

ANNUAL

REPORT



RELATIONSHIPS.
SOLUTIONS.
TRUST.

20
24

CORPORATE OVERVIEW

CALPRIVATE BANK RANKED TOP 5% OF BANKS IN THE U.S.

WITH ASSETS BETWEEN \$2B AND \$10B
BY AMERICAN BANKER (JUNE 2024)

- TOTAL ASSETS: \$2.4B
- TOTAL LOANS: \$2.1B
- TOTAL DEPOSITS: \$2.1B

SHARES OUTSTANDING

5.8M

As of December 31, 2024

TANGIBLE BOOK VALUE PER SHARE

\$38.40

As of December 31, 2024

EXCHANGE TICKER

OTCQX: PBAM

MARKET CAP

\$328.7MM

As of December 31, 2024

*NOTE

All numbers reported are as of 12/31/2024. For the 2024 audited financial statements, refer to the investor relations page of our website at calprivate.bank/investor-relations/

OVERVIEW

CalPrivate Bank is driven by its core values of building client Relationships based on superior funding Solutions, unparalleled Service, and mutual Trust. The Bank caters to high-net-worth individuals, professionals, closely-held businesses, and real estate entrepreneurs, delivering a Distinctly Different™ personalized banking experience while leveraging cutting-edge technology to enhance our Clients' evolving needs.

CalPrivate Bank is in the top tier of customer service survey ratings in the nation, scoring nearly 3x higher than the median domestic bank.

The Bank offers comprehensive deposit and treasury services, rapid and creative loan options including various portfolio and government-guaranteed lending programs, cross border banking, and innovative, unique technologies that drive enhanced client performance.

2024 FULL YEAR PERFORMANCE HIGHLIGHTS

- Full year net income of **\$35.8 million** or **\$6.15** per diluted share
- Total assets of **\$2.4 billion**
- Net loans of **\$2.1 billion** and deposits of **\$2.1 billion**
- Portfolio loan yields increased to **7.28%**
- Tangible book value per share increased **19.7%** to **\$38.40**
- Return on average assets of **1.58%**
- Return on average common tangible equity of **17.69%**

A YEAR IN REVIEW

STRONG CREDIT QUALITY

Our credit metrics remained strong in 2024 despite volatility in the market.

- Allowance for credit losses was \$27.3 million or 1.31% of total loans held for investment
- No Other Real Estate Owned (OREO)
- Net charge offs of less than 0.01% of total loans

STRONG MARKET PERFORMANCE

PBAM 2024 total return up 65% as compared to KBW Index up 13% and S&P 500 Index up 25%.





RELATIONSHIPS. **SOLUTIONS.** **TRUST.**

OUR MISSION

Cultivate a premier banking experience by building enduring relationships with our Clients, team members, partners and the communities we serve. We achieve this by providing creative solutions while earning the trust and meeting the goals of our Clients, stakeholders and shareholders.

OUR VISION FOR CALPRIVATE BANK

With a commitment to personalized service and lasting partnerships, CalPrivate Bank's vision is to be the premier private and business bank in coastal Southern California, recognized for its Client-centric approach and deep understanding of their financial needs.



DEAR VALUED SHAREHOLDERS AND CLIENTS,

As we reflect on the past year, we are filled with gratitude for the trust you place in Private Bancorp of America, Inc. (PBAM) and our subsidiary, CalPrivate Bank. Your partnership fuels our mission to deliver unparalleled financial solutions while fostering enduring relationships grounded in our core values of **Relationships, Solutions, and Trust**. These principles guide every decision we make, ensuring we remain a steadfast partner to our clients, shareholders, and the communities we serve.

Exceptional Financial Performance and Growth

We are thrilled to report that 2024 was another year of outstanding financial performance and robust growth for PBAM. Our stock, under the ticker **PBAM**, has reflected the strength of our strategic vision and operational excellence, achieving growth of 65% for the year. We achieved significant growth in total assets, expanded our loan portfolio, and maintained peer-leading metrics in quality, stability, and efficiency. Our focus on high-net-worth individuals, privately held businesses, and small-to-middle-market companies has driven strong revenue growth, bolstered by our expertise in real estate lending and complex underwriting. These results underscore our ability to deliver value to shareholders while providing customized financial solutions to our clients.

Our success is not merely financial—it is a testament to the relationships we've built and the trust you put in us. By staying true to our **Distinctly Different™** approach, we've deepened client partnerships and expanded our footprint across Southern California, with branches in Coronado, San Diego, La Jolla, Newport Beach, Beverly Hills, Los Angeles, and our newest market, Montecito.

Supporting Our Communities Through the Los Angeles Wildfires

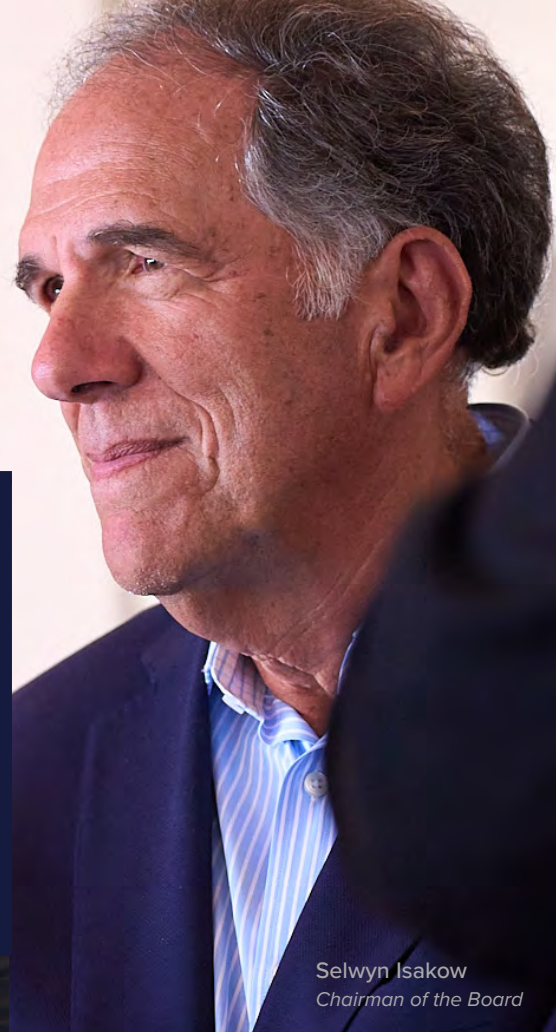
The Los Angeles wildfires have been a sobering reminder of the challenges our communities can face. At CalPrivate Bank, we believe that **Relationships** extend beyond transactions—they mean standing by our clients and communities in times of need. We've taken swift action to support those impacted, offering flexible payment options, emergency financial assistance, and personalized guidance to help clients rebuild.

Our commitment to **Solutions** has driven us to collaborate with local organizations to provide resources and support for recovery efforts. From funding Client rebuilding initiatives to offering tailored financial advice, we are dedicated to helping our neighbors emerge stronger. This reflects our unwavering **Trust** in the resilience of our communities and our role as a partner in their long-term success.

A Foundation Built on Core Values

Our core values - **Relationships, Solutions, and Trust** - are more than words; they are the foundation of everything we do. We cultivate **Relationships** by listening to your needs and bringing our expertise to bear, whether you're a client growing your business or a shareholder investing in our vision. We deliver **Solutions** by offering creative, customized financial products, from real estate and commercial lending to treasury management and private banking services. And we earn **Trust** by operating with integrity, transparency, and a relentless focus on your success.

These values have guided us since our founding in 2006, and they remain the cornerstone of our strategy as we look to the future. Whether navigating economic conditions or a changing political landscape, we remain committed to being a reliable partner you can count on.



Selwyn Isakow
Chairman of the Board



Rick Sowers
President & CEO

Looking Ahead

As we move into 2025, we are optimistic about the opportunities ahead. We will continue to invest in innovative financial solutions and technologies, expand our reach, and strengthen the relationships that define us. Our commitment to delivering exceptional value to shareholders and clients remains unwavering, as does our dedication to supporting the communities we call home.

On behalf of the entire PBAM and CalPrivate Bank team, thank you for your trust and partnership. We are honored to serve you and look forward to building a brighter future together.

Warm regards,

SELWYN ISAKOW

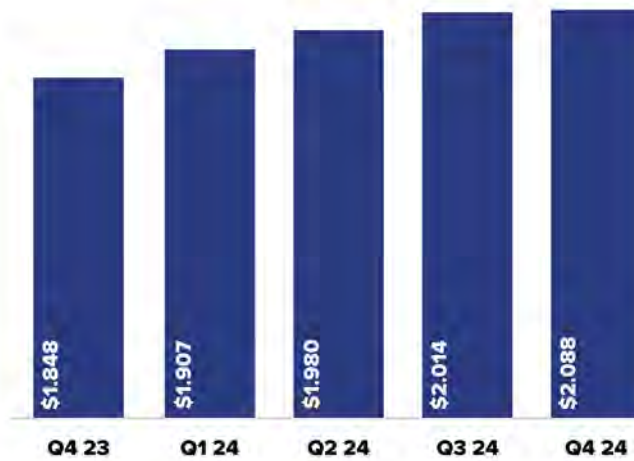
Chairman of the Board
Private Bancorp of America, Inc.

RICK SOWERS

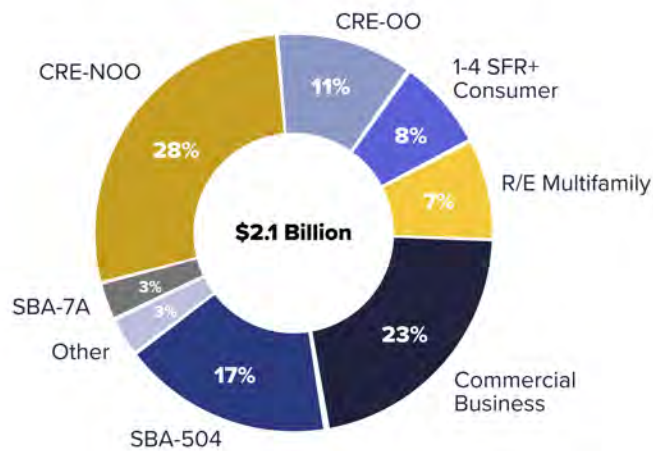
President & Chief Executive Officer
Private Bancorp of America, Inc.

DIVERSIFIED LOAN PORTFOLIO

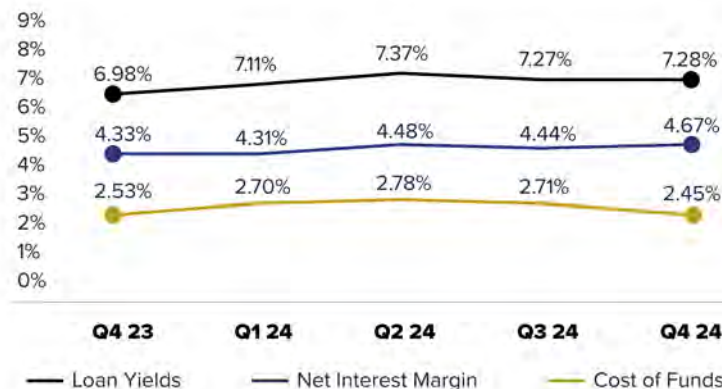
LOAN BALANCES



LOAN COMPOSITION



LOAN YIELDS, COST OF FUNDS AND NET INTEREST MARGIN



LOAN PORTFOLIO

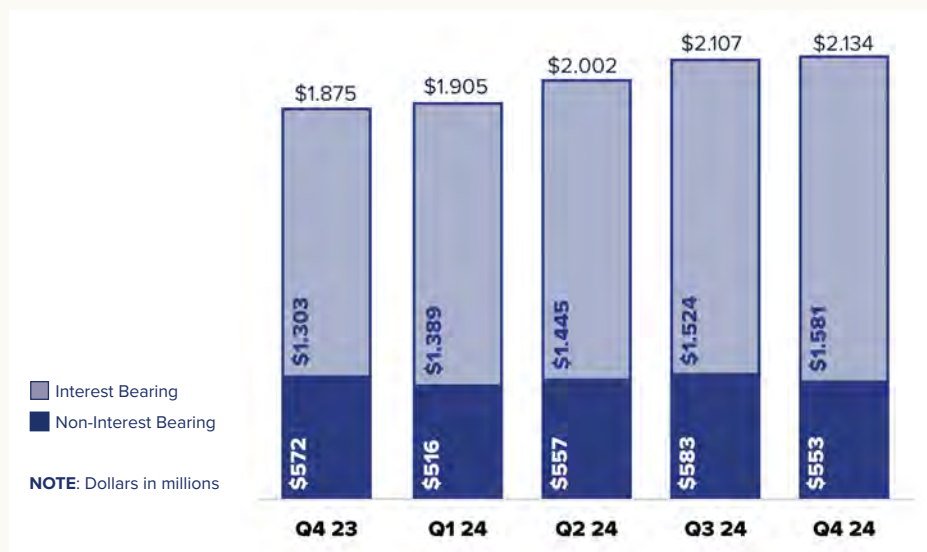
- Demonstrated organic growth in loans
- 15.9% Year-Over Year Growth
- Relationship based lending results in superior loan yields and Solutions for our Clients

STABLE LOW COST FUNDING

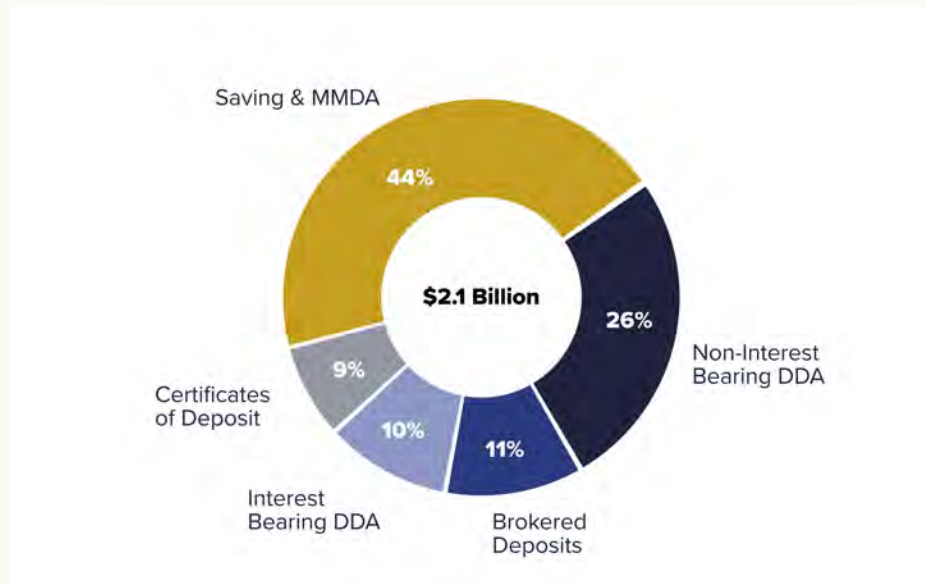
At the heart of every Client relationship is the commitment to being their trusted concierge banking partner - delivering personalized, high-touch financial solutions with a focus on managing and growing their deposit relationships.

85% OF TOTAL FUNDING IS PROVIDED BY GROWING CORE DEPOSITS FROM RELATIONSHIPS.

