REFINITIV

# DELTA REPORT

## 10-Q

HOPE - HOPE BANCORP INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

| TOTAL DELTAS | 1471 |
|---|---|
| CHANGES | 622 |
| DELETIONS | 445 |
| ADDITIONS | 404 |

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**

# FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2023 March 31, 2024**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission File Number: 000-50245**

# HOPE BANCORP, INC.

**(Exact name of registrant as specified in its charter)**

| **Delaware** | **95-4849715** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**3200 Wilshire Boulevard, Suite 1400**
**Los Angeles, California 90010**
(Address of principal executives offices, including zip code)

**(213) 639-1700**
(Registrant's telephone number, including area code)

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

| **Common Stock, par value $0.001 per share** | **HOPE** | **NASDAQ Global Select Market** |
|---|---|---|
| (Title of class) | (Trading Symbol) | (Name of exchange on which registered) |

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

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

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

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

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

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

At November 1, 2023 May 1, 2024, there were 120,107,906 120,614,770 shares of Hope Bancorp, Inc. common stock outstanding.

**Table of Contents**

**Forward-Looking Statements**

*Certain statements in this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to, among other things, expectations regarding the business environment in which we operate, projections of future performance, perceived opportunities in the market, and statements regarding our business strategies, objectives and vision. Forward-looking statements include, but are not limited to, statements preceded by, followed by or that include the words “will,” “believes,” “expects,” “anticipates,” “intends,” “plans,” “projects,” “forecasts,” “estimates” or similar expressions. With respect to any such forward-looking statements, the Company claims the protection provided for in the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, trends, uncertainties, and factors that are beyond the Company’s control* *or ability to predict. The Company's actual results, performance or achievements may differ significantly from the results, performance or achievements expressed or implied in any forward-looking statements. The risks and uncertainties include: the COVID-19 pandemic and its impact on possible further deterioration in economic conditions in our financial position, results areas of operations, liquidity, and capitalization; operation; liquidity risks; risk of significant non-earning assets, and net credit losses that could occur, particularly in times of weak economic conditions or times of rising interest rates; the failure of or changes to assumptions and estimates underlying the Company's allowances for credit losses; geopolitical instability or unrest; and regulatory risks associated with current and future regulations, regulations; and risks associated with the execution of our organizational restructuring and failing to achieve its anticipated results. In addition, there are risks and uncertainties related to our proposed merger with Territorial Bancorp Inc., including, among others, the risk that the proposed merger will be consummated within the expected time frame, or at all; the risk that any announcements relating to the proposed merger could have adverse effects on the market price of the Company's common stock; diversion of management's attention from ongoing business operations and opportunities; required governmental approvals of the merger may not be obtained on its proposed terms and schedule, or without regulatory constraints that may limit growth; difficulties and delays in integrating Hope Bancorp, Inc. and Territorial Bancorp Inc. and achieving anticipated synergies, cost savings and other benefits from the transaction; higher than anticipated transaction costs; and deposit attrition, operating costs, customer loss and business disruption following the merger, including difficulties in maintaining relationships with employees and customers, may be greater than expected. For additional information concerning these and other risk factors, see Part I, Item 1A. Risk Factors contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the SEC on February 28, 2023, as such information may be updated from time to time in subsequent Quarterly Reports on Form 10-Q that we file with the SEC. February 28, 2024.*

*Due to the risks and uncertainties we face, readers are cautioned not to place undue reliance on the forward-looking statements contained in this Report, report, which speak only as of the date of this Report, report, or to make predictions about future performance based solely on historical financial information. The Company does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect the occurrence of events or circumstances after the date of such statements except as required by law.*

**PART I**

**FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**HOPE BANCORP, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

| | | | | | |
|---|---|---|---|---|---|
| | | (Unaudited)<br>(Unaudited)<br>(Unaudited)<br>(Unaudited) | | | |
| | | September 30, 2023 | December 31, 2022 | March 31, 2024 | December 31, 2023 |
| | | (Dollars in thousands, except share data) | | | (Dollars in thousands, except share data) |
| ASSETS | ASSETS | | | ASSETS | |
| Cash and cash equivalents: | Cash and cash equivalents: | | | | |
| Cash and due from banks | Cash and due from banks | $ 225,286 | $ 213,774 | | |
| Cash and due from banks | | | | | |
| Cash and due from banks | | | | | |
| Interest earning cash in other banks | Interest earning cash in other banks | 2,275,037 | 293,002 | | |
| Total cash and cash equivalents | Total cash and cash equivalents | 2,500,323 | 506,776 | | |
| Interest earning deposits in other financial institutions | | — | 735 | | |
| Total cash and cash equivalents | | | | | |
| Total cash and cash equivalents | | | | | |
| Investment securities available for sale ("AFS"), at fair value | Investment securities available for sale ("AFS"), at fair value | 1,994,228 | 1,972,129 | | |

| | | | |
|---|---|---|---|
| Investment securities held to maturity (“HTM”), at amortized cost; fair value of $239,773 and $258,407 at September 30, 2023 and December 31, 2022, respectively | | 266,609 | 271,066 |
| Investment securities available for sale (“AFS”), at fair value | | | |
| Investment securities available for sale (“AFS”), at fair value | | | |
| Investment securities held to maturity (“HTM”), at amortized cost; fair value of $242,717 and $250,518 at March 31, 2024 and December 31, 2023, respectively | | | |
| Equity investments | Equity investments | 43,183 | 42,396 |
| Loans held for sale, at lower of cost or fair value | Loans held for sale, at lower of cost or fair value | 19,502 | 49,245 |
| Loans receivable, net of allowance for credit losses of $158,809 and $162,359 at September 30, 2023 and December 31, 2022, respectively | | 14,147,384 | 15,241,181 |
| Loans receivable, net of allowance for credit losses of $158,758 and $158,694 at March 31, 2024 and December 31, 2023, respectively | | | |
| Other real estate owned (“OREO”), net | Other real estate owned (“OREO”), net | 1,043 | 2,418 |
| Federal Home Loan Bank (“FHLB”) stock, at cost | Federal Home Loan Bank (“FHLB”) stock, at cost | 17,250 | 18,630 |
| Premises and equipment, net | Premises and equipment, net | 51,764 | 46,859 |
| Accrued interest receivable | Accrued interest receivable | 60,665 | 55,460 |
| Deferred tax assets, net | Deferred tax assets, net | 166,262 | 150,409 |
| Customers’ liabilities on acceptances | Customers’ liabilities on acceptances | 250 | 818 |

| | | | |
|---|---|---|---|
| Bank owned life insurance (“BOLI”) | Bank owned life insurance (“BOLI”) | 88,643 | 77,078 |
| Investments in affordable housing partnerships | Investments in affordable housing partnerships | 42,094 | 47,711 |
| Operating lease right-of-use assets (“ROU”), net | Operating lease right-of-use assets (“ROU”), net | 51,769 | 55,034 |
| Goodwill | Goodwill | 464,450 | 464,450 |
| Core deposit intangible assets, net | Core deposit intangible assets, net | 4,382 | 5,726 |
| Servicing assets, net | Servicing assets, net | 10,457 | 11,628 |
| Other assets | Other assets | 146,106 | 144,742 |
| Total assets | Total assets | $20,076,364 | $19,164,491 |

(Continued)

**HOPE BANCORP, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

| | | | | | |
|---|---|---|---|---|---|
| | | **(Unaudited)** | | | |
| | | **(Unaudited)** | | | |
| | | **(Unaudited)** | | | |
| | | **(Unaudited)** | | | |
| | | **September 30, 2023** | **December 31, 2022** | **March 31, 2024** | **December 31, 2023** |
| **LIABILITIES AND STOCKHOLDERS’ EQUITY** | **LIABILITIES AND STOCKHOLDERS’ EQUITY** | **(Dollars in thousands, except share data)** | | **LIABILITIES AND STOCKHOLDERS’ EQUITY** | **(Dollars in thousands, except share data)** |
| LIABILITIES: | LIABILITIES: | | | | |
| Deposits: | Deposits: | | | | |
| Deposits: | | | | | |
| Deposits: | | | | | |
| Noninterest bearing | | | | | |
| Noninterest bearing | | | | | |
| Noninterest bearing | Noninterest bearing | $ 4,249,788 | $ 4,849,493 | | |
| Interest bearing: | Interest bearing: | | | | |
| Money market and NOW accounts | | | | | |
| Money market and NOW accounts | | | | | |
| Money market and NOW accounts | Money market and NOW accounts | 4,424,918 | 5,615,784 | | |
| Savings deposits | Savings deposits | 430,765 | 283,464 | | |
| Time deposits | Time deposits | 6,634,388 | 4,990,060 | | |
| Total deposits | Total deposits | 15,739,859 | 15,738,801 | | |
| FHLB and Federal Reserve Bank (“FRB”) borrowings | FHLB and Federal Reserve Bank (“FRB”) borrowings | 1,795,726 | 865,000 | | |
| Convertible notes, net | | | | | |
| Convertible notes, net | | | | | |

