

fuel the future

2025 | ANNUAL REPORT



fuel the future

In 1998, it was the imagination and foresight of a group of Bakersfield business leaders who gave birth to Mission Bank. They envisioned a bank that could better serve local business needs and, 27 years later, it is clear that they succeeded. Mission Bank opened with only \$5 million in capital and a single office, but just seven months later the Bank achieved positive earnings. This was the start of a steady course of 107 consecutive profitable quarters, beginning in April 1999 and continuing through to today.

From those humble beginnings, Mission Bancorp has now grown to \$234 million in capital and nearly \$2 billion in assets, with seven locations in five counties. We are proud to remain the sole locally-based business bank in Bakersfield. That said, we also understand the value of expansion and are proud that nearly half of our business has been driven by our growing footprint. In sum, Mission Bank remains rooted in its history and foundation, while still being positioned for ambitious growth in the coming years.

2025 was a challenging year for the banking industry. We are extremely proud of our ability not just to meet those challenges but to rise above them. On the lending side, Mission Bank achieved industry-topping loan growth of 13%. With respect to deposits, the entire banking industry continued to battle higher deposit rates and increased competition (a trend that has existed for over 2 years). Nevertheless, Mission Bank has found ways to adjust, adapt, and excel. The Bank saw a surge of more than \$100 million in deposit growth by the third quarter and, although deposits were flat overall, the Bank ended the year up \$7 million in deposits. Our ability to weather difficult industry conditions and significantly out-perform peers demonstrates the strength of our foundation, the effectiveness of our business model, and the diligence of our team.

As we all know, life can sometimes throw a curve ball. For Mission Bank, this was an unexpected, one-time event that impacted net profit in the second quarter. Not only did the Bank successfully navigate that issue, it also rebounded in spectacular fashion with record profits in Q3, excellent results in Q4, and ending with over an 80th percentile rank for return on equity among all commercial banks in California. Put another way, our “off” year was still better than 80% of California’s commercial banks. This demonstrates that Mission Bank is poised to meet

whatever challenges might arise. While we can’t always predict what those challenges will be, we can confidently attest that the Bank is ready to rise to the occasion.

While the Bank achieved overall success in loan growth and continued to experience a low cost of funds, net interest margin shrunk in 2025 due to decreases in the Fed Funds rate by the Federal Reserve Bank. The math is pretty simple—for every \$1 billion in assets, a 100-basis point decrease means that the Bank immediately earns \$10 million less annually. While rate decreases also result in lower deposit costs, it can take much longer (months, perhaps years) for those decreases to materialize. Although there isn’t much we can do about that mathematical reality, Mission Bank has been able to consistently out-perform peers in this area. Essentially, even if Mission Bank’s earnings declined while peer earnings grew, Mission Bank’s overall ROA and ROE would still remain higher. This fact proved true over the past year as Mission Bancorp achieved a 13.3% ROAE and a 1.42% ROAA in 2025. In addition, net income and diluted earnings per share grew to \$27.1 million and to \$9.55, respectively. We are also happy to report that in the first part of 2025 the margin stabilized and expanded 35 basis points, on a quarterly basis from just 4.00% in the first quarter to 4.35% for the fourth quarter of the year. This was driven by tremendous loan growth, by converting cash (earning the lower Fed Funds rate) into loans (earning 2-3% more). This is a welcome trend and bodes well for the margin as we head into 2026.

Perhaps you are aware that some critics have labeled us a “boring bank.” While this might be a backhanded compliment, it is also a reminder that Mission Bank has remained faithful to the fundamentals of business banking: growing loans and growing deposits. As the economy ebbs and flows, the Bank might focus more heavily on one



growth

or the other, but there remains an overarching recognition that both are essential for successful growth. Meeting those two essentials (particularly deposits, since those are historically more challenging) has been a hallmark for Mission Bank over the lifetime of its existence. So, what is our secret ingredient for continued growth? It's simple: fostering strong business banking relationships.

Building business banking relationships requires achieving the customer's trust. Customers trust our input and rely on us as both personal advisors and stewards of community resources. Our customers also trust us because they have watched first-hand how the Bank has been able to navigate industry challenges (including the Great Recession of 2008 where Mission Bank never had a losing quarter). Trust comes from knowing our customers, being integrated with the industries in our local communities, and establishing a rapport that is built on integrity. Mission Bank hasn't been distracted or swayed by the flashy, new fads or trends that have seduced some of our competitors. We remain focused on solid local businesses that are owned and managed by people we know. Our customers are farmers, real estate professionals, service providers, doctors, restaurants, manufacturers, distributors, accountants, lawyers, and non-profits. At the core, our customer is you.

Our strategy for growth has three prongs: (i) organically grow business within our existing markets; (ii) identify new markets that present optimal growth potential; and (iii) strategically pursue mergers. In 2025, we identified North San Luis Obispo County as an optimal expansion area after identifying an excellent team led by Mark Pearce. The new team brings over 70 years of combined experience in banking the central coast agribusiness and commercial clients and aligns perfectly with the Mission Bank culture. We are excited to watch the new North SLO team grow and succeed in the coming year.

Shareholders will also be happy to learn that during 2025 the Bank continued to return capital to them via the most tax efficient strategy available, ie, share repurchases. We continue to believe that share prices are well below intrinsic value and are therefore eager to purchase shares and reduce dilution. This is possible, in part, because the Bank remains highly capitalized, allowing for growth as well as the ability to absorb unforeseen challenges.

At the end of the day, strong financial performance hinges on a strong leadership team. If you see our hard-working team members, please say "thank you." The numbers we are able to consistently report are due to their effort, skill, and dedication.

A brief summary of the 2025 highlights (spear-headed by our outstanding managers) and other important developments includes the following:

- Led by our Chief Banking Officer, Bryan Easterly, our team of superstar business bankers and relationship managers achieved impressive results. The team remained focused on identifying key opportunities in a competitive environment and those efforts paid off as loans grew by 13.2% to \$1.46 billion. These results reflect that our relationship managers and business bankers continue to earn customer trust through consistent, reliable advice and exceptional customer service. It is worth noting that while our team was achieving double-digit growth, the overall banking industry only grew by a fraction of that. Once again, Bryan's leadership and his team's hard work combined to out-pace the industry.
- Our Ag Division also continued to excel in 2025. Led by Division Manager Rob Hallum, Mission Bank added a net of \$62 million in Ag loans, including loans through the Farmer Mac program. The Farmer Mac program allows Mission Bank to leverage our industry expertise and offer competitive fixed-rate financing in amounts up to \$50 million. Mr. Hallum and his team provide significant value both to Mission Bank as well as the larger Ag community who have come to view them as the "go-to" experts.
- Led by Jason Castle, our Chief Operating Officer and Chief Financial Officer, our back-office teams continue to optimize our infrastructure to ensure that Mission Bank is poised for anticipated growth. Executives including Sheldon Ralph, Debbie Howland, Rodney Maston, Ryan Alvord, and Nathan Wilkerson have worked diligently to improve efficiency, optimize performance, and heighten productivity in various areas including human capital, compliance, IT, accounting, finance, and budgeting. During 2025, Mission Bank upgraded numerous internal processes to streamline operations and built out the Human Capital Department. We are confident that the Bank is in excellent shape to seamlessly meet the challenges and requirements that come with growth.
- Led by Chief Loan Approval and Credit Officer, Mike Congdon, and Chief Loan Operations Officer, Stuart Annable, our lending department has become even more focused and streamlined. With Mr. Annable overseeing loan operations, we are taking an intentional and proactive approach toward the processes, systems, and controls needed to efficiently scale a growing loan portfolio. Meanwhile, Mr. Congdon continues to oversee credit quality, which remains strong even after exponential loan growth. At year-end, nonperforming loans (i.e., loans on

non-accrual or more than 90 days past due) were at \$2.6 million representing less than 20 basis points of total loans. The Bank continues to provision expenses in line with our record loan growth and expects 2026 to be a banner year for lending.

- Mission Bank 1031 Exchange continues to be an effective tool for gaining new customers. To date, Mission Bank has acted as the qualified intermediary on nearly \$3 billion in value associated with 1031 exchanges. At the end of 2025, the Bank implemented a new organizational structure for 1031 which aims to increase long-term capacity and growth potential. We are excited to have brought on Catie Cerri (as well as other new hires) and expect a substantial, sustained increase in 1031 activity over the coming year. Mission Bank is uniquely positioned to offer the added stability of an FDIC insured Bank for exchange funds, which gives us a competitive advantage over non-bank qualified intermediaries that we will continue to capitalize upon. We have high hopes for Catie and the 1031 team moving into 2026.

- At Mission Bank, our regulatory mantra is 100% Compliance. While this is easier said than done, our team has continued to meet (and usually exceed) regulatory expectations. In 2025, Mission Bank had two successful back-to-back federal examinations, with both the Safety and Soundness and Compliance exams occurring in the first half of the year. Led by our Chief Compliance and Audit Officer, Esmeralda Rivas, Mission Bank continues to achieve outstanding exam results. Ms. Rivas has grown into an industry leader in audit, compliance, and regulatory matters. Her expertise, integrity, and hard work have fostered positive, collaborative relationships with our regulators and fueled a disciplined compliance culture.

- Although SBA activity was halted for a portion of 2025 (due to the government shutdown), Mission Bank was able to optimize business opportunities within its core customer base. Rather than aggressively pursuing SBA loans in outside markets, Regional Presidents, RMs, and Business Bankers focused on driving 7a volume within our local regions through established banking relationships. Craig Howells, our SBA Division Manager, and his team have streamlined the government process for our customers, ensuring that the loan process is both smooth and compliant. Not even the shutdown could keep us down!

Mission Bank is proud to celebrate our successes over the past year (and the 26 years before that), but we also aren't content to just sit back. We understand that maintaining our achievements and meeting ambitious goals requires continued focus and work. Our shareholders

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

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

OUR VISION

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

OUR PURPOSE

To fuel and grow vibrant and prosperous communities.

OUR VALUES

Integrity, Drive, Ownership, and Collaboration.

OUR LONG TERM GOALS

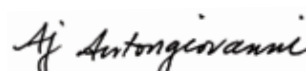
\$8 billion in assets by 2028. Earn an after-tax ROA of 1.60% and after-tax ROE of 18%.

can take comfort in knowing that our team is ready to tackle those challenges and turn our ambition into reality. We continue to believe that Mission Bank's success is driven by unyielding focus on building and maintaining deep customer relationships and providing top-level customer service. Though the country's economic future may be uncertain, we are confident that Mission Bank's focus, culture, and conservative principles will steady our ship. Thank you to the team and our customers, your commitment to Mission Bank allows us to continue fulfilling our core purpose: to fuel and grow vibrant and prosperous communities.

We also take this opportunity to thank our shareholders for their long-term commitment to our Company. Here's looking forward to an exciting and profitable 2026.



Bruce Beretta
Chairman of the Board



A. J. Antongiovanni
President and CEO



fine dining

Esperanza Marroquin, Owner Coach's Tavern

hospitality experience

The stretch of 10th Street West between Palmdale and Lancaster is bustling with activity. From roadwork to property development, the area feels like it's poised for expansion and in the middle of it all sits a brand-new hospitality experience that is unmatched in the Antelope Valley.

Coach's Tavern is a high-end steakhouse, events facility, and soon-to-be sports complex that sits on 20 acres just off 10th Street West and Avenue M. It's perfectly positioned between the cities of Palmdale and Lancaster, ready to bridge the physical divide between the communities.

Under the Clasico Sports LLC and Gianessa Hospitality LLC umbrellas, owned by the Marroquin family, Coach's Tavern is a luxurious oasis offering something completely unique to the Antelope Valley. Esperanza Marroquin led the charge in the development of the property.

"We really wanted to bring in a home base for the family, you can have a day with your kids, bring your wife back for a date, come with all your friends for a sports event. We wanted one place, a one stop shop. We knew that we had to have a good blend of affordability while also giving our community an experience they hadn't had before" says Marroquin.

