease portfolio. We reviewed subsequent events and transactions and considered whether they corroborate or contradict the Company's measurement of the ALLL.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2024.

Irvine, California
February 27, 2026

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Banc of California, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Banc of California, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2025, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Banc of California, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2025 consolidated financial statements of the Company and our report dated February 27, 2026 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Irvine, California
February 27, 2026

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

Banc of California, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of earnings (loss), comprehensive income (loss), changes in stockholders' equity, and cash flows of Banc of California, Inc. and subsidiaries (the Company) for the year ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of operations of the Company and its cash flows for the year ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ KPMG LLP

We served as the Company's auditor from 1982 to 2024.

Irvine, California
February 29, 2024, except as to Note 24 - Segment Reporting, which is as of March 3, 2025.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2025	**2024**
	(Dollars in thousands, except par value amounts)	
ASSETS:		
Cash and due from banks	$ 181,103	$ 192,006
Interest-earning deposits in financial institutions	2,126,862	2,310,206
Total cash, cash equivalents, and restricted cash	2,307,965	2,502,212
Securities available-for-sale, at fair value, net of allowance for credit losses (amortized cost of $2,646,414 and $2,526,644, respectively)(ACL of $775 and $—, respectively)	2,454,058	2,246,839
Securities held-to-maturity, at amortized cost, net of allowance for credit losses (fair value of $2,246,526 and $2,156,694, respectively))(ACL of $695 and $1,500, respectively)	2,308,636	2,306,149
FRB and FHLB stock, at cost	160,442	147,773
Total investment securities	4,923,136	4,700,761
Loans held for sale	182,936	26,331
Loans and leases held for investment	25,032,679	23,781,663
Allowance for loan and lease losses	(245,612)	(239,360)
Loans and leases held for investment, net	24,787,067	23,542,303
Equipment leased to others under operating leases	238,232	307,188
Premises and equipment, net	146,698	142,546
Bank owned life insurance	350,083	339,517
Goodwill	214,521	214,521
Intangible assets, net	105,287	132,944
Deferred tax asset, net	656,755	720,587
Other assets	884,762	913,954
Total assets	$ 34,797,442	$ 33,542,864
LIABILITIES:		
Noninterest-bearing deposits	$ 7,822,787	$ 7,719,913
Interest-bearing deposits	20,020,570	19,471,996
Total deposits	27,843,357	27,191,909
Borrowings (including $113,634 and $118,838 at fair value, respectively)	2,063,819	1,391,814
Subordinated debt	952,740	941,923
Accrued interest payable and other liabilities	396,249	517,269
Total liabilities	31,256,165	30,042,915
Commitments and contingencies (Note 13)		
STOCKHOLDERS' EQUITY:		
Preferred stock	498,516	498,516
Common stock ($0.01 par value, 150,039,018 shares issued and 149,963,520 outstanding at December 31, 2025; 158,557,735 shares issued and 158,346,529 outstanding at December 31, 2024)	1,500	1,586
Class B non-voting common stock ($0.01 par value, 477,321 shares issued at December 31, 2025 and 477,321 shares issued at December 31, 2024)	5	5
Non-voting common stock equivalents ($0.01 par value, 5,017,064 shares issued at December 31, 2025 and 9,790,600 shares issued at December 31, 2024)	50	98
Additional paid-in capital	3,552,483	3,785,725
Retained deficit	(242,016)	(431,201)
Accumulated other comprehensive loss, net	(269,261)	(354,780)
Total stockholders' equity	3,541,277	3,499,949
Total liabilities and stockholders' equity	$ 34,797,442	$ 33,542,864

See accompanying Notes to Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

	Year Ended December 31,		
	2025	**2024**	**2023**
	(In thousands, except per share amounts)		
Interest income:			
Loans and leases	$ 1,440,397	$ 1,501,534	$ 1,496,357
Investment securities	153,326	140,794	174,996
Deposits in financial institutions	82,930	170,377	299,647
Total interest income	1,676,653	1,812,705	1,971,000
Interest expense:			
Deposits	558,440	715,984	748,423
Borrowings	78,761	104,398	416,744
Subordinated debt	62,066	66,273	58,705
Total interest expense	699,267	886,655	1,223,872
Net interest income	977,386	926,050	747,128
Provision for credit losses	70,600	42,801	52,000
Net interest income after provision for credit losses	906,786	883,249	695,128
Noninterest income:			
Leased equipment income	47,717	51,109	63,167
Other commissions and fees	38,637	33,258	38,086
Service charges on deposit accounts	19,146	18,583	16,468
(Loss) gain on sale of loans and leases	(115)	645	(161,346)
Loss on sale of securities	—	(60,400)	(442,413)
Dividends and gains on equity investments	7,992	7,982	15,731
Warrant income (loss)	1,726	408	(718)
LOCOM HFS adjustment	(9)	215	(8,461)
Other income	27,045	25,345	31,201
Total noninterest income (loss)	142,139	77,145	(448,285)
Noninterest expense:			
Compensation	349,506	341,396	332,353
Insurance and assessments	32,750	70,779	135,666
Customer related expense	105,425	129,471	124,104
Occupancy	60,624	67,993	61,668
Information technology and data processing	55,458	60,418	51,805
Leased equipment depreciation	26,393	29,271	34,243
Other professional services	23,087	20,857	24,623
Loan expense	16,372	17,306	20,458
Intangible asset amortization	28,267	33,143	11,419
Acquisition, integration and reorganization costs	—	(14,183)	142,633
Goodwill impairment	—	—	1,376,736
Other expense	37,968	35,289	142,473
Total noninterest expense	735,850	791,740	2,458,181
Earnings (loss) before income taxes	313,075	168,654	(2,211,338)
Income tax expense (benefit)	84,102	41,766	(312,201)
Net earnings (loss)	228,973	126,888	(1,899,137)
Preferred stock dividends	39,788	39,788	39,788
Net earnings (loss) available to common and equivalent stockholders	$ 189,185	$ 87,100	$ (1,938,925)
Earnings (loss) per share:			
Basic	$ 1.18	$ 0.52	$ (22.71)
Diluted	$ 1.17	$ 0.52	$ (22.71)

See accompanying Notes to Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,		
	2025	**2024**	**2023**
		(In thousands)	
Net earnings (loss)	$ 228,973	$ 126,888	$ (1,899,137)
Other comprehensive income (loss), net of tax:			
Unrealized net holding gains on securities available-for-sale arising during the year	88,224	11,987	16,525
Income tax expense related to net unrealized holding gains arising during the year	(24,777)	(3,057)	(3,938)
Unrealized net holding gains on securities available-for-sale, net of tax	63,447	8,930	12,587
Reclassification adjustment for net losses included in net earnings [(1)]	—	60,400	442,413
Income tax benefit related to reclassification adjustment	—	(17,143)	(120,797)
Reclassification adjustment for net losses included in net earnings, net of tax	—	43,257	321,616
Amortization of unrealized net loss on securities transferred from available-for-sale to held-to-maturity	33,938	32,815	31,895
Income tax expense related to amortization of unrealized net loss on securities transferred from available-for-sale to held-to-maturity	(9,492)	(9,312)	(8,835)
Amortization of unrealized net loss on securities transferred from available-for-sale to held-to-maturity, net of tax	24,446	23,503	23,060
Change in fair value of credit-linked notes	868	(2,589)	7,794
Income tax (expense) benefit related to change in fair value of credit-linked notes	(209)	760	(2,211)
Change in fair value of credit-linked notes, net of tax	659	(1,829)	5,583
Unrealized (loss) gain on cash flow hedges arising during the year	(4,186)	4,897	(5,714)
Income tax benefit (expense) related to unrealized (loss) gain on cash flow hedges arising during the year	1,153	(1,424)	1,657
Unrealized (loss) gain on cash flow hedges, net of tax	(3,033)	3,473	(4,057)
Other comprehensive income, net of tax	85,519	77,334	358,789
Comprehensive income (loss)	$ 314,492	$ 204,222	$ (1,540,348)

(1) Entire amount recognized in "*Loss on sale of securities*" on the Consolidated Statements of Earnings (Loss).

See accompanying Notes to Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Preferred Stock	Common Stock Voting	Common Stock Class B Non-Voting	Non-Voting Common Stock Equivalents	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
				(In thousands, except per share amount)				
Balance, December 31, 2022	$ 498,516	$ 1,230	$ —	$ —	$ 2,821,064	$ 1,420,624	$ (790,903)	$ 3,950,531
Net loss	—	—	—	—	—	(1,899,137)	—	(1,899,137)
Other comprehensive income, net of tax	—	—	—	—	—	—	358,789	358,789
Issuance of common stock for merger with PacWest Bancorp	—	130	5	—	662,869	—	—	663,004
Proceeds from capital raise	—	217	—	108	382,575	—	—	382,900
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	—	—	—	28,697	—	—	28,697
Restricted stock surrendered	—	—	—	—	(5,419)	—	—	(5,419)
Shares purchased under the Dividend Reinvestment Plan	—	—	—	—	69	—	—	69
Cash dividends paid:								
Preferred stock, $1.9380/share	—	—	—	—	—	(39,788)	—	(39,788)
Common stock, $0.53/share[(1)]	—	—	—	—	(48,881)	—	—	(48,881)
Balance, December 31, 2023	498,516	1,577	5	108	3,840,974	(518,301)	(432,114)	3,390,765
Net earnings	—	—	—	—	—	126,888	—	126,888
Other comprehensive income, net of tax	—	—	—	—	—	—	77,334	77,334
Conversion of non-voting common stock equivalents to voting common stock	—	10	—	(10)	—	—	—	—
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	(1)	—	—	15,449	—	—	15,448
Restricted stock surrendered	—	—	—	—	(2,708)	—	—	(2,708)
Shares purchased under the Dividend Reinvestment Plan	—	—	—	—	308	—	—	308
Cash dividends paid:								
Preferred stock, $1.9380/share	—	—	—	—	—	(39,788)	—	(39,788)
Common stock, $0.40/share	—	—	—	—	(68,298)	—	—	(68,298)
Balance, December 31, 2024	498,516	1,586	5	98	3,785,725	(431,201)	(354,780)	3,499,949

(1) Dividends per share amounts prior to November 30, 2023 have been restated as a result of the restatement of common stock outstanding being multiplied by the exchange ratio of 0.6569.

See accompanying Notes to Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Preferred Stock	Common Stock		Non-Voting Common Stock Equivalents	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
		Voting	Class B Non-Voting					
	(In thousands, except per share amount)							
Balance, December 31, 2024	498,516	1,586	5	98	3,785,725	(431,201)	(354,780)	3,499,949
Net earnings	—	—	—	—	—	228,973	—	228,973
Other comprehensive income, net of tax	—	—	—	—	—	—	85,519	85,519
Exercise of stock options	—	—	—	—	77	—	—	77
Conversion of non-voting common stock equivalents to voting common stock	—	47	—	(47)	—	—	—	—
Conversion of voting common stock to non-voting common stock equivalents	—	(11)	—	11	—	—	—	—
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	3	—	—	23,349	—	—	23,352
Restricted stock surrendered	—	—	—	—	(3,714)	—	—	(3,714)
Shares purchased under the Dividend Reinvestment Plan	—	—	—	—	282	—	—	282
Shares repurchased under Stock Repurchase Program including excise tax	—	(125)	—	(12)	(187,590)	—	—	(187,727)
Cash dividends:								
Preferred stock, $1.9380/share	—	—	—	—	—	(39,788)	—	(39,788)
Common stock, $0.40/share	—	—	—	—	(65,646)	—	—	(65,646)
Balance, December 31, 2025	$ 498,516	$ 1,500	$ 5	$ 50	$ 3,552,483	$ (242,016)	$ (269,261)	$ 3,541,277

See accompanying Notes to Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Preferred Stock	Common Stock		Non-Voting Common Stock Equivalents
		Voting	Class B Non-Voting	
		(In ones)		
Number of shares, December 31, 2022	513,250	78,973,869	—	—
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	55,422	—	—
Restricted stock surrendered	—	(230,773)	—	—
Issuance of stock for merger with PacWest Bancorp	—	57,157,632	477,321	
Shares issued in capital raise		21,690,334	—	10,829,990
Shares purchased under Dividend Reinvestment Plan		5,268	—	—
Number of shares, December 31, 2023	513,250	157,651,752	477,321	10,829,990
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	(54,555)	—	—
Restricted stock surrendered	—	(99,357)	—	—
Shares purchased under Dividend Reinvestment Plan	—	20,505	—	—
Conversion of non-voting common stock equivalents to voting common stock	—	1,039,390	—	(1,039,390)
Number of shares, December 31, 2024	513,250	158,557,735	477,321	9,790,600
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	586,395	—	—
Restricted stock surrendered	—	(254,280)	—	—
Shares purchased under Dividend Reinvestment Plan	—	18,445	—	—
Shares repurchased under Stock Repurchase Program	—	(12,498,429)	—	(1,150,000)
Options exercised	—	5,616	—	—
Conversion of voting common stock to non-voting common stock equivalents	—	(1,144,594)	—	1,144,594
Conversion of non-voting common stock equivalents to voting common stock	—	4,768,130	—	(4,768,130)
Number of shares, December 31, 2025	513,250	150,039,018	477,321	5,017,064

See accompanying Notes to Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2025	**2024**	**2023**
		(In thousands)	
Cash flows from operating activities:			
Net earnings (loss)	$ 228,973	$ 126,888	$ (1,899,137)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Goodwill impairment	—	—	1,376,736
Depreciation and amortization	49,274	54,593	52,691
Amortization of net premiums on investment securities	19,683	23,809	37,488
Accretion of net purchased loan discounts and deferred loan fees	(84,754)	(105,089)	—
Amortization of intangible assets	28,267	33,143	11,419
Amortization of operating lease ROU assets	23,485	33,666	27,176
Provision for credit losses	70,600	42,801	52,000
Gain on sale of foreclosed assets, net	(203)	(819)	(586)
Provision for losses on foreclosed assets	773	1,885	1,992
Loss (gain) on sale of loans and leases, net	115	(645)	161,346
Loss (gain) on disposal of premises and equipment	199	647	(571)
Loss on sale of securities, net	—	60,400	442,413
Gain on BOLI death benefits	—	(1,100)	(416)
Unrealized (gain) loss on derivatives, foreign currencies, and credit-linked notes, net	(297)	(276)	5,629
LOCOM HFS adjustment	9	(215)	8,461
Earned stock compensation	23,352	15,448	28,697
Decrease (increase) in other assets	53,522	167,973	(214,614)
(Decrease) increase in accrued interest payable and other liabilities	(157,397)	(375,735)	45,044
Net cash provided by operating activities	255,601	77,374	135,768
Cash flows from investing activities:			
Cash acquired in acquisitions, net of cash consideration paid	—	—	335,319
Net (increase) decrease in loans and leases	(1,658,721)	(662,358)	464,057
Proceeds from sales of loans and leases	261,875	2,455,814	8,524,063
Proceeds from maturities and paydowns of securities available-for-sale	478,677	243,572	261,042
Proceeds from sales of securities available-for-sale	—	693,338	3,028,011
Purchases of securities available-for-sale	(605,394)	(835,949)	(13,439)
Proceeds from maturities and paydowns of securities held-to-maturity	19,520	1,398	1,353
Purchases of FHLB and FRB stock	(17,396)	(23,440)	(304,014)
Redemptions of FHLB and FRB stock	4,727	2,013	272,162
Proceeds from sales of foreclosed assets	14,706	16,909	17,137
Purchases of premises and equipment, net	(20,830)	(13,047)	(15,219)
Proceeds from sales of premises and equipment	—	190	9,018
Proceeds from BOLI death benefits	2,124	5,058	3,946
Net decrease in equipment leased to others under operating leases	42,563	7,866	25,709
Net cash (used in) provided by investing activities	(1,478,149)	1,891,364	12,609,145

See accompanying Notes to Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2025	**2024**	**2023**
		(In thousands)	
Cash flows from financing activities:			
Net increase (decrease) in noninterest-bearing deposits	102,874	(54,341)	(5,722,546)
Net increase (decrease) in interest-bearing deposits	548,574	(3,155,519)	(4,359,678)
Repayments of borrowings	(178,285)	(2,623,756)	(2,320,516)
Proceeds from borrowings	850,185	1,100,000	2,506,300
Net proceeds from stock issuance	—	—	382,900
Common shares repurchased under Stock Repurchase Program	(187,727)	—	—
Common shares purchased under the Dividend Reinvestment Plan	—	308	69
Exercise of options	77	—	—
Restricted stock surrendered	(3,714)	(2,708)	(5,419)
Preferred stock dividends paid	(39,788)	(39,788)	(39,788)
Common stock dividends paid	(63,895)	(68,298)	(48,881)
Net cash provided by (used in) financing activities	1,028,301	(4,844,102)	(9,607,559)
Net (decrease) increase in cash and cash equivalents	(194,247)	(2,875,364)	3,137,354
Cash and cash equivalents, beginning of year	2,502,212	5,377,576	2,240,222
Cash and cash equivalents, end of year	$ 2,307,965	$ 2,502,212	$ 5,377,576
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ 715,041	$ 1,014,839	$ 1,063,981
Cash paid (received) for income taxes	7,545	(14,450)	(68,168)
Loans transferred to foreclosed assets	22,844	19,978	20,915
Transfers from loans held for investment to loans held for sale	448,107	1,930,285	3,162,615
Transfers to loans held for investment from loans held for sale	—	1,179	513,914
Effective November 30, 2023, the Company merged with PacWest Bancorp in a transaction summarized as follows:			
Fair value of assets acquired			$ 8,405,477
Stock consideration			(663,004)
Liabilities assumed			$ 7,742,473

See accompanying Notes to Consolidated Financial Statements.

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Banc of California, Inc., a Maryland corporation, was incorporated in March 2002 and serves as the holding company for its wholly owned subsidiary, Banc of California (the "Bank"), a California state-chartered bank and member of the FRB. When we refer to the "holding company," we are referring to Banc of California, Inc., the parent company, on a stand-alone basis. When we refer to "we," "us," "our," or the "Company," we are referring to Banc of California, Inc. and its consolidated subsidiaries including the Bank, collectively. As a bank holding company, Banc of California, Inc. is subject to ongoing and comprehensive supervision, regulation, examination, and enforcement by the FRB. As a California state-chartered bank and a member of the FRB, the Bank is subject to ongoing and comprehensive supervision, regulation, examination and enforcement by the DFPI and the FRB. The Bank is also a member of the FHLB system, and its deposit accounts are insured by the DIF of the FDIC.

Banc of California is one of the nation's premier relationship-based business banks, providing banking and treasury management services to small, middle-market, and venture-backed businesses. The Bank offers a broad range of loan and deposit products and services through full-service branches located throughout California and in Denver, Colorado, and Durham, North Carolina, as well as through regional offices nationwide. The Bank also provides full-service payment processing solutions to its clients and serves the Community Association Management industry nationwide with its technology-forward platform, SmartStreet™. The Bank is committed to its local communities by supporting organizations that provide financial literacy and job training, small business support, affordable housing, and more.

We generate our revenue primarily from interest received on loans and leases and, to a lesser extent, from interest received on investment securities, and fees received in connection with deposit services, extending credit and other services offered, including treasury management and investment management services. Our major operating expenses are interest paid by the Bank on deposits and borrowings, compensation expense, customer related expense, information technology and data processing expense, occupancy expense, and general operating expenses.

Recent Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03, "*Disaggregation of Income Statement Expenses,*" requiring additional disclosure of income statement expenses, including categories like employee compensation, depreciation, and intangible asset amortization, as well as selling expenses. Companies must also qualitatively describe any remaining amounts not separately disclosed. In January 2025, the FASB also issued ASU 2025-01, "*Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures-Clarifying the Effective Date,"* clarified that all public business entities must adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. The disclosures apply prospectively, but retrospective application is allowed. The Company is currently evaluating the impact of this update on its consolidated financial statements and related disclosures.

In September 2025, the FASB issued ASU 2025-06, *"Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software."* The new standard clarifies and modernizes the accounting for costs related to internal-use software under ASC 350-40. Specifically, the amendments address the accounting for software developed using iterative and agile development methods, clarify the threshold for when capitalization of software costs should begin, and require the disclosure requirements of ASC 360-10. This guidance is effective for fiscal years beginning after December 15, 2027, with early adoption permitted. Entities may apply the guidance using one of three transition methods: prospective, modified retrospective (based on the project's status and whether costs were previously capitalized), or full retrospective application. The Company is currently evaluating the impact of this update on its consolidated financial statements and related disclosures.

In November 2025, the FASB issued ASU 2025-08, *"Financial Instruments—Credit Losses (Topic 326): Purchased Loans,"* which updates the accounting for acquired loans under the CECL model. The amendments address application challenges under previous guidance, including the perceived double-counting of credit losses at acquisition, by expanding the gross-up approach and introducing the concept of purchased seasoned loans. Under the new standard, an allowance for credit losses is recorded at acquisition with a corresponding adjustment to the loan's amortized cost basis, eliminating the requirement for a day-one provision for certain acquired loans. Loans acquired in a business combination (excluding credit cards) are automatically considered purchased seasoned loans, while other loans qualify if acquired more than 90 days after origination and the acquirer was not involved in origination. The guidance is effective for fiscal years beginning after December 15, 2026, with early adoption permitted, and is to be applied prospectively. The Company is currently evaluating the impact of this update on its consolidated financial statements and related disclosures.

In December 2025, the FASB issued ASU 2025-11, *"Interim Reporting (Topic 270): Narrow-Scope Improvements,"* which clarifies and consolidates interim reporting guidance under ASC 270 for entities issuing interim financial statements. In addition, the update establishes a disclosure principle requiring entities to disclose material events or changes since the end of the most recent annual reporting period. The amendment does not introduce new recognition, measurement, or disclosure requirements and are not intended to change the fundamental nature of interim reporting, but rather to enhance clarity and consistency in interim financial reporting. The guidance is effective for interim reporting periods within fiscal years beginning after December 15, 2027, with early adoption permitted. Entities may apply the guidance using either prospective or retrospective application. The Company is currently evaluating the impact of this update on its consolidated financial statements and related disclosures.

Recently Adopted Accounting Standards

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*." The standard, among other changes, improves annual income tax disclosures by requiring disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. The enhanced income tax disclosure requirements apply on a prospective basis to annual financial statements for periods beginning after December 15, 2024. However, retrospective application in all prior periods presented is permitted. The Company adopted this accounting guidance on a prospective basis and determined this guidance did not have a material impact on the Company's consolidated financial statements.

Basis of Presentation

The accounting and reporting policies of the Company are in accordance with U.S. generally accepted accounting principles, which we may refer to as U.S. GAAP. In the opinion of management, all significant intercompany accounts and transactions have been eliminated and adjustments, consisting solely of normal recurring accruals and considered necessary for the fair presentation of financial statements have been included.

On November 30, 2023 (the "Merger Date"), PacWest Bancorp merged with and into Banc of California, Inc. (the "Merger"), with Banc of California, Inc. continuing as the surviving legal corporation and Banc of California, Inc. concurrently closed a $400 million equity capital raise. The Merger was accounted for as a reverse merger using the acquisition method of accounting, therefore, PacWest Bancorp was deemed the acquirer for financial reporting purposes, even though Banc of California, Inc. was the legal acquirer. The Merger was an all-stock transaction and has been accounted for as a business combination. Banc of California, Inc.'s financial results for all periods ended prior to November 30, 2023 reflect PacWest Bancorp results on a standalone basis. In addition, Banc of California, Inc.'s reported financial results for the year ended December 31, 2023 reflect PacWest Bancorp financial results, only on a standalone basis until the closing of the Merger on November 30, 2023, and results of the combined company for the month of December 2023. The number of shares issued and outstanding, earnings per share, and all references to share quantities or metrics of Banc of California, Inc. have been retrospectively restated to reflect the equivalent number of shares issued in the Merger as the Merger was accounted for as a reverse merger. Under the reverse merger method of accounting, the assets and liabilities of legacy Banc of California, Inc. as of November 30, 2023 were recorded at their respective fair values. Refer to "Note 2. Business Combinations" for additional information on this merger.

Use of Estimates

The Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period to prepare these consolidated financial statements in conformity with U.S. GAAP. Actual results could differ from those estimates. Material estimates subject to change in the near term include, among other items, the allowance for credit losses (the combination of the allowance for loan and lease losses and the reserve for unfunded loan commitments) and the realization of DTAs. These estimates may be adjusted as more current information becomes available, and any adjustment may be significant.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of: (1) cash on hand and cash due from banks, (2) interest-earning deposits in financial institutions, and (3) federal funds sold with original maturities less than 90 days. Interest-earning deposits in financial institutions represent mostly cash held at the FRBSF, the majority of which is immediately available. Restricted cash, if any, is disclosed in our consolidated financial statements.

Investment in Debt Securities

We determine the classification of securities at the time of purchase. If we have the intent and the ability at the time of purchase to hold securities until maturity, they are classified as held-to-maturity and stated at amortized cost. Securities to be held for indefinite periods of time, but not necessarily to be held-to-maturity or on a long-term basis, are classified as available-for-sale and carried at estimated fair value, with unrealized gains or losses reported as a separate component of stockholders' equity in accumulated other comprehensive loss, net of applicable income taxes. Securities available-for-sale include securities that management intends to use as part of its asset/liability management strategy and that may be sold in response to changes in interest rates, prepayment risk, and other related factors. Securities are individually evaluated for appropriate classification when acquired. As a result, similar types of securities may be classified differently depending on factors existing at the time of purchase.

The carrying values of all securities are adjusted for amortization of premiums and accretion of discounts using the interest method. Premiums on callable securities are amortized to the earliest call date. Realized gains or losses on the sale of securities, if any, are determined using the amortized cost of the specific securities sold. Such gains or losses are included in "Loss on sale of securities" on the consolidated statements of earnings (loss).

Available-for-sale debt securities. AFS debt securities are carried at fair value and are subject to impairment testing. Premiums and discounts are amortized or accreted over the life of the security as an adjustment to its yield using the interest method. Realized gains or losses from the sale of securities are calculated using the specific identification method. A security is impaired if the fair value of the security is less than its amortized cost basis. When an AFS debt security is considered impaired, the Company must determine if the decline in fair value has resulted from a credit-related loss or other factors and then, (1) recognize an allowance for credit losses by a charge to earnings for the credit-related component (if any) of the decline in fair value, and (2) recognize in other comprehensive income (loss) any non-credit related components (if any) of the fair value decline. If the amount of the amortized cost basis expected to be recovered increases in a future period, the valuation allowance would be reduced, but not more than the amount of the current existing allowance for that security. The amortized cost of the Company's AFS debt securities excludes accrued interest receivable, which is included in "Other assets" on the Company's consolidated balance sheets. The Company has made an Accounting Policy election not to recognize an allowance for credit losses for accrued interest receivable on AFS debt securities, as the Company reverses any accrued interest against interest income if a debt security is impaired.

Transfer between categories of debt securities. Upon transfer of a debt security from the AFS category to the HTM category, the security's new amortized cost is reset to fair value, reduced by any previous write-offs but excluding any allowance for credit losses. Any associated unrealized gains or losses on such investments as of the date of transfer become part of the security's amortized cost and are subsequently amortized or accreted into interest income over the remaining life of the securities as effective yield adjustments using the interest method. In addition, the related unrealized gains and losses included in accumulated other comprehensive income on the date of transfer are also subsequently amortized or accreted into interest income over the remaining life of the securities as effective yield adjustments using the interest method. For transfers of securities from the AFS category to the HTM category, any allowance for credit losses that was previously recorded under the AFS model is reversed and an allowance for credit losses is subsequently recorded under the HTM debt security model. The reversal and re-establishment of the allowance for credit losses are recorded in the "Provision for credit losses" on the Company's consolidated statements of earnings (loss).

Held-to-maturity debt securities. Debt securities that the Company has the intent and ability to hold until maturity are classified as HTM and are carried at amortized cost, net of the allowance for credit losses. Premiums and discounts are amortized or accreted over the life of the security as an adjustment to its yield using the interest method. Realized gains or losses from the sale of securities are calculated using the specific identification method. HTM debt securities are generally placed on nonaccrual status using factors similar to those described for loans. The amortized cost of the Company's HTM debt securities excludes accrued interest receivable, which is included in "Other assets" on the Company's consolidated balance sheets. The Company has made an Accounting Policy election not to recognize an allowance for credit losses for accrued interest receivable on HTM debt securities, as the Company reverses any accrued interest against interest income if a debt security is placed on nonaccrual status. Any cash collected on nonaccrual HTM securities is applied to reduce the security's amortized cost basis and not as interest income. Generally, the Company returns a HTM security to accrual status when all delinquent interest and principal become current under the contractual terms of the security, and the collectability of remaining principal and interest is no longer doubtful.

