

2025 ANNUAL REPORT



ONE. AND ONLY
ONE NAME.



One.
And only
one name.

Some things will always be.

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OVERVIEW



118
YEARS STRONG



\$11.80B
TOTAL ASSETS



27
SOCAL BRANCHES

\$8.95B
TOTAL DEPOSITS

\$5.98B
TOTAL NET LOANS

61.70%
LOAN TO DEPOSIT & REPURCHASE
AGREEMENTS RATIO

121,802
TOTAL COMMON SHARES
OUTSTANDING

\$1.61B
TOTAL STOCKHOLDERS'
EQUITY

<50%
LOAN TO VALUE
RATIO

22.64%
RISK-BASED
CAPITAL RATIO

F&M's total risk-based capital (RBC) was 22.64% on 12/31/25, more than
DOUBLE the federally mandated adequacy levels.



EMPLOYEES



833
EMPLOYEES



68%
DIVERSE
WORKFORCE



59%
FEMALE
WORKFORCE



42
LANGUAGES
SPOKEN



56%
5+ YEAR
TENURE



38%
10+ YEAR
TENURE

CONTRIBUTIONS



1,177
ORGANIZATIONS
SUPPORTED



\$4.6M
COMMUNITY SUPPORT



\$3.5M
TOTAL DONATIONS &
SPONSORSHIPS



\$866K
IN-KIND
DONATIONS

FOUNDING VALUES

HONESTY

We always tell the truth.

INTEGRITY

The promises we make are ironclad.

THE HOME

Our families come first.

THE CHURCH

Our faith gives us strength in good times and bad.

SERVICE ABOVE SELF

We put the needs of others ahead of our own.





MISSION

Our mission is to fulfill the highest standards of business and personal banking through our essential practices of honesty, integrity, and an unparalleled commitment of excellence to our customers and to our employees.

We are dedicated to developing the careers of our employees, both professionally and financially. As we adhere to our Christian values, we are committed to provide competitive financial strategies, superior products, and exemplary returns to every customer.





BOARD OF DIRECTORS



Daniel K. Walker *Executive Chairman of the Board*

Mr. Walker has served as a director of the Bank since 1996 and as its Chairman of the Board since 2003. He previously served as the Bank's Executive Vice President from 2001 to January 2008. In January 2008, Mr. Walker was appointed President of the Bank, and in May 2012, Mr. Walker became Chief Executive Officer of the Bank. Mr. Walker has been employed by the Bank in various capacities since 1974.



JoAnn M. Bourne

Ms. Bourne has served as a director of the Bank since January 2019. Prior to her retirement, Ms. Bourne held various positions over more than 30 years with MUFG Americas Holdings Corporation and its subsidiary Union Bank N.A., most recently as Senior Executive Vice President and as a member of the US Management Committee.



Lawrence J. McLaughlin

Mr. McLaughlin has served as a director of the Bank since 1990. Since 2010, Mr. McLaughlin has been a principal at a Texas-based petroleum land leasing company. Prior to assuming that position, Mr. McLaughlin was a principal and managing partner for approximately 32 years of a Los Angeles-based law firm, where he represented clients in corporate, labor, and real estate matters. Mr. McLaughlin is currently serving as the lead director.



Christine A. Scheuneman

Ms. Scheuneman has served as a director of the Bank since January 2019. Ms. Scheuneman is a recently retired partner from the law firm of Pillsbury Winthrop Shaw Pittman LLP, where she practiced law for more than 16 years. Her practice included representing real estate and finance clients in a wide variety of real estate matters, as well as representing financial institutions in connection with various regulatory, commercial, and consumer financial services matters. She is an experienced director and strategic advisor and is a Governance Fellow with the National Association of Corporate Directors.

BOARD OF DIRECTORS

Timothy M. Wilson

Mr. Wilson has served as a director of the Bank since 2005. Mr. Wilson served as Executive Vice President and Chief Operating Officer of Mitchell Land & Improvement Co., a real estate development company, for more than 10 years. From October 2009 to December 2017, Mr. Wilson was President of Mitchell Land & Improvement Co. and retired from such position in January 2018. He currently serves as a director of Mitchell Land & Improvement Co.



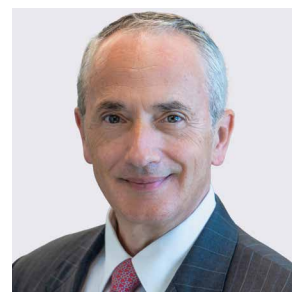
Richard H. Taketa

Mr. Taketa has served as a director of the Bank since 2024. Mr. Taketa currently serves as President of Taketa Capital Corporation, a private investment and consulting company based in Newport Beach, California. Prior to Taketa Capital Corporation, he was the Chief Executive Officer and President of York Risk Services Group, Inc., a provider of insurance, risk management, alternative risk, pool administration, and claims management, based in Parsippany, New Jersey, and served as Chief Executive Officer of Southern California Risk Management Associates based in Upland, California. Mr. Taketa began his career as a corporate securities lawyer with the global law firm DLA Piper.



Mark E. Harrison

Mr. Harrison has served as a director of the Bank since 2025. He recently retired from KPMG LLP, where he spent nearly 40 years in the financial services industry practice, advising regional and community banks as well as large depository institutions. For over 15 years, Mr. Harrison provided tax consulting services directly to the Bank. He specialized in mergers and acquisitions, complex financial transactions, tax credit structures, and income tax accounting. He is a Certified Public Accountant licensed in California and New York, a former clinical professor at the University of Southern California, and a contributing author of *Taxation of Financial Institutions*.



Roger L. Stiles

Mr. Stiles has served as a director of the Bank since 2026. Mr. Stiles is a recently retired executive from Fidelity Investments, where he spent 38 years in numerous technology leadership positions delivering solutions for Fidelity's customers and clients. He served in his most recent role as President of Fidelity Wealth and prior to that as CTO, Head of Fidelity Technology. Roger holds an MBA in Corporate Finance from University of Dallas and a bachelor's degree in Computer Science from Stephen F. Austin State University.



EXECUTIVES



Daniel K. Walker Executive Chairman of the Board

Daniel K. Walker has been employed by the Bank in various capacities since 1974, currently serving as Executive Chairman since 2023 and as its Chairman of the Board since 2003. Mr. Walker became a director of the Bank in 1996 and served as the Bank's Executive Vice President from 2001 to January 2008. In January 2008, Mr. Walker was appointed President of the Bank, and in May 2012, Mr. Walker became Chief Executive Officer of the Bank.



W. Henry Walker Chief Executive Officer

W. Henry Walker began his career with F&M in 1983 on the teller line. Today, he serves as the Bank's Chief Executive Officer. Under his leadership, F&M instituted new programs to include regional managers who oversee the health and viability of their assigned branches and the Client Service Concierge program, ensuring customers are attended to with "white glove" service. With his guidance, the Bank is integrating information technology and other innovative efforts into F&M's client-centric experience.



Kevin M. Tiber President

Kevin M. Tiber has served as the Bank's President since November 2023. Previously he served as Executive Vice President since June 2019 and Senior Vice President of the Bank since January 2000. Prior to that, Mr. Tiber served in numerous capacities at the Bank since March 1993. Mr. Tiber also serves as an executive officer of the Farmers and Merchants Trust Company, working with legacy clients and serving in an advisory role.

EXECUTIVES

Taylor Hoang **Chief Financial Officer**

Taylor Hoang has served as the Bank's Executive Vice President and Chief Financial Officer since January 2024, after serving as Senior Vice President and Senior Financial Officer since 2008, where she held responsibility for the Bank's financial reporting, budgeting and planning, among other financial management functions. Ms. Hoang joined F&M in 2007 as First Vice President. She previously held financial management positions at Wyle Laboratories and Hawthorne Savings, and was a senior audit manager with KMPG LLP.



Phillip J. Bond **Chief Credit Officer**

Phillip J. Bond has served as the Bank's Executive Vice President and Chief Credit Officer since April 2012. He previously served as Chief Credit Officer and as a founding member of Beach Business Bank. Prior to that, Mr. Bond served as a Senior Vice President and in several other positions with City National Bank, including Manager of its government lending department, and Long Beach Commercial Banking Center.



Kathleen Salmons **Chief Risk Officer**

Kathleen Salmons has served as Chief Risk Officer and Executive Vice President since October 2023. She joined F&M in 2013 as Senior Vice President and Chief Risk Officer, following roles as First Vice President, Finance at Beach Business Bank and Vice President, Finance at Citigroup. In her expanded role at F&M, she is leading a realigned organization to create a robust enterprise risk management structure, identifying and mitigating risk throughout the Bank. She is responsible for risk governance and operations, model risk management, vendor management, BSA/AML, compliance, bank security, fraud, and appraisal and environmental management.



Jared Souter **Chief Operating Officer**

Jared Souter has served as F&M's Executive Vice President and Chief Operating Officer since April 2025, following his role as Executive Vice President and Chief Administration Officer beginning in August 2024. Jared previously spent over 15 years at First Republic Bank in San Francisco, where he served as Deputy Chief Operating Officer. Prior to that, he consulted for banks and financial services companies nationally. Jared holds both MBA and bachelor's degrees from UC Berkeley's Haas School of Business.



FINANCIAL OVERVIEW

2025

DILUTED EARNINGS
PER COMMON SHARE

\$538

DIVIDENDS DECLARED
PER COMMON SHARE

\$127

NET INTEREST MARGIN

2.44%

OVERHEAD
EFFICIENCY RATIO

68.03%

AVERAGE ASSETS

(Dollars in Millions)

\$11,572

TOTAL RISK-BASED
CAPITAL

22.64%



FINANCIAL OVERVIEW

2024	2023	2022	2021
\$359	\$554	\$856	\$898
\$127	\$127	\$127	\$123
2.00%	2.21%	2.70%	2.83%
77.58%	70.03%	57.11%	53.51%
\$12,137	\$12,263	\$11,795	\$10,850
18.77%	17.52%	16.37%	18.63%

SHAREHOLDER LETTER

Dear Fellow Shareholders:

The year 2025 was one of continued growth and progress for Farmers & Merchants Bank of Long Beach. We continued to build on a legacy that spans nearly 120 years and delivered steady and positive momentum across all areas of our business.

F&M's performance for 2025 was buoyed by improving conditions in the commercial banking sector, along with the disciplined execution of a strategy rooted in long-term relationships, prudent decision-making, and an unwavering commitment to those we serve.

From our earliest days, we have believed that sustainable growth comes from putting clients first and supporting the communities that place their trust in us. This past year reaffirmed the wisdom of that approach.

A significant milestone during the year was the infusion of a \$191 million net equity investment by a large financial services organization, further strengthening our already solid balance sheet and positioning us well for the future, as we maintain the conservative fiscal management that has defined our institution since its founding.

Today, we are proud that fourth-and fifth-generation family members continue to lead the Bank, alongside a talented group of senior executives and their support teams, upholding the values and vision that have always guided us, regardless of external economic conditions. Our dedicated team, fully battle-tested, remains at the heart of our success, bringing deep expertise, integrity, and a shared sense of purpose to everything we do.

Operating Results

For 2025, total interest and dividend income amounted to \$431.7 million, compared with \$439.8 million reported for the year ended December 31, 2024. Total interest expense for the year ended December 31, 2025, was \$157.1 million, compared with \$202.6 million in 2024.

Net interest income before provision for credit losses for 2025 rose to \$274.6 million, from \$237.2 million for the prior year. Net interest margin was 2.44% for the year ended December 31, 2025, compared with 2.00% in 2024. The Bank recorded a \$1.1 million recapture of provision for credit losses in 2025, compared with a \$6.6 million recapture of provision for credit losses for the prior year.

For 2025, total non-interest income was \$17.5 million, compared with \$19.6 million last year, which included a repositioning of the Bank's investment securities by selling low-yielding fixed-rate securities and deploying the proceeds into higher-earning securities. Total non-interest expense for 2025 was \$200.7 million, compared with \$200.0 million a year ago.

Net income for 2025 advanced to \$68.3 million, or \$537.62 per diluted share, from \$44.9 million, or \$358.63 per diluted share, last year.

Balance Sheet

Gross loans were \$6.08 billion as of December 31, 2025, compared with \$6.47 billion as of December 31, 2024. The Bank's allowance for loan losses totaled \$84.0 million, or 1.39% of loans held-for-investment at December 31, 2025, compared with \$96.6 million, or 1.50% of loans held-for-investment at December 31, 2024.

Our total deposits at December 31, 2025, amounted to \$8.95 billion, compared with \$8.77 billion at December 31, 2024. Non-interest-bearing deposits represented 34.6% of total deposits at the end of 2025, versus 33.2% at December 31, 2024.

Securities sold under repurchase agreements decreased to \$883.2 million at December 31, 2025, from \$991.9 million at December 31, 2024. Borrowings were \$300.0 million at the end of 2025, down from \$500.0 million a year ago.

Total assets at December 31, 2025, were \$11.80 billion, compared with \$11.69 billion at December 31, 2024. Total stockholders' equity was \$1.61 billion at the close of 2025, up from \$1.37 billion the prior year.

Capital

We are pleased that F&M's capital ratios continue to exceed most national and regional banks in this area, as well as regulatory capital requirements to meet the definition of a "well-capitalized" financial institution.

As of December 31, 2025, the Bank's total risk-based capital ratio was 22.64%; tier 1 risk-based capital ratio was 21.39%; common equity tier 1 capital ratio was 18.84%; and tier 1 leverage ratio was 13.49%. The minimum capital adequacy ratios for a "well-capitalized" bank are 10.00%, 8.00%, 6.50%, and 5.00%, respectively.



SHAREHOLDER LETTER

Stock Repurchase Program

During 2025, the Bank repurchased a total of 1,028 shares of its common stock on the open market at an average repurchase price of \$6,445.21, including 324 shares in the 2025 fourth quarter for \$2.6 million at an average repurchase price of \$8,147.17 per share, under the current \$10 million stock repurchase plan that expires May 9, 2026. Previously during the year, the Bank repurchased 704 shares of its common stock for \$4.0 million at an average repurchase price of \$5,661.92 per share, under its previous \$10 million stock repurchase plan, which had expired.

Under the stock repurchase program, the Bank may purchase shares of its common stock through various means, including open market transactions and privately negotiated transactions, in each case, subject to applicable requirements and laws. To the extent the Bank repurchases shares, the number of shares repurchased and the timing of any repurchases will depend on a number of factors, including, but not limited to, stock price, trading volume, regulatory requirements, general business conditions, and other factors. The Bank may choose to modify, suspend, or discontinue such proposed repurchases at any time and anticipates that any such repurchases will be funded from existing cash and cash equivalents or future cash flow. The new stock repurchase program does not obligate the Bank to repurchase any specific number of shares in any particular period.

Service Above Self

Service above self has always been an F&M hallmark and reflects our mission to go beyond banking and create a positive impact on the communities we serve. During 2025, F&M and the Farmers & Merchants Bank Foundation supported more than 1,100 charitable organizations through cash donations, sponsorships, in-kind donations, and volunteerism, facilitating more than \$4.6 million in support of the Southern California community.

Among the many organizations we supported in 2025 were:

**Aquarium of the Pacific
Assumption of the Blessed Virgin Mary
Big Brothers Big Sisters of Orange County
Bracken's Kitchen
Casa Teresa
Food Finders
Giving Children Hope
Habitat for Humanity of Southern Santa Barbara County
Long Beach Gives
Long Beach Rescue Mission**

**Long Beach Symphony Orchestra
MemorialCare
Mission San Juan Capistrano
Orange County Rescue Mission
Pacific Symphony Orchestra
Santa Barbara Rescue Mission
Second Harvest Food Bank
South County Outreach
St. Elizabeth's Parish School
YMCA of Metropolitan Los Angeles**

In the wake of the catastrophic Los Angeles wildfires early last year—fires that destroyed homes, upended lives, and tested the resilience of so many families and communities across Southern California—F&M stepped forward to help our neighbors in the recovery efforts. With deep commitment to community and compassion for those affected, we contributed tangible support to local relief efforts by donating to trusted organizations, including Bracken's Kitchen and the YMCA of Metropolitan Los Angeles. In turn, each organization provided essential support to impacted residents, first responders, and the affected communities.