17 acres of the property is dedicated to the sports complex with the remaining three acres for the restaurant and outdoor cabana area designed with concerts, sip and shops, wine and whiskey tastings, and more in mind. The property, a derelict driving range and pro-shop



From left to right, Mission Bank Business Banker Naomi Guzman, Relationship Manager Lead Jeff Johnson, Coach's Tavern Owner Esperanza Marroquin

was purchased by Clasico Sports LLC four years ago, and the rollout has been strategically phased with the restaurant portion as the first priority.

Coach's Tavern is just one of many projects Marroquin has pursued with the help of Mission Bank. The relationship sparked years ago at the start of Marroquin's career in real estate. She credits success to Mission's Lancaster team, from the beginning Sheldon Ralph, and today Jeff Johnson and Naomi Guzman.

"They were there to counsel me, help me make sure my decisions weren't just ones of ambition but made the best financial sense," says Marroquin. "I credit a lot of the amazing finds we've had in real estate, that we hold onto now, and some of our biggest assets to those conversations, those lunch meetings."

For Relationship Manager Team

Lead Jeff Johnson, working with the family is like working with a well-oiled machine.

"We have been banking the family for 15 years now, they have a number of different business entities," says Johnson. "Their property strategy has evolved from buying single family properties and doing flips to developing commercial real estate. They are very professional, they are very well organized, and they know what they are doing."

For Marroquin the feeling is mutual.

"Mission Bank is so connected in the community, and they know properties, especially real estate that has been sitting. They know what an asset can do in the right hands, they do what they need to do to get the deal done, and for me you can't put a number on it, it's invaluable." ■

growing the future

Shannon Ritchie is proud to be a third-generation farmer, he and his family have been growers in Kern County for decades. His two sons work by his side and together they run Ritchie and Ritchie Farms near McFarland, California.

According to Ritchie the best thing about working with family is the proximity.

"I get to see my kids every day. I get to talk to my boys every single day and I know a lot of dads who would love to be able to do that."

The 1,200-acre outfit is majority almonds, some pistachios, and commercial spraying and harvesting work for other growers. The business is split between Ritchie and his two sons, but they run the farm like it's one operation sharing time and resources.



Shannon Ritchie

"I farm 500 acres of it, and they farm the other 700 but we still work it all together. We share equipment and we share manpower," says Ritchie. "We have about 20 employees, and we keep them busy. If they aren't here with us, they're out

spraying somewhere else."

Ritchie began banking with Mission after two hard years during COVID caused friction with his lender. He went looking for a better banking relationship and that's when he met Mission Bank Relationship Manager Mike Martens and Ag Division Manager Rob Hallum.

"They are great guys and easy to work with," says Ritchie. "They understand Ag, they understand the needs of agriculture, they understand it's not always up and it's not always down and they help us be prepared for all of it."

Martens enjoys the relationship with Ritchie and respects what he brings to the table.

"They run their operation with a level of hard work and determination that is unmatched. Whether it's harvesting, pruning, irrigation, anything you can do to grow a crop they're out there doing it themselves," says Martens. "He has a sense of community and family and has pride in the legacy that his family has built here he's very invested in the future he and his sons are creating."

As for the future Ritchie says it's bright.

"So far we're feeling very good about 2026. Almond prices have come way back from COVID. Last year's crop was good with good prices and this year's crop is way good with good prices. If we have a good bloom, I expect 2026 to be great." ■



From left to right, Mission Bank Relationship Manager Mike Martens, Ritchie and Ritchie Farms owners Shannon Ritchie and Joe Ritchie



farming

From left to right, Mission Bank Relationship Manager Mike Martens, Ritchie and Ritchie Farms owner Shannon Ritchie



VENTURA | COLLECTOR CAR VAULT

shelter to rare beauties

Down a quiet street in Santa Paula, behind an iron gate and surrounded by art installations, citrus, and succulents is the largest classic car storage facility in Southern California. The Collector Car Vault has been providing shelter to rare beauties, vintage racers, and even some everyday drivers for nearly a decade.

The historic building was purchased by Xavier Maignan in 2014 after a friend referred him to the property as a potential place to store his collection of cars. The building, an old Sunkist packing warehouse, had been used as car storage since the late 60's and had even housed the paint shop of infamous pinstripe artist Von Dutch. What was going



From left to right, Mission Bank Business Banker Saysha Failauga Davis, Collector Car Vault Owner Xavier Maignan, and Mission Bank Relationship Manager Quincy Dungan

to be a deal to rent became an opportunity to buy and Maignan found himself overhauling the entire property and securing a conditional use permit to house 450 cars.

“That’s when we opened to the public and at first people thought it was kind of far to travel but they liked coming here,” says Maignan. “We started events with the Petersen Automotive Museum in Los Angeles and then with other people and this became a destination and a gathering place. Now we have more of a social space than a storage facility. We like to have meals; we like to break bread with people and make new connections and nurture them. It’s not only about car storage it’s about a lot more.”

Fast forward 10 years and Maignan had the opportunity to invest again, this time buying out his business partner at Collector Car Vault. He’d been on the hunt to find a financial partner who could close the deal and a chance meeting with Mission Bank Relationship Manager Quincy Dungan helped him turn the corner.

“We met at this networking event, and we didn’t know each other but I had my name tag on and he had on his Mission Bank vest and he said he knew my name, that I wanted to buy out my partner, and he said Mission Bank could help,” says Maignan.

Maignan’s request was ambitious, close the deal by the end of the month, giving Dungan and Mission

Bank 28 days to do the impossible. Dungan rolled up his sleeves and made it happen.

“Between his multiple entities, the appraisal, lots of moving pieces and parts we were able to close on a project he’d been trying to complete for the last two years,” says Dungan. “We worked with six attorneys, the county and everyone under the moon to get this done.”

“This was nothing short of a miracle, but it worked, it was efficient, and it felt so good,” says Maignan. “There hasn’t been a day where I haven’t been thankful because they enabled me to take it to the next step and now we have amazing projects together to add to our portfolio and we look forward to them.” ■



From left to right El Toro Loco Company President Alex Hussein, Chief Operating Officer Alfredo Felix, and Mission Bank Relationship Manager Daniel Albior

serving the underserved

Alex Hussein is a friend to small town residents in the Central Valley. He, his family, and a team of dedicated employees have been breaking ground up and down the state, bringing grocery stores to communities that have been overlooked.

El Toro Loco has 14 locations from Bakersfield west to Santa Maria, and north to Monterey and Sacramento. Their charge began 20 years ago and according to El Toro Loco Company President Alex Hussein, they love the Central Valley and invest in towns where there's a need.

"In the Central Valley we feel like we are at home. The people are friendly and there are a lot of opportunities here. There is an underserved demographic and where we see an opportunity that's where we'll pursue one."

Their Wasco location opened in October of 2025 and features a unique color and brand style that was designed with the area in mind. It's a style they plan to embrace as they continue to grow and it's as intentional as the variety of goods they offer to each specific location.

"From community to community the products change," says Hussein. "We offer what our clients ask for. We compare the products that are sold at our competitors, and we compare pricing, that's how we determine where we need to be."

Alex is President of the El Toro Loco Company, his nephew Yousif is the CEO. The Hussein family has history in the grocery and retail business and owns pharmacies as well. They first began banking with Mission when the bank expanded to Shafter, California.

"We have been with Mission Bank since the mid-2000's that's when we really started to grow the business," says Hussein. "They are a strategic partner. They gave us the

confidence and backing to allow us to expand, and it's been a very good partnership. We continue to grow, and that partnership will support our growth in the future."

Relationship Manager Daniel Albiar helped supply financing for the Wasco location and believes in what the Husseins are doing in California.

"Mission Bank loves to fuel and grow vibrant and prosperous communities, that's our core mission here. Yousif and Alex perfectly align with that," says Albiar. "They go into underdeveloped communities and look to provide competitive products as well as items that aren't being offered at major grocery store chains. Providing a valuable resource to Central Valley families is what El Toro Loco is doing on a daily basis." ■



From left to right, El Toro Loco Chief Operations Officer Alfredo Felix and President Alex Hussein

catching the vision

When his corporate sales job lost its luster, Jerry Clark and his wife Becky decided it was time to find something more exciting. Entrepreneurs at heart, the Clarks had already been investing in local real estate with 35 rental properties they had amassed one by one.

"We knew the rental business; we were renting square footage there," says Clark. "Then we looked at the self-storage model, and again renting square footage, the model was very attractive and that's what got us started."

Where some landlords may not see the progression from rental houses to self-storage, Clark took the "apples to apples" approach building the foundation for what would evolve into a diversified commercial real estate strategy spanning California's Central Valley and into Arizona.

The Clark's first Stor It self-storage property opened in 2007 in Porterville. In the last 18 years the company has grown to seven locations with 650 thousand square feet of rental space, stretching from Sacramento to

Bakersfield, and serving 7,000 customers. But that's not all. The Clarks have continued to expand, from self-storage to commercial real estate with medical buildings in Scottsdale and Phoenix, retail space in Porterville, gyms and even car washes. Through it all the Clarks have been able to rely on Mission Bank Regional President Dustin Della. Della was in his first years of his banking career, working as an intern when he met Clark. Through the years the two have grown together and Della is always impressed by the strategy and insight Clark brings to the table.

"I love working with Jerry, he comes up with some crazy ideas, but he sees the vision. He's able to see the horizon beyond the horizon for what a property can become," says Della. "I have seen him take properties that have been under-performing in a market, and they've been able to create value for their customers which in turn has made these properties into great performing assets for them."



Jerry Clark

While vision is important the mechanism for execution is also a key component to success. For Clark, Della is that mechanism, but he doesn't operate alone.

"Dustin gets the job done, but he has to have a bank that backs him and that's Mission. They are problem solvers and they offer customized solutions. Very often I'm coming to them with a request that is not standard. But Dustin knows our businesses well, and he knows our needs. He's able to make deals happen and Mission is there to support him and us." ■



Stor It, 725 North Plaza Drive in Visalia, California



storage

From left to right, Stor It Owner Jerry Clark, Becky Clark, and Mission Bank Regional President Dustin Della



technology

ITECH Solutions CEO Brian Weiss in his office and podcast studio in Tempton, California

cybersecurity trends

Brian Weiss launched his IT career in 1997, stepping into the industry straight out of high school. Back then the role of an IT company was to help businesses implement technology to become more efficient and accomplish daily tasks more quickly and with greater ease. Things in the tech world have changed dramatically over the last 20 years and Weiss, now CEO of ITECH Solutions, has had a front row seat.

"The IT industry has morphed into a world of cybersecurity," says Weiss. "I focus on helping our clients stay safe and getting them to invest properly in cybersecurity, which can be an uphill battle. But luckily AI came along and now we're heavily invested in what the future of AI looks like for our company and our clients."

Growing up Weiss was a science fiction fan and never thought he'd be alive for the introduction of AI into everyday life.

"I remember watching sci-fi movies and wishing I was in the movie in that future state. About two and half years ago when AI became commercially viable, I dove deep into it. AI aligns very well with cybersecurity, so instead of scaring clients into investing in cybersecurity I get to excite them about the future with AI and help them prepare, checking the cybersecurity boxes along the way."

Another big change for Weiss and ITECH is their new office space in Templeton, California. He relocated the business from a downtown San Luis Obispo commercial rental, to a purchased office space just minutes from his North County home. Mission



From left to right, Mission Bank Regional President Austin Petty and ITECH Solutions CEO Brian Weiss

Bank provided the funding.

Austin Petty, Mission Bank Regional President in San Luis Obispo has been banking Weiss and ITECH for years. When it was time for the company to make the move, he was there to help.

"This was a win-win for them," says Petty. "Brian and his wife Michelle are able to control their own real estate portfolio, which was a great investment for them. What better tenant to have than your own business? Also being so close to home lets you work at work and focus on family when the day is done. When the office is 25 minutes away you are more inclined to work while you're at home. Not so much when it's just down the road. So, from a family standpoint and a company culture standpoint this was the best move for them."