Allowance for Credit Losses on Held-to-Maturity Debt Securities

The allowance for credit losses for HTM debt securities is recorded at the time of purchase, acquisition, or when the Company designates securities as HTM, representing the Company's best estimate of current expected credit losses as of the date of the consolidated balance sheets. For each major HTM debt security type, the allowance for credit losses is estimated collectively for groups of securities with similar risk characteristics. For debt securities that do not share similar risk characteristics, the losses are estimated individually. Debt securities that are either guaranteed or issued by the U.S. government or government agency, are highly rated by major rating agencies, and have a long history of no credit losses, are an example of such securities to which the Company applies a zero credit loss assumption. Any expected credit loss is provided through the allowance for credit losses on HTM debt securities and deducted from the amortized cost basis of the security, so that the balance sheet reflects the net amount that the Company expects to collect.

Equity and Other Investments

Investments in equity securities are classified into one of two categories for accounting purposes.

- Securities with a readily determinable fair value are reported at fair value, with changes in fair value recorded in earnings.
- Securities without a readily determinable fair value for which we have elected the "measurement alternative" are reported at cost less impairment (if any) plus or minus adjustments resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer.

Investments in common or preferred stock that are not publicly traded and certain investments in limited partnerships are considered equity investments that do not have a readily determinable fair value. On a quarterly basis, we review our equity investments without readily determinable fair values for impairment. We consider a number of qualitative factors such as whether there is a significant deterioration in earnings performance, credit rating, asset quality, or business prospects of the investee in determining if impairment exists. If the investment is considered impaired, an impairment loss equal to the amount by which the carrying value exceeds its fair value is recorded through a charge to earnings. The impairment loss may be reversed in a subsequent period if there are observable transactions for the identical or similar investment of the same issuer at a higher amount than the carrying amount that was established when the impairment was recognized. Impairment as well as upward or downward adjustments resulting from observable price changes in orderly transactions for identical or similar investments are included in “Noninterest income - Other income.”

Our equity investments also include our investments in Small Business Investment Companies (“SBICs”). All of our SBIC investments meet the definition of investment companies, as defined in ASC 946, *Financial Services - Investment Companies*. We elected the practical expedient available in Topic 820, *Fair Value Measurements*, which permits the use of NAV per share or equivalent to value investments in entities that are or are similar to investment companies. SBICs are required to value and report their investments at estimated fair value. We record the unrealized gains and losses resulting from changes in the fair value of our SBIC investments as dividends and gains on equity investments in our consolidated statements of earnings (loss). The carrying value of our SBIC investments is equal to the capital account balance per each SBIC entities' quarterly financial statements.

Realized gains or losses resulting from the sale of equity investments are calculated using the specific identification method and are included in “Noninterest income.”

The Bank is a member of the FHLB and the FRB system. Members are required to own a certain amount of FHLB and FRB stock based on the level of borrowings and other factors. Investments in FHLB and FRB stock are carried at cost and evaluated regularly for impairment based on the ultimate recovery of par value. FHLB and FRB stock are expected to be redeemed at par.

Loans and Leases

Originated loans. Loans are originated by the Company with the intent to hold them for investment and are stated at the principal amount outstanding, net of unearned income. Unearned income includes deferred unamortized nonrefundable loan fees and direct loan origination costs. Net deferred fees or costs are recognized as an adjustment to interest income over the contractual life of the loans primarily using the effective interest method or taken into income when the related loans are paid off or sold. The amortization of loan fees or costs is discontinued when a loan is placed on nonaccrual status. Interest income is recorded on an accrual basis in accordance with the terms of the respective loan.

Purchased loans. All loans purchased or acquired in our acquisitions are initially measured and recorded at their fair value on the acquisition date. A component of the initial fair value measurement is an estimate of the credit losses over the life of the purchased loans. Purchased loans are also evaluated to determine if they have experienced a more-than-insignificant deterioration in credit quality since origination or issuance as of the acquisition date and are classified as either (i) loans purchased without evidence of deteriorated credit quality ("non-PCD loans"), or (ii) loans purchased that have experienced a more-than-insignificant deterioration in credit quality, referred to as PCD loans.

Acquired non-PCD loans. Acquired non-PCD loans are those loans for which there was no evidence of a more-than-insignificant credit deterioration at their acquisition date, and it was probable that we would be able to collect all contractually required payments. Acquired non-PCD loans, together with originated loans, are referred to as non-PCD loans. Non-PCD loans are recorded at fair value at the acquisition date, with the resulting credit and non-credit discount or premium being amortized or accreted into interest income using the interest method. Purchase discounts or premiums on acquired non-PCD loans are recognized as an adjustment to interest income over the contractual life of such loans using the effective interest method or taken into income when the related loans are paid off or sold.

Purchased/Acquired loans with credit deterioration. All purchased financial assets with credit deterioration ("PCD assets") are recorded at the purchase price plus the allowance for credit losses expected at the time of acquisition. Acquired PCD loans are initially recorded at fair value, with the resulting non-credit discount or premium being amortized or accreted into interest income using the interest method. The credit allowance is recognized through a gross-up that increases the amortized cost basis of the asset with no effect on net income. Subsequent to the acquisition date, the allowance for credit losses for both PCD and non-PCD loans is estimated using the same methodology to determine current expected credit losses that is applied to all other loans.

Leases to customers. We provide equipment financing to our customers primarily with direct financing and operating leases. For direct financing leases, lease receivables are recorded on the balance sheet under "Gross loans and leases HFI," but the leased property is not, although we generally retain legal title to the leased property until the end of each lease. Direct financing leases are stated at the net amount of minimum lease payments receivable, plus any unguaranteed residual value, less the amount of unearned income and net acquisition discount at the reporting date. Direct lease origination costs are amortized using the effective interest method over the life of the leases. Leases acquired in an acquisition are initially measured and recorded at their fair value on the acquisition date. Purchase discount or premium on acquired leases is recognized as an adjustment to interest income over the contractual life of the leases using the effective interest method or taken into income when the related leases are paid off. Direct financing leases are subject to our accounting for allowance for loans and leases.

We provide equipment financing through operating leases where we facilitate the purchase of equipment leased to customers. The equipment is shown on our consolidated balance sheets as "Equipment leased to others under operating leases" and is depreciated to its estimated residual value at the end of the lease term, shown as "Leased equipment depreciation" in the consolidated statements of earnings (loss), according to our Fixed Asset Accounting Policy. We receive periodic rental income payments under the leases, which are recorded as "Noninterest income" in the consolidated statements of earnings (loss).

Loans and leases held for sale. As part of our management of the loans and leases held in our portfolio, on occasion we will transfer loans from HFI to HFS. Upon transfer, any associated allowance for loan and lease loss is reversed and the carrying value of the loan is adjusted to the lower of cost or estimated fair value. The unamortized balance of net deferred fees and costs associated with loans HFS is not accreted or amortized to interest income until the related loans are sold. Gains or losses on the sale of these loans are recorded as "Noninterest income" in the consolidated statements of earnings (loss).

Delinquent or past due loans and leases. Loans and leases are considered delinquent when principal or interest payments are past due 30 days or more. Delinquent loans generally remain on accrual status between 30 days and 89 days past due.

Nonaccrual loans and leases. When we discontinue the accrual of interest on a loan or lease it is designated as nonaccrual. We discontinue the accrual of interest on a loan or lease generally when a borrower's principal or interest payments or a lessee's payments are past due 90 days or when, in the opinion of management, there is a reasonable doubt as to collectability in the normal course of business. Loans with interest or principal payments past due 90 days or leases with payments past due 90 days may be accruing if the loans or leases are concluded to be well-secured and in the process of collection; however, these loans or leases are still reported as nonperforming. When loans or leases are placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Interest on nonaccrual loans or leases is subsequently recognized only to the extent that cash is received and the loan principal balance or lease balance is deemed collectable. Loans or leases are restored to accrual status when the loans or leases become both well-secured and are in the process of collection.

Individually Evaluated Loans and Leases. Loans and leases that do not share similar risk characteristics with other financial assets are individually evaluated for impairment and excluded from loan pools used within the collective evaluation of estimated credit losses. We defined the following criteria for what constitutes a "default," which results in a loan no longer sharing similar risk characteristics with other loans, and therefore requires an individual evaluation for expected credit losses. The criteria for default may include any one of the following: on nonaccrual status, payment delinquency of 90 days or more, and/or risk rated doubtful or loss.

Defaulted loans and leases with outstanding balances greater than $250,000 are reviewed individually for expected credit loss. Individually evaluated loans are measured at the present value of the expected future cash flows discounted at the loan's initial effective interest rate, unless the loans are collateral dependent, in which case loan impairment is based on the estimated fair value of the underlying collateral. A loan is considered collateral-dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The fair value of each loan's collateral is generally based on estimated market prices from an independently prepared appraisal, which is then adjusted for the cost related to liquidating such collateral. An individually evaluated reserve and/or charge-off would be recognized when the present value of expected future cash flows or the fair value of the underlying collateral is below the amortized cost of the loan. If the measured amount of any individually reviewed loan exceeds its amortized cost, further review is required to determine whether a positive allowance should be added (but only up to amounts previously written off) to its amortized cost basis in order to reflect the net amount expected to be collected.

Loan Modifications to Borrowers Experiencing Financial Difficulty. Loan modifications made to borrowers experiencing financial difficulty constitute modifications of receivables in the form of principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, or a term extension. ASU 2022-02 eliminated the concept of troubled debt restructurings and introduced broader modification reporting requirements. Previously, troubled debt restructurings included any type of modification that included a below market concession which was granted both to a borrower in financial difficulty and as a result of financial difficulty. Loan modifications made to borrowers experiencing financial difficulty no longer consider whether a market concession has been granted, as was required with troubled debt restructurings, but rather includes as modifications within the four listed reportable modification types to a borrower deemed to be experiencing financial difficulty. An assessment of whether a borrower is experiencing financial difficulty is made on the date of the modification. Loans reported in this classification have a rating of substandard or worse, and may include both accruing and nonaccruing loans. Loans are assessed to determine whether the modification constitutes a new loan or a continuation of the existing loan. Depending on the terms of the modification and nature of the borrower, this may result in a downgrade or placing a loan on nonaccrual status, which in turn would impact the loan's classification within the ALLL. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification.

Allowance for Credit Losses on Loans and Leases Held for Investment

The allowance for loan and lease losses is measured using the CECL approach for financial instruments measured at amortized cost and other commitments to extend credit. CECL requires the immediate recognition of estimated credit losses expected to occur over the estimated remaining life of the asset.

The allowance for credit losses on loans and leases HFI is the combination of the allowance for loan and lease losses and the reserve for unfunded loan commitments. The allowance for loan and lease losses is reported as a reduction of the amortized cost basis of loans and leases, while the reserve for unfunded loan commitments is included within "Accrued interest payable and other liabilities" on the consolidated balance sheets. The amortized cost basis of loans and leases does not include accrued interest receivable, which is included in "Other assets" on the consolidated balance sheets. The "Provision for credit losses" on the consolidated statements of earnings (loss) is a combination of the provision for loan and lease losses, the provision for unfunded loan commitments, and the provision for HTM and AFS debt securities.

Under the CECL methodology, expected credit losses reflect losses over the remaining contractual life of an asset, considering the effect of prepayments and available information about the collectability of cash flows, including information about relevant historical experience, current conditions, and reasonable and supportable forecasts of future events and circumstances. Thus, the CECL methodology incorporates a broad range of information in developing credit loss estimates. The resulting allowance for loan and lease losses is deducted from the associated amortized cost basis to reflect the net amount expected to be collected. Subsequent changes in this estimate are recorded through the provision for credit losses and the allowance. The CECL methodology could result in significant changes to both the timing and amounts of provision for credit losses and the allowance as compared to historical periods. Loans and leases that are deemed to be uncollectable are charged off and deducted from the allowance. The provision for credit losses and recoveries on loans and leases previously charged off are added to the allowance.

The allowance for loan and lease losses is comprised of an individually evaluated component for loans and leases that no longer share similar risk characteristics with other loans and leases and a pooled loans component for loans and leases that share similar risk characteristics.

Our CECL methodology for the collectively evaluated loans includes both quantitative and qualitative loss factors which are applied to our population of loans and leases and assessed at a pool level. Loans with similar risk characteristics are evaluated collectively using the quantitative models applying pool-specific probability of default ("PD") and loss given default ("LGD") rates to the expected exposure at default ("EAD") over the contractual life of loans and leases considering the effects of prepayments. The portfolios are segmented by major loan classes based upon loan types that share similar default risk characteristics. Historical loss experience, internal credit ratings, prepayments and economic forecast are incorporated into expected credit losses. Management uses probability weighted external forecasts to support the reasonable and supportable forecast. After that period, assumptions revert to our historical experience. The qualitative portion of the reserve on collectively evaluated loans and leases represents management's judgment of additional considerations to account for internal and external risk factors, conditions that may not be appropriately reflected in quantitatively derived results, or other relevant factors to ensure the allowance for credit losses reflects our best estimate of current expected credit losses. Current forecasted economic trends and underlying market values for collateral dependent loans are generally consider to be encompassed within the CECL quantitative reserve. An incremental qualitative adjustment may be considered when economic forecasts exhibit higher levels of volatility or uncertainty.

The PDs calculated by the quantitative models are highly correlated to our internal risk ratings assigned to each loan and lease. To ensure the accuracy of our credit risk ratings, an independent credit review function assesses the appropriateness of the credit risk ratings assigned to loans and leases on a regular basis. The credit risk ratings assigned to every loan and lease are as follows:

- *High Pass (Risk ratings 1-2).* Loans and leases rated as "high pass" exhibit a favorable credit profile and have minimal risk characteristics. Repayment in full is expected, even in adverse economic conditions.
- *Pass (Risk ratings 3-4.5).* Loans and leases rated as "pass" are not adversely classified and collection and repayment in full are expected.
- *Special Mention (Risk rating 5).* Loans and leases rated as "special mention" have a potential weakness that requires management's attention. If not addressed, these potential weaknesses may result in further deterioration in the borrower's ability to repay the loan or lease.
- *Substandard (Risk rating 6).* Loans and leases rated as "substandard" have a well-defined weakness or weaknesses that jeopardize the collection of the debt. They are characterized by the possibility that we will sustain some loss if the weaknesses are not corrected.
- *Doubtful (Risk rating 7).* Loans and leases rated as "doubtful" have all the weaknesses of those rated as "substandard," with the additional trait that the weaknesses make collection or repayment in full highly questionable and improbable.

We may refer to the loans and leases with assigned credit risk ratings of "substandard" and "doubtful" together as "classified" loans and leases. For further information on classified loans and leases, see "Note 5. Loans and Leases.″

Expected credit losses on unfunded commitments are estimated using the same frameworks applied to the funded loans, adjusted for expected utilization.

The CECL methodology requires a significant amount of management judgment in determining the appropriate allowance for credit losses. Most of the steps in the methodology involve judgment and are subjective in nature including, among other things: segmenting the loan and lease portfolio; determining the amount of loss history to consider; selecting predictive econometric regression models that use appropriate macroeconomic variables; determining the methodology to forecast prepayments; selecting the most appropriate economic forecast scenario or weighting of multiple scenarios; determining the length of the reasonable and supportable forecast and reversion periods; estimating expected utilization rates on unfunded loan commitments; and assessing relevant and appropriate qualitative factors. In addition, the CECL methodology is dependent on economic forecasts which are inherently imprecise and will change from period to period. Although the allowance for credit losses is considered appropriate, there can be no assurance that it will be sufficient to absorb future losses.

Management believes the allowance for credit losses is appropriate for the current expected credit losses in our loan and lease portfolio and associated unfunded commitments, and the credit risk ratings and inherent loss rates currently assigned are reasonable and appropriate as of the reporting date. It is possible that others, given the same information, may at any point in time reach different conclusions that could result in a significant impact to the Company's consolidated financial statements.

Land, Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Land is carried at cost and not depreciated. Depreciation and amortization is charged to "Noninterest expense" in the consolidated statements of earnings (loss) using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of furniture, fixtures and equipment range from 3 years to 7 years and for buildings up to 40 years. Leasehold improvements are amortized over their estimated useful lives, or the life of the lease, whichever is shorter. Maintenance and repairs are expensed as incurred and improvements that extend the useful lives of assets are capitalized.

Foreclosed Assets

Foreclosed assets include OREO and repossessed non-real estate assets. Foreclosed assets are initially recorded at the estimated fair value of the property, based on current independent appraisals obtained at the time of acquisition, less estimated costs to sell, including senior obligations such as delinquent property taxes. The excess of the recorded loan balance over the estimated fair value of the property at the time of acquisition less estimated costs to sell is charged to the allowance for loan and lease losses. Any subsequent write-downs are charged to "Noninterest expense" in the consolidated statements of earnings (loss) and recognized through a foreclosed assets valuation allowance. Subsequent increases in the fair value of the asset less selling costs reduce the foreclosed assets valuation allowance, but not below zero, and are credited to "Noninterest expense." Gains and losses on the sale of foreclosed assets and operating expenses of such assets are included in "Noninterest expense."

Bank Owned Life Insurance

The Bank has purchased life insurance policies on certain key employees. BOLI is recorded at the amount that can be realized under the insurance contract, which is the cash surrender value.

Mortgage Servicing Rights

Mortgage servicing rights ("MSRs") give us the contractual rights to receive service fees in exchange for performing loan servicing functions on behalf of investors who have an ownership interest in the loans being serviced. Purchased mortgage servicing rights are recorded at the purchase price at the time of acquisition, which approximates the fair value of such assets. Subsequent to acquisition, MSRs are accounted for under the amortization method and amortized over the period of estimated net servicing income (level yield method) generated from servicing the loans. MSRs are evaluated quarterly for impairment by estimating the fair value of the MSRs and comparing that value to their amortized cost. Impairment, if any, is recognized with a valuation allowance to the extent the fair value is less than the carrying value of the MSRs. Subsequent increases in the fair value of impaired MSRs are recognized only up to the amount of the previously recognized valuation allowance. The estimated fair value of the MSRs is obtained through independent third-party valuations based on an analysis of future cash flows, incorporating key assumptions including discount rates, prepayment speeds and interest rates.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in earnings in the period that includes the enactment date. Any interest or penalties assessed by the taxing authorities is classified in the financial statements as income tax expense. We and our subsidiaries are subject to U.S. federal income tax as well as income tax in multiple state jurisdictions. Deferred tax assets and liabilities of the same jurisdiction, net of valuation allowances, are grouped together and reported net on the consolidated balance sheets.

On a periodic basis, the Company evaluates its DTAs to assess whether they are expected to be realized in the future. This determination is based on currently available facts and circumstances, including our current and projected future tax positions, the historical level of our taxable income, and estimates of our future taxable income. In most cases, the realization of DTAs is based on our future profitability. To the extent our DTAs are not considered more likely than not to be realized, we are required to record a valuation allowance on our DTAs by charging earnings. The Company also evaluates existing valuation allowances periodically to determine if sufficient evidence exists to support an increase or reduction in the allowance.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets arise from the acquisition method of accounting for business combinations. Goodwill generated from business combinations is not subject to amortization and instead is tested for impairment annually at the reporting unit level unless a triggering event occurs thereby requiring an updated assessment. Impairment may be tested by first assessing qualitative factors. If qualitative factors do not indicate impairment, the test is complete. However, if the qualitative factors indicate it is more-likely-than-not that goodwill is impaired, a quantitative test is performed. In accordance with ASC Topic 350, *Intangibles – Goodwill and Other*, the Company has an unconditional option to bypass the qualitative assessment and proceed directly to the quantitative assessment. If the Company elects to perform a qualitative assessment, there is no requirement for the Company to perform it for every reporting unit and there is no requirement for the qualitative assessment to be performed every period. In each period and for each reporting unit, the Company decides whether it will reduce costs and complexity to perform the optional qualitative assessment or to proceed directly to the quantitative test.

Our regular annual impairment assessment occurs in the fourth quarter. Goodwill represents the excess of the purchase price over the fair value of the net assets and other identifiable intangible assets acquired. Impairment exists when the carrying value of the goodwill exceeds the fair value of the reporting unit. An impairment loss would be recognized in an amount equal to that excess as a charge to "Noninterest expense" in the consolidated statements of earnings (loss).

Intangible assets with estimable useful lives are amortized over such useful lives to their estimated residual values. CDI and CRI are recognized apart from goodwill at the time of acquisition based on market valuations. In preparing such valuations, variables considered included deposit servicing costs, alternative cost of funds, attrition rates, and market discount rates. CDI assets are amortized to expense over their useful lives, which we have estimated to range from 7 to 10 years. CRI assets are amortized to expense over their useful lives, which we have estimated to range from 4 to 7 years. The amortization expense represents the estimated decline in the value of the underlying deposits or customer relationships acquired.

Both CDI and CRI are reviewed for impairment quarterly for triggering events indicating their carrying values may not be recoverable. If the recoverable amount of either CDI or CRI is determined to be less than its carrying value, we would then measure the amount of impairment based on an estimate of the intangible asset’s fair value at that time. If the fair value is below the carrying value, then the intangible asset is reduced to such fair value; an impairment loss for such amount would be recognized as a charge to "Noninterest expense" in the consolidated statements of earnings (loss).

Operating Leases

As of December 31, 2025, the Company's operating leases related solely to our leased facilities. The Company determines whether an arrangement is a lease at contract inception. Operating leases with terms greater than 12 months are recognized as right-of-use ("ROU") assets and lease liabilities and are reported in other assets and accrued interest payable and other liabilities, respectively. The Company applies the short-term lease exemption to leases with an original term of less than 12 months, for which no ROU asset or lease liability is recorded. Lease and non-lease components are accounted for as a single lease component.

ROU 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. Operating lease ROU assets and liabilities are recognized at lease commencement based on the present value of lease payments over the lease term, discounted using the Company's incremental borrowing rate. ROU assets generally equal the lease liability, adjusted for prepaid lease payments, initial direct costs, and lease incentives.

Certain lease agreements include variable payments based on changes in indices such as the CPI. Variable lease payments are recognized in the period incurred and do not result in remeasurement of ROU assets or lease liabilities. Lease terms may include options to extend or terminate the lease when it is reasonably certain such options will be exercised. Rent expense is recognized on a straight-line basis over the lease term and included in occupancy expense.

The Company uses the long-lived assets impairment guidance under ASC Topic 360-10-35, "*Property, Plant and Equipment*," to determine whether an ROU asset is impaired, and if impaired, the amount of loss to recognize. Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. These could include vacating the leased space, obsolescence, or physical damage to a facility. Under ASC Topic 842, "*Leases*," if an impairment loss is recognized, the adjusted carrying amount becomes the new new accounting basis as is amortized over the remaining lease term.

Qualified Affordable Housing Partnership and Solar-Related Investments

The Company invests in qualified affordable housing partnerships and records these investments using the proportional amortization method. Under the proportional amortization method, the Company amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received, and recognizes the amortization in "Income tax expense" on the consolidated statements of earnings (loss). Investments accounted for under the proportional amortization method are required to be tested for impairment when events or changes in circumstances indicate that it is more likely than not that the carrying amount of the investment will not be realized.

We have provided lease financing for solar renewable electric generating facilities which provides us tax credits. The deferral method of accounting is used to record the tax credits related to these transactions. The investment tax credits are initially recorded as a reduction to the related investment and then amortized over the life of the investment to interest income.

Stock-Based Compensation

The Company issues stock-based compensation instruments consisting of RSUs, TRSAs and PSUs. Compensation expense related to RSUs and TRSAs is based on the fair value of the underlying stock on the award date and is recognized over the required service period using the straight-line method. The market price of our voting common stock at the date of grant is used to determine the grant date fair value of restricted stock awards and units. For stock awards and units that contain a market condition, a Monte Carlo simulation valuation model is used to calculate the grant date fair value of such awards. Forfeitures of stock-based awards are recognized when they occur. Compensation expense related to PSUs is based on the fair value of the underlying stock on the award date and is amortized over the vesting period using the straight-line method unless it is determined that: (1) attainment of the financial metrics is less than probable, in which case a portion of the amortization is suspended, or (2) attainment of the financial metrics is improbable, in which case a portion of the previously recognized amortization is reversed and also suspended. PSUs expense may vary during the performance period based upon changes in management's estimate of the number of shares that may ultimately vest. In the case where the performance target for the PSUs is based on a market condition (such as total shareholder return), the amortization is neither reversed nor suspended if it is subsequently determined that the attainment of the performance target is less than probable or improbable and the employee continues to meet the service requirement of the award.

Unvested RSUs participate with common stock in any dividends declared, but are only paid on the shares which ultimately vest, if any, at each vesting date. At the time of vesting, the vested shares are entitled to receive cumulative dividends declared and paid since the last vesting date of the award. Unvested TRSAs participate with common stock in any dividends declared and paid. Dividends are paid on unvested TRSAs and are charged to equity, and the related tax impact is recorded to income tax expense. Dividends paid on forfeited TRSAs are charged to compensation expense. Unvested PSUs participate with common stock in any dividends declared, but are only paid on the shares which ultimately vest, if any, at the end of the performance period. At the time of vesting, the vested shares are entitled to receive cumulative dividends declared and paid during the performance period. Such dividends are accrued during the performance period at the estimated level of shares to be received by the award holder.

Derivative Instruments

The Company uses derivatives to manage exposure to market risk, primarily foreign currency risk and IRR, and to assist customers with their risk management objectives. The Company uses foreign exchange contracts to manage the foreign exchange rate risk associated with certain foreign currency-denominated assets and liabilities. The objective is to manage the uncertainty of future foreign exchange rate fluctuations. These derivatives provide for a fixed exchange rate which has the effect of reducing or eliminating changes to anticipated cash flows to be received on assets and liabilities denominated in foreign currencies as the result of changes to exchange rates. Our foreign currency derivatives are not designated as accounting hedges and recorded at fair value in "Other assets" and "Accrued interest payable and other liabilities" in the consolidated balance sheets. The changes in fair value of our derivatives and the related interest are recognized in "Noninterest income - Other income" in the consolidated statements of earnings (loss).

The Bank offers interest rate swap products to certain loan customers to allow them to hedge the risk of rising interest rates on their variable-rate loans. When such products are issued, we also enter into an offsetting swap with institutional counterparties to eliminate the IRR to us. These back-to-back swap agreements, which generate fee income for us, are intended to offset each other. We retain the credit risk of the original loan. The net cash flow for us is equal to the interest income received from a variable rate loan originated with the client plus a fee. These swaps are not designated as accounting hedges and are recorded at fair value in "Other assets" and "Accrued interest payable and other liabilities" in the consolidated balance sheets. The changes in fair value are recorded in "Noninterest income - Other income" in the consolidated statements of earnings (loss).

In connection with negotiated credit facilities and certain other services, we may obtain equity warrant assets giving us the right to acquire stock in primarily private, venture-backed companies. We account for equity warrant assets as derivatives when they contain net settlement terms and other qualifying criteria under ASC 815. These equity warrant assets are measured at estimated fair value on a monthly basis and are classified as "Other assets" in the consolidated balance sheets at the time they are obtained.

The Company uses interest rate swaps and interest rate collars to limit its exposure to IRR. The objective of these instruments is to offset the risks of changes in benchmark interest rates associated with floating rate deposits and borrowings. The Company applies hedge accounting for qualifying derivative instruments used to manage IRR. A cash flow hedge is a derivative instrument used to manage the variability in future expected cash flows that would otherwise be impacted by movements in interest rates. To quality for hedge accounting, the cash flow hedge must be highly effective at reducing the risk associated with the hedged exposure. The effectiveness of the hedging relationship is documented at inception and is monitored at least quarterly through the life of the transaction. A cash flow hedge that is designated as highly effective is carried at fair value in "Other assets" or "Accrued interest payable and other liabilities" in the consolidated balance sheets with the change in fair value recorded in accumulated other comprehensive loss, net (“AOCI”) and subsequently recognized in earnings in the same period that the hedged forecasted transaction affects earnings. At that time, the amount reclassified from AOCI is presented in the same income statement line item in which the hedged transaction is reported (interest income or expense). If the cash flow hedge becomes ineffective, the change in fair value is reclassified from AOCI to earnings. Cash flows from cash flow hedges are classified as operating activities in the statement of cash flows. We classify both the earnings and cash flow impact from these derivatives consistent with the underlying hedged item.

Derivative instruments expose us to credit risk in the event of nonperformance by counterparties. This risk exposure consists primarily of the fair value of agreements where we are in a favorable position. We manage the credit risk associated with various derivative agreements through counterparty credit review and monitoring procedures. For further information regarding this item, see "Note 12. Derivatives" under the Basis of Financial Statement Presentation for more information regarding derivative instruments.

Transfers of Financial Asset

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is generally considered to have been surrendered when (i) the transferred assets are legally isolated from us or our consolidated affiliates, even in bankruptcy or other receivership, (ii) the transferee has the right to pledge or exchange the assets with no conditions that constrain the transferee or provide more than a trivial benefit to us, and (iii) we do not maintain an obligation or the unilateral ability to reclaim or repurchase the assets.