DEPOSIT BALANCES



DEPOSIT COMPOSITION



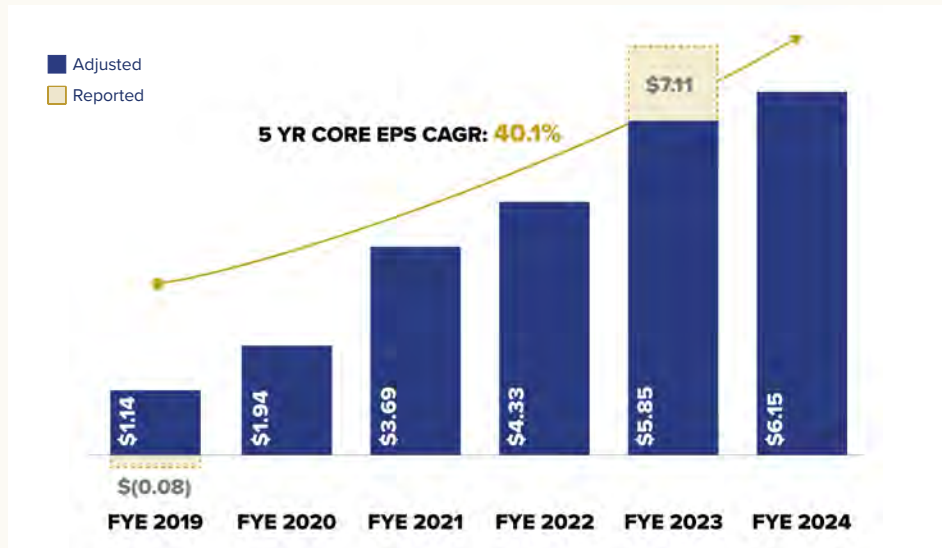
**STRONG CORE
DEPOSIT FRANCHISE**

SHAREHOLDER VALUE CREATION

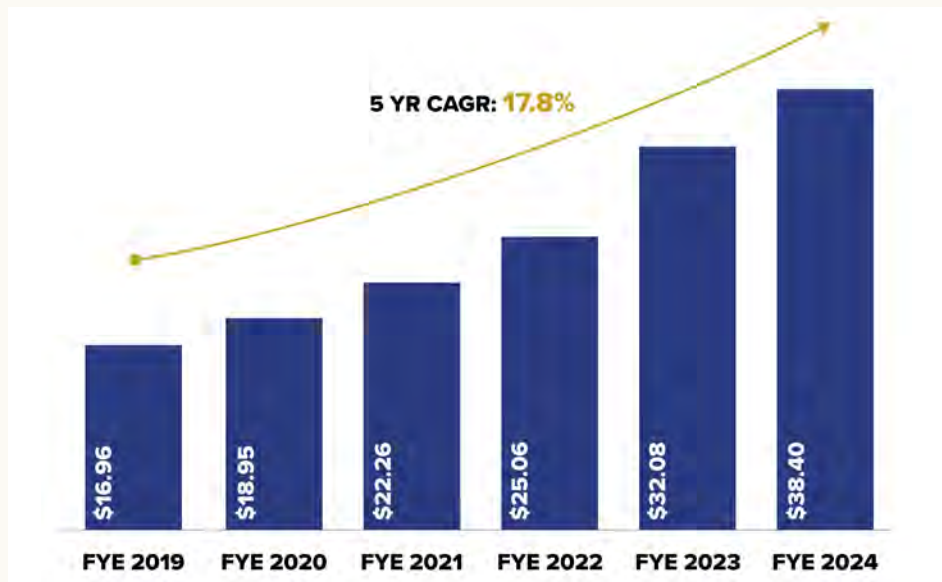
A TESTAMENT TO OUR STABILITY AND GROWTH

CONSISTENT AND STABLE GROWTH IN
EARNINGS AND TANGIBLE BOOK VALUE

ANNUAL EARNINGS PER SHARE



TANGIBLE BOOK VALUE PER SHARE

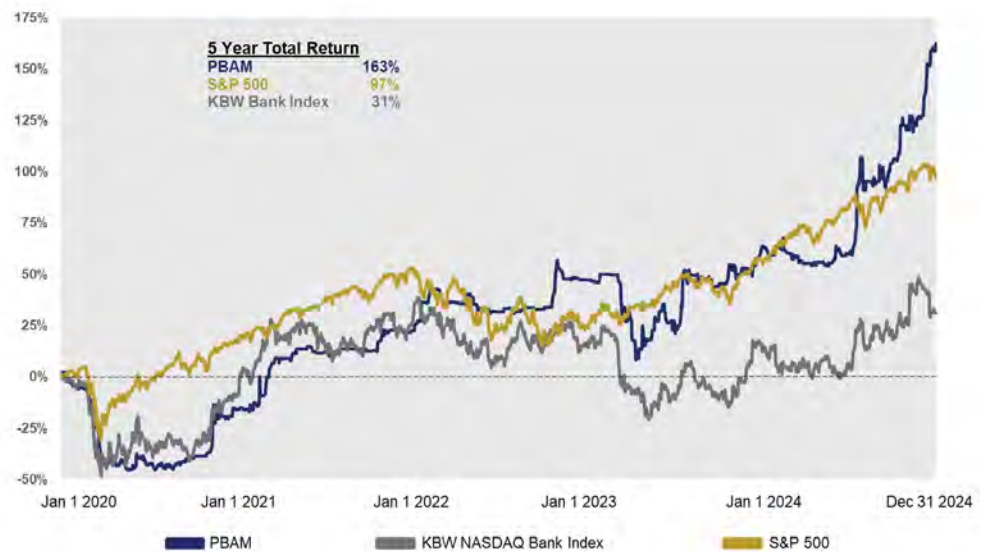


STRONG SHAREHOLDER RETURNS

A FOCUS ON SHAREHOLDER VALUE CREATION

Consistent growth in tangible book value is a strong correlation to stock performance. The company has continued to produce top tier financial returns in both return on equity and return on assets while investing in our future. This consistency has led to a 163% total return since the beginning of 2020.

5-YEAR VALUATION ANALYSIS



FEATURED CLIENTS



“Where do I start? This was not an easy deal for CalPrivate Bank. So many moving parts. Joe and his team were on top of everything. Responses to questions and problems usually took minutes. They saw it through to the end and never gave up on it. They were extremely professional and got what was a very complicated deal done with ease.”

Tim McGinn | Owner
MENCHIE'S FROZEN YOGURT



Menchie's Frozen Yogurt has been serving communities since 2007, offering a customizable frozen yogurt experience with a variety of flavors and toppings. Their commitment to quality includes using hormone-free California milk and providing dietary-friendly options such as vegan, kosher, and gluten-free choices. With a welcoming environment for families and friends, Menchie's continues to be a gathering place for guests to enjoy a personalized treat.

FEATURED CLIENTS



“ I feel like what we have with CalPrivate is a true relationship. They have taken the time to understand our firm and what our needs are and have made it possible to have a successful partnership.”

Jack Bazerkanian | Founding Attorney
C&B LAW GROUP



C&B Law Group provides legal representation in personal injury, workers' compensation, and employment law, focusing on client advocacy and support. With a client-centered approach, the firm ensures accessibility and personalized service, backed by a no-win, no-fee commitment. Their dedication to legal excellence and individualized representation allows them to help clients navigate complex legal challenges with confidence.

FEATURED CLIENTS



“ CalPrivate Bank is a true relationship bank, the value placed on your needs as a client is what stands out. They give us the ability to scale our business by funding quickly on new development sites and outside-the-box thinking to make that happen. Business can be difficult to navigate, but having a bank like CalPrivate behind you gives you the comfort of financial strength and stability.”

Etan Miller | Built Development
BUILT DEVELOPMENT



Built Development is a fully integrated real estate firm specializing in multi-family and mixed-use projects. Managing all aspects of the development process - from acquisition and design to construction and property management - the firm is committed to creating high-quality living spaces that enhance urban communities. Their focus on innovation and sustainability ensures that each project is executed with precision, contributing to the evolving landscape of modern real estate.

COMMUNITY OUTREACH

The participation and involvement that CalPrivate has in our Community is far-reaching and continuously growing. Our involvement in Community focused projects through donations and participation across a wide range of community groups from Los Angeles to San Diego.

- An important aspect of our company culture is community engagement.
- Employee contributions are matched.
- Team members donate volunteer hours in a meaningful way.
- A Community Advisory Board is present in each market, made up of civil and business leaders who provide input to the Board and Management.



JUNIOR ACHIEVEMENT

Our dedicated team had an inspiring day volunteering with Junior Achievement USA, teaching students essential financial literacy skills like budgeting, saving, and investing. We were thrilled to share our knowledge and empower the next generation. A heartfelt thank you to Junior Achievement USA and all the amazing students who participated. Together, we're building a brighter financial future!



HOLIDAY ESSENTIALS KIT

CalPrivate Bank was filled with gratitude and a commitment to our community in 2024. We continued our cherished tradition of assembling over 300 essential kits for local shelters and charities across all our branches.



WESTSIDE FOOD BANK HUNGER WALK

As we approached Thanksgiving in 2024, we came together to support those facing food insecurity in our communities. We were incredibly proud to sponsor the Westside Food Bank Hunger Walk, helping to provide meals to those in need and serve the community. Together, we made a meaningful difference and ensured everyone had a reason to be thankful.



MYCHAL'S
Learning Place

VISTA OPEN BENEFITING MYCHAL'S

CalPrivate Bank was honored to sponsor the Vista Open Charity Golf Event benefiting Mychal's Learning Place. This incredible non-profit organization provides essential support, training, and opportunities to youth and young adults with developmental disabilities, focusing on building independence, job training, and essential life skills. Fun fact: All of CalPrivate Bank's merch is embroidered by the talented individuals at Mychal's Learning Place!

“ CalPrivate Bank empowers me to give back to the community by providing resources and support for local initiatives and encouraging charitable contributions and sponsorships. Most importantly, the flexibility of my time to represent the Bank in community engagements.”

Becky Mendoza
SVP | MARKET MANAGER - SAN DIEGO

RELATIONSHIPS.



SHAREFEST

Sharefest is dedicated to empowering underserved youth in Los Angeles to overcome barriers and achieve economic mobility. Their mission is to provide these youth with essential skills, support, and connections to succeed in college or careers, fostering resilience and social capital where all youth unlock their inherent potential and drive transformative, collaborative community change. Guided by values of belonging, collaboration, humility, and elevation, Sharefest works within schools and communities to create lasting impact through mentorship, education, and corporate partnerships.



PROJECT SELF-SUFFICIENCY

CalPrivate Bank was a proud sponsor of Project Self-Sufficiency's holiday event, which brought joy and support to many families during the festive season and raised funds to support Project Self-Sufficiency's (PSS) mission. PSS is a nonprofit organization dedicated to helping single parents achieve economic independence and self-sufficiency. They provide a range of services, including career counseling, job training, educational support, and childcare assistance.



CORONADO GRAND REOPENING

After our branch was impacted by flooding in Coronado, we were so grateful to our first responders and community support in getting Coronado rebuilt and ready for Clients at a record pace. At our branch "grand re-opening" we extended our gratitude to the Coronado Chamber of Commerce for their continued support with a ribbon cutting ceremony and reception for the community.



MYCHAL'S SANTA STROLL

CalPrivate Bank was a proud sponsor of Mychal's Learning Place Annual Santa Stroll! It was a wonderful day benefiting Mychal's Learning Place, which provides support, training, and job opportunities to youth and young adults with developmental disabilities. There were hundreds of Santas strolling around, while the community enjoyed a festive day with delicious treats from Mychal's Bakery!



CORONADO FIREFIGHTERS ASSOCIATION

CalPrivate Bank proudly presented Coronado Firefighters Association with a check to support their community efforts. They have been at the forefront of community support during the damaging storms in San Diego that took place in recent months. They have prioritized safety, actively ensuring no individuals were in immediate danger to life or health. Additionally, they've played a proactive role in coordinating resources with the city and conducting doorto-door checks to limit damage and assist those affected. Their dedication and efforts have been crucial in keeping the community safe and minimizing the impact of the storms to small businesses, schools, and homes including section 8 housing in San Diego



RELATIONSHIPS.

MARIA VIZCARRA: A PILLAR OF COMMUNITY ENGAGEMENT AT CALPRIVATE BANK

At CalPrivate Bank, community engagement is more than a mission—it's a way of life. Central to this ethos is Maria Vizcarra, Senior Vice President and Risk Manager, whose unwavering dedication has significantly strengthened the bank's ties to the communities it serves.

“ Participating as Director for LISC has allowed me to give back in a meaningful way and for CalPrivate Bank to foster opportunity within the local community”

Maria Vizcarra
SVP | RISK MANAGER

LISC

LISC connects local groups across America with the capital and technical know-how to help build inclusive, resilient communities of opportunity. CalPrivate Bank supports this organization through donations and participation within the Board of Directors.

CHAMPIONING FINANCIAL LITERACY AND LOCAL INITIATIVES

Maria's commitment to community empowerment is exemplified by her active participation in financial literacy programs. Alongside the Beverly Hills team, she introduced a Debt-to-Income (DTI) lesson during a Financial Literacy event, equipping middle and high school students with essential financial knowledge. Her leadership extends to serving on the Local Advisory Committee for LISC San Diego, where she collaborates with other leaders to drive community development initiatives.

FOSTERING A CULTURE OF SERVICE AND INCLUSION

Under Maria's guidance, CalPrivate Bank actively encourages employees to engage with their communities. The bank supports staff involvement in various organizations and initiatives, fostering a culture where employees serve on committees and advisory boards. This commitment is further reflected in the bank's ongoing community outreach efforts including internship programs for underserved communities and quarterly scholarships to support local organizations.

BUILDING THE FUTURE OF BANKING: A Q&A WITH CALPRIVATE BANK

At CalPrivate Bank, our mission is to deliver innovative, client-focused solutions that make banking seamless and empowering. In this Q&A, we dive into how we develop products, embrace trends, tackle challenges, and put our clients at the heart of everything we do. Whether you're a client, partner, or simply curious about banking innovation, we're excited to share our journey with you!

STRATEGY AND VISION

Q: How does CalPrivate Bank identify and prioritize new product opportunities?

A: We focus on deeply understanding our clients' needs by actively listening to them and our internal teams. This client feedback, combined with monitoring market trends and competitor activities, allows us to prioritize innovative ideas that deliver real value and align with our client-first approach.

PRODUCT DEVELOPMENT

Q: Can you walk us through your product development lifecycle?

A: Our lifecycle is collaborative, starting with identifying needs through client conversations and team insights. This leads to research, design, prototyping, rigorous testing with client feedback, and ongoing support to ensure the product continues to evolve with our clients' needs. We also utilize our Fintech partnerships that are driving innovation in community banking.

CHALLENGES AND SOLUTIONS

Q: Can you share an example of a product that faced hurdles and how you overcame them?

A: Initially, the adoption of our enhanced Check Positive Pay was slow. By clearly demonstrating its security benefits, enrollment significantly increased. In another instance, unexpected regulatory changes required a swift tool replacement, which we used as an opportunity to upgrade to a more scalable and effective solution.

COLLABORATION AND TEAM DYNAMICS

Q: What's the structure of your product team, and how do you manage cross-functional teamwork?

A: Our product team is a cohesive group of problem-solvers working closely with various departments within our PMO framework. We foster teamwork through open dialogue and clearly defined roles, ensuring that the diverse expertise within the organization is effectively leveraged.

CUSTOMER FEEDBACK AND SATISFACTION

Q: How do you collect and incorporate customer feedback into your products?

A: We prioritize direct, personal connections with clients to understand their needs and gather transparent feedback. We also collaborate with teams across the bank and utilize surveys, leveraging our Treasury Management (TM) sales team to bring client insights directly to us, ensuring continuous improvement based on real-world needs.

FUTURE OUTLOOK

Q: What new technologies or innovations are you most excited about in banking?

A: We are particularly excited about emerging technologies like AI and machine learning, which have the potential to transform workflows and significantly boost efficiency. We also look forward to partnering with vendors to integrate cutting-edge tools that save time and empower our teams to focus on high-value client interactions, blending innovation with our personalized service model.

At CalPrivate Bank, our products are more than tools - they're partnerships. By aligning our high-touch service with innovative solutions, we're not just keeping up with the market; we're setting out to stand out. Have more questions? We're here to help - let's create something extraordinary together!



#1 COMMUNITY LENDER

As a division of CalPrivate Bank, Private Business Capital specializes in SBA lending opportunities, specifically SBA 504 and 7(a) lending Solutions.

The Solutions provided to local small business owners help in their growth and expansion plans, overall business development and real estate ownership goals. These key growth areas of any small business are unique to their operations and often require customized solutions by our Relationship bankers.

CalPrivate Bank meets all SBA Preferred Lender program eligibility criteria, including proficiency in processing and servicing SBA guaranteed loans.

The Private Business Capital Team is focused on delivering Customized Solutions with speed.

FULL-SERVICE BANKING SOLUTIONS

- Depository and Treasury Management Solutions
- Private and Commercial Lending
- Market Areas of Focus:
 - High Net Worth Banking
 - Business Lending
 - Commercial Real Estate
 - Small Business Loans
 - Legal Services Specialties
 - Wealth Management Industry
 - International Banking
 - Healthcare
 - Family Office

SOLUTIONS.



Approved to offer SBA loan products under SBA's Preferred Lender programs.

LEADING THE WAY: INDUSTRY RECOGNITION

PROUDLY ACKNOWLEDGED FOR OUR PERFORMANCE AND CLIENT FOCUS

At CalPrivate Bank, we're deeply honored to have earned several prestigious awards for our commitment to excellence in Banking. These accolades reflect our Team's unwavering dedication to delivering innovative financial Solutions, fostering Client success, and driving positive impact in the communities we serve. We're immensely proud of our collaborative spirit and will continue to push boundaries, always striving to exceed expectations while staying true to our values. Thank you to our Clients and partners for trusting us on this journey.

2024 AWARDS



RANKING BANKING
TOP 25 US BANKS



NADCO



RATED 5 STARS
BY BAUER



BEST 50 OTCQX



“ CalPrivate bank was honest, direct, and provided benchmarks to help my company grow. Over the last decade, Choura has acquired 10 companies and CalPrivate Bank was essential in making that happen. They helped in navigating the pandemic when we laid off 190 employees and have since led us to rebuild.

Our banking partnership with CalPrivate has allowed Choura to become the largest tent provider in the US. I am grateful for their stability and trust.”