"Banking with Mission is like having an extension of your

business or a partnership," says Weiss. "You trust them and they help you understand your funding options. It really feels like a family and ultimately, it's unlike any experience I've had with any other bank."

Now Weiss is using his new space to venture back to an old hobby with an updated twist. A veteran of radio in the Central Coast, Weiss has outfitted his office to double as a podcast studio. The focus of his content is all about IT, cybersecurity, and the future of AI.

"When we remodeled this space I asked myself, 'if I could have any kind of office, what would I want?' I miss radio, but I don't have time to get back into it, so I figured I'd start a podcast and build this studio here. I just did a podcast about cybersecurity insurance and the importance of having a policy, so it's all fitting together." ■

strong foundation

A 20-year institution in Ventura is entering its second phase thanks to a renewed focus on education, optimization and modernization. Infinity Electric has been in operation for over two decades offering everything from residential service calls to full commercial work, industrial projects, generators, batteries, solar, EV charging and lighting controls.

While the brand is established and well-respected in the region, Managing Partner Jordan Schmidt sees an opportunity to advance the company, referring to it internally as Infinity 2.0.

“At the core, Infinity 2.0 is about transforming the company into the most trusted electrical provider in Ventura County and eventually beyond,” says Schmidt. “We’re building standardized systems, strong leadership, and a culture of accountability so the customer experience is consistent, no matter which technician shows up.”

Schmidt, a successful entrepreneur, relocated to Ventura in 2023 and

joined Infinity Electric as General Manager while the company’s founding owner was living out of state. Working closely with the team and overseeing day to day operations, he gained firsthand insight into the company’s culture, capabilities, and market position, quickly recognizing a strong local brand with significant untapped potential.

“I saw a solid local brand with passionate people, strong values, and a loyal customer base. There was a real opportunity to take what was already good and optimize it, modernize it, and build on a foundation that was already strong,” says Schmidt. “I’ve spent my career building service-based businesses that operate at the highest levels of customer experience, and I take pride in that. I’m drawn to service industries where you must deliver great results and protect your customer’s trust.”

Schmidt purchased Infinity Electric in 2025 and in that process knew he’d need a local banking partner

that understood who he was and his goals for the company.

“I was looking for a community bank that would take the time to understand my history, my vision, and who I am as a business owner, and who would get behind what I’m building and support me as I develop that vision,” says Schmidt.

Mission Bank Relationship Manager Quincy Dungan worked with Schmidt to secure an SBA 7a loan and is always impressed by his commitment to making Infinity and Ventura the best they can be.

“He’s probably one of the most organized and creative people I have met in the contractor industry. He’s always responsive to our needs and has great ideas,” says Dungan. “I see what he wants to do to reinvest in the community especially after the wildfires and their impacts on Ventura and LA counties, he has a really big heart and those values aligns perfectly with Mission’s core purpose to fuel and grow vibrant and prosperous communities.”

Schmidt has big plans for Infinity Electric and knows the best is yet to come.

“On our solid foundation of trust and integrity, we are redefining who we are for the future, rebuilding systems, establishing processes, cleaning up, derisking, improving our culture, investing in our team and our company, filling gaps, and getting ready to grow and expand so we can better serve the needs of the Ventura community and beyond. Infinity Electric is on a path to become a leader in our region, and having a bank that understands our ambition helps accelerate that vision.” ■



From left to right; Infinity Electric’s Scott Montgomery, Mission Bank Business Banker Brandon Wilks, Infinity Electric Managing Partner Jordan Schmidt, Mission Bank Relationship Manager Quincy Dungan, and Infinity Electric’s Alex Gonsales



From left to right, Infinity Electric's Alex Gonsales and Scott Montgomery, and Managing Partner Jordan Schmidt

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Financial Reporting and
FP&A Manager

LONI OLSON
Compensation & Benefits Manager

RYAN ALVORD
Treasurer

JASON RITCHEY
Regional President

DUSTIN DELLA
Regional President

AUSTIN PETTY
Regional President

KAREN HEISINGER
Regional President

ROB HALLUM
Ag Division Manager

CRAIG HOWELLS
SBA Division Manager

CATIE CERRI
1031 Exchange Operations
Officer

MIRANDA WHITWORTH
Marketing Officer

JESSICA PINEDA
Director of Talent Management
and Onboarding

JONATHAN CORNELL
Employee Relations Manager

Shareholder Information

STOCK TRANSFER AGENT AND REGISTRAR

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150 Royall Street, Suite 101
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INDEPENDENT AUDITORS

Crowe, LLP
400 Capitol Mall, Suite 1400
Sacramento, CA 95814-4498
T: 916.441.1000
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STOCK LISTING

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

INVESTOR AND SHAREHOLDER INFORMATION

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

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







Report of Independent Auditors and
Consolidated Financial Statements for

Mission Bancorp

December 31, 2025 and 2024

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated balance sheets	4
Consolidated statements of income	5
Consolidated statements of comprehensive income	6
Consolidated statements of changes in shareholders' equity	7
Consolidated statements of cash flows	8
Notes to consolidated financial statements	9-59

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mission Bancorp
Bakersfield, California

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

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

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

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Mission Bancorp's internal control over financial reporting as of December 31, 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 March 9, 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 Mission Bancorp and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

(Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Crowe LLP
Crowe LLP

Sacramento, California
March 9, 2026

CONSOLIDATED FINANCIAL STATEMENTS

MISSION BANCORP
CONSOLIDATED BALANCE SHEETS

ASSETS	DECEMBER 31,	
	2025	2024
Cash and cash due from banks	\$ 45,593,495	\$ 47,236,290
Interest earning deposits in other banks	107,674,048	244,711,079
Restricted cash and interest earning deposits	-	1,520,575
Total cash and cash equivalents	153,267,543	293,467,944
Interest earning deposits maturing over ninety days	490,000	490,000
Investment securities available-for-sale, at fair value	242,660,298	244,922,263
Loans, net of allowance for credit losses of \$21,909,324 and \$19,423,233 at December 31, 2025 and 2024, respectively	1,438,712,653	1,271,334,603
Premises and equipment, net	2,635,882	2,785,173
Bank owned life insurance	22,533,701	21,899,407
Deferred tax asset, net	15,345,865	16,363,568
Interest receivable and other assets	27,809,017	24,592,554
TOTAL ASSETS	\$ 1,903,454,959	\$ 1,875,855,512
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing demand	\$ 662,809,340	\$ 646,129,078
Savings, NOW, exchange, and escrow	166,070,692	142,598,571
Money market	782,254,719	765,214,734
Time deposits	45,228,409	95,382,476
Total deposits	1,656,363,160	1,649,324,859
Subordinated debentures, net of issuance costs	11,988,205	21,933,904
Interest payable and other liabilities	14,799,983	15,111,386
Total liabilities	1,683,151,348	1,686,370,149
COMMITMENTS AND CONTINGENCIES (NOTE 14)		
SHAREHOLDERS' EQUITY		
Common stock - 10,000,000 shares authorized; no par value; 2,770,207 and 2,636,608 shares issued and outstanding at December 31, 2025 and 2024, respectively	100,846,081	89,495,677
Retained earnings	133,593,780	118,248,023
Accumulated other comprehensive loss	(14,136,250)	(18,258,337)
Total shareholders' equity	220,303,611	189,485,363
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,903,454,959	\$ 1,875,855,512

MISSION BANCORP
CONSOLIDATED STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31,	
	2025	2024
INTEREST INCOME		
Interest and fees on loans	\$ 87,288,970	\$ 79,819,967
Interest on investment securities	9,413,193	9,957,557
Other interest income	9,871,049	9,377,644
Total interest income	<u>106,573,212</u>	<u>99,155,168</u>
INTEREST EXPENSE		
Interest on other deposits	27,386,096	23,304,338
Interest on time deposits	2,324,926	3,333,790
Other borrowings and subordinated debentures	716,704	1,385,700
Total interest expense	<u>30,427,726</u>	<u>28,023,828</u>
NET INTEREST INCOME	76,145,486	71,131,340
CREDIT LOSS EXPENSE (REVERSAL)		
Credit loss expense - loans	2,537,280	1,568,750
Credit loss reversal - unfunded loan commitments	-	(100,000)
Total credit loss expense	<u>2,537,280</u>	<u>1,468,750</u>
NET INTEREST INCOME AFTER CREDIT LOSS EXPENSE (REVERSAL)	<u>73,608,206</u>	<u>69,662,590</u>
NON-INTEREST INCOME		
Loss on disposal of premises and equipment	(5,908)	-
Loss on sale of securities	(49,393)	(31,162)
Service charges, fees, and other income	6,817,107	7,259,235
Total non-interest income	<u>6,761,806</u>	<u>7,228,073</u>
NON-INTEREST EXPENSES		
Salaries, wages, and employee benefits	23,416,379	21,235,956
Professional services	4,716,543	4,883,552
Occupancy and equipment expenses	2,349,473	2,320,831
Data processing and communication expenses	1,568,729	1,621,197
Other expenses	10,051,709	4,803,178
Total non-interest expenses	<u>42,102,833</u>	<u>34,864,714</u>
NET INCOME BEFORE PROVISION FOR INCOME TAXES	38,267,179	42,025,949
PROVISION FOR INCOME TAXES	<u>11,191,200</u>	<u>11,883,862</u>
NET INCOME	<u>\$ 27,075,979</u>	<u>\$ 30,142,087</u>
EARNINGS PER SHARE AVAILABLE TO COMMON SHAREHOLDERS - BASIC		
	<u>\$ 9.74</u>	<u>\$ 10.93</u>
EARNINGS PER SHARE AVAILABLE TO COMMON SHAREHOLDERS - DILUTED		
	<u>\$ 9.55</u>	<u>\$ 10.73</u>

See accompanying notes.

MISSION BANCORP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	YEARS ENDED DECEMBER 31,	
	2025	2024
NET INCOME	\$ 27,075,979	\$ 30,142,087
OTHER COMPREHENSIVE INCOME, net of tax		
Change in unrealized gain on securities available-for-sale and derivatives, net of income tax expense of \$1,762,902 in 2025 and \$239,800 in 2024	4,087,124	575,161
Reclassification adjustment for loss included in net income, net of income tax benefit of \$14,430 in 2025 and \$9,211 in 2024	34,963	21,951
Total change in unrealized gain on securities available-for-sale and derivatives	4,122,087	597,112
TOTAL COMPREHENSIVE INCOME	<u>\$ 31,198,066</u>	<u>\$ 30,739,199</u>

MISSION BANCORP
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	YEARS ENDED DECEMBER 31, 2025 AND 2024				
	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Number of Shares	Amount			
BALANCE, December 31, 2023	2,475,744	\$ 76,964,672	\$ 98,604,884	\$ (18,855,449)	\$ 156,714,107
Stock based compensation	-	1,171,514	-	-	1,171,514
Net income	-	-	30,142,087	-	30,142,087
5% stock dividend	125,357	10,483,003	(10,483,003)	-	-
Fractional shares cancelled	(178)	-	(15,945)	-	(15,945)
Issuance of restricted stock awards	7,834	-	-	-	-
Options exercised	41,130	1,424,307	-	-	1,424,307
Net settled shares forfeited	(5,830)	(426)	-	-	(426)
Restricted stock awards cancelled	(1,292)	-	-	-	-
Repurchase of common stock	(6,157)	(547,393)	-	-	(547,393)
Other comprehensive income, net	-	-	-	597,112	597,112
BALANCE, December 31, 2024	2,636,608	89,495,677	118,248,023	(18,258,337)	189,485,363
Stock based compensation	-	1,320,043	-	-	1,320,043
Net income	-	-	27,075,979	-	27,075,979
5% stock dividend	132,438	11,711,918	(11,711,918)	-	-
Fractional shares cancelled	(189)	-	(18,304)	-	(18,304)
Issuance of restricted stock awards	7,309	-	-	-	-
Options exercised	20,680	774,430	-	-	774,430
Net settled shares forfeited	(454)	(40)	-	-	(40)
Restricted stock awards cancelled	(443)	-	-	-	-
Repurchase of common stock	(25,742)	(2,455,947)	-	-	(2,455,947)
Other comprehensive income, net	-	-	-	4,122,087	4,122,087
BALANCE, December 31, 2025	2,770,207	\$ 100,846,081	\$ 133,593,780	\$ (14,136,250)	\$ 220,303,611

See accompanying notes.