In addition, our partnership with the Federal Home Loan Bank (FHLB) San Francisco allowed us to secure more than \$256,000 in funding through its various grant programs, which promote sustainable homeownership, boost economic development activity, help to create opportunity for individuals and families, and build or strengthen our local communities.

As we look ahead, we do so with confidence and deep gratitude. The continued loyalty of our clients and shareholders, combined with the strength of our people and our enduring commitment to community and to our Maker, provide a powerful foundation for the future.

While the environment around us is always evolving, our core principles remain unchanged. We are committed to building on this year's momentum, honoring our heritage, and delivering lasting value for all those we serve.

Sincerely,



Daniel K. Walker
Executive Chairman



W. Henry Walker
Chief Executive Officer





2025 FINANCIAL REPORT



FINANCIAL REPORT

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Independent Auditors' Report

The Board of Directors
Farmers & Merchants Bank Of Long Beach:

Opinion

We have audited the financial statements of Farmers & Merchants Bank Of Long Beach (the Bank), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the Bank's internal control over financial reporting as of December 31, 2025, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 31, 2026 expressed an unmodified opinion on the effectiveness of the Bank's internal control over financial reporting.

Basis for Opinion

We conducted our audits in accordance with GAAS. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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

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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 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 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 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank'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.

KPMG LLP

Irvine, California
March 31, 2026

FARMERS & MERCHANTS BANK OF LONG BEACH

BALANCE SHEETS

	December 31,	
	2025	2024
	(In thousands, except share and per share data)	
<u>Assets</u>		
Cash and due from banks:		
Non-interest-bearing balances	\$ 65,062	\$ 72,319
Interest-bearing balances	1,344,503	976,039
Total cash and due from banks	1,409,565	1,048,358
Securities available-for-sale, at fair value	839,350	281,219
Securities held-to-maturity, at amortized cost, net of allowance for credit losses	3,266,193	3,687,417
Loans held for sale	1,447	1,132
Gross loans	6,076,581	6,467,991
Unamortized deferred loan fees, net	(10,479)	(8,811)
Allowance for credit losses on loans	(84,020)	(96,585)
Loans, net	5,982,082	6,362,595
Investments in FHLB and FRB stock, at cost	22,262	22,472
Premises and equipment, net	121,894	118,474
Deferred tax assets, net	39,839	42,427
Other assets	114,428	125,975
Total assets	<u>\$ 11,797,060</u>	<u>\$ 11,690,069</u>
<u>Liabilities and Stockholders' Equity</u>		
Liabilities:		
Deposits:		
Non-interest-bearing deposits	\$ 3,095,295	\$ 2,908,598
Interest-bearing deposits	5,855,499	5,860,995
Total deposits	8,950,794	8,769,593
Securities sold under repurchase agreements	883,234	991,869
Borrowings	300,000	500,000
Other liabilities	56,745	59,724
Total liabilities	10,190,773	10,321,186
Stockholders' equity:		
Preferred stock, authorized 100,000 shares; 16,261 shares issued and outstanding at December 31, 2025	190,884	-
Common stock, par value \$20; authorized 250,000 shares; 121,802 and 122,728 shares issued and outstanding at December 31, 2025 and 2024, respectively	2,436	2,455
Additional paid-in capital	162,243	169,136
Retained earnings	1,251,367	1,199,221
Accumulated other comprehensive loss	(643)	(1,929)
Total stockholders' equity	1,606,287	1,368,883
Total liabilities and stockholders' equity	<u>\$ 11,797,060</u>	<u>\$ 11,690,069</u>

See accompanying notes to financial statements.

FARMERS & MERCHANTS BANK OF LONG BEACH

STATEMENTS OF INCOME

	Years Ended December 31,	
	2025	2024
	(In thousands, except per share data)	
Interest and dividend income:		
Loans	\$ 304,087	\$ 300,274
Investment securities	71,575	79,653
Interest-bearing deposits in financial institutions	54,263	57,914
Investments in FHLB and FRB stock	1,816	1,914
Total interest and dividend income	<u>431,741</u>	<u>439,755</u>
Interest expense:		
Deposits	110,893	119,006
Securities sold under repurchase agreements	32,450	37,611
Borrowings	13,765	45,942
Total interest expense	<u>157,108</u>	<u>202,559</u>
Net interest income before recapture for credit losses	274,633	237,196
(Recapture) provision for credit losses:		
Loans	(4,500)	(2,500)
Reserve for unfunded loan commitments	3,400	(4,100)
Total recapture for credit losses	<u>(1,100)</u>	<u>(6,600)</u>
Net interest income after recapture for credit losses	<u>275,733</u>	<u>243,796</u>
Non-interest income:		
Service charges on deposit accounts	8,056	7,541
Loss on sale of securities	-	(10,141)
Gain on sale of equity securities	-	7,547
Gain on sale of other real estate owned	-	1,318
Gain on sale of premises and equipment	322	4,456
Card income	1,005	852
Other income	8,069	7,997
Total non-interest income	<u>17,452</u>	<u>19,570</u>
Non-interest expense:		
Salaries and employee benefits	128,514	123,306
FDIC and other insurance expense	8,002	10,110
Occupancy expense	16,400	15,835
Software and equipment expense	18,370	17,662
Other real estate owned expense	13	370
Professional and legal services	9,896	10,595
Marketing expense	5,451	4,728
Other expense	14,026	17,364
Total non-interest expense	<u>200,672</u>	<u>199,970</u>
Income before income tax expense	92,513	63,396
Income tax expense	<u>24,164</u>	<u>18,518</u>
Net income	<u>\$ 68,349</u>	<u>\$ 44,878</u>
Basic earnings per common share	<u>\$ 542.46</u>	<u>\$ 365.52</u>
Diluted earnings per common share	<u>\$ 537.62</u>	<u>\$ 358.63</u>

See accompanying notes to financial statements.

FARMERS & MERCHANTS BANK OF LONG BEACH
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,	
	2025	2024
	(In thousands)	
Net income	<u>\$ 68,349</u>	<u>\$ 44,878</u>
Other comprehensive income, net of tax:		
Unrealized gains (losses) on securities available-for-sale:		
Net unrealized holding gains (losses)	1,286	(184)
Realized losses included in net income	<u>-</u>	<u>3,515</u>
Other comprehensive income, net of tax	<u>1,286</u>	<u>3,331</u>
Comprehensive income	<u>\$ 69,635</u>	<u>\$ 48,209</u>

See accompanying notes to financial statements.

FARMERS & MERCHANTS BANK OF LONG BEACH

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Preferred Stock		Common Stock			Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Capital	Shares	Par Value	Additional Paid-In Capital			
	(In thousands, except shares)							
Balance, December 31, 2023	-	\$ -	123,135	\$ 2,463	\$ 184,483	\$ 1,169,759	\$ (5,260)	\$ 1,351,445
Cumulative effect of change in accounting principle related to the adoption of ASU 2023-02, net of tax	-	-	-	-	-	154	-	154
Repurchase and retirement of common stock	-	-	(3,066)	(61)	(15,324)	-	-	(15,385)
Restricted share units awarded	-	-	-	-	4,570	-	-	4,570
Restricted share units issued, net of shares withheld for taxes	-	-	2,659	53	(4,593)	-	-	(4,540)
Net income	-	-	-	-	-	44,878	-	44,878
Cash dividends	-	-	-	-	-	-	-	-
Common	-	-	-	-	-	(15,570)	-	(15,570)
Other comprehensive income, net of tax	-	-	-	-	-	-	3,331	3,331
Balance, December 31, 2024	-	\$ -	122,728	\$ 2,455	\$ 169,136	\$ 1,199,221	\$ (1,929)	\$ 1,368,883
Issuance of preferred stock	16,261	190,884	-	-	-	-	-	190,884
Repurchase and retirement of common stock	-	-	(1,028)	(21)	(6,605)	-	-	(6,626)
Restricted share units awarded	-	-	-	-	1,095	-	-	1,095
Restricted share units issued, net of shares withheld for taxes	-	-	102	2	(1,383)	-	-	(1,381)
Net income	-	-	-	-	-	68,349	-	68,349
Cash dividends	-	-	-	-	-	-	-	-
Preferred	-	-	-	-	-	(699)	-	(699)
Common	-	-	-	-	-	(15,504)	-	(15,504)
Other comprehensive income, net of tax	-	-	-	-	-	-	1,286	1,286
Balance, December 31, 2025	16,261	\$ 190,884	121,802	\$ 2,436	\$ 162,243	\$ 1,251,367	\$ (643)	\$ 1,606,287

See accompanying notes to financial statements.

FARMERS & MERCHANTS BANK OF LONG BEACH

STATEMENTS OF CASH FLOWS

	<u>Years Ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 68,349	\$ 44,878
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization on securities	29,858	32,679
Loss on sale of securities available for sale	-	4,990
Loss on sale of securities held to maturity	-	5,151
Gain on sale of equity securities	-	(7,547)
Loans held for sale:		
Originations	(6,706)	(5,016)
Proceeds from sale	6,491	3,958
Gain on sale	(100)	(74)
Recapture for credit losses	(1,100)	(6,600)
Gain on sale of other real estate owned	-	(1,318)
Premises and equipment:		
Depreciation	9,236	9,876
Gain on sale	(322)	(4,456)
Deferred income tax expense	2,039	2,704
Amortization of tax credit investments	11,181	12,213
Stock compensation cost	1,095	4,570
Decrease in other assets	3,307	19,938
Decrease in other liabilities	(1,412)	(8,442)
Total adjustments	<u>53,567</u>	<u>62,626</u>
Net cash provided by operating activities	<u>121,916</u>	<u>107,504</u>
Cash flows from investing activities:		
Securities available-for-sale:		
Proceeds from maturities and pay downs	251,838	127,395
Proceeds from sale of securities available for sale	-	60,351
Purchases	(807,973)	(354,764)
Securities held-to-maturity:	-	
Proceeds from maturities and pay downs	391,205	446,477
Proceeds from sale of securities held to maturity	-	130,756
Proceeds from sale of equity securities	-	7,547
Net decrease in loans held for investment	385,013	283,815
Proceeds from sale of other real estate owned	-	4,246
Redemption of FRB & FHLB stock	210	326
Premises and equipment:		
Purchases	(12,811)	(5,897)
Proceeds from sale	477	7,932
Tax credit investments:		
Additional contributions	(9,933)	(37,322)
Proceeds from sale	2,025	-
Net cash provided by investing activities	<u>200,051</u>	<u>670,862</u>

FARMERS & MERCHANTS BANK OF LONG BEACH

STATEMENTS OF CASH FLOWS

Statements of Cash Flows, continued

	Years Ended December 31,	
	2025	2024
	(In thousands)	
Cash flows from financing activities:		
Net increase in deposits	181,201	99,525
Net (decrease) increase in securities sold under repurchase agreements	(108,635)	82,493
Net decrease in borrowings	(200,000)	(500,000)
Net proceeds from issuance of preferred stock	190,884	-
Cash dividends paid	(16,203)	(15,570)
Common stock repurchased and retired	(6,626)	(15,385)
Shares withheld related to net share settlement of RSUs	(1,381)	(4,540)
Net cash provided by (used in) financing activities	39,240	(353,477)
Net increase in cash and due from banks	361,207	424,889
Cash and cash equivalents at beginning of year	1,048,358	623,469
Cash and cash equivalents at end of year	\$ 1,409,565	\$ 1,048,358
Supplemental disclosures of cash flow information:		
Cash paid for interest expense during the year	\$ 156,934	\$ 196,042
Non-cash investing and financing activities		
Transfers of loans held for investment to other real estate owned	\$ -	\$ 2,929

See accompanying notes to financial statements.

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

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

Farmers & Merchants Bank of Long Beach (the “Bank” or “FMB”) was founded in 1907 as a California state-chartered bank that offers a broad range of banking products and services to individuals, professionals and small to medium-sized businesses. As of December 31, 2025, the Bank operates 27 branches across California’s Los Angeles County, Orange County and Santa Barbara counties, supported by secure online banking services and mobile banking platforms. As a full-service commercial bank, FMB offers a comprehensive suite of services, including accepting demand, money market, savings, and time deposits; originating loans, including commercial real estate loans, construction loans, and commercial business loans; and providing other business-oriented banking products and services. The Bank also provides financing for residential loans, including single-family and multifamily loans.

Risks and Uncertainties

The Bank’s operations, like those of other financial institutions operating in Southern California, are significantly influenced by economic conditions in Southern California, including local economies, the strength of the real estate market, and the fiscal and regulatory policies of the federal and state governments and the regulatory authorities that govern financial institutions.

Basis of Financial Statement Presentation

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and conform to general practices within the banking industry. The policies that materially affect the determination of balance sheets, statements of income, and cash flow are summarized below.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheets and statements of income for the year. Material 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 securities available-for-sale, realization of deferred tax assets, and the fair value of financial instruments. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year’s presentation. These reclassifications did not affect previously reported net income.

Cash and Due from Banks

Cash and cash equivalents consist of cash and due from banks, which comprise non-interest-bearing balances and interest-bearing balances. Interest-bearing balances represent cash held at the Federal Reserve Bank of San Francisco (“FRBSF”) and Federal Home Loan Bank (“FHLB”), the majority of which is immediately available.

Securities Available-for-Sale and Securities Held-to-Maturity

At the time of purchase, the Bank classifies its securities into one of two categories: available-for-sale (“AFS”) or held-to-maturity (“HTM”). If the Bank has the ability and positive intent at the time of purchase to hold securities until maturity, they are classified as HTM. All securities not identified as HTM are classified as AFS.

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Securities Available-for-Sale and Securities Held-to-Maturity, continued

Securities AFS are carried at estimated fair value with unrealized holding gains or losses recorded in accumulated other comprehensive income ("AOCI"), net of the related tax effect. Securities HTM are recorded at cost, net of the allowance for credit losses and adjusted for the amortization of premiums and accretion of discounts on a level-yield basis. For additional information on the Bank's accounting policy related to allowance for credit losses on securities, see Note 1 – Nature of Operations and Summary of Significant Accounting Policies - Allowance for Credit Losses ("ACL") in this Annual Report. Premiums and discounts are amortized and accreted over the life of the related security as an adjustment to yield using the interest method. Unamortized premiums and unaccreted discounts are recognized as a component of gain or loss on sale upon disposition of the related security. Interest income is recognized when earned. Realized gains and losses on the sale of securities are included in non-interest income as gain or loss on sale of securities using the specific-identification method.

Transfers of securities between categories, if any, are recorded at fair value at the date of the transfer. Unrealized holding gains or losses included in the separate component of equity for securities transferred from AFS to HTM would be maintained and amortized into income over the remaining life of the security as an adjustment to the yield in a manner consistent with the amortization of premium or accretion of discount on the associated security.

According to ASC 320-10-25, sale or transfers of securities HTM, except in qualified circumstances, would taint the remaining HTM portfolio and result in the reclassification of the remaining securities HTM to AFS. Sale of securities HTM that meet either of the following conditions could be considered as qualified sale of HTM without tainting: (1) sale of the security occurs near enough to its maturity date; or (2) sale of the security occurs after the entity has collected at least 85 percent of the outstanding principal at acquisition.

The Bank's security portfolio is managed to meet our liquidity needs through proceeds from scheduled payments and maturities, and is also utilized for pledging requirements for deposits of state and local subdivisions, securities sold under repurchase agreements and Federal Reserve Bank ("FRB") Discount Window.

Equity Securities

Equity securities consist of exchange-traded equity securities. Marketable equity securities with readily determinable fair values are recorded at fair value with unrealized gains and losses due to changes in fair value, and are included in other income on the statements of income. Non-marketable equity securities that do not have readily determinable fair values are carried at cost adjusted for impairment, if any, plus or minus observable price changes in orderly transactions of an identical or similar security of the same issuer, with such changes recognized in earnings.

