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**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

As of December 31, 2025 and 2024
and for Years Ended December 31, 2025, 2024 and 2023

**WEST COAST
COMMUNITY BANCORP**

WEST COAST COMMUNITY BANCORP
CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2025 and 2024 and
for the Years Ended December 31, 2025, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

The Shareholders and Board of Directors
West Coast Community Bancorp
Santa Cruz, California

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

We have audited the consolidated financial statements of West Coast Community Bancorp, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2025, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of West Coast Community Bancorp as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of three years in the period ended December 31, 2025 in accordance with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, West Coast Community Bancorp's internal control over financial reporting as of December 31, 2025, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated February 27, 2026 expressed an unmodified opinion.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

(Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Crowe LLP

Crowe LLP

Sacramento, California
February 27, 2026

WEST COAST COMMUNITY BANCORP
CONSOLIDATED BALANCE SHEETS
As of December 31, 2025 and 2024
Dollars in thousands

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 190,678	\$ 84,653
Interest-earning deposits in other financial institutions	104	354
Debt securities available-for-sale (amortized cost \$390,996 and \$419,237 at December 31, 2025 and 2024, respectively, net of allowance of credit losses of \$0)	384,608	400,473
Debt securities held-to-maturity, net of allowance for credit losses of \$0 (fair value \$6,257 and \$6,805 at December 31, 2025 and 2024, respectively)	6,544	7,273
Loans held for investment	2,172,464	2,045,215
Less: Allowance for credit losses on loans	(38,173)	(31,622)
Loans held for investment, net of allowance	2,134,291	2,013,593
Non-marketable equity investments, at cost	15,355	15,355
Premises and equipment, net	10,285	9,397
Goodwill	40,054	40,054
Core deposit intangible asset, net	23,858	28,051
Bank-owned life insurance	29,492	27,550
Accrued interest receivable and other assets	48,415	53,675
Total assets	\$ 2,883,684	\$ 2,680,428
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing	\$ 1,012,201	\$ 1,014,263
Interest-bearing	1,464,851	1,296,220
Total deposits	2,477,052	2,310,483
Subordinated debentures	7,790	11,608
Accrued interest payable and other liabilities	22,015	25,356
Total liabilities	2,506,857	2,347,447
 Commitments and contingencies (see Note 17 - "Loan Commitments and Other Related Activities")		
Shareholders' equity		
Preferred stock, no par value; 10,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock, no par value; 30,000,000 shares authorized; 10,482,767 and 10,556,467 shares issued at December 31, 2025 and 2024, respectively	198,250	204,787
Retained earnings	182,448	140,672
Accumulated other comprehensive loss, net of taxes	(3,871)	(12,478)
Total shareholders' equity	376,827	332,981
Total liabilities and shareholder's equity	\$ 2,883,684	\$ 2,680,428

Accompanying notes are an integral part of these consolidated financial statements.

WEST COAST COMMUNITY BANCORP
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2025, 2024 and 2023
Dollars in thousands, except per share data

	2025	2024	2023
Interest income			
Loans, including fees	\$ 150,507	\$ 111,315	\$ 88,759
Interest-earning deposits in other financial institutions	3,364	2,018	1,199
Taxable securities	10,954	5,381	4,212
Tax-exempt securities	2,316	923	223
Federal funds sold	—	—	10
Total interest income	<u>167,141</u>	<u>119,637</u>	<u>94,403</u>
Interest expense			
Deposits	30,562	24,142	11,506
Subordinated debentures	1,937	237	—
Federal Home Loan Bank advances and other borrowings	412	130	643
Total interest expense	<u>32,911</u>	<u>24,509</u>	<u>12,149</u>
Net interest income before provision for credit losses	134,230	95,128	82,254
Provision for credit losses on loans	6,178	6,929	554
Provision for credit losses on unfunded loan commitments	785	110	859
Net interest income after provision for credit losses	<u>127,267</u>	<u>88,089</u>	<u>80,841</u>
Noninterest income			
Service charges on deposits	742	681	471
Loan servicing fees	508	568	728
ATM fee income	1,107	883	885
Earnings on bank-owned life insurance	742	548	454
Dividends on non-marketable equity securities	1,144	844	510
Loss on sale of securities	(281)	—	(30)
(Loss) gain on sale/disposal of other assets	—	(507)	250
Other	1,060	1,036	814
Total noninterest income	<u>5,022</u>	<u>4,053</u>	<u>4,082</u>
Noninterest expense			
Salaries and employee benefits	33,898	24,611	19,699
Occupancy	3,289	2,685	2,347
Furniture and equipment	3,734	2,688	2,291
Marketing, business development and shareholder-related expense	1,965	1,035	834
Data and item processing	2,789	2,229	1,939
Regulatory assessments, including federal deposit insurance	1,559	1,054	958
Amortization of core deposit intangibles	4,193	1,320	363
Professional fees	2,173	1,310	1,259
Acquisition-related expense	698	7,050	—
Other	7,927	6,223	5,463
Total noninterest expense	<u>62,225</u>	<u>50,205</u>	<u>35,153</u>

Income before income taxes	70,064	41,937	49,770
Income tax expense	19,635	12,358	14,620
Net income	<u>\$ 50,429</u>	<u>\$ 29,579</u>	<u>\$ 35,150</u>
Earnings per share			
Basic	\$ 4.81	\$ 3.32	\$ 4.19
Diluted	\$ 4.76	\$ 3.28	\$ 4.17

Accompanying notes are an integral part of these consolidated financial statements.

WEST COAST COMMUNITY BANCORP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2025, 2024 and 2023
Dollars in thousands

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Net income	\$ 50,429	\$ 29,579	\$ 35,150
Other comprehensive income			
Unrealized gains (losses) on securities			
Change in unrealized losses on available-for-sale securities	12,095	(3,760)	8,929
Reclassification adjustment for losses realized on the sale of available-for-sale securities in net income	281	—	30
Amortization of net unrealized losses on securities transferred from available for sale to held-to-maturity	1	—	1
Tax effect	(3,659)	1,112	(2,649)
Net of tax	<u>8,718</u>	<u>(2,648)</u>	<u>6,311</u>
Defined benefit pension plans			
Actuarial net (loss) gain arising during the period	(60)	91	158
Reclassification adjustment for amortization of net gain included in net periodic pension cost	(97)	(99)	(78)
Tax effect	46	2	(24)
Net of tax	<u>(111)</u>	<u>(6)</u>	<u>56</u>
Total other comprehensive income (loss)	<u>8,607</u>	<u>(2,654)</u>	<u>6,367</u>
Comprehensive income	<u>\$ 59,036</u>	<u>\$ 26,925</u>	<u>\$ 41,517</u>

Accompanying notes are an integral part of these consolidated financial statements.

WEST COAST COMMUNITY BANCORP
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
As of December 31, 2025, 2024 and 2023
Dollars in thousands, except per share data

	Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2022	8,477,272	\$ 124,628	\$ 89,239	\$ (16,191)	\$ 197,676
Cumulative effect of change in accounting principle: adoption of ASU 2016-13			(3,263)		(3,263)
Net income	—	—	35,150	—	35,150
Stock repurchased	(121,079)	(2,999)	—	—	(2,999)
Other comprehensive income	—	—	—	6,367	6,367
Cash dividends declared (\$0.46 per share)	—	—	(3,863)	—	(3,863)
Stock-based compensation	—	725	—	—	725
Exercise of stock options	22,712	243	—	—	243
Restricted stock awards granted	27,775	—	—	—	—
Balance at December 31, 2023	8,406,680	122,597	117,263	(9,824)	230,036
Net income	—	—	29,579	—	29,579
Issuance of common stock in business combination	2,071,483	80,788	—	—	80,788
Stock repurchased	(254)	(7)	—	—	(7)
Excise tax from stock repurchase	—	(21)	—	—	(21)
Other comprehensive loss	—	—	—	(2,654)	(2,654)
Cash dividends declared (\$0.69 per share)	—	—	(6,170)	—	(6,170)
Stock-based compensation	—	854	—	—	854
Exercise of stock options, net	30,847	576	—	—	576
Restricted stock awards granted	47,711	—	—	—	—
Balance at December 31, 2024	10,556,467	204,787	140,672	(12,478)	332,981
Net income	—	—	50,429	—	50,429
Stock repurchased	(198,743)	(8,140)	—	—	(8,140)
Excise tax from stock repurchase	—	(58)	—	—	(58)
Other comprehensive income	—	—	—	8,607	8,607
Cash dividends declared (\$0.82 per share)	—	—	(8,653)	—	(8,653)
Stock-based compensation	—	1,438	—	—	1,438
Exercise of stock options, net	23,944	255	—	—	255
Restricted stock surrendered for tax withholdings	(763)	(32)	—	—	(32)
Restricted stock awards granted	101,862	—	—	—	—
Balance at December 31, 2025	10,482,767	\$ 198,250	\$ 182,448	\$ (3,871)	\$ 376,827

Accompanying notes are an integral part of these consolidated financial statements.

WEST COAST COMMUNITY BANCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025, 2024 and 2023
Dollars in thousands

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Cash flows from operating activities			
Net income	\$ 50,429	\$ 29,579	\$ 35,150
Adjustments to reconcile net income to net cash from operating activities			
Provision for credit losses on loans	6,178	6,929	554
Provision for credit losses on unfunded loan commitments	785	110	859
Depreciation and amortization of premises and equipment	1,611	1,289	1,363
Amortization of core deposit intangibles	4,193	1,320	363
Amortization of low-income housing tax credit investments	150	—	—
Net amortization for interest-bearing deposits in other financial institutions	—	9	29
Net (accretion) amortization of securities	(2,797)	129	1,618
Accretion of the discount on acquired loans, net of amortization	(10,003)	(4,085)	(341)
Deferred income tax (benefit) expense	(116)	(1,012)	140
Net loss on sale of securities	281	—	30
Accretion of fair value discount on subordinated debentures	1,375	87	—
Accretion of fair value discount on time deposits	—	99	—
Stock-based compensation expense	1,438	854	725
Earnings on bank-owned life insurance	(742)	(548)	(454)
Stock dividends from equity investments	—	(5)	(5)
Originations of loans held for sale	—	(19,564)	(15,889)
Loss (gain) on sale/disposal of premises and equipment*	173	507	(250)
Non-cash lease (gain) expense	(88)	(4)	12
Deferred benefit expense	256	352	322
Decrease in deferred loan fees, net of costs	451	328	1,153
Decrease (increase) in accrued interest receivable and other assets	(14)	7,957	(740)
Decrease in accrued interest payable and other liabilities	(1,706)	(600)	(528)
Net cash from operating activities	<u>51,854</u>	<u>23,731</u>	<u>24,111</u>
Cash flows from investing activities			
Net cash and cash equivalents acquired in acquisition	—	43,110	—
Net change in interest-bearing deposits in other financial institutions	250	10,199	24,201
Available-for-sale securities:			
Sales	30,252	28,359	17,195
Maturities, prepayments, calls and principal repayments	107,007	94,895	57,340
Purchases	(106,417)	(6,691)	(9,042)
Held-to-maturity securities:			
Maturities, prepayments, calls and principal repayments	741	338	1,219
Purchases	—	—	(5,949)
Loan originations and payments, net	(117,591)	(6,790)	(130,643)
Cash paid for low-income housing tax credit investment	(947)	—	—
Purchases of bank-owned life insurance	(1,200)	—	—
Purchases of premises and equipment	(2,672)	(942)	(1,272)
Purchases of non-marketable equity investments	—	(1,257)	(261)

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Proceeds from sale of premises and equipment	—	1,911	4,154
Net cash (used in) from investing activities	<u>(90,577)</u>	<u>163,132</u>	<u>(43,058)</u>
Cash flows from financing activities			
Increase (decrease) in deposits	166,569	(97,921)	(15,692)
(Repayment of) proceeds of borrowings	—	(32,500)	32,500
Repayment of subordinated notes	(5,193)	—	—
Cash dividends paid	(8,653)	(6,170)	(3,863)
Proceeds from exercise of stock options, including tax benefit	255	576	243
Restricted stock surrendered for tax withholdings	(32)	—	—
Cash paid for stock repurchases	(8,140)	(7)	(2,999)
Excise tax from stock repurchase	(58)	(21)	—
Net cash from (used in) financing activities	<u>144,748</u>	<u>(136,043)</u>	<u>10,189</u>
Net change in cash and cash equivalents	<u>106,025</u>	<u>50,820</u>	<u>(8,758)</u>
Beginning cash and cash equivalents	<u>84,653</u>	<u>33,833</u>	<u>42,591</u>
Ending cash and cash equivalents	<u>\$ 190,678</u>	<u>\$ 84,653</u>	<u>\$ 33,833</u>
Supplemental cash flow information			
Interest paid	\$ 33,532	\$ 24,194	\$ 11,345
Income taxes paid, net of refunds received	\$ 19,591	\$ 13,825	\$ 13,820
Supplemental noncash disclosure			
Transfer of loans to other real estate owned	\$ 267	\$ —	\$ —
Transfer from loans held for sale to portfolio loans	\$ —	\$ 21,527	\$ 25,532
Assets acquired in business combination (see Note 18)			
Fair value of assets acquired, excluding cash and cash equivalents and goodwill	\$ —	\$ 936,877	\$ —
Goodwill from acquisition	\$ —	\$ 14,292	\$ —
Fair value of stock consideration	\$ —	\$ (80,788)	\$ —
Fair value of liabilities assumed	\$ —	\$ (913,491)	\$ —

* The loss on disposal of premises and equipment in 2025 is reflected under acquisition expense on the Consolidated Statements of Income.

Accompanying notes are an integral part of these consolidated financial statements.

WEST COAST COMMUNITY BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2025 and 2024 and
for the Years Ended December 31, 2025, 2024, and 2023

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations. West Coast Community Bancorp (the “Bancorp”) is a bank holding company headquartered in Santa Cruz, California that operates through its sole, wholly owned and consolidated subsidiary, West Coast Community Bank, a California state-chartered bank (the “Bank” and together with Bancorp, are referred to in these consolidated financial statements as the “Company,” “we,” “our,” or “us”). Substantially all of the Company’s business activities are conducted through the Bank. The Bank was incorporated on September 10, 2003 and commenced banking operations on February 3, 2004, upon receipt of final regulatory approval and is an insured bank by the Federal Deposit Insurance Corporation (“FDIC”). The Bank began operations under the name Santa Cruz County Bank and subsequently changed its name to West Coast Community Bank following the closing of the Company’s merger with 1st Capital Bancorp on October 1, 2024. Bancorp was incorporated in the State of California on November 10, 2009, and obtained approval from the Board of Governors of the Federal Reserve System on June 2, 2023, to become a bank holding company and became the sole shareholder of the Bank on August 18, 2023, through a reorganization agreement, pursuant to which all the outstanding common stock of the Bank was exchanged for an equal number of shares of common stock of the Bancorp. This reorganization was considered a transaction between entities under common control. As a result, the historical operations of the Bank are deemed to be those of the Bancorp. Accordingly, the financial statements included in this report reflect (i) the historical operating results of the Bank prior to the reorganization; (ii) the consolidated results of the Bancorp and the Bank subsequent to the reorganization; and (iii) the assets and liabilities of the Bancorp and the Bank at their historical carrying amounts. No step-up in basis of assets, including intangible assets or goodwill, was recorded as a result of the reorganization. Upon formation of the holding company, Bancorp became subject to regulation under the Bank Holding Company Act of 1956, as amended, and reporting and examination requirements by the Board of Governors of the Federal Reserve System. The Bank is subject to regulations and undergoes periodic examinations by the California Department of Financial Protection and Innovation (“DFPI”) and the FDIC.

On October 1, 2024, Bancorp acquired 100% of the outstanding common shares of 1st Capital Bancorp, parent company for 1st Capital Bank. Please also see *Note 18 - Business Combination*, of these consolidated financial statements for more information concerning the Company’s merger with 1st Capital Bancorp.

Basis of Presentation. The consolidated financial statements of the Company reflect the accounts of Bancorp and its wholly owned subsidiary, the Bank. Significant intercompany transactions and balances are eliminated in consolidation. These consolidated financial statements have been prepared in accordance with and our accounting and reporting policies conform to U.S. generally accepted accounting principles (“GAAP”), general practice, and regulatory guidance within the banking industry. Certain reclassifications have been made to prior period financial statements to conform to the current year presentation. These reclassifications had no impact on prior year net income or shareholders’ equity.

All dollar amounts presented in tables within these footnotes are in thousands, except per share information, or unless otherwise indicated.

The principal business of the Company is to provide commercial and personal banking services to residents and businesses in Santa Cruz County and adjacent Monterey, San Luis Obispo and Santa Clara counties, through our ten full-service offices located in Aptos, Capitola, Cupertino, King City, Monterey, Salinas, San Luis Obispo, Santa Cruz, Scotts Valley and Watsonville. Our primary deposit products are checking, savings, money market and term certificate accounts, and our primary lending products are commercial, commercial real estate, construction, multifamily, agriculture, single-family home equity loans, municipal loans, asset-backed loans and installment loans. Bank lending products also include various government guarantee programs such as Small Business Administration (“SBA”) 7(a) and 504 programs, as well as US Department of Agriculture (“USDA”) programs. Our largest industry concentration is in hotels and lodging, as commercial real estate loans with hotel-related collateral, loans to finance the construction of hotels, as well as commercial loans to hotels and related borrowers composed 14% of total outstanding loans as of December 31, 2025.