We have sold financial assets in the normal course of business including individual or portfolio loans and securities sales. In accordance with accounting guidance for asset transfers, we consider any ongoing involvement with transferred assets in determining whether the assets can be derecognized from the balance sheet. With the exception of servicing and certain performance-based guarantees, our continuing involvement with financial assets sold is minimal and generally limited to market customary representation and warranty clauses.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net earnings (loss); changes in the net unrealized gains (losses) on AFS debt securities, net; changes in the net unrealized loss on securities transferred to HTM, net; changes in the fair value of credit-linked notes; and changes in the fair value of cash flow hedges, net, and is presented in the consolidated statements of comprehensive income (loss).

Earnings (Loss) Per Common Share

Earnings (loss) per common share (“EPS”) is computed under the two-class method. Basic EPS is computed by dividing net income (loss) allocated to common stockholders by the weighted average number of shares outstanding. Net income (loss) allocated to common stockholders is computed by subtracting income (loss) allocated to participating securities, participating securities dividends, preferred stock dividends and preferred stock redemptions from net income. All unvested restricted stock awards and NVCE shares that contain rights to non-forfeitable dividends are considered participating securities. In the two-class method, the amount of our earnings (loss) available to common stockholders is divided by the weighted average shares outstanding, excluding any unvested restricted stock.

Diluted EPS is calculated using the more dilutive of either the treasury method or the two-class method. The dilutive calculation considers common stock issuable under the assumed exercise of warrants, as well as performance-based RSUs granted under the Company’s stock plans using the treasury stock method, if dilutive. Diluted EPS is computed by dividing net income (loss) allocated to common stockholders by the weighted average number of shares outstanding, adjusted for the dilutive effect, if any, of unvested restricted stock and units and outstanding warrants.

Business Combinations

Business combinations are accounted for under the acquisition method of accounting in accordance with ASC Topic 805, "*Business Combinations*." Under the acquisition method, the acquiring entity in a business combination recognizes 100 percent of 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. To the extent the fair value of net assets acquired, including other identifiable assets, exceeds the purchase price, a bargain purchase gain is recognized. 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 earnings (loss) from the date of acquisition. Acquisition-related costs, including conversion and restructuring charges, are expensed as incurred.

Business Segments

We regularly assess our strategic plans, operations, reporting structures and financial information provided to management to identify our reportable segments. We operated as one reportable segment - Commercial Banking. The factors considered in making this determination include the nature of products and services offered, geographic regions in which we operate and how information is reviewed by our CODM. See "Note 24. Segment Reporting."

Advertising Costs

Advertising costs are expensed as incurred.

NOTE 2. BUSINESS COMBINATIONS

On November 30, 2023, PacWest Bancorp merged with and into Banc of California, Inc., with Banc of California, Inc. continuing as the surviving legal corporation. Promptly following the Merger, Banc of California, Inc.'s wholly owned bank subsidiary, Banc of California, N.A., merged with and into PacWest Bancorp's wholly owned bank subsidiary, Pacific Western Bank, with Pacific Western Bank surviving the merger. The name of the bank was then changed to Banc of California. Refer to "Note 1. Nature of Operations and Summary of Significant Accounting Policies" under the Basis of Financial Statement Presentation for more information pertaining to the completed Merger.

The Merger was accounted for as a reverse merger using the acquisition method of accounting; therefore, PacWest Bancorp was deemed the acquirer for financial reporting purposes, even though Banc of California, Inc. was the legal acquirer. The Merger was an all-stock transaction and has been accounted for as a business combination. Pursuant to the merger agreement, on the Merger Date, each holder of PacWest Bancorp common stock received 0.6569 of a share (the "Exchange Ratio") of Banc of California, Inc.'s common stock for each share of PacWest Bancorp common stock held. Each outstanding share of common stock of Banc of California, Inc. remained outstanding. As of the Merger Date, PacWest Bancorp had approximately 120.0 million and Banc of California, Inc. had approximately 57.0 million shares of common stock outstanding. On the Merger Date, the shares of PacWest Bancorp common stock, which previously traded under the ticker symbol "PACW" on NASDAQ, ceased trading on, and were delisted from, NASDAQ. Following the Merger, Banc of California, Inc. common stock continues to trade on NYSE, with the ticker symbol of "BANC."

The following table provides the preliminary purchase price allocation as of the Merger Date and the assets acquired and liabilities assumed at their estimated fair value as of the Merger Date as recorded by the Company.

	November 30, 2023	
	Purchase Price Consideration:	
	(In thousands)	
Total merger consideration		$ 663,004
Fair value of assets acquired:		
Cash and due from banks	$ 335,300	
Investment securities available-for-sale	872,800	
Loans and leases held for sale	2,182,988	
Loans and leases held for investment, net of allowance for loan and lease losses	3,965,112	
Premises and equipment	103,500	
Other intangible assets	145,500	
Current and deferred tax assets, net	209,100	
Other assets	392,550	
Total assets acquired	$ 8,206,850	
Fair value of liabilities assumed:		
Deposits	$ 6,547,659	
FHLB advances	794,000	
Long-term debt	257,600	
Other liabilities	143,214	
Total liabilities assumed	$ 7,742,473	
Net assets acquired		464,377
Goodwill		$ 198,627

The estimates of fair value were recorded based on initial valuations available at the Merger Date and further adjusted in 2024 based on new information. In many cases, the determination of fair value required management to make estimates about discount rates, expected future cash flows, market conditions and other future events that were highly subjective in nature and subject to change. During the year ended December 31, 2024, the Company recorded adjustments related to the Merger resulting in an increase to goodwill of $15.9 million, within the one-year measurement period subsequent to the acquisition date of November 30, 2023. These adjustments largely related to the estimated fair value of acquired loans. The measurement period ended on the earlier of one year after the Merger Date or the date that the Company concluded that all necessary information about the facts and circumstances that existed as of the Merger Date had been obtained.

In connection with the Merger, the Company recorded $214.5 million of goodwill. Goodwill represents the excess of the purchase price over the fair value of the assets acquired, net of fair value of liabilities assumed. Information regarding the allocation of goodwill recorded as a result of the acquisition, as well as the carrying amounts and amortization of core deposit and other intangible assets, are provided in "Note 7. Goodwill and Other Intangible Assets, Net."

NOTE 3. RESTRICTED CASH

The Company is required to maintain reserve balances with the FRBSF. Such reserve requirements are based on a percentage of deposit liabilities and may be satisfied by cash on hand. There were no average reserves required to be held at the FRBSF for the years ended December 31, 2025 and 2024. The following restricted cash balances are included in "Interest-earning deposits in financial institutions" on the consolidated balance sheets. As of December 31, 2025 and 2024, we pledged cash collateral for our derivative contracts of $15.1 million and $5.3 million, respectively. In connection with the issuance of the credit-linked notes on September 29, 2022, the Company maintains a correspondent bank account at a third-party financial institution that serves as the collateral account. The repayment of principal on the credit-linked notes is secured by this collateral account, which had a balance of $115.3 million at December 31, 2025 and $119.6 million at December 31, 2024. We pledged cash to secure standby letters of credit that we have issued on behalf of our customers. At December 31, 2025 and 2024, the balances of such restricted cash totaled $39.8 million and $59.3 million, respectively.

NOTE 4. INVESTMENT SECURITIES

Securities Available-for-Sale

The following tables present amortized cost, gross unrealized gains and losses, and fair values of AFS securities as of the dates indicated:

	December 31, 2025					
Security Type	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
			(In thousands)			
Agency residential MBS	$ 972,161	$ —	$ 972,161	$ —	$ (138,076)	$ 834,085
Agency commercial MBS	52,022	—	52,022	44	(1,100)	50,966
Agency residential CMOs	883,067	—	883,067	3,857	(15,300)	871,624
Corporate debt securities	257,236	(775)	256,461	576	(15,441)	241,596
Private label residential CMOs	254,787	—	254,787	522	(26,334)	228,975
Collateralized loan obligations	200,519	—	200,519	303	—	200,822
Private label commercial MBS	9,746	—	9,746	—	(467)	9,279
Asset-backed securities	13,242	—	13,242	7	—	13,249
SBA securities	3,634	—	3,634	—	(172)	3,462
Total [1]	$ 2,646,414	$ (775)	$ 2,645,639	$ 5,309	$ (196,890)	$ 2,454,058

(1) Excludes accrued interest receivable of $11.4 million at December 31, 2025 which is recorded in "Other assets" on the consolidated balance sheets.

	December 31, 2024			
Security Type	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In thousands)		
Agency residential MBS	$ 1,051,601	$ —	$ (189,761)	$ 861,840
Agency commercial MBS	52,610	—	(1,046)	51,564
Agency residential CMOs	467,319	223	(20,911)	446,631
Municipal securities	602	—	(8)	594
Corporate debt securities	289,098	—	(31,386)	257,712
Private label residential CMOs	352,615	7	(35,712)	316,910
Collateralized loan obligations	278,976	469	(29)	279,416
Private label commercial MBS	13,585	—	(1,213)	12,372
Asset-backed securities	15,674	—	(74)	15,600
SBA securities	4,564	—	(364)	4,200
Total [1]	$ 2,526,644	$ 699	$ (280,504)	$ 2,246,839

(1) Excludes accrued interest receivable of $12.6 million at December 31, 2024 which is recorded in "Other assets" on the consolidated balance sheets.

See "Note 15. Fair Value Measurements" for information on fair value measurements and methodology.

As of December 31, 2025, AFS securities with a fair value of $3.5 million were pledged as collateral solely for public deposits.

Realized Gains and Losses on Securities Available-for-Sale

The following table presents the amortized cost of securities sold with related gross realized gains, gross realized losses, and net realized (losses) gains for the years indicated:

Sales of Securities Available-for-Sale	Year Ended December 31, 2025	2024	2023
		(In thousands)	
Amortized cost of securities sold	$ —	$ 753,738	$ 3,470,424
Gross realized gains	$ —	$ 1,396	$ —
Gross realized losses	—	(61,796)	(442,413)
Net realized losses	$ —	$ (60,400)	$ (442,413)

Unrealized Losses on Securities Available-for-Sale

The following tables present the gross unrealized losses and fair values of AFS securities that were in unrealized loss positions as of the dates indicated:

	December 31, 2025					
	Less Than 12 Months		12 Months or More		Total	
Security Type	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
			(In thousands)			
Agency residential MBS	$ —	$ —	$ 834,085	$ (138,076)	$ 834,085	$ (138,076)
Agency commercial MBS	4,994	(6)	32,006	(1,094)	37,000	(1,100)
Agency residential CMOs	70,270	(117)	101,501	(15,183)	171,771	(15,300)
Corporate debt securities	—	—	188,545	(15,441)	188,545	(15,441)
Private label residential CMOs	19,672	(8)	127,020	(26,326)	146,692	(26,334)
Private label commercial MBS	—	—	9,279	(467)	9,279	(467)
SBA securities	—	—	3,462	(172)	3,462	(172)
Total	$ 94,936	$ (131)	$ 1,295,898	$ (196,759)	$ 1,390,834	$ (196,890)

	December 31, 2024					
	Less Than 12 Months		12 Months or More		Total	
Security Type	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
			(In thousands)			
Agency residential MBS	$ —	$ —	$ 861,840	$ (189,761)	$ 861,840	$ (189,761)
Agency commercial MBS	40,291	(87)	11,273	(959)	51,564	(1,046)
Agency residential CMOs	273,347	(1,994)	104,757	(18,917)	378,104	(20,911)
Municipal securities	—	—	594	(8)	594	(8)
Corporate debt securities	15,968	(32)	241,744	(31,354)	257,712	(31,386)
Private label residential CMOs	180,915	(1,031)	129,178	(34,681)	310,093	(35,712)
Collateralized loan obligations	38,771	(29)	—	—	38,771	(29)
Private label commercial MBS	—	—	12,372	(1,213)	12,372	(1,213)
Asset-backed securities	15,600	(74)	—	—	15,600	(74)
SBA securities	—	—	4,200	(364)	4,200	(364)
Total	$ 564,892	$ (3,247)	$ 1,365,958	$ (277,257)	$ 1,930,850	$ (280,504)

At December 31, 2025, the Company evaluated all securities in an unrealized loss position to determine whether any portion of the unrealized losses were attributable to credit related factors. As a result of this assessment, an allowance for credit losses of $0.8 million was recorded on one corporate debt security classified as AFS. For all other securities in unrealized loss position, the loss was attributable to changes in market interest rates and other market conditions, rather than credit deterioration of the underlying issuers. In making this determination, we considered several factors, including credit ratings and financial condition of the issuers, the seniority of the tranches, and any U.S. government agency guarantees. We do not intend to sell these securities, and it is not more likely than not that we will be required to sell them before recovery of their amortized cost basis. Therefore, no write-down to fair value through earnings was necessary. Except for the credit loss recognized above, the remaining unrealized losses continue to be recorded in accumulated other comprehensive loss within stockholders' equity.

Contractual Maturities of Securities Available-for-Sale

The following tables present the contractual maturities of our AFS securities portfolio based on amortized cost and fair value as of the dates indicated:

	December 31, 2025				
Security Type	Due Within One Year	Due after One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years	Total
			(In thousands)		
Amortized Cost:					
Agency residential MBS	$ —	$ —	$ —	$ 972,161	$ 972,161
Agency commercial MBS	—	40,168	—	11,854	52,022
Agency residential CMOs	—	—	13,691	869,376	883,067
Corporate debt securities	10,750	47,677	198,809	—	257,236
Private label residential CMOs	—	—	—	254,787	254,787
Collateralized loan obligations	—	208	93,763	106,548	200,519
Private label commercial MBS	—	—	5,928	3,818	9,746
Asset-backed securities	—	—	—	13,242	13,242
SBA securities	—	—	3,634	—	3,634
Total	$ 10,750	$ 88,053	$ 315,825	$ 2,231,786	$ 2,646,414

	December 31, 2025				
Security Type	Due Within One Year	Due after One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years	Total
			(In thousands)		
Fair Value:					
Agency residential MBS	$ —	$ —	$ —	$ 834,085	$ 834,085
Agency commercial MBS	—	40,193	—	10,773	50,966
Agency residential CMOs	—	—	13,792	857,832	871,624
Corporate debt securities	10,750	47,033	183,813	—	241,596
Private label residential CMOs	—	—	—	228,975	228,975
Collateralized loan obligations	—	208	93,793	106,821	200,822
Private label commercial MBS	—	—	5,638	3,641	9,279
Asset-backed securities	—	—	—	13,249	13,249
SBA securities	—	—	3,462	—	3,462
Total	$ 10,750	$ 87,434	$ 300,498	$ 2,055,376	$ 2,454,058

CMBS, CMOs, and MBS have contractual maturity dates, but require periodic payments based upon scheduled amortization terms. Actual principal collections on these securities usually occur more rapidly than the scheduled amortization terms because of prepayments made by obligors of the underlying loan collateral.

Securities Held-to-Maturity

The following tables present amortized cost, allowance for credit losses, gross unrealized gains and losses, and fair values of HTM securities as of the dates indicated:

	December 31, 2025					
Security Type	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)					
Municipal securities	$ 1,237,792	$ (20)	$ 1,237,772	$ 2,052	$ (20,713)	$ 1,219,111
Agency commercial MBS	447,283	—	447,283	—	(19,645)	427,638
Private label commercial MBS	360,382	—	360,382	—	(9,606)	350,776
U.S. Treasury securities	193,022	—	193,022	—	(7,934)	185,088
Corporate debt securities	70,852	(675)	70,177	—	(6,264)	63,913
Total [1]	$ 2,309,331	$ (695)	$ 2,308,636	$ 2,052	$ (64,162)	$ 2,246,526

(1) Excludes accrued interest receivable of $13.4 million at December 31, 2025 which is recorded in "Other assets" on the consolidated balance sheets.

	December 31, 2024					
Security Type	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)					
Municipal securities	$ 1,251,364	$ (140)	$ 1,251,224	$ 35	$ (54,799)	$ 1,196,460
Agency commercial MBS	440,476	—	440,476	—	(37,840)	402,636
Private label commercial MBS	355,342	—	355,342	—	(26,226)	329,116
U.S. Treasury securities	189,985	—	189,985	—	(16,702)	173,283
Corporate debt securities	70,482	(1,360)	69,122	—	(13,923)	55,199
Total [1]	$ 2,307,649	$ (1,500)	$ 2,306,149	$ 35	$ (149,490)	$ 2,156,694

(1) Excludes accrued interest receivable of $13.4 million at December 31, 2024 which is recorded in "Other assets" on the consolidated balance sheets.

As of December 31, 2025, HTM securities with an amortized cost of $2.3 billion and a fair value of $2.2 billion were pledged as collateral primarily for the FRB secured line of credit and public deposits.

Allowance for Credit Losses on Securities Held-to-Maturity

The following tables present the changes by major security type in our allowance for credit losses on HTM securities for the years: indicated:

	Year Ended December 31, 2025				
Security Type	Allowance for Credit Losses, Beginning of Period	Provision for Credit Losses	Charge-offs	Recoveries	Allowance for Credit Losses, End of Period
			(In thousands)		
Municipal securities	$ 140	$ (120)	$ —	$ —	$ 20
Corporate debt securities	1,360	(685)	—	—	675
Total	$ 1,500	$ (805)	$ —	$ —	$ 695

	Year Ended December 31, 2024				
Security Type	Allowance for Credit Losses, Beginning of Period	Provision for Credit Losses	Charge-offs	Recoveries	Allowance for Credit Losses, End of Period
			(In thousands)		
Municipal securities	$ 140	$ —	$ —	$ —	$ 140
Corporate debt securities	1,360	—	—	—	1,360
Total	$ 1,500	$ —	$ —	$ —	$ 1,500

Credit losses on HTM securities are recorded at the time of purchase, acquisition, or when the Company designates securities as HTM. The allowance for credit losses on HTM securities is representative of current expected credit losses that may be incurred over the life of the investment. Accrued interest receivable on HTM securities, which is included in "Other assets" on the consolidated balance sheets, is excluded from the estimate of expected credit losses. HTM U.S. Treasury securities and agency-backed MBS securities are considered to have no risk of loss as they are either explicitly or implicitly guaranteed by the U.S. government. The change in fair value in the HTM private label CMBS portfolio is solely driven by changes in interest rates. The Company has no knowledge of any underlying credit issues and the cash flows underlying the debt securities have not changed and are not expected to be impacted by changes in interest rates and, thus, there is no related ACL for this portfolio. The underlying bonds in the Company's HTM municipal securities and HTM corporate debt securities portfolios are evaluated for credit losses in conjunction with management's estimate of the allowance for credit losses based primarily on credit ratings.

Securities Held-to-Maturity by Credit Quality Indicator

The Company uses S&P, Moody's, Fitch, Kroll, and Egan Jones ratings as the credit quality indicators for its HTM securities. The following tables present our HTM securities portfolio by the lowest available credit rating as of the dates indicated:

	December 31, 2025						
Security Type	AAA	AA+	AA	AA-	BBB	NR	Total
			(In thousands)				
Amortized Cost:							
Municipal securities	$ 567,140	$ 363,823	$ 220,823	$ 84,302	$ 1,704	$ —	$ 1,237,792
Agency commercial MBS	—	447,283	—	—	—	—	447,283
Private label commercial MBS	360,382	—	—	—	—	—	360,382
U.S. Treasury securities	—	193,022	—	—	—	—	193,022
Corporate debt securities	—	—	—	—	44,646	26,206	70,852
Total	$ 927,522	$ 1,004,128	$ 220,823	$ 84,302	$ 46,350	$ 26,206	$ 2,309,331

Security Type	December 31, 2024							
	AAA	AA+	AA	AA-	A	BBB	NR	Total
	(In thousands)							
Amortized Cost:								
Municipal securities	$ 571,347	$ 369,072	$ 218,581	$ 72,952	$ 1,667	$ —	$ 17,745	$ 1,251,364
Agency commercial MBS	—	440,476	—	—	—	—	—	440,476
Private label commercial MBS	355,342	—	—	—	—	—	—	355,342
U.S. Treasury securities	—	189,985	—	—	—	—	—	189,985
Corporate debt securities	—	—	—	—	—	44,507	25,975	70,482
Total	$ 926,689	$ 999,533	$ 218,581	$ 72,952	$ 1,667	$ 44,507	$ 43,720	$ 2,307,649

Contractual Maturities of Securities Held-to-Maturity

The following tables present the contractual maturities of our HTM securities portfolio based on amortized cost and fair value as of the dates indicated:

Security Type	December 31, 2025				
	Due Within One Year	Due after One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years	Total
			(In thousands)		
Amortized Cost:					
Municipal securities	$ —	$ 149,636	$ 380,067	$ 708,089	$ 1,237,792
Agency commercial MBS	—	69,306	377,977	—	447,283
Private label commercial MBS	—	—	37,304	323,078	360,382
U.S. Treasury securities	—	—	193,022	—	193,022
Corporate debt securities	—	—	53,719	17,133	70,852
Total	$ —	$ 218,942	$ 1,042,089	$ 1,048,300	$ 2,309,331

Security Type	December 31, 2025				
	Due Within One Year	Due after One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years	Total
			(In thousands)		
Fair Value:					
Municipal securities	$ —	$ 148,682	$ 377,094	$ 693,335	$ 1,219,111
Agency commercial MBS	—	67,249	360,389	—	427,638
Private label commercial MBS	—	—	36,419	314,357	350,776
U.S. Treasury securities	—	—	185,088	—	185,088
Corporate debt securities	—	—	49,395	14,518	63,913
Total	$ —	$ 215,931	$ 1,008,385	$ 1,022,210	$ 2,246,526

CMBS have contractual maturity dates, but require periodic payments based upon scheduled amortization terms. Actual principal collections on these securities usually occur more rapidly than the scheduled amortization terms because of prepayments made by obligors of the underlying loan collateral.

FRB and FHLB Stock

In connection with borrowing facilities with the FRB and FHLB, the Bank owned FRB and FHLB stock carried at cost of $160.4 million and $147.8 million at December 31, 2025 and 2024. We evaluated the carrying value of our FRB and FHLB stock investment at December 31, 2025 and determined that it was not impaired. Our evaluation considered the long-term nature of the investment, the current financial and liquidity position of the FRB and FHLB, repurchase activity of excess stock by the FRB and FHLB at its carrying value, the return on the investment from recurring dividends, and our intent and ability to hold this investment for a period of time sufficient to recover our recorded investment.

Interest Income on Investment Securities

The following table presents the composition of our interest income on investment securities for the years indicated:

	Year Ended December 31,		
	2025	2024	2023
	(In thousands)		
Taxable interest	$ 126,885	$ 114,656	$ 150,710
Non-taxable interest	17,815	18,594	19,479
Dividend income	8,626	7,544	4,807
Total interest income on investment securities	$ 153,326	$ 140,794	$ 174,996

NOTE 5. LOANS AND LEASES

Our loans are carried at the principal amount outstanding, net of deferred fees and costs, and in the case of acquired and purchased loans, net of purchase discounts and premiums. Deferred fees and costs and purchase discounts and premiums on acquired loans are recognized as an adjustment to interest income over the contractual life of the loans primarily using the effective interest method or taken into income when the related loans are paid off or included in the carrying amount of loans that are sold.

Loans and Leases Held for Investment

The following table summarizes the composition of our loans and leases HFI as of the dates indicated:

	December 31,	
	2025	2024
	(In thousands)	
Real estate mortgage	$ 13,846,097	$ 13,605,595
Real estate construction and land [1]	1,959,591	3,187,146
Commercial	8,994,466	6,788,923
Consumer	355,333	402,254
Total gross loans and leases HFI	25,155,487	23,983,918
Unearned discounts, net [2]	(86,061)	(175,713)
Deferred fees, net	(36,747)	(26,542)
Total loans and leases HFI	25,032,679	23,781,663
Allowance for loan and lease losses	(245,612)	(239,360)
Total loans and leases held for investment, net [3]	$ 24,787,067	$ 23,542,303

(1) Includes land and acquisition and development loans of $214.5 million and $223.9 million at December 31, 2025 and 2024.
(2) Represents net acquisition discounts of $158.5 million and net purchase premiums of $72.4 million at December 31, 2025, and net acquisition discounts of $235.2 million and purchase premiums of $59.5 million at December 31, 2024.
(3) Excludes accrued interest receivable of $104.3 million and $96.8 million at December 31, 2025 and 2024, which is recorded in "Other assets" on the consolidated balance sheets.

The following tables present an aging analysis of our loans and leases HFI by loan portfolio segment and class as of the dates indicated:

	December 31, 2025				
	30 - 89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total
			(In thousands)		
Real estate mortgage:					
Commercial	$ 10,498	$ 46,506	$ 57,004	$ 4,257,633	$ 4,314,637
Multi-family	32,887	2,536	35,423	6,053,994	6,089,417
Other residential	34,319	42,780	77,099	3,269,634	3,346,733
Total real estate mortgage	77,704	91,822	169,526	13,581,261	13,750,787
Real estate construction and land:					
Commercial	—	—	—	379,387	379,387
Residential	26,540	—	26,540	1,541,700	1,568,240
Total real estate construction and land	26,540	—	26,540	1,921,087	1,947,627
Commercial:					
Asset-based	1,142	—	1,142	2,949,868	2,951,010
Venture capital	—	—	—	2,222,097	2,222,097
Other commercial	984	104	1,088	3,803,011	3,804,099
Total commercial	2,126	104	2,230	8,974,976	8,977,206
Consumer	1,933	729	2,662	354,397	357,059
Total	$ 108,303	$ 92,655	$ 200,958	$ 24,831,721	$ 25,032,679

	December 31, 2024				
	30 - 89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total
			(In thousands)		
Real estate mortgage:					
Commercial	$ 27,700	$ 22,561	$ 50,261	$ 4,528,511	$ 4,578,772
Multi-family	10,346	21,860	32,206	6,009,507	6,041,713
Other residential	39,873	36,976	76,849	2,730,325	2,807,174
Total real estate mortgage	77,919	81,397	159,316	13,268,343	13,427,659
Real estate construction and land:					
Commercial	—	—	—	799,131	799,131
Residential	—	—	—	2,373,162	2,373,162
Total real estate construction and land	—	—	—	3,172,293	3,172,293
Commercial:					
Asset-based	1,795	—	1,795	2,086,174	2,087,969
Venture capital	5,534	—	5,534	1,532,242	1,537,776
Other commercial	3,295	6,956	10,251	3,142,833	3,153,084
Total commercial	10,624	6,956	17,580	6,761,249	6,778,829
Consumer	2,804	493	3,297	399,585	402,882
Total	$ 91,347	$ 88,846	$ 180,193	$ 23,601,470	$ 23,781,663

The following table presents our nonaccrual and performing loans and leases HFI by loan portfolio segment and class as of the dates indicated:

	December 31,					
	2025			2024		
	Nonaccrual	Performing	Total	Nonaccrual	Performing	Total
	(In thousands)					
Real estate mortgage:						
Commercial	$ 93,334	$ 4,221,303	$ 4,314,637	$ 97,655	$ 4,481,117	$ 4,578,772
Multi-family	3,358	6,086,059	6,089,417	22,763	6,018,950	6,041,713
Other residential	57,984	3,288,749	3,346,733	46,788	2,760,386	2,807,174
Total real estate mortgage	154,676	13,596,111	13,750,787	167,206	13,260,453	13,427,659
Real estate construction and land:						
Commercial	—	379,387	379,387	—	799,131	799,131
Residential	—	1,568,240	1,568,240	—	2,373,162	2,373,162
Total real estate construction and land	—	1,947,627	1,947,627	—	3,172,293	3,172,293
Commercial:						
Asset-based	—	2,951,010	2,951,010	1,940	2,086,029	2,087,969
Venture capital	625	2,221,472	2,222,097	6,291	1,531,485	1,537,776
Other commercial	2,510	3,801,589	3,804,099	13,544	3,139,540	3,153,084
Total commercial	3,135	8,974,071	8,977,206	21,775	6,757,054	6,778,829
Consumer	1,357	355,702	357,059	624	402,258	402,882
Total	$ 159,168	$ 24,873,511	$ 25,032,679	$ 189,605	$ 23,592,058	$ 23,781,663

At December 31, 2025, nonaccrual loans and leases included $92.7 million of loans and leases 90 or more days past due, $15.3 million of loans 30 to 89 days past due and $51.2 million of current loans that were placed on nonaccrual status based on management's judgment regarding their collectability. At December 31, 2024, nonaccrual loans and leases included $88.8 million of loans and leases 90 or more days past due, $40.6 million of loans 30 to 89 days past due and $60.2 million of current loans that were placed on nonaccrual status based on management's judgment regarding their collectability.

As of December 31, 2025, our three largest loan relationships on nonaccrual status had an aggregate carrying value of $43.5 million and represented 27% of total nonaccrual loans and leases.

The following tables present the credit risk rating categories for loans and leases HFI by loan portfolio segment and class as of the dates indicated. Classified loans and leases are those with a credit risk rating of either substandard or doubtful.