| | | | |
|---|---|---|---|
| Convertible notes, net | Convertible notes, net | 444 | 217,148 |
| Subordinated debentures, net | Subordinated debentures, net | 107,505 | 106,565 |
| Accrued interest payable | Accrued interest payable | 166,831 | 26,668 |
| Acceptances outstanding | Acceptances outstanding | 250 | 818 |
| Operating lease liabilities | Operating lease liabilities | 55,873 | 59,088 |
| Commitments to fund investments in affordable housing partnerships | Commitments to fund investments in affordable housing partnerships | 8,940 | 11,792 |
| Other liabilities | Other liabilities | 170,512 | 119,283 |
| Total liabilities | Total liabilities | $18,045,940 | $17,145,163 |
| Commitments and contingent liabilities (Note 12) | Commitments and contingent liabilities (Note 12) | | |
| STOCKHOLDERS' EQUITY: | STOCKHOLDERS' EQUITY: | | |
| Common stock, $0.001 par value; 150,000,000 authorized shares: issued and outstanding 137,409,055 and 120,026,220 shares, respectively, at September 30, 2023, and issued and outstanding 136,878,044 and 119,495,209 shares, respectively, at December 31, 2022 | | $ 137 | $ 137 |
| STOCKHOLDERS' EQUITY: | | | |
| STOCKHOLDERS' EQUITY: | | | |
| Common stock, $0.001 par value; 150,000,000 authorized shares: issued and outstanding 137,992,864 and 120,610,029 shares, respectively, at March 31, 2024, and issued and outstanding 137,509,621 and 120,126,786 shares, respectively, at December 31, 2023 | | | |
| Common stock, $0.001 par value; 150,000,000 authorized shares: issued and outstanding 137,992,864 and 120,610,029 shares, respectively, at March 31, 2024, and issued and outstanding 137,509,621 and 120,126,786 shares, respectively, at December 31, 2023 | | | |
| Common stock, $0.001 par value; 150,000,000 authorized shares: issued and outstanding 137,992,864 and 120,610,029 shares, respectively, at March 31, 2024, and issued and outstanding 137,509,621 and 120,126,786 shares, respectively, at December 31, 2023 | | | |
| Additional paid-in capital | Additional paid-in capital | 1,436,769 | 1,431,003 |
| Retained earnings | Retained earnings | 1,140,870 | 1,083,712 |
| Treasury stock, at cost; 17,382,835 and 17,382,835 shares at September 30, 2023 and December 31, 2022, respectively | | (264,667) | (264,667) |

| | | | |
|---|---|---|---|
| Treasury stock, at cost; 17,382,835 and 17,382,835 shares at March 31, 2024 and December 31, 2023, respectively | | | |
| Accumulated other comprehensive loss, net | Accumulated other comprehensive loss, net | (282,685) | (230,857) |
| Total stockholders' equity | Total stockholders' equity | 2,030,424 | 2,019,328 |
| Total liabilities and stockholders' equity | Total liabilities and stockholders' equity | $20,076,364 | $19,164,491 |

See accompanying Notes to Consolidated Financial Statements (Unaudited)

**HOPE BANCORP, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
**(Unaudited)**

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | **2023** | **2022** | **2023** | **2022** |
| | | **(Dollars in thousands, except per share data)** | | | |
| | | **(Dollars in thousands, except per share data)** | | | |
| | | **(Dollars in thousands, except per share data)** | | | |
| | | **(Dollars in thousands, except per share data)** | | | |
| INTEREST INCOME: | INTEREST INCOME: | | | | |
| Interest and fees on loans | Interest and fees on loans | $229,937 | $175,078 | $671,543 | $452,774 |
| Interest and fees on loans | | | | | |
| Interest and fees on loans | | | | | |
| Interest on investment securities | | | | | |
| Interest on investment securities | | | | | |
| Interest on investment securities | Interest on investment securities | 17,006 | 13,498 | 47,665 | 37,462 |
| Interest on cash and deposits at other banks | Interest on cash and deposits at other banks | 28,115 | 142 | 58,332 | 352 |
| Interest on cash and deposits at other banks | | | | | |
| Interest on cash and deposits at other banks | | | | | |
| Interest on other investments | | | | | |
| Interest on other investments | | | | | |
| Interest on other investments | Interest on other investments | 735 | 464 | 2,114 | 1,290 |
| Total interest income | Total interest income | 275,793 | 189,182 | 779,654 | 491,878 |
| Total interest income | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Total interest income | | | | | |
| INTEREST EXPENSE: | | | | | |
| INTEREST EXPENSE: | | | | | |
| INTEREST EXPENSE: | INTEREST EXPENSE: | | | | |
| Interest on deposits | Interest on deposits | 117,854 | 30,667 | 319,926 | 51,563 |
| Interest on deposits | | | | | |
| Interest on deposits | | | | | |
| Interest on FHLB and FRB borrowings | | | | | |
| Interest on FHLB and FRB borrowings | | | | | |
| Interest on FHLB and FRB borrowings | Interest on FHLB and FRB borrowings | 19,821 | 2,393 | 50,141 | 4,537 |
| Interest on other borrowings and debt | Interest on other borrowings and debt | 2,740 | 2,936 | 9,642 | 7,878 |
| Interest on other borrowings and debt | | | | | |
| Interest on other borrowings and debt | | | | | |
| Total interest expense | | | | | |
| Total interest expense | | | | | |
| Total interest expense | Total interest expense | 140,415 | 35,996 | 379,709 | 63,978 |
| NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES | NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES | 135,378 | 153,186 | 399,945 | 427,900 |
| NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES | | | | | |
| NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES | | | | | |
| PROVISION FOR CREDIT LOSSES | | | | | |
| PROVISION FOR CREDIT LOSSES | | | | | |
| PROVISION FOR CREDIT LOSSES | PROVISION FOR CREDIT LOSSES | 16,800 | 9,200 | 27,400 | 1,400 |
| NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES | NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES | 118,578 | 143,986 | 372,545 | 426,500 |
| NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES | | | | | |
| NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES | | | | | |
| NONINTEREST INCOME: | | | | | |
| NONINTEREST INCOME: | | | | | |
| NONINTEREST INCOME: | NONINTEREST INCOME: | | | | |
| Service fees on deposit accounts | Service fees on deposit accounts | 2,415 | 2,535 | 6,961 | 6,779 |

Service fees on deposit accounts

Service fees on deposit accounts

International service fees

International service fees

| | | | | | |
|---|---|---|---|---|---|
| International service fees | International service fees | 740 | 834 | 2,682 | 2,372 |
| Wire transfer fees | Wire transfer fees | 806 | 856 | 2,429 | 2,614 |

Wire transfer fees

Wire transfer fees

Swap fees

Swap fees

| | | | | | |
|---|---|---|---|---|---|
| Swap fees | Swap fees | (61) | 1,193 | 655 | 2,153 |
| Net gains on sales of SBA loans | Net gains on sales of SBA loans | — | 2,782 | 4,097 | 14,189 |

Net gains on sales of SBA loans

Net gains on sales of SBA loans

Net gains on sales of residential mortgage loans

Net gains on sales of residential mortgage loans

| | | | | | |
|---|---|---|---|---|---|
| Net gains on sales of residential mortgage loans | Net gains on sales of residential mortgage loans | 118 | 29 | 264 | 862 |
| Other income and fees | Other income and fees | 4,287 | 5,126 | 19,209 | 10,318 |

Other income and fees

Other income and fees

Total noninterest income

Total noninterest income

| | | | | | |
|---|---|---|---|---|---|
| Total noninterest income | Total noninterest income | 8,305 | 13,355 | 36,297 | 39,287 |
| NONINTEREST EXPENSE: | NONINTEREST EXPENSE: | | | | |

NONINTEREST EXPENSE:

NONINTEREST EXPENSE:

Salaries and employee benefits

Salaries and employee benefits

| | | | | | |
|---|---|---|---|---|---|
| Salaries and employee benefits | Salaries and employee benefits | 51,033 | 53,222 | 160,507 | 152,025 |
| Occupancy | Occupancy | 7,149 | 6,682 | 21,637 | 21,195 |

Occupancy

Occupancy

Furniture and equipment

Furniture and equipment

| | | | | | |
|---|---|---|---|---|---|
| Furniture and equipment | Furniture and equipment | 5,625 | 4,967 | 16,076 | 14,389 |
| Data processing and communications | Data processing and communications | 2,891 | 2,469 | 8,630 | 7,823 |

| | | | | | |
|---|---|---|---|---|---|
| Data processing and communications | | | | | |
| Data processing and communications | | | | | |
| Professional fees | | | | | |
| Professional fees | | | | | |
| Professional fees | Professional fees | 2,111 | 1,196 | 5,070 | 4,989 |
| Amortization of investments in affordable housing partnerships | Amortization of investments in affordable housing partnerships | 1,933 | 2,329 | 5,561 | 6,192 |
| Amortization of investments in affordable housing partnerships | | | | | |
| Amortization of investments in affordable housing partnerships | | | | | |
| FDIC assessments | FDIC assessments | 3,683 | 1,633 | 10,155 | 4,652 |
| FDIC assessments | | | | | |
| FDIC assessments | | | | | |
| FDIC special assessment | | | | | |
| FDIC special assessment | | | | | |
| FDIC special assessment | | | | | |
| Earned interest credit | Earned interest credit | 6,377 | 4,685 | 15,894 | 5,996 |
| Earned interest credit | | | | | |
| Earned interest credit | | | | | |
| Restructuring costs | | | | | |
| Restructuring costs | | | | | |
| Restructuring costs | | | | | |
| Merger related costs | | | | | |
| Merger related costs | | | | | |
| Merger related costs | | | | | |
| Other noninterest expense | | | | | |
| Other noninterest expense | | | | | |
| Other noninterest expense | Other noninterest expense | 6,071 | 6,731 | 21,030 | 22,391 |
| Total noninterest expense | Total noninterest expense | 86,873 | 83,914 | 264,560 | 239,652 |
| Total noninterest expense | | | | | |
| Total noninterest expense | | | | | |
| INCOME BEFORE INCOME TAXES | | | | | |
| INCOME BEFORE INCOME TAXES | | | | | |
| INCOME BEFORE INCOME TAXES | INCOME BEFORE INCOME TAXES | 40,010 | 73,427 | 144,282 | 226,135 |
| INCOME TAX PROVISION | INCOME TAX PROVISION | 9,961 | 19,679 | 37,090 | 59,561 |
| INCOME TAX PROVISION | | | | | |
| INCOME TAX PROVISION | | | | | |
| NET INCOME | | | | | |
| NET INCOME | | | | | |
| NET INCOME | NET INCOME | $ 30,049 | $ 53,748 | $107,192 | $166,574 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| EARNINGS PER COMMON SHARE | EARNINGS PER COMMON SHARE | | | | | | | | |