Ryan Choura | CEO
CHOURA EVENTS

Choura

Choura Events is comprised of a robust team of creative event builders, dedicated to delivering well-executed events and experiential concepts filled with purpose and meaning. We invest our time to build experiences that don't just look good, but transform individuals and transcend walls. Shying away from “ordinary,” we provide meaning through innovative solutions allowing consumers to convert into brand loyalists, audiences into communities, and moments into profit.

“ We are a scrappy, dynamic, fast-growing business, so we prefer to bank with a company that has a similar mindset. CalPrivate checks all of the boxes. They take thoughtful risks on businesses and business owners that the big guys would otherwise gloss over.”

Jackson Kalb | Chef/Owner
MEMENTO MORI HOSPITALITY



Memento Mori Hospitality is a restaurant group founded by Jackson and Melissa Kalb, driven by the philosophy of "Memento Mori" to appreciate each moment. Starting with their first restaurant, Jame, in El Segundo, they focus on hand-crafted cuisine and gracious hospitality, and have since expanded to include other concepts like Jemma and Ospi. Notably, for every meal purchased at their restaurants, they donate a meal to someone in need through partnerships with Feeding America and No Kid Hungry, demonstrating a commitment to both culinary excellence and social responsibility.





“ The Boesch Law Group has worked with CalPrivate Bank for many years, with great confidence in relationships with senior officers we have known for decades.

We always know that our CalPrivate team has our best interest in mind and heart. Whether watching over our accounts day to day or assisting with planning and financial advice to meet our goals, CalPrivate’s team treats us like family.”

Philip Boesch | Founder
BOESCH LAW GROUP



Boesch Law Group offers legal services to individuals and businesses, combining the expertise of a large firm with the personalized attention of a boutique practice. With over two decades of experience, the firm is committed to client success, addressing legal matters across a range of industries. Their work extends beyond the courtroom, emphasizing service, social responsibility, and advocacy for a diverse clientele, including business leaders, public figures, and individuals with complex legal needs.

DISTINCTLY DIFFERENT[®] SERVICE NET PROMOTER SCORE

OUR NET PROMOTER SCORE IS A TESTAMENT TO OUR DISTINCTLY DIFFERENT SERVICE

- Exceptional service is our key organic growth driver. We have grown by word-of-mouth referrals from very satisfied Clients.
- NPS measures Client loyalty and likelihood to actively “refer” friends and family.
- Leads to strong growth and low attrition rates.

Top Banks and Service Businesses¹

82	CalPrivate Bank ²
69	USAA (top ranked bank)
65	Ritz Carlton (top ranked hotel)
53	Alaska Airlines (top ranked airline)
38	Chase
36	Bank of America
33	U.S. Banking Industry Average
21	Wells Fargo

(1) Source: Satmetrix Systems, Inc. 3/11/21-11/24/23

(2) Source: CPB NPS survey responses during the period of January through December 2024

EXECUTIVE LEADERSHIP



“Our focus is on creating value - combine that with unparalleled Service and Teamwork, and it's a powerful combination for our Clients and Shareholders.”

PRESIDENT & CEO
RICK L. SOWERS



“Finance strives to be a trusted advisor to all areas of CalPrivate Bank and ensures that we operate from a position of financial strength. This is of critical importance so we can be a source of strength to our Clients when they need us most.”

EVP | CHIEF FINANCIAL OFFICER
CORY STEWART



“Our digitization strategy is delivering a safe Client Experience to save time in everyone's daily routine.”

EVP | CHIEF TECHNOLOGY OFFICER
CURTIS BIRKMANN



“CalPrivate Bank's approach to Banking and serving Clients is the best I've seen in my 30 years of Banking. Service is in our DNA, Clients are our top priority, and we operate as ONE Team to make sure every Client in every branch has the best experience in the business.”

EVP | CHIEF ADMINISTRATIVE OFFICER
KAREN LISTER

EXECUTIVE LEADERSHIP



“Our Bank’s focus is on adding value by creating time savings and customized banking solutions through Bankers that have the heart for what’s best for our Clients. That’s what makes us uniquely special: creating Relationships by providing Solutions that earn Trust”

EVP | CHIEF BANKING OFFICER
PAUL AZZI



“The support and investment of management and the board on cybersecurity allows me to sleep at night.”

EVP | CHIEF INFORMATION OFFICER
SCOTT HURTIK



“It’s very easy to effectively build Relationships, provide creative Solutions and build Trust with our Clients when we live these values daily within our Team.”

EVP | CHIEF PEOPLE OFFICER
ZINA ROBINSON



“I am often asked what the difference is between PB Capital and other Banks. We are small enough to understand what we can do for our Clients, and big enough to get it done. Our Team has the knowledge, proper tools and have been empowered to make decisions.”

EVP | CHIEF SBA OFFICER
STEVE POLLETT

BOARD OF DIRECTORS



“I love Relationship Banking. The connections I make with Clients and Team Members are authentic. They’re real - and come from the honest perspective of doing what’s best for our customers.”

CHAIRMAN OF THE BOARD
SELWYN ISAKOW



“Until I was introduced to CalPrivate Bank, I never truly understood what concierge service looked like. This Bank, the employees and the management team take customer service to the next level. Relationships. Solutions, and Trust is not a brand, it is an embedded value and I see it in every interaction I have.”

DIRECTOR
LEDA CSANKA



“I believe that CalPrivate Bank understands that Clients come first. The service, their needs, understand what their plans are, what their future looks like. We are a bank that’s focused on the needs today and tomorrow.”

DIRECTOR
LEON KASSEL



“There’s a saying that banks lend an umbrella but take it back when it rains. During the Paycheck Protection Program (PPP), we made sure our Clients kept theirs when they needed it most.”

DIRECTOR
BRETT LAWRENCE

BOARD OF DIRECTORS



“I find the services of CalPrivate Bank to be special because of the personal attention that I receive. You’re going to enjoy having an experience at CalPrivate Bank, because you’re going to be treated as a key component of their business, and the service you’ll enjoy will not be matched by any other bank you’ve ever dealt with.”

DIRECTOR
JAMES R. PARKS



“I love this community that we serve, and I know the bank and all of the team also loves the communities that we serve, and it shows in the way they treat their Clients.”

DIRECTOR
SISI POURAGHBAGHER



“What makes the Bank feel special to me is the people. There’s three things in business I’ve always said: people, people and people. And there’s lots of money out there available. But there aren’t the quality of people that CalPrivate has attracted to serve our communities.”

DIRECTOR
ERNEST RADY



“The quality of personnel that has been assembled - it has made the bank unbelievably successful in its relatively short tenure.”

DIRECTOR
REX SCHLAYBAUGH



“ CalPrivate Bank over the last number of years has come into its own. As a result of the demise of a number of institutions in Southern California, we have had the opportunity to sell our white glove service to the customers of these other banks. You can see our growth over the last number of years, our staffing has gone from about 60 employees up to about 210 employees. We have a lot to offer.”

DIRECTOR
RICHARD SMITH



“ The amazing thing about this group of individuals is how much they care - about our Company, the Team, our Clients and the Communities we serve. They are an accomplished group of business leaders who add tremendous value and insight.”

PRESIDENT & CEO
RICK L. SOWERS



“ I’ve always had the belief that happy employees make happy customers, make happy shareholders. And I’ve never seen the river go the other way. So it just gives me great source of pride to be engaged with CalPrivate.”

DIRECTOR
THOMAS V. WORNHAM

COMMUNITY ADVISORY BOARD

SAN DIEGO

Mark Abelkop
Bridget Baker
Alan Binder
Cheryl Calhoun
Debby Cushman Parrish
Scott Darnell
David Eelman
John Engle
Bernie Feldman
Gordon T. Frost, Jr.
Harold Frysh
Graeme Gabriel
Maxine Gellens
Selwyn Gerber
Ronald L. Graham
Howard Greenberg
Bradley R. Hall
Star Hughes

Robert Kolodny
Sarah Krueger Jager
Sami Ladeki
Isaac Levy
Mark Mandell
Herb Meistrich
Todd Mikles
Lloyd Russell, Sr.
Jonathan Segal
Javier Serhan
Lawrence Sherman
Michael Sto
Greg Strangman
Jerry Suppa
Rick Vann
Paula Winner Barnett

LOS ANGELES

Cheryl Calhoun
Mike Simms
Suzanne Sharer
Kelly Stroman
Drew Boyles
John Ward
Todd Taugner
Kelly Lynch
Mark Schurgin
Jonathan Schurgin
Joe Hiller

Jerry Chamales
Pete Schmit
Bobby Khorshidi
Mike Sekits
Kevin Cody
Elka Worner
Ryan Choura

WORLD CLASS EMPLOYEE ENGAGEMENT

WORLD CLASS EMPLOYEE ENGAGEMENT

An employer net promoter score (eNPS) of 68 requires dedication to the collective success of the Team. We strive to be the Employer of Choice and back that up with consistent communication, a culture that supports and celebrates success, accountability, Teamwork and respect.



“Being empowered to reevaluate processes, we’ve streamlined operations, leveraged technology, and ignited excitement for change, leading to more efficient and harmonious teamwork.”

EUNICE LEE

SVP | Director of Business Transformation



“What I love most about our bank is the genuine connection we have with our clients and our community. We’re big enough to make an impact, but small enough to know our clients by name and tailor solutions to their unique needs. It’s incredibly rewarding to be part of a team that values relationships, integrity, and service above all else..”

FRANKLIN E. ROACH

SVP | Market Manager - Beverly Hills



“Learning and growing with my CalPrivate Team members has been an incredible journey. I am proud of the progress we have made & looking forward to what is to come.”

HECTOR ESPEJEL

Project Analyst

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calprivate.bank/locations



This annual report contains expressions of expectations, both implied and explicit, that are “forward-looking statements” within the meaning of such term in the Private Securities Litigation Reform Act of 1995. We caution you that a number of important factors could cause actual results to differ materially from those in the forward-looking statements, especially given the current turmoil in the banking and financial markets. These factors include the effects of depositors withdrawing funds unexpectedly, counterparties being unable to provide liquidity sources that we believe should be available, loan losses, economic conditions and competition in the geographic and business areas in which Private Bancorp of America, Inc. operates, including competition in lending and deposit acquisition, the unpredictability of fee income from participation in SBA loan programs, the effects of bank failures, liquidations and mergers in our markets and nationally, our ability to successfully integrate and develop business through the addition of new personnel, whether our efforts to expand loan, product and service offerings will prove profitable, system failures and data security, whether we can effectively secure and implement new technology solutions, inflation, fluctuations in interest rates, legislation and governmental regulation. You should not place undue reliance on forward-looking statements, and we undertake no obligation to update those statements whether as a result of changes in underlying factors, new information, future events or otherwise. These factors could cause actual results to differ materially from what we anticipate or project. You should not place undue reliance on any such forward-looking statement, which speaks only as of the date on which it was made. Although we in good faith believe the assumptions and bases supporting our forward-looking statements to be reasonable there can be no assurance that those assumptions and bases will prove accurate.

Member
FDIC



PRIVATE BANCORP OF AMERICA, INC., AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Private Bancorp of America, Inc., and Subsidiary
La Jolla, California

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Private Bancorp of America, Inc., and Subsidiary, which comprise the consolidated balance sheet as of December 31, 2024, and the related consolidated statement of income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, and the related notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Private Bancorp of America, Inc., and Subsidiary as of December 31, 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, Private Bancorp of America, Inc., and Subsidiary's internal control over financial reporting as of December 31, 2024, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated March 14, 2025 expressed an unmodified opinion.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Private Bancorp of America, Inc., and Subsidiary 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.

Other Matter

The financial statements of Private Bancorp of America, Inc., and Subsidiary for the year ended December 31, 2023, were audited by other auditors, who expressed an unmodified opinion on those statements on March 15, 2024.

(Continued)

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.

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 Private Bancorp of America, Inc., and Subsidiary'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 Private Bancorp of America, Inc., and Subsidiary'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

Sacramento, California
March 14, 2025

PRIVATE BANCORP OF AMERICA, INC., AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023
(in thousands, except share data)

	2024	2023
ASSETS		
Cash and due from banks	\$ 16,528	\$ 19,811
Interest-bearing deposits in other financial institutions	10,419	39,667
Interest-bearing deposits at Federal Reserve Bank	136,929	118,622
Cash and Cash Equivalents	163,876	178,100
Interest-bearing time deposits with other financial institutions	4,189	4,000
Debt securities available for sale (amortized cost of \$157,363 and \$114,646, net of allowance for credit losses of \$0 and \$0)	145,238	102,499
Loans held for sale	3,008	1,233
Loans held for investment	2,085,149	1,847,161
Allowance for loan losses	(27,267)	(24,476)
Loans held for investment, net	2,057,882	1,822,685
Federal Home Loan Bank stock, at cost	9,586	8,915
Premises and equipment, net	2,335	1,700
Deferred tax asset, net	12,813	12,789
Servicing assets, net	2,087	2,318
Accrued interest receivable	7,993	7,499
Other assets	15,004	10,730
Total Assets	\$ 2,424,011	\$ 2,152,468
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Noninterest-bearing deposits	\$ 553,405	\$ 572,755
Interest-bearing deposits	1,581,054	1,302,615
Total Deposits	2,134,459	1,875,370
Borrowings	\$ 45,969	74,961
Accrued interest payable and other liabilities	20,049	16,354
Total Liabilities	2,200,477	1,966,685
Commitments and Contingencies (Note 11)		
Shareholders' Equity		
Common stock, no par value, 20,000,000 shares authorized; 5,766,810 and 5,719,115 shares issued and outstanding for 2024 and 2023, respectively	75,377	74,003
Additional paid-in-capital	4,393	3,679
Retained earnings	152,252	116,604
Accumulated other comprehensive income (loss)	(8,488)	(8,503)
Total Shareholders' Equity	223,534	185,783
Total Liabilities and Shareholders' Equity	\$ 2,424,011	\$ 2,152,468

See the accompanying Notes to the Consolidated Financial Statements.

PRIVATE BANCORP OF AMERICA, INC., AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(in thousands, except per share data)

	2024	2023
Interest and Dividend Income		
Interest and fees on loans	\$ 142,156	\$ 116,548
Interest-bearing deposits at the Federal Reserve Bank	6,811	4,941
Interest on investment securities	4,116	1,762
Dividends on Federal Home Loan Bank stock	808	595
Interest on deposits with other financial institutions	1,003	1,816
Total Interest and Dividend Income	<u>154,894</u>	<u>125,662</u>
Interest Expense		
Interest expense on deposits	50,935	30,589
Interest expense on borrowings	3,407	4,754
Total Interest Expense	<u>54,342</u>	<u>35,343</u>
Net Interest Income	100,552	90,319
Provision (reversal) for credit losses	2,690	(6,146)
Net Interest Income After Provision (Reversal) for Credit Losses	<u>97,862</u>	<u>96,465</u>
Noninterest Income		
Service charges on deposit accounts	1,880	1,344
Gain on sale of Small Business Administration ("SBA") loans	2,861	1,547
Servicing income, net	456	545
Other fees and miscellaneous income	1,147	1,486
Total Noninterest Income	<u>6,344</u>	<u>4,922</u>
Noninterest Expense		
Compensation and employee benefits	36,658	30,673
Occupancy and equipment	3,257	3,172
Data processing	4,674	3,887
Professional services	1,737	576
Director compensation	1,244	1,090
Regulatory assessments	1,444	1,191
Marketing	413	355
Administrative and other expense	3,933	3,026
Total Noninterest Expense	<u>53,360</u>	<u>43,970</u>
Income Before Provision for Income Taxes	50,846	57,417
Provision for Income Taxes	15,024	16,561
Net Income	<u>\$ 35,822</u>	<u>\$ 40,856</u>
Basic Earnings Per Share	<u>\$ 6.24</u>	<u>\$ 7.18</u>
Diluted Earnings Per Share	<u>\$ 6.15</u>	<u>\$ 7.11</u>

See the accompanying Notes to the Consolidated Financial Statements.

PRIVATE BANCORP OF AMERICA, INC., AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(in thousands)

	<u>2024</u>	<u>2023</u>
Net income	\$ 35,822	\$ 40,856
OTHER COMPREHENSIVE INCOME (LOSS):		
Unrealized gains (losses) on securities available-for-sale:		
Change in unrealized gains (losses)	<u>22</u>	<u>2,223</u>
	<u>22</u>	<u>2,223</u>
Related income tax effect:		
Change in unrealized (gains) losses	<u>(7)</u>	<u>(666)</u>
	<u>(7)</u>	<u>(666)</u>
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	<u>15</u>	<u>1,557</u>
TOTAL COMPREHENSIVE INCOME	<u><u>\$ 35,837</u></u>	<u><u>\$ 42,413</u></u>

See the accompanying Notes to the Consolidated Financial Statements.