MISSION BANCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 27,075,979	\$ 30,142,087
Adjustments to reconcile net income to net cash from operating activities		
Credit loss expense - loans	2,537,280	1,568,750
Credit loss reversal - unfunded loan commitments	-	(100,000)
Depreciation and amortization of premises and equipment	589,128	669,357
Accretion of deferred loan fees and costs, net	(230,135)	(76,912)
Accretion and amortization on investments	1,106,038	1,917,175
Amortization of debt issuance costs	54,301	70,824
Deferred tax benefit	(759,629)	(1,018,674)
Stock-based compensation	1,320,043	1,171,514
Unrealized (gain) loss on equity securities	9,270	(11,888)
Realized net loss on sale of securities	49,393	31,162
Loss on disposal of premises and equipment	5,908	-
Increase in cash surrender value of bank owned life insurance	(634,294)	(614,843)
Net change in:		
Interest receivable and other assets	(2,636,059)	2,168,415
Interest payable and other liabilities	(862,727)	(1,413,447)
Net cash provided by operating activities	<u>27,624,496</u>	<u>34,503,520</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale investments	(23,114,646)	(70,439,078)
Proceeds from sales, repayments and maturities of available-for-sale investments	30,120,599	67,095,555
Net increase in loans	(169,685,195)	(80,578,815)
Purchases of premises and equipment	(450,745)	(279,235)
Proceeds from sale of premises and equipment	5,000	-
Purchase of FHLB stock and FRB stock	(38,350)	(35,600)
Net cash used in investing activities	<u>(163,163,337)</u>	<u>(84,237,173)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in demand deposits and transaction accounts	57,192,368	188,964,282
Net increase (decrease) in time deposits	(50,154,067)	23,593,840
Payments for subordinated debentures	(10,000,000)	-
Payments for other borrowings	-	(20,000,000)
Net settled shares and fractional shares cancelled	(18,344)	(16,371)
Proceeds from exercises of stock options	774,430	1,424,307
Repurchase of common stock	(2,455,947)	(547,393)
Net cash provided by (used in) financing activities	<u>(4,661,560)</u>	<u>193,418,665</u>
Change in cash and cash equivalents	(140,200,401)	143,685,012
Beginning of year	<u>293,467,944</u>	<u>149,782,932</u>
End of year	<u>\$ 153,267,543</u>	<u>\$ 293,467,944</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$ 30,557,873	\$ 28,559,505
Taxes paid	\$ 11,925,900	\$ 12,605,800
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Lease liabilities arising from obtaining right-of-use assets	\$ 551,324	\$ -

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

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

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

In November 2016, the Company organized Mission Community Development, LLC (MCD, LLC), a California Limited Liability Company, to facilitate and promote growth in low-income communities. MCD, LLC submitted an application with the Community Development Financial Institutions Fund and has qualified as a Community Development Entity that provides investment capital to low-income communities. MCD, LLC did not apply for New Market Tax Credit allocations in 2025 or 2024. MCD, LLC is a wholly owned subsidiary of Mission Bancorp.

In June 2017, the Company organized Nosbig 88, Inc. a Nevada Corporation, to allow the entities of the Company to participate in a pooled-risk sharing group. Nosbig 88, Inc. is a wholly-owned subsidiary of the Company that provides property and casualty insurance coverage to the Company, the Bank and the Company's subsidiaries, and reinsurance to eighteen other third-party insurance captives, for which insurance may not be currently available or economically feasible in the insurance marketplace. Nosbig 88, Inc. generates insurance premium income that is chargeable to each of the other entities in the consolidated group. This premium income and the related charges are eliminated upon consolidation within the accompanying consolidated financial statements. The insurance coverage provided by Nosbig 88, Inc. expired on December 1, 2024 and was not renewed. Nosbig 88, Inc. was dissolved in May 2025.

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

Reclassifications – Certain reclassifications have been made to the 2024 consolidated financial statements to conform to the current year presentation. These reclassifications have no effect on prior year net income or total shareholders' equity of the Company.

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Subsequent events – Subsequent events are events or transactions that occur after the consolidated balance sheet date but before consolidated financial statements are issued. The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before consolidated financial statements are issued. The Company has evaluated subsequent events through March 9, 2026, which is the date the consolidated financial statements were available to be issued.

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

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

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

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

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

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

As of December 31, 2025 and 2024, the Company has cash deposits at other financial institutions in excess of the Federal Deposit Insurance Corporation insured limits. However, the Company places these deposits with major financial institutions and monitors the financial condition of these institutions.

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

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

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

Restricted cash and interest earning deposits – The Company’s subsidiary Nosbig, 88, Inc. had cash balances and interest earning deposits that were restricted in use for paying potential insurance claims at December 31, 2024.

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

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Equity securities with readily determinable fair values are carried at fair value with the change in fair value recognized in net income. The total equity securities carried at fair value at December 31, 2025 and 2024 totaled \$559,459 and \$568,729 respectively. This amount is included as a component of interest receivable and other assets on the consolidated balance sheets. The total unrealized gain (loss) included in net income on these securities for the years ended December 31, 2025 and 2024 was (\$9,270) and \$11,888, respectively. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment.

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

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

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

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Investments in common stock, substantially restricted – The Company became a member of the Federal Reserve Bank of San Francisco (FRB) and is now under their regulatory oversight. Membership in the Federal Reserve System requires members to hold stock in an amount equivalent to six percent of the Company’s capital and surplus. The Company is also a member of the Federal Home Loan Bank of San Francisco (FHLB). As a member of the FHLB, the Company is required to purchase FHLB stock in accordance with its advances, securities, and deposit agreement. The Company also invests in the stock of Pacific Coast Bankers Bank (PCBB) and Texas Independent Bank (TIB) in connection with its advance and correspondent banking arrangements with PCBB and TIB. At December 31, 2025 and 2024, the Company held \$100 thousand each of PCBB stock and TIB stock. PCBB and TIB stock is restricted as to purchase, sale, and redemption.

As of December 31, 2025 and 2024, the Company held \$1.3 million and \$1.2 million, respectively of FRB stock. The amount of FRB stock held is evaluated quarterly to determine if additional shares are required to be purchased or cancelled based on the Company’s capital and surplus.

At December 31, 2025 and 2024, the Company held \$6.4 million of FHLB stock. The Company evaluates its investment in FHLB stock for impairment on a periodic basis and has not recorded an impairment on its investment of FHLB stock during 2025 and 2024.

The investments in FRB stock, FHLB stock, TIB stock, and PCBB stock are carried as cost method investments and are reported within interest receivable and other assets in the consolidated balance sheets as of December 31, 2025 and 2024.

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

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

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

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

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

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

Transfers of financial assets – The Company has entered into certain participation agreements with other organizations. Transfers of an entire financial asset, a group of financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee has the right to pledge or exchange the assets (or beneficial interests) it received, free of conditions that constrain it from taking advantage of that right, and (3) the Company does not maintain effective control over the transferred financial assets or third-party beneficial interests related to those transferred assets. No gain or loss has been recognized by the Company on the sale of these interests for the years ended December 31, 2025 and 2024.

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

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

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

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

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

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

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Advertising expense – Advertising costs are expensed as incurred and amounted to \$91 thousand and \$33 thousand in 2025 and 2024, respectively.

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

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

Comprehensive income – Accounting principles require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in shareholders’ equity from non-owner sources, such as unrealized gains and losses on available-for-sale securities, are reported within comprehensive income and are reflected as a separate component of the equity section of the consolidated balance sheets. For the years ended December 31, 2025 and 2024, change in unrealized gain (loss) on securities and derivatives were the only items in other comprehensive income.

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

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Dividend restriction – 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 the shareholders.

Stock repurchase plan – On April 28, 2022, the Company announced it had entered into a Rule 10b5-1 plan (the “2022 10b5-1 Plan”) to facilitate the repurchase of its common stock. Pursuant to the 2022 10b5-1 Plan, a maximum of \$1.0 million of the Company’s common stock may be repurchased by the Company. The 2022 10b5-1 Plan was extended during the current year and will expire on April 23, 2026. The extension authorizes the Company to repurchase its common stock up to a maximum of \$3.0 million. Remaining funds associated with the initial authorization were removed from the Plan and the Company may suspend or discontinue the Plan at any time. The Company repurchased 25,155 shares under the Plan at an average price of \$94.41 for the year ended December 31, 2025. The Company repurchased 3,705 shares under the Plan at an average price of \$87.45 for the year ended December 31, 2024. The Company has repurchased a total of 32,926 shares at an average price of \$92.17 under the Plan as of December 31, 2025.

Earnings per share – Earnings per share (EPS) amounts have been computed using both the weighted average number of shares outstanding of common stock for the purposes of computing basic earnings per share and the weighted average number of shares outstanding of common stock plus dilutive common stock equivalents for the purpose of computing diluted earnings per share. Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Basic EPS excludes the dilutive effect that could occur if any securities or other contracts to issue common stock were exercised or converted into or resulted in the issuance of common stock. Diluted EPS is computed using the treasury stock method by dividing net income available to common shareholders by the sum of the weighted average number of common shares outstanding for the period plus the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued. The dilutive calculation excludes -0- options outstanding for the years ended December 31, 2025 and 2024, respectively, for which the exercise price exceeded the average market price of the Company’s common stock during those years.

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

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

	2025	2024
Basic earnings per share		
Net income available to common shareholders	\$ 27,075,979	\$ 30,142,087
Divided by weighted average shares outstanding	2,779,402	2,758,993
Basic earnings per share	\$ 9.74	\$ 10.93
 Diluted earnings per share		
Net income available to common shareholders	\$ 27,075,979	\$ 30,142,087
Weighted average shares outstanding	2,779,402	2,758,993
Effect of dilutive securities - stock options and unvested restricted stock	54,370	48,916
Divided by weighted average shares outstanding, including potentially dilutive effect of stock options	2,833,772	2,807,909
Diluted earnings per share	\$ 9.55	\$ 10.73

For the year ended December 31, 2025, the weighted average shares outstanding and effect of dilutive securities in the table above have been adjusted for a five percent stock dividend declared on April 24, 2025. For the year ended December 31, 2024, the weighted average shares outstanding and effect of dilutive securities in the table above have been adjusted for five percent stock dividends declared on April 25, 2024 and April 24, 2025.

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

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

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Recently adopted accounting standards – In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments require entities to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. The ASU also requires entities to disclose income taxes paid, net of refunds, disaggregated by federal, state and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative threshold. The amendments are effective for annual reporting periods beginning after December 15, 2024, and may be adopted prospectively or retrospectively. The Company adopted ASU 2023-09 prospectively on January 1, 2025. The adoption of this ASU did not have a material impact on the consolidated financial statements.