EARNINGS PER COMMON SHARE

EARNINGS PER COMMON SHARE

Basic

Basic

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Basic | Basic | $ | 0.25 | $ | 0.45 | $ | 0.89 | $ | 1.39 |
| Diluted | Diluted | $ | 0.25 | $ | 0.45 | $ | 0.89 | $ | 1.38 |

Diluted

Diluted

See accompanying Notes to Consolidated Financial Statements (Unaudited)

**HOPE BANCORP, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
**(Unaudited)**

| | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Net income | $ 30,049 | $ 53,748 | $ 107,192 | $ 166,574 |
| Other comprehensive loss: | | | | |
| Change in unrealized net holding losses on securities AFS | (68,261) | (112,043) | (68,117) | (308,974) |
| Change in unrealized net holding losses on securities transferred from AFS to HTM | — | — | — | (36,576) |
| Change in unrealized net holding gains on interest rate contracts used in cash flow hedges | (4,310) | 18,893 | 3,405 | 24,901 |
| Reclassification adjustments for net (gains) losses realized in net income | (3,720) | 662 | (8,780) | 688 |
| Tax effect | 22,490 | 27,660 | 21,664 | 94,838 |
| Other comprehensive loss, net of tax | (53,801) | (64,828) | (51,828) | (225,123) |
| Total comprehensive (loss) income | $ (23,752) | $ (11,080) | $ 55,364 | $ (58,549) |

| | Three Months Ended March 31, 2024 | Three Months Ended March 31, 2023 |
|---|---|---|
| | (Dollars in thousands) | |
| Net income | $ 25,864 | $ 39,121 |
| Other comprehensive (loss) income: | | |
| Change in unrealized net holding (losses) gains on securities AFS | (13,734) | 31,215 |
| Change in unrealized net holding losses on interest rate contracts used in cash flow hedges | (8,186) | (5,938) |
| Reclassification adjustments for net gains realized in net income | (2,931) | (1,738) |
| Tax effect | 7,311 | (6,939) |
| Other comprehensive (loss) income, net of tax | (17,540) | 16,600 |
| Total comprehensive income | $ 8,324 | $ 55,721 |

See accompanying Notes to Consolidated Financial Statements (Unaudited)

**HOPE BANCORP, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**
**(Unaudited)**

**Common stock**

**Common stock**

| | Common stock | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common stock | | Additional paid-in capital | Retained earnings | Treasury stock | Accumulated other comprehensive loss, net | Total stockholders' equity |
| | Shares | Amount | | | | | |
| **BALANCE, DECEMBER 31, 2022** | | | | | | | |
| Adoption of ASU 2022-02 | | | | | | | |
| Adoption of ASU 2022-02 tax adjustment | | | | | | | |
| Issuance of shares pursuant to various stock plans, net of forfeitures and tax withholding cancellations | | | | | | | |
| Stock-based compensation | | | | | | | |
| Cash dividends declared on common stock ($0.14 per share) | | | | | | | |
| Comprehensive income: | | | | | | | |
| Net income | | | | | | | |
| Net income | | | | | | | |
| Net income | | | | | | | |
| Other comprehensive income | | | | | | | |
| | (Dollars in thousands, except share and per share data) | | | | | | |
| **BALANCE, JUNE 30, 2022** | **119,473,939** | **$ 137** | **$1,424,891** | **$1,011,715** | **$(264,667)** | **$ (171,707)** | **$ 2,000,369** |
| **BALANCE, MARCH 31, 2023** | | | | | | | |
| **BALANCE, MARCH 31, 2023** | | | | | | | |
| **BALANCE, MARCH 31, 2023** | | | | | | | |
| **BALANCE, DECEMBER 31, 2023** | | | | | | | |
| **BALANCE, DECEMBER 31, 2023** | | | | | | | |
| **BALANCE, DECEMBER 31, 2023** | | | | | | | |
| Issuance of shares pursuant to various stock plans, net of forfeitures and tax withholding cancellations | | | | | | | |
| Issuance of shares pursuant to various stock plans, net of forfeitures and tax withholding cancellations | | | | | | | |
| Issuance of shares pursuant to various stock plans, net of forfeitures and tax withholding cancellations Issuance of shares pursuant to various stock plans, net of forfeitures and tax withholding cancellations | 5,314 | | | | | | — |

| Shares | Additional paid-in capital | Retained earnings | Treasury stock | Accumulated other comprehensive loss, net | Total stockholders' equity | Am |
|---|---|---|---|---|---|---|
| (Dollars in thousands, except share and per share data) | | | | | | |

| | | Shares | Amount | Additional paid-in capital | Retained earnings | Treasury stock | Accumulated other comprehensive loss, net | Total stockholders' equity |
|---|---|---|---|---|---|---|---|---|
| Stock-based compensation | Stock-based compensation | | | 3,161 | | | | **3,161** |
| Cash dividends declared on common stock ($0.14 per share) | Cash dividends declared on common stock ($0.14 per share) | | | | (16,725) | | | **(16,725)** |
| Comprehensive loss: | | | | | | | | |
| Comprehensive income: | | | | | | | | |
| Net income | | | | | | | | |
| Net income | | | | | | | | |
| Net income | Net income | | | | 53,748 | | | **53,748** |
| Other comprehensive loss | Other comprehensive loss | | | | | | (64,828) | **(64,828)** |
| **BALANCE, SEPTEMBER 30, 2022** | | **119,479,253** | **$ 137** | **$1,428,052** | **$1,048,738** | **$(264,667)** | **$ (236,535)** | **$ 1,975,725** |
| **BALANCE, JUNE 30, 2023** | | **120,014,888** | **$ 137** | **$1,433,788** | **$1,127,624** | **$(264,667)** | **$ (228,884)** | **$ 2,067,998** |
| Issuance of shares pursuant to various stock plans, net of forfeitures and tax withholding cancellations | | 11,332 | | | | | | **—** |
| Stock-based compensation | | | | 2,981 | | | | **2,981** |
| Cash dividends declared on common stock ($0.14 per share) | | | | | (16,803) | | | **(16,803)** |
| Comprehensive loss: | | | | | | | | |
| Net income | | | | | 30,049 | | | **30,049** |
| Other comprehensive loss | | | | | | | (53,801) | **(53,801)** |
| **BALANCE, SEPTEMBER 30, 2023** | | **120,026,220** | **$ 137** | **$1,436,769** | **$1,140,870** | **$(264,667)** | **$ (282,685)** | **$ 2,030,424** |
| **BALANCE, MARCH 31, 2024** | | | | | | | | |
| **BALANCE, MARCH 31, 2024** | | | | | | | | |
| **BALANCE, MARCH 31, 2024** | | | | | | | | |

| | Common stock | | Additional paid-in capital | Retained earnings | Treasury stock | Accumulated other comprehensive loss, net | Total stockholders' equity |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | | |
| | (Dollars in thousands, except share and per share data) | | | | | | |
| **BALANCE, DECEMBER 31, 2021** | **120,006,452** | **$ 136** | **$ 1,421,698** | **$ 932,561** | **$ (250,000)** | **$ (11,412)** | **$ 2,092,983** |
| Issuance of shares pursuant to various stock plans, net of forfeitures and tax withholding cancellations | 511,787 | 1 | 530 | | | | **531** |
| Stock-based compensation | | | 5,824 | | | | **5,824** |
| Cash dividends declared on common stock ($0.42 per share) | | | | (50,397) | | | **(50,397)** |
| Comprehensive loss: | | | | | | | |
| Net income | | | | 166,574 | | | **166,574** |
| Other comprehensive loss | | | | | | (225,123) | **(225,123)** |
| Repurchase of treasury stock | (1,038,986) | | | | (14,667) | | **(14,667)** |
| **BALANCE, SEPTEMBER 30, 2022** | **119,479,253** | **$ 137** | **$ 1,428,052** | **$ 1,048,738** | **$ (264,667)** | **$ (236,535)** | **$ 1,975,725** |
| **BALANCE, DECEMBER 31, 2022** | **119,495,209** | **$ 137** | **$ 1,431,003** | **$ 1,083,712** | **$ (264,667)** | **$ (230,857)** | **$ 2,019,328** |
| Adoption of ASU 2022-02 | | | | 407 | | | **407** |
| Adoption of ASU 2022-02 tax impact | | | | (120) | | | **(120)** |
| Issuance of shares pursuant to various stock plans, net of forfeitures and tax withholding cancellations | 531,011 | | | | | | **—** |
| Stock-based compensation | | | 5,766 | | | | **5,766** |
| Cash dividends declared on common stock ($0.42 per share) | | | | (50,321) | | | **(50,321)** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Comprehensive loss: | | | | | | | |
| Net income | | | | 107,192 | | | **107,192** |
| Other comprehensive loss | | | | | | (51,828) | **(51,828)** |
| **BALANCE, SEPTEMBER 30, 2023** | **120,026,220** | **$ 137** | **$ 1,436,769** | **$ 1,140,870** | **$ (264,667)** | **$ (282,685)** | **$ 2,030,424** |