	December 31, 2025			
	Classified	Special Mention	Pass	Total
	(In thousands)			
Real estate mortgage:				
Commercial	$ 297,606	$ 126,998	$ 3,890,033	$ 4,314,637
Multi-family	166,385	216,286	5,706,746	6,089,417
Other residential	58,202	—	3,288,531	3,346,733
Total real estate mortgage	522,193	343,284	12,885,310	13,750,787
Real estate construction and land:				
Commercial	52,828	—	326,559	379,387
Residential	2,982	10,714	1,554,544	1,568,240
Total real estate construction and land	55,810	10,714	1,881,103	1,947,627
Commercial:				
Asset-based	36,732	7,180	2,907,098	2,951,010
Venture capital	171,847	64,577	1,985,673	2,222,097
Other commercial	12,143	27,689	3,764,267	3,804,099
Total commercial	220,722	99,446	8,657,038	8,977,206
Consumer	1,605	5,239	350,215	357,059
Total	$ 800,330	$ 458,683	$ 23,773,666	$ 25,032,679

	December 31, 2024			
	Classified	Special Mention	Pass	Total
	(In thousands)			
Real estate mortgage:				
Commercial	$ 301,278	$ 348,014	$ 3,929,480	$ 4,578,772
Multi-family	113,164	202,690	5,725,859	6,041,713
Other residential	47,993	14,351	2,744,830	2,807,174
Total real estate mortgage	462,435	565,055	12,400,169	13,427,659
Real estate construction and land:				
Commercial	—	148,024	651,107	799,131
Residential	—	203,220	2,169,942	2,373,162
Total real estate construction and land	—	351,244	2,821,049	3,172,293
Commercial:				
Asset-based	5,003	9,547	2,073,419	2,087,969
Venture capital	75,406	125,320	1,337,050	1,537,776
Other commercial	19,949	38,741	3,094,394	3,153,084
Total commercial	100,358	173,608	6,504,863	6,778,829
Consumer	709	7,408	394,765	402,882
Total	$ 563,502	$ 1,097,315	$ 22,120,846	$ 23,781,663

The following table presents our nonaccrual loans and leases by loan portfolio segment and class and by with and without an allowance recorded as of the date indicated and interest income recognized on nonaccrual loans and leases for the year indicated:

	At and For the Year Ended			
	December 31, 2025		December 31, 2024	
	Nonaccrual Recorded Investment	Interest Income Recognized	Nonaccrual Recorded Investment	Interest Income Recognized
	(In thousands)			
With An Allowance Recorded:				
Real estate mortgage:				
Commercial	$ 26,594	$ —	$ 9,864	$ —
Multi-family	—	—	—	—
Other residential	153	—	223	—
Commercial:				
Venture capital	—	—	757	—
Other commercial	1,264	—	8,885	—
Consumer	1,358	—	624	—
With No Related Allowance Recorded:				
Real estate mortgage:				
Commercial	$ 66,740	$ 64	$ 87,791	$ 13
Multi-family	3,358	—	22,763	—
Other residential	57,831	—	46,565	—
Commercial:				
Asset based	—	—	1,940	—
Venture capital	625	—	5,534	—
Other commercial	1,246	1,179	4,659	—
Consumer	(1)	—	—	—
Total Loans and Leases With and Without an Allowance Recorded:				
Real estate mortgage	$ 154,676	$ 64	$ 167,206	$ 13
Real estate construction and land	—	—	—	—
Commercial	3,135	1,179	21,775	—
Consumer	1,357	—	624	—
Total	$ 159,168	$ 1,243	$ 189,605	$ 13

The following tables present our loans HFI by loan portfolio segment and class, by credit quality indicator (internal risk ratings), and by year of origination (vintage year) as of the date indicated:

Amortized Cost Basis December 31, 2025	Term Loans by Origination Year 2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Converted to Term Loans	Total
				(In thousands)					
Real Estate Mortgage: Commercial									
Internal risk rating:									
1-2 High pass	$ 14,708	$ 3,470	$ 2,787	$ 23,377	$ 33,027	$ 77,427	$ —	$ —	$ 154,796
3-4.5 Pass	430,807	181,597	121,685	781,194	608,067	1,544,708	61,764	5,415	3,735,237
5 Special mention	—	—	—	23,072	43,724	37,155	—	23,047	126,998
6-8 Classified	—	23,880	27,514	57,759	53,699	134,754	—	—	297,606
Total	$ 445,515	$ 208,947	$ 151,986	$ 885,402	$ 738,517	$1,794,044	$ 61,764	$ 28,462	$ 4,314,637
Current YTD period:									
Gross charge-offs	$ —	$ —	$ 51	$ 2,416	$ 613	$ 16,650	$ —	$ —	$ 19,730
Real Estate Mortgage: Multi-Family									
Internal risk rating:									
1-2 High pass	$ —	$ —	$ —	$ 53,190	$ 175,257	$ 155,222	$ —	$ —	$ 383,669
3-4.5 Pass	429,017	131,377	54,475	2,126,937	1,120,759	1,459,061	1,451	—	5,323,077
5 Special mention	10,472	28,948	5,412	97,980	28,727	44,747	—	—	216,286
6-8 Classified	—	19,989	—	64,972	28,372	53,052	—	—	166,385
Total	$ 439,489	$ 180,314	$ 59,887	$2,343,079	$1,353,115	$1,712,082	$ 1,451	$ —	$ 6,089,417
Current YTD period:									
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ 3,275	$ —	$ —	$ 3,275
Real Estate Mortgage: Other Residential									
Internal risk rating:									
1-2 High pass	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
3-4.5 Pass	752,817	40,271	22,332	263,745	2,015,936	91,935	101,495	—	3,288,531
5 Special mention	—	—	—	—	—	—	—	—	—
6-8 Classified	1,122	—	543	28,599	26,712	228	998	—	58,202
Total	$ 753,939	$ 40,271	$ 22,875	$ 292,344	$2,042,648	$ 92,163	$ 102,493	$ —	$ 3,346,733
Current YTD period:									
Gross charge-offs	$ —	$ —	$ 145	$ 2,624	$ 733	$ —	$ —	$ —	$ 3,502

Amortized Cost Basis December 31, 2025	Term Loans by Origination Year 2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Converted to Term Loans	Total
				(In thousands)					
Real Estate Construction and Land: Commercial									
Internal risk rating:									
1-2 High pass	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
3-4.5 Pass	123,586	51,969	64,663	44,365	40,315	1,661	—	—	326,559
5 Special mention	—	—	—	—	—	—	—	—	—
6-8 Classified	—	—	—	52,828	—	—	—	—	52,828
Total	$ 123,586	$ 51,969	$ 64,663	$ 97,193	$ 40,315	$ 1,661	$ —	$ —	$ 379,387
Current YTD period:									
Gross charge-offs	$ —	$ —	$ —	$ 20,196	$ 1,340	$ —	$ —	$ —	$ 21,536
Real Estate Construction and Land: Residential									
Internal risk rating:									
1-2 High pass	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
3-4.5 Pass	100,284	189,207	196,046	705,647	188,284	80,625	94,451	—	1,554,544
5 Special mention	—	—	—	4,308	6,406	—	—	—	10,714
6-8 Classified	—	—	—	—	2,982	—	—	—	2,982
Total	$ 100,284	$ 189,207	$ 196,046	$ 709,955	$ 197,672	$ 80,625	$ 94,451	$ —	$ 1,568,240
Current YTD period:									
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial: Asset-Based									
Internal risk rating:									
1-2 High pass	$ 41,364	$ 29,359	$ 23,020	$ 122,112	$ 185,978	$ 197,800	$ 204,041	$ —	$ 803,674
3-4.5 Pass	355,855	40,478	77,608	144,338	72,205	8,625	1,404,315	—	2,103,424
5 Special mention	—	—	—	—	—	—	7,180	—	7,180
6-8 Classified	5,650	—	194	5,564	—	—	25,324	—	36,732
Total	$ 402,869	$ 69,837	$ 100,822	$ 272,014	$ 258,183	$ 206,425	$ 1,640,860	$ —	$ 2,951,010
Current YTD period:									
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Amortized Cost Basis [1] December 31, 2025	Term Loans by Origination Year 2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Converted to Term Loans	Total
				(In thousands)					
Commercial: Venture Capital									
Internal risk rating:									
1-2 High pass	$ (279)	$ (75)	$ (67)	$ —	$ —	$ —	$ 138,159	$ 22,167	$ 159,905
3-4.5 Pass	113,608	93,269	60,589	25,483	47,321	16,979	1,437,845	30,674	1,825,768
5 Special mention	19,964	(4)	21,986	—	—	—	22,044	587	64,577
6-8 Classified	625	33,631	33,431	46,535	12,484	—	45,141	—	171,847
Total	$ 133,918	$ 126,821	$ 115,939	$ 72,018	$ 59,805	$ 16,979	$ 1,643,189	$ 53,428	$ 2,222,097
Current YTD period:									
Gross charge-offs	$ 993	$ —	$ —	$ —	$ 5,257	$ —	$ —	$ —	$ 6,250
Commercial: Other Commercial									
Internal risk rating:									
1-2 High pass	$ 2,929	$ 903	$ 172	$ 20,124	$ 611	$ (61)	$ 53,892	$ (1)	$ 78,569
3-4.5 Pass	226,226	51,373	61,827	44,555	167,436	135,630	2,969,078	29,573	3,685,698
5 Special mention	—	—	9,022	5,062	779	85	12,147	594	27,689
6-8 Classified	—	2,447	—	2,918	44	1,271	4,414	1,049	12,143
Total	$ 229,155	$ 54,723	$ 71,021	$ 72,659	$ 168,870	$ 136,925	$ 3,039,531	$ 31,215	$ 3,804,099
Current YTD period:									
Gross charge-offs	$ —	$ —	$ 1,393	$ 727	$ 228	$ 2,039	$ 11,596	$ 744	$ 16,727
Consumer									
Internal risk rating:									
1-2 High pass	$ 66	$ —	$ —	$ 14	$ 7	$ —	$ 489	$ —	$ 576
3-4.5 Pass	28,736	24,251	13,618	51,008	149,047	79,026	3,809	144	349,639
5 Special mention	—	—	—	1,029	2,964	1,246	—	—	5,239
6-8 Classified	—	—	—	151	349	853	—	252	1,605
Total	$ 28,802	$ 24,251	$ 13,618	$ 52,202	$ 152,367	$ 81,125	$ 4,298	$ 396	$ 357,059
Current YTD period:									
Gross charge-offs	$ —	$ —	$ 92	$ 1,104	$ 1,892	$ 1,395	$ 1	$ 1	$ 4,485
Total Loans and Leases									
Internal risk rating:									
1-2 High pass	$ 58,788	$ 33,657	$ 25,912	$ 218,817	$ 394,880	$ 430,388	$ 396,581	$ 22,166	$ 1,581,189
3-4.5 Pass	2,560,936	803,792	672,843	4,187,272	4,409,370	3,418,250	6,074,208	65,806	22,192,477
5 Special mention	30,436	28,944	36,420	131,451	82,600	83,233	41,371	24,228	458,683
6-8 Classified	7,397	79,947	61,682	259,326	124,642	190,158	75,877	1,301	800,330
Total	$2,657,557	$ 946,340	$ 796,857	$4,796,866	$5,011,492	$4,122,029	$ 6,588,037	$ 113,501	$25,032,679
Current YTD period:									
Gross charge-offs	$ 993	$ —	$ 1,681	$ 27,067	$ 10,063	$ 23,359	$ 11,597	$ 745	$ 75,505

(1) Amounts with negative balances are loans with zero principal balances and deferred loan origination fees.

Amortized Cost Basis [1] December 31, 2024	Term Loans by Origination Year 2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Converted to Term Loans	Total
				(In thousands)					
Real Estate Mortgage: Commercial									
Internal risk rating:									
1-3 High pass	$ 1,694	$ —	$ 26,166	$ 22,821	$ 8,089	$ 78,588	$ 1	$ —	$ 137,359
4-6 Pass	232,808	132,389	800,877	682,806	450,822	1,407,314	56,481	28,624	3,792,121
7 Special mention	—	23,844	123,589	24,364	—	176,217	—	—	348,014
8-9 Classified	13,587	1,765	27,579	68,488	20,853	169,006	—	—	301,278
Total	$ 248,089	$ 157,998	$ 978,211	$ 798,479	$ 479,764	$1,831,125	$ 56,482	$ 28,624	$ 4,578,772
Current YTD period:									
Gross charge-offs	$ —	$ —	$ 175	$ 12,217	$ 9,714	$ 1,481	$ —	$ —	$ 23,587
Real Estate Mortgage: Multi-Family									
Internal risk rating:									
1-3 High pass	$ —	$ —	$ 55,847	$ 214,583	$ 62,942	$ 129,163	$ —	$ —	$ 462,535
4-6 Pass	223,333	60,137	2,037,864	1,154,452	451,602	1,324,816	11,120	—	5,263,324
7 Special mention	—	—	112,963	35,065	—	40,262	—	14,400	202,690
8-9 Classified	—	—	40,018	33,877	4,751	34,518	—	—	113,164
Total	$ 223,333	$ 60,137	$2,246,692	$1,437,977	$ 519,295	$1,528,759	$ 11,120	$ 14,400	$ 6,041,713
Current YTD period:									
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Real Estate Mortgage: Other Residential									
Internal risk rating:									
1-3 High pass	$ —	$ —	$ —	$ —	$ —	$ —	$ 3,510	$ —	$ 3,510
4-6 Pass	(562)	31,318	336,719	2,235,006	53,094	43,510	42,158	77	2,741,320
7 Special mention	—	310	8,121	5,644	—	276	—	—	14,351
8-9 Classified	—	3,571	25,616	17,189	—	1,448	169	—	47,993
Total	$ (562)	$ 35,199	$ 370,456	$2,257,839	$ 53,094	$ 45,234	$ 45,837	$ 77	$ 2,807,174
Current YTD period:									
Gross charge-offs	$ —	$ 3,445	$ 29,099	$ 6,394	$ 350	$ 67	$ 175	$ —	$ 39,530

(1) Amounts with negative balances are loans with zero principal balances and deferred loan origination fees.

Amortized Cost Basis December 31, 2024	Term Loans by Origination Year 2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Converted to Term Loans	Total
					(In thousands)				
Real Estate Construction and Land: Commercial									
Internal risk rating:									
1-3 High pass	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
4-6 Pass	29,674	47,183	404,732	115,729	45,576	8,213	—	—	651,107
7 Special mention	10,501	—	—	111,933	—	—	25,590	—	148,024
8-9 Classified	—	—	—	—	—	—	—	—	—
Total	$ 40,175	$ 47,183	$ 404,732	$ 227,662	$ 45,576	$ 8,213	$ 25,590	$ —	$ 799,131
Current YTD period:									
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Real Estate Construction and Land: Residential									
Internal risk rating:									
1-3 High pass	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
4-6 Pass	97,488	194,405	1,113,955	436,335	224,511	—	103,248	—	2,169,942
7 Special mention	—	—	143,136	60,084	—	—	—	—	203,220
8-9 Classified	—	—	—	—	—	—	—	—	—
Total	$ 97,488	$ 194,405	$1,257,091	$ 496,419	$ 224,511	$ —	$ 103,248	$ —	$ 2,373,162
Current YTD period:									
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial: Asset-Based									
Internal risk rating:									
1-3 High pass	$ 39,542	$ 37,081	$ 163,918	$ 222,942	$ 15,730	$ 251,167	$ 195,994	$ —	$ 926,374
4-6 Pass	100,098	88,514	180,433	68,372	9,653	34,331	618,036	47,608	1,147,045
7 Special mention	—	194	5,569	—	—	—	3,784	—	9,547
8-9 Classified	—	—	—	—	—	—	5,003	—	5,003
Total	$ 139,640	$ 125,789	$ 349,920	$ 291,314	$ 25,383	$ 285,498	$ 822,817	$ 47,608	$ 2,087,969
Current YTD period:									
Gross charge-offs	$ —	$ —	$ —	$ —	$ 92	$ —	$ —	$ —	$ 92

Amortized Cost Basis [1] December 31, 2024	Term Loans by Origination Year 2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Converted to Term Loans	Total
				(In thousands)					
Commercial: Venture Capital									
Internal risk rating:									
1-3 High pass	$ (92)	$ (100)	$ —	$ 414	$ 2,101	$ —	$ 72,745	$ 23,426	$ 98,494
4-6 Pass	100,854	104,022	79,659	76,224	3,784	17,749	777,199	79,065	1,238,556
7 Special mention	1,396	56,973	(1)	29,973	—	—	36,979	—	125,320
8-9 Classified	14,895	—	12,821	20,182	—	—	27,508	—	75,406
Total	$ 117,053	$ 160,895	$ 92,479	$ 126,793	$ 5,885	$ 17,749	$ 914,431	$ 102,491	$ 1,537,776
Current YTD period:									
Gross charge-offs	$ —	$ 2,272	$ —	$ 14,000	$ —	$ 2	$ 140	$ —	$ 16,414
Commercial: Other Commercial									
Internal risk rating:									
1-3 High pass	$ 685	$ 241	$ 20,873	$ 3,360	$ 10	$ (83)	$ 73,596	$ —	$ 98,682
4-6 Pass	66,097	98,878	117,846	199,252	39,244	160,030	2,252,507	61,858	2,995,712
7 Special mention	6,462	8,912	2,880	144	—	127	20,073	143	38,741
8-9 Classified	—	1,397	1,243	2,365	—	5,836	8,234	874	19,949
Total	$ 73,244	$ 109,428	$ 142,842	$ 205,121	$ 39,254	$ 165,910	$ 2,354,410	$ 62,875	$ 3,153,084
Current YTD period:									
Gross charge-offs	$ —	$ —	$ 1,144	$ 500	$ 1,696	$ 3,159	$ 2,712	$ 605	$ 9,816
Consumer									
Internal risk rating:									
1-3 High pass	$ —	$ —	$ 20	$ 15	$ 1	$ —	$ 932	$ —	$ 968
4-6 Pass	31,034	19,181	59,594	176,189	18,658	82,678	6,231	232	393,797
7 Special mention	—	—	1,327	4,179	142	1,760	—	—	7,408
8-9 Classified	—	—	32	283	34	350	—	10	709
Total	$ 31,034	$ 19,181	$ 60,973	$ 180,666	$ 18,835	$ 84,788	$ 7,163	$ 242	$ 402,882
Current YTD period:									
Gross charge-offs	$ —	$ 198	$ 790	$ 2,733	$ 352	$ 1,427	$ 4	$ —	$ 5,504
Total Loans and Leases									
Internal risk rating:									
1-3 High pass	$ 41,829	$ 37,222	$ 266,824	$ 464,135	$ 88,873	$ 458,835	$ 346,778	$ 23,426	$ 1,727,922
4-6 Pass	880,824	776,027	5,131,679	5,144,365	1,296,944	3,078,641	3,866,980	217,464	20,392,924
7 Special mention	18,359	90,233	397,584	271,386	142	218,642	86,426	14,543	1,097,315
8-9 Classified	28,482	6,733	107,309	142,384	25,638	211,158	40,914	884	563,502
Total	$ 969,494	$ 910,215	$5,903,396	$6,022,270	$1,411,597	$3,967,276	$ 4,341,098	$ 256,317	$ 23,781,663
Current YTD period:									
Gross charge-offs	$ —	$ 5,915	$ 31,208	$ 35,844	$ 12,204	$ 6,136	$ 3,031	$ 605	$ 94,943

(1) Amounts with negative balances are loans with zero principal balances and deferred loan origination fees.

Loan Modifications

The following table presents our loan modifications to our HFI loans and leases granted to borrowers experiencing financial difficulty by type of modification for the year indicated with balances as of the dates indicated:

	Amortized Cost Basis at December 31, 2025							
	Term Extension	Payment Delay	Interest Rate Reduction	Term Extension and Payment Delays	Term Extension and Interest Rate Reduction	Term Extension, Payment Delay, and Interest Rate Reduction	Total	% of Total Loans
	(Dollars in thousands)							
Real estate mortgage:								
Commercial	$ 108,639	$ 4,484	$ 5,803	$ —	$ —	$ —	$ 118,926	2.8 %
Multi-family	48,641	—	—	—	—	—	48,641	0.8 %
Other residential	1,455	2,197	—	—	—	—	3,652	0.1 %
Real estate construction and land:								
Residential	2,982	—	—	—	—	—	2,982	0.2 %
Commercial:								
Asset-based	30,974	—	—	—	—	—	30,974	1.0 %
Venture capital	45,697	—	—	25,076	—	—	70,773	3.2 %
Other commercial	747	—	—	—	614	126	1,487	— %
Consumer	252	—	—	—	—	—	252	0.1 %
Total	$ 239,387	$ 6,681	$ 5,803	$ 25,076	$ 614	$ 126	$ 277,687	

	Amortized Cost Basis at December 31, 2024					
	Term Extension	Payment Delay	Term Extension and Payment Delays	Term Extension and Interest Rate Reduction	Total	% of Total Loans
	(Dollars in thousands)					
Real estate mortgage:						
Commercial	$ 125,027	$ 45,957	$ 13,899	$ 13,587	$ 198,470	4.3 %
Other residential	4,218	—	—	—	4,218	0.2 %
Commercial:						
Asset-based	1,940	—	—	—	1,940	0.1 %
Venture capital	5,722	758	12,064	—	18,544	1.2 %
Other commercial	3,428	—	36	—	3,464	0.1 %
Consumer	9	—	—	—	9	— %
Total	$ 140,344	$ 46,715	$ 25,999	$ 13,587	$ 226,645	

	Amortized Cost Basis at December 31, 2023					
	Term Extension	Payment Delay	Term Extension and Payment Delays	Term Extension and Interest Rate Reduction	Total	% of Total Loans
	(Dollars in thousands)					
Real estate mortgage:						
Other residential	$ 9,068	$ —	$ —	$ —	$ 9,068	0.2 %
Commercial:						
Venture capital	—	—	324	—	324	— %
Other commercial	4,410	37	—	5	4,452	0.2 %
Consumer	14	—	—	2	16	— %
Total	$ 13,492	$ 37	$ 324	$ 7	$ 13,860	

The following tables present the financial effect of our loan modifications made to borrowers experiencing financial difficulty by type of modification for the year indicated:

	Weighted Average for the Year Ended December 31, 2025			
	Term Extension (in months)	Payment Delay (in months)	Interest Rate Reduction (in months)	Interest Rate Reduction (in % points)
Real estate mortgage:				
Commercial	16	4	17	3.22%
Multi-family	15	—	—	—
Other residential	15	3	—	—
Real estate construction and land:				
Residential	12	—	—	—
Commercial:				
Asset-based	34	—	—	—
Venture capital	9	—	—	—
Other commercial	46	—	—	—
Consumer	12	—	—	—

	Weighted Average for the Year Ended December 31, 2024			
	Term Extension (in months)	Payment Delay (in months)	Combination - Principal Forgiveness and Term Extension (in months)	(In millions)
Real estate mortgage:				
Commercial	13	24	36	$ 4.0
Other residential	84	—	—	—
Commercial:				
Asset-based	7	—	—	—
Venture capital	36	3	—	—
Other commercial	13	—	—	—
Consumer	12	—	—	—

	Weighted Average for the Year Ended December 31, 2023		
	Term Extension (in months)	Payment Delay (in months)	Combination - Term Extension and Payment Delay (in months)
Real estate mortgage:			
Other residential	7	—	—
Commercial:			
Venture capital	—	—	18
Other commercial	19	18	—
Consumer	12	—	—

The following outlines the weighted average financial effects of our combination loan modifications for borrowers experiencing financial difficulties.

Combination - term extension and payment delays. Regarding the combination of both term extensions and payment delays, venture capital loans for the year ending December 31, 2025, saw the weighted average maturity extended by 13 months and payment delays granted of six months. In 2024, the commercial segment experienced a weighted average maturity extension of 60 months and payment deferrals lasting 8 months, while venture capital loans received weighted average maturity extensions and deferrals of 3 months each. Other commercial loans in 2024 were extended by 120 months, with payment delays of 4 months. For the year ended 2023, the venture capital loans had both weighted average maturity and payment deferral periods of 18 months.

Combination - term extension and interest rate reduction. Loan modifications that included a combination of both term extensions and interest rate reductions for the year ending December 31, 2025, other commercial loans weighted averaged maturity extended 60 months and interest rate decreased by 1.9%. In 2023, other commercial loans maturity extended by 36 months and interest rates decreased by 4.3%. Consumer loans during the same period experienced maturity extensions of 24 months, and interest rates decreased by 7.5%.

Combination - term extension and principal forgiveness. As for term extensions paired with principal forgiveness, in 2024, commercial loans saw weighted average maturity extended by 36 months and principal forgiveness totaling $4 million.

Combination - term extension, payment delay, and interest rate reduction. Regarding the combination of term extensions, payment delays, and interest rate reductions, the weighted average financial effect in 2025 for other commercial loans included a 60 months maturity extension, a reduced rate of 5.75%, and payment deferrals of 3 months.

The following tables present the payment status of loans that were modified during the preceding 12-month period with related amortized cost balances as of the dates indicated:

	Payment Status (Amortized Cost Basis) at December 31, 2025			
	Current	30-89 Days Past Due	90 or More Days Past Due	Total
	(In thousands)			
Real estate mortgage:				
Commercial	$ 116,929	$ 1,997	$ —	$ 118,926
Multi-family	48,641	—	—	48,641
Other residential	1,455	—	2,197	3,652
Real estate construction and land:				
Residential	2,982	—	—	2,982
Commercial:				
Asset-based	30,974	—	—	30,974
Venture capital	70,773	—	—	70,773
Other commercial	1,418	69	—	1,487
Consumer	252	—	—	252
Total	$ 273,424	$ 2,066	$ 2,197	$ 277,687

	Payment Status (Amortized Cost Basis) at December 31, 2024			
	Current	30-89 Days Past Due	90 or More Days Past Due	Total
	(In thousands)			
Real estate mortgage:				
Commercial	$ 188,799	$ 9,671	$ —	$ 198,470
Other residential	679	—	3,539	4,218
Commercial:				
Asset-based	1,940	—	—	1,940
Venture capital	18,544	—	—	18,544
Other commercial	3,464	—	—	3,464
Consumer	9	—	—	9
Total	$ 213,435	$ 9,671	$ 3,539	$ 226,645

The following tables present information on loans that defaulted during the years indicated, which had been modified during the preceding 12-month period, with related amortized cost balances as of the date indicated:

	Loan Modifications That Subsequently Defaulted Year Ended December 31, 2025			
	Amortized Cost Basis at December 31, 2025			
	Term Extension	Payment Delay	Combination Term Extension and Rate Reduction	Total
	(In thousands)			
Real estate mortgage:				
Multi-family	$ 9,132	$ —	$ —	$ 9,132
Other residential	—	2,197	—	2,197
Commercial:				
Other commercial	74	—	68	142
Total	$ 9,206	$ 2,197	$ 68	$ 11,471

	Loan Modifications That Subsequently Defaulted Year Ended December 31, 2024		
	Amortized Cost Basis at December 31, 2024		
	Term Extension	Combination Term Extension and Payment Delay	Total
		(In thousands)	
Real estate mortgage:			
Commercial	$ 9,671	$ 13,899	$ 23,570
Other residential	3,539	—	3,539
Total	$ 13,210	$ 13,899	$ 27,109

For the year ended December 31, 2023, other residential loans with an amortized cost basis totaling $735 thousand defaulted within 12 months of their term extensions.

Leases Receivable

We provide equipment financing to our customers primarily with operating and direct financing leases. For direct financing leases, lease receivables are recorded on the balance sheet, but the leased equipment is not, although we generally retain legal title to the leased equipment until the end of each lease. Direct financing leases are stated at the net amount of minimum lease payments receivable, plus any unguaranteed residual value, less the amount of unearned income and net acquisition discount at the reporting date. Direct lease origination costs are amortized using the effective interest method over the life of the leases. Direct financing leases are subject to our accounting for ALLL. See "Note 9. Leases" for information regarding operating leases where we are the lessor.