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

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 – Investment Securities

Investment securities have been classified in the consolidated balance sheets according to management's intent. The following table summarizes the amortized cost, fair value, and allowance for credit losses of securities as of December 31, 2025 and 2024:

	2025				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value
Available-for-sale					
Municipal bonds	\$ 100,236,965	\$ 11,426	\$ (15,213,481)	\$ -	\$ 85,034,910
Mortgage-backed securities, government sponsored entities	125,979,732	1,010,367	(4,426,218)	-	122,563,881
Mortgage-backed securities, non-government sponsored entities	5,727,884	54,605	-	-	5,782,489
SBA loan pools	17,862,683	-	(390,607)	-	17,472,076
U.S. Treasury notes	9,182,056	-	(442,074)	-	8,739,982
Agency securities	3,044,603	22,357	-	-	3,066,960
	<u>\$ 262,033,923</u>	<u>\$ 1,098,755</u>	<u>\$ (20,472,380)</u>	<u>\$ -</u>	<u>\$ 242,660,298</u>
	2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value
Available-for-sale					
Municipal bonds	\$ 100,970,487	\$ 57	\$ (17,663,776)	\$ -	\$ 83,306,768
Mortgage-backed securities, government sponsored entities	124,314,457	30,866	(7,114,772)	-	117,230,551
Mortgage-backed securities, non-government sponsored entities	4,007,931	83	(67,666)	-	3,940,348
SBA loan pools	25,014,894	-	(618,054)	-	24,396,840
U.S. Treasury notes	13,964,833	855	(942,232)	-	13,023,456
Agency securities	3,056,956	-	(32,656)	-	3,024,300
	<u>\$ 271,329,558</u>	<u>\$ 31,861</u>	<u>\$ (26,439,156)</u>	<u>\$ -</u>	<u>\$ 244,922,263</u>

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 – Investment Securities (continued)

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

	2025					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale						
Municipal bonds	\$ 1,776,719	\$ (235,623)	\$ 81,991,662	\$ (14,977,858)	\$ 83,768,381	\$ (15,213,481)
Mortgage-backed securities, government sponsored entities	4,748,952	(34,173)	72,120,524	(4,392,045)	76,869,476	(4,426,218)
Mortgage-backed securities, non-government sponsored entities	-	-	-	-	-	-
SBA loan pools	-	-	17,472,076	(390,607)	17,472,076	(390,607)
U.S. Treasury notes	1,617,057	(78,593)	7,122,925	(363,481)	8,739,982	(442,074)
Agency securities	-	-	-	-	-	-
	<u>\$ 8,142,728</u>	<u>\$ (348,389)</u>	<u>\$ 178,707,187</u>	<u>\$ (20,123,991)</u>	<u>\$ 186,849,915</u>	<u>\$ (20,472,380)</u>
	2024					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale						
Municipal bonds	\$ 1,669,685	\$ (257,276)	\$ 81,322,026	\$ (17,406,500)	\$ 82,991,711	\$ (17,663,776)
Mortgage-backed securities, government sponsored entities	44,202,331	(993,651)	62,626,796	(6,121,121)	106,829,127	(7,114,772)
Mortgage-backed securities, non-government sponsored entities	1,956,628	(25,484)	1,183,897	(42,182)	3,140,525	(67,666)
SBA loan pools	22,260,796	(513,950)	2,136,044	(104,104)	24,396,840	(618,054)
U.S. Treasury notes	-	-	11,828,385	(942,232)	11,828,385	(942,232)
Agency securities	-	-	3,024,300	(32,656)	3,024,300	(32,656)
	<u>\$ 70,089,440</u>	<u>\$ (1,790,361)</u>	<u>\$ 162,121,448</u>	<u>\$ (24,648,795)</u>	<u>\$ 232,210,888</u>	<u>\$ (26,439,156)</u>

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 – Investment Securities (continued)

There were 168 and 184 available-for-sale securities in an unrealized loss position as of December 31, 2025 and 2024, respectively. As of December 31, 2025, there were 89 municipal bonds and 64 mortgage-backed securities in an unrealized loss position. As of December 31, 2024, there were 88 municipal bonds and 78 mortgage-backed securities in an unrealized loss position.

The 89 municipal bonds in a loss position as of December 31, 2025 are comprised of 35 tax-exempt issuances and 54 taxable. Internal monitoring of the municipal portfolio includes, but is not limited to, review of geographic concentrations, issuer concentrations, coupon concentration, call/maturity exposures, local issuer demographic and economic trends/projections, ratings changes and issuer financials. In addition to internal credit monitoring of the municipal portfolio, the Company engages a third party to review and evaluate the various risk attributes and exposures within the portfolio at least annually. At December 31, 2025, all bonds in the portfolio are deemed to be very low credit/default risk. The reason for the unrealized loss is directly related to benchmark rates moving 300 to 400bps+ higher since the bonds were purchased. Most of the taxable municipal portfolio was added in 2020 and early 2021 when rates were near their lows. Credit spreads have remained in a historical range. Credit spreads widening on individual positions relative to the market would be one of the indicators we would look for to possibly indicate credit stress. The Company has not seen this occur to this point on any of the bonds in its portfolio.

All the company's MBS, CMO and SBA investments in a loss position are issued by government sponsored entities with either implied or explicit guarantee from the U.S. government and are deemed very low credit risk. As such, the unrealized losses of these investments are due to changes in interest rates between the time purchased and now. None of the unrealized losses are caused by credit impairment and no allowance for credit losses is needed as of December 31, 2025.

The Company does not intend to sell, nor is it more likely than not that it will be required to sell these debt securities before recovery of their amortized cost basis. The issuers of these securities have not, to the Company's knowledge, established any cause for default on these securities at December 31, 2025 and 2024. The Company does not have any securities that required an allowance as of December 31, 2025 and 2024.

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 – Investment Securities (continued)

The amortized cost and market values of securities at December 31, 2025, by contractual maturity, are shown in the following table. Expected and actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

	<u>December 31, 2025</u>	
	<u>Available-for-Sale</u>	
	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>
Due in one year or less	\$ -	\$ -
Due in more than one to five years	27,637,891	26,808,982
Due in more than five years	<u>234,396,032</u>	<u>215,851,316</u>
	<u>\$ 262,033,923</u>	<u>\$ 242,660,298</u>

For the year ended December 31, 2025, the Company sold \$1.1 million of U.S. Treasury notes for a gross loss of \$49 thousand. For the year ended December 31, 2024, the Company sold \$28.2 million of mortgage-backed securities and SBA loan pools for gross gains of \$18 thousand and gross losses of \$49 thousand. As of December 31, 2025 and 2024, securities pledged as collateral for borrowings and to secure U.S. Government, state and local agencies, and trust deposits as required by contract or law were \$119.5 million and \$78.5 million, respectively.

Note 3 – Loans and Allowance for Credit Losses

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

	<u>2025</u>	<u>2024</u>
Loans secured by real estate		
Construction and land development	\$ 89,264,364	\$ 86,539,727
Non-farm non-residential properties	780,608,613	675,843,075
Residential properties	170,382,619	139,873,768
Farmland	192,955,384	190,886,275
Agricultural production	56,301,761	53,052,535
Commercial and industrial loans and other	<u>174,158,523</u>	<u>147,126,055</u>
Gross loans	1,463,671,264	1,293,321,435
Less		
Allowance for credit losses	21,909,324	19,423,233
Deferred loan fees, net	<u>3,049,287</u>	<u>2,563,599</u>
Net loans	<u>\$ 1,438,712,653</u>	<u>\$ 1,271,334,603</u>

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The Company participated in the SBA Paycheck Protection Program (PPP) to help provide loans to customers during 2021 and 2020. The outstanding balance on PPP loans at December 31, 2025 and 2024 was \$257 thousand and \$452 thousand, respectively. These balances are included in commercial and industrial loans and other in the table above.

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

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

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

Residential properties – Residential property loans are made to a select group of local home owners and investors purchasing single family residences (1-4 units) for rental income. The home owner loans are made to borrowers that are generally business owners or customers with a business banking relationship with the bank. Underwriting standards for these loans include, but are not limited to, borrower reputation and historical performance, conservative loan to value ratios based on appraised values, underlying cash flow of the borrower, and the borrower's assets outside the subject collateral. The Bank did not originate any consumer residential loans in 2025 or 2024.

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

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Management believes that the allowance for credit losses was adequate as of December 31, 2025. However, there is no assurance that future credit losses will not exceed the levels provided for in the allowance for credit losses and could possibly result in additional charges to credit loss expense. In addition, bank regulatory authorities, as part of their periodic examination of the Company, may require additional charges to credit loss expense in future periods if warranted as a result of their review. A significant decline in real estate market values may require an increase in the allowance for credit losses. A prolonged drop in oil prices, or continued drought conditions, may require an increase in the allowance for credit losses. The Bank does have exposure to companies in both the oil and agriculture industries. Loans related to the oil industry are included in non-farm non-residential properties loans and commercial and industrial and other loans. While there have been signs of improving economic trends in our markets, further deterioration (due in part or no part to the items above) in the Company’s markets may adversely affect its loan portfolio and may lead to additional charges to credit loss expense.

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

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The following tables present by portfolio segment, the activity in the allowance for credit losses for the year ended December 31, 2025 and 2024.

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

Allowance for Credit Losses and Recorded Investment in Loans

As of and for the Year Ended December 31, 2025

	Construction and Land Development	Non-farm and Non-residential Properties	Residential Properties	Farmland	Agricultural Production	Commercial and Industrial and Other	Unallocated	Total
ALLOWANCE FOR CREDIT LOSSES								
Beginning balance	\$ 2,426,420	\$ 9,800,693	\$ 1,961,995	\$ 2,410,423	\$ 189,901	\$ 2,419,177	\$ 214,624	\$ 19,423,233
Provision	(802,605)	857,294	(52,054)	(443,690)	3,766	2,236,311	738,258	2,537,280
Recoveries	-	-	6,000	-	-	-	-	6,000
Charge-offs	-	-	-	-	-	(57,189)	-	(57,189)
Ending balance	<u>\$ 1,623,815</u>	<u>\$ 10,657,987</u>	<u>\$ 1,915,941</u>	<u>\$ 1,966,733</u>	<u>\$ 193,667</u>	<u>\$ 4,598,299</u>	<u>\$ 952,882</u>	<u>\$ 21,909,324</u>
LOANS								
Ending balance	<u>\$ 89,264,364</u>	<u>\$ 780,608,613</u>	<u>\$ 170,382,619</u>	<u>\$ 192,955,384</u>	<u>\$ 56,301,761</u>	<u>\$ 174,158,523</u>	<u>\$ -</u>	<u>\$ 1,463,671,264</u>

Allowance for Credit Losses and Recorded Investment in Loans

As of and for the Year Ended December 31, 2024

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

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

As a result of the Company's geographical concentration, there may be an increase in the credit risk associated with the Company's loans. While management believes that the allowance for credit losses at December 31, 2025 and 2024 is adequate to absorb expected losses inherent in the Company's loan portfolio, a downturn in the economy may adversely impact asset quality and require future additions to the allowance for credit losses. To the extent that such events occur, the impact on the adequacy of the Company's allowance for credit losses will be reported in the Company's consolidated financial statements in the period of occurrence.

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

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

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

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

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

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

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

	2025				Total
	Pass/Watch	Special Mention	Substandard	Doubtful/Loss	
Loans secured by real estate					
Construction and land development	\$ 89,264,364	\$ -	\$ -	\$ -	\$ 89,264,364
Non-farm non-residential properties	776,109,845	4,498,768	-	-	780,608,613
Residential properties	169,997,482	385,137	-	-	170,382,619
Farmland	192,955,384	-	-	-	192,955,384
Agricultural production	55,781,298	520,463	-	-	56,301,761
Commercial and industrial loans and other	167,602,600	2,219,797	4,336,126	-	174,158,523
Total	\$ 1,451,710,973	\$ 7,624,165	\$4,336,126	\$ -	\$ 1,463,671,264

	2024				Total
	Pass/Watch	Special Mention	Substandard	Doubtful/Loss	
Loans secured by real estate					
Construction and land development	\$ 86,539,727	\$ -	\$ -	\$ -	\$ 86,539,727
Non-farm non-residential properties	671,396,707	3,953,429	492,939	-	675,843,075
Residential properties	139,873,768	-	-	-	139,873,768
Farmland	189,886,275	1,000,000	-	-	190,886,275
Agricultural production	51,955,903	1,096,632	-	-	53,052,535
Commercial and industrial loans and other	141,504,644	4,559,875	1,061,536	-	147,126,055
Total	\$ 1,281,157,024	\$ 10,609,936	\$1,554,475	\$ -	\$ 1,293,321,435

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

	2025						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Nonaccrual	Total Past Due	Current	Total Loans Receivables
Loans secured by real estate							
Construction and land development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,264,364	\$ 89,264,364
Non-farm non-residential properties	-	-	-	-	-	780,608,613	780,608,613
Residential properties	-	-	-	-	-	170,382,619	170,382,619
Farmland	-	-	-	-	-	192,955,384	192,955,384
Agricultural production	39,228	-	-	-	39,228	56,262,533	56,301,761
Commercial and industrial loans and other	658,031	-	-	2,624,094	3,282,125	170,876,398	174,158,523
Total	<u>\$ 697,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,624,094</u>	<u>\$ 3,321,353</u>	<u>\$ 1,460,349,911</u>	<u>\$ 1,463,671,264</u>

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

If interest on nonaccrual loans had been recognized under the terms of the original agreements, interest income would have increased approximately \$167 thousand and \$60 thousand for the years ended December 31, 2025 and 2024, respectively. The nonaccrual loans as of December 31, 2025 and 2024 had related allowance for credit losses of \$2.5 million and \$962 thousand, respectively.