See accompanying Notes to Consolidated Financial Statements (Unaudited)

**HOPE BANCORP, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**

| | | |
|---|---|---|
| **Three Months Ended March 31,** <br> **Three Months Ended March 31,** <br> **Three Months Ended March 31,** | | |
| | **2024** | **2023** |
| | **(Dollars in thousands)** | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | | |
| Net income | | |
| Net income | | |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Discount accretion, net of depreciation and amortization | | |
| Discount accretion, net of depreciation and amortization | | |
| Discount accretion, net of depreciation and amortization | | |
| Stock-based compensation expense | | |
| Provision for credit loss on loans | | |
| (Credit) provision for unfunded loan commitments | | |

| | | |
|---|---|---|
| | **Nine Months Ended September 30,** | |
| | **2023** | **2022** |
| | **(Dollars in thousands)** | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | $ 107,192 | $ 166,574 |

| | | | |
|---|---|---|---|
| Adjustments to reconcile net income to net cash from operating activities: | | | |
| Discount accretion, net of depreciation and amortization | | 9,650 | 15,558 |
| Stock-based compensation expense | | 8,767 | 9,285 |
| Provision for credit losses | | 27,400 | 1,400 |
| Provision for unfunded loan commitments | | 1,792 | 130 |
| Provision for accrued interest receivables on loans | | — | 1,650 |
| Valuation adjustment of OREO | | — | 415 |
| Distribution gain from investment in affordable housing partnerships | | (5,819) | — |
| Net gains on sales of loans | Net gains on sales of loans | (4,174) | (14,621) |
| Net gains on sales of loans | | | |
| Net change in fair value of equity investments with readily determinable fair value | | 134 | 1,918 |
| Net gains on sales of loans | | | |
| Net change in fair value of derivatives | | | |
| Net change in fair value of derivatives | | | |
| Net change in fair value of derivatives | | | |
| Amortization of investments in affordable housing partnerships | Amortization of investments in affordable housing partnerships | 5,390 | 7,901 |
| Amortization of investments in affordable housing partnerships | | | |
| Amortization of investments in affordable housing partnerships | | | |
| Net change in deferred income taxes | | | |
| Net change in deferred income taxes | | | |
| Net change in deferred income taxes | Net change in deferred income taxes | 5,692 | (5,387) |
| Proceeds from sales of loans held for sale | Proceeds from sales of loans held for sale | 67,763 | 174,791 |
| Originations of loans held for sale | Originations of loans held for sale | (53,828) | (52,415) |
| Originations of servicing assets | Originations of servicing assets | (1,885) | (4,228) |
| Net change in accrued interest receivable | Net change in accrued interest receivable | (7,178) | (3,916) |
| Net change in other assets | Net change in other assets | 38,903 | (3,931) |

| | | | |
|---|---|---|---|
| Net change in accrued interest payable | Net change in accrued interest payable | 140,163 | 7,441 |
| Net change in other liabilities | Net change in other liabilities | 55,256 | 64,682 |
| Net cash provided by operating activities | Net cash provided by operating activities | 395,218 | 367,247 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Redemption of interest earning deposits in other financial institutions | | | |
| Redemption of interest earning deposits in other financial institutions | | | |
| Redemption of interest earning deposits in other financial institutions | Redemption of interest earning deposits in other financial institutions | 735 | 8,883 |
| Investment securities available for sale: | Investment securities available for sale: | | |
| Purchase of securities | Purchase of securities | (372,895) | (195,796) |
| Purchase of securities | | | |
| Purchase of securities | | | |
| Proceeds from matured, called, or paid-down securities | Proceeds from matured, called, or paid-down securities | 280,123 | 277,317 |
| Investment securities held to maturity: | Investment securities held to maturity: | | |
| Investment securities held to maturity: | | | |
| Investment securities held to maturity: | | | |
| Purchase of securities | | | |
| Purchase of securities | | | |
| Purchase of securities | Purchase of securities | (5,545) | (37,985) |
| Proceeds from matured, called, or paid-down securities | Proceeds from matured, called, or paid-down securities | 12,792 | 6,939 |
| Proceeds from sales of equity investments | | — | 20,603 |
| Purchase of equity investments | | | |

| | | | |
|---|---|---|---|
| Purchase of equity investments | | | |
| Purchase of equity investments | Purchase of equity investments | (924) | (196) |
| Proceeds from sales of other loans held for sale previously classified as held for investment | Proceeds from sales of other loans held for sale previously classified as held for investment | 335,390 | 137,836 |
| Purchase of loans receivable | | (1,636) | (47,655) |
| Net change in loans receivable | | | |
| Net change in loans receivable | | | |
| Net change in loans receivable | Net change in loans receivable | 710,267 | (1,678,133) |
| Proceeds from sales of OREO | Proceeds from sales of OREO | 1,209 | 524 |
| Purchase of FHLB stock | Purchase of FHLB stock | (4,650) | (21,378) |
| Redemption of FHLB stock | Redemption of FHLB stock | 6,030 | 19,728 |
| Purchase of premises and equipment | Purchase of premises and equipment | (11,123) | (6,548) |
| Purchase of BOLI policy | Purchase of BOLI policy | (11,000) | — |
| Purchase of BOLI policy | | | |
| Purchase of BOLI policy | | | |
| Proceeds from BOLI death benefits | Proceeds from BOLI death benefits | 587 | 1,215 |
| Investments in affordable housing partnerships | Investments in affordable housing partnerships | (2,852) | (3,296) |
| Net cash provided by (used in) investing activities | | 936,508 | (1,517,942) |
| Net cash provided by investing activities | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net change in deposits | | | |
| Net change in deposits | | | |
| Net change in deposits | Net change in deposits | 1,058 | 461,759 |

| | | | |
|---|---|---|---|
| Proceeds from FHLB advances | Proceeds from FHLB advances | 5,350,000 | 23,650,885 |
| Repayment of FHLB advances | Repayment of FHLB advances | (5,850,000) | (23,250,885) |
| Proceeds from FRB borrowings | Proceeds from FRB borrowings | 36,104,000 | 7,647,000 |
| Repayment of FRB borrowings | Repayment of FRB borrowings | (34,673,274) | (7,275,000) |
| Repurchase of convertible notes | Repurchase of convertible notes | (19,534) | — |
| Repayment of convertible notes | | (197,107) | — |
| Purchase of treasury stock | | — | (14,667) |
| Repurchase of convertible notes | | | |
| Repurchase of convertible notes | | | |
| Cash dividends paid on common stock | | | |
| Cash dividends paid on common stock | | | |
| Cash dividends paid on common stock | Cash dividends paid on common stock | (50,321) | (50,397) |
| Taxes paid in net settlement of restricted stock | Taxes paid in net settlement of restricted stock | (3,001) | (3,461) |
| Issuance of additional stock pursuant to various stock plans | | — | 531 |
| Net cash provided by financing activities | | 661,821 | 1,165,765 |
| Net cash (used in) provided by financing activities | | | |
| Net cash (used in) provided by financing activities | | | |
| Net cash (used in) provided by financing activities | | | |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | | | |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | | | |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | **NET CHANGE IN CASH AND CASH EQUIVALENTS** | 1,993,547 | 15,070 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD** | **CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD** | 506,776 | 316,266 |
| **CASH AND CASH EQUIVALENTS, END OF PERIOD** | **CASH AND CASH EQUIVALENTS, END OF PERIOD** | $ 2,500,323 | $ 331,336 |
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** | **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** | | |
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** | | | |

| | | | |
|---|---|---|---|
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** | | | |
| Interest paid | | | |
| Interest paid | | | |
| Interest paid | Interest paid | $ 238,264 | $ 54,929 |
| Income taxes paid | Income taxes paid | $ 7,170 | $ 70,475 |
| **SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES** | **SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES** | | |
| Transfer from loans receivable to OREO | | $ 105 | $ — |
| **SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES** | | | |
| **SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES** | | | |
| Transfer from loans receivable to loans held for sale | Transfer from loans receivable to loans held for sale | $ 382,286 | $ 219,287 |
| Transfer from loans held for sale to loans receivable | | $ 22,400 | $ 8,324 |
| Transfer from investment securities available for sale to held to maturity, at fair value | | $ — | $ 238,966 |
| Transfer from loans receivable to loans held for sale | | | |
| Transfer from loans receivable to loans held for sale | | | |
| Lease liabilities arising from obtaining ROU assets | Lease liabilities arising from obtaining ROU assets | $ 7,606 | $ 13,698 |
| Lease liabilities arising from obtaining ROU assets | | | |
| Lease liabilities arising from obtaining ROU assets | | | |