Acquisition Accounting. Acquisitions are accounted for under the acquisition method of accounting in accordance with Accounting Standards Codification (“ASC”) 805 - *Business Combinations*. Purchased assets,

WEST COAST COMMUNITY BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2025 and 2024 and
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including identifiable intangible assets, and assumed liabilities are recorded at their respective acquisition date fair values. If the fair value of net assets purchased exceeds the consideration given, a bargain purchase gain is recognized. Goodwill is recognized when the fair value of consideration given exceeds the fair value of the net assets received acquired. Acquisition related costs, such as severance, data processing expenses and contract termination fees, are expensed as incurred and are included as a component of noninterest expense. We may make adjustments to goodwill over a one year measurement period following the date of acquisition when additional information is subsequently obtained concerning the acquisition date fair value estimates for the assets acquired and liabilities assumed.

Subsequent Events. We have evaluated subsequent events for recognition and disclosure from December 31, 2025, through February 27, 2026, which is the date the financial statements were available to be issued. No subsequent events occurred requiring adjustment or disclosure, except for the foreclosure of a \$10.0 million land and development loan in January 2026. The Company obtained an updated appraisal for the underlying property and as result the Company recorded a charge-off of \$3.1 million in February 2026. As of December 31, 2025, the loan was adequately reserved for. The Company is in the process of marketing the property as well as seeking recourse to guarantors for the deficiency in the value of the collateral.

Additionally, on January 22, 2026, the Board of Directors declared a cash dividend of \$0.23 per common share for shareholders of record as of February 10, 2026, which was paid on February 17, 2026.

Use of Estimates. The preparation of these consolidated financial statements, in conformity with GAAP, requires management to make estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ from those estimates. The allowance for credit losses is a critical accounting estimate reflected in the Company's consolidated financial statements. Other significant accounting estimates include fair value measurements, including fair value of assets acquired via business combinations, and deferred tax asset valuation.

Cash Flows. For purposes of reporting cash flows, cash and cash equivalents include cash, due from banks, federal funds sold, cash held at the Federal Reserve Bank of San Francisco ("FRB of San Francisco"), and deposits with other financial institutions with maturities at origination fewer than 90 days. Federal funds sold and cash held at the FRB of San Francisco are generally overnight investments and are highly liquid. Net cash flows are reported for client loan and deposit transactions, interest-earning deposits in other financial institutions with maturities shorter than 90 days at origination and federal funds purchased.

Interest-earning Deposits in Other Financial Institutions. Interest-earning deposits in other financial institutions mature beyond 90 days at origination are carried at amortized cost.

Debt Securities. At the time of purchase, debt securities are classified as either held-to-maturity ("HTM") or available-for-sale ("AFS"). The classification of investments as either HTM or AFS is based on investment objectives, operational needs and intent. HTM debt securities are carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as AFS when they might be sold before maturity. AFS securities are carried at fair value with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized using the interest method to estimated prepayment date for mortgage-backed securities where prepayments are anticipated. For callable debt securities purchased at a premium, premiums are amortized to the earliest call date, while discounts on callable debt securities are accreted to maturity date. Realized gains and losses on sales are recorded on the settlement date and determined using the specific identification method. Gains and losses on the sale of investments are included noninterest income.

Securities transferred from the AFS to HTM classification are recorded at fair value at the date of transfer. Unrealized holding gains or losses on the date of transfer are included in the balance of accumulated other comprehensive income (losses), net of tax. The unrealized gains or losses are amortized over the remaining life of the securities as yield adjustments in a manner consistent with the amortization or accretion of purchase premiums or discounts.

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Allowance for Credit Losses on Debt Securities. The allowance for credit losses for both HTM and AFS debt securities is determined in accordance with ASC 326 - *Financial Instruments - Credit Losses*. The allowance for credit losses on HTM securities is a contra-asset valuation account, representing estimates for current expected credit losses, and is deducted from the amortized cost basis of HTM securities to present the net amount expected to be collected. The Allowance for credit losses is recorded at the time of purchase or acquisition. Management measures expected credit losses on HTM debt securities on a collective basis for securities with similar risk characteristics using historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. For investment securities where the Company has reason to believe the credit loss exposure is remote, a zero credit loss assumption is applied. Such investment securities typically consist of those guaranteed by the U.S. government or other government enterprises, where there is an explicit or implicit guarantee by the U.S. government, that are highly rated by rating agencies, and historically have had no credit loss experience. Securities that are determined to be uncollectible are written off against the allowance for credit losses.

In determining the allowance for credit losses on AFS debt securities, we perform a qualitative assessment of securities in an unrealized loss position to first assess whether we intend to sell, or it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For AFS securities that do not meet these conditions, we evaluate, through a qualitative assessment, whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, payment structure of the security, among other factors. If this assessment indicates that all or a portion of the unrealized loss on the security is credit related, the Company records the amount of the credit loss in current period earnings, using a discounted cash flow approach. The amount of credit loss recorded is limited to the amount of the unrealized loss on the AFS investment. Unrealized losses that are deemed to be non-credit related are recognized, net of tax, in accumulated other comprehensive income (loss). Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectability of an AFS security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on debt securities is excluded from the estimate of credit losses. A debt security is placed on nonaccrual status at the time any principal or interest payments become contractually past due more than 90 days, or management does not expect full payment of principal and interest. Interest accrued but not received for a security placed on nonaccrual is reversed against current period interest income. There were no nonaccrual debt securities recorded in the consolidated financial statements for years ended 2025 or 2024. The Company did not record an allowance for credit losses on AFS or HTM debt securities at December 31, 2025 and 2024, as the investment portfolio consisted primarily of debt securities backed by the U.S. government and high credit quality obligations of state and political subdivisions as well as corporate bonds where management believed the credit loss exposure associated with such investments was remote. Please also see *Note 2 - Debt Securities*, of these consolidated financial statements for more information concerning the Company's investment in debt securities.

Loans Held for Sale. Loans originated and intended for sale in the secondary market, or where the Company does not have the ability or intent to hold for the foreseeable future are classified as held-for-sale. Such loans are carried at the lower of cost or fair value. Unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. Such loans are reclassified to loans held for investment at the lower of cost or fair value, when there is no longer an intent to sell and the Bank has the ability to hold them for the foreseeable future.

Loans held for sale are generally sold with servicing rights retained. The carrying value of loans sold is reduced by the amount allocated to the servicing right. If the loans are sold with servicing retained, the fair value of the servicing asset or liability is recorded on the balance sheet. Gains and losses on the sold portion of the loans are recognized at the time of sale based on the difference between the sale proceeds and the carrying value of the related loans sold.

Loans Held for Investment. Loans that the Company has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are carried at amortized cost, net of deferred loan fees and costs or purchase premiums and discounts. Interest income is accrued on the unpaid principal balance daily and credited to income as

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it is earned. When a loan pays off or is sold, any unamortized balance of any related premiums, discounts, loan origination fees, and direct loan origination costs is recognized in interest income. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income over the expected life of the loan using the interest method without anticipating prepayments.

Interest income on loans is discontinued when a loan becomes 90 days delinquent or when management believes, after considering economic and business conditions and collection efforts, that the borrower's financial condition is such that collection of principal and/or interest is doubtful, unless the loan is well-secured and in the process of collection. Past-due status is based on the contractual terms of the loan. A loan in which the accrual of interest has been discontinued is classified as nonaccrual and such loans are moved to nonaccrual status in accordance with the Company's loan policy, typically after 90 days of non-payment. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days and still on accrual include both smaller balance homogeneous loans that are collectively evaluated for credit losses.

When a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Interest received on such loans is accounted for on the cash-basis method and recognized only to the extent that cash is received and where the future collection of principal is probable, until qualifying for return to accrual. Generally, loans are returned to an accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Concentration of Credit Risk. Approximately 57% of business activity is with borrowers using credit within Santa Cruz and Monterey counties. Therefore, exposure to credit risk is significantly affected by changes in the economies of the Santa Cruz County and Monterey County areas.

Purchased Credit Deteriorated ("PCD") Loans. Through bank acquisitions, Company has acquired loans, some of which have experienced more than insignificant credit deterioration since origination. Such loans are referred to as PCD loans. PCD loans are recorded at the fair value at acquisition date. The ACL for PCD loans is established at the time of acquisition through an adjustment to the acquired loan balance and not through a charge to the provision for credit losses. The ACL on non-PCD is determined using the same methodology as other loans held for investment. The initial ACL, determined on a collective basis, is allocated to individual loans. The sum of the loan's purchase price and the ACL becomes its initial amortized cost basis at the time of acquisition. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan using the interest method. Subsequent changes to the ACL are recorded through the provision for credit losses.

Allowance for Credit Losses on Loans ("ACL"). The Company accounts for credit losses on loans in accordance with ASC 326, which requires the Company to record estimates for credit losses at the time of origination or acquisition. The ACL is a valuation account that reflects management's estimate of current expected credit losses as of the balance sheet date, and is deducted from the amortized cost basis of the loan portfolio to present the net amount of loans expected to be collected. Amortized cost does not include accrued interest receivable, which management elected to exclude from the estimate of expected credit losses. Rather, management promptly reverses from interest income accrued but uncollected interest when it is no longer deemed collectable. Accrued interest receivable for loans-for-investment totaled \$9.0 million and \$8.4 million at December 31, 2025 and 2024, respectively. Accrued interest receivable for investment securities totaled \$2.1 million and \$2.3 million at December 31, 2025 and 2024, respectively.

The allowance is established through a charge to provision for credit losses. Additions to the allowance are expected to maintain the adequacy of the total allowance after credit losses and loan growth. Loan losses are charged against the allowance when management believes a loan balance is uncollectible. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off. Cash received on previously charged-off amounts is recorded as a recovery to the allowance.

The ACL consists of general and specific reserves. The general reserve portion of the allowance is measured on a collective basis for portfolios of loans when similar risk characteristics exist. Loans exhibiting risk characteristics

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distinct from pooled loans undergo individual credit loss assessments and specific reserves are established when appropriate and are excluded from the general reserve pools. This evaluation typically encompasses nonaccrual loans, collateral-dependent loans, certain restructured loans and loans graded as substandard or worse by management.

Estimating expected credit losses requires management to use relevant forward-looking information, including the use of reasonable and supportable forecasts. The measurement of the ACL is performed by collectively evaluating loans with similar risk characteristics. On a quarterly basis, management conducts an evaluation of the ACL, employing relevant information sourced both internally and externally. This information encompasses data on the loan portfolio, including past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, reasonable and supportable forecasted economic conditions, and other factors.

During 2023, the Company utilized the average-charge-off method to measure the estimated lifetime credit losses. As of December 31, 2024, the Company transitioned to a discounted-cash-flow (“DCF”) model for determining estimated lifetime credit losses. The impact of the change in methodology was not material to the consolidated financial statements. Under the DCF approach, expected credit losses incorporate probability of default and loss given default assumptions and are derived from management’s reasonable and supportable macroeconomic forecast. The Company utilizes forecasted changes to the national gross domestic product (“GDP”) and unemployment rates, sourced from the Federal Open Market Committee, over a four-quarter reasonable and supportable period followed by a four-quarter reversion on a straight-line basis to long-run historical averages.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments and curtailments, when appropriate. The pooled loans’ contractual terms exclude extensions, renewals and modifications unless one or more of the following applies: (i) Management has a reasonable expectation at the reporting date that a loan modification will be executed with an individual borrower; (ii) The extension or renewal options are included in the original or modified contract; or (iii) An existing loan modification is within six months of maturity. The Company’s DCF methodology adjusts the effective interest rate used to discount expected cash flows to incorporate expectations for estimated prepayments.

The Company has determined that peer data and other external data to support loss history provides the best basis for its assessment of expected credit losses. Peer bank loss data is based on Call Report data since 2004 and is used in lieu of our own data due to limited loss history. Qualitative factors are then evaluated via a scorecard methodology that assigns scores to different aspects of the portfolio’s risk profile.

Since historical information, such as historical net losses and economic cycles, may not always provide a sufficient basis for determining future expected credit losses in determining the quantitative portion of the ACL, management periodically assesses the need for qualitative adjustments. Such adjustments may also be made to reflect variations in current conditions and reasonable and supportable economic forecasts. Qualitative factors, both internal and external include, but are not limited to, the following:

- Changes in the experience, ability and depth of lending management and other relevant staff
- Changes in the value of underlying collateral for collateral-dependent loans
- The existence and effect of any concentrations of credit and changes in the level of such concentrations
- Changes in international, national, regional and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments
- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the loan portfolio
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans and the volume and severity of adversely classified or graded loans
- Changes in the quality of our institution’s loan review systems

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- Changes in the nature and volume of the loan portfolio and in the terms of loans
- Changes in lending policies and procedures including changes in underwriting standards and collection, charge off, and recovery practices not considered elsewhere in estimating credit losses

The Company has determined pools in the development of the ACL based primarily on regulatory reporting codes as the loans within each pool share similar risk characteristics and there is sufficient historical loss data to provide statistically meaningful support in the ACL models developed. Management has grouped these loans into segments according to loan structure and use of funds. The following summarizes the Company's loan segments as well as the risks associated with loans in each segment:

- Commercial Real Estate
- Commercial and Industrial
- Construction and Land
- Consumer

Loans originated under various government guarantee programs, such as SBA 7(a) and 504 programs, as well as USDA programs including B&I and FSA, collectively referred to as SBA, B&I and FSA, are presented as a distinct category in the Company's loan portfolio disclosures, these loans are not modeled as a separate ACL segment. For purposes of measuring expected credit losses, SBA, B&I and FSA loans are included within the applicable Call Report loan segments, generally commercial and industrial or commercial real estate. In measuring the ACL for these loans, the Company excludes from the amortized cost basis analyzed for expected credit losses the portion of the loan that is explicitly guaranteed by a U.S. government agency and retained on the balance sheet, as management does not expect to incur credit losses on the guaranteed portion, subject to compliance with program requirements. The unguaranteed portion of these loans is included in the ACL analysis based on its applicable loan segment and risk characteristics. Loans for which the guaranteed portion has been sold are analyzed solely based on the retained exposure.

Commercial Real Estate – Repayment of commercial real estate (“CRE”) mortgage loans primarily relies on the cash flows associated with successful management and operation of the underlying property securing the loan and secondarily on the underlying collateral and/or guarantors. Adverse economic developments, fluctuations in the real estate market, or an overbuilt market may impact CRE projects and could result in material decreases in the market value of the underlying properties securing such loans, which may result in troubled loans. Further, significant increases in interest rates, changes in market rents, and trends in vacancy rates of commercial properties can impact the credit quality of these loans. Any of these factors may make the real estate loan unprofitable to the borrower and result in an inability to service debt obligations.

Commercial and Industrial – Commercial and industrial loans are generally underwritten to existing cash flows of operating businesses and secondarily on underlying collateral and loan guarantees. While the Company seeks to extend credit to established borrowers, their business cash flows may not materialize as expected, which could place strain on the borrower's ability to repay the loan, especially in periods of economic stress. Such loans are typically secured by accounts receivable, inventory, equipment and other business assets, which fluctuate in value and may be more difficult to realize their value in periods of economic strain. Further, debt coverage is provided by business cash flows, and economic trends which are influenced by unemployment rates and other key economic indicators, are closely correlated to the credit quality of these loans and a borrower's ability to repay their loan.

Construction and Land – Significant risk with construction and land loans arises from the uncertainty of the borrowers to complete projects within specified cost and timelines, general contractor credit exposure and the builders' ultimate ability to sell the completed construction. These risks can be exacerbated by changes in the interest rate environment, regulations, supply chain disruptions or labor shortages, any of which may delay completion or reduce the value of the finished property. In addition, local, state or national economic conditions can adversely impact the potential success of construction projects, and the borrower's ability to repay the loan. Further, trends in real estate values significantly impact the credit quality of these loans, as property values

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determine the economic viability of construction projects. Construction loans often involve the disbursement of funds with repayment substantially dependent on the ultimate success of the project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property, or an interim loan commitment from the Company until permanent financing is obtained.

Consumer – Comprised of single-family residential real estate, home equity lines of credit and personal lines. The degree of risk in residential real estate lending depends primarily on the loan amount in relation to collateral value, the interest rate and the borrower's ability to repay according to the contractual terms. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends may adversely impact a borrowers' capacity to repay their obligations.

At least quarterly, the Board of Directors reviews the adequacy of the allowance, including consideration of the relative risks in the portfolio, current economic conditions and other factors. Although management strives to use the most reliable information for determining the ACL and believes it to be adequate, the ultimate sufficiency of the allowance is contingent upon a diverse set of intricate factors, some of which may fall outside of management's direct control. Factors contributing to this assessment include volatility in the real estate market, shifts in interest rates and fluctuations in economic and political environments. Actual losses may vary from estimates if circumstances deviate substantially from the assumptions used in the allowance determination process. Our ACL model exhibits sensitivity to changes in unemployment rate and GDP forecasts, and the changes in the interest rate environment can lead to substantial fluctuations in the prepayment speeds on our loans, the resulting expected lives of the loans and the related ACL. In addition, changes in management's qualitative factor assessments, which incorporate broader portfolio trends and emerging risks, may result in adjustments to the ACL, and unfavorable changes in those trends could increase the ACL. These fluctuations, if significant, have the potential to adversely impact our financial condition and results of operations.

Please also see *Note 3 - Loans Receivable and Allowance for Credit Losses*, for more information concerning the Company's loan portfolio and the associated ACL.

Loan Commitments and Related Financial Instruments. Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet client financing needs. The face amount for these items represents the exposure to loss before considering client collateral or ability to repay. Such financial instruments are recorded when they are funded.