Collateral dependent loans - As of December 31, 2025, the Company had commercial and industrial loans totaling \$660 thousand that were collateral dependent. The related allowance for credit losses on these loans was \$660 thousand. As of December 31, 2024, the Company did not have any collateral dependent loans.

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

There were no loan modifications made to borrowers experiencing financial difficulty during the years ended December 31, 2025 and 2024. There are no modified loans related to borrowers experiencing financial difficulty outstanding at December 31, 2025 and 2024.

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The following tables present the amortized cost of loans and leases by credit quality classification in addition to loan and lease vintage as of December 31, 2025 and 2024:

	2025						Revolving Loans Amortized Cost	Total
	Term Loans Amortized Cost Basis by Origination Year							
	2025	2024	2023	2022	2021	Prior		
Construction and land development								
Pass/Watch	\$ 36,807,170	\$ 27,298,389	\$ 13,369,536	\$ 10,842,122	\$ 300,000	\$ -	\$ 647,147	\$ 89,264,364
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful/Loss	-	-	-	-	-	-	-	-
Total construction and land development	\$ 36,807,170	\$ 27,298,389	\$ 13,369,536	\$ 10,842,122	\$ 300,000	\$ -	\$ 647,147	\$ 89,264,364
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-farm non-residential properties								
Pass/Watch	\$ 147,425,195	\$ 80,254,380	\$ 80,461,352	\$ 167,811,449	\$ 90,765,916	\$ 159,313,677	\$ 50,077,876	\$ 776,109,845
Special mention	-	-	1,781,445	965,117	945,453	806,753	-	4,498,768
Substandard	-	-	-	-	-	-	-	-
Doubtful/Loss	-	-	-	-	-	-	-	-
Total non-farm non-residential properties	\$ 147,425,195	\$ 80,254,380	\$ 82,242,797	\$ 168,776,566	\$ 91,711,369	\$ 160,120,430	\$ 50,077,876	\$ 780,608,613
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential properties								
Pass/Watch	\$ 46,188,500	\$ 50,317,658	\$ 9,549,932	\$ 26,685,463	\$ 9,551,907	\$ 12,761,047	\$ 14,942,975	\$ 169,997,482
Special mention	-	-	-	385,137	-	-	-	385,137
Substandard	-	-	-	-	-	-	-	-
Doubtful/Loss	-	-	-	-	-	-	-	-
Total residential properties	\$ 46,188,500	\$ 50,317,658	\$ 9,549,932	\$ 27,070,600	\$ 9,551,907	\$ 12,761,047	\$ 14,942,975	\$ 170,382,619
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Farmland								
Pass/Watch	\$ 26,108,739	\$ 5,048,682	\$ 26,958,800	\$ 36,891,196	\$ 17,384,435	\$ 33,416,856	\$ 47,146,676	\$ 192,955,384
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful/Loss	-	-	-	-	-	-	-	-
Total farmland	\$ 26,108,739	\$ 5,048,682	\$ 26,958,800	\$ 36,891,196	\$ 17,384,435	\$ 33,416,856	\$ 47,146,676	\$ 192,955,384
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Agricultural production								
Pass/Watch	\$ 5,282,273	\$ 935,607	\$ 2,881,444	\$ 2,826,291	\$ 2,226,661	\$ 198,315	\$ 41,430,707	\$ 55,781,298
Special mention	-	-	-	-	-	39,228	481,235	520,463
Substandard	-	-	-	-	-	-	-	-
Doubtful/Loss	-	-	-	-	-	-	-	-
Total agricultural production	\$ 5,282,273	\$ 935,607	\$ 2,881,444	\$ 2,826,291	\$ 2,226,661	\$ 237,543	\$ 41,911,942	\$ 56,301,761
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial and industrial loans and other								
Pass/Watch	\$ 25,800,860	\$ 15,109,041	\$ 14,476,073	\$ 5,281,430	\$ 1,629,426	\$ 3,406,876	\$ 101,898,894	\$ 167,602,600
Special mention	750,000	203,900	-	-	-	-	1,265,897	2,219,797
Substandard	-	49,475	2,418,321	385,844	505,772	76,714	900,000	4,336,126
Doubtful/Loss	-	-	-	-	-	-	-	-
Total commercial and industrial loans and other	\$ 26,550,860	\$ 15,362,416	\$ 16,894,394	\$ 5,667,274	\$ 2,135,198	\$ 3,483,590	\$ 104,064,791	\$ 174,158,523
Current period gross write-offs	\$ -	\$ -	\$ -	\$ 11,859	\$ 45,330	\$ -	\$ -	\$ 57,189
Total loans	\$ 288,362,737	\$ 179,217,132	\$ 151,896,903	\$ 252,074,049	\$ 123,309,570	\$ 210,019,466	\$ 258,791,407	\$ 1,463,671,264
Total gross current period write-offs	\$ -	\$ -	\$ -	\$ 11,859	\$ 45,330	\$ -	\$ -	\$ 57,189

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 – Premises and Equipment

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

	<u>2025</u>	<u>2024</u>
Land	\$ 718,000	\$ 718,000
Buildings	707,000	707,000
Furniture, fixtures, and equipment	3,655,380	3,377,424
Software	409,221	409,221
Building and land improvements	2,350,164	2,289,985
Autos	<u>78,953</u>	<u>65,644</u>
	7,918,718	7,567,274
Less accumulated depreciation and amortization	<u>(5,282,836)</u>	<u>(4,782,101)</u>
	<u>\$ 2,635,882</u>	<u>\$ 2,785,173</u>

Depreciation and amortization expense for the years ended December 31, 2025 and 2024 amounted to \$589 thousand and \$669 thousand, respectively.

Note 5 – Leases

As of December 31, 2025 and 2024, the Company has operating right-of-use assets in the amount of \$2,503,390 and \$2,686,679, respectively, which is included in interest receivable and other assets on the consolidated balance sheets. As of December 31, 2025 and 2024, the Company has operating lease liabilities in the amount of \$2,534,269 and \$2,740,676, respectively, which is included in interest payable and other liabilities on the consolidated balance sheets.

The total lease costs incurred for the years ended December 31, 2025 and 2024 was \$855,146 and \$818,309, respectively. The lease costs for the year ended December 31, 2025 consisted of \$855,146 of operating lease costs and \$-0- of short-term lease costs. The lease costs for the year ended December 31, 2024 consisted of \$801,653 of operating lease costs and \$16,656 of short-term lease costs.

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 - Leases (continued)

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2025 are as follows:

<u>Year ending December 31,</u>	
2026	\$ 797,927
2027	654,276
2028	489,342
2029	341,443
2030	343,756
Thereafter	<u>176,128</u>
Total undiscounted lease payments	2,802,872
Less: imputed interest	<u>268,603</u>
Net lease liabilities	<u><u>\$ 2,534,269</u></u>

Supplemental lease information

The weighted average remaining lease term for operating leases at December 31, 2025 and 2024 was 3.42 years and 3.88 years, respectively. The weighted average discount rate for operating leases at December 31, 2025 and 2024 was 4.19% and 4.20%, respectively.

Cash paid for amounts included in the measurement of operating lease liabilities totaled \$875,165 and \$790,201 for the year ended December 31, 2025 and 2024, respectively. Right-of-use assets obtained in exchange for new operating leases totaled \$551,324 and \$-0- for the year ended December 31, 2025 and 2024, respectively.

Note 6 - Deposits

Time deposits consisted of following at December 31:

	<u>2025</u>	<u>2024</u>
Time deposits under \$250,000	\$ 13,955,223	\$ 17,219,074
Time deposits \$250,000 and over	<u>31,273,186</u>	<u>78,163,402</u>
Total	<u><u>\$ 45,228,409</u></u>	<u><u>\$ 95,382,476</u></u>

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 – Deposits (continued)

The scheduled maturities of time deposits as of December 31, 2025 are as follows:

<u>Year ending December 31,</u>	
2026	\$ 43,614,719
2027	915,802
2028	653,715
2029	10,623
2030	<u>33,550</u>
	<u>\$ 45,228,409</u>

Note 7 – Borrowings

At December 31, 2025, the Company had six unsecured lines of credit with six different banks with a total borrowing capacity of \$141.0 million. The lines have variable interest rates based on the individual lending bank's daily federal fund rates and are due on demand. These are uncommitted lines under which availability is subject to federal fund balances of the issuing banks. The Company had no outstanding balances related to any of these lines of credit as of December 31, 2025 and 2024. The Company also had \$255.8 million and \$205.5 million of available borrowing capacity from the FHLB at December 31, 2025 and 2024, respectively, based upon loans currently pledged. Borrowings from FHLB are collateralized by the Company's loans receivable. At December 31, 2025, \$506.5 million in loans were pledged as collateral to the FHLB for the borrowing capacity. The Company had no FHLB advances outstanding as of December 31, 2025 and 2024. Additionally, the Company had approximately \$175.3 million and \$131.6 million in available borrowing capacity from the FRB at December 31, 2025, and 2024. The Company had no outstanding balance on the line at FRB as of December 31, 2025 and 2024. Borrowings from the FRB are collateralized by the Company's loans receivable and pledged investment securities. Total collateral pledged to the FRB was approximately \$201.6 million at December 31, 2025. At December 31, 2025 and 2024, the Company had no letters of credit outstanding.

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

On April 7, 2021, the Company issued \$12,000,000 unsecured subordinated notes, net of issuance costs in the amount of \$220,499 for net proceeds of \$11,779,501. The notes require semi-annual interest only payments at a rate of 3.75% for five years then the rate changes to a floating rate of 2.98% plus three-month term SOFR. The notes mature on April 15, 2031 and are redeemable on April 15, 2026. As of December 31, 2025, the balance on these borrowings was \$11,988,205, net of issuance costs of \$11,795. As of December 31, 2024, the balance on these borrowings was \$11,944,105, net of issuance costs of \$55,895.

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Income Taxes

Pretax income from continuing operations consisted of the following for the year ended December 31:

	2025
Domestic	\$ 38,267,179
Foreign	-
Total	\$ 38,267,179

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

	2025	2024
Current		
Federal	\$ 7,366,119	\$ 8,117,569
State	4,584,710	4,784,967
Foreign*	-	-
	11,950,829	12,902,536
Deferred		
Federal	(444,389)	(675,126)
State	(315,240)	(343,548)
Foreign*	-	-
	(759,629)	(1,018,674)
Provision for income taxes	\$ 11,191,200	\$ 11,883,862

*Disclosure of foreign tax is required for 2025 as a result of the adoption of ASU 2023-09, on a prospective basis.