See accompanying Notes to Consolidated Financial Statements (Unaudited)

**HOPE BANCORP, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

**1. Hope Bancorp, Inc.**

Hope Bancorp, Inc. ("Hope Bancorp" on a parent-only basis and the "Company" on a consolidated basis), headquartered in Los Angeles, California, is the holding company for Bank of Hope (the "Bank"). At September 30, 2023 March 31, 2024, the Bank operated 53 full-service has 48 branches in California, Washington, Texas, Illinois, New York, New Jersey, Virginia, Alabama and Georgia. The Bank also operated SBA nine loan production offices in Seattle, Denver, Houston, Dallas, Atlanta, Portland, California, New York, City, Texas, Washington, Illinois, New Jersey, Virginia, Georgia, Alabama, Colorado and Northern California; commercial loan production offices in Northern California, Seattle and Tampa; residential mortgage loan production offices in Southern California; and Oregon as well a representative office in Seoul, South Korea. The Company is a corporation organized under the laws of the state of Delaware and a bank holding company registered under the Bank Holding Company Act of 1956, as amended.

On March 28, 2024, the Bank entered into a Purchase and Assumption Agreement with PromiseOne Bank, a Georgia state bank, to sell the deposits, other liabilities and certain physical assets of the Bank's two branches located in Virginia (Annandale and Centreville). The transaction is expected to be completed in the second half of 2024, subject to regulatory approvals and other customary closing conditions.

## 2. Basis of Presentation

The consolidated financial statements included herein have been prepared without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"), except for the Consolidated Statement of Financial Condition at December 31, 2022 December 31, 2023, which was from the audited financial statements included in the Company's 2022 2023 Annual Report on Form 10-K. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such SEC rules and regulations.

The consolidated financial statements include the accounts of Hope Bancorp and its wholly owned subsidiaries, principally Bank of Hope. the Bank. All intercompany transactions and balances have been eliminated in consolidation. The Company has made all adjustments, that, in the opinion of management, are necessary to fairly present the Company's financial position at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, and the results of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. Certain reclassifications have been made to prior period amounts to conform to the current year presentation. The results of operations for the interim periods are not necessarily indicative of results to be anticipated for the full year.

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

These unaudited consolidated financial statements should be read along with the audited consolidated financial statements and accompanying notes included in the Company's 2022 2023 Annual Report on Form 10-K.

Significant Accounting Policies

The Company's accounting policies are described in Note 1—"Summary of Significant Accounting Policies", of its audited consolidated financial statements included in its 2022 2023 Annual Report Form 10-K. Significant changes to accounting policies from those disclosed in the Company's audited consolidated financial statements included in its 2022 2023 Annual Report Form 10-K are presented below.

*Loan Modifications to Borrowers Experiencing The allowance for unfunded commitments is recognized as a liability (other liabilities in the Consolidated Statements of Financial Difficulty.* Prior Condition), with adjustments to the adoption allowance for unfunded commitments recognized through provision for credit losses in the Consolidated Statements of Income.

Accounting Pronouncements Adopted

In November 2023, the FASB issued ASU 2022-02, 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" which expands segment disclosure requirements for public entities. ASU 2023-07 requires disclosure of significant segment expenses and other segment items on annual and interim periods about a reportable segment's profit or loss and assets that are currently required annually. This guidance is effective for public entities for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company is currently evaluating the Company accounted for the modification to the contractual terms impact of a loan that resulted in granting a concession to a borrower experiencing financial difficulties as a troubled debt restructuring ("TDR"). Effective January 1, 2023, the Company adopted adopting ASU 2022-02, which eliminated TDR accounting prospectively for all restructurings occurring on or after January 1, 2023. Loans that were considered a TDR prior to the adoption of ASU 2022-02 will be collectively evaluated for Allowance for Credit Losses ("ACL") purposes until the loan is paid off, liquidated, or subsequently modified. Since adoption of ASU 2022-02 on January 1, 2023, the Company evaluated all loan modifications under ASC 310-20 to determine whether a modification made to a borrower results in a new loan or is a continuation of the existing loan. GAAP requires the Company to make certain disclosures related to these loans, including certain types of modifications, as well as how such loans have performed since their modifications. Please see Note 6—"Loans Receivable and Allowance for Credit Losses" for additional information concerning loan modifications to borrowers experiencing financial difficulty. 2023-07.

Recently Issued Accounting Pronouncements Not Yet Adopted

There were no recently issued accounting pronouncements not yet adopted that are expected to have a material impact on the Company's consolidated financial statements.

SEC Final Rules

On March 6, 2024, the SEC adopted final rules that require companies to disclose certain climate-related information such as material climate-related risks; activities to mitigate or adapt to such risks; information about the registrant's board of directors' oversight of climate-related risks and management's role in managing material climate-related risks; and information on any climate-related targets or goals that are material to the registrant's business, results of operations, or financial condition. In April 2024, the SEC voluntarily stayed the rule pending judicial review. Subject to the results of judicial review, the final rules would be effective for the fiscal year beginning on December 31, 2025. The Company is still assessing the impact of the final rules.

## 3. Earnings Per Share ("EPS")

Earnings per share are computed by dividing net income by the weighted average number of common shares outstanding for the period. Basic EPS does not reflect the possibility of dilution that could result from the issuance of additional shares of common stock upon exercise or conversion of outstanding equity awards or convertible notes. Diluted EPS reflects the potential dilution that could occur if stock options, convertible notes, employee stock purchase program ("ESPP") shares, or other contracts to issue common stock were exercised or converted to common stock that would then share in earnings. For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, stock options and restricted share awards of 1,049,495 642,245 and 751,973 shares of common stock, respectively, were excluded in computing diluted earnings per common share because they were anti-dilutive. For the nine months ended September 30, 2023 and 2022, stock options and restricted share awards of 1,189,286 and 715,058 705,659 shares of common stock, respectively, were excluded in computing diluted earnings per common share because they were anti-dilutive.

The Company previously issued $217.5 million in convertible senior notes maturing on May 15, 2038, of which $444 thousand remained outstanding at September 30, 2023 March 31, 2024. The convertible notes can be converted into the Company's shares of common stock at an initial rate of 45.0760 shares per $1,000 principal amount of the notes (See Note 10—"Convertible Notes and Subordinated Debentures" for additional information regarding convertible notes issued). With Under the adoption of ASU 2020-06, the required if-converted method is required for calculating dilutive EPS for all convertible instruments, since the treasury stock method is no longer available. Under the if-converted method, the denominator of the diluted EPS calculation is adjusted to reflect the full number of common shares issuable upon conversion, while the numerator is adjusted to add back after-tax interest expense for the period. For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, shares related to the convertible notes issued were not included in the Company's diluted EPS calculation. In accordance with the terms of the convertible notes and settlement options available to the Company, no shares would have been delivered to investors of the convertible notes based on the common stock price during the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, as the conversion price exceeded the market price of the Company's stock.

The following tables present table presents computations of basic and diluted EPS for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

| | | Three Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2023 | | | 2022 | | |
| | | Net Income (Numerator) | Weighted-Average Shares (Denominator) | Earnings Per Share | Net Income (Numerator) | Weighted-Average Shares (Denominator) | Earnings Per Share |
| | | (Dollars in thousands, except share and per share data) | | | | | |
| Basic EPS - common stock | Basic EPS - common stock | $ 30,049 | 120,020,567 | $ 0.25 | $ 53,748 | 119,476,035 | $ 0.45 |
| Effect of dilutive securities: | Effect of dilutive securities: | | | | | | |
| Stock options, restricted stock, and ESPP shares | | | 354,051 | | | 520,488 | |
| Stock options and restricted stock | | | | | | | |
| Stock options and restricted stock | | | | | | | |
| Stock options and restricted stock | | | | | | | |
| Diluted EPS - common stock | | | | | | | |
| Diluted EPS - common stock | | | | | | | |
| Diluted EPS - common stock | Diluted EPS - common stock | $ 30,049 | 120,374,618 | $ 0.25 | $ 53,748 | 119,996,523 | $ 0.45 |

| Three Months Ended March 31, | | | | | | Three Months Ended March 31, |
|---|---|---|---|---|---|---|
| 2024 | | | 2023 | | | |
| Net Income (Numerator) | Weighted-Average Shares (Denominator) | Earnings Per Share | Net Income (Numerator) | Weighted-Average Shares (Denominator) | Earnings Per Share | |
| (Dollars in thousands, except share and per share data) | | | | | | |

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Net Income (Numerator) | Weighted-Average Shares (Denominator) | Earnings Per Share | Net Income (Numerator) | Weighted-Average Shares (Denominator) | Earnings Per Share |
| | (Dollars in thousands, except share and per share data) | | | | | |
| Basic EPS - common stock | $107,192 | 119,843,382 | $ 0.89 | $166,574 | 119,940,044 | $ 1.39 |
| Effect of dilutive securities: | | | | | | |
| Stock options, restricted stock, and ESPP shares | | 406,570 | | | 655,944 | |
| Diluted EPS - common stock | $107,192 | 120,249,952 | $ 0.89 | $166,574 | 120,595,988 | $ 1.38 |

**4. Equity Investments**

Equity investments with readily determinable fair values at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, consisted of mutual funds in the amounts of $4.2 million $4.3 million and $4.3 million $4.4 million, respectively, and were included in “Equity investments” on the Consolidated Statements of Financial Condition.