The following table provides the components of leases receivable income for the period indicated:

	Year Ended December 31,		
	2025	2024	2023
		(In thousands)	
Component of leases receivable income:			
Interest income on net investments in leases	$ 14,534	$ 18,714	$ 16,671

The following table presents the components of leases receivable as of the date indicated:

	December 31,	
	2025	2024
	(In thousands)	
Net Investment in Direct Financing Leases:		
Lease payments receivable	$ 151,719	$ 202,815
Unguaranteed residual assets	19,921	22,489
Deferred costs and other	1,793	1,955
Aggregate net investment in leases	$ 173,433	$ 227,259

The following table presents maturities of leases receivable as of the date indicated:

	December 31, 2025
	(In thousands)
Year Ending December 31,	
2026	$ 59,303
2027	45,389
2028	32,192
2029	25,182
2030	5,127
Thereafter	1,454
Total undiscounted cash flows	168,647
Less: Unearned income	(16,928)
Present value of lease payments	$ 151,719

Allowance for Loan and Lease Losses

The following tables present a summary of the activity in the ALLL on loans and leases HFI by loan portfolio segment for the years indicated:

	Year Ended December 31, 2025				
	Real Estate Mortgage	Real Estate Construction and Land	Commercial	Consumer	Total
			(In thousands)		
Allowance for Loan and Lease Losses:					
Balance, beginning of year	$ 145,754	$ 10,940	$ 67,833	$ 14,833	$ 239,360
Charge-offs	(26,507)	(21,536)	(22,977)	(4,485)	(75,505)
Recoveries	2,786	1,370	12,264	557	16,977
Net charge-offs	(23,721)	(20,166)	(10,713)	(3,928)	(58,528)
Provision	15,368	18,075	28,967	2,370	64,780
Balance, end of year	$ 137,401	$ 8,849	$ 86,087	$ 13,275	$ 245,612
Ending Allowance by Evaluation Methodology:					
Individually evaluated	$ 2,357	$ —	$ —	$ —	$ 2,357
Collectively evaluated	$ 135,044	$ 8,849	$ 86,087	$ 13,275	$ 243,255
Ending Loans and Leases by Evaluation Methodology:					
Individually evaluated	$ 154,402	$ —	$ 1,871	$ —	$ 156,273
Collectively evaluated	13,596,385	1,947,627	8,975,335	357,059	24,876,406
Ending balance	$ 13,750,787	$ 1,947,627	$ 8,977,206	$ 357,059	$ 25,032,679

	Year Ended December 31, 2024				
	Real Estate Mortgage	Real Estate Construction and Land	Commercial	Consumer	Total
			(In thousands)		
Allowance for Loan and Lease Losses:					
Balance, beginning of year	$ 186,827	$ 33,830	$ 45,156	$ 15,874	$ 281,687
Charge-offs	(63,117)	—	(26,322)	(5,504)	(94,943)
Recoveries	2,766	—	5,711	639	9,116
Net charge-offs	(60,351)	—	(20,611)	(4,865)	(85,827)
Provision	19,278	(22,890)	43,288	3,824	43,500
Balance, end of year	$ 145,754	$ 10,940	$ 67,833	$ 14,833	$ 239,360
Ending Allowance by Evaluation Methodology:					
Individually evaluated	$ 1,702	$ —	$ 3,706	$ —	$ 5,408
Collectively evaluated	$ 144,052	$ 10,940	$ 64,127	$ 14,833	$ 233,952
Ending Loans and Leases by Evaluation Methodology:					
Individually evaluated	$ 167,060	$ —	$ 19,831	$ —	$ 186,891
Collectively evaluated	13,260,599	3,172,293	6,758,998	402,882	23,594,772
Ending balance	$ 13,427,659	$ 3,172,293	$ 6,778,829	$ 402,882	$ 23,781,663

The allowance for loan and lease losses increased by $6.3 million in 2025 due primarily to $64.8 million of provision for loan and lease losses, offset partially by net charge-offs of $58.5 million. For additional information regarding the calculation of the ALLL using the CECL methodology, including discussion of forecasts used to estimate the allowance, please see "Note 1. Nature of Operations and Summary of Significant Accounting Policies - Allowance for Credit Losses on Loans and Leases Held for Investment."

A loan is considered collateral-dependent, and is individually evaluated for reserve purposes, when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The following table summarizes collateral-dependent loans HFI by collateral type as of the dates indicated:

	December 31,					
	2025			2024		
	Real Property	Business Assets	Total	Real Property	Business Assets	Total
			(In thousands)			
Real estate mortgage	$ 155,233	$ —	$ 155,233	$ 167,060	$ —	$ 167,060
Commercial	—	625	625	—	10,870	10,870
Total	$ 155,233	$ 625	$ 155,858	$ 167,060	$ 10,870	$ 177,930

Allowance for Credit Losses

The ACL is the combination of the ALLL and the reserve for unfunded loan commitments. The reserve for unfunded loan commitments is included within "Accrued interest payable and other liabilities" on the consolidated balance sheets.

The following tables present a summary of the activity in the ALLL and reserve for unfunded loan commitments for the years indicated:

	Year Ended December 31, 2025		
	Allowance for Loan and Lease Losses	Reserve for Unfunded Loan Commitments	Total Allowance for Credit Losses
	(In thousands)		
Balance, beginning of year	$ 239,360	$ 29,071	$ 268,431
Charge-offs	(75,505)	—	(75,505)
Recoveries	16,977	—	16,977
Net charge-offs	(58,528)	—	(58,528)
Provision	64,780	5,850	70,630
Balance, end of year	$ 245,612	$ 34,921	$ 280,533

	Year Ended December 31, 2024		
	Allowance for Loan and Lease Losses	Reserve for Unfunded Loan Commitments	Total Allowance for Credit Losses
	(In thousands)		
Balance, beginning of year	$ 281,687	$ 29,571	$ 311,258
Charge-offs	(94,943)	—	(94,943)
Recoveries	9,116	—	9,116
Net charge-offs	(85,827)	—	(85,827)
Provision	43,500	(500)	43,000
Balance, end of year	$ 239,360	$ 29,071	$ 268,431

NOTE 6. PREMISES AND EQUIPMENT, NET

The following table presents the components of premises and equipment as of the dates indicated:

	December 31,	
	2025	2024
	(In thousands)	
Land	$ 8,874	$ 8,874
Buildings	95,327	95,410
Furniture, fixtures and equipment	65,648	52,274
Leasehold improvements	74,298	78,326
Premises and equipment, gross	244,147	234,884
Less: accumulated depreciation and amortization	(97,449)	(92,338)
Premises and equipment, net	$ 146,698	$ 142,546

Depreciation and amortization expense was $14.6 million, $15.2 million, and $12.6 million for the years ended December 31, 2025, 2024, and 2023.

NOTE 7. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill represents the excess if purchase consideration over the fair value of identifiable net assets acquired in a business combination. Goodwill and other intangible assets with indefinite useful lives are not amortized but are assessed for impairment at least annually.

In performing our annual goodwill impairment testing in the fourth quarter of 2025 we considered relevant events and circumstances that may affect the fair value or carrying amount of our reporting unit. The events and circumstances we considered included macroeconomic conditions, industry conditions, and our financial performance. Based on our qualitative assessment, we concluded that there were no conditions, changes in operations, or results that indicated a triggering event had occurred in the fourth quarter of 2025. Thus, a quantitative assessment was not required, and we determined that it was more likely than not that the fair value of the reporting unit was greater than its carrying value and there was no evidence of impairment.

During the year ended December 31, 2024, the Company recorded adjustments related to the Merger resulting in an increase to goodwill of $15.9 million, within the one-year measurement period subsequent to the acquisition date of November 30, 2023. These adjustments largely related to the estimated fair value of acquired loans. During the year ended December 31, 2023, the Company recorded goodwill impairment of $1.4 billion due to the decline in the economic conditions in the banking industry.

The following table presents the changes in the carrying amount of goodwill for the years indicated:

	Goodwill
	(In thousands)
Balance, December 31, 2023	$ 198,627
Purchase accounting adjustments - Merger with PacWest Bancorp	15,894
Balance, December 31, 2024	$ 214,521
Balance, December 31, 2025	$ 214,521

Our other intangible assets with definite lives are CDI and CRI. CDI and CRI are amortized on an accelerated basis over their respective estimated useful lives and reviewed for impairment at least quarterly. The amortization expense represents the estimated decline in the value of the underlying deposits or customer relationships acquired.

The following table presents the carrying amounts of CDI and CRI and the related accumulated amortization for the years indicated:

	Year Ended December 31,	
	2025	2024
	(In thousands)	
Gross Amount of CDI and CRI:		
Balance, beginning of year	$ 178,764	$ 236,264
Fully amortized portion	—	(57,500)
Balance, end of year	178,764	178,764
Accumulated Amortization:		
Balance, beginning of year	(45,820)	(70,787)
Amortization expense	(27,657)	(32,533)
Fully amortized portion	—	57,500
Balance, end of year	(73,477)	(45,820)
Net CDI and CRI, end of year	$ 105,287	$ 132,944

There was no impairment of CDI and CRI for the years ended December 31, 2025 and 2024.

The following table presents the estimated aggregate future amortization expense for our current CDI and CRI as of the date indicated:

	December 31, 2025
	(In thousands)
Year Ending December 31,	
2026	$ 24,412
2027	21,166
2028	17,920
2029	14,675
2030	11,430
Thereafter	15,684
Net CDI and CRI	$ 105,287

NOTE 8. OTHER ASSETS

The following table presents the detail of our other assets as of the dates indicated:

Other Assets	December 31, 2025	December 31, 2024
	(In thousands)	
Investments:		
LIHTC investments	$ 259,780	$ 295,964
SBIC investments	121,072	109,636
Alternative energy partnerships (HLBV investments)	16,354	17,472
Other equity and CRA investments	150,048	143,152
Total investments	547,254	566,224
Interest receivable	131,429	125,469
Operating lease ROU assets, net [1]	99,205	100,092
Prepaid expenses	33,829	39,432
Taxes receivable	8,385	18,009
Foreclosed assets, net	17,115	9,734
Equity warrants [2]	3,437	3,763
Other receivables/assets	44,108	51,231
Total other assets	$ 884,762	$ 913,954

(1) See "Note 9. Leases" for further details regarding the operating lease ROU assets.
(2) See "Note 15. Fair Value Measurements" for information regarding equity warrants.

Investments

The Company invests as a limited partner in LIHTC partnerships that operate qualified affordable housing projects and generate tax benefits for investors, including federal low income housing tax credits. The partnerships are deemed to be VIEs because they do not have sufficient equity investment at risk and are structured with non-substantive voting rights; however, we are not the primary beneficiary of the VIEs and do not consolidate them. We amortize the investment in proportion to the allocated tax benefits using the proportional amortization method of accounting and record such benefits net of investment amortization in income tax expense.

The Company also invests as a limited partner in SBIC investments. All of our SBIC investments meet the definition of investment companies as defined in ASC 946. We elected the practical expedient available in Topic 820 which permits the use of NAV per share or equivalent to value investments in entities that are or are similar to investment companies. SBICs are required to value and report their investments at estimated fair value. We record the unrealized gains and losses resulting from changes in the fair value of our SBIC investments in "Noninterest income - Other income" on the consolidated statements of earnings (loss). The carrying value of our SBIC investments is equal to the capital account balance per each SBIC entities' quarterly financial statements.

We invest in, and are a limited partner, in partnerships that were formed to invest in newly installed residential and commercial solar leases and power purchase agreements. As a result of our investments, we have the right to certain investment tax credits and tax depreciation benefits, and to a lesser extent, cash flows generated from the installed solar systems leased to consumers for a fixed period of time. We account for these investments using the HLBV method, where an investor determines its share of an investee's net earnings by comparing its claim on the investee's book value at the beginning and end of the period, assuming the investee were to liquidate all assets at their U.S. GAAP amounts and distribute the resulting cash to creditors and investors under their respective priorities.

Other equity and CRA investments consist of both equity investments without and with readily determinable fair values. The Company's equity investments without readily determinable fair values include investments in privately held companies, limited partnerships, entities from which we issued trust preferred securities, CRA-related loan pool investments, and CRA-related equity investments. The CRA-related loan pool and equity investments primarily consist of investments in partnerships which provide affordable housing and participations in loan pools which provide low-cost loans to low and moderate income applicants. We measure our equity investments without readily determinable fair values using the measurement alternative. Carrying values of these investments are adjusted to fair value upon observable transactions for identical or similar investments of the same issuer. The Company's equity investments with readily determinable fair values include investments in public companies, often from the exercise of warrants, and publicly-traded mutual funds. Unrealized and realized gains and losses on equity investments without and with readily determinable fair values are recorded in "Noninterest income - Other income" on the consolidated statements of earnings (loss).

NOTE 9. LEASES

We determine if an arrangement is a lease at inception by assessing whether there is an identified asset, and whether the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration. ASC Topic 842 also requires a lessee to classify a lease as either finance or operating.

ROU assets represent a lessee's right to use an underlying asset for the lease term and lease liabilities represent a lessee's obligation to make lease payments arising from the lease. We amortize the operating lease ROU assets and record interest expense on the operating lease liabilities over the lease terms.

Operating leases with a term of more than one year are included in operating lease ROU assets and operating lease liabilities, which are reported in "Other assets" and "Accrued interest payable and other liabilities" on the Company's consolidated balance sheets. Short-term leases (initial term of less than 12 months) are not recorded on the balance sheet and lease expense is recognized on a straight-line basis over the lease term. We have lease agreements with lease and non-lease components, which are accounted for as a single lease component. Most leases include one or more options to renew, with renewal terms that can extend the lease from one to ten years. The exercise of lease renewal options is at our sole discretion. Some of our leases also include termination options. We have determined that we do not meet the reasonably certain threshold to exercise any renewal or termination options, therefore our lease terms do not reflect any optional periods. We rent or sublease certain office space to third parties. Our subleases consist of operating leases for offices that we have fully or partially vacated.

Certain of our lease agreements also include rental payments that adjust periodically based on changes in the CPI. We initially measured our lease payments using the index at the lease commencement date. Subsequent increases in the CPI are treated as variable lease payments and recognized in the period in which the obligation for those payments is incurred. The ROU assets and lease liabilities are not re-measured as a result of changes in the CPI. Our lease agreements do not contain any purchase options, residual value guarantees, or restrictive covenants.

Operating Leases as a Lessee

Our lease expense is a component of "Occupancy expense" on our consolidated statements of earnings (loss). The following table presents the components of lease expense for the years indicated:

	Year Ended December 31,		
	2025	2024	2023
	(In thousands)		
Operating Lease Expense:			
Fixed costs	$ 28,350	$ 33,298	$ 33,672
Variable costs	250	524	217
Short-term lease costs	911	625	831
Sublease income	(4,465)	(4,753)	(2,081)
Net lease expense	$ 25,046	$ 29,694	$ 32,639

The following table presents supplemental cash flow information related to leases for the years indicated:

	Year Ended December 31,		
	2025	2024	2023
	(In thousands)		
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 31,881	$ 37,333	$ 37,064
ROU assets obtained in exchange for lease obligations:			
Operating leases	$ 26,723	$ 5,429	$ 39,985

The following table presents supplemental balance sheet and other information related to operating leases as of the date indicated:

	December 31,	
	2025	2024
	(Dollars in thousands)	
Operating leases:		
Operating lease right-of-use assets, net	$ 99,205	$ 100,092
Operating lease liabilities	$ 120,587	$ 124,355
Weighted average remaining lease term (in years)	5.8	5.9
Weighted average discount rate	3.79 %	3.53 %

The following table presents the maturities of operating lease liabilities as of the date indicated:

	December 31, 2025
	(In thousands)
Year Ending December 31,	
2026	$ 30,685
2027	24,920
2028	21,293
2029	17,593
2030	13,910
Thereafter	26,669
Total operating lease liabilities	135,070
Less: Imputed interest	(14,483)
Present value of operating lease liabilities	$ 120,587

Operating Leases as a Lessor

We provide equipment financing to our customers through operating leases where we facilitate the purchase of equipment leased to our customers. The equipment is shown on our consolidated balance sheets as "Equipment leased to others under operating leases" and is depreciated to its estimated residual value at the end of the lease term, shown as "Leased equipment depreciation" in the consolidated statements of earnings (loss), according to our Fixed Asset Accounting Policy. We receive periodic rental income payments under the leases, which are recorded as "Leased equipment income" in the consolidated statements of earnings (loss). The valuation of equipment is tested periodically for impairment. No impairment was recorded on "Equipment leased to others under operating leases" for the years ended December 31, 2025 and 2024.

The following table presents the contractual rental payments to be received on operating leases as of the date indicated:

	December 31, 2025
	(In thousands)
Year Ending December 31,	
2026	$ 32,163
2027	28,762
2028	26,849
2029	24,917
2030	18,248
Thereafter	27,737
Total undiscounted cash flows	$ 158,676

NOTE 10. DEPOSITS

The following table presents the components of deposits as of the dates indicated:

	December 31,	
Deposit Composition	**2025**	**2024**
	(In thousands)	
Noninterest-bearing deposits	$ 7,822,787	$ 7,719,913
Interest-bearing deposits:		
Interest checking	8,509,587	7,610,705
Money market	4,917,857	5,361,635
Savings	1,905,863	1,933,232
Time deposits $250,000 and under	3,669,523	3,468,376
Time deposits over $250,000	1,017,740	1,098,048
Total deposits	$ 27,843,357	$ 27,191,909

Brokered time deposits totaled $2.4 billion and $2.1 billion at December 31, 2025 and 2024. Brokered non-maturity deposits totaled $0.5 billion and $0.6 billion at December 31, 2025 and 2024.

The following table summarizes the maturities of time deposits as of the date indicated:

December 31, 2025	Time Deposits $250,000 and Under	Time Deposits Over $250,000	Time Deposits Total
		(In thousands)	
Year of Maturity:			
2026	$ 3,307,013	$ 916,687	$ 4,223,700
2027	357,088	94,372	451,460
2028	2,232	3,174	5,406
2029	865	2,013	2,878
2030	2,325	1,494	3,819
Thereafter	—	—	—
Total	$ 3,669,523	$ 1,017,740	$ 4,687,263

NOTE 11. BORROWINGS AND SUBORDINATED DEBT

Borrowings

The following table summarizes our borrowings as of the dates indicated:

Borrowing Type	December 31, 2025 Balance	December 31, 2025 Weighted Average Rate	December 31, 2024 Balance	December 31, 2024 Weighted Average Rate
		(Dollars in thousands)		
FHLB secured advances	$ 1,710,185	3.90 %	$ 1,100,000	3.93 %
Credit-linked notes	113,634	14.63 %	118,838	15.29 %
Other short-term borrowings	240,000	3.69 %	—	— %
Senior notes	—	— %	174,000	5.25 %
Total borrowings	2,063,819	4.47 %	1,392,838	5.06 %
Acquisition discount on Senior Notes	—		(1,024)	
Total borrowings, net [1]	$ 2,063,819		$ 1,391,814	

(1) All borrowings were held at the Bank level with the exception of the 5.25% Senior Notes due April 2025 ("Senior Notes"), which were issued at the holding company level.

The Bank has established secured and unsecured lines of credit under which it may borrow funds from time to time on a term or overnight basis from the FHLB, the FRBSF, and other financial institutions.

FHLB Secured Line of Credit. The Bank had secured financing capacity with the FHLB of $6.9 billion as of December 31, 2025, collateralized by a blanket lien on $10.3 billion of qualifying loans and $20.5 million of securities. As of December 31, 2025, there were $514.1 million in letters of credit pledged and $1.7 billion balances outstanding. As of December 31, 2024, there were $527.9 million in letters of credit pledged and a $1.1 billion balance outstanding.

The following table presents the interest rates and maturity dates of FHLB secured advances as of the dates indicated:

	December 31, 2025		
	Balance	Rate	Maturity Date
		(Dollars in thousands)	
Overnight advance	$ 35,185	4.02 %	01/02/2026
Term advance	175,000	3.89 %	02/11/2026
Term advance	150,000	4.59 %	06/26/2026
Term advance	100,000	3.79 %	02/01/2027
Term advance	100,000	3.79 %	03/01/2027
Term advance	100,000	3.78 %	04/01/2027
Term advance	150,000	4.63 %	05/28/2027
Term advance	150,000	4.63 %	06/03/2027
Term advance	150,000	4.39 %	06/03/2027
Term advance	100,000	3.88 %	06/24/2027
Callable term advance	500,000	3.18 %	09/18/2034
Total FHLB secured advances	$ 1,710,185	3.90 %	

FRBSF Secured Line of Credit. The Bank has a secured line of credit with the FRBSF. As of December 31, 2025, the Bank had secured borrowing capacity of $5.0 billion collateralized by liens covering $4.6 billion of qualifying loans and $1.5 billion of securities. As of December 31, 2025 and December 31, 2024, there was no balances outstanding.

Senior Notes. The Senior Notes were unsecured debt obligations and ranked equally with our other unsecured unsubordinated obligations. We made interest payments on the Senior Notes semi-annually in arrears. On April 4, 2025, the Company repaid the Senior Notes in full that were scheduled to mature on April 15, 2025.

Holding Company Line of Credit Arrangement. On December 23, 2024, Banc of California, Inc. entered into an unsecured revolving line of credit agreement as a borrower for $50.0 million. On March 17, 2025, the Company executed an amendment to the credit agreement which increased the Company's unsecured revolving line of credit to $100.0 million. The rate is based on 1-month SOFR plus a spread of 2.25% basis points. As of December 31, 2025 and December 31, 2024, there was no balance outstanding.

Credit-Linked Notes. On September 29, 2022, legacy Pacific Western Bank completed a credit-linked notes transaction. The notes were issued in five classes, each with an interest rate of SOFR plus a spread that ranges from 8.00% to 13.25%, with a weighted average spread of 10.76% at December 31, 2025. The notes are linked to the credit risk of an approximately $2.2 billion reference pool of previously purchased SFR mortgage loans at December 31, 2025. The notes are due June 27, 2052. Principal payments on the notes are based only on principal that is actually collected on these loans. The notes are reported at fair value of $113.6 million at December 31, 2025. See "Note 3. Restricted Cash" for information regarding the collateral for the notes and "Note 14. Fair Value Option" for additional information.

Other Short-Term Borrowing Arrangements. As of December 31, 2025, the Bank had credit limits of $215.0 million in the aggregate with several commercial banks, as well as borrowing arrangements with unaffiliated financial institutions that provide for the purchase of overnight funds and other short-term borrowings. The availability of these unsecured borrowings fluctuates regularly and is subject to the discretion of the counterparties. These lines are renewable annually and have no unused commitment fees. As of December 31, 2025 $240.0 million was outstanding under these arrangements compared to no borrowings outstanding as of December 31, 2024.

The following table summarizes the terms of each issuance of subordinated debt outstanding as of the dates indicated:

	December 31,						
	2025		2024		Issue	Maturity	Rate Index
Series	Balance	Rate [1]	Balance	Rate [1]	Date	Date	(Quarterly Reset)
	(Dollars in thousands)						
Subordinated notes, net [2][3][4]	$ 381,737	3.25 %	$ 381,185	3.25 %	4/30/2021	5/1/2031	Fixed rate
Subordinated notes [5]	75,000	8.05 %	75,000	4.375 %	10/30/2020	10/30/2030	3-month Term SOFR + 4.195%
Trust V	10,310	7.07 %	10,310	7.71 %	8/15/2003	9/17/2033	3-month Term SOFR + 3.10
Trust VI	10,310	7.03 %	10,310	7.67 %	9/3/2003	9/15/2033	3-month Term SOFR + 3.05
Trust CII	5,155	6.92 %	5,155	7.56 %	9/17/2003	9/17/2033	3-month Term SOFR + 2.95
Trust VII	61,856	6.85 %	61,856	7.60 %	2/5/2004	4/23/2034	3-month Term SOFR + 2.75
Trust CIII	20,619	5.67 %	20,619	6.31 %	8/15/2005	9/15/2035	3-month Term SOFR + 1.69
Trust FCCI	16,495	5.58 %	16,495	6.22 %	1/25/2007	3/15/2037	3-month Term SOFR + 1.60
Trust FCBI	10,310	5.53 %	10,310	6.17 %	9/30/2005	12/15/2035	3-month Term SOFR + 1.55
Trust CS 2005-1	82,475	5.93 %	82,475	6.57 %	11/21/2005	12/15/2035	3-month Term SOFR + 1.95
Trust CS 2005-2	128,866	6.05 %	128,866	6.80 %	12/14/2005	1/30/2036	3-month Term SOFR + 1.95
Trust CS 2006-1	51,545	9.20 %	51,545	9.95 %	2/22/2006	4/30/2036	Prime + 1.95
Trust CS 2006-2	51,550	6.05 %	51,550	6.80 %	9/27/2006	10/30/2036	3-month Term SOFR + 1.95
Trust CS 2006-3 [6]	30,275	4.12 %	26,687	5.10 %	9/29/2006	10/30/2036	3-month EURIBOR + 2.05
Trust CS 2006-4	16,470	9.20 %	16,470	9.95 %	12/5/2006	1/30/2037	Prime + 1.95
Trust CS 2006-5	6,650	6.05 %	6,650	6.80 %	12/19/2006	1/30/2037	3-month Term SOFR + 1.95
Trust CS 2007-2	39,177	6.05 %	39,177	6.80 %	6/13/2007	7/30/2037	3-month Term SOFR + 1.95
PMB Statutory Trust III	7,217	7.35 %	7,217	7.99 %	9/16/2002	9/26/2032	3-month Term SOFR + 3.40
PMB Capital Trust III	10,310	6.15 %	10,310	6.89 %	10/4/2004	10/8/2034	3-month Term SOFR + 2.00
Total subordinated debt	1,016,327	5.35 %	1,012,187	5.48 %			
Acquisition discount [7]	(63,587)		(70,264)				
Total subordinated debt, net	$ 952,740		$ 941,923				

(1) Rates do not include the effects of discounts and issuance costs.
(2) Net of unamortized issuance costs of $3.3 million at December 31, 2025 and $3.8 million at December 31, 2024.
(3) Interest rate is fixed until May 1, 2026, when it changes to a floating rate and resets quarterly equal to 3-month Term SOFR, plus a spread of 252 basis points.
(4) Subordinated notes, net issued at the Bank level rather than the holding company level.
(5) Interest rate was fixed at 4.375% until October 30, 2025, when it changed to a floating rate equal to 3-month Term SOFR, plus a spread of 419.5 basis points.
(6) Denomination is in Euros with a value of €25.8 million.
(7) Amount represents the fair value adjustment on subordinated debt assumed in acquisitions.

NOTE 12. DERIVATIVES

We use derivative instruments and other risk management techniques to reduce our exposure to adverse fluctuations in interest rates and foreign currency exchange rates in accordance with our risk management policies and for certain loan clients to allow them to hedge the risk of rising interest rates and on their variable rate loans.

Our derivatives are carried at fair value and recorded in "Other assets" or "Accrued interest payable and other liabilities," as appropriate, in the consolidated balance sheets. On the date we enter into a derivative contract, the derivative is designated as a fair value hedge, cash flow hedge, or a hedge designation is not made as it is a customer-related transaction. When a derivative is designated as a fair value hedge or cash flow hedge, the Company performs an assessment at inception, and at least quarterly thereafter, to determine the effectiveness of the derivative in offsetting changes in the fair value or cash flows of the hedged items.

The following table presents the U.S. dollar notional amounts and fair values of our derivative instruments included in the consolidated balance sheets as of the dates indicated:

	December 31, 2025			December 31, 2024		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Asset	Liability		Asset	Liability
	(In thousands)					
Derivatives Designated as Cash Flow Hedges:						
Interest rate swaps	$ 300,000	$ —	$ 4,043	$ 300,000	$ 1,442	$ —
Interest rate collars	1,000,000	—	22	—	—	—
Derivatives Not Designated as Hedging Instruments:						
Interest rate contracts	150,652	4,124	4,079	192,405	6,516	6,428
Foreign exchange contracts	111,390	—	77	36,155	515	1,134
Equity warrant assets	14,086	3,437	—	16,066	3,763	—
Total contracts	$ 1,576,128	$ 7,561	$ 8,221	$ 544,626	$ 12,236	$ 7,562

Cash Flow Hedge

Cash flow hedges included pay-fixed, receive-floating interest rate swap contracts with notional amounts aggregating $300.0 million, five-year terms, and varying maturity dates throughout 2028. These swap contracts were entered into with institutional counterparties to hedge against variability in cash flow attributable to IRR on a portion of the Company's borrowings. Cash flow hedges also included interest rate collars, which are option contracts designed to limit the Company's exposure to increases in short term interest rates while foregoing some of the upside if short term interest rates decrease significantly. The interest rate collars have notional amounts aggregating to $1.0 billion, with eighteen-month terms, and maturing on October 31, 2026. These collars were entered into with institutional counterparties to hedge against variability in cash flows attributable to IRR on a portion of the Company's floating rate deposits.

The cash flow hedges were deemed highly effective at inception and as of December 31, 2025. For derivatives designated as cash flow hedges, the portion of changes in fair value considered to be highly effective are reported as a component of AOCI on the consolidated balance sheets until the related cash flows from the hedged items are recognized in earnings. As of December 31, 2025, the fair value of the cash flow hedges represented a net liability of $4.1 million, related to which a loss of $3.6 million (net of tax) was included in AOCI. The estimated amount to be reclassified in the next 12 months out of AOCI into earnings is $1.7 million.

Terminated Cash Flow Hedges

The Company terminated all of the pay-fixed, receive floating interest rate swap contracts classified as cash flow hedges with notional amounts of $355.0 million entered into during 2024, and all remaining deferred amounts in AOCI have been amortized into interest expense by the end of the third quarter of 2025.