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 – Income Taxes (continued)

Effective tax rates differ from the Federal statutory rate of 21% applied to income before income taxes due to the following (reported in accordance with the adoption of ASU 2023-09):

	<u>2025</u>	
Statutory federal income tax rate	\$ 8,036,108	21.0%
State franchise tax, net of federal benefit*	3,376,421	8.8%
Foreign tax effects	-	0.0%
Nontaxable or nondeductible items	<u>(221,329)</u>	<u>-0.6%</u>
	<u>\$ 11,191,200</u>	<u>29.2%</u>

*State taxes in California made up the majority (greater than 50 percent) of the tax effect in this category.

There were no reconciling items reported that require further disaggregation for the year ended December 31, 2025.

Effective tax rates differ from the Federal statutory rate of 21% applied to income before income taxes due to the following (as reported prior to the adoption of ASU 2023-09):

	<u>2024</u>	
Statutory federal income tax rate	\$ 8,825,449	21.0%
State franchise tax, net of federal benefit	3,531,061	8.4%
Tax exempt interest and non-taxable income	(458,843)	-1.1%
Stock based compensation	(57,668)	-0.1%
Other	<u>43,863</u>	<u>0.1%</u>
	<u>\$ 11,883,862</u>	<u>28.3%</u>

Income taxes paid (net of refunds received) were as follows for the year ended December 31:

	<u>2025</u>
Federal	\$ 7,350,000
California	4,575,800
Other states	<u>100</u>
Total	<u>\$ 11,925,900</u>

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Income Taxes (continued)

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

	<u>2025</u>	<u>2024</u>
Deferred tax assets		
Allowance for credit losses	\$ 6,587,772	\$ 5,888,394
Lease liabilities	744,882	810,144
Deferred compensation	1,668,349	1,400,197
State tax	962,789	1,010,797
Salary continuation expense	546,390	501,708
Accrued vacation	283,636	273,134
Stock based compensation	522,389	460,279
Other	7,981	275,404
Depreciation and amortization	143,200	109,864
Unrealized loss on investment securities	<u>5,884,592</u>	<u>7,661,924</u>
Total deferred tax assets	<u>17,351,980</u>	<u>18,391,845</u>
Deferred tax liabilities		
Right of use assets	(735,805)	(794,182)
Deferred loan costs	(1,084,077)	(1,025,297)
Prepaid expenses	(108,483)	(90,432)
Other	<u>(77,750)</u>	<u>(118,366)</u>
Total deferred tax liabilities	<u>(2,006,115)</u>	<u>(2,028,277)</u>
Net deferred tax asset	<u>\$ 15,345,865</u>	<u>\$ 16,363,568</u>

The realization of the Company's deferred tax assets is dependent upon future taxable income and the future reversal of deferred tax liabilities. Management has evaluated the likelihood of the realization of its deferred tax assets and has determined that no valuation allowance is appropriate at December 31, 2025 and 2024, since management believes it is more likely than not that the deferred tax assets will be realized.

The Company had no unrecognized tax benefits at December 31, 2025 and 2024. The Company recognizes interest accrued and penalties related to unrecognized tax benefits in tax expense. During the years ended December 31, 2025 and 2024, the Company recognized no interest and penalties. The Company is no longer subject to U.S. federal tax authority examinations for the years before 2022 and California State tax authority examinations for years before 2021.

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 – Employee Benefit Plans

The employees of Mission Bancorp are covered under a 401(k) defined contribution plan that was established in January 1999. All employees of the Company who are 21 years of age or older and have completed 6 months of service are eligible to participate in the plan. Eligible employees may defer up to limits established by the Internal Revenue Code. The Company matches employee contributions on a discretionary basis. The Company's matching contribution of the 401(k) plan for the years ended December 31, 2025 and 2024 were \$425 thousand and \$298 thousand, respectively.

The Company implemented a Salary Continuation Plan (SCP). The SCP is a non-qualified plan in which the Company agrees to pay key executives additional benefits in the future, usually at retirement, in return for satisfactory performance by the executive. The SCP is an unfunded plan and is designed to recover its costs through the use of a life insurance policy on each of the participants. As of December 31, 2025 and 2024, approximately \$1.9 million and \$1.7 million, respectively, had been accrued in conjunction with these agreements and are reflected on the consolidated balance sheets as a component of interest payable and other liabilities. In order to fund the SCP plan, the Company purchased life insurance policies in which it is the owner and the beneficiary. Aggregate cash surrender values of these policies were \$22.5 million and \$21.9 million at December 31, 2025 and 2024, respectively, and comprise bank owned life insurance on the consolidated balance sheets.

The Company has a non-qualified deferred compensation plan (the Plan) for key executives. Under the Plan, the Company contributes amounts annually per the agreements for each executive. These amounts vest over periods of time and are payable once the executive has met certain requirements per the agreements. As of December 31, 2025 and 2024, the Company had a payable related to the Plan of approximately \$1.0 million and \$906 thousand, respectively. These amounts are reflected on the consolidated balance sheets as a component of interest payable and other liabilities.

Note 10 – Stock Based Compensation

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

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 - Stock Based Compensation (continued)

Equity Awards available for grant under the 2021 Omnibus Plan amounted to 143,896 and 175,289 as of December 31, 2025 and 2024, respectively.

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

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

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

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

	<u>2025</u>	<u>2024</u>
Risk free interest rate	3.92% - 4.19%	4.33% - 4.71%
Weighted-average expected life	5 - 6.5 Years	5 - 6.5 Years
Volatility	19.7% - 21.9%	20.3% - 20.9%
Dividends	None	None

At December 31, 2025, the estimated unrecognized pretax compensation expense related to nonvested options was \$1.4 million, which will be realized over a weighted average period of 3.1 years. Future expense related to stock option awards would be impacted by new awards and/or modifications, repurchases and forfeitures of existing awards.

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 – Stock Based Compensation (continued)

A summary of option activity and changes during the year is presented below, as of and for the year ended December 31. Balances in the table below have been adjusted for a 5% stock dividend declared during 2025:

	2025	
	Shares	Weighted- Average Exercise Price
Outstanding at beginning of year	236,566	\$ 55.85
Granted	28,548	91.45
Exercised	(21,565)	38.00
Forfeited	(1,564)	88.68
Expired	(3,635)	72.37
Outstanding at end of year	238,350	61.26
Options exercisable	159,585	53.01
Weighted-average fair value of options granted during the year	\$ 29.46	

During 2025 and 2024, the Company awarded stock options with an aggregate fair value of \$841 thousand and \$860 thousand, respectively. The fair value of stock options that vested in 2025 and 2024 was \$697 thousand and \$735 thousand, respectively. The compensation cost has been reported in non-interest expense within the consolidated statements of income.

In 2025, employees exercised 21,565 options at an aggregate exercise price of \$819 thousand, which had an intrinsic value of \$1.19 million. In 2024, employees exercised 44,868 options at an aggregate exercise price of \$1.94 million, which had an intrinsic value of \$1.70 million. In 2025 and 2024, the Company realized \$184 thousand and \$135 thousand, respectively, of tax benefits from the stock option exercises and disqualifying dispositions of incentive stock options by employees.

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 - Stock Based Compensation (continued)

The following tables summarize information about options outstanding at December 31. Opening balances in the table below have been adjusted for a 5% stock dividend declared during both 2025 and 2024:

2025						
Exercise Price	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Number Exercisable	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life
\$21.27 - \$40.59	36,041	\$ 27.49	1.31	36,041	\$ 27.49	1.31
\$40.60 - \$60.90	60,583	51.63	3.58	57,080	51.53	3.48
\$61.54 - \$92.31	141,403	73.91	6.18	66,464	68.12	4.92
\$92.32 - \$93.00	323	93.00	9.66	-	-	-
	<u>238,350</u>	61.26	4.79	<u>159,585</u>	53.01	3.59
Aggregate intrinsic value	<u>\$ 7,923,455</u>			<u>\$ 6,621,312</u>		

2024						
Exercise Price	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Number Exercisable	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life
\$17.49 - \$26.49	36,663	\$ 22.22	1.54	36,663	\$ 22.22	1.54
\$31.81 - \$47.72	24,408	38.21	3.03	24,408	38.21	3.03
\$52.50 - \$78.74	143,303	61.66	5.54	90,723	60.20	4.66
\$78.75 - \$81.63	32,192	81.63	7.63	-	-	-
	<u>236,566</u>	55.85	4.95	<u>151,794</u>	47.49	3.65
Aggregate intrinsic value	<u>\$ 8,192,241</u>			<u>\$ 6,524,610</u>		

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 – Stock Based Compensation (continued)

Restricted Stock

For the years ended December 31, 2025, and 2024, the Company issued 7,645 shares and 8,592 shares of restricted stock at average grant date fair values of \$91.45 and \$81.65 per share, which approximated the fair value of the Company's common stock on the date of grant. The restricted stock vests over a five-to-seven-year period beginning on the first anniversary date. During the year ended December 31, 2025, 7,050 shares vested, and 443 shares were forfeited. As of January 1, 2025, the total amount of nonvested shares was 23,597 with a weighted average price of \$71.12 per share. As of December 31, 2025, 43,689 total shares of restricted stock had vested, and 23,749 shares were nonvested. The weighted average price of nonvested shares was \$78.47 per share at December 31, 2025. Compensation expense related to the grant of restricted stock for the years ended December 31, 2025 and 2024 totaled \$551 thousand and \$462 thousand, respectively. The compensation cost has been reported in non-interest expense within the consolidated statements of income. The aggregate intrinsic value of outstanding restricted stock grants was \$664 thousand and \$594 thousand as of December 31, 2025 and 2024, respectively. Shares and prices have been adjusted for 5% stock dividends declared during both 2025 and 2024.

The estimated unrecognized pretax compensation expense related to nonvested restricted stock was \$1.4 million as of December 31, 2025, which will be realized over the next five years. Future expense related to restricted stock awards would be impacted by new awards and/or modifications, repurchases and forfeitures of existing awards.

Note 11 – Other Expenses

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

	<u>2025</u>	<u>2024</u>
Marketing and business development	\$ 2,022,402	\$ 1,803,317
Insurance and regulatory assessments	995,591	917,849
Loan related expenses	363,909	573,900
Other expenses	<u>6,669,807</u>	<u>1,508,112</u>
	<u>\$ 10,051,709</u>	<u>\$ 4,803,178</u>

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

	<u>2025</u>	<u>2024</u>
Service charges and fee income	\$ 4,026,349	\$ 3,660,726
Premiums on sale of loans	776,403	1,686,027
Farmer Mac income	1,358,537	1,334,754
Other income	<u>655,818</u>	<u>577,728</u>
	<u>\$ 6,817,107</u>	<u>\$ 7,259,235</u>

Note 13 – Transactions with Related Parties

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

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

The following table presents a summary of aggregate activity involving related party borrowers for the years ended December 31, 2025 and 2024. Activities on lines of credit are included on a net basis.

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 - Transactions with Related Parties (continued)

	<u>2025</u>	<u>2024</u>
Loans outstanding at beginning of year	\$ 1,748,927	\$ 3,326,564
New loans and advances	190,000	210,000
Less loan repayments	<u>(408,127)</u>	<u>(1,787,637)</u>
Loans outstanding at end of year	<u>\$ 1,530,800</u>	<u>\$ 1,748,927</u>

At December 31, 2025 and 2024, deposits of related parties amounted to \$28 million and \$27 million, respectively.

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

Note 14 - Commitments and Contingencies

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the consolidated balance sheet. To mitigate this risk posed by these off-balance sheet exposures, the Company has established an allowance for credit losses on unfunded loan commitments totaling \$497 thousand as of December 31, 2025 and 2024.