The changes in fair value for equity investments with readily determinable fair values for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, were recorded in other noninterest income and fees as summarized in the table below:

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| | | (Dollars in thousands) | | | |
| | | Three Months Ended March 31, | | | |
| | | Three Months Ended March 31, | | | |
| | | Three Months Ended March 31, | | | |
| | | 2024 | | | |
| | | 2024 | | | |
| | | 2024 | | | |
| | | (Dollars in thousands) | | | |
| | | (Dollars in thousands) | | | |
| | | (Dollars in thousands) | | | |
| Net change in fair value recorded during the period on equity investments with readily determinable fair value | Net change in fair value recorded during the period on equity investments with readily determinable fair value | $ (134) | $ 186 | $ (134) | $ (1,926) |
| Less: Net change in fair value recorded on equity investments sold during the period | Less: Net change in fair value recorded on equity investments sold during the period | — | 375 | — | (1,354) |
| Less: Net change in fair value recorded on equity investments sold during the period | | | | | |
| Less: Net change in fair value recorded on equity investments sold during the period | | | | | |
| Net change in fair value on equity investments with readily determinable fair values held at the end of the period | | | | | |
| Net change in fair value on equity investments with readily determinable fair values held at the end of the period | | | | | |
| Net change in fair value on equity investments with readily determinable fair values held at the end of the period | Net change in fair value on equity investments with readily determinable fair values held at the end of the period | $ (134) | $ (189) | $ (134) | $ (572) |

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company also had equity investments without readily determinable fair values, which are carried at cost less any determined impairment. The balance of these investments is adjusted for changes in subsequent observable prices. At September 30, 2023 March 31, 2024, the total balance of equity investments without readily determinable fair values included in “Equity investments” on the Consolidated Statements of Financial Condition was $39.0 $39.6 million, consisting of $370 thousand in correspondent bank stock, $1.0 million in Community Development Financial Institutions (“CDFI”) investments, and $37.6 million $38.2 million in Community Reinvestment Act (“CRA”) investments. At December 31, 2022 December 31, 2023, the total balance of equity investments without readily determinable fair values was $38.1 million $39.4 million, consisting of $370 thousand in correspondent bank stock, $1.0 million in CDFI investments, and $36.7 million $38.0 million in CRA investments.

The Company had no impairments or subsequent observable price changes for equity investments without readily determinable fair values for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

## 5. Investment Securities

The following is a summary of investment securities as of the dates indicated:

| | September 30, 2023 | | | | December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| | (Dollars in thousands) | | | | | | | |
| Debt securities available for sale: | | | | | | | | |
| U.S. Treasury securities | $ 102,337 | $ 14 | $ (64) | $ 102,287 | $ 3,990 | $ — | $ (104) | $ 3,886 |
| U.S. Government agency and U.S. Government sponsored enterprises: | | | | | | | | |
| Agency securities | 4,000 | — | (188) | 3,812 | 4,000 | — | (133) | 3,867 |
| Collateralized mortgage obligations | 887,832 | — | (176,508) | 711,324 | 947,541 | — | (153,842) | 793,699 |
| Mortgage-backed securities: | | | | | | | | |
| Residential | 509,378 | — | (107,599) | 401,779 | 544,084 | — | (90,907) | 453,177 |
| Commercial | 423,225 | — | (67,232) | 355,993 | 417,241 | — | (48,954) | 368,287 |
| Asset-backed securities | 152,659 | — | (2,079) | 150,580 | 153,539 | — | (5,935) | 147,604 |
| Corporate securities | 23,314 | — | (5,017) | 18,297 | 23,351 | — | (4,494) | 18,857 |
| Municipal securities | 276,892 | — | (26,736) | 250,156 | 195,675 | 790 | (13,713) | 182,752 |
| Total investment securities available for sale | $2,379,637 | $ 14 | $(385,423) | $1,994,228 | $2,289,421 | $ 790 | $(318,082) | $1,972,129 |
| Debt securities held to maturity: | | | | | | | | |

| | March 31, 2024 | | | | December 31, 2023 | |
|---|---|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Amortized Cost | Ur |
| | (Dollars in thousands) | | | | | |
| Debt securities AFS: | | | | | | |
| U.S. Treasury securities | | | | | | |
| U.S. Treasury securities | | | | | | |
| Agency securities | | | | | | |
| Agency securities | | | | | | |
| Collateralized mortgage obligations (“CMO”) | | | | | | |
| Mortgage-backed securities (“MBS”): | | | | | | |
| Residential | | | | | | |
| Residential | | | | | | |
| Total investment securities AFS | | | | | | |
| Debt securities HTM: | | | | | | |
| Debt securities HTM: | | | | | | |
| Debt securities HTM: | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| U.S. Government agency and U.S. Government sponsored enterprises: | U.S. Government agency and U.S. Government sponsored enterprises: | | | | | | | | |
| Mortgage-backed securities: | | | | | | | | | |
| U.S. Government agency and U.S. Government sponsored enterprises: | | | | | | | | | |
| U.S. Government agency and U.S. Government sponsored enterprises: | | | | | | | | | |
| MBS: | | | | | | | | | |
| MBS: | | | | | | | | | |
| MBS: | | | | | | | | | |
| Residential | | | | | | | | | |
| Residential | | | | | | | | | |
| Residential | Residential | $ 152,766 | $ — | $ (16,330) | $ 136,436 | $ 157,881 | $ — | $ (7,041) | $ 150,840 |
| Commercial | Commercial | 113,843 | — | (10,506) | 103,337 | 113,185 | 1 | (5,619) | 107,567 |
| Total investment securities held to maturity | | $ 266,609 | $ — | $ (26,836) | $ 239,773 | $ 271,066 | $ 1 | $ (12,660) | $ 258,407 |
| Total investment securities HTM | | | | | | | | | |

The Company has elected to exclude accrued interest from the amortized cost of its investment debt securities. Accrued interest receivable for investment debt securities at September 30, 2023 March 31, 2024 and December 31, 2022, 2023, totaled $8.3 million $9.1 million and $7.8 million $11.0 million, respectively.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders' equity.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, $271.2 million $209.9 million and $223.1 million $200.2 million in unrealized losses on investment securities AFS, net of taxes, respectively, were included in accumulated other comprehensive income (loss). loss. For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, there were no reclassifications out of accumulated other comprehensive income (loss) loss into earnings resulting from the sale of investments securities AFS.

The following table presents a breakdown of interest income recorded for investment securities that are taxable and nontaxable.

| | | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 | |
|---|---|---|---|---|---|---|
| | | (Dollars in thousands) | | | | (Dollars in thousands) |
| Interest income on investment securities | Interest income on investment securities | | | | | |
| Taxable | Taxable | $15,884 | $12,907 | $44,396 | $36,303 | |
| Taxable | | | | | | |
| Taxable | | | | | | |
| Nontaxable | | | | | | |
| Nontaxable | | | | | | |
| Nontaxable | Nontaxable | 1,122 | 591 | 3,269 | 1,159 | |
| Total | Total | $17,006 | $13,498 | $47,665 | $37,462 | |
| Total | | | | | | |
| Total | | | | | | |

The amortized cost and estimated fair value of investment securities at September 30, 2023 March 31, 2024, by contractual maturity, are presented in the table below. Collateralized mortgage obligations, mortgage-backed securities, and asset-backed securities are presented by final maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations, with or without call or prepayment penalties.

| | Available for Sale | Held to Maturity |
|---|---|---|

| | | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
|---|---|---|---|---|---|
| | | Available for Sale | | Held to Maturity | |
| | | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
| | | (Dollars in thousands) | | | |
| Debt securities: | Debt securities: | | | | |
| Due within one year | Due within one year | | | | |
| Due within one year | Due within one year | $ 102,338 | $ 102,287 | $ — | $ — |
| Due after one year through five years | Due after one year through five years | 157,231 | 144,857 | 25,816 | 24,525 |
| Due after five years through ten years | Due after five years through ten years | 108,696 | 94,818 | 8,590 | 7,845 |
| Due after ten years | Due after ten years | 2,011,372 | 1,652,266 | 232,203 | 207,403 |
| **Total** | **Total** | $2,379,637 | $1,994,228 | $266,609 | $239,773 |

Securities with carrying values of approximately $1.96 billion $815.3 million and $360.7 million $1.70 billion at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, were pledged to secure public deposits, for various borrowings, and for other purposes as required or permitted by law.