Other Interest Rate Swaps, Foreign Exchange Contracts, and Equity Warrant Assets Not Designated for Hedge Accounting

The Company offers borrowers interest rate swaps under a "back-to-back" loan hedging program and offsets these "pay floating/receive fixed" contracts with borrowers with "receive floating/pay fixed" swaps with counterparty banks. The total notional balance of these offsetting hedging contracts was $150.7 million at December 31, 2025.

The Company has also hedged the IRR and foreign currency risk on €25.8 million of subordinated debt utilizing a cross currency swap. Under the current terms of the swap, the Company receives three-month Euribor plus 205 basis points and pays a fixed rate of 5.92% with ultimate principal exchanged at maturity. For the year ended December 31, 2025, changes in fair value and fees recorded to "Noninterest income" in the consolidated statements of earnings (loss) were immaterial.

See "Note 15. Fair Value Measurements" for additional information regarding equity warrant assets. For further information regarding our derivatives, see "Note 1. Nature of Operations and Summary of Significant Accounting Policies."

NOTE 13. COMMITMENTS AND CONTINGENCIES

The following table presents a summary of commitments described below as of the dates indicated:

	December 31,	
	2025	2024
	(In thousands)	
Loan commitments to extend credit	$ 5,433,357	$ 4,887,690
Standby letters of credit	244,895	201,768
Total	$ 5,678,252	$ 5,089,458

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 and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement that the Company has in particular classes of financial instruments.

Commitments to extend credit are contractual agreements to lend to our customers when customers are in compliance with their contractual credit agreements and when customers have contractual availability to borrow under such agreements. 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 estimated exposure to loss from these commitments is included in the reserve for unfunded loan commitments, which amounted to $34.9 million at December 31, 2025 and $29.1 million at December 31, 2024.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third-party. We provide standby letters of credit in conjunction with several of our lending arrangements and property lease obligations. Most guarantees expire within one year from the date of issuance. If a borrower defaults on its commitments subject to any letter of credit issued under these arrangements, we would be required to meet the borrower's financial obligation but would seek repayment of that financial obligation from the borrower. In some cases, borrowers have pledged cash and investment securities as collateral under these arrangements.

Additionally, we have commitments to invest in SBICs that call for capital contributions up to an amount specified in the partnership agreements, and in CRA-related loan pools. As of December 31, 2025 and 2024, such commitments totaled $122.1 million and $79.7 million.

Legal Matters

In the ordinary course of our business, we are party to various legal actions, which we believe are incidental to the operation of our business. The outcome of such legal actions and the timing of ultimate resolution are inherently difficult to predict. In the opinion of management, based upon information currently available to us, any resulting liability, in addition to amounts already accrued, and taking into consideration insurance which may be applicable, would not have a material adverse effect on the Company’s financial statements or operations.

NOTE 14. FAIR VALUE OPTION

The Company may elect to report financial instruments and certain other items at fair value on an instrument-by-instrument basis with changes in fair value reported in earnings. The election is made upon the initial recognition of an eligible financial asset, financial liability, or firm commitment or when certain specified reconsideration events occur. The fair value election may not otherwise be revoked once an election is made. The changes in fair value are recorded in "Noninterest income" on the consolidated statements of earnings (loss). However, movements in debt valuation adjustments are reported as a component of "Accumulated other comprehensive loss, net" on the consolidated balance sheets. Debt valuation adjustments represent the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk.

Fair Value Option for Certain Debt Liabilities

The Company has elected the fair value option for the credit-linked notes issued in September 2022. The Company elected the fair value option because these exposures are considered to be structured notes, which are financial instruments that contain embedded derivatives. The notes are linked to the credit risk of an approximately $2.17 billion reference pool of previously purchased SFR mortgage loans at December 31, 2025. The principal balance of the credit-linked notes was $114.9 million at December 31, 2025. The carrying value of the credit-linked notes at December 31, 2025 was $113.6 million, which approximated the fair value. For the years ended December 31, 2025, 2024, and 2023, interest expense on the credit-linked notes totaled $17.9 million, $19.8 million, and $20.2 million, respectively, and is recorded in "Interest expense - borrowings" on the consolidated statements of earnings (loss).

The following table presents the changes in fair value of the credit-linked notes for the which the fair value option has been elected for the years indicated:

Credit-Linked Notes	Year Ended December 31,		
	2025	2024	2023
	(In thousands)		
Changes in fair value - gains (losses) included in earnings	$ 51	$ 1,411	$ (5,404)
Changes in fair value - other comprehensive (loss) income	$ 868	$ (2,589)	$ 7,794

The following table provides information about the credit-linked notes carried at fair value as of the dates indicated:

Credit-Linked Notes	December 31,	
	2025	2024
	(In thousands)	
Carrying value reported on the consolidated balance sheets	$ 113,634	$ 118,838
Aggregate unpaid principal balance in excess of (less than) fair value	$ 1,220	$ 301

NOTE 15. FAIR VALUE MEASUREMENTS

ASC Topic 820, "*Fair Value Measurement*," defines fair value, establishes a framework for measuring fair value including a three-level valuation hierarchy, and expands disclosures about fair value measurements. Fair value is defined as the exchange 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 reflecting assumptions that a market participant would use when pricing an asset or liability. The hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows:

- *Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2:* Observable inputs other than Level 1, including quoted prices for similar assets and liabilities in active markets, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data, either directly or indirectly, for substantially the full term of the financial instrument. This category generally includes agency residential CMOs, agency commercial and residential MBS, municipal securities, collateralized loan obligations, registered publicly rated private label CMOs, corporate debt securities, SBA securities, and asset-backed securitizations.
- *Level 3:* Inputs to a valuation methodology that are unobservable, supported by little or no market activity, and significant to the fair value measurement. These valuation methodologies generally include pricing models, discounted cash flow models, or a determination of fair value that requires significant management judgment or estimation. This category also includes observable inputs from a pricing service not corroborated by observable market data, and includes some of our corporate debt securities, and our equity warrants and credit-linked notes.

We use fair value to measure certain assets and liabilities on a recurring basis, primarily AFS securities and derivatives. For assets measured at the lower of cost or fair value, the fair value measurement criteria may or may not be met during a reporting period and such measurements are therefore considered "nonrecurring" for purposes of disclosing our fair value measurements. Fair value is used on a nonrecurring basis to adjust carrying values for individually evaluated loans and leases and OREO and also to record impairment on certain assets, such as goodwill, CDI, and other long-lived assets.

The Company also holds SBIC investments measured at fair value using the NAV per share practical expedient that are not required to be classified in the fair value hierarchy. At December 31, 2025, the fair value of these investments was $121.1 million.

The following tables present information on the assets and liabilities measured and recorded at fair value on a recurring basis as of the dates indicated:

	Fair Value Measurements as of December 31, 2025			
Measured on a Recurring Basis	**Total**	**Level 1**	**Level 2**	**Level 3**
		(In thousands)		
Securities available-for-sale:				
Agency residential MBS	$ 834,085	$ —	$ 834,085	$ —
Agency commercial MBS	50,966	—	50,966	—
Agency residential CMOs	871,624	—	871,624	—
Corporate debt securities	241,596	—	239,226	2,370
Private label residential CMOs	228,975	—	228,975	—
Collateralized loan obligations	200,822	—	200,822	—
Private label commercial MBS	9,279	—	9,279	—
Asset-backed securities	13,249	—	13,249	—
SBA securities	3,462	—	3,462	—
Total securities available-for-sale	$ 2,454,058	$ —	$ 2,451,688	$ 2,370
Equity investments with readily determinable fair values	$ 2	$ 2	$ —	$ —
Derivatives [(1)]:				
Derivative assets:				
Interest rate and foreign exchange contracts	4,124	—	4,124	—
Equity warrants	3,437	—	—	3,437
Derivative liabilities:				
Cash flow hedges	4,065	—	4,065	—
Interest rate and foreign exchange contracts	4,156	—	4,156	—
Credit-linked notes	113,634	—	—	113,634

(1) For information regarding derivative instruments, see "Note 12. Derivatives."

Measured on a Recurring Basis	Fair Value Measurements as of December 31, 2024			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Securities available-for-sale:				
Agency residential MBS	$ 861,840	$ —	$ 861,840	$ —
Municipal securities	594	—	594	—
Agency commercial MBS	51,564	—	51,564	—
Agency residential CMOs	446,631	—	446,631	—
Corporate debt securities	257,712	—	255,582	2,130
Private label commercial MBS	12,372	—	12,372	—
Collateralized loan obligations	279,416	—	279,416	—
Private label residential CMOs	316,910	—	316,910	—
Asset-backed securities	15,600	—	15,600	—
SBA securities	4,200	—	4,200	—
Total securities available-for-sale	$ 2,246,839	$ —	$ 2,244,709	$ 2,130
Equity investments with readily determinable fair values	$ 3	$ 3	$ —	$ —
Derivatives [1]:				
Derivative assets:				
Cash flow hedges	1,442	—	1,442	—
Interest rate and foreign exchange contracts	7,031	—	7,031	—
Equity warrants	3,763	—	—	3,763
Derivative liabilities:				
Interest rate and foreign exchange contracts	7,562	—	7,562	—
Credit-linked notes	118,838	—	—	118,838

(1) For information regarding derivative instruments, see "Note 12. Derivatives."

During the year ended December 31, 2025, there was a $3,000 transfer from Level 3 equity warrants to Level 1 equity investments with readily determinable fair values measured on a recurring basis.

The following table presents information about quantitative inputs and assumptions used to determine the fair values provided by our third-party pricing service for our Level 3 corporate debt securities AFS measured at fair value on a recurring basis as of the date indicated:

	Corporate Debt Securities December 31, 2025	
Unobservable Inputs	Input or Range of Inputs	Weighted Average Input [1]
Spread to 10 Year Treasury	2.9% - 8.5%	4.5%
Discount rates	7.1% - 12.7%	8.7%

(1) Unobservable inputs for corporate debt securities were weighted by the relative fair values of the instruments.

The following table presents information about the quantitative inputs and assumptions used in the modified Black-Scholes option pricing model to determine the fair value for our Level 3 equity warrants measured at fair value on a recurring basis as of the date indicated:

	Equity Warrants December 31, 2025	
Unobservable Inputs	Range of Inputs	Weighted Average Input [1]
Volatility	19.6% - 965.6%	27.2%
Risk-free interest rate	3.5% - 3.7%	3.6%
Remaining life assumption (in years)	0.08 - 4.99	3.15

(1) Unobservable inputs for equity warrants were weighted by the relative fair values of the instruments.

The following table summarizes activity for our Level 3 corporate debt securities AFS measured at fair value on a recurring basis for the years indicated:

Level 3 Corporate Debt Securities	Year Ended December 31, 2025	2024	2023
		(In thousands)	
Balance, beginning of year	$ 2,130	$ 40,249	$ —
Total included in other comprehensive income	240	30	(11,501)
Transfer from Level 2	—	—	51,750
Transfer to Level 2	—	(38,149)	—
Balance, end of year	$ 2,370	$ 2,130	$ 40,249
Unrealized net gains (losses) for the period included in other comprehensive income for securities held at quarter-end	$ (630)	$ (870)	$ (11,501)

The following table summarizes activity for our Level 3 equity warrants measured at fair value on a recurring basis for the years indicated:

Level 3 Equity Warrants	Year Ended December 31, 2025	2024	2023
		(In thousands)	
Balance, beginning of year	$ 3,763	$ 3,689	$ 4,048
Total included in earnings	1,726	408	(718)
Exercises and settlements [(1)]	(2,355)	(829)	(218)
Issuances	306	516	613
Transfers to Level 1 (equity investments with readily determinable fair values)	(3)	(21)	(36)
Balance, end of year	$ 3,437	$ 3,763	$ 3,689

(1) Includes the exercise of warrants that upon exercise become equity securities in public companies. These are often subject to lock-up restrictions that must be met before the equity security can be sold, during which time they are reported as equity investments with readily determinable fair values.

The following table summarizes activity for our Level 3 credit-linked notes measured at fair value on a recurring basis for the year indicated:

Level 3 Credit-Linked Notes	Year Ended December 31, 2025	2024	2023
		(In thousands)	
Balance, beginning of year	$ 118,838	$ 123,116	$ 132,030
Total included in earnings	(51)	(1,411)	5,404
Total included in other comprehensive income	(868)	2,589	(7,794)
Principal payments	(4,285)	(5,456)	(6,524)
Balance, end of year	$ 113,634	$ 118,838	$ 123,116

The following tables present assets measured at fair value on a non-recurring basis as of the dates indicated:

Measured on a Non-Recurring Basis	Fair Value Measurement as of December 31, 2025 Total	Level 1	Level 2	Level 3
		(In thousands)		
Individually evaluated loans and leases	$ 52,443	$ —	$ 48,401	$ 4,042
OREO, net	248	—	248	—
Total non-recurring	$ 52,691	$ —	$ 48,649	$ 4,042

Measured on a Non-Recurring Basis	Fair Value Measurement as of December 31, 2024			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Individually evaluated loans and leases	$ 58,948	$ —	$ 45,962	$ 12,986
OREO, net	3,372	—	3,372	—
Total non-recurring	$ 62,320	$ —	$ 49,334	$ 12,986

In addition to individually evaluated loans and leases and OREO, loans HFS are carried at the LOCOM and may be measured at fair value on a nonrecurring basis when fair value is less than cost. Fair value is based on active bids and other observable market inputs, such as appraised value of the underlying collaterals, adjusted for specific attributes of that loan or other available market data for similar loans. Loans HFS are classified as Level 2 in the fair value hierarchy.

The following table presents losses recognized on assets measured on a nonrecurring basis for the years indicated:

Loss on Assets Measured on a Non-Recurring Basis	Year Ended December 31,		
	2025	2024	2023
		(In thousands)	
Individually evaluated loans and leases	$ 7,650	$ 35,699	$ 4,403
OREO, net	96	983	1,307
Total net loss	$ 7,746	$ 36,682	$ 5,710

The following table presents the valuation methodology and unobservable inputs for Level 3 assets measured at fair value on a nonrecurring basis as of the date indicated:

	December 31, 2025				
Asset	Fair Value	Valuation Technique	Unobservable Inputs	Input or Range	Weighted Average
Individually evaluated loans and leases	4,042	Third-party appraisals	No discounts		
Total non-recurring Level 3	$ 4,042				

ASC Topic 825, "*Financial Instruments*," requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate such fair values. Additionally, certain financial instruments and all nonfinancial instruments are excluded from the applicable disclosure requirements.

The following tables present carrying amounts and estimated fair values of certain financial instruments as of the dates indicated:

	December 31, 2025				
	Carrying Amount	Estimated Fair Value			
		Total	Level 1	Level 2	Level 3
			(*In thousands*)		
Financial Assets:					
Cash and due from banks	$ 181,103	$ 181,103	$ 181,103	$ —	$ —
Interest-earning deposits in financial institutions	2,126,862	2,126,862	2,126,862	—	—
Securities available-for-sale	2,454,058	2,454,058	—	2,451,688	2,370
Securities held-to-maturity	2,308,636	2,246,526	185,088	2,057,189	4,249
Investment in FRB and FHLB stock	160,442	160,442	—	160,442	—
Loans HFS	182,936	183,083	—	183,083	—
Loans and leases HFI, net	24,787,067	23,871,794	—	48,401	23,823,393
Equity investments with readily determinable fair values	2	2	2	—	—
Equity warrants	3,437	3,437	—	—	3,437
Interest rate and foreign exchange contracts	4,124	4,124	—	4,124	—
Servicing rights	17,480	19,427	—	—	19,427
Financial Liabilities:					
Demand, checking, savings and money market deposits	23,156,094	23,156,094	—	23,156,094	—
Time deposits	4,687,263	4,684,099	—	4,684,099	—
Borrowings	2,063,819	2,069,076	275,185	1,680,257	113,634
Subordinated debt	952,740	934,819	—	934,819	—
Cash flow hedges	4,065	4,065	—	4,065	—
Interest rate and foreign exchange contracts	4,156	4,156	—	4,156	—

	December 31, 2024				
	Carrying Amount	Estimated Fair Value			
		Total	Level 1	Level 2	Level 3
			(*In thousands*)		
Financial Assets:					
Cash and due from banks	$ 192,006	$ 192,006	$ 192,006	$ —	$ —
Interest-earning deposits in financial institutions	2,310,206	2,310,206	2,310,206	—	—
Securities available-for-sale	2,246,839	2,246,839	—	2,244,709	2,130
Securities held-to-maturity	2,306,149	2,156,694	173,283	1,976,265	7,146
Investment in FHLB stock	147,773	147,773	—	147,773	—
Loans HFS	26,331	26,562	—	26,562	—
Loans and leases HFI, net	23,542,303	22,412,073	—	45,962	22,366,111
Equity investments with readily determinable fair values	3	3	3	—	—
Equity warrants	3,763	3,763	—	—	3,763
Cash flow hedges	1,442	1,442	—	1,442	—
Interest rate and foreign exchange contracts	7,031	7,031	—	7,031	—
Servicing rights	19,623	21,040	—	—	21,040
Financial Liabilities:					
Demand, checking, savings and money market deposits	22,625,485	22,625,485	—	22,625,485	—
Time deposits	4,566,424	4,556,575	—	4,556,575	—
Borrowings	1,391,814	1,382,742	—	1,263,904	118,838
Subordinated debt	941,923	901,532	—	901,532	—
Interest rate and foreign exchange contracts	7,562	7,562	—	7,562	—

The following is a description of the valuation methodologies used to measure our assets recorded at fair value (under ASC Topic 820, "*Fair Value Measurement*") and for estimating fair value for financial instruments not recorded at fair value (under ASC Topic 825).

Cash and due from banks. The carrying amount is assumed to be the fair value because of the liquidity of these instruments.

Interest-earning deposits in financial institutions. The carrying amount is assumed to be the fair value given the short-term nature of these deposits.

Securities available-for-sale. AFS securities are measured and carried at fair value on a recurring basis, net of the allowance for credit losses. Unrealized gains and losses on AFS securities are reported as a component of "Accumulated other comprehensive loss, net" in the consolidated balance sheets. See "Note 4. Investment Securities″ for further information on unrealized gains and losses on AFS securities.

Fair value for securities categorized as Level 1, which are publicly traded securities, are based on readily available quoted prices. In determining the fair value of the securities categorized as Level 2, we obtain a report from a nationally recognized broker-dealer detailing the fair value of each investment security we hold as of each reporting date. The broker-dealer uses observable market information to value our securities, with the primary source being a nationally recognized pricing service. We review the market prices provided by the broker-dealer for our securities for reasonableness based on our understanding of the marketplace and we consider any credit issues related to the securities. As we have not made any adjustments to the market quotes provided to us and they are based on observable market data, they have been categorized as Level 2 within the fair value hierarchy.

Our corporate debt securities ("the Level 3 AFS Securities") were categorized as Level 3 due in part to the inactive market for such securities. There is a wide range of prices quoted for our Level 3 AFS Securities among independent third-party pricing services, and this range reflects the significant judgment being exercised over the assumptions and variables that determine the pricing of such securities. We consider this subjectivity relating to our Level 3 AFS Securities to be a significant unobservable input. Had significant changes in default expectations, loss severity factors, or discount rates occurred all together or in isolation, it would have resulted in different fair value measurements at December 31, 2025.

Securities held-to-maturity. HTM securities are carried at amortized cost, net of the allowance for credit losses. Fair value for securities categorized as Level 1, which are publicly traded securities, are based on readily available quoted prices. In determining the fair value of the securities categorized as Level 2, we obtain a report from a nationally recognized broker-dealer detailing the fair value of each investment security we hold as of each reporting date. The broker-dealer uses observable market information to value our securities, with the primary source being a nationally recognized pricing service. We review the market prices provided by the broker-dealer for our securities for reasonableness based on our understanding of the marketplace and we consider any credit issues related to the securities. As we have not made any adjustments to the market quotes provided to us and they are based on observable market data, they have been categorized as Level 2 within the fair value hierarchy.

FRB and FHLB stock. Investments in FRB and FHLB stock are recorded at cost and measured for impairment quarterly. Ownership of FRB and FHLB stock is restricted to member banks and the securities do not have a readily determinable market value. Purchases and sales of these securities are at par value with the issuer. The fair value of investments in FRB and FHLB stock is equal to the carrying amount.

Loans and leases. As loans and leases are not measured at fair value, the following discussion relates to estimating the fair value disclosures under ASC Topic 825. Fair values are measured using the exit price and are estimated for portfolios of loans and leases with similar characteristics. Loans are segregated by type and further segmented into fixed and adjustable rate, term and line of credit, as well as interest-only and non-interest-only. To determine the exit price of a loan or lease, the cash flows are estimated using a model which utilizes future cash flows to calculate their present value using a discounting yield curve with additional spread to account for marked to market adjustments and credit and illiquidity premiums. For similar, homogeneous loans, management may make adjustments to the discount rate arrived at using the previously described methodology based upon the pricing for recent loan pool purchases and/or rates on recent originations.

Individually evaluated loans and leases. Defaulted loans and leases with outstanding balances greater than $250,000 are reviewed individually for expected credit loss, if any, and are recorded at fair value on a non-recurring basis. These defaulted loans and leases are excluded from the loan pools used within the collective evaluation of estimated credit losses. The criteria for default may include any one of the following: (1) on nonaccrual status, (2) payment delinquency of 90 days or more, (3) partial charge-off recognized, or (4) risk rated doubtful or loss.

To the extent a defaulted loan or lease is collateral dependent, we measure expected credit loss based on the estimated fair value of the underlying collateral. The fair value of each loan's collateral is generally based on estimated market prices from an independently prepared appraisal, which is then adjusted for the cost related to liquidating such collateral; such valuation inputs result in a nonrecurring fair value measurement that is categorized as a Level 2 measurement. The Level 2 measurement is based on appraisals obtained within the last 12 months and for which a charge-off was recognized or a change in the specific valuation allowance was made during the year ended December 31, 2025.

When adjustments are made to an appraised value to reflect various factors such as the age of the appraisal or known changes in the market or the collateral, such valuation inputs are considered unobservable, and the fair value measurement is categorized as a Level 3 measurement. The individually evaluated loans and leases categorized as Level 3 also include unsecured loans and other secured loans whose fair values are based significantly on unobservable inputs such as the strength of a guarantor, including an SBA government guarantee, cash flows discounted at the effective loan rate, and management's judgment.

The individually evaluated loan and lease balances shown above as measured on a non-recurring basis represent those defaulted loans and leases for which expected credit loss was recognized during the year ended December 31, 2025. The amounts shown as net losses include the expected credit loss recognized during the year ended December 31, 2025, for the loan and lease balances shown.

OREO. The fair value of OREO is generally based on the lower of estimated market prices from independently prepared current appraisals or negotiated sales prices with potential buyers, less estimated costs to sell; such valuation inputs result in a fair value measurement that is categorized as a Level 2 measurement on a nonrecurring basis. As a matter of policy, appraisals are required annually and may be updated more frequently as circumstances require in the opinion of management. The Level 2 measurement for OREO is based on appraisals obtained within the last 12 months and for which a write-down was recognized during the year ended December 31, 2025.

When a current appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value as a result of known changes in the market or the collateral and there is no observable market price, such valuation inputs result in a fair value measurement that is categorized as a Level 3 measurement. To the extent a negotiated sales price or reduced listing price represents a significant discount to an observable market price, such valuation input would result in a fair value measurement that is also considered a Level 3 measurement. The OREO losses disclosed are write-downs based on either a recent appraisal obtained after foreclosure or an accepted purchase offer by an independent third-party received after foreclosure.

Equity warrants. Equity warrants with net settlement terms are received in connection with extending loan commitments to certain of our customers. We estimate the fair value of equity warrants using a Black-Scholes option pricing model to approximate fair market value. We typically classify our equity warrant derivatives in Level 3 of the fair value hierarchy.

Equity investments with readily determinable fair values. Our equity investments with readily determinable fair values include investments in public companies and publicly-traded mutual funds. Equity investments with readily determinable fair values are recorded at fair value with changes in fair value recorded in "Noninterest income - Other income." Fair value measurements related to these investments are typically classified within Level 1 of the fair value hierarchy.

Deposits. Deposits are carried at historical cost. The fair values of deposits with no stated maturity, such as core deposits (defined as noninterest-bearing demand, interest checking, money market, and savings accounts) and wholesale non-maturity deposits, are equal to the amount payable on demand as of the balance sheet date and considered Level 2. The fair value of time deposits is based on the discounted value of contractual cash flows and considered Level 2. The discount rate is estimated using the borrowing rates currently offered by FHLB for similar remaining maturities. No value has been separately assigned to the Company's long-term relationships with its deposit customers, such as a core deposit intangible.

Borrowings. Borrowings are carried at amortized cost. The fair value of fixed-rate borrowings is estimated by discounting scheduled cash flows through the maturity dates or call dates, if applicable, using estimated market discount rates that reflect current rates offered for borrowings with similar remaining maturities and characteristics and are considered Level 2. Borrowings also include variable-rate credit-linked notes which are carried at fair value. Fair value is estimated by discounting the future expected cash flows by a rate which represents the interest rate spread at issuance adjusted to account for market movement between the issuance date and the valuation date. Since the future expected cash flows are determined based on the unique collateral and waterfall characteristics of our credit-linked notes, they are considered Level 3.

Subordinated debt. Subordinated debt is carried at amortized cost. The fair value of subordinated debt is determined using the price observations for comparable debts that is provided by a major broker-dealer and is considered Level 2.

Derivative assets and liabilities. Derivatives are carried at fair value on a recurring basis and primarily relate to forward exchange contracts which we enter into to manage foreign exchange risk. Our derivatives are principally traded in over-the-counter markets where quoted market prices are not readily available. Instead, the fair value of derivatives is estimated using market observable inputs such as foreign exchange forward rates, interest rate yield curves, volatilities and basis spreads. We also consider counter-party credit risk in valuing our derivatives. We typically classify our foreign exchange derivatives in Level 2 of the fair value hierarchy.

Commitments to extend credit. The majority of our commitments to extend credit carry current market interest rates if converted to loans. Because these commitments are generally not assignable by either the borrower or us, they only have value to the borrower and us. The estimated fair value approximates the recorded deferred fee amounts and is excluded from the table above because it is not material.

Limitations

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instrument. These estimates do not reflect income taxes or any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a portion of the Company's financial instruments, fair value estimates are based on what management believes to be reasonable judgments regarding expected future cash flows, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimated fair values are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Since the fair values have been estimated as of December 31, 2025, the amounts that will actually be realized or paid at settlement or maturity of the instruments could be significantly different.

NOTE 16. INCOME TAXES

The following table presents the components of income tax expense for the years indicated:

	Year Ended December 31,		
	2025	2024	2023
		(In thousands)	
Current Tax Expense:			
Federal	$ 46,763	$ 45,554	$ 34,219
State	1,611	1,156	3,387
Total current tax expense	48,374	46,710	37,606
Deferred Tax (Benefit) Expense:			
Federal	5,518	(6,082)	(238,865)
State	30,210	1,138	(110,942)
Total deferred tax (benefit) expense	35,728	(4,944)	(349,807)
Total income tax (benefit) expense	$ 84,102	$ 41,766	$ (312,201)

For the year ended December 31, 2025, the Company generated income before income taxes totaling $313 million, all of which was attributable to U.S. income. The Company does not have operations located outside the U.S.

In December 2023, the FASB issued ASU 2023-09, "*Improvement to Income Tax Disclosure,*" which aims to enhance income tax disclosures with the intention to provide investors with better understanding of an entity's global operations, effective tax rates and tax risks in making capital investment decisions. The new standard requires tax rate reconciliation to be segmented into eight standardized categories and to disaggregate items meeting or exceeding a 5% threshold.

Public business entities are required to adopt ASU 2023-09 for annual periods beginning after December 15, 2024, and should be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted. The Company adopted ASU 2023-09 in the calendar year beginning January 1, 2025, on a prospective basis.

The following table presents a reconciliation of the Company's income taxes for 2025:

	Year Ended December 31, 2025	
	Amount	Percent
	(In thousands)	
U.S federal statutory tax rate	$ 65,746	21.0 %
State and local income taxes, net of federal benefits [1]	28,267	9.0 %
Tax credits:		
Low income housing tax credits	(5,527)	(1.8)%
Changes in valuation allowances	(982)	(0.3)%
Nontaxable or nondeductible items:		
Tax exempt interest income	(16,643)	(5.3)%
Disallowed interest expense	9,233	3.0 %
Disallowed FDIC premium	3,499	1.1 %
Other	586	0.2 %
Changes in unrecognized tax benefits	28	0.0 %
Other adjustments	(105)	0.0 %
Effective tax rate	$ 84,102	26.9 %

(1) State taxes in California made up the majority (greater than 50%) of the tax effect in this category.