Allowance for Credit Losses on Unfunded Commitments. We engage in commitments to extend credit, both in the form of loans and standby letters of credit, to fulfill the financing needs of our clients. In the event of a deterioration in the credit quality of the borrower, resulting in nonperformance, we are exposed to credit losses over the contractual period of a loan. To account for potential losses on unfunded loan commitments, we record an ACL for unfunded commitments. The ACL is determined in accordance with ASC 326 and is established based on estimates that consider the probability of these commitments being drawn upon, guided by historical utilization experience across various types of commitments. Loss factors for unfunded commitments generally align with funded loans, except for certain construction and land development commitments where factors may differ due to monitored draw processes and conditional funding under the loan agreement. This approach ensures consistency in evaluating credit risk across our entire commitment portfolio, contributing to a comprehensive and uniform assessment of potential credit losses. Adjustments to the ACL for unfunded commitments are included as a provision for (or reversal of) the ACL. The ACL for unfunded commitments totaled \$3.0 million and \$2.2 million at December 31, 2025 and 2024, respectively, and is included in accrued interest payable and other liabilities of the consolidated balance sheets.

Other Real Estate Owned. Real estate properties acquired through, or in lieu of, loan foreclosure are recorded at fair value, less estimates for the cost to sell, with any excess of the loan's amortized cost over the fair value of the property recorded as a charge against the ACL at the time of foreclosure. The Company obtains an appraisal and/or market valuation on all other real estate owned upon foreclosure. After foreclosure, valuations are periodically performed by management. Any subsequent declines in fair value are recorded as a charge to non-interest expense in current period earnings with a corresponding write-down to the value of the foreclosed asset. All legal fees and direct costs, including foreclosure and other related costs, are expensed as incurred.

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Loan Servicing Rights. When loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on market prices for comparable loan servicing contracts when available or, alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. All classes of servicing assets are subsequently measured using the amortization method, which requires servicing rights to be amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. Loan servicing rights were \$77 thousand and \$220 thousand at December 31, 2025 and 2024, respectively, and were included in accrued interest receivable and other assets in the consolidated balance sheets.

Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If we later determine that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. Changes in valuation allowances are reported with loan servicing fees income on the consolidated statements of income. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income, which is reported in the consolidated statements of income as loan servicing fees, is recorded for fees earned on servicing loans. The fees are based on a fixed amount per loan and recorded as income when earned. Servicing fees totaled \$508 thousand, \$568 thousand, and \$728 thousand for December 31, 2025, 2024 and 2023, respectively. Late fees and ancillary fees related to loan servicing are not material.

Non-marketable Equity Investments. The Company accounts for non-marketable equity investments in accordance with ASC 321 - *Investments - Equity Securities* and has elected to apply the measurement alternative where equity securities without readily determinable fair market values are carried at cost, minus impairment, if any, and adjusted for observable price changes in orderly transactions for an identical or similar investment. The carrying amount of equity securities without readily determinable fair market values totaled \$15.4 million at both December 31, 2025 and 2024, and include the following:

Federal Home Loan Bank ("FHLB") Stock - The Bank, as a member of the FHLB system, is required to maintain an investment in the capital stock of the FHLB of San Francisco based on the Bank's asset size or the level of borrowings and other factors. FHLB stock is carried at cost and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends, if any, are reported as income. The FHLB stock cannot be purchased or sold except between the FHLB and its members and is redeemable at its par value of \$100 per share at the discretion of the FHLB of San Francisco and therefore is classified as restricted investment without readily determinable fair values. The FHLB can suspend dividends and redemptions upon notification to its members.

Bankers' Bank Stock - Stock of Pacific Coast Bankers Bank ("PCBB") and The Independent Bankers Bank ("TIB") are classified as restricted securities and are periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends, if any, are reported as income.

Clearinghouse Community Development Financial Institution ("CCDFI") Stock - Stock of CCDFI is classified as restricted securities and is periodically evaluated for impairment based on ultimate recovery of par value. Cash dividends, if any, are reported as income.

Premises and Equipment. Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of the related asset. Building and related components are depreciated over 39.5 years. Furniture, fixtures and equipment are depreciated with useful lives ranging from five to seven years. Leasehold improvements are amortized over the shorter of the estimated useful life of the assets or the initial term of the respective leases. The useful lives of leasehold improvements are estimated to range from three to 15 years. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are derecognized, and any resulting gain or loss is recognized as a component of noninterest income. All other maintenance and repair expenditures are charged to expense as incurred.

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Leases. The Company accounts for its leases in accordance with ASC 842 - *Leases*, which requires the Company to record liabilities for future lease obligations as well as assets representing the right to use the underlying leased asset. Leases with a term of 12 months or less are accounted for using straight-line expense recognition with no right-of-use asset being recorded. For leases with terms greater than 12 months, the Company classifies such leases as either finance leases or operating leases. Leases are classified as finance leases when any of the following criteria are met: (a) the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, (b) the lease contains an option to purchase the underlying asset that the lessee is reasonably certain to exercise, (c) the term of the lease represents a major part of the remaining life of the underlying asset, (d) the present value of the future lease payments equals or exceeds substantially all of the fair value of the underlying asset, or (e) the underlying leased asset is expected to have no alternative use to the lessor at the end of the lease term due to its specialized nature. When the Company's assessment of a lease does not meet the foregoing criteria, and the term of the lease is in excess of 12 months, the lease is classified as an operating lease.

Liabilities to make lease payments and right-of-use assets are determined based on the total future contractual rents for each lease, discounted at the rate implicit in the lease or at the Company's estimated incremental borrowing rate if the rate is not implicit in the lease. The Company measures future contractual rents based on the minimum payments specified in the lease agreement, giving consideration for periodic contractual rent increases, which may be based on an escalation rate or a specified index. When future rent payments are based on an index, the Company uses the index rate observed at the time of lease commencement to measure future lease payments. Liabilities to make future lease payments on operating leases are reduced by periodic contractual lease payments net of periodic interest accretion on the lease liability. Right-of-use assets for operating leases are amortized over the term of the lease by amounts that represent the difference between periodic straight-line lease expense and periodic interest accretion on the related liability to make lease payments. Expense recognition for operating leases is recognized on a straight-line basis and is recorded as a component of occupancy expense in the consolidated statements of income. Right-of-use assets are recorded in accrued interest receivable and other assets and liabilities to make lease payments are recorded in accrued interest payable and other liabilities of the consolidated balance sheets. As of December 31, 2025 and 2024, all of the Company's leases were classified as either operating leases or short-term leases.

Goodwill and Intangible Assets. Goodwill arises from business combinations and is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date.

Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized but tested for impairment annually, or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed. Management performs a qualitative evaluation each quarter to determine if events or circumstances have changed such that goodwill should be tested for impairment prior to its annual assessment of goodwill. Management's annual test of goodwill for 2025 was comprised of an assessment of qualitative factors, including performance trends, which indicated there were no factors indicating goodwill was impaired. Goodwill is the only intangible asset with an indefinite life in our consolidated balance sheets.

Core deposit intangibles represent the estimated fair value of the core deposit relationships acquired in a business combination and are amortized on a basis reflecting the pattern in which the economic benefits of the intangible asset are expected to be consumed. As such, core deposit intangibles are being amortized using an accelerated basis based on dollar weighted deposit runoff on an annualized basis over an estimated life of 10 to 13 years from the date of acquisition.

Bank-Owned Life Insurance ("BOLI"). We have purchased life insurance policies on certain key executives and former executives. BOLI is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or amounts due that are probable at settlement. Changes in the value of qualified BOLI assets are recorded as tax-exempt income which is reflected as a component of noninterest income in the consolidated statements of income.

Revenue Recognition. In general, we account for revenue not associated with financial instruments, guarantees and lease contracts in accordance with ASC 606 - *Revenue from Contracts with Customers*. Recognizing revenue

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for revenue streams in scope of ASC 606 requires us to apply the following steps when recognizing revenue from contracts with clients: (i) identify the contract with the client, (ii) identify the performance obligations, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations and (v) recognize revenue when a performance obligation is satisfied and the good or service has been transferred to the client. The majority of the Company's contracts with clients associated with revenue streams that are within the scope of ASC 606 are considered short-term in nature, such as a deposit account agreement, which may be cancelled at any time, or a service provided to a customer at a point in time. For performance obligations satisfied over time, we primarily use the output method, directly measuring the value of the products/services transferred to the client, to determine when performance obligations have been satisfied. We typically receive payment from clients and recognize revenue concurrent with the satisfaction of its performance obligations. In most cases, this occurs within a single financial reporting period. For payments received in advance of the satisfaction of performance obligations, revenue recognition is deferred until such time as the performance obligations have been satisfied. In cases where we have not received payment despite satisfaction of our performance obligations, an estimate of the amount due in the period the performance obligations have been satisfied is accrued. For contracts with variable components, only amounts for which collection is probable are accrued.

We generally act in a principal capacity in most of our contracts with clients. In such transactions, we recognize revenue and the related costs to provide services on a gross basis in the consolidated financial statements. These transactions primarily relate to service charges on deposit accounts, which consist of monthly maintenance fees, business accounting analysis fees and business online banking fees that are generally recognized monthly when we satisfy our performance obligation to the client. Certain transaction-based services, such as check order charges and wire transfer fees, are recognized at a point in time typically when the transaction is completed.

We act in an agent capacity, in some cases, deriving revenue through assisting other entities in transactions with our clients. In such transactions, we recognize revenue and the related costs to provide these services on a net basis in the consolidated financial statements. These transactions, recognized on a net basis, primarily relate to fees derived from our clients' use of various interchange and ATM/debit card networks.

Stock-based Compensation. Compensation cost is recognized for stock options and restricted stock awards issued to employees and directors, based on the fair value of these awards at the date of grant. We estimate the fair value of each stock option award as of the date of grant using a Black-Scholes model, while the market price of our common stock at the date of grant is used for restricted stock awards.

Compensation cost is recognized over the period the awards are expected to vest, which is generally commensurate with the required service period. For awards with graded vesting, compensation cost is recognized on a straight-line basis for the entire award. The Company has elected to account for forfeitures as they occur.

Income Taxes. Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred taxes are computed using the asset and liability method, which represents the tax effects for the temporary differences between carrying amounts and tax bases of assets and liabilities, based on current tax law, of future deductible or taxable amounts attributable to events that have been recognized in the financial statements. A valuation allowance is established to reduce the deferred tax asset to the level at which it is "more likely than not" that the tax asset or benefits will be realized. Deferred tax assets and liabilities are calculated by applying current enacted tax rates against future deductible or taxable amounts. Realization of tax benefits of deductible temporary differences and operating loss carry forwards depends on having sufficient taxable income of an appropriate character within the carry forward periods. We recognize interest and/or penalties related to income tax matters in income tax expense.

Accounting for Uncertainty in Income Taxes. We use a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. There were no uncertain tax positions as of December 31, 2025, or 2024.

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Subordinated Debentures. Long-term borrowings are carried at cost, adjusted for premiums, discounts, and debit issuance costs, if any. These adjustments are subsequently recognized in interest expense using the interest method over the life of the borrowing.

Retirement Plans. Pension expense is the net of service and interest cost, return on plan assets and amortization of gains and losses not immediately recognized. Employee 401(k) plan expense is the amount of employer matching contributions. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of service.

Earnings Per Common Share. Basic earnings per common share are calculated by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock options and unvested restricted stock. There is no adjustment to the number of outstanding shares for potential dilutive instruments, such as stock options, often occurring when market prices of our stock decrease below the stock option exercise prices after grant date, as the conversion of potential common stock is anti-dilutive or when stock options are not in-the-money. Earnings and dividends per share are restated for all stock splits and stock dividends, if any, through the date of issuance of the consolidated financial statements.

Comprehensive Income. Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes the adjustment to fully recognize the liability associated with an unfunded noncontributory defined benefit pension plan, changes in the unrealized gains and losses on AFS securities and amortization of net unrealized gains and losses on securities that have been transferred from the AFS to HTM classification, net of taxes, which are also recognized as separate components of equity in the consolidated statements of comprehensive income.

Loss Contingencies. Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the consolidated financial statements.

Restrictions on Cash and Due from Banks. The Federal Reserve Act Regulation D may require banks to maintain average reserve balances with the Federal Reserve Bank. Reserve requirements are offset by usable cash reserves. We had no such regulatory reserve requirement at December 31, 2025, and 2024.

Dividend Restrictions. Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the holding company or by the holding company to shareholders. The California Financial Code and California General Corporation Law also impose restrictions on dividends that may be paid from the Bank and Bancorp, respectively. Please also see *Note 16 - Regulatory Capital Matters* for further details.

Fair Value of Financial Instruments. The fair value of financial instruments is estimated using relevant market information and other assumptions, as more fully disclosed in *Note 4 - Fair Value*. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Low-Income Housing Tax Credit Investments. The Company has investments in the equity of certain limited partnerships that may qualify for credit under the Community Reinvestment Act. These investments are associated with qualified affordable housing projects that generate low-income housing tax credits (“LIHTC”) and other tax benefits for the Company, also referred to as LIHTC investments. The Company accounts for these investments using the proportional amortization method, if certain criteria are met. The election to account for LIHTC investments using the proportional amortization method is done so on a tax credit program-by-tax credit program basis. Under the proportional amortization method, the Company amortizes the initial cost of the investment, which is inclusive of any commitments to make future equity contributions, in proportion to the income tax credits and other income tax benefits that are allocated to the Company over the period of the investment. The net benefits of these investments, which are comprised of income tax credits and operating loss income tax benefits, net of

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investment amortization, are recognized in the income statement as a component of income tax expense. Please also see Note 20 - Low Income Housing Tax Credit Investments for additional information.

Operating Segments. The Company has one operating segment and one reportable operating segment, which is banking, and manages its business activities on a consolidated basis. The measure of profit and loss for the Company's single operating and reportable segment is net income, as shown on the consolidated statements of income.

The banking segment derives its revenue through the Bank, which provides a full range of commercial and personal banking products and services to small and medium-sized businesses and consumers in the markets we serve. We operate ten full-service branch locations in Santa Cruz County, Monterey County, San Luis Obispo County and Santa Clara County. Our banking operations comprise substantially all of our business activities and largely consist of making commercial, commercial real estate, SBA, USDA, agriculture, construction, multifamily, single family home equity loans, asset-backed loans, and consumer loans, as well as accepting deposits and offering other complementary banking services. Revenues generated from our banking operations largely consist of interest income on loans and investment securities, net of interest paid on deposits and borrowed funds, as well as fee income generated from the various banking services we offer our clients. The Company's business activities are collectively managed and monitored by the chief operating decision maker (the "CODM") in assessing performance and making decisions about the allocation of resources. The CODM is the Company's Chairman and Chief Executive Officer.

The CODM regularly monitors the performance of the Company through the use of internally derived reporting packages. These internal reporting packages contain the measure of profit/loss, which is net income, for our single operating and reportable segment. The CODM uses such information to assess the performance of the Company and make decisions concerning resource allocations, including those that impact revenues and expenses associated with the various aspects of the Company's business that support our clients, generate revenues, and are associated with the overall administration of the Company's operations. Operating segments are aggregated into one as operating results for all segments are similar. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

Please refer to the consolidated statements of income for information concerning revenues, expenses, and the measure of segment profit and loss, which is net income. The consolidated statements of income also provide the categories of significant expenses regularly provided to the CODM. In addition, segment assets for the Company's single operating and reportable segment are total assets, and are reported in the consolidated balance sheets.

Adoption of New Accounting Standards:

Accounting Standards Adopted in 2025

In December 2023, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-09, *Income Taxes (Topic 740): Improvement to Income Tax Disclosures*, which enhances transparency and decision usefulness of income tax disclosures. The amendments in this Update require additional information to disclose specific categories in the rate reconciliation and reconciling items that meet a quantitative threshold. In addition, the amendments in this Update require entities to disclose the amount of income taxes paid, net of refunds received, on a disaggregated basis. The Company retrospectively adopted ASU 2023-09 on January 1, 2025. The adoption of this Update did not have a material impact on the Company's consolidated financial statements.

Accounting Standards Issued but Not Yet Adopted

In November 2025, the FASB issued ASU No. 2025-08, *Financial Instruments - Credit Losses (Topic 326) - Purchased Loans*. The amendments in this Update expand the population of acquired financial assets subject to the gross-up approach in Topic 326. Under the provisions of this Update acquired, seasoned, non purchase credit deteriorated ("non-PCD") assets, such as purchased loans, are accounted for using the gross-up approach at the time of acquisition. Under the gross-up approach, an entity initially recognizes credit losses, in accordance with Topic 326, through an adjustment to the purchase price of the asset. The gross-up approach may be applied to purchased

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assets that are deemed to be “seasoned.” Acquired non-PCD assets are deemed seasoned if they have been purchased 90 days or more following their origination and where the acquirer was not involved in their origination. The provisions of this Update provide for all non-PCD loans, excluding credit card receivables, that were acquired in a business combination, to be deemed seasoned under the provisions of this Update. The amendments in this Update are effective for all entities for annual reporting periods beginning after December 15, 2026 and interim reporting periods within those annual periods. The amendments in this Update should be applied prospectively to purchased financial assets that were acquired on or after the initial application date. Early adoption is permitted in an interim or annual reporting period in which financial statements have not yet been issued or made available for issuance. If an entity adopts the amendments in an interim reporting period, it should apply the amendments as of the beginning of that interim reporting period or the beginning of the annual reporting period that includes that interim reporting period. The Company is currently evaluating the impact of this Update and plans to early adopt the provisions of this Update in 2026.

In September 2025, the FASB issued ASU No. 2025-06, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)*, which provides targeted improvements to the accounting for internal-use software. The amendments in this Update modernize and improve the accounting for internal-use software under ASC 350-40 by removing references to prescriptive and sequential software development stages (also referred to as “project stages”) and introduces a “probable-to-complete” recognition threshold. Under this Update, entities may begin capitalizing costs once management has authorized and committed to funding the software project and it is probable the software will be completed and used as intended. This Update also consolidates guidance on website development costs into ASC 350-40. The amendments in this Update are effective for annual periods beginning after December 15, 2027, including interim periods within those annual reporting periods. Early adoption is permitted. The Company is currently evaluating the provisions of this Update and their impact on its consolidated financial statements.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40)*, which requires public companies to disclose additional information about certain expenses in the notes to the financial statements. The amendments in this Update are intended to enhance the transparency and usefulness of financial information by requiring entities to break down significant expense categories in the notes to the financial statements in order to address the need for more detailed disclosures about expense categories. The FASB subsequently issued ASU 2025-01 in January 2025, which clarified the effective date of ASU 2024-03. The amendments in ASU 2024-03 is effective for annual periods beginning after December 15, 2026, and interim periods within annual periods beginning after December 15, 2027; early adoption is permitted. The Company is currently evaluating the provisions of this Update, but does not expect adoption to have a material impact on its consolidated financial statements.