PRIVATE BANCORP OF AMERICA, INC., AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(in thousands, except share data)

	Common Stock		Additional	Retained	Accumulated	Total
	Shares	Amount	Paid-In	Earnings	Other	Shareholders'
	Outstanding		Capital		Comprehensive	Equity
					Income (Loss)	
Balance, December 31, 2022	5,599,025	\$ 72,221	\$ 3,353	\$ 77,810	\$ (10,060)	\$ 143,324
Cumulative effect of change in accounting principles	—	—	—	(2,033)	—	(2,033)
Balance, January 1, 2023	5,599,025	72,221	3,353	75,777	(10,060)	141,291
Net income	—	—	—	40,856	—	40,856
Share-based compensation	—	—	1,485	—	—	1,485
Transfer of liability share-based compensation awards to equity	—	—	253	—	—	253
Exercise of stock options, net settled	83,926	995	(558)	—	—	437
Issuance of restricted shares, net	31,350	—	—	—	—	—
Vesting of restricted shares	—	258	(258)	—	—	—
Forfeitures of restricted stock	(7,600)	—	—	—	—	—
Repurchase of restricted stock for taxes	(3,386)	—	(67)	(29)	—	(96)
Issuance of unrestricted shares	15,800	529	(529)	—	—	—
Other comprehensive income (loss)	—	—	—	—	1,557	1,557
Balance, December 31, 2023	5,719,115	74,003	3,679	116,604	(8,503)	\$ 185,783
Net income	—	—	—	35,822	—	35,822
Share-based compensation	—	—	2,389	—	—	2,389
Exercise of stock options, net settled	3,105	33	—	—	—	33
Issuance of restricted shares, net	21,750	—	—	—	—	—
Vesting of restricted shares	—	194	(194)	—	—	—
Vesting of restricted stock units	18,209	503	(503)	—	—	—
Forfeitures of restricted stock	(1,450)	—	—	—	—	—
Repurchase of restricted stock for taxes	(5,501)	—	(99)	(174)	—	(273)
Repurchase of restricted stock units for taxes	—	—	(235)	—	—	(235)
Issuance of unrestricted shares	11,582	644	(644)	—	—	—
Other comprehensive income (loss)	—	—	—	—	15	15
Balance, December 31, 2024	<u>5,766,810</u>	<u>\$ 75,377</u>	<u>\$ 4,393</u>	<u>\$ 152,252</u>	<u>\$ (8,488)</u>	<u>\$ 223,534</u>

See the accompanying Notes to the Consolidated Financial Statements.

PRIVATE BANCORP OF AMERICA, INC., AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(in thousands)

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Net income	\$ 35,822	\$ 40,856
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	877	877
Provision (reversal) for credit losses	2,690	(6,146)
Net premium amortization on investment securities	(135)	194
Gain on sale of Small Business Administration ("SBA") loans	(2,861)	(1,547)
Proceeds from sale of SBA loans	45,605	23,839
Loans originated for sale	(45,235)	(16,830)
Amortization of servicing assets	947	1,359
(Recovery) impairment of servicing assets	—	(304)
Amortization of deferred loan fees, costs, premiums and discounts	(3,169)	(4,073)
Amortization of debt issuance costs	7	7
Amortization of low-income housing tax credit investments	316	90
Share-based compensation expense	2,389	1,485
Deferred tax expense (benefit)	(29)	(202)
Change in accrued interest receivable and other assets	652	(2,484)
Change in accrued interest payable and other liabilities	(143)	(3,598)
Net Cash Provided by Operating Activities	<u>37,733</u>	<u>33,523</u>
Cash Flows From Investing Activities		
Change in time deposits with other banks	(189)	3,923
Purchases of securities	(71,982)	(15,227)
Maturities and principal paydowns of securities	27,729	18,612
Purchase of Federal Home Loan Bank stock	(671)	(1,895)
Net increase in loans	(234,949)	(246,231)
Purchases of property and equipment	(1,511)	(835)
Net Cash Used in Investing Activities	<u>(281,573)</u>	<u>(241,653)</u>
Cash Flows From Financing Activities		
Net increase in deposits	259,091	200,247
Net increase in (repayment of) borrowings	(29,000)	57,000
Repurchase of restricted shares	(508)	(96)
Proceeds from exercise of stock options	33	437
Net Cash Provided by Financing Activities	<u>229,616</u>	<u>257,588</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(14,224)	49,458
Cash and Cash Equivalents, Beginning of Year	<u>178,100</u>	<u>128,642</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 163,876</u></u>	<u><u>\$ 178,100</u></u>
Supplemental Cash Flow Information		
Interest paid	\$ 54,167	\$ 33,507
Taxes paid	\$ 13,544	\$ 18,474
Lease liabilities arising from obtaining right-of-use assets	\$ 5,210	\$ 1,293

See the accompanying Notes to the Consolidated Financial Statements.

PRIVATE BANCORP OF AMERICA, INC., AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Nature of Operations

The accompanying consolidated financial statements include the accounts of Private Bancorp of America, Inc. and its wholly-owned subsidiary CalPrivate Bank (the "Bank"), collectively referred to herein as "the Company." All significant intercompany balances and transactions have been eliminated in consolidation. Private Bancorp of America, Inc. was formed in August 2015 as a bank holding company.

The Bank is a commercial bank chartered by the State of California. Deposits held at the Bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to applicable statutory limits. The Bank provides comprehensive banking services, including deposit accounts, treasury management services, and lending solutions tailored primarily to high-net-worth individuals, professionals, family offices, closely-held businesses, real estate entrepreneurs, and small to mid-sized businesses. Lending activities include commercial real estate loans, commercial and industrial loans, and government-guaranteed lending programs.

The Company is headquartered in La Jolla, California, with additional branches located in downtown San Diego, Coronado, Newport Beach, Beverly Hills, and El Segundo, California. The Company also maintains administrative locations in Temecula, Mission Valley, and Redlands, California. The Bank also provides digital banking services to enhance client accessibility and efficiency.

The accounting and reporting policies of the Company are in accordance with the accounting principles generally accepted in the United States of America and conform to practices within the banking industry. The Company's stock is traded in the over-the-counter markets (stock symbol "PBAM") and is therefore considered a public business entity for financial reporting purposes. Below is a summary of significant accounting policies.

Reclassifications

Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassification had no effect on prior year net income or shareholders' equity.

Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through March 14, 2025 which is the date the financial statements were available to be issued.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the balance sheets, and the reported amounts of revenues and expenses during the reporting periods covered. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the fair value of servicing assets, and the valuation of deferred tax assets and liabilities.

Operating Segments

The Company's Chief Operating Decision Maker ("CODM") is the Chief Executive Officer. While the Company's CODM monitors multiple of the Company's revenue sources, operations are managed, and financial performance is evaluated, on a Company-wide basis. Discrete operating results are not reviewed to make resource allocation or performance decisions. Accordingly, all of the Company's operations are considered to be one operating segment. For the measure of profit or loss, significant expenses and total assets for the Company's single operating segment, refer to the Consolidated Balance Sheets and Consolidated Statements of Income.

PRIVATE BANCORP OF AMERICA, INC., AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks and term federal funds sold and interest-bearing deposits in other financial institutions with original maturities of less than 90 days. Net cash flows are reported for customer loan and deposit transactions and interest-bearing deposits in other financial institutions.

Cash and Due From Banks

The Company maintains amounts due from banks that exceed federally insured limits. The Company has not experienced any losses in such accounts.

Interest-Bearing Time Deposits with Other Financial Institutions

Interest-bearing time deposits with other financial institutions mature within one year and are carried at cost. The Company had cash balances of \$8.2 million used as collateral for standby letters of credit at both December 31, 2024 and 2023, respectively.

Debt Securities

Debt securities are classified in three categories and accounted for as follows: debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity and are measured at amortized cost; debt securities bought and held principally for the purpose of selling in the near term are classified as trading securities and are measured at fair value, with unrealized gains and losses included in earnings; debt securities not classified as either held-to-maturity ("HTM") or trading securities are deemed as available-for-sale ("AFS") and are measured at fair value, with unrealized gains and losses, net of applicable taxes, reported in accumulated other comprehensive income of shareholders' equity. Gains or losses on sales of debt securities are determined on the specific identification method. Premiums and discounts are amortized or accreted using the interest method over the expected lives of the related securities. A debt security is placed on nonaccrual status at the time any principal or interest payment becomes 90 days past due. Interest that had been accrued but not received for a security placed on non-accrual status is reversed against interest income. The Company does not recognize an allowance for credit losses on accrued interest receivable, consistent with its policy to write off uncollected accrued interest no later than 90 days past due by reversing interest income.

For HTM debt securities, the allowance for credit losses represents expected credit losses over the remaining expected life of the securities. The Company did not have any HTM debt securities at December 31, 2024 or 2023.

For AFS debt securities, the securities are considered impaired if the fair value is less than the amortized cost. The Company recognizes impairment losses in earnings if it has the intent to sell the debt security, or if it is more likely than not that the Company will be required to sell the debt security before recovery of its amortized cost. In these circumstances the impairment loss is recognized and is equal to the full difference between the amortized cost (net of allowance if applicable) and the fair value of the security. For impaired debt securities that the Company has the intent and ability to hold, the securities are evaluated to determine if a credit loss exists. The credit loss represents the difference between the present value of the cash flows expected to be collected and the amortized cost basis. If it is determined that a credit loss exists, that loss is recognized as an allowance for credit losses through the provision for credit losses, limited by the amount of impairment. Any impairment on debt securities that the Company has the intent and ability to hold not due to credit losses is recorded in other comprehensive income.

Loans Held for Sale

Small Business Administration ("SBA") loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses are recognized in earnings through a valuation allowance. Interest income on these loans is accrued daily. Loan origination fees and costs are deferred and included in the cost basis of the loan held for sale. Gains and losses on the sale of loans are recognized pursuant to ASC 860, Transfers and Servicing. Gains or losses realized on the sales of loans are recognized at the time

PRIVATE BANCORP OF AMERICA, INC., AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

of sale and are determined by the difference between the net sales proceeds and the carrying value of the loans sold, adjusted for any servicing asset or liability. Gains and losses on sales of loans are included in noninterest income.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Servicing Rights

Servicing rights are recognized separately when they arise through the sale of loans. Servicing rights are initially recorded at fair value with the statement of operations effect recorded in gain on sale of loans. Fair value is based on a valuation model that calculates the present value of estimated future cash flows from the servicing assets. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. In addition, servicing assets are assessed for impairment based on fair value at each reporting date.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal. The amortization of servicing rights and any impairment is netted against loan servicing fee income.

Loans Held for Investment

The Company originates real estate, commercial, SBA and consumer loans to borrowing customers. A substantial portion of the loan portfolio is represented by real estate loans in the Los Angeles, Orange and San Diego counties. The ability of the Company's borrowers to honor their contracts is dependent upon many factors, including the real estate market and general economic conditions in the Company's lending regions. Loans that management has the intent and ability to hold for the foreseeable future, until maturity or until paid off are classified as held-for-investment (HFI) on the balance sheet. These loans are reported at their outstanding unpaid principal balances reduced by any charge-offs and net of deferred loan origination fees and costs, or unamortized premiums or discounts on purchased loans.

Interest income is accrued on the unpaid principal balance of the loans. Loan origination fees and costs are deferred and amortized as an adjustment of the loan's yield over the life of the loan using the interest method for amortizing loans, and the straight-line method for interest-only loans and lines of credit.

The Company has elected to present accrued interest receivable balances separately from their underlying financial instruments on the Consolidated Balance Sheets. Therefore, accrued interest receivable balances are excluded from disclosures of loans held for investment.

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. The accrual of interest on loans is discontinued when principal or interest is past due 90 days based on the contractual terms of the loan or when, in management's judgment, there is reasonable doubt as to collectability. When loans are placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on nonaccrual loans is subsequently recognized only to the extent that cash is received and the loan's principal balance is deemed collectible. Interest accruals are resumed on such loans only when they are brought current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to all principal and interest. The Company has elected to not measure an allowance for credit losses for

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accrued interest receivable due to the Company's policy of writing off uncollectible accrued interest receivable balances in a timely manner.

Allowance for Credit Losses ("ACL")

Loans HFI

The Company accounts for credit losses on loans HFI in accordance with ASC 326 under the current expected credit loss ("CECL") methodology, which requires the Company to record an estimate of expected lifetime credit losses for loans at the time of origination or acquisition. The ACL is maintained at a level deemed appropriate by management to provide for expected credit losses in the portfolio as of the date of the consolidated statements of financial condition. Estimating expected credit losses requires management to use relevant forward-looking information, including the use of reasonable and supportable forecasts. The measurement of the ACL is performed by collectively evaluating loans with similar risk characteristics. The Company has established a methodology to determine the adequacy of the allowance for credit losses that assesses the risks and losses expected on the loan portfolio. Additions to the allowance for credit losses are made by charges to the provision for credit losses. Losses on loans and leases are charged off against the allowance when all or a portion of a loan or lease is considered uncollectible. Subsequent recoveries on loans previously charged off, if any, are credited to the allowance when realized.

To calculate the allowance for loans collectively evaluated, management uses models developed by an independent third party. These independent third-party models, the Commercial real estate ("CRE"), Commercial and industrial ("C&I"), and Consumer lifetime loss rate models, are used to estimate the expected losses over the life of the loan based on exposure at default, loan attributes as well as reasonable and supportable economic forecasts. The exposure at default considers the current unpaid balance, prepayment assumptions, and expected utilization assumptions.

Key assumptions used in the third-party models include portfolio segmentation, prepayments, risk ratings and certain calibration scalars, among others. The portfolios are segmented by loan level attributes such as loan type, loan size, date of origination, and delinquency status to create homogenous loan pools. Pool level metrics are calculated and loss rates are applied to the pools as the loans have like characteristics. Prepayment assumptions are embedded within the calculated loss rates and are based on the same data used for model development and incorporate adjustments for reasonable and supportable forecasts.

The Company elected to use multiple economic scenarios in determining the reserve, to account for the reasonable and supportable forecasts. The scenarios include various projections of Gross Domestic Product ("GDP"), interest rates, property price indices, and employment measures. The scenarios are probability-weighted based on available information at the time of the forecasts. Scenario weighting and model parameters are reviewed for each calculation and are subject to change. The third-party models recognize that the life of a loan may exceed the economic forecast, as such, the models include an assumption that each macro-economic variable will revert to a long-term expectation starting in years 2-4 of the forecast and largely completing within the first five years of the forecast. Because each of the criteria used is subject to change, the analysis of the ACL is not necessarily indicative of the trend of future loan losses in any particular loan category. Instead, the total ACL is available to absorb losses from any segment of the loan portfolio.

The CRE lifetime loss rate, C&I lifetime loss rate, and Consumer lifetime loss rate models were developed using historical loss experience from banks within the third-party model's dataset. Banks in the model's dataset may have different loss experiences due to geography and portfolio as well as variances in operational and underwriting procedures, and therefore, the Company calibrates expected losses using a scalar for each model. Each scalar was calculated by examining the loss rates of peer banks that have similar operations, asset bases and geographical footprint to the Company and comparing these peer group loss rates to the third-party model results. Peer group loss rates were used in the scalar calculation to adjust the third-party model outputs because management determined that incorporating peer data provides a more representative view of the Company's current portfolio credit risk profile than solely relying on the Company's historical loss experience.

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In addition to the quantitative assessment of the allowance, the Company's ACL methodology also includes adjustments for qualitative factors, where appropriate, since historical information (such as historical net losses and economic cycles) may not always provide a sufficient basis for determining future expected credit losses. Qualitative adjustments may be related to and include, but not limited to factors such as: (i) management's assessment of economic forecasts used in the model and how those forecasts align with management's overall evaluation of current and expected economic conditions, (ii) organization specific risks such as credit concentrations, collateral specific risks, regulatory risks, and external factors that may ultimately impact credit quality, (iii) potential model constraints such as limitations identified through backtesting, and other limitations associated with factors such as underwriting changes, acquisition of new portfolios and changes in portfolio segmentation, and (iv) management's overall assessment of the adequacy of the ACL, including an assessment of model data inputs used to determine the ACL.

The majority of the Company's loans share risk characteristics with other similar loans, and as a result are collectively evaluated. If a loan does not share risk characteristics with other loans, the Company generally estimates expected credit losses on an individual basis, considering expected repayment and conditions impacting that individual loan. Individually evaluated loans generally includes risk-rated loans that have been placed on nonaccrual status and collateral-dependent loans. If foreclosure is probable or the loan is collateral dependent, losses are measured using the fair value of the loan's collateral, less estimated costs to sell.

Portfolio segments identified by the Company include commercial real estate, commercial business and consumer loans. Relevant risk characteristics for these portfolio segments generally include debt service coverage, loan-to-value ratios and financial performance on commercial real estate and commercial loans and credit scores, debt-to income, collateral type and loan-to-value ratios for consumer loans.