The following table presents income taxes paid (net of refunds received) for the year ended December 31, 2025:

	Year Ended December 31, 2025
	(In thousands)
U.S federal taxes	$ (7,760)
State and local taxes:	
California	14,611
Other states	694
Total income taxes paid	$ 7,545

The following table presents a reconciliation of the recorded income tax expense to the amount of taxes computed by applying the applicable federal statutory income tax rates of 21% for 2024 and 2023 to earnings before income taxes:

	Year Ended December 31,	
	2024	2023
	(In thousands)	
Computed expected income tax (benefit) expense at federal statutory rate	$ 35,417	$ (464,381)
State tax (benefit) expense, net of federal tax benefit	12,657	(156,669)
Goodwill impairment	—	286,811
Tax-exempt interest benefit	(15,572)	(12,518)
Increase in cash surrender value of life insurance	(1,246)	(1,455)
Low income housing tax credits, net of amortization	(12,378)	(8,574)
Nondeductible employee compensation	1,683	3,947
Nondeductible acquisition-related expense	—	5,456
Nondeductible FDIC premiums	9,377	18,973
Change in unrecognized tax benefits	40	443
Valuation allowance change	(2,115)	(5,948)
Disallowed interest	11,043	12,318
Equity compensation shortfall (windfall)	4,991	4,949
State rate and apportionment changes	(4,662)	2,240
Other, net	2,531	2,207
Recorded income tax (benefit) expense	$ 41,766	$ (312,201)

The Company recognized $54.3 million, $57.9 million, and $42.7 million of tax credits and other tax benefits associated with its investments in LIHTC partnerships for the years ended December 31, 2025, 2024, and 2023. The amount of amortization of such investments reported in income tax expense under the proportional amortization method of accounting was $45.0 million for 2025, $45.6 million for 2024, and $34.1 million for 2023.

As of December 31, 2025, for federal tax purposes, the Company had $151.7 million of LIHTC and solar tax credit carryforwards available to apply against future tax liability, expiring from 2042 to 2045. The Company had $12.7 million state LIHTC carryforwards, which can be carried forward indefinitely.

At December 31, 2025, we had $773.7 million of federal net operating loss carryforwards, almost all of which can be carried forward indefinitely, and approximately $1.33 billion of state net operating loss carryforwards available to be applied against future taxable income. A majority of the state net operating loss carryforwards will expire in varying amounts from 2026 through 2044. A portion of the state net operating loss carryforwards generated after December 31, 2017 can be carried forward indefinitely due to the state conformity to the federal net operating loss carryforward provisions as modified by the Tax Cuts and Jobs Act.

The following table presents the tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities as of the dates indicated:

	December 31,	
	2025	2024
	(In thousands)	
Deferred Tax Assets:		
Book allowance for loan losses in excess of tax specific charge-offs	$ 78,989	$ 78,096
Fair value mark on acquired loans	43,637	65,100
Interest on nonaccrual loans	6,596	4,569
Deferred compensation	4,490	4,902
Foreclosed assets valuation allowance	86	335
Net operating losses	261,014	292,843
Accrued liabilities	88,077	102,232
Unrealized loss from FDIC-assisted acquisitions	503	413
Unrealized loss on securities available-for-sale	54,454	79,977
Unrealized loss on securities held-to-maturity	51,006	62,162
Tax mark-to-market on loans	227	250
Goodwill	64,512	73,863
Tax credits	164,071	130,522
Lease liability	33,421	35,447
FDIC indemnification asset	1,779	7,028
Other	2,891	3,159
Gross deferred tax assets	855,753	940,898
Valuation allowance	(16,065)	(19,015)
Deferred tax assets, net of valuation allowance	839,688	921,883
Deferred Tax Liabilities:		
Core deposit and customer relationship intangibles	20,367	27,292
Deferred loan fees and costs	861	2,193
Unrealized gain on credit-linked notes	1,706	1,452
Premises and equipment, principally due to differences in depreciation	2,181	5,710
FHLB stock	570	553
Subordinated debt	13,118	14,789
Equity investments	12,375	9,695
Operating leases	103,633	110,415
ROU assets	28,122	29,197
Gross deferred tax liabilities	182,933	201,296
Total net deferred tax assets	$ 656,755	$ 720,587

Based upon our taxpaying history and estimates of taxable income over the years in which the items giving rise to the DTAs are deductible, management believes it is more likely than not the Company will realize the benefits of these DTAs. The Company's net DTAs decreased at December 31, 2025, compared to December 31, 2024 due primarily to a decrease in unrealized loss on AFS securities.

The Company had net income taxes receivable of $8.4 million and $18.0 million at December 31, 2025 and December 31, 2024.

As of December 31, 2025 and 2024, the Company had a valuation allowance of $16.1 million and $19.0 million against DTAs. Periodic reviews of the carrying amount of DTAs are made to determine if a valuation allowance is necessary. A valuation allowance is required, based on available evidence, when it is more likely than not that all or a portion of a DTA will not be realized due to the inability to generate sufficient taxable income in the period and/or of the character necessary to utilize the benefit of the DTA. All available evidence, both positive and negative, that may affect the realizability of the DTA is identified and considered in determining the appropriate amount of the valuation allowance. It is more likely than not that these DTAs subject to a valuation allowance will not be realized primarily due to their character and/or the expiration of the carryforward periods.

The net decrease of $3.0 million in the total valuation allowance during the year ended December 31, 2025 was primarily related to the expiration and the expected realization of state net operating losses DTA that were previously reserved.

The following table summarizes the activity related to the Company's unrecognized tax benefits for the years indicated:

Unrecognized Tax Benefits	Year Ended December 31, 2025	2024
	(In thousands)	
Balance, beginning of year	$ 645	$ 1,598
Reductions for tax positions related to prior years	—	(953)
Reductions related to settlements	(335)	—
Balance, end of year	$ 310	$ 645
Unrecognized tax benefits that would affect the effective tax rate if recognized	$ 310	$ 645

We recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense.

For the year ended December 31, 2025, we reduced our accrual for interest expense and penalties by $0.1 million. For the year ended December 31, 2024,we reduced our accrual for interest expense and penalties by $0.4 million and recognized tax expense of $0.1 million. We had $0.1 million and $0.2 million accrued for the payment of interest and penalties as of December 31, 2025 and 2024, respectively.

We file federal and state income tax returns with the Internal Revenue Service (“IRS”) and various state and local jurisdictions and generally remain subject to examinations by these tax jurisdictions for tax years 2021 through 2024. We are currently under examination by the IRS and certain state and local jurisdictions for various tax years ranging between 2015 and 2022.

NOTE 17. EARNINGS (LOSS) PER SHARE

The following tables present the computation of basic and diluted net earnings (loss) per share for the years indicated:

	Year Ended December 31, 2025			
	Voting Common	Class B Non-Voting Common	Non-Voting Common Stock Equivalents	Total
	(In thousands, except per share amounts)			
Basic Earnings Per Share: [1]				
Net earnings available to common and equivalent stockholders	$ 179,149	$ 565	$ 9,471	$ 189,185
Less: Earnings allocated to unvested restricted stock [2]	(130)	—	—	(130)
Net earnings allocated to common and equivalent shares	$ 179,019	$ 565	$ 9,471	$ 189,055
Weighted average basic shares and unvested restricted stock outstanding	151,456	477	8,001	159,934
Less: weighted average unvested restricted stock outstanding	(127)	—	—	(127)
Weighted average basic shares outstanding	151,329	477	8,001	159,807
Basic earnings per share	$ 1.18	$ 1.18	$ 1.18	$ 1.18
Diluted Earnings Per Share: [3]				
Net earnings available to common and equivalent stockholders	$ 179,149	$ 565	$ 9,471	$ 189,185
Reallocation of net earnings as a result of conversion of NVCE to Voting Common	9,471	—	—	—
Reallocation of net earnings	7	(7)	1,234	—
Net earnings for diluted earnings per share	$ 188,627	$ 558	$ 10,705	$ 189,185
Weighted average diluted shares outstanding	152,096	477	9,151	161,724
Conversion on NVCE to Voting Common	9,151	—	—	—
Shares used in computation of diluted earnings per share	161,247	477	9,151	161,724
Diluted earnings per share	$ 1.17	$ 1.17	$ 1.17	$ 1.17

(1) Basic earnings per share is using the two-class method.
(2) Represents cash dividends paid to holders of unvested restricted stock, net of forfeitures, plus undistributed earnings available to holders of unvested restricted stock, if any.
(3) Diluted earnings per share is using the treasury method.

	Year Ended December 31, 2024			
	Voting Common	Class B Non-Voting Common	Non-Voting Common Stock Equivalents	Total
	(In thousands, except per share amounts)			
Basic Earnings Per Share: [1]				
Net earnings available to common and equivalent stockholders	$ 81,619	$ 246	$ 5,235	$ 87,100
Less: Earnings allocated to unvested restricted stock [2]	58	—	—	58
Net earnings allocated to common and equivalent shares	$ 81,677	$ 246	$ 5,235	$ 87,158
Weighted average basic shares and unvested restricted stock outstanding	158,321	477	10,123	168,921
Less: weighted average unvested restricted stock outstanding	(480)	—	—	(480)
Weighted average basic shares outstanding	157,841	477	10,123	168,441
Basic earnings per share	$ 0.52	$ 0.52	$ 0.52	$ 0.52
Diluted Earnings Per Share: [3]				
Net earnings allocated to common and equivalent shares	$ 81,619	$ 246	$ 5,235	$ 87,100
Weighted average diluted shares outstanding	158,084	477	10,123	168,684
Diluted earnings per share	$ 0.52	$ 0.52	$ 0.52	$ 0.52

(1) Basic earnings per share is using the two-class method.
(2) Represents cash dividends paid to holders of unvested restricted stock, net of forfeitures, plus undistributed earnings available to holders of unvested restricted stock, if any.
(3) Diluted earnings per share is using the treasury method.

	Year Ended December 31, 2023			
	Voting Common	Class B Non-Voting Common	Non-Voting Common Stock Equivalents	Total
	(In thousands, except per share amounts)			
Basic Loss Per Share:				
Net loss available to common and equivalent stockholders	$ (1,917,121)	$ (920)	$ (20,884)	$ (1,938,925)
Less: Earnings allocated to unvested restricted stock [1]	—	—	—	—
Net loss allocated to common and equivalent shares	$ (1,917,121)	$ (920)	$ (20,884)	$ (1,938,925)
Weighted average basic shares and unvested restricted stock outstanding	85,603	40	920	86,563
Less: weighted average unvested restricted stock outstanding	(1,169)	—	—	(1,169)
Weighted average basic shares outstanding	84,434	40	920	85,394
Basic loss per share	$ (22.71)	$ (22.71)	$ (22.71)	$ (22.71)
Diluted Loss Per Share: [2]				
Net loss allocated to common and equivalent shares	$ (1,917,121)	$ (920)	$ (20,884)	$ (1,938,925)
Weighted average diluted shares outstanding	84,434	40	920	85,394
Diluted loss per share	$ (22.71)	$ (22.71)	$ (22.71)	$ (22.71)

(1) Represents cash dividends paid to holders of unvested restricted stock, net of forfeitures, plus undistributed earnings available to holders of unvested restricted stock, if any.
(2) Diluted earnings per share is using the two-class method.

The following table presents the weighted average outstanding restricted shares and warrants that were not included in the computation of diluted earnings (loss) per share because their effect would be anti-dilutive for the years ended December 31, 2025, 2024, and 2023:

	Year Ended December 31,		
	2025	2024	2023
		(In thousands)	
Restricted stock awards and units	127	480	1,169
Warrants	—	18,902	1,605

NOTE 18. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is measured based on the consideration specified in the contract with a customer, and excludes amounts collected on behalf of third parties. The Company recognizes revenue from contracts with customers when it satisfies its performance obligations. Such performance obligations are typically satisfied as services are rendered and payment is generally collected at the time services are rendered, or on a monthly, quarterly, or annual basis. The Company had no material unsatisfied performance obligations as of December 31, 2025.

In certain cases, other parties are involved with providing products and services to our customers. If the Company is a principal in the transaction (providing goods or services itself), revenues are reported based on the gross consideration received from the customer and any related expenses are reported gross in noninterest expense. If the Company is an agent in the transaction (arranging for another party to provide goods or services), the Company reports its net fee or commission retained as revenue. Rebates, waivers, and reversals are recorded as a reduction of revenue either when the revenue is recognized by the Company or at the time the rebate, waiver, or reversal is earned by the customer.

The Company has elected the following practical expedients: (1) we do not disclose information about remaining performance obligations that have original expected durations of one year or less; and (2) we do not adjust the consideration from customers for the effects of a significant financing component if at contract inception the period between when the Company transfers the goods or services and when the customer pays for that good or service will be one year or less.

Nature of Goods and Services

Substantially all of the Company's revenue, such as interest income on loans, investment securities, and interest-earning deposits in financial institutions, is specifically out-of-scope of ASC Topic 606. For the revenue that is in-scope, the following is a description of principal activities, separated by the timing of revenue recognition, from which the Company generates its revenue from contracts with customers:

- *Revenue earned at a point in time.* Examples of revenue earned at a point in time are ATM transaction fees, wire transfer fees, NSF fees, and credit and debit card interchange fees. Revenue is generally derived from transactional information accumulated by our systems and is recognized as revenue immediately as the transactions occur or upon providing the service to complete the customer's transaction. The Company is the principal in each of these contracts with the exception of credit and debit card interchange fees, in which case the Company is acting as the agent and records revenue net of expenses paid to the principal.
- *Revenue earned over time.* The Company earns certain revenue from contracts with customers monthly. Examples of this type of revenue are deposit account service fees, investment management fees, merchant referral services, MasterCard marketing incentives, and safe deposit box fees. Account service charges, management fees, and referral fees are recognized on a monthly basis while any transaction-based revenue is recorded as the activity occurs. Revenue is primarily based on the number and type of transactions and is generally derived from transactional information accumulated by our systems. Revenue is recorded in the same period as the related transactions occur or services are rendered to the customer.

Disaggregation of Revenue

The following table presents "Interest income" and "Noninterest income," the components of total revenue, as disclosed in the consolidated statements of earnings (loss) and the related amounts which are from contracts with customers within the scope of ASC Topic 606. As illustrated here, substantially all of our revenue is specifically excluded from the scope of ASC Topic 606.

	Year Ended December 31,					
	2025		2024		2023	
	Total Recorded Revenue	Revenue from Contracts with Customers	Total Recorded Revenue	Revenue from Contracts with Customers	Total Recorded Revenue	Revenue from Contracts with Customers
	(In thousands)					
Total Interest Income	$ 1,676,653	$ —	$ 1,812,705	$ —	$ 1,971,000	$ —
Noninterest Income:						
Other commissions and fees	38,637	19,089	33,258	18,052	38,086	16,597
Leased equipment income	47,717	—	51,109	—	63,167	—
Service charges on deposit accounts	19,146	19,146	18,583	18,583	16,468	16,468
(Loss) gain on sale of loans	(115)	—	645	—	(161,346)	—
Loss sale of securities	—	—	(60,400)	—	(442,413)	—
Dividends and gains on equity investments	7,992	—	7,982	—	15,731	—
Warrant income (loss)	1,726	—	408	—	(718)	—
LOCOM HFS adjustment	(9)	—	215	—	(8,461)	—
Other income	27,045	560	25,345	589	31,201	702
Total noninterest income (loss)	142,139	38,795	77,145	37,224	(448,285)	33,767
Total Revenue	$ 1,818,792	$ 38,795	$ 1,889,850	$ 37,224	$ 1,522,715	$ 33,767

The following table presents revenue from contracts with customers based on the timing of revenue recognition for the year indicated:

	Year Ended December 31,		
	2025	2024	2023
	(In thousands)		
Products and services transferred at a point in time	$ 15,849	$ 17,074	$ 15,761
Products and services transferred over time	22,946	20,150	18,006
Total revenue from contracts with customers	$ 38,795	$ 37,224	$ 33,767

Contract Balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers as of the dates indicated:

	December 31,	
	2025	2024
	(In thousands)	
Receivables, which are included in "Other assets"	$ 2,147	$ 1,679
Contract assets, which are included in "Other assets"	$ —	$ —
Contract liabilities, which are included in "Accrued interest payable and other liabilities"	$ 279	$ 348

Contract liabilities relate to advance consideration received from customers for which revenue is recognized over the life of the contract. The change in contract liabilities for the year ended December 31, 2025 due to revenue recognized that was included in the contract liability balance at the beginning of the year was $69,000.

NOTE 19. STOCK-BASED COMPENSATION

At the special meeting of stockholders held on November 22, 2023, the Company's stockholders approved the Amended and Restated Banc of California, Inc. 2018 Stock Incentive Plan (the "Amended and Restated 2018 Plan"). The Company's Amended and Restated 2018 Plan permits stock-based compensation awards to officers, directors, employees, and consultants and will remain in effect until November 30, 2033. The Amended and Restated 2018 Plan authorizes grants of stock-based compensation instruments to purchase or issue up to 10,717,882 shares. As of December 31, 2025, there were 3,555,357 shares available for grant under the Amended and Restated 2018 Plan. In addition to the Amended and Restated 2018 Plan, in connection with the Merger, the Company assumed the Amended and Restated PacWest Bancorp 2017 Stock Incentive Plan (the "PacWest 2017 Plan") with respect to PacWest's outstanding stock-based awards.

Restricted Stock (RSUs, TRSAs and PSUs)

Restricted stock amortization totaled $22.8 million, $14.5 million, and $27.4 million for the years ended December 31, 2025, 2024, and 2023. Such amounts are included in compensation expense on the accompanying consolidated statements of earnings (loss) and exclude $885,000, $944,000, and $1,305,000 of stock-based compensation expense for the years ended December 31, 2025, 2024, and 2023 related to our directors, which is included in other expense on the accompanying consolidated statements of earnings (loss). The income tax benefit recognized in the consolidated statements of earnings (loss) related to this expense was $6.1 million, $3.6 million, and $3.9 million for the years ended December 31, 2025, 2024, and 2023. The amount of unrecognized compensation expense related to all RSUs, TRSAs, and PSUs as of December 31, 2025 totaled $44.0 million. Such expense is expected to be recognized over a weighted average period of 2.4 years.

The following table presents a summary of restricted stock transactions during the year ended December 31, 2025:

	RSUs		TRSAs		PSUs	
Year Ended December 31, 2025	Number of Units	Weighted Average Grant Date Fair Value (Per Unit)	Number of Shares	Weighted Average Grant Date Fair Value (Per Share)	Number of Units	Weighted Average Grant Date Fair Value (Per Unit)
Unvested restricted stock, beginning of year	1,759,335	$12.98	211,206	$51.27	2,283,531	$9.07
Granted	1,630,631	$14.62	—	—	328,935	$15.72
Vested	592,387	$15.22	129,716	$53.94	—	—
Forfeited	240,243	$14.59	5,992	$50.49	307,841	$8.77
Unvested restricted stock, end of year	2,557,336	$14.59	75,498	$46.75	2,304,625	$10.06

Restricted Stock Units and Time-Based Restricted Stock Awards

At December 31, 2025, there were 2,557,336 shares of unvested RSUs outstanding pursuant to the Amended and Restated 2018 Plan. At December 31, 2025, there were 75,498 shares of unvested TRSAs outstanding pursuant to the PacWest 2017 Plan. The RSUs and TRSAs generally vest over a service period of three or four years from the date of the grant or immediately upon death of an employee. Compensation expense related to RSUs and TRSAs is based on the fair value of the underlying stock on the award date and is recognized over the vesting period using the straight-line method. TRSAs were assumed by the Company in connection with the Merger and continue to vest in accordance with the original vesting schedule of the awards.

TRSA grants are subject to "double-trigger" vesting in the event of a change in control of the Company, as defined in the PacWest 2017 Plan, and in the event an employee's employment is terminated within 24 months after the change in control by the Company without Cause or by the employee for Good Reason, as defined in the PacWest 2017 Stock Plan, such awards will vest.

There were no TRSAs granted in 2025 and 2024. The weighted average grant date fair value per share of TRSAs granted during 2023 was $41.49. The weighted average grant date fair value per share of RSUs granted during 2025 and 2024 was $14.62 and $14.32. The vesting date fair value of TRSAs that vested during 2025, 2024, and 2023 was $1.8 million, $6.0 million, and $14.0 million. The vesting date fair value of RSUs that vested during 2025 and 2024 was $8.7 million and $3.8 million.

Performance Stock Units

At December 31, 2025, there were 2,304,625 units of unvested PSUs outstanding. Compensation expense related to PSUs is based on the fair value of the underlying stock on the award date and is amortized over the vesting period using the straight-line method unless it is determined that: (1) attainment of the financial metrics is less than probable, in which case a portion of the amortization is suspended, or (2) attainment of the financial metrics is improbable, in which case a portion of the previously recognized amortization is reversed and also suspended. Annual PSU expense may vary during the performance period based upon changes in management's estimate of the number of shares that may ultimately vest. In the case where the performance target for the PSU's is based on a market condition (such as total shareholder return), the amortization is neither reversed nor suspended if it is subsequently determined that the attainment of the performance target is less than probable or improbable and the employee continues to meet the service requirement of the award.

The weighted average grant date fair value per share of PSUs granted during 2025, 2024, and 2023 was $15.72, $9.00, and $48.41. There were no PSUs that vested in 2025 and 2024. The vesting date fair value of PSUs that vested during 2023 was $0.6 million.

NOTE 20. BENEFIT PLANS

401(k) Plans

The Company sponsors a defined contribution plan whereby all employees may participate. Employees may contribute up to 100% of their annual compensation, subject to certain limits imposed by the Internal Revenue Code. Employer contributions are determined annually by the Board of Directors in accordance with plan requirements and applicable tax code. Plan participants are immediately vested in matching contributions received from the Company. The Company matches 100% of the first 4% of the employee's deferral rate not to exceed 4% of the employee's compensation. Expense related to 401(k) employer matching contributions was $8.5 million, $7.5 million, and $7.7 million for the years ended December 31, 2025, 2024, and 2023.

NOTE 21. STOCKHOLDERS' EQUITY

Classes of Stock and Equity Instruments

Preferred Stock

Depositary shares each representing 1/40th of a share of 7.75% Fixed Rate Reset Non-Cumulative Perpetual Preferred Stock, Series F ("Series F Preferred Stock") are listed on the NYSE under the symbol "BANC/PF." The Series F Preferred Stock ranks senior to our common stock and common stock equivalents both as to dividends and liquidation preference but generally have no voting rights. There are 50,000,000 total preferred shares authorized, of which 27,000,000 were authorized for the non-voting common stock equivalents ("NVCE") and 513,250 were authorized and outstanding for the Series F Preferred stock at December 31, 2025 and 2024.

Common Stock

Our voting common stock is listed on the NYSE under the symbol "BANC" and there were 446,863,844 shares authorized at December 31, 2025 and 2024 and 149,963,520 shares outstanding at December 31, 2025 and 158,346,529 shares outstanding at December 31, 2024.

Class B Non-Voting Common Stock

Our Class B non-voting common stock is not listed or traded on any national securities exchange or automated quotation system, and there currently is no established trading market for such stock. The Class B non-voting common stock ranks equally with, and has identical rights, preferences, and privileges as the voting common stock with respect to dividends and liquidation preference but generally have no voting rights. There were 3,136,156 shares authorized at December 31, 2025 and 2024 and 477,321 shares outstanding at December 31, 2025 and 2024.

Non-Voting Common Stock Equivalents

In conjunction with the Merger, the Company issued a new class of NVCE from authorized preferred stock, which were issued under the Investment Agreements (as defined below). Our NVCE stock is not listed or traded on any national securities exchange or automated quotation system, and there currently is no established trading market for such stock. The NVCE stock does not have voting rights and ranks equally with, and has identical rights, preferences, and privileges as, the voting common stock with respect to dividends or distributions (including regular quarterly dividends) declared by the Board and rights upon any liquidation, dissolution, winding up or similar proceeding of the Company. The NVCE stock is convertible into shares of voting common stock on a one-for-one basis, generally upon transfer to an eligible holder or the occurrence of other specified events in accordance with the terms of the Warburg Investment Agreement (as defined below) with affiliates of funds managed by Warburg Pincus LLC (the "Warburg Investors"). There were 27,000,000 shares of NVCE stock authorized at December 31, 2025 and 2024 and 5,017,064 shares of NVCE stock outstanding at December 31, 2025 and 9,790,600 at December 31, 2024.

During the third quarter of 2025, certain affiliates of Warburg Pincus LLC sold 4,500,000 shares of the Company's NVCE in a negotiated block trade with a third party at a price per share of $16.38. The transaction was executed at a market-based price reflecting a customary block trade discount, and the NVCE shares automatically converted to common shares upon sale. The Company also repurchased 1,150,000 shares of its NVCE stock from the Warburg Investors at that same price per share under the Company's authorized share repurchase program. The repurchased shares were retired upon settlement and recorded as a reduction to stockholders' equity.

Warrants

In conjunction with the Merger and per the terms of the investment agreements, each dated July 25, 2023, entered into by Banc of California, Inc. with the Warburg Investors (such agreement, the "Warburg Investment Agreement") and the Centerbridge Investor (together with the Warburg Investment Agreement, the "Investment Agreements"), respectively, the Warburg Investors received warrants to purchase 15,853,659 shares of NVCE stock (the "Warburg Warrants"), and the Centerbridge Investor received warrants to purchase 3,048,780 shares of voting common stock (the "Centerbridge Warrants"), each with an initial exercise price of $15.375 per share, subject to customary anti-dilution adjustments provided for under the warrant agreements. The warrants carry a term of seven years but are subject to mandatory exercise when the market price of the voting common stock reaches or exceeds $24.60 for 20 or more trading days during any 30-consecutive trading day period. These warrants are being accounted for as equity. The exercise price of the Centerbridge Warrants will be adjusted downward, per the terms of their warrant agreement, and the exercise price of the Warburg Warrants will also be adjusted, per the terms of their warrant agreement and the NVCE Articles Supplementary, for cash distributions to stockholders of the Company's voting common stock, including the Company's quarterly cash dividend.

In addition to their holdings of NVCE and warrants, the Warburg Investors beneficially owned approximately 9.63% of the Company's outstanding voting common stock as of December 31, 2025. See "Note 25. Related Party Transactions" for additional information regarding these holdings.

Common Stock Repurchased

The Company's common stock repurchased consisted of: (1) restricted stock surrendered and (2) stock repurchased under the Company's Stock Repurchase Program.

Restricted Stock Surrendered

Restricted stock surrendered represents shares surrendered to the Company resulting from the statutory payroll tax obligations arising from the vesting of stock awards.

The following table shows the dollar amount of shares surrendered, shares surrendered, and weighted average price per share for stock surrendered for the years indicated:

	Year Ended December 31,		
Restricted Stock Surrendered	**2025**	**2024**	**2023**
Dollar amount of shares surrendered (*in thousands*)	$ 3,714	$ 2,708	$ 5,421
Number of shares surrendered	254,280	187,783	228,151
Weighted average price per share	$ 14.61	$ 14.42	$ 23.76

Stock Repurchase Program

On March 17, 2025, we announced that our Board of Directors authorized the repurchase of up to $150.0 million of our common stock. On April 23, 2025, we announced an upsize of the stock repurchase program from $150.0 million to $300.0 million and expanded the program to cover both the Company's common stock and depositary shares representing its preferred stock. The repurchase authorization expires in March 2026.

During the first quarter of 2025, common stock repurchased under the program totaled 2,684,823 shares at a weighted average price per share of $14.36, or $38.5 million in the aggregate. During the second quarter of 2025, common stock repurchased under the program totaled 8,809,814 shares at a weighted average price per share of $12.65, or $111.5 million in the aggregate. During the third quarter of 2025, common and common equivalent stock repurchased under the program totaled 2,153,792 shares at a weighted average price per share of $16.48, or $35.5 million in aggregate. The third quarter of 2025 repurchases include 1,150,000 shares of our NVCE stock from the Warburg Investors at a price of $16.38. During the year ended December 31, 2025, common and common equivalent stock repurchased under the program totaled 13,648,429 shares at a weighted average price per share of $13.59, or $185.5 million in the aggregate. As of December 31, 2025, the Company had $114.5 million remaining under the stock repurchase authorization.

Purchases may be made in open-market transactions, in block transactions on or off an exchange, in privately negotiated transactions or by other means as determined by our management and in accordance with the regulations of the SEC. The timing of purchases and the number of shares repurchased under the program will depend on a variety of factors including price, trading volume, corporate and regulatory requirements, and market conditions. The program may be changed, suspended, or discontinued at any time.