NOTE 2 - DEBT SECURITIES

The fair value of available-for-sale securities reflected net unrealized losses of \$6.4 million and \$18.8 million at December 31, 2025 and 2024, respectively. The unrealized loss recorded is net of \$1.9 million and \$5.6 million tax effect as accumulated other comprehensive loss within shareholders’ equity at December 31, 2025 and 2024, respectively.

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The following table summarizes the carrying value and estimated fair value of securities available-for-sale at December 31, 2025:

December 31, 2025	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<u>Available-for-sale</u>				
U.S. treasury bonds	\$ 86,265	\$ —	\$ (2,899)	\$ 83,366
U.S. government-sponsored agencies	3,130	9	(123)	3,016
SBA-backed securities	6,292	1	(50)	6,243
Government-guaranteed mortgage-backed securities	133,781	828	(1,053)	133,556
Government-guaranteed collateralized mortgage obligations	56,242	43	(2,097)	54,188
Private label collateralized mortgage obligations	8,733	3	(77)	8,659
Obligations of state and political subdivision	78,950	246	(1,324)	77,872
Asset-backed securities	2,145	18	(3)	2,160
Corporate bonds	15,458	117	(27)	15,548
Total available-for-sale	<u>\$ 390,996</u>	<u>\$ 1,265</u>	<u>\$ (7,653)</u>	<u>\$ 384,608</u>

The following table summarizes the carrying value, allowance for credit losses and estimated fair value of securities held-to-maturity at December 31, 2025:

December 31, 2025	Amortized Cost	Allowance for Credit Losses	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<u>Held-to-maturity</u>						
Government-guaranteed mortgage-backed securities	\$ 120	\$ —	\$ 120	\$ —	\$ (1)	\$ 119
Government-guaranteed collateralized mortgage obligations	386	—	386	3	(7)	382
Obligations of state and political subdivision	6,038	—	6,038	21	(303)	5,756
Total held-to-maturity	<u>\$ 6,544</u>	<u>\$ —</u>	<u>\$ 6,544</u>	<u>\$ 24</u>	<u>\$ (311)</u>	<u>\$ 6,257</u>

The following table summarizes the carrying value and estimated fair value of securities available-for-sale at December 31, 2024:

December 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<u>Available-for-sale</u>				
U.S. treasury bonds	\$ 133,386	\$ —	\$ (7,340)	\$ 126,046
U.S. government-sponsored agencies	7,211	—	(406)	6,805
SBA-backed securities	9,273	1	(145)	9,129
Government-guaranteed mortgage-backed securities	80,961	62	(3,956)	77,067
Government-guaranteed collateralized mortgage obligations	59,073	9	(2,797)	56,285
Private label collateralized mortgage obligations	9,575	—	(354)	9,221
Obligations of state and political subdivision	99,286	70	(3,691)	95,665
Asset-backed securities	2,390	2	(22)	2,370
Corporate bonds	18,082	2	(199)	17,885
Total available-for-sale	<u>\$ 419,237</u>	<u>\$ 146</u>	<u>\$ (18,910)</u>	<u>\$ 400,473</u>

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The following table summarizes the carrying value, allowance for credit losses and estimated fair value of securities held-to-maturity at December 31, 2024:

December 31, 2024	Amortized Cost	Allowance for Credit Losses	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<u>Held-to-maturity</u>						
Government-guaranteed mortgage-backed securities	\$ 147	\$ —	\$ 147	\$ —	\$ (6)	\$ 141
Government-guaranteed collateralized mortgage obligations	482	—	482	1	(14)	469
Obligations of state and political subdivision	6,644	—	6,644	11	(460)	6,195
Total held-to-maturity	<u>\$ 7,273</u>	<u>\$ —</u>	<u>\$ 7,273</u>	<u>\$ 12</u>	<u>\$ (480)</u>	<u>\$ 6,805</u>

The majority of the portfolio’s unrealized losses are related to U.S. Treasury bonds and securities issued or guaranteed by the U.S. government-sponsored enterprises (“GSEs”). With regard to U.S. Treasury and residential and commercial mortgage-backed securities issued by the GSEs, or debentures issued by its sponsored agencies, it is expected that the securities will not be settled at prices less than the par value bases of the securities, as such securities are backed by the explicit full faith and credit of and/or implicitly guaranteed by the U.S. government. The decline in fair value on these investments is primarily attributable to changes in the market interest rates and or factors other than credit quality. As of December 31, 2025, we neither had the intent to sell these securities nor is more likely than not that we will be required to sell the securities before their anticipated recovery.

Regarding potential credit exposure on securities issued by states and political subdivisions as well as corporate bonds, management considers (i) issuers’ or the underlying bonds’ credit ratings, (ii) historical probability of default and loss given default rates for given bond ratings and remaining maturity, (iii) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities, (iv) internal and external credit review of the latest financial information of the issuers and/or guarantors and (v) whether or not such securities are guaranteed by insurance or the Texas Permanent School Fund, have other credit enhancements, contain a defeasance clause or are pre-refunded by the issuers.

To assess potential credit exposure on private label collateralized mortgage obligations and asset-backed securities, management considers (i) bonds’ credit ratings, (ii) the existence and performance of any credit support tranches, (iii) prepayment and delinquency rates of the underlying assets and (iv) whether the issuers continue to make timely principal and interest payments, including any historical probability of default and loss given default rates.

Based on a comprehensive assessment of the portfolio as discussed in the preceding paragraphs, no credit losses are expected. For that reason, no allowance for credit losses has been recognized on available-for-sale or held-to-maturity securities as of December 31, 2025, or 2024. Additionally, there has been no provision for credit losses or any charge-offs or recoveries for the years ended December 31, 2025, 2024, or 2023 related to available-for-sale or held-to-maturity securities.

There were no transfers between available for sale and held-to-maturity during 2025 or 2024.

Twenty-two available-for-sale securities were sold in 2025 with total proceeds of \$30.3 million, gross realized losses of \$316 thousand, and gross realized gains of \$35 thousand. Thirty available-for-sale securities were sold in 2024 with total proceeds of \$28.4 million without realized gross gains or losses. Five available-for-sale securities were sold in 2023 with total proceeds of \$17.2 million, gross realized losses of \$39 thousand and gross realized gains of \$9 thousand.

The amortized cost and estimated fair value of debt securities at December 31, 2025, are shown below by contractual maturity except for mortgage backed securities, collateralized mortgage obligations, and asset backed securities not due at a single maturity date; these securities were allocated into the respective maturity categories based on the expected average life. Expected maturities may differ from contractual maturities if borrowers have the

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right to call or prepay obligations with or without call or prepayment penalties. The expected average life considers principal reductions and prepayments.

	December 31, 2025	
	Amortized Cost	Estimated Fair Value
<u>Available-for-sale</u>		
Within one year	\$ 32,755	\$ 32,266
One to five years	155,456	152,312
Five to 10 years	140,228	138,244
Beyond 10 years	62,557	61,786
Total	\$ 390,996	\$ 384,608
 <u>Held-to-maturity</u>		
Within one year	\$ 20	\$ 20
One to five years	486	481
Five to 10 years	398	419
Beyond 10 years	5,640	5,337
Total	\$ 6,544	\$ 6,257

Investment securities pledged at December 31, 2025 and 2024 had a carrying amount of \$121.7 million and \$104.4 million respectively, and were pledged to secure deposits from local public agencies and the State of California. These investment securities had a fair value amount of \$118.2 million and \$99.6 million at December 31, 2025 and 2024, respectively.

At December 31, 2025 and 2024, there were no holdings of securities of any one issuer, other than those issued by U.S. Government and its sponsored agencies, in an amount greater than 10% of shareholders' equity.

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The following tables summarize investment securities with unrealized losses at December 31, 2025 and 2024, aggregated by major security type and length of time in a continuous unrealized or unrecognized loss position:

December 31, 2025	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<u>Available-for-sale</u>						
U.S. treasury bonds	\$ —	\$ —	\$ 83,366	\$ (2,899)	\$ 83,366	\$ (2,899)
U.S. government-sponsored agencies	—	—	1,318	(123)	1,318	(123)
SBA-backed securities	1,783	(6)	3,777	(44)	5,560	(50)
Government-guaranteed mortgage-backed securities	6,270	(35)	52,707	(1,018)	58,977	(1,053)
Government-guaranteed collateralized mortgage obligations	2,487	(1)	40,092	(2,096)	42,579	(2,097)
Private label collateralized mortgage obligations	2,680	(11)	4,946	(66)	7,626	(77)
Obligations of state and political subdivision	4,703	(16)	54,291	(1,308)	58,994	(1,324)
Asset-backed securities	857	(3)	—	—	857	(3)
Corporate bonds	—	—	600	(27)	600	(27)
Total available-for-sale	\$ 18,780	\$ (72)	\$ 241,097	\$ (7,581)	\$ 259,877	\$ (7,653)
<u>Held-to-maturity</u>						
Government-guaranteed mortgage-backed securities	\$ —	\$ —	\$ 119	\$ (1)	\$ 119	\$ (1)
Government-guaranteed collateralized mortgage obligations	—	—	241	(7)	241	(7)
Obligations of state and political subdivision	—	—	5,337	(303)	5,337	(303)
Total held-to-maturity	\$ —	\$ —	\$ 5,697	\$ (311)	\$ 5,697	\$ (311)

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December 31, 2024	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<u>Available-for-sale</u>						
U.S. treasury bonds	\$ —	\$ —	\$ 126,046	\$ (7,340)	\$ 126,046	\$ (7,340)
U.S. government-sponsored agencies	1,561	(89)	5,243	(317)	6,804	(406)
SBA-backed securities	2,974	(54)	5,932	(91)	8,906	(145)
Government-guaranteed mortgage-backed securities	69,078	(3,526)	4,054	(430)	73,132	(3,956)
Government-guaranteed collateralized mortgage obligations	32,269	(1,405)	18,745	(1,392)	51,014	(2,797)
Private label collateralized mortgage obligations	9,221	(354)	—	—	9,221	(354)
Obligations of state and political subdivision	90,156	(3,180)	3,533	(511)	93,689	(3,691)
Asset-backed securities	913	(22)	—	—	913	(22)
Corporate bonds	16,011	(199)	—	—	16,011	(199)
Total available-for-sale	<u>\$ 222,183</u>	<u>\$ (8,829)</u>	<u>\$ 163,553</u>	<u>\$ (10,081)</u>	<u>\$ 385,736</u>	<u>\$ (18,910)</u>
<u>Held-to-maturity</u>						
Government-guaranteed mortgage-backed securities	\$ 4	\$ —	\$ 136	\$ (6)	\$ 140	\$ (6)
Government-guaranteed collateralized mortgage obligations	100	(1)	292	(13)	392	(14)
Obligations of state and political subdivision	5,280	(460)	—	—	5,280	(460)
Total held-to-maturity	<u>\$ 5,384</u>	<u>\$ (461)</u>	<u>\$ 428</u>	<u>\$ (19)</u>	<u>\$ 5,812</u>	<u>\$ (480)</u>

As of December 31, 2025, our securities portfolio consisted of 253 investment securities, 18 of which were in an unrealized loss position for less than twelve months and 170 were in a loss position and had been in a loss position for 12 months or more. As of December 31, 2024, our securities portfolio consisted of 287 investment securities, 185 of which were in an unrealized loss position for less than 12 months and 84 were in a loss position and had been in a loss position for twelve months or more.

The following tables summarize the amortized cost of debt securities held-to-maturity at December 31, 2025 and 2024, aggregated by credit quality indicator:

December 31, 2025	State and Political Subdivisions	Mortgage-Backed Residential	Collateralized Mortgage Obligations	Total
<u>Held-to-maturity</u>				
Aaa/AAA	\$ 398	\$ 120	\$ 386	\$ 904
Aa/AA	—	—	—	—
Not rated	5,640	—	—	5,640
Total	<u>\$ 6,038</u>	<u>\$ 120</u>	<u>\$ 386</u>	<u>\$ 6,544</u>

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December 31, 2024	State and Political Subdivisions	Mortgage- Backed Residential	Collateralized Mortgage Obligations	Total
<u>Held-to-maturity</u>				
Aaa/AAA	\$ 904	\$ —	\$ —	\$ 904
Aa/AA	—	147	482	629
Not rated	5,740	—	—	5,740
Total	<u>\$ 6,644</u>	<u>\$ 147</u>	<u>\$ 482</u>	<u>\$ 7,273</u>

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

The outstanding loan portfolio balances at amortized cost at December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Commercial and industrial	\$ 369,832	\$ 299,099
Commercial real estate	1,330,813	1,333,644
Land and construction	253,129	191,048
SBA, B&I and FSA	181,496	185,739
Consumer	37,194	35,685
Loans, net of deferred fees and costs	<u>2,172,464</u>	<u>2,045,215</u>
Allowance for credit losses on loans	(38,173)	(31,622)
Loans, net of allowance	<u>\$ 2,134,291</u>	<u>\$ 2,013,593</u>

Deferred fees at December 31, 2025 and 2024 were \$7.0 million and \$6.6 million, respectively. Deferred costs at December 31, 2025 and 2024 were \$8.9 million and \$8.7 million, respectively. Fair value marks on loans associated with the acquisition of 1st Capital Bancorp at December 31, 2025 and 2024 totaled \$20.8 million and \$30.6 million, respectively.

At December 31, 2025 and 2024, there were no loans held for sale.

Salaries and employee benefits totaling \$6.1 million and \$5.1 million have been deferred as loan origination costs for the years ended December 31, 2025 and 2024, respectively.

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The following tables present the activity in the ACL by portfolio segment for the years ended December 31, 2025, 2024 and 2023:

	Commercial and Industrial	Commercial Real Estate	Land and Construction	SBA, B&I and FSA	Consumer	Unallocated	Total
December 31, 2025							
Beginning balance	\$ 5,540	\$ 15,686	\$ 9,108	\$ 839	\$ 460	\$ (11)	\$ 31,622
Provision (reversal)	1,096	(135)	4,505	694	7	11	6,178
Charge-offs	(120)	(237)	(17)	(2)	(5)	—	(381)
Recoveries	705	—	—	39	10	—	754
Ending balance	<u>\$ 7,221</u>	<u>\$ 15,314</u>	<u>\$ 13,596</u>	<u>\$ 1,570</u>	<u>\$ 472</u>	<u>\$ —</u>	<u>\$ 38,173</u>

December 31, 2024							
Beginning balance	\$ 3,692	\$ 17,025	\$ 486	\$ 1,347	\$ 504	\$ 889	\$ 23,943
Provision (reversal)	1,892	(1,388)	8,532	(676)	(531)	(900)	6,929
Initial allowance for acquired PCD loans	—	49	90	179	488	—	806
Charge-offs	(44)	—	—	(11)	(1)	—	(56)
Recoveries	—	—	—	—	—	—	—
Ending balance	<u>\$ 5,540</u>	<u>\$ 15,686</u>	<u>\$ 9,108</u>	<u>\$ 839</u>	<u>\$ 460</u>	<u>\$ (11)</u>	<u>\$ 31,622</u>

December 31, 2023							
Beginning balance	\$ 6,192	\$ 6,530	\$ 7,600	\$ 881	\$ 241	\$ —	\$ 21,444
Impact of adopting ASC 326	(563)	10,289	(6,936)	906	416	—	4,112
Provision (reversal)	230	206	(178)	(440)	(153)	889	554
Charge-offs	(2,171)	—	—	—	—	—	(2,171)
Recoveries	4	—	—	—	—	—	4
Ending balance	<u>\$ 3,692</u>	<u>\$ 17,025</u>	<u>\$ 486</u>	<u>\$ 1,347</u>	<u>\$ 504</u>	<u>\$ 889</u>	<u>\$ 23,943</u>

The following table presents the gross charge-offs in 2025 and 2024 by year of origination:

December 31, 2025	2025	2024	2023	2022	2021	Prior Periods	Revolving	Total
Commercial and industrial	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 120	\$ 120
Commercial real estate	—	—	237	—	—	—	—	237
Land and construction	—	—	—	—	17	—	—	17
SBA, B&I and FSA	—	—	—	—	—	2	—	2
Consumer	—	—	—	—	—	—	5	5
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 237</u>	<u>\$ —</u>	<u>\$ 17</u>	<u>\$ 2</u>	<u>\$ 125</u>	<u>\$ 381</u>

December 31, 2024	2024	2023	2022	2021	2020	Prior Periods	Revolving	Total
Commercial and industrial	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 44	\$ 44
SBA, B&I and FSA	—	—	—	—	—	11	—	11
Consumer	—	—	—	1	—	—	—	1
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 11</u>	<u>\$ 44</u>	<u>\$ 56</u>

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The following table presents the aging of the recorded investment in past due loans, including non-accrual loans, as of December 31, 2025 and 2024 by class of loans:

	Past Due			Total Past Due	Total Not Past Due	Total Loans
	30-59 Days	60-89 Days	Greater than 89 Days (1)			
December 31, 2025						
Commercial and industrial	\$ 512	\$ —	\$ —	\$ 512	\$ 369,320	\$ 369,832
Commercial real estate	484	1,136	—	1,620	1,329,193	1,330,813
Land and construction	—	—	10,000	10,000	243,129	253,129
SBA, B&I and FSA	1,573	5,499	3,504	10,576	170,920	181,496
Consumer	3	—	—	3	37,191	37,194
Total	<u>\$ 2,572</u>	<u>\$ 6,635</u>	<u>\$ 13,504</u>	<u>\$ 22,711</u>	<u>\$ 2,149,753</u>	<u>\$ 2,172,464</u>
	Past Due			Total Past Due	Total Not Past Due	Total Loans
	30-59 Days	60-89 Days	Greater than 89 Days (1)			
December 31, 2024						
Commercial and industrial	\$ —	\$ —	\$ —	\$ —	\$ 299,099	\$ 299,099
Commercial real estate	387	504	—	891	1,332,753	1,333,644
Land and construction	—	—	—	—	191,048	191,048
SBA, B&I and FSA	50	—	64	114	185,625	185,739
Consumer	—	—	—	—	35,685	35,685
Total	<u>\$ 437</u>	<u>\$ 504</u>	<u>\$ 64</u>	<u>\$ 1,005</u>	<u>\$ 2,044,210</u>	<u>\$ 2,045,215</u>

(1) There were no loans greater than 89 days past due and still accruing at December 31, 2025 and 2024.