Unfunded Commitments

The Company estimates expected losses for unfunded commitments over the contractual period in which it is exposed to credit risk through a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. An allowance for off-balance-sheet financial instruments is established using the Credit Conversion Factors (CCF) to estimate Exposure at Default (EAD), and then using the method consistent with the ACL methodology for each loan type. Effective with the adoption of ASC 326 on January 1, 2023, changes to the allowance for unfunded commitments are presented as a component of the provision for credit losses on the Consolidated Statements of Operations. For periods prior to the adoption of ASC 326, changes to the allowance for unfunded commitments are reflected as a component of administrative and other expenses on the Consolidated Statements of Operations. The allowance for unfunded commitments was \$1.5 million and \$1.7 million as of December 31, 2024 and 2023, respectively, and is presented as a component of accrued interest payable and other liabilities on the Consolidated Balance Sheets.

Other Real Estate Owned

Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. Loan balances in excess of the fair value of the real estate acquired at the date of acquisition are charged-off against the allowance for loan losses. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Qualified Affordable Housing Project Investments

The Company invests in partnerships that sponsor affordable housing projects utilizing the Low-Income Housing Tax Credit ("LIHTC") pursuant to Section 42 of the Internal Revenue Code. These investments are recorded on the Consolidated Balance Sheets net of accumulated amortization, using the proportional amortization method. Under the proportional amortization method, the initial cost of the investments is amortized in proportion to the tax credits and other tax benefits received, and the amortization is recognized as a reduction to provision for income taxes in the Consolidated Statements of Operations. At December 31, 2024 and 2023, the net LIHTC investment totaled \$2.7 million and \$2.0 million, respectively, and was included in other assets on the Consolidated Balance Sheets.

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FHLB Stock

The Bank is a member of the Federal Home Loan Bank ("FHLB") system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as interest income.

Other Equity Investments

The Company carries equity securities at fair value when readily determinable market values are available. Any adjustments to the fair value of these investments are recorded in other fees and miscellaneous income on the Consolidated Statements of Operations. The Company had equity investments carried at fair value of \$0.1 million at both December 31, 2024 and 2023 that were included in other assets on the Consolidated Balance Sheets.

In addition, at December 31, 2024 and 2023, the Company had \$2.6 million and \$2.5 million, respectively, of other equity investments that were included in other assets on the Consolidated Balance Sheets that do not have readily determinable fair values (non-marketable) and are accounted for at cost, plus or minus changes resulting from observable transactions involving the same or similar investments from the same issuer, minus impairment, if any, also referred to as the measurement alternative. These other equity investments include Community Development Financial Institution ("CDFI") stock, Small Business Investment Company ("SBIC") investments and direct investments in financial technology ("Fintech") ventures held by our parent bank holding company.

Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed on a straight-line basis over the estimated useful lives of the related asset. The estimated useful lives of furniture, fixtures and equipment are estimated to be three to fifteen years. Leasehold improvements are amortized on a straight-line basis over the shorter of estimated useful lives of the improvements or the remaining lease term (including periods covered by renewal options which were reasonably assured at the inception of the lease).

Leases

The Company determines if an arrangement contains a lease at contract inception and recognizes right-of-use ("ROU") assets and operating lease liabilities based on their present value of lease payments over the lease term. While operating leases may include options to extend the term, the Company does not take into account the options in calculating the ROU asset and lease liability unless it is reasonably certain such provisions will be exercised. The present value of lease payments is determined based on the Company's incremental borrowing rate and other information available at lease commencement. Leases with an initial term of 12-months or less are not recorded on the Consolidated Balance Sheets. Lease expense is recognized on a straight-line basis over the lease term. The Company has elected to account for lease agreements with lease and non-lease components as a single lease component. Refer to Note 6 – Leases for further discussion on the Company's leasing arrangements and related accounting.

Income Taxes

Deferred income taxes are recognized for estimated future tax effects attributable to income tax carryforwards as well as temporary differences between financial reporting and income tax purposes. Valuation allowances are established when necessary to reduce the deferred tax asset to the amount expected to be realized. Deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted accordingly through the provision for income taxes.

The tax effects from an uncertain tax position are recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Interest and penalties

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related to uncertain tax positions are recorded as part of income tax expense; however, there was no penalty or interest expense recorded for the years ended December 31, 2024 and 2023.

Commitments and Contingencies

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit as described in Note 11 – Commitments and Contingencies. Such financial instruments are recorded in the financial statements when they are funded, or related fees are incurred or received.

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. Refer to Note 11 – Commitments and Contingencies for further information.

Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Current accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. That guidance describes three levels of inputs that may be used to measure fair value:

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

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

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the factors that market participants would use in pricing an asset or liability.

See Note 15 and 16 for more information and disclosures relating to the Company's fair value measurements.

Advertising and Marketing Costs

The Company expenses the cost of advertising and marketing in the period incurred.

Revenue Recognition – Noninterest Income

In accordance with Accounting Standards Codification ("ASC") Topic 606, revenues are recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligation in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer.

At contract inception, once the contract is determined to be within the scope of Topic 606, the Company assesses the goods or services that are promised within each contract and identifies those that contain performance obligation and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount

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of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

All of the Company's revenue from contracts with customers within the scope of ASC 606 is recognized in non-interest income. The following is a discussion of key revenues within the scope of ASC 606.

Service Charges and Fees on Deposit Accounts

The Company earns fees from its deposit customers for account maintenance, transaction-based 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 deposits accounts are charged to deposit customers for specific services provided to the customer, such as non-sufficient funds fees, overdraft fees, wire fees, merchant services fees and foreign exchange 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.

Interchange Fees

Interchange fees represents fees earned when a debit card issued by the Company is used. The Company earns interchange fees from debit cardholder transactions through a payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The performance obligation is satisfied, and the fees are earned when the cost of the transaction is charged to the card. Certain expenses directly associated with the debit card are recorded on a net basis with the fee income.

Comprehensive Income

The change in unrealized gains and losses on securities available for sale is the only component of other comprehensive income for the Company. There were no amounts reclassified out of accumulated other comprehensive income relating to realized gains on securities available for sale in 2024 and 2023.

Earnings Per Share ("EPS")

Basic EPS excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period, excluding outstanding participating securities. Diluted EPS is computed using the weighted-average number of shares determined for the basic computation plus the dilutive effect of potential common shares issuable under certain stock compensation arrangements. Unvested share-based payment awards (Restricted Stock Awards) that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of earnings per share pursuant to the two-class method. The Company has determined that its outstanding unvested stock awards are participating securities. See Note 14 for additional details of EPS calculations.

Stock-Based Compensation

Compensation cost is recognized for stock options and restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards.

Compensation cost is recognized over the required service period, generally defined as the vesting period, on a straight-line basis. The Company has elected to account for forfeitures of stock-based awards as they occur. For awards subject to both the service and performance conditions, the unrecognized compensation expense is recognized as expense when it is probable that the performance conditions will be achieved. If the performance conditions become probable of being achieved before the end of the requisite service period, the unrecognized compensation expense for which requisite service has not been provided will be recognized as expense prospectively on an accelerated attribution basis over the remaining requisite service period. Excess tax benefits and tax deficiencies relating to stock-based

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compensation are recorded as income tax expense or benefit in the Consolidated Statements of Operations when incurred.

Recently Adopted Accounting Standards

On January 1, 2023, the Company adopted ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments (ASC 326)*, as amended, which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. ASC 326 is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The underlying premise is that financial assets measured at amortized cost should be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The CECL methodology applies to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments, and financial guarantees. Under ASC 326, credit losses for available-for-sale ("AFS") debt securities with unrealized losses are measured in a manner similar previously applicable U.S. GAAP except that the losses are recognized an allowance rather than as a reduction in the amortized cost of the securities. ASC 326 also simplifies the accounting model for purchased credit-impaired debt securities and loans and expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for credit losses. The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to reflect previously applicable U.S. GAAP. For the accounting policy on the allowance for loan losses that was in effect prior to the adoption of ASC 326, See Note 1 to our Financial Statements for the year ended December 31, 2022. The Company recorded on the Consolidated Balance Sheets a decrease to the allowance for loan losses of \$1.9 million, an increase to deferred tax asset, net of \$0.9 million, an increase to accrued interest payable and other liabilities of \$1.0 million and a decrease to retained earnings of \$2.0 million as of January 1, 2023 for the cumulative effect of adopting ASC 326.

The following table illustrates the impact of adopting ASC 326 on the allowance for credit losses.

	December 31, 2022	January 1, 2023	
	Pre-ASC 326 Adoption	As Reported Under ASC 326	Impact of ASC 326 Adoption
Allowance for loan losses:			
Commercial Real Estate	13,510	16,900	3,390
Commercial Business	5,619	4,092	(1,527)
Consumer	23	70	47
Total allowance for loan losses	19,152	21,062	1,910
Allowance for Unfunded Commitments	1,718	2,692	974
Total allowance for credit losses	\$ 20,870	\$ 23,754	\$ 2,884

In addition, on January 1, 2023, the Company adopted ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which eliminated the accounting guidance on troubled debt restructurings ("TDRs") and requires enhanced disclosures for loan modifications to borrowers experiencing financial difficulty. This guidance was applied on a prospective basis.

On January 1, 2024, the Company adopted ASU 2023-02, *Investments - Equity Method and Joint Ventures (Topic 323)*. The amendments in this ASU expand the population of tax credit investments for which an investor may elect to apply the proportional amortization method and require certain disclosures for tax credit investments. The adoption of this ASU did not have an effect on our consolidated financial statements. However, the guidance requires additional disclosure for all investments that generate income tax credits and other income tax benefits from a tax-oriented investment program for which the Company has elected to apply the proportional amortization

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method. The guidance also requires a reevaluation of eligible investments when significant modifications or events occur that result in a change in the nature of the investment or a change in the Firm's relationship with the underlying project. Both before and after the adoption, the Company used the proportional amortization method for low income housing tax credit investments.

On January 1, 2024, the Company adopted ASU 2023-07, *Segment Reporting - Improvements to Reportable Segment Disclosures* (Topic 280). The amendments in the ASU improve reportable segment disclosure requirements and require disclosure of (1) significant segment expenses that are readily provided to the chief operating decision maker and included in segment profit or loss, (2) the composition and aggregate amount of other segment items, which represent the difference between profit or loss and segment revenues less significant segment expenses and (3) the title and position of the CODM and an explanation of how the CODM uses the reported segment measures in assessing segment performance and deciding how to allocate resources. The adoption of this ASU did not have an effect on our consolidated financial statements but did require additional disclosures addressed above under the heading *Operating Segments*.

Recent Accounting Guidance Not Yet Effective

In December 2023, the FASB issued ASU 2023-09, *Income Tax - Improvements to Income Tax Disclosures* (Topic 740) which requires reporting companies to break out their income tax expense and tax rate reconciliation in more detail. The new standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company does not expect this ASU to have a material effect on our consolidated financial statements.

On November 4, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)* which requires additional disclosure of the nature of expenses included in the income statement. The new standard requires disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. The new standard is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods within annual reporting periods beginning after December 15, 2027. The requirements will be applied prospectively with the option for retrospective application. Early adoption is permitted. The Company is currently evaluating this standard.

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NOTE 2 – DEBT SECURITIES

The following table summarizes the amortized cost and fair value of securities available for sale at December 31, 2024 and 2023, and the corresponding amounts of gross unrealized gains and losses (in thousands):

December 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale:				
US Treasury securities	\$ 4,999	\$ —	\$ (26)	4,973
SBA Loan Pool securities	3,282	—	(241)	3,041
Mortgage-backed securities	147,332	206	(11,792)	135,746
Corporate debt securities	1,750	—	(272)	1,478
Total	<u>\$ 157,363</u>	<u>\$ 206</u>	<u>\$ (12,331)</u>	<u>\$ 145,238</u>
December 31, 2023				
Securities Available for Sale:				
US Treasury securities	\$ 11,490	\$ —	\$ (213)	\$ 11,277
SBA Loan Pool securities	3,532	—	(296)	3,236
Mortgage-backed securities	97,874	90	(11,356)	86,608
Corporate debt securities	1,750	—	(372)	1,378
Total	<u>\$ 114,646</u>	<u>\$ 90</u>	<u>\$ (12,237)</u>	<u>\$ 102,499</u>

At December 31, 2024 and December 31, 2023, there were no holdings of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of our shareholders' equity.

The amortized cost and fair value of the investment securities portfolio as of December 31, 2024 are shown by contractual maturity below. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are presented separately.

(in thousands)	Available for Sale	
	Amortized Cost	Fair Value
Due within one year	\$ 4,999	\$ 4,973
Due after one year through five years	428	413
Due after five years through ten years	4,604	4,106
Mortgage-backed securities	147,332	135,746
Total debt securities	<u>\$ 157,363</u>	<u>\$ 145,238</u>

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The following table summarizes the investment securities with unrealized losses by security type and length of time in a continuous, unrealized loss position as of the dates indicated (in thousands):

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2024						
US Treasury securities	\$ —	\$ —	\$ 4,973	\$ (26)	\$ 4,973	\$ (26)
SBA Loan Pool securities	—	—	3,041	(241)	3,041	(241)
Mortgage-backed securities	45,644	(567)	70,573	(11,225)	116,217	(11,792)
Corporate debt securities	—	—	1,478	(272)	1,478	(272)
Total	<u>\$ 45,644</u>	<u>\$ (567)</u>	<u>\$ 80,065</u>	<u>\$ (11,764)</u>	<u>\$ 125,709</u>	<u>\$ (12,331)</u>
December 31, 2023						
US Treasury securities	\$ —	\$ —	\$ 11,277	\$ (213)	\$ 11,277	\$ (213)
SBA Loan Pool securities	—	—	3,236	(296)	3,236	(296)
Mortgage-backed securities	5,909	(11)	72,170	(11,345)	78,079	(11,356)
Corporate debt securities	—	—	1,378	(372)	1,378	(372)
Total	<u>\$ 5,909</u>	<u>\$ (11)</u>	<u>\$ 88,061</u>	<u>\$ (12,226)</u>	<u>\$ 93,970</u>	<u>\$ (12,237)</u>

As of December 31, 2024, there were 20 mortgage-backed securities with unrealized losses of \$567 thousand that had been in a continuous loss position for less than 12 months and 33 securities (1 US Treasury securities, 2 SBA Loan Pool securities, 28 mortgage-backed securities and 2 corporate securities) with unrealized losses of \$11.8 million that had been in a continuous loss position for more than 12 months. Unrealized losses on debt securities have not been recognized in earnings because the issuers are of high credit quality, management does not intend to sell and it is not likely that management will be required to sell the securities prior to their anticipated recovery, and the decline in fair value is due to changes in interest rates and other market conditions and are not due to credit concerns. The fair value of these securities in unrealized loss positions are expected to recover as the securities approach maturity. The Company had no realized gains or losses on sales of securities in 2024 and 2023.

The Company had pledged debt securities with a fair value of \$5.6 million and \$72.2 million to secure borrowing arrangements discussed in Note 8, as of December 31, 2024 and 2023, respectively.

At December 31, 2024 and December 31, 2023, the Company did not hold any held-to-maturity or trading securities.

NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

As discussed in Note 1, on January 1, 2023, the Company adopted ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments (ASC 326)*, as amended, which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts reflect previously applicable U.S. GAAP.

The Company's loan portfolio is divided into three portfolio segments, which are the same segments used to estimate of the allowance for credit losses: Commercial Real Estate, which uses the CRE lifetime loss rate model; Commercial Business, which uses the C&I lifetime loss rate model; and Consumer, which uses the Consumer lifetime loss rate model. Within each portfolio segment the Company monitors and assesses the credit risk in the following

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classes of loans, based on the risk characteristics of each loan class, and the Company may apply qualitative adjustments to an individual loan class where appropriate.

Commercial Real Estate	Commercial Business	Consumer
- Investor owned - Owner occupied - Multifamily - Secured by single family - Land and construction - SBA secured by real estate	- Commercial and Industrial - SBA non-real estate secured	Consumer

The following is a summary of the loans and allowance for loan losses as of December 31 (in thousands):

	2024	2023
Commercial Real Estate (CRE):		
Investor owned	\$ 572,659	\$ 583,069
Owner occupied	223,442	202,552
Multifamily	162,330	168,324
Secured by single family	198,579	146,370
Land and construction	62,638	33,655
SBA secured by real estate	401,990	349,230
Total CRE	<u>1,621,638</u>	<u>1,483,200</u>
Commercial business:		
Commercial and industrial	441,182	352,205
SBA non-real estate secured	20,205	8,481
Total commercial business	<u>461,387</u>	<u>360,686</u>
Consumer	<u>2,124</u>	<u>3,275</u>
Loans held for investment ⁽¹⁾	2,085,149	1,847,161
Allowance for loan losses	<u>(27,267)</u>	<u>(24,476)</u>
Loans held for investment, net ⁽¹⁾	<u>\$ 2,057,882</u>	<u>\$ 1,822,685</u>

⁽¹⁾ Net of deferred loan origination fees and costs and unamortized discounts and premiums of \$0.8 million and \$1.8 million at December 31, 2024 and 2023, respectively.