Preferred Stock Issuance

On June 6, 2022, PacWest Bancorp issued and sold 20,530,000 depositary shares (the “Depositary Shares”), each representing a 1/40th ownership interest in a share of the Company’s 7.75% fixed rate reset non-cumulative, non-convertible, perpetual preferred stock, Series A, par value $0.01 per share (the “Series A preferred stock”), with a liquidation preference of $1,000 per share of Series A preferred stock (equivalent to $25.00 per Depositary Share). The gross proceeds were $513.3 million while net proceeds from the issuance of the Series A preferred stock, after deducting $14.7 million of offering costs including the underwriting discount and other expenses, were $498.5 million. In conjunction with the Merger, each share of Series A preferred stock was exchanged for a new share of Banc of California, Inc. 7.75% fixed rate reset non-cumulative, non-convertible, perpetual preferred stock, Series F, par value $0.01 per share (the “Series F preferred stock”). The Series F preferred stock qualifies as Tier 1 capital for purposes of regulatory capital calculations.

Holders of the Depositary Shares will be entitled to all proportional rights and preferences of the Series F preferred stock (including dividend, voting, redemption, and liquidation rights).

Dividends on the Series F preferred stock are not cumulative or mandatory. If the Company’s Board of Directors does not declare a dividend on the Series F preferred stock in respect of a dividend period, then no dividend shall be deemed to be payable for such dividend period or be cumulative, and the Company will have no obligation to pay any dividend for that dividend period, whether or not the Board of Directors declares a dividend on the Series F preferred stock or any other class or series of its capital stock for any future dividend period. Additionally, so long as any share of Series F preferred stock remains outstanding, unless dividends on all outstanding shares of Series F preferred stock for the most recently completed dividend period have been paid in full or declared and a sum sufficient for the payment thereof has been set aside for payment, no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on the Company’s common stock.

The Series F preferred stock is perpetual and has no maturity date. The Series F preferred stock is not subject to any mandatory redemption, sinking fund, or other similar provisions. The Company, at its option and subject to prior regulatory approval, may redeem the Series F preferred stock (i) in whole or in part, from time to time, on any dividend payment date on or after September 1, 2027 or (ii) in whole but not in part at any time within 90 days following a regulatory capital treatment event, in each case, at a redemption price equal to $1,000 per share of Series F preferred stock (equivalent to $25 per Depositary Share), plus any declared and unpaid dividends, without regard to any undeclared dividends, to but excluding the redemption date. Neither the holders of the Series F preferred stock nor holders of the Depositary Shares have the right to require the redemption or repurchase of the Series F preferred stock.

NOTE 22. DIVIDEND AVAILABILITY AND REGULATORY MATTERS

Holders of Company common stock may receive dividends if declared by the Board and permitted under Maryland General Corporation Law ("MGCL"), federal regulations, and certain debt covenants. Dividend payments are subject to regulatory restrictions. Both the FRB and DFPI may limit or prohibit dividends if the Bank's financial condition is weak, if proposed dividends exceed earning, or if they negatively impact the capital structure. The Bank had a cumulative net loss of $1.4 billion during the three fiscal years of 2025, 2024, and 2023, compared to dividends of $556.0 million paid by the Bank during that same period. During 2025, Banc of California, Inc. received $430.0 million in dividends from the Bank. Since the Bank had an accumulated deficit of $269.3 million at December 31, 2025, for the foreseeable future, dividends from the Bank to Banc of California, Inc. will require DFPI and FRB approval.

Banc of California, Inc., as a bank holding company, is subject to regulatory capital requirements established by federal regulatory agencies. These rules require the maintenance of minimum capital ratios and establish a framework for prompt corrective action that classified institutions based on their capital positions. Failure to meet these minimum standards can trigger mandatory and discretionary regulatory actions that could materially affect the Company's operations and financial condition. Under applicable capital adequacy guidelines, the Company and the Bank must meet quantitative capital measures that consider assets, liabilities, and certain off-balance sheet exposures, as determined under regulatory accounting practices.

Regulatory capital rules require us to maintain minimum ratios of CET1 capital, Tier 1 capital and total capital, as well as leverage ratio. The banking agencies also publish "well capitalized" thresholds used to assess capital adequacy. As of December 31, 2025 and 2024, the Company and Bank exceeded all regulatory minimums and were classified as "well capitalized."

Under the Basel III regulatory capital framework, banking organizations are also required to maintain a 2.5% capital conservation buffer above the minimum risk based capital ratios to avoid limitation on capital distributions, share repurchases, and certain discretionary compensation. Our CET1, Tier 1, and total capital ratios at December 31, 2025 exceeded the minimum requirements inclusive of the capital conservation buffer.

The Company and Bank elected the CECL five-year regulatory transition guidance for calculating regulatory capital ratios, which phases in the impact over a five year period ending December, 2024. As a result, the 2024 capital rations reflect a 25% capital benefit related to the to the allowance for credit losses increase recognized upon adoption of CECL.

The following tables present actual capital amounts and ratios for the Company and the Bank, along with the minimum levels required to be considered "well capitalized" as of the dates indicated:

	Actual		Well Capitalized Minimum Requirement		Capital Conservation Buffer Requirement
	Balance	Ratio	Balance	Ratio	
			(Dollars in thousands)		
December 31, 2025					
Tier I leverage capital (to average assets):					
Banc of California, Inc.	$ 3,331,161	9.99%	$ —	N/A	N/A
Banc of California	$ 3,543,771	10.65%	$ 1,663,677	5.00%	N/A
CET1 capital (to risk-weighted assets):					
Banc of California, Inc.	$ 2,701,645	10.01%	$ —	N/A	7.00%
Banc of California	$ 3,543,771	13.15%	$ 1,751,120	6.50%	7.00%
Tier I capital (to risk-weighted assets)					
Banc of California, Inc.	$ 3,331,161	12.34%	$ 1,619,857	6.00%	8.50%
Banc of California	$ 3,543,771	13.15%	$ 2,155,225	8.00%	8.50%
Total capital (to risk-weighted assets):					
Banc of California, Inc.	$ 4,403,973	16.31%	$ 2,699,762	10.00%	10.50%
Banc of California	$ 4,206,727	15.61%	$ 2,694,031	10.00%	10.50%

	Actual		Well Capitalized Minimum Requirement		Capital Conservation Buffer Requirement
	Balance	Ratio	Balance	Ratio	
			(Dollars in thousands)		
December 31, 2024					
Tier I leverage capital (to average assets):					
Banc of California, Inc.	$ 3,369,457	10.15%	$ —	N/A	N/A
Banc of California	$ 3,671,545	11.08%	$ 1,656,718	5.00%	N/A
CET1 capital (to risk-weighted assets):					
Banc of California, Inc.	$ 2,739,941	10.55%	$ —	N/A	7.00%
Banc of California	$ 3,671,545	14.17%	$ 1,684,283	6.50%	7.00%
Tier I capital (to risk-weighted assets)					
Banc of California, Inc.	$ 3,369,457	12.97%	$ 1,558,601	6.00%	8.50%
Banc of California	$ 3,671,545	14.17%	$ 2,072,963	8.00%	8.50%
Total capital (to risk-weighted assets):					
Banc of California, Inc.	$ 4,427,860	17.05%	$ 2,597,668	10.00%	10.50%
Banc of California	$ 4,315,098	16.65%	$ 2,591,204	10.00%	10.50%

NOTE 23. CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY

The following tables present the parent company only condensed balance sheets and the related condensed statements of earnings (loss) and condensed statements of cash flows as of and for the years indicated:

Parent Company Only	December 31,	
Condensed Balance Sheets	2025	2024
	(In thousands)	
Assets:		
Cash and cash equivalents	$ 159,701	$ 192,255
Investments in subsidiaries	3,513,121	3,570,039
Other assets	92,584	134,799
Total assets	$ 3,765,406	$ 3,897,093
Liabilities:		
Borrowings	$ —	$ 172,976
Subordinated debt	216,369	214,709
Other liabilities	7,760	9,459
Total liabilities	224,129	397,144
Stockholders' equity	3,541,277	3,499,949
Total liabilities and stockholders' equity	$ 3,765,406	$ 3,897,093

Parent Company Only Condensed Statements of Earnings (Loss)	Year Ended December 31,		
	2025	2024	2023
		(In thousands)	
Miscellaneous income	$ 4,576	$ 6,601	$ 8,978
Dividends from Bank subsidiary	430,000	80,000	46,000
Total income	434,576	86,601	54,978
Interest expense	19,551	29,217	12,067
Operating expenses	5,011	4,716	11,944
Total expenses	24,562	33,933	24,011
Earnings before income taxes and equity in undistributed earnings of subsidiaries	410,014	52,668	30,967
Income tax benefit	7,049	8,463	4,455
Earnings before equity in undistributed earnings of subsidiaries	417,063	61,131	35,422
Equity in undistributed (loss) earnings of subsidiaries	(188,090)	65,757	(1,934,559)
Net earnings (loss)	228,973	126,888	(1,899,137)
Preferred stock dividends	39,788	39,788	39,788
Net earnings (loss) available to common and equivalent stockholders	$ 189,185	$ 87,100	$ (1,938,925)

Parent Company Only Condensed Statements of Cash Flows	Year Ended December 31,		
	2025	2024	2023
		(In thousands)	
Cash flows from operating activities:			
Net earnings (loss)	$ 228,973	$ 126,888	$ (1,899,137)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,684	4,608	378
Change in other assets	(3,438)	(42,141)	(466,018)
Change in liabilities	(3,168)	(22,063)	20,907
Earned stock compensation	23,352	15,448	28,697
Equity in undistributed loss (earnings) of subsidiaries	188,090	(65,757)	1,934,559
Net cash provided by (used in) operating activities	436,493	16,983	(380,614)
Cash flows from investing activities:			
Cash acquired in acquisitions, net of consideration paid	—	—	26,310
Net cash provided by investing activities	—	—	26,310
Cash flows from financing activities:			
Restricted stock surrendered	(3,714)	(2,708)	(5,419)
Repayments of borrowings	(174,000)	—	—
Net proceeds from stock issuance	—	—	382,900
Exercise of options	77	—	—
Common shares purchased under the Dividend Reinvestment Plan	—	308	69
Common shares repurchased under Stock Repurchase Program	(187,727)	—	—
Preferred stock dividends paid	(39,788)	(39,788)	(39,788)
Common stock dividends paid	(63,895)	(68,298)	(48,881)
Net cash (used in) provided by financing activities	(469,047)	(110,486)	288,881
Net decrease in cash and cash equivalents	(32,554)	(93,503)	(65,423)
Cash and cash equivalents, beginning of year	192,255	285,758	351,181
Cash and cash equivalents, end of year	$ 159,701	$ 192,255	$ 285,758

NOTE 24. SEGMENT REPORTING

The Company provides banking and treasury management services to small, middle-market, and venture-backed businesses. The principal business activities of the Company are gathering deposits, originating and servicing loans and leases and investing in investment securities. The Company's CODM is the Chief Executive Officer.

The Company operates as one reportable segment - Commercial Banking - based on how the CODM manages the business activities, which are described above. The CODM uses net earnings (loss) to evaluate income (loss) generated from segment assets, assess performance, decide how to allocate resources, determine dividend availability, establish management's compensation, and guide other strategic decisions. The accounting policies of the Commercial Banking segment are the same as those described in "Note 1. Nature of Operations and Summary of Significant Accounting Policies." Additionally, the Company does not have intra-entity sales or transfers.

The following presents our operating segment income statement, including significant expense categories, regularly reviewed by the CODM, and the reconciliation of segment net earnings (loss) to consolidated net earnings (loss) for the years indicated:

Income Statement	**Year Ended December 31,**		
Commercial Banking Segment	**2025**	**2024**	**2023**
		(In thousands)	
Total interest income	$ 1,676,653	$ 1,812,705	$ 1,971,000
Total interest expense	699,267	886,655	1,223,872
Net interest income	977,386	926,050	747,128
Provision for credit losses	70,600	42,801	52,000
Net interest income after provision for credit losses	906,786	883,249	695,128
Noninterest income (loss)	142,139	77,145	(448,285)
Noninterest expense:			
Compensation	349,506	341,396	332,353
Insurance and assessments	32,750	70,779	135,666
Customer related expense	105,425	129,471	124,104
Occupancy	60,624	67,993	61,668
Information technology and data processing	55,458	60,418	51,805
Leased equipment depreciation	26,393	29,271	34,243
Other professional services	23,087	20,857	24,623
Loan expense	16,372	17,306	20,458
Intangible asset amortization	28,267	33,143	11,419
Acquisition, integration and reorganization costs	—	(14,183)	142,633
Goodwill impairment	—	—	1,376,736
Other expense [1]	37,968	35,289	142,473
Total noninterest expense	735,850	791,740	2,458,181
Earnings (loss) before income taxes	313,075	168,654	(2,211,338)
Income tax expense (benefit)	84,102	41,766	(312,201)
Segment net earnings (loss) [2]	$ 228,973	$ 126,888	$ (1,899,137)

(1) Includes business development expense, communications expense, stationery and supplies, employee related expenses, operating and other losses, OREO expenses, and other corporate overhead and operating expenses. Other expense also included unfunded commitments fair value loss adjustments related to loan sales for the year ended December 31, 2023.

(2) Segment earnings is the same as net earnings (loss) reported on the consolidated statements of earnings (loss).

The following presents our operating segment balance sheet information and the reconciliation of segment assets to consolidated total assets as of the dates indicated:

Balance Sheet Data	**December 31,**	
Commercial Banking Segment	**2025**	**2024**
	(In thousands)	
Segment total assets [1]	$ 34,797,442	$ 33,542,864

(1) Segment total assets is the same as total assets reported on the consolidated balance sheets.

NOTE 25. RELATED PARTY TRANSACTIONS

Certain of our executive officers and directors, and their related interests, are customers of, or have had transactions with, the Bank in the ordinary course of business, including deposits, loans, and other financial services-related transactions. From time to time, the Bank may make loans to executive officers and directors, and their related interests, in the ordinary course of businesses in accordance with the Bank's underwriting guidelines, and do not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2025, no related party loans were categorized as nonaccrual, past due, restructured, or potential problem loans.

Transactions with Related Parties

The Company and the Bank have engaged in the transaction described below with the Company's current directors, executive officers, and beneficial owners of more than five percent of the outstanding shares of the Company's voting common stock and certain persons related to them.

The Company is a party to a services agreement with IntraFi Network LLC (“IntraFi”) whereby IntraFi provides the Bank with certain insured cash sweep services from time to time. Affiliates of funds managed by Warburg Pincus LLC hold a material investment interest in IntraFi. Additionally, one of Warburg Pincus LLC’s principals, Todd Schell, who currently serves as a member of the Board, is a member of the board of directors of IntraFi. Affiliates of funds managed by Warburg Pincus LLC beneficially owned approximately 9.63% of the Company’s outstanding voting common stock as of December 31, 2025. For the years ended December 31, 2025, 2024 and 2023, the amount paid to IntraFi for certain insured cash sweep services was $7.5 million, $8.0 million, and $9.2 million, respectively.

During the third quarter of 2025, the Company also repurchased 1,150,000 shares of our NVCE stock from the Warburg Investors. See "Note 21. Stockholders’ Equity" for additional information regarding this transaction.

NOTE 26. SUBSEQUENT EVENTS

Stock Repurchase Program

As discussed in "Note 21. Stockholders' Equity," the Company has an active stock repurchase program. On February 2, 2026, the Company purchased 1,000,000 shares of its NVCE stock at $20.00 per share for $20 million.

Common Stock Dividend

On February 5, 2026, the Company announced that the Board of Directors had declared a quarterly cash dividend of $0.12 per common share, representing a 20% increase to the most recent dividend declaration. The cash dividend is payable on April 1, 2026, to stockholders of record at the close of business on March 16, 2026.

Preferred Stock Dividend

On February 5, 2026, the Company announced that the Board of Directors had declared a quarterly cash dividend of $0.4845 per Depositary Share. The cash dividend is payable on March 2, 2026 to stockholders of record at the close of business on February 19, 2026.

We have evaluated events that have occurred subsequent to December 31, 2025 and have concluded there are no subsequent events that would require recognition in the accompanying consolidated financial statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures as of December 31, 2025 and have concluded that these disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rules 13a-15(f). Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation under the framework in *Internal Control-Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2025. See "Management's Report on Internal Control Over Financial Reporting" set forth in Part II, Item 8 for additional information regarding management's evaluation.

Report of the Independent Registered Public Accounting Firm. Ernst & Young LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting as stated in their report entitled "Report of Independent Registered Public Accounting Firm" which appears herein under "Item 8. Financial Statements and Supplementary Data."

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting that occurred during the fourth quarter of 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item regarding the Company's directors and executive officers, and corporate governance, including information with respect to Section 16(a) reporting compliance, will appear in the Proxy Statement we will deliver to our stockholders in connection with our 2026 Annual Meeting of Stockholders. Such information is incorporated herein by reference. Information relating to the registrant's Code of Business Conduct and Ethics that applies to its employees, including its senior financial officers, is included in Part I of this Annual Report on Form 10-K under "Available Information." Such information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will appear in the Proxy Statement we will deliver to our stockholders in connection with our 2026 Annual Meeting of Stockholders. Such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item regarding security ownership of certain beneficial owners and management will appear in the Proxy Statement we will deliver to our stockholders in connection with our 2026 Annual Meeting of Stockholders. Such information is incorporated herein by reference.

The following table provides information as of December 31, 2025 regarding securities issued and to be issued under our equity compensation plan in effect during fiscal year 2025:

Plan Category	Plan Name	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	Amended and Restated Banc of California, Inc. 2018 Stock Incentive Plan [1]	—	$ —	3,555,357 (2)
Equity compensation plans not approved by security holders	None	—	—	—
Total		—	$ —	3,555,357

(1) The Amended and Restated Banc of California, Inc. 2018 Stock Incentive Plan (the "Amended and Restated 2018 Plan") was approved by our stockholders at our November 22, 2023 Special Meeting of Stockholders, authorizing 10,717,882 shares for issuance. In addition to the Amended and Restated 2018 Plan, in connection with the Merger, the Company assumed the Amended and Restated PacWest Bancorp 2017 Stock Incentive Plan (the "PacWest 2017 Plan") with respect to PacWest's outstanding stock-based awards.

(2) The Amended and Restated 2018 Plan permits these remaining shares to be issued in the form of options, PSUs, RSUs, restricted stock, or stock appreciation rights.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item will appear in the Proxy Statement we will deliver to our stockholders in connection with our 2026 Annual Meeting of Stockholders. Such information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item will appear in the Proxy Statement we will deliver to our stockholders in connection with our 2026 Annual Meeting of Stockholders. Such information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Financial Statements

The consolidated financial statements of Banc of California, Inc. and its subsidiaries and independent auditors' report are included in Item 8 under Part II of this Form 10-K.

Financial Statement Schedules

All financial statement schedules have been omitted, as they are either inapplicable or included in the Notes to Consolidated Financial Statements.

Exhibits

The following documents are included or incorporated by reference in this Annual Report on Form 10-K:

2.1	Agreement and Plan of Merger, dated as of July 25, 2023, by and among PacWest Bancorp, Banc of California, Inc. and Cal Merger Sub, Inc. (incorporated by reference to Exhibit 2.1 of the Registrant's Form 8-K filed with the SEC on July 28, 2023).**
3.1	Third Articles of Restatement of Banc of California, Inc., restated as of February 27, 2024 (Exhibit 3.1 to the Registrant's Annual Report on Form 10-K filed on February 29, 2024 and incorporated herein by reference).
3.2	Sixth Amended and Restated Bylaws of Banc of California, Inc. (Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on May 15, 2023 and incorporated herein by reference.)
4.1	Other long-term borrowing instruments are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Registrant undertakes to furnish upon request to the Commission a copy of each instrument defining rights of holders of senior and subordinated debt of the Registrant.
4.2	Deposit Agreement, dated as of November 30, 2023, among Banc of California, Inc., Computershare Inc. and Computershare Trust Company, N.A., jointly acting as depositary, and the holders from time to time of the depositary receipts evidencing the depositary shares (incorporated by reference to Exhibit 4.1 of Banc of California, Inc.'s Current Report on Form 8-K filed with the SEC on December 1, 2023).
4.3	Form of Depositary Receipt (included as part of Exhibit 4.2).
4.4	Warrant, dated as of November 30, 2023, issued by Banc of California, Inc. to affiliates of funds managed by Warburg Pincus LLC (incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed with the SEC on December 1, 2023).
4.5	Warrant, dated as of November 30, 2023, issued by Banc of California, Inc. to certain investment vehicles sponsored, managed or advised by Centerbridge Partners, L.P. and its affiliates (incorporated by reference to Exhibit 4.4 of the Registrant's Current Report on Form 8-K filed with the SEC on December 1, 2023).
4.6	Description of the Registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 (Filed herewith).
10.1	Investment Agreement, dated as of July 25, 2023, by and between Banc of California, Inc. and affiliates of funds managed by Warburg Pincus LLC (incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K filed with the SEC on July 28, 2023).
10.2	Investment Agreement, dated as of July 25, 2023, by and between Banc of California, Inc. and certain investment vehicles sponsored, managed or advised by Centerbridge Partners, L.P. and its affiliates (incorporated by reference to Exhibit 10.3 of the Registrant's Form 8-K filed with the SEC on July 28, 2023).
10.3	Registration Rights Agreement, dated as of November 30, 2023, by and among Banc of California, Inc., affiliates of funds managed by Warburg Pincus LLC, and certain investment vehicles sponsored, managed or advised by Centerbridge Partners, L.P. and its affiliates (incorporated by reference to Exhibit 10.3 of the Registrant's Form 8-K filed with the SEC on December 1, 2023).
10.4*	Amended and Restated Employment Agreement, dated as of May 17, 2024, by and among Jared M. Wolff, Banc of California, Inc. and Banc of California, filed as an exhibit to the Registrant's Form 8-K filed with the SEC on May 20, 2024 and incorporated herein by reference.
10.5*	Employment Agreement, dated as of July 5, 2023, between and among Banc of California, Inc., Banc of California, N.A. and Joseph Kauder, filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 and incorporated herein by reference.
10.6*	Separation Agreement and General Release, dated as of October 9, 2024, between and among Banc of California and John Sotoodeh filed as an exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2024 and incorporated herein by reference..
10.7*	Banc of California, Inc. Executive Incentive Compensation Plan, filed as an exhibit to the Registrant's Form 8-K filed with the SEC on May 2, 2019 and incorporated herein by reference.
10.8*	Banc of California, Inc. Executive Change in Control Severance Plan, filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 and incorporated herein by reference.

10.09*	Banc of California, Inc. Amended and Restated 2018 Omnibus Stock Incentive Plan ("2018 Omnibus Plan"), included as an annex to the Banc of California, Inc. Registration Statement on Form S-4 filed on October 19, 2023 and incorporated herein by reference.
10.10*	Amended and Restated PacWest Bancorp 2017 Stock Incentive Plan, effective as of May 11, 2021, filed as an exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2023 and incorporated herein by reference.
10.11*	Form of Stock Award Agreement and Grant Notice pursuant to the Amended and Restated PacWest Bancorp 2017 Stock Incentive Plan, filed as an exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2023 and incorporated herein by reference.
10.12*	Form of Incentive Stock Option Agreement under the 2018 Omnibus Plan, filed as an exhibit to the Registrant's Registration Statement on Form S-8 filed on August 17, 2018 and incorporated herein by reference.
10.13*	Form of Performance-Based Incentive Stock Option Agreement under the 2018 Omnibus Plan, filed as an exhibit to the Registrant's Registration Statement on Form S-8 filed on August 17, 2018 and incorporated herein by reference.
10.14*	Form of Non-Qualified Stock Option Agreement under the 2018 Omnibus Plan, filed as an exhibit to the Registrant's Registration Statement on Form S-8 filed on August 17, 2018 and incorporated herein by reference.
10.15*	Form of Performance-Based Non-Qualified Stock Option Agreement under the 2018 Omnibus Plan, filed as an exhibit to the Registrant's Registration Statement on Form S-8 filed on August 17, 2018 and incorporated herein by reference.
10.16*	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors under the 2018 Omnibus Plan, filed as an exhibit to the Registrant's Registration Statement on Form S-8 filed on August 17, 2018 and incorporated herein by reference.
10.17*	Form of Restricted Stock Agreement under the 2018 Omnibus Plan, filed as an exhibit to the Registrant's Registration Statement on Form S-8 filed on August 17, 2018 and incorporated herein by reference.
10.18*	Form of Performance-Based Restricted Stock Agreement under the 2018 Omnibus Plan, filed as an exhibit to the Registrant's Registration Statement on Form S-8 filed on August 17, 2018 and incorporated herein by reference.
10.19*	Form of Restricted Stock Agreement for Non-Employee Directors under the 2018 Omnibus Plan, filed as an exhibit to the Registrant's Registration Statement on Form S-8 filed on August 17, 2018 and incorporated herein by reference.
10.20*	Form of Restricted Stock Unit Agreement under the 2018 Omnibus Plan, filed as an exhibit to the Registrant's Registration Statement on Form S-8 filed on August 17, 2018 and incorporated herein by reference.
10.21*	Form of Performance Unit Agreement under the 2018 Omnibus Plan, filed as an exhibit to the Registrant's Registration Statement on Form S-8 filed on August 17, 2018 and incorporated herein by reference.
10.22*	Form of Restricted Stock Unit Agreement for Non-Employee Directors under the 2018 Omnibus Plan, filed as an exhibit to the Registrant's Registration Statement on Form S-8 filed on August 17, 2018 and incorporated herein by reference.
10.23*	Form of Director and Executive Officer Indemnification Agreement, filed as an exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.
10.24*	Banc of California, Inc. Employee Severance Plan and Summary Plan Description, filed as an exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2024 and incorporated herein by reference.
19.1	Banc of California, Inc. Insider Trading Policy, filed as an exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2024 and incorporated herein by reference.

21.1	Subsidiaries of the Registrant (Filed herewith).
23.1	Consent of Ernst & Young LLP (Filed herewith).
23.2	Consent of KPMG LLP (Filed herewith).
31.1	Section 302 Certification of Chief Executive Officer (Filed herewith).
31.2	Section 302 Certification of Chief Financial Officer (Filed herewith).
32.1+	Section 906 Certification of Chief Executive Officer (Furnished herewith).
32.2+	Section 906 Certification of Chief Financial Officer (Furnished herewith).
97*	Banc of California, Inc. Mandatory Recoupment Policy, filed as an exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2023 and incorporated herein by reference.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2025 and 2024, (ii) the Consolidated Statements of Earnings (Loss) for the years ended December 31, 2025, 2024, and 2023, (iii) the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2025, 2024, and 2023, (iv) the Consolidated Statement of Changes in Stockholders' Equity for the years ended December 31, 2025, 2024, and 2023, (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2025, 2024, and 2023, and (vi) the Notes to Consolidated Financial Statements. (Pursuant to Rule 406T of Regulation S-T, this information is deemed furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.) (Filed herewith).
104	Cover page of Banc of California, Inc.'s Annual Report on Form 10-K formatted in Inline XBRL (contained in Exhibit 101)

* Management contract or compensatory plan or arrangement.

** Pursuant to Item 601(a)(5) of Regulation S-K, certain schedules and similar attachments have been omitted. The registrant hereby agrees to furnish a copy of any omitted schedule or similar attachment to the SEC upon request.

\+ This exhibit shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. Such exhibit shall not be deemed incorporated into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representation and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at the any other time.

The exhibits listed in Item 15(a)3 are incorporated by reference or attached hereto.

ITEM 16. FORM 10-K SUMMARY

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BANC OF CALIFORNIA, INC.

Dated: February 27, 2026

By: /s/ JARED M. WOLFF
Jared M. Wolff
Chairman and Chief Executive Officer
(Duly Authorized Representative)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JARED M. WOLFF Jared M. Wolff	Chairman of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer)	February 27, 2026
/s/ JOHN M. EGGEMEYER, III John M. Eggemeyer, III	Vice Chairman of the Board of Directors, Lead Director	February 27, 2026
/s/ JOSEPH KAUDER Joseph Kauder	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	February 27, 2026
/s/ KAREN HON Karen Hon	Executive Vice President, Chief Accounting Officer (Principal Accounting Officer)	February 27, 2026
/s/ JAMES A. "CONAN" BARKER James A. "Conan" Barker	Director	February 27, 2026
/s/ PAUL R. BURKE Paul R. Burke	Director	February 27, 2026
/s/ MARY A. CURRAN Mary A. Curran	Director	February 27, 2026
/s/ SHANNON F. EUSEY Shannon F. Eusey	Director	February 27, 2026
/s/ RICHARD J. LASHLEY Richard J. Lashley	Director	February 27, 2026
/s/ SUSAN E. LESTER Susan E. Lester	Director	February 27, 2026
/s/ JOSEPH J. RICE Joseph J. Rice	Director	February 27, 2026
/s/ TODD SCHELL Todd Schell	Director	February 27, 2026
/s/ VANIA E. SCHLOGEL Vania E. Schlogel	Director	February 27, 2026
/s/ANDREW THAU Andrew Thau	Director	February 27, 2026