The Bank historically held 30,484 shares of Visa Inc. ("Visa") Class B restricted stock ("Visa B shares") at a zero-cost basis. Effective January 2024, all Visa B shares were converted to Visa Class B-1 common stock ("Visa B-1 shares"). On April 24, 2024, the Bank entered into Visa's exchange program to exchange a majority of its Visa B-1 shares to 6,039 shares of Visa Class C common stock ("Visa C shares"), which are transferable to Visa's publicly traded Class A common stock ("Visa A shares"), and 15,217 shares of Visa Class B-2 common stock ("Visa B-2 shares"). The Bank recognized Visa C shares at fair value of \$6.6 million based on the closing price of the Visa A shares as of May 31, 2024. In November 2024, the Bank converted all its Visa C shares to 24,156 shares of Visa A shares, which were subsequently sold at a gain of \$965 thousand for a total of \$7.5 million. The remaining Visa B-1 and B-2 shares are continuing to be held at a zero-cost basis and subject to transfer restrictions.

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Loans Held for Sale

Loans held for sale are carried at the lower of cost or fair value. The associated net loan fees and costs are deferred, and are included in the computation of the gain and loss from the sale of the related loans. Gains and losses are recorded in other income based on the difference between sales proceeds, net of sales commissions, and carrying value.

The Bank will occasionally transfer loans from held for investment to held for sale. Upon transfer, the carrying value of the loan is adjusted to the lower of cost or estimated fair value, and any shortfall will be charged off to allowance for credit losses. If the Bank decided to not sell a loan held for sale, the Bank will transfer the loan to held for investment, with the carrying value of the loan recorded at amortized cost.

Loans

Loans that the Bank has the intent and ability to hold for the foreseeable future, or until maturity, are reported at the principal amounts outstanding, net of unamortized deferred net loan fees and allowance for credit losses. Non-refundable fees and direct costs associated with the origination or purchase of loans are deferred and netted against outstanding loan balances. The deferred net loan fees and costs are recognized in interest income on an effective yield basis over the contractual loan term. Interest income on loans is recorded on an accrual basis in accordance with the terms of the respective loans.

Risk Rating

The Bank monitors credit quality by evaluating various risk attributes and utilizes such information in its evaluation of the appropriateness of the allowance for credit losses. Internal credit risk ratings, within its loan risk rating system, are the credit quality indicators that the Bank most closely monitors. The analysis of credit quality includes review of all sources of repayment, borrowers' current payment performance, borrowers' current financial and liquidity status, and all other relevant information.

The credit risk ratings assigned to every loan are either "pass," "watch," "special mention," "substandard," or "doubtful" and are defined in general terms as follows:

Pass: Loans classified as pass are expected to be fully collected.

Watch: This is a "Pass" rating; however, loans with this risk rating require a higher level of oversight and management.

Special Mention: Loans classified as special mention have a potential weakness that requires management's attention. If not addressed, these potential weaknesses may result in further deterioration in the borrower's ability to repay the loan.

Substandard: Substandard loans have a higher probability of payment default, or they have other well-defined weaknesses. They require more intensive supervision by bank management. Substandard loans are generally characterized by current or expected unprofitable operations, inadequate debt service coverage, inadequate liquidity, or marginal capitalization.

Doubtful: A doubtful loan has a high probability of total or substantial loss, but because of specific pending events that may strengthen the loan, its classification as loss is deferred. Doubtful borrowers are usually in default, lack adequate liquidity or capital, and lack the resources necessary to remain an operating entity.

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Nonaccrual Loans

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. The accrual of interest on loans is discontinued when interest or principal payments are past due 90 days or when, in the opinion of management, there is a reasonable doubt as to the collectability in the normal course of business. When loans are placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income, and all interest received on nonaccrual loans will be applied to principal. Loans are restored to accrual status when principal and interest are brought fully current and when, in the opinion of management, such loans are deemed fully collectible as to both principal and interest. The accrual of interest on loans that are more than 90 days past due may continue if the loans are well secured, in the process of collection, and management deems it appropriate.

Loan Modifications to Borrowers Experiencing Financial Difficulties

Certain loans are modified in the normal course of business for competitive reasons or in conjunction with the Bank's loss mitigation activities. The Bank applies the general loan modification guidance for modifications made to borrowers experiencing financial difficulty. Under the general loan modification guidance, a modification is treated as a new loan only if the following two conditions are met: (1) the terms of the new loan are at least as favorable to the Bank as the terms for comparable loans to other customers with similar collection risks; and (2) modifications to the terms of the original loan are more than minor. If either condition is not met, the modification is accounted for as the continuation of the existing loan with any effect of the modification treated as a prospective adjustment to the loan's effective interest rate. A modification may vary by program and by borrower-specific characteristics, and may include rate reductions, term extensions, payment delays, or any combination thereof, and is intended to minimize the Bank's economic loss and to avoid foreclosure or repossession of collateral.

Individually Evaluated Loans

Loans that do not share similar risk characteristics with other financial assets are individually evaluated for impairment and excluded from loan pools used within the collective evaluation of estimated credit losses.

The Bank defined the following criteria for what constitutes a "default", which results in a loan no longer sharing similar risk characteristics with other loans, and therefore requires an individual evaluation for expected credit losses. The criteria for default may include any one of the following: on nonaccrual status or modifications to borrowers experiencing financial difficulty.

Allowance for Credit Losses ("ACL")

The Current Expected Credit Loss ("CECL") model 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, securities HTM, and loan commitments. As a policy election, the Bank excludes the accrued interest receivable balance from the amortized cost basis of securities AFS, securities HTM and loans, which are classified as other assets on the balance sheets. As of December 31, 2025, the accrued interest receivable balances were \$3.3 million, \$18.3 million, and \$13.6 million for securities AFS, securities HTM and loans, respectively. As of December 31, 2024, the accrued interest receivable balances were \$536 thousand, \$19.3 million, and \$14.0 million for securities AFS, securities HTM and loans, respectively.

ACL on Securities AFS

Securities AFS are measured at fair value and are subject to impairment testing. Under ASC 326-30-35-1 through 35-5, a security is impaired if the fair value of the security is less than its amortized cost basis.

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Allowance for Credit Losses (“ACL”), continued

When a security AFS is considered impaired, the Bank shall determine if it intends to sell or will more-likely-than-not be required to sell the security before recovering its amortized cost basis. If such intention or requirement exists, the Bank shall directly write down the security to its fair value in net income; if not, the Bank must determine if the decline in fair value has resulted from a credit-related loss or other factors. The amount of impairment related to the credit component is recognized in net income. The previous amortized cost basis less the impairment recognized in net income then becomes the new amortized cost basis of the investment. Non-credit related impairment is recorded in other comprehensive income. The Bank conducts its credit impairment analysis quarterly.

ACL on Securities HTM

Securities HTM are carried at amortized cost, less any allowance for credit losses. The Bank estimates and recognizes an allowance for credit losses for securities HTM using CECL methodology. The Bank has a zero-loss expectation for certain securities within the securities HTM portfolio, therefore is not required to estimate an allowance for credit losses related to these securities under the CECL standard. After an evaluation of qualitative factors, the Bank identified the following security types, which the Bank believes qualify for this exclusion as they are implicitly backed by the US government: US Treasury, US Agency, Small Business Administration (“SBA”) pool securities, and agency-backed mortgage-backed security (“MBS”) and collateralized mortgage obligation (“CMO”). To measure the expected credit losses on securities HTM that have loss expectations, the Bank estimates the expected credit losses using a discounted cash flow model developed by a third party. Assumptions used in the model for pools of securities with common risk characteristics include the historical lifetime probability of default and severity of loss in the event of default, with the model incorporating several economic cycles of loss history data to calculate expected credit losses given default at the individual security level. The model is adjusted for a probability weighted multi-scenario economic forecast to estimate future credit losses. The Bank uses a one-year reasonable and supportable forecast period, followed by a one-year period over which estimated losses revert to historical loss experience for the remaining life of the security.

ACL on Loans

The Bank developed allowance models that calculate the allowance over the life of the loan, which includes the remaining time to maturity, adjusted for estimated prepayments applied as an adjustment to loans. The allowance is based upon lifetime loss rate models developed from an estimation framework that uses historical lifetime loss experiences to derive loss rates at a collective pool level, for those loans that share similar risk characteristics. The Bank has seven collective loan pools: Construction; Commercial Real Estate (“CRE”); Industrial; Multi Family Residential (“MFR”); Non Real Estate; Life Insurance; and Single Family Residential (“SFR”). The collective ACL methodologies include an estimation framework that uses loss experiences of data sets of unique loans aggregated by each pool, respectively, to derive loss rates at the pool level during the life of the underlying loans. The Bank’s ACL amounts are primarily driven by loan portfolio characteristics, including the Bank’s and peers’ loss history, macroeconomic variables, and the current economic outlook, as well as other key methodology assumptions, such as the Bank’s prepayment and curtailment rates and recovery lags. The Bank’s ACL estimate incorporates a one-year reasonable and supportable forecast period of various macroeconomic variables, and beyond the forecasting period, the Bank will revert back to historical long term average credit loss experience using the straight-line method over a one-year period. An alternative scenario is utilized to account for macroeconomic uncertainties in conjunction with the baseline economic scenario. In addition, management exercises judgment to identify additional credit risk, such as local economic conditions compared with national economic conditions, and make qualitative adjustments to the allowance.

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Allowance for Credit Losses (“ACL”), continued

The Bank evaluates loans for expected credit losses on an individual basis when current information indicates it is probable that all amounts may not be collected under the original contractual terms. Once a loan is deemed uncollectible, it is the Bank’s policy to charge off the uncollectible amount against ACL.

Other Real Estate Owned

Other real estate owned (“OREO”) represents the collateral acquired through foreclosure in full or partial satisfaction of the related loan and is recorded at the fair value as established by a current appraisal, adjusted for estimated selling costs. The excess of the carrying amount of a loan over the fair value of real estate acquired less costs to sell is charged to the ACL at the date of transfer. OREO values are reviewed on an ongoing basis and any decline in value is charged against other expense, along with operating expenses of such properties. Subsequent increases in the fair value of the asset less selling costs reduce the OREO valuation allowance, but not below zero, and are credited to other expense. Income on OREO and gains and losses on their disposition are included in other income.

The Bank had no OREO property as of December 31, 2025 and 2024. The Bank did not foreclose or sell any OREO in 2025. In 2024, the Bank acquired a SFR OREO with book value of \$2.9 million, which was subsequently sold for \$4.2 million with a gain of \$1.3 million.

Investment in Federal Home Loan Bank Stock

As a member of the FHLB of San Francisco, the Bank is required to own common stock in the FHLB of San Francisco, which is based upon the Bank’s membership asset value and/or borrowing levels. Investment in FHLB stock is carried at cost and is expected to be redeemed at par. Investment in FHLB stock is evaluated regularly for impairment. Cash dividends are accrued and reported as dividend income.

Investment in Federal Reserve Bank Stock

As a member of the FRBSF, the Bank is required to maintain FRB stock based on a specified ratio relative to our capital. FRB stock is carried at cost and may be sold back to the FRB at its carrying value. Investment in FRB stock is evaluated regularly for impairment. Cash dividends are accrued and reported as dividend income.

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Land is not depreciated. Depreciation is computed on a straight-line method based on the estimated useful lives of the assets:

<u>Type</u>	<u>Estimated Useful Life</u>
Buildings	20 to 39 years
Building improvements	15 to 39 years
Furniture, fixtures, and equipment	3 to 7 years
Leasehold improvements	Shorter of useful lives or the terms of the lease

Construction in progress is carried at cost and includes land acquisition, architectural fees, general contractor fees, and other costs related directly to the construction of a property. Maintenance and repairs are charged to expenses.

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Premises and Equipment, continued

The Bank reviews its long-lived assets for impairment annually or when events or circumstances indicate that the carrying amount of these assets may not be recoverable. When impairment is indicated for an asset, the amount of impairment loss is the excess of the net book value over its fair value.

Tax Credit Investments

The Bank invests in limited liability companies and partnerships that make investments in affordable housing projects, new market tax credits (“NMTC”) and a renewable energy project, which qualify for federal income tax credits. The Bank’s interest in its affordable housing projects and NMTC are accounted for utilizing the Proportional Amortization Method (“PAM”) and its investment in renewable energy is accounted for using the Hypothetical Liquidation at Book Value (“HLBV”) method. For investments accounted for using the HLBV method, a calculation is prepared at each balance sheets date to estimate the amount that the Bank would receive if the investment entity was to liquidate all of its assets and distribute that cash to the investors based on the contractually defined liquidation priorities; related amortization is reported as other expense. Investments accounted for using the proportional amortization method are amortized in proportion to the expected total tax benefits.

On January 1, 2024, the Bank adopted ASU 2023-02, *Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. This ASU updated ASC 323-740, which primarily expands the use of PAM on accounting for qualified tax credit investments. Prior to the adoption, related amortization of investments accounted for using PAM was reported as a component of current tax expense or other expense. After adoption of PAM, these related amortizations were all reported as component of current tax expense.

Borrowings

The Bank utilizes repurchase agreements, federal funds’ lines of credit, FRB discount window and FHLB advances to manage its liquidity position. The repurchase agreements are treated as collateralized financing transactions, and the obligations to repurchase securities sold are reflected as a liability in the accompanying balance sheets. The collateral securities underlying the agreements remain in the applicable asset accounts. The Bank has established unsecured federal funds lines of credit with several correspondent banks, as well as with the FHLB. These federal funds lines of credit generally mature within one business day. The Bank’s available secured borrowing capacities are derived from the loans and/or securities that are pledged to the FHLB and FRB.

Preferred Stock

In October 2025, the Bank issued Series A Preferred Stock (“preferred stock”) that is classified as permanent equity under ASC 480, *Distinguishing Liabilities from Equity*. The preferred stock is non-redeemable, non-convertible, and carries no general voting rights. Holders of preferred stock are entitled to receive, and the Bank shall pay, dividends on shares of preferred stock equal to and in the same form as dividends actually paid on shares of common stock, no other dividends shall be paid on shares of preferred stock. Because the preferred stock participates equally with common stock in declared dividends, it is considered as participating securities under ASC 260-10-20. As of December 31, 2025, 100,000 shares were authorized; 16,261 shares were issued and outstanding with no par value.

Upon any liquidation, dissolution, or winding-up of the Bank, holders of preferred stock shall be entitled to receive an amount equal to \$0.0001 per share of preferred stock. Following the payment of the full amount of liquidation preference, a holder of preferred stock shall be entitled to receive the same amount that a

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Preferred Stock, continued

holder of common stock would receive if the preferred stock were fully converted to common stock at the then effective conversion ratio.

Revenue Recognition

The Bank accounts for certain revenue streams in accordance with ASC 606, *Revenue from Contracts with Customers*. Revenue from contracts with customers in the scope of Topic 606 is measured based on the consideration specified in the contract with a customer, and excludes amounts collected on behalf of third parties. The Bank recognizes revenue from contracts with customers when it satisfies its performance obligations. The Bank's performance obligations are typically satisfied as services are rendered and payment is generally collected at the time services are rendered, or on a monthly, quarterly or annual basis. The Bank had no material unsatisfied performance obligations as of December 31, 2025 and 2024.

In certain cases, other parties are involved with providing products and services to our customers. If the Bank is a principal in the transaction (providing goods or services itself), revenues are reported based on the gross consideration received from the customer and any related expenses are reported gross in noninterest expense. If the Bank is an agent in the transaction (arranging for another party to provide goods or services), the Bank reports its net fee or commission retained as revenue. Rebates, waivers, and reversals are recorded as a reduction of revenue when either the revenue is recognized by the Bank or at the time the rebate, waiver, or reversal is earned by the customer.