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The following table summarizes the allocation of the allowance as well as the activity in the allowance attributed to the loan portfolio segments and unfunded commitments as of and for the year ended December 31, 2024 and 2023 (in thousands):

December 31, 2024	Commercial Real Estate	Commercial Business	Consumer	Total
Allowance for Loan Losses:				
Beginning of Year	\$ 18,655	\$ 5,766	\$ 55	\$ 24,476
Provision for (reversal of) credit losses	2,069	871	(19)	2,921
Gross charge-offs	—	(130)	—	(130)
Gross recoveries	—	—	—	—
End of Year	<u>20,724</u>	<u>6,507</u>	<u>36</u>	<u>27,267</u>
Allowance for Unfunded Commitments:				
Beginning of Year	1,170	571	—	1,741
Provision for (reversal of) credit losses	242	(475)	1	(232)
End of Year	<u>1,412</u>	<u>96</u>	<u>1</u>	<u>1,509</u>
Allowance for Credit Losses	<u>\$ 22,136</u>	<u>\$ 6,603</u>	<u>\$ 37</u>	<u>\$ 28,776</u>
Allowance for Loan Losses by Methodology:				
Individually evaluated	\$ —	\$ 2,000	\$ —	\$ 2,000
Collectively evaluated	20,724	4,507	36	25,267
	<u>\$ 20,724</u>	<u>\$ 6,507</u>	<u>\$ 36</u>	<u>\$ 27,267</u>
December 31, 2023	Commercial Real Estate	Commercial Business	Consumer	Total
Allowance for Loan Losses:				
Beginning of Year	\$ 13,510	\$ 5,619	\$ 23	\$ 19,152
Cumulative effect of a change in accounting principle	3,390	(1,527)	47	1,910
Provision for (reversal of) credit losses	1,755	(6,935)	(15)	(5,195)
Gross charge-offs	—	(7)	—	(7)
Gross recoveries	—	8,616	—	8,616
End of Year	<u>18,655</u>	<u>5,766</u>	<u>55</u>	<u>24,476</u>
Allowance for Unfunded Commitments:				
Beginning of Year	1,054	663	1	1,718
Cumulative effect of a change in accounting principle	742	232	—	974
Reversal of credit losses	(626)	(324)	(1)	(951)
End of Year	<u>1,170</u>	<u>571</u>	<u>—</u>	<u>1,741</u>
Allowance for Credit Losses	<u>\$ 19,825</u>	<u>\$ 6,337</u>	<u>\$ 55</u>	<u>\$ 26,217</u>
Allowance for Loan Losses by Methodology:				
Individually evaluated	\$ —	\$ 1,250	\$ —	\$ 1,250
Collectively evaluated	18,655	4,516	55	23,226
	<u>\$ 18,655</u>	<u>\$ 5,766</u>	<u>\$ 55</u>	<u>\$ 24,476</u>

During the year ended December 31, 2023, the Company reached a settlement with the Receiver for ANI Investments and Gina Champion-Cain in which the Company recovered \$7.7 million plus certain rights to future recoveries from a guarantor of a loan that the Company previously charged off in 2019. This recovery amount represents 80% of the original principal charge-off and is net of the participant bank's share. In addition, the Company also recovered \$0.9 million related to a loan that was originated and written off by San Diego Private Bank ("SDPB") prior to SDPB merging with the Company on April 2, 2013.

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The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. For the purpose of assigning internal risk ratings, we generally analyze larger, non-homogeneous loans (e.g., commercial real estate and commercial and industrial loans) on an individual basis, classifying them according to common credit-risk characteristics. This analysis is performed on an ongoing basis as new information is obtained.

For real estate collateral, the Bank typically relies on external appraisals from licensed or certified appraisers. We regularly reassess these values whenever borrower performance, market conditions, or new loan terms signal a potential change in collateral value. When necessary, we supplement these real estate valuations with broker price opinions or other market data. When a loan is secured by business assets or equipment (rather than real estate), the Bank uses standard underwriting practices—such as reviewing current financial statements, performing lien searches, or relying on recognized valuation sources—to confirm that collateral coverage remains sufficient.

The Company uses the following definitions for risk ratings:

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 institution’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 liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Nonaccrual– Loans on which the accrual of interest has been discounted are designated as nonaccrual loans. The accrual of interest on loans is discontinued when principal or interest is past due 90 days based on the contractual terms of the loan or when, in management's judgment, there is reasonable doubt as to collectability.

Loans listed as pass include larger non-homogeneous loans not meeting the risk rating definitions above and smaller, homogeneous loans not assessed on an individual basis.

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The risk category of loans by class of loans was as follows as of December 31, 2024 and 2023 (in thousands):

December 31, 2024	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis		Total
	2024	2023	2022	2021	Prior	Within the Revolving Period	Converted to Term Loans	
Commercial Real Estate (CRE):								
Investor owned								
Pass	\$ 38,197	\$ 98,365	\$ 164,189	\$ 102,551	\$ 136,758	\$ 26,023	\$ 6,576	\$ 572,659
Total	38,197	98,365	164,189	102,551	136,758	26,023	6,576	572,659
Owner occupied								
Pass	23,598	27,907	40,863	42,478	59,979	16,562	5,187	216,574
Special Mention	—	—	—	—	3,676	—	—	3,676
Substandard – Nonaccrual	—	3,192	—	—	—	—	—	3,192
Total	23,598	31,099	40,863	42,478	63,655	16,562	5,187	223,442
Multifamily								
Pass	\$ 14,827	\$ 26,667	\$ 59,572	\$ 32,429	\$ 25,805	\$ 2,316	\$ 714	\$ 162,330
Total	14,827	26,667	59,572	32,429	25,805	2,316	714	162,330
Secured by single family								
Pass	58,045	27,308	28,658	25,015	25,366	31,226	2,765	198,383
Substandard – Still accruing	—	—	—	—	—	—	196	196
Total	58,045	27,308	28,658	25,015	25,366	31,226	2,961	198,579
Land and construction								
Pass	10,350	14,637	11,461	21,594	919	3,677	—	\$ 62,638
Total	10,350	14,637	11,461	21,594	919	3,677	—	62,638
SBA secured by real estate								
Pass	90,275	91,905	76,807	51,325	76,780	—	—	387,092
Special Mention	—	4,605	460	145	703	—	—	5,913
Substandard – Still accruing	—	—	1,524	—	1,679	—	—	3,203
Substandard – Nonaccrual	—	—	—	2,120	3,662	—	—	5,782
Total	90,275	96,510	78,791	53,590	82,824	—	—	401,990
Total commercial real estate								
Pass	235,292	286,789	381,550	275,392	325,607	79,804	15,242	1,599,676
Special Mention	—	4,605	460	145	4,379	—	—	9,589
Substandard – Still accruing	—	—	1,524	—	1,679	—	196	3,399
Substandard – Nonaccrual	—	3,192	—	2,120	3,662	—	—	8,974
Total	235,292	294,586	383,534	277,657	335,327	79,804	15,438	1,621,638

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December 31, 2024	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis		Total
	2024	2023	2022	2021	Prior	Within the Revolving Period	Converted to Term Loans	
Commercial business:								
Commercial and industrial								
Pass	44,414	4,068	47,383	20,729	8,975	306,976	5,893	438,438
Substandard – Still accruing	—	—	—	—	—	—	244	244
Substandard – Nonaccrual	—	—	—	—	—	2,500	—	2,500
Total	44,414	4,068	47,383	20,729	8,975	309,476	6,137	441,182
SBA non-real estate secured								
Pass	13,118	2,872	892	431	2,892	—	—	20,205
Total	13,118	2,872	892	431	2,892	—	—	20,205
Total commercial business								
Pass	57,532	6,940	48,275	21,160	11,867	306,976	5,893	458,643
Substandard – Still accruing	—	—	—	—	—	—	244	244
Substandard – Nonaccrual	—	—	—	—	—	2,500	—	2,500
Total	57,532	6,940	48,275	21,160	11,867	309,476	6,137	461,387
Consumer:								
Total consumer								
Pass	—	715	—	—	—	1,409	—	2,124
Total	—	715	—	—	—	1,409	—	2,124
Total loans:								
Pass	292,824	294,444	429,825	296,552	337,474	388,189	21,135	2,060,443
Special Mention	—	4,605	460	145	4,379	—	—	9,589
Substandard – Still accruing	—	—	1,524	—	1,679	—	440	3,643
Substandard – Nonaccrual	—	3,192	—	2,120	3,662	2,500	—	11,474
Total	<u>\$292,824</u>	<u>\$302,241</u>	<u>\$431,809</u>	<u>\$298,817</u>	<u>\$347,194</u>	<u>\$390,689</u>	<u>\$ 21,575</u>	<u>\$2,085,149</u>
Gross charge offs:								
SBA non-real estate secured	—	—	—	—	130	—	—	130
Total commercial business	—	—	—	—	130	—	—	130
Total gross charge offs	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>130</u>	<u>—</u>	<u>—</u>	<u>130</u>

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December 31, 2023	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Cost Basis		Total
	2023	2022	2021	Prior	Within the Revolving Period	Converted to Term Loans	
Commercial Real Estate (CRE):							
Investor owned							
Pass	\$ 111,776	\$ 175,960	\$ 121,694	\$ 148,251	\$ 18,716	\$ 6,672	\$ 583,069
Total	111,776	175,960	121,694	148,251	18,716	6,672	583,069
Owner occupied							
Pass	28,579	41,779	43,406	64,597	12,972	2,368	193,701
Special Mention	2,335	1,605	—	—	—	—	3,940
Substandard – Still accruing	—	—	—	3,733	—	—	3,733
Substandard – Nonaccrual	—	—	—	1,178	—	—	1,178
Total	30,914	43,384	43,406	69,508	12,972	2,368	202,552
Multifamily							
Pass	25,955	65,382	42,412	31,517	2,334	724	168,324
Total	25,955	65,382	42,412	31,517	2,334	724	168,324
Secured by single family							
Pass	35,791	34,382	26,783	23,401	21,098	1,999	143,454
Special Mention	—	—	—	2,916	—	—	2,916
Total	35,791	34,382	26,783	26,317	21,098	1,999	146,370
Land and construction							
Pass	1,902	17,818	13,935	—	—	—	33,655
Total	1,902	17,818	13,935	—	—	—	33,655
SBA secured by real estate							
Pass	115,369	84,028	57,336	83,084	—	—	339,817
Special Mention	—	1,470	3,512	2,314	—	—	7,296
Substandard – Still accruing	—	—	—	2,117	—	—	2,117
Total	115,369	85,498	60,848	87,515	—	—	349,230
Total commercial real estate							
Pass	319,372	419,349	305,566	350,850	55,120	11,763	1,462,020
Special Mention	2,335	3,075	3,512	5,230	—	—	14,152
Substandard – Still accruing	—	—	—	5,850	—	—	5,850
Substandard – Nonaccrual	—	—	—	1,178	—	—	1,178
Total	321,707	422,424	309,078	363,108	55,120	11,763	1,483,200

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	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Cost Basis		Total
	2023	2022	2021	Prior	Within the Revolving Period	Converted to Term Loans	
December 31, 2023							
Commercial business:							
Commercial and industrial							
Pass	18,587	49,091	25,672	19,848	230,199	6,308	349,705
Substandard – Nonaccrual	—	—	—	—	2,500	—	2,500
Total	18,587	49,091	25,672	19,848	232,699	6,308	352,205
SBA non-real estate secured							
Pass	3,020	206	833	3,072	—	—	7,131
Substandard – Nonaccrual	—	—	1,027	323	—	—	1,350
Total	3,020	206	1,860	3,395	—	—	8,481
Total commercial business							
Pass	21,607	49,297	26,505	22,920	230,199	6,308	356,836
Substandard – Nonaccrual	—	—	1,027	323	2,500	—	3,850
Total	21,607	49,297	27,532	23,243	232,699	6,308	360,686
Consumer:							
Total consumer							
Pass	1,044	—	—	—	2,231	—	3,275
Total	1,044	—	—	—	2,231	—	3,275
Total loans:							
Pass	342,023	468,646	332,071	373,770	287,550	18,071	1,822,131
Special Mention	2,335	3,075	3,512	5,230	—	—	14,152
Substandard – Still accruing	—	—	—	5,850	—	—	5,850
Substandard – Nonaccrual	—	—	1,027	1,501	2,500	—	5,028
Total	<u>\$ 344,358</u>	<u>\$ 471,721</u>	<u>\$ 336,610</u>	<u>\$ 386,351</u>	<u>\$ 290,050</u>	<u>\$ 18,071</u>	<u>\$ 1,847,161</u>
Gross charge offs:							
SBA non-real estate secured	—	—	—	7	—	—	7
Total commercial business	—	—	—	7	—	—	7
Total gross charge offs	<u>—</u>	<u>—</u>	<u>—</u>	<u>7</u>	<u>—</u>	<u>—</u>	<u>7</u>

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Past due and nonaccrual loans presented by loan class were as follows as of December 31, 2024 and 2023 (in thousands):

December 31, 2024	Total Nonaccrual	Nonaccrual With No Allowance for Credit Loss	Loans Past Due 90 or more Days and Still Accruing
Commercial Real Estate (CRE):			
Investor owned	\$ —	\$ —	\$ —
Owner occupied	3,192	3,192	—
Multifamily	—	—	—
Secured by single family	—	—	—
Land and construction	—	—	—
SBA secured by real estate	5,782	5,782	—
Total CRE	8,974	8,974	—
Commercial business:			
Commercial and industrial	2,500	—	—
SBA non-real estate secured	—	—	—
Total commercial business	2,500	—	—
Consumer	—	—	—
Total	<u>\$ 11,474</u>	<u>\$ 8,974</u>	<u>\$ —</u>
	Total Nonaccrual	Nonaccrual With No Allowance for Credit Loss	Loans Past Due 90 or more Days and Still Accruing
December 31, 2023			
Commercial Real Estate (CRE):			
Investor owned	\$ —	\$ —	\$ —
Owner occupied	1,178	1,178	—
Multifamily	—	—	—
Secured by single family	—	—	—
Land and construction	—	—	—
SBA secured by real estate	—	—	—
Total CRE	1,178	1,178	—
Commercial business:			
Commercial and industrial	2,500	—	—
SBA non-real estate secured	1,350	1,350	—
Total commercial business	3,850	1,350	—
Consumer	—	—	—
Total	<u>\$ 5,028</u>	<u>\$ 2,528</u>	<u>\$ —</u>

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The following table presents the amortized cost basis of collateral-dependent loans by class of loans and type of collateral as of December 31, 2024 and 2023 (in thousands).

December 31, 2024	Real Estate	Equipment	Business Blanket Lien	Total
Commercial Real Estate (CRE):				
Investor owned	\$ —	\$ —	\$ —	\$ —
Owner occupied	3,192	—	—	3,192
Multifamily	—	—	—	—
Secured by single family	—	—	—	—
Land and construction	—	—	—	—
SBA secured by real estate	5,782	—	—	5,782
Total CRE	8,974	—	—	8,974
Commercial business:				
Commercial and industrial	—	—	—	—
SBA non-real estate secured	—	—	—	—
Total commercial business	—	—	—	—
Consumer	—	—	—	—
Total	<u>\$ 8,974</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,974</u>

December 31, 2023	Real Estate	Equipment	Business Blanket Lien	Total
Commercial Real Estate (CRE):				
Investor owned	\$ —	\$ —	\$ —	\$ —
Owner occupied	1,178	—	—	1,178
Multifamily	—	—	—	—
Secured by single family	—	—	—	—
Land and construction	—	—	—	—
SBA secured by real estate	—	—	—	—
Total CRE	1,178	—	—	1,178
Commercial business:				
Commercial and industrial	—	—	—	—
SBA non-real estate secured	—	323	1,027	1,350
Total commercial business	—	323	1,027	1,350
Consumer	—	—	—	—
Total	<u>\$ 1,178</u>	<u>\$ 323</u>	<u>\$ 1,027</u>	<u>\$ 2,528</u>

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The following table presents the aging of the amortized cost basis in past-due loans as of as of December 31, 2024 and 2023 (in thousands).