Modified Loans to Borrowers Experiencing Financial Difficulty

At times, we adjust loan terms for borrowers facing financial difficulty by offering principal forgiveness, extending loan terms, deferring payments or reducing interest rates. When principal forgiveness is granted, the forgiven amount is written off against the allowance for credit losses. GAAP requires that certain types of modifications be reported, which consist of the following: (i) principal forgiveness, (ii) interest rate reduction, (iii) other-than-insignificant payment delay, (iv) term extension, or any combination of the foregoing. The ACL for these loans is measured on a collective basis, as with other loans in the loan portfolio, unless management determines that such loans no longer possess risk characteristics similar to others in the loan portfolio. In those instances, the ACL is determined through individual evaluation.

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The following table presents the recorded investment of modified loans to borrowers experiencing financial difficulty, segregated by type of modification during the year ended December 31, 2025:

<u>December 31, 2025</u>	<u>Term Extension</u>	<u>Percent of Total Class of Loans</u>
Modifications:		
Commercial real estate	\$ 1,462	0.11 %
SBA, B&I and FSA	413	0.23 %
Total	<u>\$ 1,875</u>	0.09 %

During the year ended December 31, 2025, two loans with a recorded investment of \$1.9 million were modified. One loan with a recorded investment of \$1.5 million in the commercial real estate category was modified; the financial effect of this modification was a 2-year term extension. One loan with a recorded investment of \$413 thousand in the SBA, B&I and FSA category was modified; the financial effect of this modification was a 5-year term extension.

The following table presents the recorded investment of modified loans to borrowers experiencing financial difficulty, segregated by type of modification during the year ended December 31, 2024:

<u>December 31, 2024</u>	<u>Combination of Term Extension and Other-than-Insignificant Payment Delay</u>	<u>Percent of Total Class of Loans</u>
Modifications:		
Commercial and industrial	\$ 814	0.27 %
Land and construction	10,003	5.24 %
Total	<u>\$ 10,817</u>	0.53 %

During the year ended December 31, 2024, five loans with a recorded investment of \$10.8 million were modified. One loan totaling \$10.0 million in the land and construction category was modified and the financial effect of this modification was a 5-month term extension. Four loans totaling \$814 thousand in the commercial and industrial category were modified. The financial effects of these modifications include: 15-month term extensions for two loans with an aggregate recorded investment of \$104 thousand, a 10-month term extension and temporary payment reduction for one loan with an aggregate recorded investment of \$659 thousand, and a 5-year term extension of one loan with a recorded investment of \$51 thousand that was also converted from a revolving loan to a term loan.

There were no payment defaults on loans modified for the years ended December 31, 2025, 2024 or 2023, other than a \$10.0 million land development loan that was modified during 2024 with a 5-month term extension. The Company subsequently foreclosed on the underlying collateral in January 2026.

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The following tables summarize the performance of modified loans to troubled borrowers as of the dates indicated:

December 31, 2025	Past Due			Total Past Due	Total Not Past Due	Total
	30-59 Days	60-89 Days	Greater than 89 Days			
Commercial real estate	\$ —	\$ —	\$ —	\$ —	\$ 1,462	\$ 1,462
SBA, B&I and FSA	—	—	—	—	413	413
Total	\$ —	\$ —	\$ —	\$ —	\$ 413	\$ 1,875

December 31, 2024	Past Due			Total Past Due	Total Not Past Due	Total Loans
	30-59 Days	60-89 Days	Greater than 89 Days			
Commercial and industrial	\$ —	\$ —	\$ —	\$ —	\$ 815	\$ 815
Land and construction	—	—	—	—	10,003	10,003
Total	\$ —	\$ —	\$ —	\$ —	\$ 10,818	\$ 10,818

Credit Quality Indicators

We assign loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as current financial condition of borrowers and guarantors, historical payment experience, credit documentation, public information and current economic trends, among other factors. We analyze all loans individually by classifying the loans according to credit risk. This analysis includes loans with an outstanding balance greater than \$25,000 and non-homogeneous loans, such as commercial and commercial real estate loans. The loans are evaluated and rated at the time of underwriting, at renewal, if payment becomes past due or if an event of default occurs. These risk ratings are also subject to examination by independent specialists we engage and our regulators. The risk categories are grouped into four major categories defined as follows:

Pass – A pass loan is a credit with no existing or known potential weaknesses deserving of management's close attention.

Special Mention – A special mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in our credit position at some future date. Special mention loans are not adversely classified and do not expose us to sufficient risk to warrant adverse classification.

Substandard – A substandard loan is inadequately protected by the current net worth and paying capacity of the borrower or the value of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Well-defined weaknesses include a project's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time or the project's failure to fulfill economic expectations. They are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Overdraft lines of credit and loans that do not meet the criteria above are considered to be pass-rated loans.

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Based on the most recent analysis performed, the following table presents the risk category of loans by class and year of origination of loans as of December 31, 2025:

December 31, 2025	2025	2024	2023	2022	2021	Prior Periods	Revolving	Total
Commercial and industrial								
Pass	\$ 33,057	\$ 17,815	\$ 26,562	\$ 11,883	\$ 15,142	\$ 29,357	\$ 192,521	\$ 326,337
Special mention	2,494	—	230	14,522	1,406	651	19,180	38,483
Substandard	—	44	—	—	—	995	3,973	5,012
Substandard - Nonaccrual	—	—	—	—	—	—	—	—
Total	\$ 35,551	\$ 17,859	\$ 26,792	\$ 26,405	\$ 16,548	\$ 31,003	\$ 215,674	\$ 369,832
Commercial real estate								
Pass	\$ 128,113	\$ 145,332	\$ 239,379	\$ 177,779	\$ 154,226	\$ 427,453	\$ —	\$ 1,272,282
Special mention	2,981	4,273	16,252	—	1,820	6,814	—	32,140
Substandard	—	9,709	—	2,511	1,472	12,699	—	26,391
Substandard - Nonaccrual	—	—	—	—	—	—	—	—
Total	\$ 131,094	\$ 159,314	\$ 255,631	\$ 180,290	\$ 157,518	\$ 446,966	\$ —	\$ 1,330,813
Land and construction								
Pass	\$ 66,737	\$ 85,467	\$ 56,655	\$ 16,201	\$ 7,489	\$ 2,470	\$ —	\$ 235,019
Special mention	—	—	420	7,690	—	—	—	8,110
Substandard	—	—	—	—	—	—	—	—
Substandard - Nonaccrual	—	—	—	—	10,000	—	—	10,000
Total	\$ 66,737	\$ 85,467	\$ 57,075	\$ 23,891	\$ 17,489	\$ 2,470	\$ —	\$ 253,129
SBA, B&I and FSA								
Pass	\$ 11,312	\$ 19,505	\$ 22,540	\$ 35,826	\$ 21,304	\$ 50,562	\$ —	\$ 161,049
Special mention	—	472	—	606	1,100	5,510	—	7,688
Substandard	—	5,492	—	2,649	—	517	—	8,658
Substandard - Nonaccrual	—	1,358	—	201	429	2,113	—	4,101
Total	\$ 11,312	\$ 26,827	\$ 22,540	\$ 39,282	\$ 22,833	\$ 58,702	\$ —	\$ 181,496
Consumer								
Pass	\$ 5,301	\$ 3,720	\$ 6,455	\$ 6,631	\$ 3,549	\$ 11,533	\$ 1	\$ 37,190
Special mention	—	—	—	—	3	1	—	4
Substandard	—	—	—	—	—	—	—	—
Substandard - Nonaccrual	—	—	—	—	—	—	—	—
Total	\$ 5,301	\$ 3,720	\$ 6,455	\$ 6,631	\$ 3,552	\$ 11,534	\$ 1	\$ 37,194
Total								
Pass	\$ 244,520	\$ 271,839	\$ 351,591	\$ 248,320	\$ 201,710	\$ 521,375	\$ 192,522	\$ 2,031,877
Special mention	5,475	4,745	16,902	22,818	4,329	12,976	19,180	86,425
Substandard	—	15,245	—	5,160	1,472	14,211	3,973	40,061
Substandard - Nonaccrual	—	1,358	—	201	10,429	2,113	—	14,101
Total	\$ 249,995	\$ 293,187	\$ 368,493	\$ 276,499	\$ 217,940	\$ 550,675	\$ 215,675	\$ 2,172,464

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The following table presents the risk category of loans by class and year of origination of loans as of December 31, 2024:

December 31, 2024	2024	2023	2022	2021	2020	Prior Periods	Revolving	Total
Commercial and industrial								
Pass	\$ 22,179	\$ 23,974	\$ 38,703	\$ 20,459	\$ 12,353	\$ 26,875	\$ 125,036	\$ 269,579
Special mention	—	—	34	2,948	3,674	3,913	17,646	28,215
Substandard	482	—	51	—	—	772	—	1,305
Substandard - Nonaccrual	—	—	—	—	—	—	—	—
Total	<u>\$ 22,661</u>	<u>\$ 23,974</u>	<u>\$ 38,788</u>	<u>\$ 23,407</u>	<u>\$ 16,027</u>	<u>\$ 31,560</u>	<u>\$ 142,682</u>	<u>\$ 299,099</u>
Commercial real estate								
Pass	\$ 166,623	\$ 272,781	\$ 198,991	\$ 166,132	\$ 185,072	\$ 292,840	\$ —	\$ 1,282,439
Special mention	8,738	14,965	—	3,141	7,547	16,310	—	50,701
Substandard	—	—	—	—	—	—	—	—
Substandard - Nonaccrual	—	504	—	—	—	—	—	504
Total	<u>\$ 175,361</u>	<u>\$ 288,250</u>	<u>\$ 198,991</u>	<u>\$ 169,273</u>	<u>\$ 192,619</u>	<u>\$ 309,150</u>	<u>\$ —</u>	<u>\$ 1,333,644</u>
Land and construction								
Pass	\$ 47,779	\$ 55,811	\$ 34,051	\$ 22,248	\$ 12,678	\$ —	\$ —	\$ 172,567
Special mention	—	—	6,810	—	—	1,668	—	8,478
Substandard	—	—	—	10,003	—	—	—	10,003
Substandard - Nonaccrual	—	—	—	—	—	—	—	—
Total	<u>\$ 47,779</u>	<u>\$ 55,811</u>	<u>\$ 40,861</u>	<u>\$ 32,251</u>	<u>\$ 12,678</u>	<u>\$ 1,668</u>	<u>\$ —</u>	<u>\$ 191,048</u>
SBA, B&I and FSA								
Pass	\$ 31,484	\$ 22,581	\$ 41,144	\$ 24,740	\$ 13,155	\$ 48,362	\$ —	\$ 181,466
Special mention	—	217	—	1,124	114	2,539	—	3,994
Substandard	—	—	—	—	—	165	—	165
Substandard - Nonaccrual	—	—	—	—	—	114	—	114
Total	<u>\$ 31,484</u>	<u>\$ 22,798</u>	<u>\$ 41,144</u>	<u>\$ 25,864</u>	<u>\$ 13,269</u>	<u>\$ 51,180</u>	<u>\$ —</u>	<u>\$ 185,739</u>
Consumer								
Pass	\$ 6,010	\$ 5,210	\$ 6,641	\$ 4,197	\$ 1,349	\$ 11,066	\$ 2	\$ 34,475
Special mention	—	—	—	1,103	—	93	—	1,196
Substandard	—	—	—	—	—	14	—	14
Substandard - Nonaccrual	—	—	—	—	—	—	—	—
Total	<u>\$ 6,010</u>	<u>\$ 5,210</u>	<u>\$ 6,641</u>	<u>\$ 5,300</u>	<u>\$ 1,349</u>	<u>\$ 11,173</u>	<u>\$ 2</u>	<u>\$ 35,685</u>
Total								
Pass	\$ 274,075	\$ 380,357	\$ 319,530	\$ 237,776	\$ 224,607	\$ 379,143	\$ 125,038	\$ 1,940,526
Special mention	8,738	15,182	6,844	8,316	11,335	24,523	17,646	92,584
Substandard	482	—	51	10,003	—	951	—	11,487
Substandard - Nonaccrual	—	504	—	—	—	114	—	618
Total	<u>\$ 283,295</u>	<u>\$ 396,043</u>	<u>\$ 326,425</u>	<u>\$ 256,095</u>	<u>\$ 235,942</u>	<u>\$ 404,731</u>	<u>\$ 142,684</u>	<u>\$ 2,045,215</u>

Individual Evaluation of Loans

In accordance with ASC 326, we will evaluate individual loans for expected credit losses when those loans no longer share similar risk characteristics with other loans in the portfolio. A specific ACL for such loans is determined through individual analysis. Methods of individual evaluation and determination of specific reserves permitted by our policy include the collateral value method, the cash flow method and the loan pricing method.

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Nonaccrual Loans

The following table presents the non-accrual loans, which have also been individually evaluated, as of December 31, 2025 and 2024 by class of loans:

December 31, 2025	Nonaccrual Loans with No ACL	Total Nonaccrual Loans	Interest Income Recognized on Nonaccrual Loans
Commercial and industrial	\$ —	\$ —	\$ —
Commercial real estate	—	—	—
Land and construction	—	10,000	—
SBA, B&I and FSA	2,113	4,101	—
Consumer	—	—	—
Total	<u>\$ 2,113</u>	<u>\$ 14,101</u>	<u>\$ —</u>

December 31, 2024	Nonaccrual Loans with No ACL	Total Nonaccrual Loans	Interest Income Recognized on Nonaccrual Loans
Commercial and industrial	\$ —	\$ —	\$ —
Commercial real estate	—	504	—
Land and construction	—	—	—
SBA, B&I and FSA	114	114	—
Consumer	—	—	—
Total	<u>\$ 114</u>	<u>\$ 618</u>	<u>\$ —</u>

Collateral Dependent Loans

Loans to borrowers experiencing financial difficulty are classified as collateral dependent loans when foreclosure is probable, or substantially all repayment of the loan is expected to come from the operation of or eventual liquidation of the collateral. Collateral dependent loans are evaluated individually for purposes of determining the ACL. The ACL for each loan is measured as the amount by which the fair value of the underlying collateral, less estimated costs to sell, is less than the amortized cost of the loan. Management periodically analyzes the underlying collateral with changes in the estimated fair value of the collateral and/or estimated costs to sell reflected in the ACL for the loan. Balances deemed to be uncollectible are promptly charged-off. In cases where the loan is well secured and the estimated value of the collateral exceeds the amortized cost of the loan, no ACL is recorded.

December 31, 2025	Land	Farmland	Commercial Real Estate	Multifamily Residential Real Estate	Total	Allowance for Credit Losses
Commercial and industrial	\$ —	\$ —	\$ 3,623	\$ 339	\$ 3,962	\$ —
Commercial real estate	—	8,924	16,005	—	24,929	264
Land and construction	10,000	—	—	—	10,000	3,349
SBA, B&I and FSA	—	—	10,469	—	10,469	764
Total	<u>\$ 10,000</u>	<u>\$ 8,924</u>	<u>\$ 30,097</u>	<u>\$ 339</u>	<u>\$ 49,360</u>	<u>\$ 4,377</u>

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December 31, 2024	Land	Commercial Real Estate	Single Family Residential Real Estate	Total	Allowance for Credit Losses
Commercial and industrial	\$ —	\$ —	\$ 482	\$ 482	\$ —
Commercial real estate	—	—	504	504	19
Land and construction	10,003	—	—	10,003	211
Total	<u>\$ 10,003</u>	<u>\$ —</u>	<u>\$ 986</u>	<u>\$ 10,989</u>	<u>\$ 230</u>

Residential Real Estate Loans in Process of Foreclosure

At December 31, 2025 and 2024, there were no loans collateralized by residential real estate property that were in process of foreclosure.

Allowance for Credit Losses - Unfunded Commitments

The following table summarizes the changes in the allowance for unfunded commitments for the years ended December 31, 2025, 2024 and 2023

	December 31,		
	2025	2024	2023
Beginning balance	\$ 2,183	\$ 1,783	\$ 403
Adoption of ASC 326 on January 1, 2023 ⁽¹⁾	—	—	521
Reserve for unfunded commitments on acquired loans	—	290	—
Provision for credit losses on unfunded commitments	785	110	859
Ending balance	<u>\$ 2,968</u>	<u>\$ 2,183</u>	<u>\$ 1,783</u>

(1) The incremental ACL for unfunded commitments resulting from the Company's adoption of ASC 326 was recorded as a cumulative effect adjustment to retained earnings as of January 1, 2023.