The following tables show the Company's investments' gross unrealized losses and estimated fair values, aggregated by investment category and the length of time that the individual securities have been in a continuous unrealized loss position as of the dates indicated. The length of time that the individual securities have been in a continuous unrealized loss position is not a factor in determining credit impairment with the adoption of current expected credit losses ("CECL").

| | | September 30, 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Less than 12 months | | | 12 months or longer | | | Total | | |
| | | March 31, 2024 | | | | | | | | |
| | | Less than 12 months | | | 12 months or longer | | | | | |
| Description of Securities AFS | Description of Securities AFS | Number of Securities | Fair Value | Gross Unrealized Losses | Number of Securities | Fair Value | Gross Unrealized Losses | Number of Securities | Fair Value | Gross Unrealized Losses |
| | | (Dollars in thousands) | | | | | | | | |
| U.S. Treasury securities | U.S. Treasury securities | — | $ — | $ — | 1 | $ 3,931 | $ (64) | 1 | $ 3,931 | $ (64) |
| U.S. Government agency and U.S. Government sponsored enterprises: | U.S. Government agency and U.S. Government sponsored enterprises: | | | | | | | | | |
| Agency securities | Agency securities | — | — | — | 1 | 3,812 | (188) | 1 | 3,812 | (188) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Collateralized mortgage obligations | | 2 | 9,556 | (734) | 116 | 701,768 | (175,774) | 118 | 711,324 | (176,508) |
| Mortgage-backed securities: | | | | | | | | | | |
| Agency securities | | | | | | | | | | |
| Agency securities | | | | | | | | | | |
| CMOs | | | | | | | | | | |
| MBS: | | | | | | | | | | |
| Residential | | | | | | | | | | |
| Residential | | | | | | | | | | |
| Residential | Residential | 1 | 2,631 | (213) | 64 | 399,148 | (107,386) | 65 | 401,779 | (107,599) |
| Commercial | Commercial | 6 | 31,673 | (2,604) | 53 | 324,320 | (64,628) | 59 | 355,993 | (67,232) |
| Asset-backed securities | Asset-backed securities | — | — | — | 18 | 150,580 | (2,079) | 18 | 150,580 | (2,079) |
| Corporate securities | Corporate securities | — | — | — | 6 | 18,297 | (5,017) | 6 | 18,297 | (5,017) |
| Municipal securities | Municipal securities | 48 | 163,402 | (8,862) | 44 | 86,754 | (17,874) | 92 | 250,156 | (26,736) |
| **Total** | **Total** | 57 | $207,262 | $(12,413) | 303 | $1,688,610 | $(373,010) | 360 | $1,895,872 | $(385,423) |

| | | December 31, 2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Less than 12 months | | | 12 months or longer | | | Total | | |
| | | December 31, 2023 | | | | | | | | |
| | | Less than 12 months | | | | | | | | |
| **Description of Securities AFS** | **Description of Securities AFS** | **Number of Securities** | **Fair Value** | **Gross Unrealized Losses** | **Number of Securities** | **Fair Value** | **Gross Unrealized Losses** | **Number of Securities** | **Fair Value** | **Gross Unrealized Losses** |
| | | (Dollars in thousands) | | | | | | | | |
| U.S. Treasury securities | U.S. Treasury securities | 1 | $ 3,886 | $ (104) | — | $ — | $ — | 1 | $ 3,886 | $ (104) |
| U.S. Government agency and U.S. Government sponsored enterprises: | U.S. Government agency and U.S. Government sponsored enterprises: | | | | | | | | | |
| Agency securities | Agency securities | 1 | 3,867 | (133) | — | — | — | 1 | 3,867 | (133) |
| Collateralized mortgage obligations | | 61 | 150,419 | (14,888) | 59 | 643,280 | (138,954) | 120 | 793,699 | (153,842) |
| Mortgage-backed securities: | | | | | | | | | | |
| Agency securities | | | | | | | | | | |
| Agency securities | | | | | | | | | | |
| CMOs | | | | | | | | | | |
| MBS: | | | | | | | | | | |
| Residential | | | | | | | | | | |
| Residential | | | | | | | | | | |
| Residential | Residential | 23 | 55,645 | (5,616) | 42 | 397,532 | (85,291) | 65 | 453,177 | (90,907) |
| Commercial | Commercial | 29 | 172,963 | (12,156) | 26 | 195,324 | (36,798) | 55 | 368,287 | (48,954) |
| Asset-backed securities | Asset-backed securities | 3 | 21,836 | (716) | 15 | 125,768 | (5,219) | 18 | 147,604 | (5,935) |
| Corporate securities | Corporate securities | 1 | 3,401 | (600) | 5 | 15,456 | (3,894) | 6 | 18,857 | (4,494) |

| Description of Securities AFS | Less than 12 months | | | 12 months longer | | |
|---|---|---|---|---|---|---|
| | Number of Securities | Fair Value | Gross Unrealized Losses | Number of Securities | Fair Value | Gross Unrealized Losses |
| | (Dollars in thousands) | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Municipal securities | Municipal securities | 31 | 76,942 | (3,207) | 32 | 65,730 | (10,506) | 63 | 142,672 | (13,713) |
| **Total** | **Total** | 150 | $488,959 | $(37,420) | 179 | $1,443,090 | $(280,662) | 329 | $1,932,049 | $(318,082) |

The Company had U.S. Treasury securities, agency securities, collateralized mortgage obligations, mortgage-backed, asset-backed, corporate, and municipal securities classified as AFS that were in a continuous loss position for twelve months or longer at September 30, 2023 March 31, 2024. The collateralized mortgage obligations and mortgage-backed securities were investments in U.S. Government agency and U.S. Government sponsored enterprises and have high credit ratings ("AA" grade or better). The interest on asset-backed, corporate, and municipal securities that were in an unrealized loss position has been paid as agreed, and the Company believes this will continue in the future and that the securities will be paid in full as scheduled. The market value declines for these securities were primarily due to movements in interest rates and are not reflective of management's expectations of the Company's ability to fully recover any unrealized losses, which may be at maturity. With the adoption of CECL, the length of time that the fair value of investment securities has been less than amortized cost is not considered when assessing for credit impairment.

79.4% of the Company's investment portfolio at March 31, 2024, consisted of securities that were issued by U.S. Government agency and U.S. Government sponsored enterprises. Although a government guarantee exists on securities issued by U.S. Government sponsored agencies, these entities are not legally backed by the full faith and credit of the federal government, and the current support is subject to a cap as part of the Housing and Economic Recovery Act of 2008. Nonetheless, at this time the Company does not foresee any set of circumstances in which the government would not fund its commitments on these investments as the issuers are an integral part of the U.S. housing market in providing liquidity and stability. Therefore, the Company concluded that a zero allowance approach for these investments was appropriate. The Company also had five asset-backed securities, six corporate securities, and 58 municipal bonds in unrealized loss positions at March 31, 2024. The Company performed an assessment of investments in unrealized loss positions for credit impairment and concluded that no allowance for credit losses was required at March 31, 2024.

***Allowance for Credit Losses on Securities Available for Sale—***The Company evaluates investment securities AFS in unrealized loss positions for impairment related to credit losses on at least a quarterly basis. Investment securities AFS in unrealized loss positions are first assessed as to whether the Company intends to sell, or if it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If one of the criteria is met, the security's amortized cost basis is written down to fair value through earnings. For securities that do not meet these criteria, the Company evaluates whether the decline in fair value resulted from credit losses or other factors. In evaluating whether a credit loss exists, the Company has set up an initial quantitative filter for impairment triggers. Once the quantitative filter has been triggered, a security is placed on a watch list and an additional assessment is performed to identify whether a credit impairment exists. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security and the issuer, among other factors. If this assessment indicates that a credit loss exists, the Company compares the present value of cash flows expected to be collected from the security with the amortized cost basis. If the present value of cash flows expected to be collected is less than the amortized cost basis for the security, a credit loss exists and an allowance for credit losses is recorded, limited to the amount that the fair value of the security is less than its amortized cost basis. Unrealized losses that have not been recorded through an allowance for credit losses are recognized in other comprehensive income, net of applicable taxes. The Company did not have an allowance for credit losses on investment securities AFS at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

81.5% of the Company's investment portfolio at September 30, 2023, consisted of securities that were issued by U.S. Government agency and U.S. Government sponsored enterprises. Although a government guarantee exists on securities issued by U.S. Government sponsored agencies, these entities are not legally backed by the full faith and credit of the federal government, and the current support is subject to a cap as part of the Housing and Economic Recovery Act of 2008. Nonetheless, at this time the Company does not foresee any set of circumstances in which the government would not fund its commitments on these investments as the issuers are an integral part of the U.S. housing market in providing liquidity and stability. Therefore, the Company concluded that a zero allowance approach for these investments was appropriate. The Company also had 18 asset-backed securities, six corporate securities, and 92 municipal bonds in unrealized loss positions at September 30, 2023. The Company performed an assessment of investments in unrealized loss positions for credit impairment and concluded that no allowance for credit losses was required at September 30, 2023.