<u>December 31, 2024</u>	<u>Current</u>	<u>30 - 59 Days Past due</u>	<u>60 - 89 Days Past Due</u>	<u>90+ Days Past Due</u>	<u>Total Past Due</u>	<u>Total</u>
Commercial Real Estate (CRE):						
Investor owned	\$ 572,659	\$ —	\$ —	\$ —	\$ —	\$ 572,659
Owner occupied	223,442	—	—	—	—	223,442
Multifamily	162,330	—	—	—	—	162,330
Secured by single family	198,579	—	—	—	—	198,579
Land and construction	62,638	—	—	—	—	62,638
SBA secured by real estate	400,830	—	1,160	—	1,160	401,990
Total CRE	1,620,478	—	1,160	—	1,160	1,621,638
Commercial business:						
Commercial and industrial	437,890	792	—	2,500	3,292	441,182
SBA non-real estate secured	11,193	—	—	9,012	9,012	20,205
Total commercial business	449,083	792	—	11,512	12,304	461,387
Consumer	2,124	—	—	—	—	2,124
Total	<u>\$2,071,685</u>	<u>\$ 792</u>	<u>\$ 1,160</u>	<u>\$ 11,512</u>	<u>\$ 13,464</u>	<u>\$2,085,149</u>

<u>December 31, 2023</u>	<u>Current</u>	<u>30 - 59 Days Past due</u>	<u>60 - 89 Days Past Due</u>	<u>90+ Days Past Due</u>	<u>Total Past Due</u>	<u>Total</u>
Commercial Real Estate (CRE):						
Investor owned	\$ 583,069	\$ —	\$ —	\$ —	\$ —	\$ 583,069
Owner occupied	202,552	—	—	—	—	202,552
Multifamily	168,324	—	—	—	—	168,324
Secured by single family	146,370	—	—	—	—	146,370
Land and construction	33,655	—	—	—	—	33,655
SBA secured by real estate	349,230	—	—	—	—	349,230
Total CRE	1,483,200	—	—	—	—	1,483,200
Commercial business:						
Commercial and industrial	349,705	—	—	2,500	2,500	352,205
SBA non-real estate secured	5,661	1,470	—	1,350	2,820	8,481
Total commercial business	355,366	1,470	—	3,850	5,320	360,686
Consumer	3,275	—	—	—	—	3,275
Total	<u>\$1,841,841</u>	<u>\$ 1,470</u>	<u>\$ —</u>	<u>\$ 3,850</u>	<u>\$ 5,320</u>	<u>\$1,847,161</u>

As of December 31, 2024 and 2023, the Company had no loans that were both experiencing financial difficulty and were modified during the year.

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The following table presents loans purchased and sold during the year by portfolio segment (in thousands):

	Commercial Real Estate	Commercial Business	Consumer	Total
Year ended December 31, 2024:				
Purchases	\$ 4,071	\$ —	\$ —	\$ 4,071
Sales	\$ 23,777	\$ 19,683	\$ —	\$ 43,460
Year ended December 31, 2023:				
Purchases	\$ 11,452	\$ —	\$ —	\$ 11,452
Sales	\$ 12,228	\$ 10,430	\$ —	\$ 22,658

NOTE 4 – TRANSFERS AND SERVICING

The Company sells the guaranteed portion of certain SBA loans in the secondary market and retains the servicing responsibility for those loans subsequent to the sale. The loans serviced for others are accounted for as sales and are therefore not included in the accompanying Consolidated Balance Sheets. The carrying value of loans sold was \$43.5 million and \$22.7 million during 2024 and 2023, respectively. Loans serviced for others totaled \$158.1 million and \$147.3 million at December 31, 2024 and 2023, respectively.

Consideration for each SBA loan sale includes the cash received and the fair value of the related servicing asset. The Company receives servicing fees ranging from 0.25% to 1.00% for the services provided over the life of the loan. The servicing asset is based on the estimated fair value of these future cash flows to be collected. The risks inherent in SBA servicing assets primarily relates to accelerated prepayment of loans in excess of what was originally modeled driven by changes in interest rates and a reduction in the estimated future cash flows.

The activity in servicing assets during the year includes additions from loan sales with servicing retained and reductions from amortization as the serviced loans are repaid and the servicing fees are earned. The servicing asset activity is summarized below for the years ended December 31 (in thousands):

	2024	2023
Balance, beginning of period	\$ 2,318	\$ 3,007
Additions	716	366
Amortization	(947)	(1,359)
Reversal (Impairment)	—	304
Balance, end of period	<u>\$ 2,087</u>	<u>\$ 2,318</u>

Key economic assumptions used in measuring the initial fair value of servicing assets were as follows for the years ended December 31:

(weighted average rates per annum)	2024	2023
Constant prepayment rates (level 3)	21.66%	22.53%
Discount rates (level 3)	16.79%	16.93%

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NOTE 5 – PREMISES AND EQUIPMENT

The following is a summary of premises and equipment at December 31 (in thousands):

	<u>2024</u>	<u>2023</u>
Leasehold improvements	\$ 1,984	\$ 1,894
Furniture, fixtures, equipment and software	5,448	5,205
	<u>7,432</u>	<u>7,099</u>
Accumulated depreciation and amortization	(5,097)	(5,399)
	<u><u>\$ 2,335</u></u>	<u><u>\$ 1,700</u></u>

Total depreciation and amortization expense for the years ended December 31, 2024 and 2023, was \$0.9 million and \$0.9 million, respectively.

NOTE 6 – LEASES

All of the Company leases are operating leases for the main branch office in La Jolla, branch facilities in Coronado, San Diego, Newport Beach, Beverly Hills and El Segundo, a loan servicing office in Temecula, an operations center in Mission Valley, and an office in Redlands. The Company is responsible for common area maintenance, taxes and insurance on these leases.

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.

In 2024, the Company entered into new or amended leases of office space for Temecula, San Diego, South Bay and Coronado which added new or extended lease terms ranging from 30 to 90 months. As a result of these lease amendments, the Company obtained operating lease right-of-use assets in exchange for lease obligations of \$5.4 million in 2024.

In 2023, the Company entered into amendments of its leases of office space in Mission Valley, Temecula and Newport Beach which extended the terms of the leases by a range of 12 to 36 months. As a result of these lease amendments, the Company obtained operating lease right-of-use assets in exchange for lease obligations of \$1.3 million in 2023.

The components of total lease costs were as follows for the years ending December 31 (in thousands):

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 1,980	\$ 1,830
Less sublease income	<u>-</u>	<u>(35)</u>
Total lease cost, net	<u><u>\$ 1,980</u></u>	<u><u>\$ 1,795</u></u>

Right-of-use assets and lease liabilities and the associated balance sheet classifications are as follows (in thousands):

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	<u>Balance Sheet Classification</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Right-of-use assets:			
Operating leases	Other assets	\$ 6,819	\$ 3,096
Total right-of-use assets		<u>\$ 6,819</u>	<u>\$ 3,096</u>
Lease liabilities:			
Operating leases	Accrued interest payable and other liabilities	\$ 7,063	\$ 3,423
Total lease liabilities		<u>\$ 7,063</u>	<u>\$ 3,423</u>

The amount of the lease liability and right-of-use asset is impacted by the lease term and the discount rate applied to determine the present value of the future lease payments. The average remaining term of our operating leases is 5.3 years and 2.5 years as of December 31, 2024 and 2023, respectively. The Company used a weighted average discount rate of 4.69% and 4.84% for measuring its operating lease liability as of December 31, 2024 and 2023, respectively.

At December 31, 2024, future lease payments under these operating leases were as follows (in thousands):

	<u>Amount</u>
2025	\$ 2,009
2026	1,541
2027	1,102
2028	944
2029 and thereafter	2,498
Total undiscounted lease payments	8,094
Less: Imputed interest	(1,031)
Present value of lease liability	<u>\$ 7,063</u>

NOTE 7 – DEPOSITS

Deposits at December 31 consist of the following (in thousands):

	<u>2024</u>	<u>2023</u>
Noninterest-bearing deposits	\$ 553,405	\$ 572,755
Interest-bearing checking accounts	251,594	121,872
Savings and money market	888,200	757,937
Time deposit accounts under \$250,000	120,187	92,280
Time deposit accounts \$250,000 and over	321,073	330,526
	<u>\$ 2,134,459</u>	<u>\$ 1,875,370</u>

As of December 31, 2024 and 2023, all noninterest-bearing deposits are demand deposits.

Total deposits above include brokered non-maturity deposits of \$51.3 million and \$15.4 million as of December 31, 2024 and 2023, respectively. Time deposits accounts over \$250,000 includes fully insured brokered deposits of \$237.7 million and \$275.2 million at December 31, 2024 and 2023, respectively. Time deposits that meet or exceed the FDIC insurance limit of \$250,000 were \$83.4 million and \$55.3 million at December 31, 2024 and 2023, respectively.

The Company participates in the IntraFi Network, which provides deposit placement services through Insured Cash Sweep ("ICS") and Certificate of Deposit Account Registry Service ("CDARS") reciprocal deposits. These services allocate deposits across multiple banks within the IntraFi network in amounts below the standard FDIC

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insurance limit. At December 31, 2024 and 2023, interest-bearing checking accounts included ICS reciprocal deposits of \$47.1 million and \$43 thousand, respectively, savings and money market accounts included ICS reciprocal deposits of \$112.0 million and \$56.8 million, respectively, and time deposits under \$250,000 included CDARS reciprocal deposits of \$106.1 million and \$81.4 million, respectively.

The maturity of time deposits as of December 31, 2024 is as follows (in thousands):

	<u>Amount</u>
2025	\$ 333,526
2026	34,845
2027	55,310
2028	15,378
2029 and thereafter	2,201
	<u>\$ 441,260</u>

NOTE 8 – BORROWING ARRANGEMENTS

The Company's borrowings include advances from the Federal Home Loan Bank (FHLB) of San Francisco and Subordinated Debt.

A summary of FHLB borrowings as of December 31, 2024, is as follows (in thousands):

<u>Lender</u>	<u>Maturity</u>	<u>Rate of Interest</u>	<u>Amount</u>
Federal Home Loan Bank	January 31, 2025	4.91%	\$ 5,000,000
Federal Home Loan Bank	March 24, 2025	5.11%	7,000,000
Federal Home Loan Bank	May 5, 2025	4.25%	5,000,000
Federal Home Loan Bank	March 12, 2026	4.77%	3,000,000
Federal Home Loan Bank	March 12, 2027	4.56%	3,000,000
Federal Home Loan Bank	March 17, 2028	3.96%	5,000,000
Total			<u>\$ 28,000,000</u>

The Company had no FHLB borrowings as of December 31, 2023.

At December 31, 2024 and 2023, loans with a principal balance of approximately \$786.2 million and \$703.7 million and securities with a principal balance of approximately \$5.5 million and \$6.1 million were pledged as collateral to the FHLB for the borrowings, respectively. At December 31, 2024 and 2023, the Company had remaining financing availability of approximately \$546.0 million and \$428.7 million based on the level of pledged loans and securities, respectively, after consideration of FHLB borrowings outstanding and a \$5.0 million and \$8.0 million letter of credit to secure deposits, respectively.

As of December 31, 2024 and 2023, loans with a principal balance of approximately \$730.9 million and \$686.1 million and securities with a principal balance of none and \$75.5 million were pledged as collateral to the Federal Reserve Bank on a securitized borrowing arrangement with related borrowing capacity of approximately \$523.5 million and \$559.8 million, respectively. There was no balance outstanding on this borrowing arrangement at December 31, 2024 and 2023.

The Company has borrowing lines with correspondent banks totaling \$100.0 million as of December 31, 2024. There were no balances outstanding on these borrowing lines as of or for the year ended December 31, 2024.

The Company issued Fixed-to-Floating Subordinated Notes ("Notes") of \$18 million on April 24, 2019 with final maturity on April 25, 2029. The Notes accrued interest at a 6.00% fixed rate for the first five years until April

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25, 2024 with quarterly interest payments. After April 25, 2024, interest on the Notes accrues at a variable rate at the three-month Secured Overnight Financing Rate ("SOFR") plus 3.42%. The total variable rate on the notes was 8.31% as of December 31, 2024. Debt issuance costs were \$0.1 million and is being amortized through the maturity date. The balance net of issuance cost is \$18.0 million as of December 31, 2024 and 2023.

NOTE 9 – INCOME TAXES

The provision for income tax for the years ended December 31, 2024 and 2023 consisted of the following (in thousands):

	<u>2024</u>	<u>2023</u>
Current Taxes:		
Federal	\$ 9,333	\$ 10,727
State	5,404	5,946
	<u>14,737</u>	<u>16,673</u>
Deferred Taxes	(29)	(202)
Tax Credit Investment Amortization	316	90
Provision for Income Tax	<u>\$ 15,024</u>	<u>\$ 16,561</u>

A comparison of the Federal statutory income tax rates to the Company's effective income tax rate is as follows (in thousands):

	<u>2024</u>		<u>2023</u>	
	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
Statutory Federal Tax	\$ 10,678	21.0%	\$ 12,058	21.0%
State Franchise Tax, Net of Federal Benefit	4,120	8.1%	4,761	8.3%
Other Items, Net	226	0.4%	(258)	(0.5%)
Actual Tax Expense	<u>\$ 15,024</u>	<u>29.5%</u>	<u>\$ 16,561</u>	<u>28.8%</u>

Deferred taxes are a result of differences between income tax accounting and generally accepted accounting principles with respect to income and expense recognition.

The following is a summary of the components of the net deferred tax assets recognized in the accompanying Consolidated Balance Sheets at December 31 (in thousands):

	<u>2024</u>	<u>2023</u>
Deferred Tax Assets:		
Operating loss carryforwards	\$ 926	\$ 1,098
California State Income Tax	1,216	1,251
Allowance for loan losses	8,059	7,236
Lease liability	2,088	1,012
Securities available for sale	3,638	3,644
Bonus accrual	1,069	770
Other	1,823	1,670
	<u>18,819</u>	<u>16,681</u>
Deferred Tax Liabilities:		
Deferred loan costs	(3,179)	(2,589)
Deferred lease costs	(2,016)	(915)
Other	(811)	(388)
	<u>(6,006)</u>	<u>(3,892)</u>
Net Deferred Tax Assets	<u>\$ 12,813</u>	<u>\$ 12,789</u>

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At December 31, 2024, the Company had total net operating loss carryforwards of approximately \$2.6 million for Federal income and approximately \$5.1 million for California franchise tax purposes. Net operating loss carryforwards, to the extent not used, will begin to expire in 2031 for Federal tax purposes and 2032 for California franchise tax purposes.

These NOL carryforwards relate to the 2011 acquisition of Coronado First Bank and the 2013 acquisition of San Diego Private Bank. They are subject to an annual limitation by Section 382 of the Internal Revenue Code. The amount of the annual limitation for Federal and California Franchise Tax purposes is \$333 thousand for the 2011 acquisition, and \$446 thousand for the 2013 acquisition. The Company anticipates that these carryforwards will be utilized prior to their expiration and therefore no valuation allowance has been provided.

The Company's Federal income tax returns for the years ended December 31, 2021 through 2023 have been filed, and are open to audit by the Internal Revenue Service. The Company's California franchise tax returns for the years ended December 31, 2020 through 2023 have been filed, and are open to audit by the State of California.

NOTE 10 – SHARE-BASED COMPENSATION

In 2016, the Company adopted the Private Bancorp of America, Inc. Equity Incentive Plan (the "PBAM Plan"). The awards under the PBAM Plan are granted to directors, officers, key employees of the Company, and certain consultants. Under the PBAM Plan, incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards and restricted stock units (collectively "Equity Grants") may be granted. The PBAM Plan provides for the issuance of up to 600,000 Equity Grants, of which 167,162 were available as of December 31, 2024. Equity Grant prices may not be less than 100 percent of the fair market value of the stock at the date of grant. Equity Grants expire no later than ten years from the date of grant and vest based on a schedule determined by the Company's Board of Directors. The PBAM Plan provides for accelerated vesting, at the discretion of the Board, if there is a change of control, as defined in the PBAM Plan, and in certain other circumstances.

In 2021, the Company began to grant restricted stock unit (RSU) awards under its Long-Term Incentive Plan ("LTIP"). RSUs granted under the LTIP vest at the end of three years after award based 50% upon continued employment over the three year period and 50% upon the proportion of specific annual performance criteria met each calendar year in the three year period.

The Company recognized share-based compensation cost of \$2.4 million and \$1.5 million in 2024 and 2023, respectively, related to options, restricted stock and restricted stock unit grants awarded. Tax benefits associated with share-based compensation amounted to \$0.7 million and \$0.4 million in 2024 and 2023, respectively.

The weighted-average fair value of options was estimated using the Black-Scholes option-pricing model with the following inputs: (1) expected volatility based on historical volatility of the Company's common stock; (2) the expected term of the option representing the estimated average period of time that the options remain outstanding; (3) the risk-free rate of return reflecting the grant date interest rate offered for zero coupon U.S. Treasury bonds over the expected term of the options; and (4) the expected dividend yield of the Company's common stock.

The following were the weighted-average assumptions as of the grant date used to determine the fair value of options granted in 2023:

	<u>2023</u>
Dividend yield	0.00%
Expected life	6.23 years
Expected volatility	32.60%
Risk-free interest rate	4.09%
Weighted-average fair value at grant date	\$ 16.97

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The Company did not grant stock options in 2024.