NOTE 4 - FAIR VALUE

Fair Value Hierarchy: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We group our assets and liabilities measured at fair value into three levels. Valuations within these levels are based upon:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions in pricing an asset or liability. Valuations are supported by minimal or no market activity for comparable assets or liabilities.

We use the following methods and significant assumptions to estimate fair value:

Debt Securities: The fair values of debt securities classified as available for sale and held to maturity are based on quoted market prices, if available (Level 1) at the reporting date. For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded and values debt securities without relying exclusively on quoted prices for the specific securities but rather relying on the

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securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows based on unobservable inputs or assumptions (Level 3).

Loans: The fair value of loans is determined as the present value of expected future cash flows discounted at the rate that represents current market rates for new origination of comparable loans and included adjustments for interest rate, credit, equity return, servicing and liquidity risk factors, resulting in a Level 3 classification. Loans are grouped according to similar characteristics such as loan type, risk classification, past due status, fixed or variable terms, repricing frequency, amortization and terms. The estimated fair values of financial instruments disclosed below follow the guidance in ASU 2016-01, which prescribes an "exit price" approach in estimating and disclosing fair value of financial instruments.

Assets Recorded at Fair Value: Our assets measured at fair value on a recurring basis as of December 31, 2025 and 2024 are summarized below:

	Fair Value Measurements at December 31, 2025 Using:			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total Fair Value
	Level 1	Level 2	Level 3	
Securities available-for-sale:				
U.S. treasury bonds	\$ —	\$ 83,366	\$ —	\$ 83,366
U.S. government-sponsored agencies	—	3,016	—	3,016
SBA-backed securities	—	6,243	—	6,243
Government-guaranteed mortgage-backed securities	—	133,556	—	133,556
Government-guaranteed collateralized mortgage obligations	—	54,188	—	54,188
Private label collateralized mortgage-backed securities	—	8,659	—	8,659
Obligations of state and political subdivision	—	77,872	—	77,872
Asset-backed securities	—	2,160	—	2,160
Corporate bonds	—	14,948	600	15,548
Total securities available-for-sale	<u>\$ —</u>	<u>\$ 384,008</u>	<u>\$ 600</u>	<u>\$ 384,608</u>

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	Fair Value Measurements at December 31, 2024 Using:			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total Fair Value
	Level 1	Level 2	Level 3	
Securities available-for-sale:				
U.S. treasury bonds	\$ —	\$ 126,046	\$ —	\$ 126,046
U.S. government-sponsored agencies	—	6,805	—	6,805
SBA-backed securities	—	9,129	—	9,129
Government-guaranteed mortgage-backed securities	—	77,067	—	77,067
Government-guaranteed collateralized mortgage obligations	—	56,285	—	56,285
Private label collateralized mortgage-backed securities	—	9,221	—	9,221
Obligations of state and political subdivision	—	95,665	—	95,665
Asset-backed securities	—	2,370	—	2,370
Corporate bonds	—	17,285	600	17,885
Total securities available-for-sale	<u>\$ —</u>	<u>\$ 399,873</u>	<u>\$ 600</u>	<u>\$ 400,473</u>

One of our securities acquired through the merger with 1st Capital Bancorp is classified as Level 3 because of the lack of an active market for such securities. The table below presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2025 and 2024:

	Corporate Bonds	
	2025	2024
Balance of recurring Level 3 assets at January 1	\$ 600	\$ —
Acquired assets	—	608
Total gains or losses for the period included in other comprehensive income	—	(8)
Ending balance of recurring Level 3 assets	<u>\$ 600</u>	<u>\$ 600</u>

Management has determined that the fair value of the Level 3 asset, including any unobservable inputs utilized in its valuation, are immaterial to the consolidated financial statements. As a result, management believes that changes in such unobservable inputs would not be material.

There were no transfers between Level 1, Level 2 and Level 3 during 2025 or 2024.

The Company may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. These may include assets that are measured at the lower of cost or fair value such as with individually evaluated collateral dependent loans and other real estate owned assets. The fair value for individually evaluated collateral dependent loans is measured based on the underlying collateral, which may consist of real estate properties, land, or various business assets. The fair value of individually evaluated collateral dependent loans is determined using Level 3 assumptions, and is reflective of loans for which a specific reserve has been established or where the loan has been written-down to the fair value of the underlying collateral. Generally, the Company obtains third party appraisals to determine fair value. In determining the net realizable value of the underlying collateral, the Company then discounts the valuation of the collateral to adjust for estimated selling costs that the Company expects would be incurred in the event of foreclosure.

The fair value of other real estate owned assets is determined using Level 3 assumption. Other real estate owned assets are recorded at fair value, less estimated costs to sell. At the date of transfer of a loan to other real estate owned status, the amount by which the loan's carrying value exceeds the fair value of the underlying collateral, less estimated costs to sell, is recorded as a charge-off in the allowance for credit losses. As with individually evaluated

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collateral dependent loans, the Company obtains third party appraisals to determine the fair value of other real estate owned assets, and discounts the valuation to adjust for estimated selling costs.

Our assets measured at fair value on a non-recurring basis as of December 31, 2025 and 2024 are summarized below:

	Fair Value Measurements at December 31, 2025 Using:			
	Level 1	Level 2	Level 3	Total Fair Value
Financial Assets:				
Collateral dependent loans	\$ —	\$ —	\$ 9,359	\$ 9,359
Other real estate owned	—	—	267	267

	Fair Value Measurements at December 31, 2024 Using:			
	Level 1	Level 2	Level 3	Total Fair Value
Financial Assets:				
Collateral dependent loans	\$ —	\$ —	\$ 10,378	\$ 10,378

For collateral dependent loans measured at fair value as of December 31, 2025, the fair value measurement technique was based on the estimated fair value of the collateral. Unobservable inputs consisted of estimates for the cost to sell underlying collateral which range from 10% to 20%, with a weighted average of approximately 11%. For collateral dependent loans measured at fair value as of December 31, 2024, unobservable inputs included estimates for the cost to sell underlying collateral of 10%.

For other real estate owned measured at fair value as of December 31, 2025, the fair value measurement technique was based on the estimated fair value of the property. Unobservable inputs consisted of estimates for the cost to sell the property of 8%. There was no other real estate owned at December 31, 2024.

Fair Value of Financial Instruments: The carrying amounts and estimated fair values of financial instruments not carried at fair value, at December 31, 2025 and 2024, are summarized in the table below. Financial instruments specifically excluded from disclosure requirements such as bank-owned life insurance policies, lease obligations and non-maturity deposit liabilities are not included below:

	Fair Value Measurements at December 31, 2025 Using:				
	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial Assets:					
Cash and cash equivalents	\$ 190,678	\$ 190,678	\$ —	\$ —	\$ 190,678
Interest-earning deposits in other financial institutions	104	—	104	—	104
Debt securities held-to-maturity	6,544	—	921	5,336	6,257
Loans, net of allowance	2,134,291	—	—	2,127,766	2,127,766
Accrued interest receivable	11,069	—	1,965	9,104	11,069
Financial Liabilities:					
Time deposits	\$ 148,820	\$ —	\$ 148,268	\$ —	\$ 148,268
Subordinated debentures	7,790	—	—	9,248	9,248
Accrued interest payable	738	201	537	—	738

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	Fair Value Measurements at December 31, 2024 Using:				
	Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Financial Assets:					
Cash and cash equivalents	\$ 84,653	\$ 84,653	\$ —	\$ —	\$ 84,653
Interest-earning deposits in other financial institutions	354	—	354	—	354
Debt securities held-to-maturity	7,273	—	1,525	5,280	6,805
Loans, net of allowance	2,013,593	—	—	1,984,270	1,984,270
Accrued interest receivable	10,699	—	2,128	8,571	10,699
Financial Liabilities:					
Time deposits	\$ 173,875	\$ —	\$ 173,151	\$ —	\$ 173,151
Subordinated debentures	11,608	—	—	11,894	11,894
Accrued interest payable	1,359	294	1,065	—	1,359

Management monitors the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets, total liabilities or total earnings.

NOTE 5 - PREMISES AND EQUIPMENT

The following presents the cost of premises and equipment, including leasehold improvements and the related accumulated depreciation and amortization at December 31, 2025 and 2024:

	2025	2024
Land	\$ 1,082	\$ 1,082
Buildings	4,332	4,131
Furniture, fixtures and equipment	6,053	3,964
Software	470	361
Computer equipment	2,064	1,831
Leasehold improvements	4,119	4,057
Construction-in-progress	424	666
Total premises and equipment	18,544	16,092
Less: accumulated depreciation	(8,259)	(6,695)
Premises and equipment, net	\$ 10,285	\$ 9,397

Depreciation expense for the years ended December 31, 2025, 2024 and 2023 was \$1.6 million, \$1.3 million, and \$1.4 million, respectively. Losses related to the sale or disposal of premises and equipment for the years ended December 31, 2025 and 2024 were \$173 thousand and \$507 thousand, respectively. The loss for the year ended December 31, 2025 was related to assets acquired in the merger with 1st Capital Bancorp and was reflected in acquisition expense on the Consolidated Statements of Income. Gains related to the sale or disposal of premises and equipment were \$250 thousand for the year ended December 31, 2023.

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NOTE 6 - LEASES

The Company enters into leases in the normal course of business primarily for branches, back-office operations and loan production offices. Leases have remaining terms ranging from one to eight years, some of which include renewal options to extend the lease for up to five years. The weighted average lease term at December 31, 2025, is 4.86 years, and the weighted average discount rate used in the calculations is 1.87%. Our leases do not include residual value guarantees or covenants.

Certain branch properties and equipment are leased under long-term operating lease agreements. These leases expire on various dates through 2033 and have various renewal options of five years each. Some leases may include a free rent period or have net operating costs associated with them.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make future lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of future contractual required minimum lease payments over the lease term. Adjustments to the required minimum future lease payments that are variable and will not be determinable until a future period are immaterial and not included in the determination of the right of use assets and lease liabilities.

Lease extension options are included in the lease term when determining lease liabilities and right-of-use assets, when the Company believes it has an economic incentive to exercise the option. In addition, the Company has elected to account for any non-lease components in its real estate leases as part of the associated lease component. We have elected the practical expedient under ASC 842 to not recognize leases with original lease terms of 12 months or less (short-term leases) on our balance sheet, and have also elected the practical expedient to not separate non-lease components from lease components and instead to account for each separate lease component and the non-lease components associated with that lease component as a single lease component.

We use the incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. Our incremental borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors.

Right-of-use assets are included in accrued interest receivable and other assets of the consolidated balance sheets. Lease liabilities are included in accrued interest payable and other liabilities of the consolidated balance sheets.

The following summarizes right-of-use assets and lease liabilities as of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Right-of-use assets:		
Operating leases	\$ 4,727	\$ 6,787
Lease liabilities:		
Operating leases	\$ 5,009	\$ 7,157

The following summarizes the components of total lease cost for the years ended December 31, 2025, 2024 and 2023:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 1,453	\$ 1,083	\$ 850
Short-term lease cost	—	—	—
Total lease cost, net	<u>\$ 1,453</u>	<u>\$ 1,083</u>	<u>\$ 850</u>

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The following summarizes future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2025:

	Operating Leases
2026	\$ 1,139
2027	861
2028	787
2029	794
2030	708
Thereafter	1,257
Total undiscounted lease payments	5,546
Less: imputed interest	537
Net lease liabilities	\$ 5,009

NOTE 7 - GOODWILL AND INTANGIBLE ASSETS

Business combinations involving the Company’s acquisition of the equity interests or net assets of another enterprise give rise to goodwill.

Goodwill

The following summarizes the change in goodwill during 2025 and 2024:

	2025	2024
Balance at beginning of year	\$ 40,054	\$ 25,762
Acquired goodwill	—	14,292
Impairment	—	—
Balance at end of year	\$ 40,054	\$ 40,054

Total goodwill represents the excess of the fair value of consideration paid over the fair value of the net assets acquired in the business combinations accounted under the acquisition method accounting. Goodwill assets are attributable to business combinations with 1st Capital Bancorp in 2024 and Lighthouse Bank in 2019. The value of goodwill is dependent on our ability to generate net earnings after the acquisition and is not deductible for tax purposes.

Impairment for goodwill exists when a reporting unit’s carrying value exceeds its fair value. At December 31, 2025, the Company’s reporting unit had positive equity and the Company elected to perform a qualitative assessment to determine if it was more likely than not that the fair value of the reporting unit exceeded its carrying value, including goodwill. The qualitative assessment indicated it was more likely than not that the fair value of the reporting unit exceeded its carrying value, resulting in no impairment.

Other Acquired Intangible Assets

Other acquired intangible assets at December 31, 2025 and 2024, consist of core deposit intangibles (“CDI”) attributed to core deposit relationships acquired in the acquisitions of 1st Capital Bancorp in 2024 of \$27.7 million and Lighthouse Bank in 2019 of \$3.7 million. CDI assets are being amortized over the projected useful lives of the related core deposits using dollar weighted deposit runoff on an annualized basis. CDI associated with the acquisition of 1st Capital Bancorp is being amortized over 13 years and CDI associated with the acquisition of Lighthouse Bank is being amortized over 10 years. At December 31, 2025, CDI associated with the acquisition of 1st Capital Bancorp is expected to be amortized over a period of 11.75 years and CDI associated with the acquisition of Lighthouse Bank is expected to be amortized over a period of 3.75 years.

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The carrying value of other intangible assets, net of accumulated amortization at December 31, 2025 and 2024 was \$23.9 million and \$28.1 million, respectively, as shown in the following table:

	2025		2024	
	Gross Carrying	Accumulated Amortization	Gross Carrying	Accumulated Amortization
Other acquired intangible assets:				
Core deposit intangibles	\$ 31,407	\$ 7,549	\$ 31,407	\$ 3,356

The Company evaluates CDI for impairment when events or circumstances arise that lead management to believe that their value may not be recoverable. Impairment indicators for CDI may exist when interest rates of wholesale funding sources fall significantly and/or core deposit outflows are more than expected, often resulting from sudden changes in deposit behaviors due to adverse market events or economic conditions, or if there is intense market competition for core deposits. At December 31, 2025, the Company determined that there have been no changes in the acquired core deposit portfolios or market conditions that would indicate an impairment of CDI. No impairment was recorded for CDI during the years ended December 31, 2025, 2024 or 2023.

Amortization expense recognized for the years ended December 31, 2025, 2024 and 2023 was \$4.2 million, \$1.3 million, and \$363 thousand, respectively.

The following table summarizes our estimated core deposit intangible amortization expense for each of the next five years:

Year ending December 31,	Estimated Future Amortization Expense of Core Deposit Intangible
2026	\$ 3,870
2027	3,548
2028	3,228
2029	2,863
2030	2,359
Thereafter	7,990
Total	<u>\$ 23,858</u>

NOTE 8 - DEPOSITS

Interest-bearing deposits at December 31, 2025 and 2024, consisted of the following:

	2025	2024
Demand deposit	\$ 247,184	\$ 270,254
Money market	900,535	668,584
Time deposits \$250,000 or more	58,401	70,597
Time deposits less than \$250,000	90,419	103,278
Savings	168,312	183,507
Total interest-bearing deposits	<u>\$ 1,464,851</u>	<u>\$ 1,296,220</u>

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Aggregate annual maturities of time deposits are as follows:

	2025
2026	\$ 147,938
2027	431
2028	395
2029	56
	\$ 148,820

NOTE 9 - BORROWED FUNDS

Federal Home Loan Bank

The Bank had lines of credit with FHLB totaling \$709.5 million and \$645.7 million as of December 31, 2025 and 2024, respectively, based on the eligible collateral of certain loans. Overnight and term advances are available under the FHLB borrowing arrangement. There were no overnight advances nor any term advances outstanding with the FHLB as of December 31, 2025, or 2024.

Federal Reserve Bank

The Bank had an available line of credit totaling \$356.5 million and \$322.3 million with the FRB secured by certain loans as of December 31, 2025 and 2024, respectively. No borrowings were outstanding with the FRB at December 31, 2025 or 2024.

Federal Funds Lines of Credit

The Bank had unsecured lines of credit with correspondent banks for overnight borrowings in an aggregate amount of \$100.0 million and \$95.0 million as of December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, there were no outstanding borrowings under these lines.

The following table summarizes borrowing capacity under various lines of credit and the outstanding borrowings as of December 31, 2025 and 2024:

	2025	2024
Line of credit from the FHLB – collateralized	\$ 709,451	\$ 645,716
Line of credit from the FRB – collateralized	356,450	322,258
Lines at correspondent banks – unsecured	100,000	95,000
Total external contingency liquidity capacity	1,165,901	1,062,974
Less: overnight borrowings	—	—
Net available borrowing capacity	\$ 1,165,901	\$ 1,062,974

The Company had approximately \$1.61 billion and \$1.39 billion of loans pledged as collateral for these lines of credit as of December 31, 2025 and 2024, respectively.

NOTE 10 – SUBORDINATED DEBENTURES

In June 2021, 1st Capital Bancorp issued \$15.0 million aggregate principal amount of its 4.00% fixed-to-floating rate subordinated notes due 2036 in a private placement transaction to certain qualified buyers and accredited investors. As part of the merger discussed in Note 18, the Company assumed the subordinated debentures and recorded the subordinated debentures at a fair value discount at the merger date. The discount is accreted over the remaining life of the subordinated debentures. The notes bear contractual interest at an annual fixed rate of 4.00% with the first interest payment on the notes made December 30, 2021, and interest payable semiannually each June

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30 and December 30 through June 2026. From and including June 30, 2026 to, but excluding the maturity date or the date of earlier redemption, the debt will bear contractual interest at a floating rate equal to the then-current three-month SOFR plus a spread of 3.39% per annum, payable quarterly in arrears. The Company may, at its option, begin with the interest payment on June 30, 2026, but not prior thereto redeem the subordinated notes, in whole or in part at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest to but excluding the date of redemption.