Card Income consists of interchange fees from merchant bankcards and debit cards, merchant acquirer revenue, and other card related services. Interchange fees are earned by the Bank each time a request for payment is initiated by a customer at a merchant for which the Bank transfers the funds on behalf of the customer. Interchange rates are set by the payment network and are based on purchase volumes and other factors. The Bank is considered an agent of the customer and incurs costs with the payment network to facilitate the interchange with the merchant; therefore, the related payment network expense is recognized as a reduction of card income.

Nature of Goods and Services

Substantially all of the Bank's revenue, such as interest income on loans, investment securities, and interest-earning deposits in financial institutions, is specifically out-of-scope of Topic 606. For the revenue that is in-scope, the following is a description of principal activities, separated by the timing of revenue recognition, from which the Bank generates its revenue from contracts with customers:

Revenue earned at a point in time: Examples of revenue earned at a point in time are ATM transaction fees, wire transfer fees, non-sufficient fund charges, and merchant and debit card interchange fees. Revenue is generally derived from transactional information accumulated by our systems and is recognized as revenue immediately as the transactions occur or upon providing the service to complete the customer's transaction. The Bank is the principal in each of these contracts with the exception for merchant and debit card interchange fees, in which case the Bank is acting as the agent and records revenue net of expenses paid to the principal.

Revenue earned over time: The Bank earns certain revenue from contracts with customers as services are rendered on a monthly, quarterly or annual basis. Examples of this type of revenue are deposit account service fees, HELOC fees, letter of credit, construction monitoring services, and safe deposit box fees. Account service fees are recognized on a monthly basis. Revenue is primarily based on services rendered on the number and type of transactions. Revenue is

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

recorded in the same period as the related transactions occur or services are rendered to the customer.

Operating Leases

The Bank enters into a variety of lease contracts, as lessee, generally for premises. Lease contracts that do not transfer substantially all of the benefits and risks of ownership, and do not meet the accounting requirements for capital lease classification, are treated as operating leases. The Bank determines if a contract is a lease at inception. The Bank's operating leases are included within right-of-use ("ROU") assets and lease liabilities on the balance sheets, which are classified as other assets and other liabilities. The ROU asset is based on the operating lease liabilities adjusted for any prepaid or deferred rent.

ROU assets represent the Bank's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, the Bank uses its incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term and an amount equal to the lease payments in a similar economic environment at the commencement date in order to determine the present value of lease payment. Many of the Bank's lease agreements include options to extend the lease, which the Bank does not include in its minimum lease terms unless they are reasonably certain to be exercised. Rental expense for lease payments related to operating leases is recognized on a straight-line basis over the lease term.

The Bank also entered into a variety of lease contracts, as lessor, for Bank-owned properties or, as sublessee, for properties leased by the Bank. The Bank accounts for lease income on an accrual basis.

Long Term Compensation

The Bank grants restricted share units ("RSUs"), which include service conditions for vesting. Compensation expense for the time-based award is calculated based on grant-date fair value using the Bank's closing stock price and is amortized on a straight-line basis over the award's requisite service period. The Bank accounts for forfeitures when awards are forfeited.

Market conditions subsequent to the grant date have no impact on the amount of compensation expense the Bank will recognize over the life of the award.

Reserve for Losses on Unfunded Loan Commitments

The reserve for off-balance sheet credit exposure relates to unfunded loan commitments, standby letters of credit, and commercial lines of credit. The Bank evaluates credit risk associated with the off-balance sheet loan commitments in the same manner as it evaluates credit risk associated with the loan portfolio.

The reserve is calculated on the expected portion of the commitment to be funded over its life and the life of the commitment loss expectation, utilizing the same seven collective pool methodologies described for the Allowance for Credit Losses. The Bank includes the reserve for unfunded loan commitments in other liabilities and the related provision in the Provision for Credit Losses.

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, the deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in tax expense in the period that includes the enactment date. Deferred tax assets and liabilities in the same jurisdiction are grouped together and reported net on the balance sheets.

On an ongoing basis, management evaluates the deferred tax assets to determine if the tax benefits are expected to be realized in future periods. To the extent that the benefit of a deferred tax asset is not more-likely-than-not to be realized, a valuation allowance is established with a corresponding charge through income tax expense. The Bank also evaluates existing valuation allowances periodically to determine if sufficient evidence exists to support an increase or reduction in the allowance.

Tax positions that are uncertain but meet the more-likely-than-not recognition threshold are initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position meets the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. The Bank recognizes interest and penalties related to tax positions as part of income tax expense.

On January 1, 2025, the Bank early adopted ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU enhanced ASC 740-10 and requires the reconciliation between the applicable statutory federal income tax rate and the effective income tax rate to be broken down into specific categories with both percentages and currency amounts. Further disaggregation within certain categories is required if a reconciling item meets the 5% threshold. The adoption of this guidance did not have a significant impact on the Bank's financial statements and related disclosures.

Comprehensive Income

Other comprehensive income refers to revenues, expenses, and gains and losses that are included in comprehensive income but are excluded from net income because they have been recorded directly in equity. The Bank's comprehensive income consists of net income and net unrealized gains or losses on securities AFS arising during the period and is presented in the statements of comprehensive income.

Earnings Per Share

The Bank computes basic Earnings Per Share ("EPS") in accordance with ASC 260, *Earnings Per Share*, which requires EPS for each class of stock (common stock and preferred stock) to be calculated using the two-class method, due to the preferred stock's participating nature. Under the two-class method, earnings for the reporting period are allocated to holders of common stock and preferred stock based on their respective participation rights in undistributed earnings.

Basic EPS is computed by dividing net income allocated to common shares by the weighted-average number of common shares outstanding during each period. Diluted EPS is computed by dividing net income allocated to common shares by the weighted-average number of common shares outstanding during each period, plus common share equivalents calculated for RSUs outstanding using the treasury stock method.

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Recent Accounting Standards

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications, subject to meeting certain criteria that reference LIBOR or another reference rate expected to be discontinued. The ASU was intended to help stakeholders during the global market-wide reference rate transition period and was effective for all entities through December 31, 2024. The Bank completed the transition from LIBOR in 2024. The transition did not have a significant impact on the Bank's financial statements and related disclosures.

In March 2023, the FASB issued ASU 2023-02, *Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. This ASU permits reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. Effective January 1, 2024, the Bank adopted ASU 2023-02 using the modified retrospective approach. At adoption, the Bank elected to apply the proportional amortization method to all qualifying investments in the NMTC program. The cumulative effect to retained earnings as of January 1, 2024 was \$154 thousand.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU requires an entity to disclose specific categories in the effective tax rate reconciliation as well as provide additional information for reconciling items that meet a quantitative threshold. Further, this ASU requires certain disclosures of state versus federal income tax expense and taxes paid. Effective January 1, 2025, the Bank early adopted ASU 2023-09 using the retrospective approach. The adoption did not have a significant impact on the Bank's financial statements and related disclosures.

In November 2024, the FASB issued ASU 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Topic 220): Disaggregation of Income Statement Expenses*. This ASU requires disaggregated information disclosed in footnotes about certain income statement expense line items on an annual basis for the Bank. This guidance will be effective for annual reporting periods beginning on or after January 1, 2027. The adoption of this guidance is not expected to have significant impact on the Bank's financial statements and related disclosures.

In September 2025, the FASB issued ASU 2025-06, *Intangibles-Goodwill and Other-Internal-Use Software (Topic 350): Targeted Improvements to the Accounting for Internal-Use Software*. This ASU implements a principles-based framework on internal-use software for cost recognition and capitalization, and clarifies the relevant disclosure requirements. This guidance will be effective for annual reporting periods beginning on or after January 1, 2028. The Bank is currently evaluating the impact of this guidance on its financial statements and related disclosures.

In November 2025, the FASB issued ASU 2025-08, *Financial Instruments-Credit Losses (Topic 326): Purchased Loans*. This ASU defines "purchased seasoned loans" as non-Purchased Credit-Deteriorated ("PCD") loans acquired either in a business combination or in an asset acquisition more than 90 days after origination, and amends the accounting on purchased seasoned loans including recognizing such loans at purchase price plus an immediate ACL. This guidance will be effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Bank is planning to early adopt this ASU and does not expect the adoption to have significant impact on its financial statements and related disclosures.

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SECURITIES AVAILABLE-FOR-SALE

The table below presents an analysis of the securities AFS portfolio:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(In thousands)			
As of December 31, 2025				
US Treasury	\$ 9,991	\$ 12	\$ -	\$ 10,003
SBA pool securities	3,061	-	(165)	2,896
MBS	494,900	1,003	(765)	495,138
Municipal securities	12,475	-	(808)	11,667
CMO	319,827	232	(413)	319,646
Total securities AFS	\$ 840,254	\$ 1,247	\$ (2,151)	\$ 839,350
As of December 31, 2024				
US Treasury	\$ 246,903	\$ 212	\$ -	\$ 247,115
SBA pool securities	3,342	-	(257)	3,085
MBS	18,799	-	(1,074)	17,725
Municipal securities	14,914	-	(1,620)	13,294
CMO	-	-	-	-
Total securities AFS	\$ 283,958	\$ 212	\$ (2,951)	\$ 281,219

The table below presents a summary of the estimated maturities of securities AFS based on amortized cost and estimated fair value:

	Due Within One Year		Due After One Year Through Five Years		Due After Five Years Through Ten Years		Due After Ten Years		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)									
As of December 31, 2025										
US Treasury	\$ 9,991	\$ 10,003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,991	\$ 10,003
SBA Pool	-	-	-	-	-	-	3,061	2,896	3,061	2,896
MBS	-	-	594	586	14,215	13,740	480,091	480,812	494,900	495,138
Municipal securities	301	298	2,336	2,280	9,734	8,998	104	91	12,475	11,667
CMO	-	-	-	-	-	-	319,827	319,646	319,827	319,646
Total securities AFS	\$ 10,292	\$ 10,301	\$ 2,930	\$ 2,866	\$ 23,949	\$ 22,738	\$ 803,083	\$803,445	\$ 840,254	\$839,350
As of December 31, 2024										
US Treasury	\$ 236,974	\$237,142	\$ 9,929	\$ 9,973	\$ -	\$ -	\$ -	\$ -	\$ 246,903	\$247,115
SBA Pool	-	-	-	-	-	-	3,342	3,085	3,342	3,085
MBS	14	14	1,072	1,042	17,713	16,669	-	-	18,799	17,725
Municipal securities	2,294	2,271	2,346	2,208	5,959	5,114	4,315	3,701	14,914	13,294
CMO	-	-	-	-	-	-	-	-	-	-
Total securities AFS	\$ 239,282	\$239,427	\$ 13,347	\$ 13,223	\$ 23,672	\$ 21,783	\$ 7,657	\$ 6,786	\$ 283,958	\$281,219

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Securities Available-for-Sale, continued

The table below shows the fair value and the gross unrealized loss on securities AFS aggregated by investment category and the length of time that the individual securities have been in a continuous unrealized loss position:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(In thousands)					
As of December 31, 2025						
SBA pool securities	\$ -	\$ -	\$ 2,896	\$ (165)	\$ 2,896	(165)
MBS	133,090	(281)	14,326	(484)	147,416	(765)
Municipal securities	-	-	11,667	(808)	11,667	(808)
CMO	162,764	(413)	-	-	162,764	(413)
Total	\$ 295,854	\$ (694)	\$ 28,889	\$ (1,457)	\$ 324,743	\$ (2,151)
As of December 31, 2024						
SBA pool securities	\$ -	\$ -	\$ 3,085	\$ (257)	\$ 3,085	\$ (257)
MBS	-	-	17,725	(1,074)	17,725	(1,074)
Municipal securities	55	-	13,083	(1,620)	13,138	(1,620)
CMO	-	-	-	-	-	-
Total	\$ 55	\$ -	\$ 33,893	\$ (2,951)	\$ 33,948	\$ (2,951)

The number of securities AFS with unrealized loss less than 12 months and 12 months or longer was 41 and 66, respectively, for the year ended December 31, 2025, and 1 and 77, respectively, for the year ended December 31, 2024. As of December 31, 2025 and 2024, the Bank had the ability and intent to hold these securities AFS in an unrealized loss position until a market price recovery or maturity. Management believes that the unrealized losses were primarily attributable to declining market prices caused by the yield curve movement. Therefore, no credit-related impairment was recognized in the statements of income for 2025 or 2024.

The Bank did not sell any securities AFS in 2025. During 2024, the Bank sold \$65.4 million of municipal securities AFS, for which a pre-tax loss of \$5.0 million or an after-tax loss of \$3.5 million was recognized.

The following table represents the related tax effect allocated to each component of other comprehensive income at the dates indicated:

	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
	(In thousands)		
Year ended December 31, 2025			
Unrealized gain on securities:			
Unrealized holding gain arising during period	\$ 1,835	\$ (549)	\$ 1,286
Realized losses included in net income	-	-	-
Other comprehensive income	\$ 1,835	\$ (549)	\$ 1,286

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Securities Available-for-Sale, continued

	<u>Before-Tax Amount</u>	<u>Tax Benefit (Expense)</u> (In thousands)	<u>Net-of-Tax Amount</u>
Year ended December 31, 2024			
Unrealized loss on securities:			
Unrealized holding loss arising during period	\$ (262)	\$ 78	\$ (184)
Realized losses included in net income	4,990	(1,475)	3,515
Other comprehensive income	<u>\$ 4,728</u>	<u>\$ (1,397)</u>	<u>\$ 3,331</u>

NOTE 3 – SECURITIES HELD-TO-MATURITY

The table below presents an analysis of the securities HTM portfolio:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
		(In thousands)		
As of December 31, 2025				
US Treasury	\$ -	\$ -	\$ -	\$ -
US Agency	61,000	-	(1,085)	59,915
SBA pool securities	42,280	-	(1,479)	40,801
MBS	1,736,383	-	(121,219)	1,615,164
Municipal securities	1,406,087	137	(101,379)	1,304,845
CMO	20,743	-	(700)	20,043
Total securities HTM	<u>\$3,266,493</u>	<u>\$ 137</u>	<u>\$ (225,862)</u>	<u>\$3,040,768</u>
As of December 31, 2024				
US Treasury	\$ 69,852	\$ -	\$ (265)	\$ 69,587
US Agency	71,000	-	(2,907)	68,093
SBA pool securities	51,099	-	(3,285)	47,814
MBS	2,022,235	-	(220,206)	1,802,029
Municipal securities	1,444,372	14	(171,927)	1,272,459
CMO	29,159	-	(1,403)	27,756
Total securities HTM	<u>\$3,687,717</u>	<u>\$ 14</u>	<u>\$ (399,993)</u>	<u>\$3,287,738</u>

The following table is a summary of the estimated maturities of securities HTM based on amortized cost and estimated fair value:

	Due Within One Year		Due After One Year Through Five Years		Due After Five Years Through Ten Years		Due After 10 Years		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
As of December 31, 2025	(In thousands)									
US Treasury	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
US Agency	26,000	25,790	35,000	34,125	-	-	-	-	61,000	59,915
SBA Pool	-	-	17,876	17,352	13,907	13,286	10,497	10,163	42,280	40,801
MBS	-	-	62,425	59,154	472,681	443,029	1,201,277	1,112,981	1,736,383	1,615,164
Municipal securities	3,743	3,736	95,732	91,261	1,119,095	1,038,012	187,517	171,836	1,406,087	1,304,845
CMO	-	-	10,270	9,737	10,473	10,306	-	-	20,743	20,043
Total securities HTM	\$ 29,743	\$ 29,526	\$ 221,303	\$ 211,629	\$ 1,616,156	\$ 1,504,633	\$ 1,399,291	\$ 1,294,980	\$ 3,266,493	\$ 3,040,768

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Securities Held-to-Maturity, continued