A summary of the status of the stock options issued and outstanding as of December 31, 2024, and change during the year then ended, is as follows:

	Options	Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Balance, beginning of year	93,000	\$ 21.74		
Granted	—	—		
Exercised	(4,000)	17.00		
Forfeited or expired	(1,000)	11.69		
Balance, end of year	<u>88,000</u>	<u>\$ 22.07</u>	<u>4.52</u>	<u>\$ 3,139</u>
Options exercisable	<u>58,000</u>	<u>\$ 20.48</u>	<u>2.53</u>	<u>\$ 2,161</u>

The intrinsic value of option shares exercised during 2024 and 2023 was \$0.1 million and \$2.3 million, respectively. Of the share options exercised in 2024, 895 shares were withheld by the Company to satisfy employee minimum statutory tax withholding requirements. As of December 31, 2024, total unrecognized compensation cost related to outstanding stock options was \$0.2 million.

Tax benefits recognized in income relating to exercised stock options in 2024 was \$25 thousand and \$0.6 million in 2023.

A summary of the status of the restricted stock grants issued as of December 31, 2024 and changes during the year then ended follows:

	2024	
	Unvested Shares	Weighted-Average Grant Date Fair Value
Balance, beginning of year	41,850	\$ 24.28
Granted	33,332	42.28
Shares Vested	(28,498)	36.99
Forfeited or expired	(1,450)	24.89
Balance, end of year	<u>45,234</u>	<u>\$ 29.52</u>

The total fair value of restricted stock grants that vested during 2024 and 2023 was \$1.1 million and \$0.3 million, respectively. Of the restricted shares that vested in 2024, 5,501 shares were withheld by the Company to satisfy employee minimum statutory tax withholding requirements. As of December 31, 2024, there was \$1.1 million of total unrecognized compensation cost related to restricted stock grants that will be recognized over a weighted-average period of 1.9 years.

A summary of the status of the LTIP restricted stock unit grants issued as of December 31, 2024 under our LTIP Plan, and changes during the year then ended follows:

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	2024	
	Unvested Restricted Stock Units	Weighted- Average Grant Date Fair Value
Balance, beginning of year	87,875	\$ 29.64
Granted	24,246	37.50
Shares Vested	(26,850)	24.26
Forfeited or expired	(700)	31.48
Balance, end of year	<u>84,571</u>	<u>\$ 33.59</u>

The total fair value of restricted stock units that vested during 2024 was \$0.9 million. Of the restricted stock units that vested in 2024, 8,641 shares were withheld by the Company to satisfy employee minimum statutory tax withholding requirements. As of December 31, 2024, there was \$1.0 million of total unrecognized compensation cost related to restricted stock unit grants that will be recognized over a weighted-average period of 1.7 years subject to the achievement of specified performance criteria.

In addition to the share-based compensation awards described above, the Company also issued 11,582 and 15,800 unrestricted shares to directors during 2024 and 2023, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Commitments

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheets.

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

The following is a summary of contractual or notional amounts of off-balance sheet financial instruments that represent credit risk at December 31, 2024 and 2023 (in thousands).

	2024	2023
Financial instruments whose contract amounts represent credit risks:		
Commitments to extend credit	\$ 357,840	\$ 308,991
Standby letters of credit	6,131	11,587
	<u>\$ 363,971</u>	<u>\$ 320,578</u>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any conditions established in the contract. Commitments generally have fixed expiration dates of not more than 12 months and may require payment of a fee. Since many of the commitments are not expected to be drawn upon, the total commitment amounts may not represent future cash requirements. The Company evaluates each customer's creditworthiness 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 marketable investment securities, accounts receivable, inventory, property, plant, and equipment, real properties and deposits.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily used public and private borrowing arrangements.

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Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds collateral supporting those commitments if deemed necessary.

The Company has committed to invest in partnerships that sponsor affordable housing projects utilizing the Low- Income Housing Tax Credit ("LIHTC") pursuant to Section 42 of the Internal Revenue Code. The purpose of these investments is to achieve a satisfactory return on capital, to facilitate the sale of additional affordable housing projects, and to assist in achieving goals associated with the Community Reinvestment Act ("CRA"). Capital contributions are called for up to an amount specified in the partnership agreements. In addition, the Company invests in other CRA investments including Small Business Investment Companies. At December 31, 2024 and 2023, the Company had unfunded commitments to contribute capital to these LIHTC and other CRA investments totaling \$2.4 million and \$3.3 million, respectively.

Contingencies

The Company is subject to legal proceedings arising in the ordinary course of business. The Company accrues losses for a legal proceeding when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. However, the uncertainties inherent in legal proceedings make it difficult to reasonably estimate the costs and effects of resolving these matters. Accordingly, actual costs incurred may differ materially from amounts accrued and could adversely affect the Company's business, cash flows, results of operations, financial condition and prospects. Unless otherwise indicated, the Company is unable to estimate reasonably possible losses in excess of any amounts accrued. As of December 31, 2024 and 2023, there were no material loss contingency accruals nor are there matters that would have a material effect on the financial statements if accrued.

NOTE 12 – RELATED PARTY TRANSACTIONS

The following is a summary of changes in related party loans (in thousands):

	<u>2024</u>	<u>2023</u>
Balance, Beginning of Year	\$ 2,050	\$ 8,244
New Loans and Advances	1,765	100
Repayments	(900)	(6,294)
Balance, End of Year	<u>\$ 2,915</u>	<u>\$ 2,050</u>

As of December 31, 2024 and 2023, the Company held deposits from executive officers and directors and the companies and organizations with which they are associated totaling approximately \$15.4 million and \$49.6 million, respectively.

In 2023, the Bank had a Strategic Services Agreement with its Chairman of the Board wherein various services are provided including client development and retention, shareholder development and communications, business model implementation and acquisition strategies. For services provided, the Chairman received annual compensation of \$120,000 and reimbursement for expenses, plus a performance bonus opportunity. The agreement expired on December 31, 2023.

In 2024, the Bank entered into a Director Services Agreement with its Chairman of the Board for 12 months effective on January 1, 2024 and is subject to annual renewal. Under the Director Services Agreement, various services are provided including client development and retention, shareholder development and communications, business model implementation and acquisition strategies. For services provided, the Chairman received annual compensation of \$120,000 and reimbursement for expenses. The contract was renewed in 2025 and extended through January 1, 2026.

The Bank has entered into a Director Services Agreement with a Director wherein various services are provided including planning, monitoring and business development. This Director does not serve on the Audit Committee or

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on the Compensation, Governance and Nominating Committee. For services provided, the Director receives annual compensation of \$120,000 per year and reimbursement for expenses, plus \$1,400 monthly for country club dues, and a performance bonus opportunity based on origination of loan and deposit accounts. The term of the Director Services Agreement is for 12 months and is subject to annual renewal. The contract was renewed in 2025 and extended through January 1, 2026.

NOTE 13 – REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the 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 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 classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The Bank is subject to rules approved by the federal bank regulatory agencies for implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks, commonly referred to as "Basel III."

The rules include a common equity Tier 1 ("CET1") capital to risk-weighted assets ratio with minimums for capital adequacy and prompt corrective action purposes of 4.5% and 6.5%, respectively. The minimum Tier 1 capital to risk-weighted assets ratio was raised from 4.0% to 6.0% under the capital adequacy framework and from 6.0% to 8.0% to be well-capitalized under the prompt corrective action framework. Based upon the Bank's election, the net unrealized gain (loss) on available for sale securities is not included in computing regulatory capital.

In addition, the Basel III rules include the concept of a "conservation buffer" of 2.5% applicable to the three-capital adequacy risk-weighted asset ratios (CET1, Tier 1, and Total). If the actual risk-weighted capital ratios fall below the capital adequacy minimum ratios plus the phased-in conservation buffer amount then dividends, share buybacks and discretionary bonuses to executives could be limited in amount. The Bank was not limited by the provisions of the conservation buffer as of and for the years ended December 31, 2024 and 2023.

As of December 31, 2024 and 2023, the most recent notification from the FDIC categorized the Bank as "well-capitalized" under the regulatory framework for prompt corrective action. To be categorized as well-capitalized the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since the notification that management believes have changed the Bank's category.

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The Bank's actual and required capital amounts and ratios as of December 31, 2024 and 2023, are presented below (dollar amounts in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2024						
Total capital (to risk-weighted assets)	\$ 272,063	12.5%	\$ 173,553	8.0%	\$ 216,942	10.0%
Tier 1 capital (to risk-weighted assets)	244,925	11.3%	130,165	6.0%	173,553	8.0%
CET1 capital (to risk-weighted assets)	244,925	11.3%	97,624	4.5%	141,012	6.5%
Tier 1 capital (to average assets)	244,925	10.4%	94,307	4.0%	117,884	5.0%
As of December 31, 2023						
Total capital (to risk-weighted assets)	\$ 231,121	12.3%	\$ 150,852	8.0%	\$ 188,565	10.0%
Tier 1 capital (to risk-weighted assets)	207,551	11.0%	113,139	6.0%	150,852	8.0%
CET1 capital (to risk-weighted assets)	207,551	11.0%	84,854	4.5%	122,567	6.5%
Tier 1 capital (to average assets)	207,551	10.1%	82,419	4.0%	103,024	5.0%

The California Financial Code generally acts to prohibit banks from making a cash distribution to its shareholders in excess of the lesser of the bank's undivided profits or the bank's net income for its last three fiscal years less the amount of any distribution made by the bank's shareholders during the same period. With certain exceptions, a California corporation such as the Company, may not pay a dividend to its shareholders unless its retained earnings are at least equal to the amount of the proposed dividends. The Company's principal source of funds, if it were to make dividend payments, would be from dividends received from the Bank. As of December 31, 2024, the Bank had \$116.4 million of retained earnings. However, any dividend payment would need to consider the required capital ratios discussed above in addition to other federal and state statutes and regulations. In addition, federal bank regulatory agencies have authority under the Financial Institutions Supervisory Act to prohibit or to limit the payment of dividends by the banking organizations they supervise, including banks or bank holding companies, if, in the banking regulator's opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organization.

NOTE 14 – EARNINGS PER SHARE ("EPS")

The two-class method is used in the calculation of basic and diluted earnings per share. Under the two-class method, earnings available to common shareholders for the period are allocated between common shareholders and participating securities according to participation rights in undistributed earnings. The following is a reconciliation (in thousands):

	2024		2023	
	Net Income	Shares	Net Income	Shares
Net income as reported	\$ 35,822		\$ 40,856	
Less: Earnings allocated to participating securities	(281)		(293)	
Net income available to common shareholders	35,541		40,563	
Shares outstanding at year-end		5,766		5,719
Less unvested restricted shares		(45)		(42)
Impact of weighting shares issued or retired during the year		(22)		(30)
Used in Basic EPS	35,541	5,698	40,563	5,647
Dilutive effect of outstanding stock options		84		58
Used in Dilutive EPS	\$ 35,541	5,782	\$ 40,563	5,705

There were no anti-dilutive options and unvested RSUs as of December 31, 2024, and 26,000 at December 31,

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2023.

NOTE 15 – FAIR VALUE MEASUREMENTS

The following is a description of valuation methodologies used for assets measured at fair value on a recurring basis:

Securities available for sale: The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1) or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2).

The following table provides the hierarchy and fair value for each major category of assets and liabilities measured at fair value at December 31, 2024 and 2023 (in thousands):

December 31, 2024	Fair Value Measurements Using:			Total
	Level 1	Level 2	Level 3	
Assets Measured at Fair Value:				
On a Recurring Basis:				
Securities available for sale	\$ —	\$ 145,238	\$ —	\$ 145,238
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
December 31, 2023				
Assets Measured at Fair Value:				
On a Recurring Basis:				
Securities available for sale	\$ —	\$ 102,499	\$ —	\$ 102,499
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Company had no assets or liabilities measured at fair value on a non-recurring basis as of December 31, 2024 and 2023.

NOTE 16 – FAIR VALUES OF FINANCIAL INSTRUMENTS

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. The fair value of financial instruments fulfills the accounting requirements per the Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") topic 825 - Financial Instruments. The 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.

Fair value estimates are based on financial instruments both on and off the balance sheet without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Additionally, tax consequences related to the realization of the unrealized gains and losses can have a potential effect on fair value estimates and have not been considered in many of the estimates.

PRIVATE BANCORP OF AMERICA, INC., AND SUBSIDIARY

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The fair value hierarchy level and estimated fair value of financial instruments is summarized as follows (dollar amounts in thousands):

		December 31, 2024		December 31, 2023	
	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets					
Cash and due from banks	Level 1	\$ 16,528	\$ 16,528	\$ 19,811	\$ 19,811
Interest-bearing deposits-other	Level 1	10,419	10,419	39,667	39,667
Interest-bearing deposits at FRB	Level 1	136,929	136,929	118,622	118,622
Interest-bearing time deposits with other financial institutions	Level 1	4,189	4,189	4,000	4,000
Debt securities available for sale	Level 2	145,238	145,238	102,499	102,499
Loans held for sale	Level 3	3,008	3,008	1,233	1,233
Loans, net	Level 3	2,057,882	2,060,809	1,822,685	1,799,590
Servicing assets	Level 3	2,087	2,630	2,318	2,384
Accrued interest receivable	Level 1	7,993	7,993	7,499	7,499
Liabilities					
Time deposits	Level 2	\$ 441,260	\$ 440,205	\$ 422,806	\$ 422,414
Other deposits ⁽¹⁾	Level 2	1,693,199	1,693,199	1,452,564	1,452,564
Borrowings	Level 2	45,969	46,478	74,961	74,718
Accrued interest payable	Level 1	2,350	2,350	2,167	2,167

⁽¹⁾ Includes non-interest bearing deposits, interest bearing checking deposits, savings and money market deposits that have no stated maturities and are assumed to have a fair value equal to the carrying value.

NOTE 17 – 401K BENEFIT PLAN

The Company maintains a 401K benefit plan that provides for employee contributions up to maximums allowed by law, which are matched up to 5% by the Company. Matching contributions charged to expense amounted to \$1.3 million and \$1.1 million in 2024 and 2023, respectively.

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NOTE 18 – PARENT ONLY CONDENSED FINANCIAL STATEMENTS

Condensed financial information of Private Bancorp of America, Inc. is as follows:

**CONDENSED BALANCE SHEETS
December 31, 2024 and 2023
(Dollars in Thousands)**

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 2,394	\$ 2,409
Due from interest-bearing	441	439
Other assets	943	385
Investment in bank subsidiary	237,863	200,580
Total Assets	<u>\$ 241,641</u>	<u>\$ 203,813</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Other borrowings	\$ 17,969	\$ 17,961
Other liabilities	138	69
Total Liabilities	<u>18,107</u>	<u>18,030</u>
Shareholders' Equity		
Common Stock	75,377	74,003
Additional paid-in capital	4,393	3,679
Retained earnings	152,252	116,604
Accumulated other comprehensive (loss) income	(8,488)	(8,503)
Total Shareholders' Equity	<u>223,534</u>	<u>185,783</u>
Total Liabilities and Shareholders' Equity	<u>\$ 241,641</u>	<u>\$ 203,813</u>

PRIVATE BANCORP OF AMERICA, INC., AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

**CONDENSED STATEMENTS OF OPERATIONS
Years Ended December 31, 2024 and 2023
(Dollars in Thousands)**

	<u>2024</u>	<u>2023</u>
Dividends from subsidiary	\$ 1,950	\$ 1,551
Interest income	3	3
Interest expense on borrowings	<u>(1,432)</u>	<u>(1,087)</u>
Net interest and dividend income	521	467
Noninterest income	22	11
Noninterest expense	<u>736</u>	<u>590</u>
(Loss) income before equity in undistributed income of subsidiary	(193)	(112)
Equity in undistributed income of subsidiary	<u>35,387</u>	<u>40,481</u>
Income before income taxes	35,194	40,369
Income tax benefit	<u>628</u>	<u>487</u>
Net income	<u>\$ 35,822</u>	<u>\$ 40,856</u>

**CONDENSED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2024 and 2023
(Dollars in Thousands)**

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Net income	\$ 35,822	\$ 40,856
Adjustments to reconcile net income to net cash used in operating activities:		
Equity in undistributed earnings of subsidiary	(35,387)	(40,481)
Amortization of debt issuance costs	8	7
Increase in other assets	(558)	(265)
Increase in other liabilities	<u>577</u>	<u>103</u>
Net Cash Provided By (Used in) Operating Activities	462	220
Cash Flows from Investment Activities		
Increase in interest-bearing deposits	<u>(2)</u>	<u>(3)</u>
Net Cash Used In Investing Activities	(2)	(3)
Cash Flows from Financing Activities		
Repurchase of common stock	—	—
Repurchase of restricted shares	(508)	(96)
Proceeds from exercise of stock options	<u>33</u>	<u>437</u>
Net Cash Provided By (Used In) Financing Activities	(475)	341
Change in Cash and Cash Equivalents	(15)	558
Cash and Cash Equivalents Beginning of Year	<u>2,409</u>	<u>1,851</u>
Cash and Cash Equivalents End of Year	<u>\$ 2,394</u>	<u>\$ 2,409</u>