In 2025, the Company partially redeemed \$5.3 million of these subordinated debentures and recorded accelerated accretion of the discount of \$1.0 million, which is included in interest expense. We may, at our option, redeem additional debentures at a redemption price equal to 100% of the remaining principal amount plus accrued and unpaid interest on June 30, 2026. At December 31, 2025, the carrying value of the notes was \$7.8 million, net of unaccreted discounts of \$1.9 million.

NOTE 11 - PENSION AND OTHER POST-RETIREMENT BENEFITS

In an effort to attract and retain qualified officers, the Bank provides supplemental retirement benefits for certain executive officers of the Bank who, upon retirement, will received a fixed amount of salary continuation benefit payments for a defined period of time. For a stipulated number of years of continuous full-time employment with the Bank, the participant accumulates credit toward eligibility for a full benefit payment, in a manner analogous to vesting. However, such accumulated credit can be forfeited entirely under certain conditions, such as the participant's termination of employment with cause, or the participant's voluntary resignation before reaching their early retirement age. We account for these benefits as an unfunded noncontributory defined benefit pension plan using December 31 as the measurement date for this plan.

The following table reflects the changes in obligations and plan assets of the defined benefit pension plan as of December 31, 2025 2024 and 2023:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Change in benefit obligation:			
Beginning benefit obligation	\$ 3,745	\$ 3,654	\$ 3,573
Service cost	110	210	258
Interest cost	180	183	166
Actuarial gain (loss)	60	(91)	(158)
Benefits paid	(214)	(211)	(186)
Ending benefit obligation	<u>3,881</u>	<u>3,745</u>	<u>3,653</u>
Change in plan assets:			
Beginning plan assets	—	—	—
Employer contributions	214	211	186
Benefits paid	(214)	(211)	(186)
Ending plan assets	<u>—</u>	<u>—</u>	<u>—</u>
Funded status at end of year	<u>\$ (3,881)</u>	<u>\$ (3,745)</u>	<u>\$ (3,653)</u>

As of December 31, 2025, estimated benefit payments are expected to be approximately \$216 thousand for 2026, \$346 thousand for 2027, \$344 thousand for 2028, \$341 thousand for 2029, \$338 thousand for 2030, and are expected to total approximately \$1.7 million over the 5-year period from 2031 to 2035.

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The following presents pre-tax amounts recognized in accumulated other comprehensive loss at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Change in benefit obligation:			
Unrecognized net actuarial gains	\$ (893)	\$ (1,050)	\$ (1,058)
Unrecognized prior service cost	—	—	—
Unrecognized net transition obligation (assets)	—	—	—
	<u>\$ (893)</u>	<u>\$ (1,050)</u>	<u>\$ (1,058)</u>

The following components of net periodic benefit cost, other than the service cost component, are included in the line item “other” of noninterest expense in the consolidated statements of income for the years ended December 31, 2025, 2024 and 2023:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Components of net periodic benefit cost:			
Service cost	\$ 110	\$ 210	\$ 258
Interest cost	180	183	166
Amortization of actuarial gains	(97)	(99)	(78)
Net periodic benefit cost	<u>193</u>	<u>294</u>	<u>346</u>
Net loss (gain)	60	(91)	(158)
Prior service cost (credit)	—	—	—
Amortization of gain	97	99	78
Amortization of prior service cost	—	—	—
Total recognized in other comprehensive income	<u>157</u>	<u>8</u>	<u>(80)</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ 350</u>	<u>\$ 302</u>	<u>\$ 266</u>

Assumptions

Weighted average assumptions used to determine pension benefit obligations and net periodic pension cost at December 31, 2025, 2024 and 2023:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Discount rate used to determine net periodic benefit cost	4.96%	5.18%	4.78%
Discount rate used to determine benefit obligations	4.91%	4.96%	5.18%
Future salary increases	N/A	N/A	N/A

NOTE 12 - EMPLOYEE BENEFIT PLANS

401(k) Plan

All employees are eligible to participate in our 401(k) benefit plan, which is a tax-deferred savings plan designed to assist employees in preparing for their retirement years. The 401(k) Plan allows employees to contribute to the plan up to certain limits prescribed by the Internal Revenue Service. We match 30% of contributions up to 6% of compensation. Total expense for the years ended December 31, 2025, 2024 and 2023 was \$553 thousand, \$429 thousand and \$368 thousand, respectively.

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Split-dollar Life Insurance

We account for split-dollar life insurance in accordance with *ASC 715-60, Compensation – Non-retirement Post-employment Benefits*, which requires that endorsement split-dollar life insurance arrangements which provide a post-retirement benefit to an employee be recorded based on the substance of the agreement with the employee. When we effectively agree to maintain a life insurance policy during the covered employee’s retirement, the present value of the cost of future premiums of insurance policy during post-retirement is accrued. The total liability recorded as of December 31, 2025 and 2024 was \$1.4 million and \$1.3 million, respectively. Total expense recognized for the years ended December 31, 2025 and 2024, was \$7 thousand and \$38 thousand, respectively, and total gain recognized for the year ended December 31, 2023, was \$25 thousand.

Nonqualified Deferred Compensation Plan

As part of the merger discussed in Note 18 - Business Combination, we assumed the Nonqualified Deferred Compensation Plan (the “Plan”) of 1st Capital Bank established in 2012. The Plan is a defined contribution program. Participants in the Plan are general unsecured creditors of the Company. The Plan was established for the purpose of providing the executive officers and certain other highly compensated employees an opportunity to defer compensation. Participants in the Plan may elect to defer annually any bonus or incentive compensation and any amount of base salary in excess of \$3,000 per month. At the time of election to defer compensation, the participants must also elect a distribution date and a distribution method. Participants may elect to receive amounts payable in a lump sum or in annual installments over a designated period not to exceed 10 years. The Company pays the administrative costs of the Plan but does not make contributions to the Plan aside from interest credited. The Plan requires the Company to pay interest on the deferred balances at a rate equal to The Wall Street Journal Prime Rate on November 1 of the preceding year, set annually for each calendar year, subject to a floor of 0.00%. Participants were first eligible to contribute to the Plan on January 1, 2013. The Company recorded interest expense on deferred compensation of \$55 thousand and \$20 thousand for the years ended December 31, 2025 and 2024. Interest expense for the year ended December 31, 2024 is reflective of the three month period in 2024 following the merger with 1st Capital Bancorp on October 1, 2024. The Company’s total liability under the Plan was \$758 thousand and \$1.0 million at December 31, 2025 and 2024, respectively.

NOTE 13 - INCOME TAXES

The provision for income taxes is as follows for the years ended December 31, 2025, 2024 and 2023:

	2025	2024	2023
Current expense			
Federal	\$ 12,469	\$ 8,682	\$ 9,168
State	7,282	4,688	5,312
Total current	19,751	13,370	14,480
Deferred expense (benefit)			
Federal	(277)	(916)	106
State	161	(96)	34
Total deferred	(116)	(1,012)	140
Total provision for income taxes	\$ 19,635	\$ 12,358	\$ 14,620

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The following table provides a reconciliation of the federal statutory income tax to the Company's total income tax expense and effective tax rate for the years ended December 31, 2025, 2024 and 2023:

	2025		2024		2023	
Federal statutory tax	\$ 14,714	21.00 %	\$ 8,807	21.00 %	\$ 10,452	21.00 %
State income tax, net of federal benefit ⁽¹⁾	5,879	8.39 %	3,632	8.66 %	4,211	8.46 %
Tax credits - low income housing tax credits and proportional amortization:						
Low income housing tax credits	(254)	(0.36)%	—	— %	—	— %
Proportional amortization of LIHTC investments	150	0.21 %	—	— %	—	— %
Nontaxable and nondeductible items:						
Tax exempt interest, net of nondeductible interest expense	(390)	(0.56)%	(200)	(0.48)%	(130)	(0.26)%
Bank owned life insurance	(156)	(0.22)%	(115)	(0.27)%	(95)	(0.19)%
Stock-based compensation	(65)	(0.09)%	33	0.08 %	73	0.15 %
Acquisition related costs	—	— %	158	0.38 %	—	— %
Meals, entertainment, parking and other, net	145	0.20 %	69	0.16 %	54	0.10 %
Other adjustments	(388)	(0.55)%	(26)	(0.06)%	55	0.11 %
Total income tax expense and effective tax rate	\$ 19,635	28.02 %	\$ 12,358	29.47 %	\$ 14,620	29.37 %

(1) State income taxes for California make up the majority (greater than 50%) of the tax effect in this category.

For the years ended December 31, 2025, 2024 and 2023, the Company paid income taxes, net of refunds received, of \$19.6 million, \$13.8 million and \$13.8 million, respectively. For the year ended December 31, 2025, taxes paid, net of refunds received consisted of: \$12.8 million for federal, \$6.7 million for California, and \$92 thousand attributed to other states. For the year ended December 31, 2024, taxes paid, net of refunds received consisted of: \$8.5 million for federal, \$5.1 million for California, and \$157 thousand attributed to other states. For the year ended December 31, 2023, taxes paid, net of refunds received consisted of: \$8.9 million for federal, \$4.8 million for California, and \$70 thousand attributed to other states.

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Deferred income taxes are the result of temporary differences between GAAP financial statement carrying amounts and the tax basis of assets and liabilities. The following summarizes the tax effects of these temporary differences at December 31, 2025 and 2024:

	2025	2024
Deferred tax assets		
Allowance for credit losses	\$ 11,244	\$ 9,351
Net unrealized losses on investment securities	10,500	15,115
Unaccreted fair value discount on acquired loans	6,395	9,266
Net operating loss carryforwards from the 1st Capital Bancorp acquisition	2,601	2,191
Deferred compensation plan and supplemental executive retirement plan	1,630	1,718
State income tax	1,521	1,029
Lease liability	1,475	2,116
Reserve for unfunded commitments	874	645
Accrued expenses	801	701
Other deferred tax assets	584	733
Gross deferred tax assets	37,625	42,865
Deferred tax liabilities		
Core deposit intangibles	(7,027)	(8,293)
Deferred loan origination costs, net of fees	(3,043)	(2,857)
Right-of-use asset	(1,392)	(2,007)
Premises and equipment	(1,015)	(598)
Unaccreted discount on subordinated debentures	(549)	(914)
Unrealized gain on pension	(264)	(310)
Other deferred tax liabilities	(46)	(99)
Gross deferred tax liabilities	(13,336)	(15,078)
Net deferred tax asset	\$ 24,289	\$ 27,787

As a result of the acquisition of 1st Capital Bancorp in 2024, the Company had federal and California net operating loss carryforwards ("NOLs") of approximately \$9.0 million and \$8.2 million, respectively, as of December 31, 2025. Federal and California NOLs as of December 31, 2024 were \$7.7 million and \$6.8 million, respectively. The federal NOL will be carried forward indefinitely, if not utilized, but is limited to 80% of taxable income. If not fully utilized, the California NOLs will begin to expire in 2047. The acquisition of 1st Capital Bancorp resulted in limitations on the annual utilization of these NOLs under section 382 of the Internal Revenue Code. We expect to fully utilize all of the federal and California NOLs prior to their expiration, based upon the level of historical taxable income and projections for future taxable income over the periods during which the deferred tax assets are expected to be deductible. Management believes it is more likely than not that the deferred tax assets will be realized. Accordingly, no valuation allowance has been established as of December 31, 2025, or 2024.

We have no material unrecognized tax benefits at December 31, 2025, or 2024. The total amount of interest and penalties recorded in the income statement was not significant for the year ended December 31, 2025 and were \$8 thousand and \$1 thousand for the year ended December 31, 2024 and 2023, respectively.

We are subject to U.S. federal income tax as well as California income tax and multiple other states with immaterial tax liabilities. In general, we are no longer subject to examination by taxing authorities for years before 2022 for federal or state purposes, respectively.

The Company has no pre-tax income or income taxes from continuing operations as the result of foreign activities for the years ended December 31, 2025, 2024 and 2023.

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NOTE 14 - RELATED PARTY TRANSACTIONS

During the normal course of business, the Company may enter into transactions with related parties, including directors, executive officers, principal shareholders, and their businesses or affiliates. In accordance with applicable regulations and Bank policies, these loans are granted on substantially the same terms, including interest rates and collateral on loans, as those prevailing at the same time for comparable transactions with persons not related to the Company. Likewise, these transactions do not involve more than the normal risk of collectability or present other unfavorable features. Loan-related activity to principal officers, directors and their affiliates during 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 19,304	\$ 17,828
New loans or disbursements	2,926	4,233
Changes in borrower status	(3,325)	—
Principal repayments	(6,743)	(2,757)
Ending balance	<u>\$ 12,162</u>	<u>\$ 19,304</u>

At December 31, 2025 and 2024, no related party loans were on nonaccrual status or classified for regulatory reporting purposes. Deposits from principal officers, directors and their affiliates at December 31, 2025 and 2024 were \$12.4 million and \$9.7 million, respectively.

We solicited legal services from a member of our Board of Directors and incurred legal expenses of \$11 thousand, \$109 thousand, and \$41 thousand in 2025, 2024, and 2023 respectively.

NOTE 15 - STOCK-BASED COMPENSATION

The Company has two share-based compensation plans as described below. Compensation cost for these two plans is included in salaries and employee benefits of the consolidated statements of income and totaled \$1.4 million and \$854 thousand and \$725 thousand for the years ended December 31, 2025, 2024 and 2023, respectively. The total income tax benefit associated with stock-based compensation was \$456 thousand, \$182 thousand and \$93 thousand for the years ended December 31, 2025, 2024 and 2023, respectively.

We estimate the fair value of each option award as of the date of grant using a closed form option valuation model (Black-Scholes-Merton) and the following assumptions. Expected volatilities are based on historical volatilities of our common stock commensurate with the expected term of the option. The "simplified" method described in the Securities and Exchange Commission's Staff Accounting Bulletin No. 110 is used to determine the expected term of the options due to the lack of sufficient historical data. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant with substantially the same term as the expected term of the option.

There were no stock options granted in 2025 or 2024.

2014 Omnibus Plan

The Company adopted the Omnibus Plan in May 2014 for employees and non-employee directors, which remained in effect until February 19, 2024. The Omnibus Plan allowed for qualified stock option grants for employees and non-qualified restricted stock awards for officers and non-employee directors. The Omnibus Plan was replaced with the 2024 Equity Based Compensation Plan and no further awards may be granted under the Omnibus Plan.

The Omnibus Plan permitted the grant of non-statutory options, incentive stock options and restricted stock awards to our directors and employees. Options permitted to be granted under the Omnibus Plan included incentive stock options or non-statutory stock options, as determined by the plan administrator at the time of grant of an option, however incentive stock options were only permitted to be granted only to employees. In addition, restricted stock awards were allowed to be granted under the Omnibus Plan to directors and employees.

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2024 Equity Based Compensation Plan

The Company adopted the Equity Based Compensation Plan in May 2024 for employees and non-employee directors, which will continue in effect until March 20, 2034. The Equity Based Compensation Plan allows incentive stock option grants for employees and stock options, restricted stock awards, restricted share units and performance share awards for officers and non-employee directors. The maximum number of shares of common stock that may be issued under this plan is 1,000,000 and 850,427 shares were available for issuance as of December 31, 2025.

The Equity Based Compensation Plan permits the grant of non-qualified stock options, incentive stock options, restricted stock awards, restricted share units and performance share awards to our directors and employees. Options granted under the Equity Based Compensation Plan may be incentive stock options or non-statutory stock options, as determined by the plan administrator at the time of grant of an option, however incentive stock options may be granted only to employees. In addition, restricted stock awards may be granted under the Equity Based Compensation Plan to directors and employees.

Stock Options

The table below is a summary of stock option activity for the year ended December 31, 2025, relating entirely to the 2014 Omnibus Plan, as no stock options have been issued from the 2024 Equity Based Compensation Plan. All option contracts have expiration dates on the earlier of termination of service or 10 years from the date of grant.

	Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Options outstanding at beginning of year	271,770	\$ 22.86		
Granted	—	—		
Exercised (1)	(41,312)	23.01		
Expired	(10,331)	22.23		
Forfeited	(6,927)	24.70		
Options outstanding at end of year	<u>213,200</u>	<u>\$ 22.80</u>	<u>4.75</u>	<u>\$ 4,519</u>
Options fully vested and expected to vest	<u>213,200</u>			<u>\$ 4,519</u>
Exercisable at end of year	<u>198,230</u>	<u>\$ 22.65</u>	<u>4.57</u>	<u>\$ 4,233</u>

(1) Reflects the gross amount of shares exercised during the period. A total of 17,368 shares were surrendered for the net settlement of various option exercises during 2025.

The following table provides information related to option exercises during each of the years ended December 31, 2025, 2024 and 2023:

	2025	2024	2023
Intrinsic value of options exercised	\$ 717	\$ 536	\$ 355
Cash received from options exercised	\$ 255	\$ 576	\$ 243
Tax benefit realized from options exercised	\$ 303	\$ 16	\$ 10
Weighted average per share fair value of options granted	\$ —	\$ —	\$ 7.65

During the years ended December 31, 2025, 2024 and 2023, compensation cost for stock options totaled \$199 thousand, \$293 thousand and \$388 thousand, respectively. As of December 31, 2025, there was \$112 thousand of total unrecognized compensation cost related to non-vested stock options, all of which were granted under the 2014 Omnibus Plan. The cost is expected to be recognized over a weighted average period of 1.15 years.