	Due Within One Year		Due After One Year Through Five Years		Due After Five Years Through Ten Years		Due After 10 Years		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In thousands)										
As of December 31, 2024										
US Treasury	\$ 69,852	\$ 69,587	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,852	\$ 69,587
US Agency	10,000	9,903	61,000	58,190	-	-	-	-	71,000	68,093
SBA Pool	1,173	1,161	20,107	19,002	18,024	16,710	11,795	10,941	51,099	47,814
MBS	3,639	3,609	30,635	28,189	453,133	409,201	1,534,828	1,361,030	2,022,235	1,802,029
Municipal securities	7,153	7,104	34,206	32,065	953,773	841,665	449,240	391,625	1,444,372	1,272,459
CMO	-	-	9,104	8,927	20,055	18,829	-	-	29,159	27,756
Total securities HTM	\$ 91,817	\$ 91,364	\$ 155,052	\$ 146,373	\$ 1,444,985	\$ 1,286,405	\$ 1,995,863	\$ 1,763,596	\$ 3,687,717	\$ 3,287,738

The table below shows the gross unrealized loss on securities HTM and the related fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
(In thousands)						
As of December 31, 2025						
US Treasury	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
US Agency	-	-	59,915	(1,085)	59,915	(1,085)
SBA pool securities	-	-	40,801	(1,479)	40,801	(1,479)
MBS	-	-	1,615,164	(121,219)	1,615,164	(121,219)
Municipal securities	3,317	(68)	1,283,178	(101,311)	1,286,495	(101,379)
CMO	-	-	20,043	(700)	20,043	(700)
Total temporarily impaired securities	\$ 3,317	\$ (68)	\$ 3,019,101	\$ (225,794)	\$ 3,022,418	\$ (225,862)
As of December 31, 2024						
US Treasury	\$ -	\$ -	\$ 69,587	\$ (265)	\$ 69,587	\$ (265)
US Agency	-	-	68,093	(2,907)	68,093	(2,907)
SBA pool securities	-	-	47,814	(3,285)	47,814	(3,285)
MBS	19	-	1,802,010	(220,206)	1,802,029	(220,206)
Municipal securities	11,472	(242)	1,255,235	(171,685)	1,266,707	(171,927)
CMO	-	-	27,756	(1,403)	27,756	(1,403)
Total temporarily impaired securities	\$ 11,491	\$ (242)	\$ 3,270,495	\$ (399,751)	\$ 3,281,986	\$ (399,993)

The Bank's HTM portfolio is primarily composed of MBS issued or guaranteed by Fannie Mae ("FNMA") or Ginnie Mae ("GNMA"), and municipal securities. The unrealized losses are primarily attributable to declining market prices caused by the yield curve movement. The number of securities HTM with unrealized losses less than 12 months and 12 months or longer was 16 and 2,485, respectively, for the year ended December 31, 2025, and 33 and 2,590, respectively, for the year ended December 31, 2024. Management believes that securities HTM in an unrealized loss position as of December 31, 2025 and 2024 had a loss position that was temporary in nature, and therefore no impairment losses were recognized in the statements of income. Since the Bank has the ability and intent to hold these investments until maturity, these securities HTM are not considered impaired.

There were no sales or transfer of securities HTM in 2025. In the fourth quarter of 2024, the Bank executed the sale of qualified securities HTM, satisfying requirements under ASC 320-10-25, without tainting its remaining HTM portfolio. The sale was comprised of MBSs and CMOs with an amortized cost of \$136.0 million with a fair value of \$130.8 million, which resulted in a pre-tax loss of \$5.2 million or an after-tax loss of \$3.6 million. The average book yield on the qualified securities HTM sold was 2.68%. Proceeds from the sale were used to reduce the Bank's borrowings, with the remainder used to purchase short-term securities at higher yields. For additional information on the Bank's accounting policy related to qualified HTM sale,

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Securities Held-to-Maturity, continued

see Note 1 – Nature of Operations and Summary of Significant Accounting Policies - Securities Available-for-Sale and Securities Held-to-Maturities in this Annual Report. Furthermore, the Bank does not have the intent to sell any of the remaining securities HTM and believes that it is more-likely-than-not that the Bank will not be required to sell any such securities before a recovery of cost.

The Bank separately evaluates its securities HTM for any credit losses using the CECL model, similar to the methodology used for loans. Since US government bonds are considered credit-risk free assets, only municipal securities are included in the ACL calculation. The total allowance for credit losses for municipal securities HTM was \$300 thousand as of both December 31, 2025 and 2024.

The Bank uses S&P and Moody's ratings as the credit quality indicators for its securities HTM, credit ratings of BBB- or higher are considered investment grade. Approximately 57% and 61% of total securities HTM as of December 31, 2025 and 2024, respectively, were issued by the U.S. government or U.S. government-sponsored enterprises, with implied guarantee of payment of principal and interest. The remaining securities were predominantly investment-grade municipal securities.

Total securities AFS and HTM with an amortized cost of \$3.98 billion and \$3.58 billion as of December 31, 2025 and 2024, respectively, were pledged to secure securities sold under repurchase agreements, public deposits and FRB discount window, and for other purposes required by law.

Interest income on tax-exempt securities AFS and HTM was \$17.3 million and \$18.4 million for the years ended December 31, 2025 and 2024, respectively.

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

The loan portfolio is composed mainly of credit extended to borrowers in Southern California with the majority of loans secured by real estate. There is no concentration of loans to borrowers in a specific industry within the loan portfolio. Loans are generally expected to be paid off from the operating cash flow of the borrowers, refinancing by another lender, or through sale by the borrowers of the secured collateral.

The table below is the presentation of the loan portfolio by loan type:

	December 31,	
	2025	2024
	(In thousands)	
Loan Type		
Commercial & industrial	\$ 366,908	\$ 386,811
Construction	359,308	392,982
Commercial real estate	4,273,728	4,470,602
Residential mortgages	838,056	972,123
Equity lines	48,948	42,601
Installment and other loans	179,154	194,061
Total loans held for investment	6,066,102	6,459,180
Allowance for credit losses on loans	(84,020)	(96,585)
Loans held for investment, net	\$ 5,982,082	\$ 6,362,595
Loans held for sale	1,447	1,132
Total loans receivable, net	<u>\$ 5,983,529</u>	<u>\$ 6,363,727</u>

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Loans and Allowance for Credit Losses, continued

Total loans with an amortized cost of \$3.74 billion and \$3.71 billion as of December 31, 2025 and 2024, respectively, were pledged to secure the Bank's FHLB advance line. In addition, total loans with an amortized cost of \$438.3 million and \$562.1 million as of December 31, 2025 and 2024, respectively, were pledged for the FRB's Discount Window.

Credit Quality Indicators

The following table summarizes the Bank's loans held for investment and current year-to-date gross charge-offs by loan type, internal risk ratings and vintage year as of December 31, 2025, and 2024. The vintage year is the year of origination, renewal or major modification:

	Term Loans Amortized Cost by Origination Year and Risk Ratings						Revolving Loans	Revolving loans converted to term	Total
	2025	2024	2023	2022	2021	Prior			
	(In thousands)								
As of December 31, 2025									
Commercial & Industrial									
Pass	\$ 67,336	\$ 10,890	\$ 15,716	\$ 58,657	\$ 48,498	\$ 70,655	\$ 92,955	\$ -	\$ 364,707
Special Mention	450	-	-	-	-	-	658	-	1,108
Substandard	-	493	-	-	-	-	600	-	1,093
Doubtful	-	-	-	-	-	-	-	-	-
Total Commercial & Industrial loans	67,786	11,383	15,716	58,657	48,498	70,655	94,213	-	366,908
YTD period gross charge-offs	-	-	-	-	-	-	-	-	-
YTD period recoveries	-	-	-	13	-	12	-	-	25
YTD period net charge-offs	-	-	-	(13)	-	(12)	-	-	(25)
Construction									
Pass	\$ 204,465	\$ 38,807	\$ 39,453	\$ 1,912	\$ 431	\$ 851	\$ 24,674	\$ -	\$ 310,593
Special Mention	24,284	-	16,553	-	-	-	-	-	40,837
Substandard	7,878	-	-	-	-	-	-	-	7,878
Doubtful	-	-	-	-	-	-	-	-	-
Total Construction loans	236,627	38,807	56,006	1,912	431	851	24,674	-	359,308
YTD period gross charge-offs	6,307	-	-	-	-	-	-	-	6,307
YTD period recoveries	-	-	-	-	-	-	-	-	-
YTD period net charge-offs	6,307	-	-	-	-	-	-	-	6,307
Commercial Real Estate									
Pass	592,862	174,807	175,339	1,119,916	791,352	926,215	62,984	545	3,844,020
Special Mention	29,516	40,084	-	77,417	14,059	11,213	840	-	173,129
Substandard	10,598	-	-	133,256	19,713	92,879	133	-	256,579
Doubtful	-	-	-	-	-	-	-	-	-
Total Commercial Real Estate loans	632,976	214,891	175,339	1,330,589	825,124	1,030,307	63,957	545	4,273,728
YTD period gross charge-offs	-	-	-	-	-	-	-	-	-
YTD period recoveries	-	-	-	-	-	-	-	-	-
YTD period net charge-offs	-	-	-	-	-	-	-	-	-
Residential Mortgage									
Pass	47,282	34,160	25,513	268,683	228,954	159,280	43,628	-	807,500
Special Mention	-	-	-	-	13,201	537	-	-	13,738
Substandard	357	5,435	-	6,528	3,408	1,090	-	-	16,818
Doubtful	-	-	-	-	-	-	-	-	-
Total Residential Mortgage loans	47,639	39,595	25,513	275,211	245,563	160,907	43,628	-	838,056
YTD period gross charge-offs	-	-	-	1,728	-	-	-	-	1,728
YTD period recoveries	-	-	-	-	-	-	-	-	-
YTD period net charge-offs	-	-	-	1,728	-	-	-	-	1,728
Equity Lines									
Pass	-	-	-	-	-	-	47,293	-	47,293
Special Mention	-	-	-	-	-	-	346	-	346
Substandard	-	-	-	-	-	-	1,309	-	1,309
Doubtful	-	-	-	-	-	-	-	-	-
Total Equity Lines loans	-	-	-	-	-	-	48,948	-	48,948
YTD period gross charge-offs	-	-	-	-	-	-	-	-	-
YTD period recoveries	-	-	-	-	-	-	-	-	-
YTD period net charge-offs	-	-	-	-	-	-	-	-	-

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOT E 4 – Loans and Allowance for Credit Losses, continued

Credit Quality Indicators, continued

	Term Loans								
	Amortized Cost by Origination Year and Risk Ratings								
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving loans converted to term	Total
	(In thousands)								
As of December 31, 2025									
Installment & other loans									
Pass	1,498	-	383	62,118	95,587	19,568	-	-	179,154
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total Installment & other loans	1,498	-	383	62,118	95,587	19,568	-	-	179,154
YTD period gross charge-offs	35	-	-	-	-	25	-	-	60
YTD period recoveries	-	-	-	-	-	5	-	-	5
YTD period net charge-offs	35	-	-	-	-	20	-	-	55
Portfolio Total	986,526	304,676	272,957	1,728,487	1,213,380	1,282,288	275,420	2,368	6,066,102
YTD period gross charge-offs	6,342	-	-	1,728	-	25	-	-	8,095
YTD period recoveries	-	-	-	13	-	17	-	-	30
YTD period net charge-offs	\$ 6,342	\$ -	\$ -	\$ 1,715	\$ -	\$ 8	\$ -	\$ -	\$ 8,065

	Term Loans						Revolving Loans	Revolving loans converted to term	Total
	Amortized Cost by Origination Year and Risk Ratings								
	2024	2023	2022	2021	2020	Prior			
	(In thousands)								
As of December 31, 2024									
Commercial & Industrial									
Pass	\$ 20,900	\$ 17,360	\$ 61,627	\$ 48,381	\$ 2,718	\$ 63,085	\$ 159,101	\$ -	\$ 373,172
Special Mention	-	-	335	-	-	-	2,236	-	2,571
Substandard	-	-	5	-	58	9,026	1,979	-	11,068
Doubtful	-	-	-	-	-	-	-	-	-
Total Commercial & Industrial loans	20,900	17,360	61,967	48,381	2,776	72,111	163,316	-	386,811
YTD period gross charge-offs	-	-	-	-	-	-	-	-	-
YTD period recoveries	-	-	19	-	31	39	-	-	89
YTD period net charge-offs	-	-	(19)	-	(31)	(39)	-	-	(89)
Construction									
Pass	55,574	66,365	143,177	450	805	825	28,730	-	295,926
Special Mention	24,212	-	-	-	-	-	-	-	24,212
Substandard	25,520	3,522	43,802	-	-	-	-	-	72,844
Doubtful	-	-	-	-	-	-	-	-	-
Total Construction loans	105,306	69,887	186,979	450	805	825	28,730	-	392,982
YTD period gross charge-offs	-	-	-	-	-	-	-	-	-
YTD period recoveries	-	-	-	-	-	76	-	-	76
YTD period net charge-offs	-	-	-	-	-	(76)	-	-	(76)
Commercial Real Estate									
Pass	292,610	185,561	1,395,747	881,417	475,019	621,044	60,292	-	3,911,690
Special Mention	37,949	2,155	66,808	10,148	34,744	23,140	-	-	174,944
Substandard	43,429	20,604	76,638	25,776	116,616	100,900	5	-	383,968
Doubtful	-	-	-	-	-	-	-	-	-
Total Commercial Real Estate loans	373,988	208,320	1,539,193	917,341	626,379	745,084	60,297	-	4,470,602
YTD period gross charge-offs	-	-	-	-	-	-	-	-	-
YTD period recoveries	-	-	-	-	-	-	-	-	-
YTD period net charge-offs	-	-	-	-	-	-	-	-	-
Residential Mortgage									
Pass	63,286	30,311	298,215	258,446	88,689	129,167	49,400	-	917,514
Special Mention	265	106	7,406	-	-	660	2,149	-	10,586
Substandard	1,110	-	5,825	4,443	30,454	2,190	1	-	44,023
Doubtful	-	-	-	-	-	-	-	-	-
Total Residential Mortgage loans	64,661	30,417	311,446	262,889	119,143	132,017	51,550	-	972,123
YTD period gross charge-offs	-	-	-	-	-	-	-	-	-
YTD period recoveries	-	-	-	-	-	826	-	-	826
YTD period net charge-offs	-	-	-	-	-	(826)	-	-	(826)

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Loans and Allowance for Credit Losses, continued

Credit Quality Indicators, continued

	Term Loans								
	Amortized Cost by Origination Year and Risk Ratings								
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving loans converted to term	Total
	(In thousands)								
Equity Lines									
Pass	-	-	-	-	-	-	41,528	-	41,528
Special Mention	-	-	-	-	-	-	237	-	237
Substandard	-	-	-	-	-	-	836	-	836
Doubtful	-	-	-	-	-	-	-	-	-
Total Equity Lines loans	-	-	-	-	-	-	42,601	-	42,601
YTD period gross charge-offs	-	-	-	-	-	-	-	-	-
YTD period recoveries	-	-	-	-	-	223	-	-	223
YTD period net charge-offs	-	-	-	-	-	(223)	-	-	(223)
Installment & other loans									
Pass	-	400	58,890	79,796	53,192	986	797	-	194,061
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total Installment & other loans	-	400	58,890	79,796	53,192	986	797	-	194,061
YTD period gross charge-offs	-	-	-	-	-	30	-	-	30
YTD period recoveries	-	-	-	-	-	1	-	-	1
YTD period net charge-offs	-	-	-	-	-	29	-	-	29
Portfolio Total	564,855	326,384	2,158,475	1,308,857	802,295	951,023	347,291	-	6,459,180
YTD period gross charge-offs	-	-	-	-	-	30	-	-	30
YTD period recoveries	-	-	19	-	31	1,165	-	-	1,215
YTD period net charge-offs	\$ -	\$ -	\$ (19)	\$ -	\$ (31)	\$ (1,135)	\$ -	\$ -	\$ (1,185)

Nonaccrual and Past Due Loans

Loans are tracked by the numbers of days that borrowers' payments are past due. The table below presents an aging analysis of nonaccrual and past due loans, segregated by loan type:

	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days & Over Still Accruing	Nonaccrual	Current	Total
	(In thousands)					
As of December 31, 2025						
Loan Type						
Commercial & industrial	\$ -	\$ -	\$ -	\$ -	\$ 366,908	\$ 366,908
Construction	-	-	-	7,878	351,430	359,308
Commercial real estate	-	-	-	-	4,273,728	4,273,728
Residential mortgages	-	973	-	-	837,083	838,056
Equity lines	-	-	-	-	48,948	48,948
Installment and other loans	-	-	-	-	179,154	179,154
Total loans held for investment	<u>\$ -</u>	<u>\$ 973</u>	<u>\$ -</u>	<u>\$ 7,878</u>	<u>\$ 6,057,251</u>	<u>\$ 6,066,102</u>
As of December 31, 2024						
Loan Type						
Commercial & industrial	\$ -	\$ -	\$ -	\$ -	\$ 386,811	\$ 386,811
Construction	-	-	-	21,032	371,950	392,982
Commercial real estate	-	-	-	486	4,470,116	4,470,602
Residential mortgages	1,701	665	-	1,252	968,505	972,123
Equity lines	9	-	-	-	42,592	42,601
Installment and other loans	-	-	-	-	194,061	194,061
Total loans held for investment	<u>\$ 1,710</u>	<u>\$ 665</u>	<u>\$ -</u>	<u>\$ 22,770</u>	<u>\$ 6,434,035</u>	<u>\$ 6,459,180</u>

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Loans and Allowance for Credit Losses, continued

Nonaccrual and Past Due Loans, continued

The following is a summary of selected information related to the nonaccrual loans outstanding under amortized cost as of December 31, 2025 and 2024, and the related contractual interest income foregone for the years indicated:

	December 31,	
	2025	2024
	(In thousands)	
Nonaccrual loans		
Amortized Cost	\$ 7,878	\$ 22,770
Average balance	19,360	26,672
Interest income recorded	-	54
Interest income foregone	1,404	504

The table below presents the amortized cost for loans on nonaccrual status, including loans with no allowance, by loan type as of December 31, 2025 and 2024:

	December 31, 2025			December 31, 2024		
	Nonaccrual with No Allowance for Credit Losses	Total Non- Accrual	Loans Past Due Over 90 Days Still Accruing	Nonaccrual with No Allowance for Credit Losses	Total Non- Accrual	Loans Past Due Over 90 Days Still Accruing
	(In thousands)					
Loan Type						
Construction	\$ -	\$ 7,878	\$ -	\$ 21,032	\$ 21,032	\$ -
Commercial real estate	-	-	-	486	486	-
Residential mortgages	-	-	-	1,252	1,252	-
Total nonaccrual loans	<u>\$ -</u>	<u>\$ 7,878</u>	<u>\$ -</u>	<u>\$ 22,770</u>	<u>\$ 22,770</u>	<u>\$ -</u>

Modifications of Loans to Borrowers Experiencing Financial Difficulty

The following table reflects the amortized cost of loans and the related financial effect by loan type of modifications during 2025 and 2024 made to borrowers experiencing financial difficulty:

	Year ended December 31, 2025			
	Term Extension	Term Extension and Interest Rate Reduction	% of total class of loans	Financial Effect
	(Dollars in thousands)			
Loan Type				
Construction	\$ -	\$ 7,878	2.2%	Added a weighted-average 1.1 years to the life of loans, which extended the debt's contractual due date; reduced contractual interest rate from 4% to 2%.
Commercial real estate	9,294	-	0.2%	Added a weighted-average 1.2 years to the life of loans, which reduced monthly payment amounts for the borrowers.
Residential mortgages	357	-	0.0%	Added a weighted-average 10.0 years to the life of loans, which reduced monthly payment amounts for the borrowers.
Total modified loans	<u>\$ 9,651</u>	<u>\$ 7,878</u>		

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Loans and Allowance for Credit Losses, continued

Modifications of Loans to Borrowers Experiencing Financial Difficulty, continued

Loan Type	Year ended December 31, 2024			
	Term Extension	Term Extension and Interest Rate Reduction	% of total class of loans	Financial Effect
(Dollars in thousands)				
Construction	\$ 9,893	\$ -	2.5%	Added a weighted-average 0.7 years to the life of loans, which extended the debt's contractual due date.
Commercial real estate	54,679	-	1.2%	Added a weighted-average 2.4 years to the life of loans, which reduced monthly payment amounts for the borrowers.
Total modified loans	\$ 64,572	\$ -		

The table below presents the performance of loans as of December 31, 2025 and 2024, that were modified for borrowers experiencing financial difficulty within the past 12 months:

Loan Type	December 31, 2025			December 31, 2024		
	Current	30-89 Days Past Due	90 Days Over Past Due	Current	30-89 Days Past Due	90 Days Over Past Due
(In thousands)						
Construction	\$ 7,878	\$ -	\$ -	\$ 9,893	\$ -	\$ -
Commercial real estate	9,294	-	-	54,679	-	-
Residential mortgages	357	-	-	-	-	-
Total modified loans	\$ 17,529	\$ -	\$ -	\$ 64,572	\$ -	\$ -

As of December 31, 2025 and 2024, there were no commitments to lend additional funds to borrowers experiencing financial difficulty and whose loans were modified.

Individually Evaluated for Impairment

The table below presents the loans that were individually evaluated for impairment and the loans that were collectively evaluated for impairment as of December 31, 2025 and 2024:

Loan Type	December 31, 2025			December 31, 2024		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
(In thousands)						
Commercial & industrial	\$ -	\$ 366,908	\$ 366,908	\$ -	\$ 386,811	\$ 386,811
Construction	7,878	351,430	359,308	30,925	362,057	392,982
Commercial real estate	9,294	4,264,434	4,273,728	55,165	4,415,437	4,470,602
Residential mortgages	357	837,699	838,056	1,252	970,871	972,123
Equity lines	-	48,948	48,948	-	42,601	42,601
Installment and other loans	-	179,154	179,154	-	194,061	194,061
Total impaired loans	\$ 17,529	\$ 6,048,573	\$ 6,066,102	\$ 87,342	\$ 6,371,838	\$ 6,459,180

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Loans and Allowance for Credit Losses, continued

Collateral Dependent Loans

Loans are considered collateral-dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The table below presents the collateral-dependent loans by type of loans as of December 31, 2025 and 2024:

Loan Type	As of December 31, 2025		As of December 31, 2024	
	Real Estate	Number of Loans Dependent on Collateral	Real Estate	Number of Loans Dependent on Collateral
		(Dollars in thousands)		(Dollars in thousands)
Construction	\$ 7,878	1	\$ 30,925	2
Commercial real estate	9,294	1	55,165	5
Residential mortgages	357	1	1,252	3
Total collateral-dependent loans	\$ 17,529	3	\$ 87,342	10

Allowance for Credit Losses (“ACL”)

The table below summarizes ACL activity by loan segment for each year ended:

	Commercial & Industrial	Construction	Commercial Real Estate	Residential Mortgages	Equity Lines	Installment and Other Loans	Total
	(In thousands)						
December 31, 2023	\$ 5,299	\$ 26,836	\$ 51,048	\$ 12,205	\$ 437	\$ 2,075	\$ 97,900
Provision	2,367	(17,439)	10,621	614	(97)	1,434	(2,500)
Charge-Offs	-	-	-	-	-	(30)	(30)
Recoveries	89	76	-	826	223	1	1,215
December 31, 2024	\$ 7,755	\$ 9,473	\$ 61,669	\$ 13,645	\$ 563	\$ 3,480	\$ 96,585
Provision	(146)	9,043	(9,535)	(2,410)	5	(1,457)	(4,500)
Charge-Offs	-	(6,307)	-	(1,728)	-	(60)	(8,095)
Recoveries	25	-	-	-	-	5	30
December 31, 2025	\$ 7,634	\$ 12,209	\$ 52,134	\$ 9,507	\$ 568	\$ 1,968	\$ 84,020

The ending ACL balance is composed of amounts applicable to loans:

Individually evaluated for impairment	\$ -	\$ 758	\$ -	\$ -	\$ -	\$ -	\$ 758
Collectively evaluated for impairment	\$ 7,634	\$ 11,451	\$ 52,134	\$ 9,507	\$ 568	\$ 1,968	\$ 83,262

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Loans and Allowance for Credit Losses, continued

Reserve for Unfunded Loan Commitments

The allowance for off-balance sheet credit exposure relates to commitments to extend credit, letters of credit and undisbursed funds on lines of credit. The Bank evaluates credit risk associated with the off-balance sheet loan commitments in the same manner as it evaluates credit risk associated with the loan portfolio. Activities in the reserve for unfunded loan commitments included in other liabilities in the accompanying balance sheets for the years ended December 31, 2025 and 2024, were as follows:

	December 31,	
	2025	2024
	(In thousands)	
Balance, beginning of year	\$ 9,900	\$ 14,000
Addition (Reduction)	3,400	(4,100)
Balance, end of year	<u>\$ 13,300</u>	<u>\$ 9,900</u>

NOTE 5 – PREMISES AND EQUIPMENT

The following is a summary of premises and equipment as of the dates indicated:

	December 31,	
	2025	2024
	(In thousands)	
Property Type		
Land	\$ 49,606	\$ 46,939
Buildings and building improvements	119,822	116,111
Furniture, fixtures and equipment	56,593	54,078
Leasehold improvements	6,600	5,580
Construction in progress	1,395	363
Total premises and equipment, gross	234,016	223,071
Less accumulated depreciation	(112,122)	(104,597)
Total premises and equipment, net	<u>\$ 121,894</u>	<u>\$ 118,474</u>

In 2024, the Bank sold a property in Lakewood, California, for cash proceeds of \$4.8 million and recognized a gain of \$4.4 million, which was recorded in non-interest income in the statements of income.

Depreciation expense was \$9.2 million in 2025 and \$9.9 million in 2024.

NOTE 6 – TAX CREDIT INVESTMENTS

The Bank has invested in certain limited liability companies and partnerships that make investments in affordable housing projects, NMTC projects, and renewable energy projects for the purpose of utilizing the tax credits these investments generate. The Bank evaluates these investments to determine whether they meet the definition of variable interest entity (VIE) and whether they are required to be consolidated. While the Bank has determined that these investments meet the definition of VIE in accordance with ASC 810, the Bank is not the primary beneficiary of these investments and has no control over the significant operations; therefore, the Bank is not required to consolidate these entities on its financial statements.

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Tax Credit Investments, continued

The Bank adopted ASU 2023-02 on January 1, 2024, and elected to account for its investments in NMTC projects using PAM on a program-by-program basis. For the Bank's accounting policies on PAM, see Note 1 – Nature of Operations and Summary of Significant Accounting Policies – Tax Credit Investments in this Annual Report.

The table below presents the Bank's tax credit investments and related unfunded commitments, which are included in other assets and other liabilities on the balance sheets as of December 31, 2025 and 2024, respectively:

	December 31, 2025		December 31, 2024	
	Assets	Liabilities - Unfunded Commitments	Assets	Liabilities - Unfunded Commitments
	(In thousands)			
Tax Credit Investments				
PAM				
Affordable housing partnership	\$ 42,092	\$ -	\$ 49,214	\$ 9,933
NMTC	8,921	-	12,980	-
HLBV Method				
Renewable energy	-	-	2,025	-
Total tax credit investments	\$ 51,013	\$ -	\$ 64,219	\$ 9,933

The table below presents the amortization of the Bank's tax credit investments for the years ended December 31, 2025 and 2024, respectively:

	2025	2024
	(In thousands)	
Amortization as a component of current federal income tax		
PAM		
Affordable housing partnership	\$ 7,122	\$ 6,401
NMTC	4,059	5,301
Total amortization recorded in federal income tax expense	11,181	11,702
Amortization recorded in other expense:		
HLBV method		
Renewable energy	-	511
Total amortization recorded in other expense	-	511
Total amortization of tax credit investments	\$ 11,181	\$ 12,213

The table below presents the federal tax credits and benefits recognized on the Bank's tax credit investments during the years ended December 31, 2025 and 2024, respectively:

	2025	2024
	(In thousands)	
Tax Credits and Benefits		
Affordable housing partnership	\$ 7,521	\$ 7,300
NMTC	4,796	6,059
Total tax credits and benefits	\$ 12,317	\$ 13,359

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Tax Credit Investments, continued

As of December 31, 2025, the Bank's tax credit investments are expected to generate approximately \$52.6 million of federal tax credits in future years.

NOTE 7 – DEPOSITS

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

	December 31,	
	2025	2024
	(In thousands)	
Deposit Type		
Core deposits:		
Non-interest-bearing checking	\$ 3,095,295	\$ 2,908,598
Interest-bearing checking	1,751,037	2,047,524
Money market accounts	2,093,347	1,792,468
Savings deposits	991,114	992,210
Total core deposits	<u>7,930,793</u>	<u>7,740,800</u>
Time deposits:		
\$250,000 or less	\$ 340,720	\$ 371,460
Greater than \$250,000	679,281	657,333
Total time deposits	<u>1,020,001</u>	<u>1,028,793</u>
Total deposits	<u><u>\$ 8,950,794</u></u>	<u><u>\$ 8,769,593</u></u>

As of December 31, 2025, the maturity distribution of the Bank's time deposits was as follows:

	\$250,000 or Less	Greater Than \$250,000	Total
	(In thousands)		
Maturities of time deposits:			
2026	\$ 310,869	\$ 657,176	\$ 968,045
2027	15,703	6,352	22,055
2028	7,490	10,163	17,653
2029	2,047	3,446	5,493
2030	4,611	2,144	6,755
Total time deposits	<u><u>\$ 340,720</u></u>	<u><u>\$ 679,281</u></u>	<u><u>\$1,020,001</u></u>

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Substantially all repurchase agreements have open-ended maturities, where either the customer or the Bank may terminate a repurchase agreement at any time upon written notice. Under the agreements, the Bank is required to pledge securities as collateral valued at 110% of the current balance of securities sold under repurchase agreements. All outstanding balances and pledged securities are rebalanced, with interest rates reset daily to reflect market movement.

The table below summarizes information about securities sold under repurchase agreements as of:

	December 31,	
	2025	2024
	(Dollars in thousands)	
Securities sold under repurchase agreements	\$ 883,234	\$ 991,869
Maximum daily balance	1,066,347	1,069,128
Average during the year	972,299	943,573
Interest rate at year end	3.04%	3.53%
Weighted-average interest rate during the year	3.34%	3.99%

The securities underlying these agreements are held by a custodian bank until the maturity of the agreement. As of December 31, 2025 and 2024, securities pledged as collateral underlying repurchase agreements, including U.S. Treasury, U.S. Agency, MBS, and CMO, were \$1.11 billion and \$1.22 billion, respectively, with fair value of \$1.04 billion and \$1.11 billion, respectively. The identical securities will be repurchased by the Bank.

NOTE 9 – OTHER BORROWINGS

The Bank's available borrowing capacity from federal funds lines of credit and the FRB discount window amounted to \$2.96 billion and \$2.18 billion as of December 31, 2025 and 2024, respectively. The Bank's available secured borrowing capacity for FHLB advances totaled \$1.79 billion and \$1.62 billion as of December 31, 2025 and 2024, respectively.

The table below summarizes information about other borrowings as of:

	December 31,	
	2025	2024
	(Dollars in thousands)	
FHLB advances	\$ 300,000	\$ 500,000
Maximum daily balance	530,000	1,200,000
Average during the year	344,581	982,738
Interest rate at year end	3.89%	4.07%
Weighted-average interest rate during the year	3.99%	4.67%

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – LEASES

The Bank enters into leases in the normal course of business and is obligated under a number of operating leases for premises. Most of the leases require that the Bank pay property taxes, insurance and other operating expenses applicable to the leased premises in addition to the monthly lease payments. Lease expense was \$2.5 million and \$2.1 million for the years ended December 31, 2025 and 2024, respectively.