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

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

	<u>2025</u>	<u>2024</u>
Commitments to extend credit	\$ 375,216,895	\$ 349,612,381
Standby letters of credit	<u>12,048,517</u>	<u>9,099,077</u>
	<u>\$ 387,265,412</u>	<u>\$ 358,711,458</u>

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 – Commitments and Contingencies (continued)

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

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

Note 15 – Fair Value of Financial Instruments

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

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

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

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 – Fair Value of Financial Instruments (continued)

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

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 – Fair Value of Financial Instruments (continued)

The tables below present information about the Company’s assets and liabilities measured at fair value on a recurring and nonrecurring basis as of December 31, 2025 and 2024, respectively, and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

	2025			
	Total	Level 1	Level 2	Level 3
RECURRING ASSETS				
Municipal bonds	\$ 85,034,910	\$ -	\$ 85,034,910	\$ -
Mortgage backed securities, government sponsored entities	122,563,881	-	122,563,881	-
Mortgage backed securities, non-government sponsored entities	5,782,489	-	5,782,489	-
SBA loan pools	17,472,076	-	17,472,076	-
U.S. Treasury notes	8,739,982	-	8,739,982	-
Agency securities	3,066,960	-	3,066,960	-
Equity securities	559,459	-	559,459	-
	<u>\$ 243,219,757</u>	<u>\$ -</u>	<u>\$ 243,219,757</u>	<u>\$ -</u>
RECURRING LIABILITIES				
Derivative financial liabilities (interest rate swaps)	<u>\$ 822,763</u>	<u>\$ -</u>	<u>\$ 822,763</u>	<u>\$ -</u>
	2024			
	Total	Level 1	Level 2	Level 3
RECURRING ASSETS				
Municipal bonds	\$ 83,306,768	\$ -	\$ 83,306,768	\$ -
Mortgage backed securities, government sponsored entities	117,230,551	-	117,230,551	-
Mortgage backed securities, non-government sponsored entities	3,940,348	-	3,940,348	-
SBA loan pools	24,396,840	-	24,396,840	-
U.S. Treasury notes	13,023,456	-	13,023,456	-
Agency securities	3,024,300	-	3,024,300	-
Equity securities	568,729	-	568,729	-
Derivative financial assets (interest rate swaps)	479,735	-	479,735	-
	<u>\$ 245,970,727</u>	<u>\$ -</u>	<u>\$ 245,970,727</u>	<u>\$ -</u>
RECURRING LIABILITIES				
Derivative financial liabilities (interest rate swaps)	<u>\$ 91,318</u>	<u>\$ -</u>	<u>\$ 91,318</u>	<u>\$ -</u>

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

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

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 – Fair Value of Financial Instruments (continued)

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

The following tables present information about the level in the fair value hierarchy for the Company's financial assets and liabilities that are not measured at fair value as of December 31, 2025 and 2024. The valuation of loans receivable held for investment was impacted by the adoption of ASU 2016-01. In accordance with ASU 2016-01, the fair value of loans held for investment is estimated using discounted cash flow analyses. The discount rates used to determine fair value use interest rate spreads that reflect factors such as liquidity, credit, and nonperformance risk of the loans. Loans are considered a Level 3 classification.

Transfers between levels of the fair value hierarchy are recognized on the actual date of the events or circumstances that caused the transfer, which generally corresponds to the Company's quarterly valuation process. During the years ended December 31, 2025 and 2024, there were no transfers between levels of the fair value hierarchy.

	2025				
	Carrying Value	Estimated Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	\$ 153,267,543	\$ 153,267,543	\$ 153,267,543	\$ -	\$ -
Interest earning deposits maturing over 90 days	490,000	490,000	-	490,000	-
Loans, net	1,438,712,653	1,422,535,724	-	-	1,422,535,724
Interest receivable	8,627,713	8,627,713	-	8,627,713	-
Financial liabilities					
Deposits, with no stated maturity	\$ 1,611,134,751	\$ 1,611,134,751	\$ 1,611,134,751	\$ -	\$ -
Time deposits	45,228,409	45,183,446	-	45,183,446	-
Subordinated debentures, net of issuance costs	11,988,205	11,898,342	-	11,898,342	-
Interest payable	159,757	159,757	-	159,757	-
	2024				
Carrying Value	Estimated Fair Value	Fair Value Measurements Using			
		Level 1	Level 2	Level 3	
Financial assets					
Cash and cash equivalents	\$ 293,467,944	\$ 293,467,944	\$ 293,467,944	\$ -	\$ -
Interest earning deposits maturing over 90 days	490,000	490,000	-	490,000	-
Loans, net	1,271,334,603	1,247,427,147	-	-	1,247,427,147
Interest receivable	8,090,555	8,090,555	-	8,090,555	-
Financial liabilities					
Deposits, with no stated maturity	\$ 1,553,942,383	\$ 1,553,942,383	\$ 1,553,942,383	\$ -	\$ -
Time deposits	95,382,476	95,271,759	-	95,271,759	-
Subordinated debentures, net of issuance costs	21,933,904	21,372,781	-	21,372,781	-
Interest payable	289,904	289,904	-	289,904	-

Note 16 - Derivative Financial Instruments

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

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

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

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

Fair value hedges – Interest rate swaps of certain available-for-sale securities were designated as fair value hedges totaling \$58 million notional at December 31, 2025 and 2024. Interest rate swaps of certain fixed rate loans were designated as fair value hedges totaling \$50 million notional at December 31, 2025 and 2024. The hedges were determined to be effective during all periods presented. The Company expects the hedges to remain effective during the remaining terms of the swaps.

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 – Derivative Financial Instruments (continued)

As of December 31, 2025 and 2024 the following amounts were recorded on the balance sheets related to the cumulative basis adjustment for fair value hedges:

Line Item in the Consolidated Balance Sheets in Which the Hedged Item is Included	Carrying Amount of the Hedged Assets (Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets (Liabilities)	
	2025	2024	2025	2024
Investment securities available-for-sale, at fair value (1)	\$ 58,647,217	\$ 57,512,966	\$ 647,217	\$ (487,034)
Loans, net (2)	50,160,246	50,083,456	160,246	83,456
Total	<u>\$ 108,807,463</u>	<u>\$ 107,596,422</u>	<u>\$ 807,463</u>	<u>\$ (403,578)</u>

(1) These amounts include the amortized cost basis of closed portfolios of available-for-sale securities used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolio anticipated to be outstanding for the designated hedged period. At December 31, 2025 and 2024, the amortized cost basis of the closed portfolios used in these hedging relationships was \$58.6 million and \$57.5 million, respectively. At December 31, 2025 and 2024, the cumulative basis adjustments associated with these hedging relationships was \$647 thousand and (\$487) thousand, respectively; and the amounts of the designated hedged items were \$58 million each year.

(2) These amounts include the amortized cost basis of closed portfolios of fixed rate loans used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolio anticipated to be outstanding for the designated hedged period. At December 31, 2025 and 2024, the amortized cost basis of the closed portfolios used in these hedging relationships was \$50.2 million and \$50.1 million, respectively. At December 31, 2025 and 2024, the cumulative basis adjustments associated with these hedging relationships was \$160 thousand and \$83 thousand, respectively; and the amounts of the designated hedged items were \$50 million each year.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the consolidated balance sheets as of December 31, 2025 and December 31, 2024.

	2025		2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Included in interest receivable and other assets:				
Derivatives designated as fair value hedges:				
Interest rate swaps related to securities available-for-sale, at fair value	\$ 58,000,000	\$ -	\$ 58,000,000	\$ 479,735
Interest rate swaps related to loans, net	50,000,000	-	50,000,000	-
Total included in interest receivable and other assets	<u>\$ 108,000,000</u>	<u>\$ -</u>	<u>\$ 108,000,000</u>	<u>\$ 479,735</u>
Included in interest payable and other liabilities:				
Derivatives designated as fair value hedges:				
Interest rate swaps related to securities available-for-sale, at fair value	\$ 58,000,000	\$ (651,767)	\$ 58,000,000	\$ -
Interest rate swaps related to loans, net	50,000,000	(170,996)	50,000,000	(91,318)
Total included in interest payable and other liabilities	<u>\$ 108,000,000</u>	<u>\$ (822,763)</u>	<u>\$ 108,000,000</u>	<u>\$ (91,318)</u>

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 - Derivative Financial Instruments (continued)

The table below presents the effect of the Company's derivative financial instruments on the consolidated statements of income as of December 31, 2025 and December 31, 2024.

	Location and Amount of Gain or (Loss) Recognized in Income on Fair Value Hedging Relationships			
	2025		2024	
	Interest Income	Interest Expense	Interest Income	Interest Expense
Total amounts of income and expense line items presented in the statement of income in which the effects of fair value hedges are recorded	\$ 353,245	\$ -	\$ 1,328,482	\$ -
The effects of fair value hedging:				
Gain (loss) on fair value hedging relationships in Subtopic 815-20				
Interest rate swap contracts				
Hedged items	\$ 1,211,042	\$ -	\$ (1,376,700)	\$ -
Derivatives designated as hedging instruments	\$ (857,797)	\$ -	\$ 2,705,182	\$ -

The following table presents a gross presentation, the effects of offsetting and net presentation of the Company's derivatives as of December 31, 2025 and 2024.

Offsetting of Derivative Assets							
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets			
				Financial Instruments	Cash Collateral Received	Net Amount	
December 31, 2025							
Derivatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
December 31, 2024							
Derivatives	\$ 479,735	\$ -	\$ 479,735	\$ -	\$ 580,000	\$ (100,265)	

Offsetting of Derivative Liabilities							
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets			
				Financial Instruments	Cash Collateral Posted	Net Amount	
December 31, 2025							
Derivatives	\$ 822,763	\$ -	\$ 822,763	\$ -	\$ 1,130,000	\$ (307,237)	
December 31, 2024							
Derivatives	\$ 91,318	\$ -	\$ 91,318	\$ -	\$ -	\$ 91,318	

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 – Derivative Financial Instruments (continued)

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

As of December 31, 2025, the fair value of derivatives in a net liability position, which excludes any adjustment for nonperformance risk related to the agreements was \$823 thousand. As of December 31, 2024, the fair value of derivatives in a net asset position, which excludes any adjustment for nonperformance risk related to the agreements was \$388 thousand. The Company has minimum posting collateral thresholds with its derivative counterparty and has posted \$1.1 million and \$-0- as of December 31, 2025 and 2024, respectively. The Company received \$-0- and \$580 thousand in cash collateral as of December 31, 2025 and 2024, respectively.

Note 17 – Segment Information

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

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17 - Segment Information (continued)

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

	BANKING SEGMENT	
	YEARS ENDED DECEMBER 31,	
	2025	2024
Interest income	\$ 106,573,212	\$ 99,155,168
Other income	6,761,806	7,228,073
Total consolidated income	113,335,018	106,383,241
Interest expense	30,427,726	28,023,828
Segment net interest income and non-interest income	82,907,292	78,359,413
Salaries and benefits	23,416,379	21,235,956
Professional services	4,716,543	4,883,552
Other segment items*	16,507,191	10,213,956
Income tax expense	11,191,200	11,883,862
Total expenses	55,831,313	48,217,326
Segment net income/consolidated net income	\$ 27,075,979	\$ 30,142,087
OTHER SEGMENT DISCLOSURES		
Credit loss expense	\$ 2,537,280	\$ 1,468,750
Depreciation	\$ 589,128	\$ 669,357
RECONCILIATION OF ASSETS		
Total assets for reportable segments	\$1,903,454,959	\$1,875,855,512
Other assets	-	-
Total consolidated assets	\$1,903,454,959	\$1,875,855,512

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

MISSION BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18 – Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for Prompt Corrective Action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators. As of December 31, 2025, management believes that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2025, the most recent regulatory notification categorized the Bank as well capitalized under the regulatory framework. There are no conditions or events since that notification that management believes have changed the Bank's category.

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

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

An eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2025 and 2024, the Bank was a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

MISSION BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18 - Regulatory Matters (continued)

The Bank's actual capital amounts and ratios computed in accordance with bank regulatory requirements as of December 31, 2025 and 2024 are as follows.

	Amount	Ratio	Amount of Capital Required	
			Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions (CBLR Framework)	
As of December 31, 2025			Amount	Ratio
Tier 1 capital to average assets	\$ 225,569,000	11.61%	\$ 174,875,490	9.00%

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

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