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Restricted Stock Awards

The following table provides a summary of the activity related to non-vested shares under to the 2014 Omnibus Plan for the year ended December 31, 2025:

	Shares	Weighted Average Grant Date Fair Value per Share
Non-vested awards at beginning of year	16,346	\$ 27.96
Granted	—	—
Vested	(7,688)	26.93
Forfeited	—	—
Non-vested awards at end of year	<u>8,658</u>	<u>\$ 28.88</u>

The following table provides a summary of the activity related to non-vested shares under to the 2024 Equity Based Compensation Plan for the year ended December 31, 2025:

	Shares	Weighted Average Grant Date Fair Value per Share
Non-vested awards at beginning of year	40,531	\$ 36.68
Granted	120,496	42.13
Vested	(16,613)	38.17
Forfeited	(18,634)	39.06
Non-vested awards at end of year	<u>125,780</u>	<u>\$ 41.35</u>

Included in the restricted stock shares granted under the 2024 Equity Based Compensation Plan during the year ended December 31, 2025, are 67,320 shares of restricted stock with a grant date fair value of \$43.48 per share that have been granted to certain executive officers that contain a performance condition. Restricted stock awards with a performance condition for vesting are valued at the closing stock price on the date of grant and the expense recognized is based on the shares that are expected to be issued upon achieving the related performance condition. The Company periodically evaluates the probable outcome of the performance condition being achieved and makes cumulative adjustments for current and prior periods in compensation expense in the period of change. These performance based restricted stock awards are expected to vest over a period of four years.

During the years ended December 31, 2025, 2024 and 2023, compensation cost for restricted stock awards totaled \$1.2 million, \$561 thousand and \$338 thousand, respectively. At December 31, 2025, there was \$5.0 million in unrecognized compensation cost related to non-vested restricted stock awards granted under both the 2014 Omnibus Plan and the 2024 Equity Based Compensation. The cost is expected to be recognized over a weighted average period of 3.51 years. The total fair value of shares vested during the years ended December 31, 2025, 2024 and 2023 was \$1.0 million, \$500 thousand and \$284 thousand, respectively.

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NOTE 16 - REGULATORY CAPITAL MATTERS

Regulatory Capital: Bank and Bancorp are subject to various regulatory capital adequacy requirements administered by banking regulatory agencies. These requirements, involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet minimum capital requirements can result in certain mandatory and discretionary supervisory actions by regulators that could have a direct material effect on the Company's financial statements.

The Bank is subject to prompt corrective action regulations. The prompt corrective action framework provides five capital classifications: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized." For insured depository institutions that are adequately capitalized (and not well capitalized), regulatory approval is required to accept brokered deposits. Insured depository institutions that become undercapitalized are subject to limitations on, capital distributions, as well as asset growth and expansion, and must submit capital restoration plans. At December 31, 2025 and 2024, the Bank was categorized well capitalized under this regulatory framework. There are no conditions or events since that notification that management believes have changed the category.

The Board of Governors of the Federal Reserve also sets regulatory capital requirements for bank holding companies like the Bancorp that generally follow similar minimum requirements set for banks for capital adequacy. However, the Federal Reserve also maintains a Small Bank Holding Company Policy Statement that generally applies to holding companies with less than \$3.0 billion in assets and with non-complex operations. One element of this policy is that such holding companies are not subject to separate capital measurements and instead the Federal Reserve looks through the holding company to the bank level capital ratios. The Bancorp qualifies for the Policy Statement and currently is not subject to separate capital ratio measurements. Nevertheless, the following table shows the Bancorp's capital ratios as if it were subject to separate capital measurement.

Financial institutions under the generally applicable capital rule are required to maintain a capital conservation buffer of greater than 2.5 percent in order to avoid restrictions on capital distributions and other payments. Federal banking regulations require institutions to meet their capital conservation buffer requirement with common equity tier 1 capital.

Management believes that as of December 31, 2025, the Bank and Bancorp met all capital adequacy requirements to which they are subject.

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Actual and required capital amounts and ratios are presented below at December 31, 2025 and 2024 for both the Bank and Bancorp:

Capital Ratios for the Bancorp*	Actual		Required for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<u>As of December 31, 2025</u>						
Total capital to risk weighted assets	\$ 355,599	14.39 %	\$ 259,533	10.50 %	\$ 247,175	10.00 %
Tier 1 (Core) capital to risk weighted assets	\$ 316,786	12.82 %	\$ 210,098	8.50 %	\$ 197,740	8.00 %
Common Tier 1 (CET1) to risk weighted assets	\$ 316,786	12.82 %	\$ 173,022	7.00 %	\$ 160,663	N/A
Tier 1 (Core) capital to average assets	\$ 316,786	11.12 %	\$ 113,994	4.00 %	\$ 142,493	N/A
<u>As of December 31, 2024</u>						
Total capital to risk weighted assets	\$ 317,356	14.00 %	\$ 237,953	10.50 %	\$ 226,622	10.00 %
Tier 1 (Core) capital to risk weighted assets	\$ 277,354	12.24 %	\$ 192,629	8.50 %	\$ 181,298	8.00 %
Common Tier 1 (CET1) to risk weighted assets	\$ 277,354	12.24 %	\$ 158,635	7.00 %	\$ 147,304	N/A
Tier 1 (Core) capital to average assets	\$ 277,354	10.51 %	\$ 105,532	4.00 %	\$ 131,916	N/A
<u>Capital Ratios for the Bank*</u>						
	Actual		Required for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<u>As of December 31, 2025</u>						
Total capital to risk weighted assets	\$ 353,575	14.31 %	\$ 259,493	10.50 %	\$ 247,136	10.00 %
Tier 1 (Core) capital to risk weighted assets	\$ 322,556	13.05 %	\$ 210,066	8.50 %	\$ 197,709	8.00 %
Common Tier 1 (CET1) to risk weighted assets	\$ 322,556	13.05 %	\$ 172,995	7.00 %	\$ 160,639	6.50 %
Tier 1 (Core) capital to average assets	\$ 322,556	11.32 %	\$ 113,977	4.00 %	\$ 142,471	5.00 %
<u>As of December 31, 2024</u>						
Total capital to risk weighted assets	\$ 316,993	13.99 %	\$ 237,944	10.50 %	\$ 226,614	10.00 %
Tier 1 (Core) capital to risk weighted assets	\$ 288,599	12.74 %	\$ 192,622	8.50 %	\$ 181,291	8.00 %
Common Tier 1 (CET1) to risk weighted assets	\$ 288,599	12.74 %	\$ 158,630	7.00 %	\$ 147,299	6.50 %
Tier 1 (Core) capital to average assets	\$ 288,599	10.94 %	\$ 105,519	4.00 %	\$ 131,898	5.00 %

*Ratios for all capital adequacy requirements, except for the Tier 1 leverage ratio, include the required minimum capital plus the 2.5% capital conservation buffer as required under the Basel III Capital Standards.

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Dividend Restrictions

The Board of Directors may, to the extent of such earnings and our net capital requirements and subject to the provisions of the California Financial Code, declare and pay a portion of such earnings to its shareholders as dividends. No cash dividend will be declared without a complete analysis of capital impact, current economic assessment and current risk analysis.

NOTE 17 - LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES

Correspondent Banking: At times, we maintain deposit amounts at corresponding banks that exceed federally insured limits. Uninsured deposits totaled \$11.6 million and \$486 thousand at December 31, 2025 and 2024, respectively. We have not experienced any losses on amounts exceeding the insured limits.

Financial Investments with Off-balance-sheet Exposure: In the normal course of business to meet the financing needs of our clients, we enter into various financial arrangements where the financial instruments are not recorded in our consolidated balance sheet. These financial instruments include commitments to extend credit, standby letters of credit, overdraft protection and financial guarantees. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. The contract amounts of those instruments reflect the extent of involvement we have in particular classes of financial instruments.

Our exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit, standby letters of credit and financial guarantees is represented by the contractual amount of those instruments. We use the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Commitments to extend credit are agreements to lend to a client as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. We evaluate each client's credit worthiness on a case-by-case basis. The amount of collateral obtained, if we deemed necessary upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include cash, securities, accounts receivable, inventory, property, plant and equipment, residential real estate and income-producing commercial properties.

Standby letters of credit and financial guarantees written are conditional commitments issued by the Bank to guarantee the performance of a client to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients.

The contractual amounts of financial instruments with off-balance-sheet exposure as of December 31, 2025 and 2024 were as follows:

	December 31, 2025		December 31, 2024	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to make loans	\$ 17,840	\$ 606,731	\$ 12,442	\$ 539,206
Unused lines of credit	461	79,352	491	72,446
Standby letters of credit	—	1,824	—	1,545
	<u>\$ 18,301</u>	<u>\$ 687,907</u>	<u>\$ 12,933</u>	<u>\$ 613,197</u>

Commitments to make loans are generally made for periods of 90 days or less.

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NOTE 18 – BUSINESS COMBINATION

On October 1, 2024, Bancorp acquired 100% of the outstanding common shares of 1st Capital Bancorp, parent company for 1st Capital Bank, for an aggregate transaction value of \$80.8 million. As of October 1, 2024, 1st Capital Bancorp merged with and into Bancorp and 1st Capital Bank merged with and into Bank. Under the terms of the acquisition, 5,754,544 shares of 1st Capital Bancorp common stock were exchanged to receive 0.36 of a share of the Company's common stock for each share of 1st Capital Bancorp common stock. With the acquisition, the Company has expanded its geographic footprint and client base. 1st Capital Bancorp results of operations were included in the Bancorp's results beginning October 1, 2024. The fair value of the common shares issued as part of the consideration paid for 1st Capital Bancorp were determined based on the closing price of the Bancorp's common shares on the acquisition date.

Goodwill of \$14.3 million was recorded, which represents the excess of the fair value of the total merger consideration paid over the fair value of the assets acquired, net of the fair value of the liabilities assumed. Goodwill is not expected to be deductible for income tax purposes.

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The following table summarizes the fair value of the consideration paid for 1st Capital Bancorp and the fair value of the assets acquired and liabilities assumed at the acquisition date:

Consideration

Shares of 1 st Capital Bancorp common stock exchanged	5,754,544
Exchange ratio	0.36
Shares of the Company's common stock issued to 1 st Capital Bancorp shareholders at closing, before fractional shares	2,071,636
Less fractional shares	(153)
Shares of the Company's common stock issued to 1 st Capital Bancorp shareholders at closing	2,071,483
The Company's closing price per share, September 30, 2024	\$ 39.00
Fair value of common shares issued and exchanged	\$ 80,788
Cash paid for fractional shares	6
Fair value of total consideration transferred	\$ 80,794

Recognized amounts of identifiable assets acquired and liabilities assumed (at fair value)

Cash and cash equivalents	\$ 43,116
Debt securities	258,333
Equity securities	5,196
Loans	603,061
Premises and equipment	1,132
Core deposit intangibles	27,700
Other assets	41,455
Total fair value of assets acquired	979,993
Deposits	893,215
Subordinated debentures	11,521
Other liabilities	8,755
Total fair value of liabilities assumed	913,491
Total fair value of identifiable net assets	66,502

Goodwill \$ 14,292

Pre-tax merger-related costs reflected in the consolidated statement of income for the years ended December 31, 2025, 2024, and 2023, are \$698 thousand, \$7.1 million, and \$0, respectively.

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NOTE 19 - EARNINGS PER SHARE

The following table provides the components used in the basic and diluted earnings per share computation for the years ended December 31, 2025, 2024 and 2023:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Basic earnings per share:			
Net income	\$ 50,429	\$ 29,579	\$ 35,150
Weighted average common shares outstanding	10,486,508	8,920,590	8,396,566
Basic earnings per common share	\$ 4.81	\$ 3.32	\$ 4.19
Diluted earnings per share:			
Net income	\$ 50,429	\$ 29,579	\$ 35,150
Weighted average common shares outstanding	10,486,508	8,920,590	8,396,566
Add: Dilutive effects of stock-based compensation	113,371	95,353	35,295
Weighted average diluted common shares	10,599,879	9,015,943	8,431,861
Diluted earnings per common share	\$ 4.76	\$ 3.28	\$ 4.17

For the year ended December 31, 2025, there were no stock options deemed to be antidilutive in the determination of diluted earnings per share. Stock options for 2,000 and 112,000 shares of common stock were not considered in computing diluted earnings per common share for the years ended December 31, 2024 and 2023, respectively, because they were anti-dilutive.

NOTE 20 - LOW-INCOME HOUSING TAX CREDIT INVESTMENTS

The Company has investments in the equity of certain limited partnerships that are associated with qualified affordable housing projects and that generate low-income housing tax credits (“LIHTC”) and other tax benefits for the Company, also referred to as LIHTC investments. The Company accounts for these investments using the proportional amortization method, if certain criteria are met. The carrying value of these investments was \$797 thousand at December 31, 2025 and is included in “accrued interest receivable and other assets” of the consolidated balance sheets. There were no LIHTC investments during 2024.

As of December 31, 2025, estimated unfunded commitments associated with the Company’s LIHTC investments expected to be paid in future periods totaled approximately \$93 thousand.

The following table summarizes income tax credits and other income tax benefits, as well as amortization expense associated with the application of the proportional amortization method for the Company’s LIHTC investments for the year ended December 31, 2025:

	<u>2025</u>
Tax credits and other income tax benefits	\$ 254
Amortization of investments	150

The impact of tax credits and other income tax benefits, together with the amortization of LIHTC investments, are reflected in income tax expense in the consolidated statements of income for the year ended December 31, 2025. No impairment losses were recorded for LIHTC investments during 2025.

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NOTE 21 - HOLDING COMPANY FINANCIAL STATEMENTS

The following provides condensed, unconsolidated financial information for West Coast Community Bancorp, the holding company for the Bank, subsequent to its formation on August 18, 2023.

CONDENSED UNCONSOLIDATED BALANCE SHEETS
As of December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 2,023	\$ 1,034
Investment in subsidiary	382,597	344,225
Other assets	469	87
Total assets	<u>\$ 385,089</u>	<u>\$ 345,346</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Subordinated debentures	\$ 7,790	\$ 11,608
Other liabilities	472	757
Total liabilities	<u>8,262</u>	<u>12,365</u>
Total shareholders' equity	<u>376,827</u>	<u>332,981</u>
Total liabilities and shareholders' equity	<u>\$ 385,089</u>	<u>\$ 345,346</u>

CONDENSED UNCONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2025, 2024 and 2023

	<u>2025</u>	<u>2024</u>	<u>August 18 to December 31, 2023</u>
Income			
Dividend income from the Bank	\$ 23,945	\$ 6,730	\$ 1,830
Interest income	—	—	—
Noninterest income	—	—	—
Total income	<u>23,945</u>	<u>6,730</u>	<u>1,830</u>
Expense			
Interest expense	1,938	237	—
Compensation and benefits	145	145	63
Other noninterest expense	455	966	119
Total expense	<u>2,538</u>	<u>1,348</u>	<u>182</u>
Income before income taxes	21,407	5,382	1,648
Income tax benefit	<u>(696)</u>	<u>(296)</u>	<u>(54)</u>
Income before undistributed income of subsidiary	22,103	5,678	1,702
Equity in undistributed earnings of subsidiary	28,326	23,901	11,613
Net income	<u>\$ 50,429</u>	<u>\$ 29,579</u>	<u>\$ 13,315</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2025 and 2024 and
for the Years Ended December 31, 2025, 2024, and 2023

CONDENSED UNCONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2025, 2024, and 2023

	<u>2025</u>	<u>2024</u>	<u>August 18 to December 31, 2023</u>
Cash flows from operating activities:			
Net income	\$ 50,429	\$ 29,579	\$ 13,315
Adjustments to reconcile net income to net cash from operating activities:			
Equity in undistributed earnings of subsidiary	(28,326)	(23,901)	(11,613)
Accretion of fair value discount on subordinated debentures	1,375	87	—
Net changes in other assets	(383)	828	(94)
Net changes in other liabilities	(285)	(423)	2
Net cash provided by operating activities	<u>22,810</u>	<u>6,170</u>	<u>1,610</u>
Cash flows from investing activities:			
Net cash and cash equivalents acquired in acquisition	<u>—</u>	<u>140</u>	<u>—</u>
Net cash provided by investing activities	<u>—</u>	<u>140</u>	<u>—</u>
Cash flows from financing activities:			
Repayment of subordinated notes	(5,193)	—	—
Excise tax from stock repurchase	(58)	(21)	—
Restricted stock surrendered for tax withholdings	(32)	—	—
Proceeds from exercise of stock options, including tax benefit	255	576	78
Cash dividends paid	(8,653)	(6,170)	(1,342)
Cash paid for stock repurchases	(8,140)	(7)	—
Net cash used in financing activities	<u>(21,821)</u>	<u>(5,622)</u>	<u>(1,264)</u>
Net change in cash and cash equivalents	989	688	346
Cash and cash equivalents, beginning of year	1,034	346	—
Cash and cash equivalents, end of year	<u>\$ 2,023</u>	<u>\$ 1,034</u>	<u>\$ 346</u>

APTOS

7775 Soquel Drive | Aptos, CA 95003
831.662.6000

CAPITOLA

819 Bay Avenue | Capitola, CA 95010
831.464.5300

CUPERTINO

19240 Stevens Creek Blvd. | Cupertino, CA 95014
408.200.2880

KING CITY

432 Broadway Street | King City, CA 93930
831.385.8900

MONTEREY

300 Bonifacio Place | Monterey, CA 93940
831.264.4070

SALINAS

480 S. Main Street | Salinas, CA 93901
831.758.2271

SAN LUIS OBISPO

599 Higuera Street, Suite B | San Luis Obispo, CA 93401
805.592.2049

SANTA CRUZ

75 River Street | Santa Cruz, CA 95060
831.600.4020

SCOTTS VALLEY

4604 Scotts Valley Drive | Scotts Valley, CA 95066
831.461.5000

WATSONVILLE

595 Auto Center Drive | Watsonville, CA 95076
831.761.7600

**WEST COAST
COMMUNITY BANCORP**