	December 31,	
	2025	2024
	(Dollars in thousands)	
Lease Cost		
Operating lease expense	\$ 2,123	\$ 1,784
Variable lease expense (common area maintenance)	342	365
Sublease income	(147)	(144)
Net lease cost	\$ 2,318	\$ 2,005
Cash paid for amounts included in the measurements of lease liabilities	\$ 1,885	\$ 1,947
ROU assets obtained in the exchange for lease liabilities	4,964	1,571
Balance Sheet:		
Operating lease ROU assets	\$ 9,109	\$ 6,345
Operating lease liabilities	9,693	6,633
Operating leases:		
Weighted-average remaining lease term (in years):	8.1	4.7
Weighted-average discount rate:	6.20%	5.26%

The table below presents the future minimum lease payments of the Bank's operating lease liabilities:

	December 31, 2025
	(In thousands)
Future minimum lease payments:	
2026	\$ 2,077
2027	1,914
2028	1,438
2029	1,242
2030	829
Thereafter	5,082
Total future lease payments	12,582
Less: imputed interest	2,889
Total lease liabilities	\$ 9,693

Total lease income, which comprised Bank-owned property rentals and operating lease subleases, was \$2.9 million and \$3.4 million for the years ended December 31, 2025 and 2024, respectively.

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – Leases, continued

The table below presents future annual lease income payments that are expected to be received under operating leases with terms in excess of one year as of December 31, 2025:

	<u>December 31, 2025</u>
	(In thousands)
Future lease income:	
2026	\$ 2,358
2027	1,739
2028	624
2029	372
2030	267
Thereafter	563
Total future lease income	<u>\$ 5,923</u>

Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases.

NOTE 11 – PROFIT-SHARING PLAN

The Bank has a noncontributory profit-sharing plan in which employees are eligible to participate at year-end if they have been employed for at least 1,000 hours during the year. The Bank accrued expenses of \$7.1 million and \$7.3 million for the profit-sharing plan in 2025 and 2024, respectively. As of December 31, 2025 and 2024, no shares of the Bank's stock were held by the plan.

NOTE 12 – LONG TERM INCENTIVE PLAN

Pursuant to the Bank's 2010 Long-term Incentive Plan ("Plan") as amended in 2019, the Bank may issue stock options, share appreciation rights, RSUs, deferred share units, performance awards or dividend equivalent rights to certain employees at no cost to the recipient. A total of 6,000 shares were available to grant under the Plan.

In June 2020, the Bank granted 2,175 RSUs to employees which cliff vest after five or ten years of continued employment from the date of grant. In June 2019, the Bank granted 3,775 RSUs to employees which cliff vest after five years of continued employment from the date of grant. All RSUs are subject to forfeiture until vested.

The table below presents a summary of the total share-based compensation expense and the related net tax benefits associated with the Bank's employee share-based compensation plan for the years ended December 31, 2025 and 2024.

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Stock compensation costs	\$ 1,095	\$ 4,570
Related net tax benefits for stock compensation plans	316	1,351

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 12 – Long Term Incentive Plan, continued

Compensation costs for these time-based awards are based on the closing price of the Bank's stock at the grant date. Compensation costs are recognized on a straight-line basis from the grant date until the vesting date of each grant, net of forfeitures as they occur. The unrecognized RSU compensation costs totaled \$4.3 million as of December 31, 2025 and will be recognized over the next 4.5 years.

The table below presents a summary of the activity for the Bank's time-based RSUs for each year ended, based on the target amount of awards.

	<u>Shares</u>	<u>Weighted- Average Grant Date Fair Value</u>
Outstanding As of December 31, 2023	5,800	\$ 7,331
Granted	-	-
Vested	(3,625)	8,150
Forfeited	(25)	5,965
Outstanding As of December 31, 2024	2,150	\$ 5,965
Granted	-	-
Vested	(350)	5,965
Forfeited	(100)	5,965
Outstanding As of December 31, 2025	<u>1,700</u>	<u>\$ 5,965</u>

The total fair value of the unvested time-based RSUs as of December 31, 2025 and 2024 was \$14.2 million and \$12.3 million, respectively.

NOTE 13 – INCOME TAXES

The income tax expense attributable to income from continuing operations for the years ended December 31, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Current income tax expense:		
Federal	\$ 14,864	\$ 13,794
State	7,261	2,020
Total current income tax expense	<u>22,125</u>	<u>15,814</u>
Deferred income tax expense:		
Federal	573	14
State	1,466	2,690
Total deferred income tax expense	<u>2,039</u>	<u>2,704</u>
Total income tax expense:		
Federal	15,437	13,808
State	8,727	4,710
Total income tax expense	<u>\$ 24,164</u>	<u>\$ 18,518</u>

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – Income Taxes, continued

The Bank early adopted ASU 2023-09 on January 1, 2025, and started to provide greater disaggregation of information in the income tax rate reconciliation. For the Bank's accounting policies on income taxes, see Note 1 – Nature of Operations and Summary of Significant Accounting Policies – Income Taxes in this Annual Report.

The table below presents a reconciliation of the applicable statutory federal tax rate to the effective tax rate:

	2025		2024	
	Amount	Rate	Amount	Rate
	(Dollars in thousands)			
US federal statutory income tax rate	\$ 19,428	21.0%	\$ 13,313	21.0%
Domestic federal				
Tax credits				
NMTC	(745)	(0.8%)	(764)	(1.2%)
Other	(553)	(0.6%)	(789)	(1.2%)
Nontaxable or nondeductible items				
Tax-exempt interest	(6,091)	(6.6%)	(6,419)	(10.1%)
Nondeductible interest expense	4,893	5.3%	6,388	10.1%
Other	241	0.3%	340	0.5%
Excess tax shortfall on share-based payments	30	0.0%	2,626	4.1%
Other	19	0.0%	125	0.2%
Domestic state and local income taxes, net of federal effect	6,942	7.5%	3,698	5.8%
Income tax expense and effective tax rate	<u>\$ 24,164</u>	<u>26.1%</u>	<u>\$ 18,518</u>	<u>29.2%</u>

State income taxes in California comprised the majority (greater than 50%) of the tax effect in this category.

The following are the main drivers of change in the effective tax rate:

Share based compensation: In 2024, the Bank incurred a \$12.5 million shortfall related to the RSU vesting, which contributed \$2.6 million in tax expense. This was caused by a lower share price at vesting compared to the higher share price at grant date.

Nondeductible interest expense: In 2025, the Bank incurred a lower interest expense disallowance compared to 2024. This reduction was driven by lower interest expenses in 2025.

Domestic state and local income taxes, net of federal effect: In 2024, the Bank reversed a state valuation allowance and utilized \$11.2 million of capital losses, resulting in a net tax benefit of \$959 thousand. In 2025, California SB 132 was signed into law. This law changed the state apportionment methodology for financial institutions to a single sales factor, which lowered the Bank's allocated income to the state of California. As the weighted average state tax rate was reduced, the Bank recognized an \$812 thousand valuation write-down of its state deferred tax assets.

FARMERS & MERCHANTS BANK OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS

NOTE 13 – Income Taxes, continued

Income tax paid, net of refunds received, for the years ended 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
US federal	\$ 1,762	\$ 2,350
US state and local		
California	7,810	3,025
Other	437	100
Total income tax paid, net	<u>\$ 10,009</u>	<u>\$ 5,475</u>

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Deferred tax assets		
Allowance for credit losses	\$ 30,260	\$ 34,000
Tax credit carryforward	9,719	9,868
Tax credit investments — federal tax basis difference	8	-
Tax credit investments — state tax basis difference	-	1,365
Capital loss carryforward	4,562	2,935
Accrued employee compensation	2,425	2,823
Premises and equipment depreciation and amortization	208	163
Operating lease liabilities	3,005	2,112
Capitalized research and experimentation costs	26	1,803
Other, net	963	430
Gross deferred tax assets	51,176	55,499
Valuation allowance	(4,562)	(4,300)
Deferred tax assets, net of valuation allowance	<u>\$ 46,614</u>	<u>\$ 51,199</u>
Deferred tax liabilities		
Loan origination costs	\$ 1,538	\$ 1,709
Tax credit investments — federal tax basis difference	-	1,459
State income taxes	1,058	2,164
Prepaid assets	1,355	1,420
Lease right-of-use assets	2,824	2,020
Gross deferred tax liabilities	6,775	8,772
Net deferred tax assets	<u>\$ 39,839</u>	<u>\$ 42,427</u>

In assessing the realization of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences become deductible. Based upon the Bank's taxpaying history and estimates of taxable income over the years in which the items giving rise to the deferred tax assets are deductible, management believes it is more-likely-than-not that the Bank will realize the benefits of these deductible differences, with the exception of the deferred tax assets related to capital loss carryforward in California.

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – Income Taxes, continued

The Bank's federal tax credit carryforward balance was \$9.7 million and \$9.9 million as of December 31, 2025 and 2024, respectively. Federal tax credits generated were \$10.8 million and \$13.0 million in 2025 and 2024, respectively. These credits originated from tax credit investments and research and development activities. Tax credits are recognized using the flow through method. These carryforwards will expire in 2045 if not utilized.

The Bank's California pretax capital loss carryforward balance was \$45.6 million and \$27.1 million as of December 31, 2025 and 2024, respectively. If not utilized, these carryforwards will expire as follows: \$5.7 million in 2026, \$1.6 million in 2027, \$5.6 million in 2028, \$17.5 million in 2029, and \$15.2 million in 2030. For the year ended December 31, 2025, the Bank did not have net operating losses (NOL) for Federal or California, and carried a NOL of \$5.1 million for the state of Colorado due to allocations of losses from tax credit investments. These NOL carryforwards will begin to expire in 2029 if not utilized.

ASC 740-10, *Accounting for Uncertainty in Income Taxes*, requires that all tax positions be assessed and to the extent the position is more-likely-than-not to be sustained on its technical merits, a benefit be recognized based on the greatest amount that is more-likely-than-not to be sustained. Management's evaluation of tax positions was performed for those tax years that remain open to audit. As of December 31, 2025, tax years 2022 through 2025 for federal purposes and tax years 2021 through 2025 for state purposes, remained open to examination. The Bank had \$16 thousand in unrecognized tax benefits as of December 31, 2025. The Bank may, from time to time, be assessed interest or penalties by taxing authorities, although any such assessments historically have been minimal and immaterial to our financial results.

NOTE 14 – EARNINGS PER SHARE

In 2025, The Bank started to calculate EPS for common stock using the two-class method due to the issuance of preferred stock. For additional information on the Bank's accounting policy related to EPS, see Note 1 – Nature of Operations and Summary of Significant Accounting Policies - Earnings Per Share in this Annual Report. The table below presents the calculation of net income allocated to common shareholders, and basic and diluted EPS for the year ended December 31, 2025:

	2025
(In thousands, except share and per share data)	
Net income	\$ 68,349
Less: Preferred shares dividends	699
Net income available to common shareholders	67,650
Less: Undistributed earnings allocated to preferred shares	1,407
Net income allocated to common shareholders	\$ 66,243
Weighted-average common shares outstanding	122,116
Basic EPS	\$ 542.46
Net income allocated to common shareholders	\$ 66,243
Weighted-average common shares outstanding	122,116
Add: Effect of RSU	1,099
Adjusted weighted-average common shares outstanding to diluted EPS	123,215
Diluted EPS	\$ 537.62

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – Earnings Per Share, continued

The table below presents the calculation of basic and diluted EPS for the year ended December 31, 2024:

	2024
(In thousands, except share and per share data)	
Net income	\$ 44,878
Weighted-average common shares outstanding	122,778
Basic EPS	\$ 365.52
Net income	\$ 44,878
Weighted-average common shares outstanding	122,778
Add: Effect of RSU	2,360
Adjusted weighted-average common shares outstanding to diluted EPS	125,138
Diluted EPS	\$ 358.63

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Commitments to Extend Credit

In the normal course of business, the Bank has various outstanding commitments to extend credit that are not reflected in the accompanying financial statements. While the Bank does not anticipate material losses from these transactions, commitments to extend credit are included in determining the appropriate level of the reserve for unfunded loan commitments. Commitments to extend credit are agreements to lend to a customer, provided there is no violation of any condition established in the agreement.

Standby letters of credit are conditional commitments issued by the Bank to make payment on behalf of customers when certain specified future events occur. The customer is obligated to reimburse the Bank for any such payment. Most letters of credit expire within one year.

The Bank uses the same credit policies in making commitments to extend credit and in issuing standby letters of credit. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the customer.

The table below presents a summary of the Bank's commitments to extend credit as of the dates indicated:

	December 31,	
	2025	2024
	(In thousands)	
Commitment Type		
Commitments to extend credit	\$ 1,356,763	\$ 1,438,081
Financial standby letters of credit	24,690	30,640
Performance standby letters of credit	2,666	3,052
Total commitments	\$ 1,384,119	\$ 1,471,773

Legal Matters

From time to time, the Bank is a defendant or plaintiff in various legal proceedings, including litigation arising in the ordinary course of our business. The outcome of such legal proceedings and the timing of ultimate resolution are inherently difficult to predict. In accordance with applicable accounting guidance, the Bank

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 15 – Commitments and Contingencies, continued

Legal Matters, continued

establishes an accrued liability for litigation when those matters present loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amount accrued. As a matter develops, the Bank, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. Once the loss contingency is deemed to be both probable and estimable, the Bank will establish an accrued liability and record a corresponding amount of litigation-related expense. The Bank continues to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established. Based on current knowledge, management does not believe that loss contingencies arising from pending matters will have a material adverse effect on the financial position or liquidity of the Bank.

NOTE 16 – FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value including a three-level valuation hierarchy, and expands disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date reflecting assumptions that a market participant would use when pricing an asset or liability. The three-level inputs to measure the fair value of assets and liabilities are as follows:

Level 1 — Unadjusted quoted prices for identical instruments that are highly liquid, observable and actively traded in over-the-counter markets.

Level 2 — Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable and can be corroborated by market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation.

The Bank uses the following methodologies to measure the fair value of its financial assets on a recurring and non-recurring basis:

Securities available-for-sale — Other than U.S. Treasury securities, which is a Level 1 measurement, the Bank measures securities by using quoted market prices for similar securities or dealer quotes, a Level 2 measurement.

Loans held for sale — Loans held for sale are carried at the lower of cost or fair value. The Bank records loans held for sale at fair value based on quoted prices from third party sale analysis, existing sale agreements, or appraisal reports adjusted by sales commission assumption, which is a Level 2 measurement.

Individually evaluated loans — The Bank does not record loans at fair value on a recurring basis. However, from time to time, nonrecurring fair value adjustments to collateral-dependent individually evaluated loans are recorded based on either current appraised value of the collateral, a Level 2 measurement, or management's judgment and estimation of value reported on appraisals that are

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 16 – Fair Value Measurements, continued

adjusted based on recent market trends or offers received for the related collateral sale, a Level 3 measurement. The significant unobservable inputs (Level 3) used in the fair value measurement of \$7.9 million for the individually evaluated loan were derived from the average of multiple appraisal offers of \$8.0 million received for the related collateral sale, adjusted for the estimated sales cost and commissions of \$0.1 million.

The table below presents the Bank's hierarchy for its assets and liabilities measured at fair value on a recurring and non-recurring basis. These assets and liabilities are reported on the balance sheets at their fair values as of December 31, 2025 and 2024, respectively:

	Fair Value Measurements Using			Total at
	Level 1	Level 2	Level 3	Fair Value
	(In thousands)			
As of December 31, 2025				
Assets				
On a recurring basis:				
Securities AFS	\$ 10,003	\$ 829,347	\$ -	\$ 839,350
On a non-recurring basis:				
Loans held for sale	-	1,462	-	1,462
Individually evaluated loans	-	-	7,878	7,878
Total assets	\$ 10,003	\$ 830,809	\$ 7,878	\$ 848,690
As of December 31, 2024				
Assets				
On a recurring basis:				
Securities AFS	\$ 247,116	\$ 34,103	\$ -	\$ 281,219
On a non-recurring basis:				
Loans held for sale	-	1,134	-	1,134
Individually evaluated loans	-	-	-	-
Total assets	\$ 247,116	\$ 35,237	\$ -	\$ 282,353

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments are defined under ASC 825-50, *Financial Instruments – Disclosures*, as cash, evidence of an ownership in an entity, or a contract that conveys or imposes on an entity the contractual right or obligation to either receive or deliver cash or another financial instrument. A significant portion of the Bank's assets and liabilities are financial instruments as defined under ASC 825-50.

The following presents a description of the Bank's financial instruments and the methodologies and assumptions used to estimate their fair value. Much of the information used to determine fair value is highly subjective. When applicable, readily available market information has been utilized; however, for a significant portion of the Bank's financial instruments, active markets may not exist. Therefore, considerable judgments are required in estimating the fair value of certain items. The subjective factors include, among other things, the estimated timing and amount of cash flows, risk characteristics, credit quality and interest rates, all of which are subject to change. Since the fair value is estimated as of December 31, 2025 and 2024, the amounts that will actually be realized could be significantly different.

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 17 – Fair Value of Financial Instruments, continued

Cash and Due from Banks

The carrying value of cash and due from banks approximates the fair value because of the short maturity of such assets.

Securities Available-for-Sale and Securities Held-to-Maturity

The Bank used market quotes for similar or identical securities in an actively traded market or management's judgment and estimation to determine the fair values of securities AFS and securities HTM as disclosed in Notes 2 and 3, respectively.

Loans Held for Sale

Loans held for sale are carried at the lower of cost or fair value. Fair values are based on quoted prices from third party sale analysis, existing sale agreements, or appraisal reports adjusted by sales commission assumption.

Loans

Fair values were estimated for portfolios of loans with similar financial characteristics. Each loan category was further segmented into fixed and adjustable rate interest terms, by performing and nonperforming categories, and credit quality. The fair value of performing loans was calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates with an "exit price concept," that reflect the credit and interest rate risk inherent in the loan. The entire allowance for credit losses was deducted from the loan portfolio. Accordingly, they are considered to be carried at fair value, as the allowance for credit losses represents the estimated discount for credit risk for the applicable loans.

Investments in FHLB and FRB Stock

Investments in FHLB and FRB stock are carried at cost. Ownership of stock is restricted to member banks and the securities do not have a readily determinable market value. Purchases and sales of these securities are at par value with the issuers; hence, the fair value is equal to the carrying value.

Deposits

The fair value of demand deposits, savings and money market saving accounts represents the amount payable on demand at the reporting date. For fixed maturity time deposits, the fair value was estimated by discounting expected cash flows by the current offering rates of term deposits with similar maturities; however, since the Bank's current interest rate is approximately at market, fixed maturity time deposits were determined to approximate the carrying value.

Securities Sold under Repurchase Agreements

The fair value of securities sold under agreements to repurchase approximates carrying value due to the terms and nature of the obligations. Interest rates will reset daily according to the market movement.

Other Borrowings

For short-term borrowings, the fair value approximates carrying value due to the terms and nature of the obligations. The fair value of borrowings with terms over one year is estimated by using lender's indicative pricing or discounting the future cash flow using the current interest rates offered for similar advances.

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 17 – Fair Value of Financial Instruments, continued

The table below presents the carrying and estimated fair value per the fair value hierarchy of financial instruments as of the dates indicated:

	Carrying Value	Level 1	Level 2	Level 3	Estimated Fair Value
			(In thousands)		
As of December 31, 2025					
Financial Assets:					
Cash and due from banks	\$1,409,565	\$1,409,565	\$ -	\$ -	\$1,409,565
Securities available-for-sale	839,350	10,003	829,347	-	839,350
Securities held-to-maturity, net of credit losses	3,266,193	-	3,014,655	26,113	3,040,768
Loans held for sale	1,447	-	1,462	-	1,462
Loans, net of allowance for credit losses	5,982,082	-	-	5,754,006	5,754,006
Investments in FHLB and FRB stock	22,262	-	22,262	-	22,262
Financial Liabilities:					
Deposits					
Non-interest-bearing deposits	\$3,095,295	\$ -	\$3,095,295	\$ -	\$3,095,295
Interest-bearing deposits	1,751,037	-	1,751,037	-	1,751,037
Savings and money market deposits	3,084,461	-	3,084,461	-	3,084,461
Time deposits	1,020,001	-	1,020,001	-	1,020,001
Securities sold under repurchase agreements	883,234	-	883,234	-	883,234
Borrowings	300,000	-	-	296,611	296,611
As of December 31, 2024					
Financial Assets:					
Cash and due from banks	\$1,048,358	\$1,048,358	\$ -	\$ -	\$1,048,358
Securities available-for-sale	281,219	247,116	34,103	-	281,219
Securities held-to-maturity, net of credit losses	3,687,417	137,680	3,149,609	449	3,287,738
Loans held for sale	1,132	-	1,134	-	1,134
Loans, net of allowance for credit losses	6,362,595	-	-	5,946,963	5,946,963
Investments in FHLB and FRB stock	22,472	-	22,472	-	22,472
Financial Liabilities:					
Deposits					
Non-interest-bearing deposits	\$2,908,598	\$ -	\$2,908,598	\$ -	\$2,908,598
Interest-bearing deposits	2,047,524	-	2,047,524	-	2,047,524
Savings and money market deposits	2,784,678	-	2,784,678	-	2,784,678
Time deposits	1,028,793	-	1,028,793	-	1,028,793
Securities sold under repurchase agreements	991,869	-	991,869	-	991,869
Borrowings	500,000	-	-	497,908	497,908

NOTE 18 – RELATED PARTY TRANSACTIONS

The Bank and Queen City Investments, Inc. ("Queen City"), which is the parent company of Farmers & Merchants Trust Company of Long Beach ("the Trust Company"), are considered affiliated parties, as significant percentages of the outstanding shares of the Bank and Queen City are held by common shareholders, including certain executive officers and/or directors of the Bank. In addition, certain executives and other officers of the Bank serve as officers and/or directors of Queen City and/or its subsidiaries, including the Trust Company.

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 18 – Related Party Transactions, continued

The Bank leases its Torrance branch location from Queen City, and leases business resumption office space from the Trust Company at their Santa Barbara location. The Trust Company also leases office space from the Bank at the Long Beach, Laguna Hills and Newport Beach locations.

The table below summarizes all lease activities between the Bank and all related parties. All leases are subject to an ongoing lease agreement:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Lease payments paid to:		
Queen City Investments, Inc.	\$ 366	\$ 362
Farmers & Merchants Trust Company	4	5
Lease payments received from:		
Farmers & Merchants Trust Company	\$ 295	\$ 259

The Bank and the Trust Company have an employee leasing agreement whereby the Bank and the Trust Company provide services of various employees between the parties, and will be reimbursed periodically. In 2025 and 2024, the Trust Company paid the Bank a net total of \$715 thousand and \$624 thousand, respectively, under this agreement.

In addition, the Bank and the Trust Company have entered into various agreements for the exchange of other services, which provide for the periodic settlement between the parties of the differences in the values of respective services provided between each other. Under this arrangement, the Bank provides human resources, payroll services, and IT support to the Trust Company, and the Trust Company provides financial services to the Bank and maintains deposits with the Bank. The net amount due to the Trust Company was \$76 thousand and \$129 thousand as of December 31, 2025 and 2024, respectively, for the difference between the values and services exchanged between the parties.

As of December 31, 2025 and 2024, related-party loans were \$3.0 million and \$3.1 million, respectively; related-party deposits were \$21.5 million and \$257.6 million, of which, \$12.9 million and \$253.5 million, respectively, were attributable to Queen City and its subsidiaries.

In the ordinary course of business, the Bank may enter into other transactions with various related parties. Related party transactions not included herein were not material for the years ended December 31, 2025 and 2024.

NOTE 19 – REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal and state 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 Bank'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 judgments by the regulators about components, risk weightings, common equity, and other factors.

FARMERS & MERCHANTS BANK OF LONG BEACH

NOTES TO FINANCIAL STATEMENTS

NOTE 19 – Regulatory Matters, continued

As of December 31, 2025 and 2024, the Bank continued to exceed all “well capitalized” capital requirements and the required minimum capital requirements under the Basel III Capital Rules. To be categorized as well capitalized, the Bank must maintain minimum total risk-based capital ratios, tier 1 risk-based capital ratios, common equity tier 1 capital ratios, and tier 1 leverage ratios as set forth in the table below.

	Actual		Minimum Capital Requirements		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Rate	Amount	Rate	Amount	Rate
(Dollars in thousands)						
As of December 31, 2025						
Total risk-based capital ratio	\$ 1,692,449	22.64%	\$ 597,925	8.00%	\$ 747,407	10.00%
Tier 1 risk-based capital ratio	1,598,971	21.39%	448,444	6.00%	597,925	8.00%
Common equity tier 1 capital ratio	1,408,087	18.84%	336,333	4.50%	485,814	6.50%
Tier 1 leverage ratio	1,598,971	13.49%	474,142	4.00%	592,678	5.00%
As of December 31, 2024						
Total risk-based capital ratio	\$ 1,460,616	18.77%	\$ 622,532	8.00%	\$ 778,165	10.00%
Tier 1 risk-based capital ratio	1,363,229	17.52%	466,859	6.00%	622,479	8.00%
Common equity tier 1 capital ratio	1,363,229	17.52%	350,144	4.50%	505,764	6.50%
Tier 1 leverage ratio	1,363,229	11.42%	477,488	4.00%	596,860	5.00%

NOTE 20 – SUBSEQUENT EVENTS

The Bank has evaluated events subsequent to December 31, 2025 and through March 31, 2026, the date that these financial statements were issued. There have been no subsequent events that occurred during the period that would require recognition in the financial statements or its disclosures in 2025.

OUR INFO

Board of Directors

JoAnn M. Bourne
Mark E. Harrison
Lawrence J. McLaughlin
Christine A. Scheuneman
Roger L. Stiles
Richard H. Taketa
Daniel K. Walker
Timothy M. Wilson

Principal Officers

Daniel K. Walker, Executive Chairman
W. Henry Walker, CEO
Kevin M. Tiber, President
Taylor Hoang, Chief Financial Officer
Phillip J. Bond, Chief Credit Officer
Kathleen Salmons, Chief Risk Officer
Jared Souter, Chief Operating Officer

Auditor

KPMG LLP
20 Pacifica, Suite 700
Irvine, CA 92618

Legal Counsel

Paul Hastings LLP
695 Town Center Drive, 17th Floor
Costa Mesa, CA 92626

Investor Relations

PondelWilkinson Inc.
2945 Townsgate Road, Suite 200
Westlake Village (Los Angeles), CA 91361

Transfer Agent

Equiniti Trust Company, LLC ("EQ")
55 Challenger Road, Floor 2
Ridgefield Park, NJ 07660

Securities Listing

Farmers & Merchants Bank's common stock is traded on the OTC Markets system (OTCQB) under the symbol FMBL.

Corporate Headquarters

302 Pine Ave.
Long Beach, CA 90802

Certain statements in this annual report may be forward-looking statements. Readers of this annual report should understand that all such forward-looking statements are inherently subject to risk and uncertainties, some of which cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in, contemplated by, or underlying such forward-looking statements, and the Bank's actual results or outcomes could differ materially from those anticipated.



Main - Long Beach



Belmont Shore



Bixby Knolls



Corona del Mar



Downey



East Long Beach



Fullerton



Garden Grove



Huntington Beach



Laguna Beach



Laguna Hills



Lake Forest



Lakewood



Los Altos



Memorial



Newport Beach



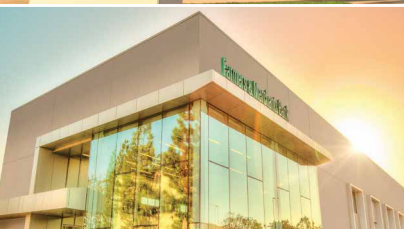
Orange



Redondo Beach



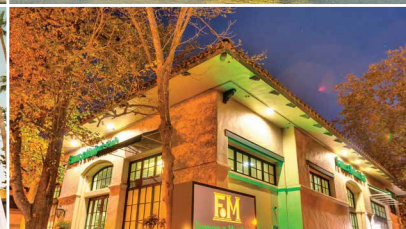
Rolling Hills Estates



Rossmore



San Clemente



San Juan Capistrano



Santa Ana - Cabrillo



Santa Ana - Main



Santa Barbara



Torrance



Tustin - The District

OUR BRANCH LOCATIONS

Main - Long Beach

302 Pine Ave.
Long Beach, CA 90802
562-437-0011
Since 1907

Belmont Shore

4827 E. 2nd St.
Long Beach, CA 90803
562-621-1430
Since 1971

Bixby Knolls

4545 California Ave.
Long Beach, CA 90807
562-984-3600
Since 1970

Corona del Mar

2421 E. Coast Hwy.
Corona del Mar, CA 92625
949-723-1804
Since 2013

Downey

9001 Firestone Blvd.
Downey, CA 90241
562-334-1836
Since 2013

East Long Beach

3140 E. Anaheim St.
Long Beach, CA 90804
562-621-1400
Since 1921

Fullerton

315 N. Harbor Blvd.
Fullerton, CA 92832
714-578-1945
Since 1985

Garden Grove

12966 Euclid St., #150
Garden Grove, CA 92840
714-590-3880
Since 1955

Huntington Beach

7125 Yorktown Ave.
Huntington Beach, CA 92648
714-465-3131
Since 2004

Laguna Beach

401 Glenneyre St.
Laguna Beach, CA 92651
949-900-8275
Since 2024

Laguna Hills

23300 Paseo de Valencia
Laguna Hills, CA 92653
949-340-3150
Since 2004

Lake Forest

23772 Rockfield Blvd.
Lake Forest, CA 92630
949-460-7900
Since 1981

Lakewood

4909 Lakewood Blvd.
Lakewood, CA 90712
562-602-8378
Since 1966

Los Altos

2302 Bellflower Blvd.
Long Beach, CA 90815
562-799-7271
Since 1973

Memorial

2801 Atlantic Ave.
Long Beach, CA 90806
562-989-7862
Since 1981

Newport Beach

4695 MacArthur Ct., Ste.130
Newport Beach, CA 92660
949-241-8280
Since 2006

Orange

1220 E. Katella Ave.
Orange, CA 92867
714-288-8450
Since 1981

Redondo Beach

1333 S. Pacific Coast Hwy.
Redondo Beach, CA 90277
310-802-7560
Since 2015

Rolling Hills Estates

27525 Indian Peak Rd.
Rolling Hills Estates, CA 90274
310-491-1711
Since 2001

Rossmore

12535 Seal Beach Blvd.
Seal Beach, CA 90740
562-799-2002
Since 1985

San Clemente

621 N. El Camino Real
San Clemente, CA 92672
949-373-2470
Since 2006

San Juan Capistrano

31873 Del Obispo St.
San Juan Capistrano, CA 92675
949-488-8550
Since 1985

Santa Ana - Cabrillo

1750 E. 17th St.
Santa Ana, CA 92705
714-564-1750
Since 1985

Santa Ana - Main

1702 N. Main St.
Santa Ana, CA 92706
714-888-2630
Since 2022

Santa Barbara

33 E. Carrillo St.
Santa Barbara, CA 93101
805-280-4700
Since 2018

Torrance

22400 Hawthorne Blvd.
Torrance, CA 90505
310-265-3200
Since 2003

Tustin - The District

2691 Park Ave.
Tustin, CA 92782
714-824-3070
Since 2007

OUR SPECIALIZED CLIENT SERVICES

Home Loan Center

12515 Seal Beach Blvd.
Seal Beach, CA 90740
866-649-3863
Since 2015

OC Regional Headquarters

4695 MacArthur Ct., Ste.130
Newport Beach, CA 92660
949-241-8280
Since 2018

Religious Client Services

12535 Seal Beach Blvd.
Seal Beach, CA 90740
562-344-4070
Since 2017



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MEMBER FDIC