***Allowance for Credit Losses on Securities Held to Maturity—***For each major HTM debt security type, the allowance for credit losses is estimated collectively for groups of securities with similar risk characteristics. For securities that do not share similar risk characteristics, the losses are estimated individually. Debt securities that are issued by a U.S. government agency or government-sponsored enterprises are highly rated by major rating agencies, and have a long history of no credit losses. Therefore, the Company applies a zero credit loss assumption on these investments. Any expected credit loss is recorded through the allowance for credit losses on investment securities HTM and deducted from the amortized cost basis of the security, so that the balance sheet reflects the net amount the Company expects to collect. At September 30, 2023 March 31, 2024, all of the Company's investment securities HTM were issued by a U.S. government agency or government-sponsored enterprises. The Company did not have an allowance for credit losses on investment securities HTM at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

**6. Loans Receivable and Allowance for Credit Losses**

The following is a summary of loans receivable by segment:

| | | September 30, 2023 | December 31, 2022 | | |
|---|---|---|---|---|---|
| | | (Dollars in thousands) | | | |
| | March 31, 2024 | | | March 31, 2024 | December 31, 2023 |
| | (Dollars in thousands) | | | | (Dollars in thousands) |
| **Loan portfolio composition** | **Loan portfolio composition** | | | | |
| Commercial real estate ("CRE") loans | | | | | |

| Commercial real estate ("CRE") loans | | | |
|---|---|---|---|
| Commercial real estate ("CRE") loans | Commercial real estate ("CRE") loans | $ 8,972,886 | $ 9,414,580 |
| Commercial and industrial ("C&I") loans | Commercial and industrial ("C&I") loans | 4,450,341 | 5,109,532 |
| Residential mortgage loans | Residential mortgage loans | 843,410 | 846,080 |
| Consumer and other loans | Consumer and other loans | 39,556 | 33,348 |
| Total loans receivable, net of deferred costs and fees | Total loans receivable, net of deferred costs and fees | 14,306,193 | 15,403,540 |
| Allowance for credit losses | Allowance for credit losses | (158,809) | (162,359) |
| Loans receivable, net of allowance for credit losses | Loans receivable, net of allowance for credit losses | $14,147,384 | $15,241,181 |

Loans receivable is stated at the amount of unpaid principal, adjusted for net deferred fees and costs, premiums and discounts, and purchase accounting fair value adjustments. The Company had net deferred fees of $8.9 million $4.9 million and $11.1 million $6.1 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The loan portfolio consists of four segments: CRE loans, C&I loans, residential mortgage loans, and consumer and other loans. CRE loans are extended for the purchase and refinance of commercial real estate and are generally secured by first deeds of trust and collateralized by residential or commercial properties. C&I loans are loans provided to businesses for various purposes such as working capital, purchasing inventory, debt refinancing, business acquisitions, international trade finance activities, and other business-related financing needs. This segment includes warehouse lines of credit for residential mortgages and Small Business Administration ("SBA") loans. Residential mortgage loans are extended for personal, family, or household use and are secured by a mortgage or deed of trust. Consumer and other loans consist of home equity, credit card, and other personal loans.

The Company had loans receivable of $14.31 billion $13.72 billion at September 30, 2023 March 31, 2024, a decrease of $1.10 billion $134.4 million, or 7.1% 1.0%, from December 31, 2022 December 31, 2023. The largest decrease in loans receivable during the nine three months ended September 30, 2023 March 31, 2024, was due to the decline in C&I and CRE loans, offset partially by the growth in residential mortgage loans. During the nine three months ended September 30, 2023 March 31, 2024, loan payoffs and paydowns exceeded new origination volume, reflecting, in part, declining the Company's prudent approach to loan growth and lower customer demand in a high interest rate environment and an intentional decrease in mortgage warehouse lines of credit. environment.

The Company had $19.5 million $2.8 million in loans held for sale at September 30, 2023 March 31, 2024, compared with $49.2 million $3.4 million at December 31, 2022 December 31, 2023. Loans held for sale at September 30, 2023 March 31, 2024, consisted of $19.5 million $2.3 million in C&I CRE loans and $476 thousand in residential mortgage loans. Loans held for sale are not included in the loans receivable table presented above.

The tables below detail the activity in the allowance for credit losses ("ACL") by portfolio segment for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

| CRE Loans CRE Loans CRE Loans | C&I Loans | Residential Mortgage Loans | Consumer and Other Loans | Total |
|---|---|---|---|---|
| (Dollars in thousands) | | | (Dollars in thousands) | |

| | | CRE Loans | C&I Loans | Residential Mortgage Loans | Consumer and Other Loans | Total |
|---|---|---|---|---|---|---|
| | | | | (Dollars in thousands) | | |
| **Three Months Ended September 30, 2023** | | | | | | |
| **Three Months Ended March 31, 2024** | | | | | | |
| **Three Months Ended March 31, 2024** | | | | | | |
| **Three Months Ended March 31, 2024** | | | | | | |
| Balance, beginning of period | | | | | | |
| Balance, beginning of period | | | | | | |
| Balance, beginning of period | Balance, beginning of period | $105,321 | $54,894 | $ 11,983 | $ 798 | $172,996 |
| Provision (credit) for credit losses | | (10,852) | 27,713 | 13 | (74) | 16,800 |
| Provision (credit) for credit loss on loans | | | | | | |
| Provision (credit) for credit loss on loans | | | | | | |
| Provision (credit) for credit loss on loans | | | | | | |
| Loans charged off | Loans charged off | (631) | (33,219) | — | (75) | (33,925) |
| Recoveries of charge offs | Recoveries of charge offs | 2,898 | 34 | — | 6 | 2,938 |
| Balance, end of period | Balance, end of period | $ 96,736 | $49,422 | $ 11,996 | $ 655 | $158,809 |
| **Nine Months Ended September 30, 2023** | | | | | | |
| Balance, beginning of period | | $ 95,884 | $56,872 | $ 8,920 | $ 683 | $162,359 |
| ASU 2022-02 day 1 adoption adjustment | | 19 | (426) | — | — | (407) |
| Provision (credit) for credit losses | | (1,065) | 25,226 | 3,076 | 163 | 27,400 |
| Loans charged off | | (1,192) | (33,957) | — | (250) | (35,399) |
| Recoveries of charge offs | | 3,090 | 1,707 | — | 59 | 4,856 |
| Balance, end of period | | $ 96,736 | $49,422 | $ 11,996 | $ 655 | $158,809 |

| CRE Loans | CRE Loans | C&I Loans | Residential Mortgage Loans | Consumer and Other Loans | Total |
|---|---|---|---|---|---|
| (Dollars in thousands) | | | | (Dollars in thousands) | |

| CRE Loans | C&I Loans | Residential Mortgage Loans | Consumer and Other Loans | Total |
|---|---|---|---|---|
| | | (Dollars in thousands) | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Three Months Ended September 30, 2022** | | | | | | |
| **Three Months Ended March 31, 2023** | | | | | | |
| **Three Months Ended March 31, 2023** | | | | | | |
| **Three Months Ended March 31, 2023** | | | | | | |
| Balance, beginning of period | Balance, beginning of period | $ 99,824 | $ 44,852 | $ 6,079 | $ 825 | $ 151,580 |
| Provision (credit) for credit losses | | 109 | 8,276 | 837 | (22) | 9,200 |
| Balance, beginning of period | | | | | | |
| Balance, beginning of period | | | | | | |
| ASU 2022-02 day 1 adoption adjustment | | | | | | |
| Provision (credit) for credit loss on loans | | | | | | |
| Loans charged off | Loans charged off | (185) | (262) | (22) | (81) | (550) |
| Recoveries of charge offs | Recoveries of charge offs | 176 | 147 | — | 8 | 331 |
| Balance, end of period | Balance, end of period | $ 99,924 | $ 53,013 | $ 6,894 | $ 730 | $ 160,561 |
| **Nine Months Ended September 30, 2022** | | | | | | |
| Balance, beginning of period | | $ 108,440 | $ 27,811 | $ 3,316 | $ 983 | $ 140,550 |
| Provision (credit) for credit losses | | (25,433) | 23,327 | 3,600 | (94) | 1,400 |
| Loans charged off | | (1,936) | (611) | (22) | (196) | (2,765) |
| Recoveries of charge offs | | 18,853 | 2,486 | — | 37 | 21,376 |
| Balance, end of period | | $ 99,924 | $ 53,013 | $ 6,894 | $ 730 | $ 160,561 |

The following tables break out the allowance for credit losses and loan balance by measurement methodology at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

| September 30, 2023 | | | | |
|---|---|---|---|---|
| CRE Loans | C&I Loans | Residential Mortgage Loans | Consumer and Other Loans | Total |
| (Dollars in thousands) | | | | |

| March 31, 2024 | |
|---|---|
| CRE Loans | |
| (Dollars in thousands) | |

| March 31, 2024 | | | | |
|---|---|---|---|---|
| CRE Loans | C&I Loans | Residential Mortgage Loans | Consumer and Other Loans | Total |
| (Dollars in thousands) | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Allowance for credit losses:** | **Allowance for credit losses:** | | | | | |
| Individually evaluated | | | | | | |
| Individually evaluated | | | | | | |
| Individually evaluated | Individually evaluated | $ 519 | $ 1,933 | $ 26 | $ 15 | $ 2,493 |
| Collectively evaluated | Collectively evaluated | 96,217 | 47,489 | 11,970 | 640 | 156,316 |
| **Total** | **Total** | $ 96,736 | $ 49,422 | $ 11,996 | $ 655 | $ 158,809 |
| **Loans outstanding:** | **Loans outstanding:** | | | | | |
| **Loans outstanding:** | | | | | | |
| **Loans outstanding:** | | | | | | |
| Individually evaluated | | | | | | |
| Individually evaluated | | | | | | |
| Individually evaluated | Individually evaluated | $ 26,687 | $ 4,234 | $ 7,810 | $ 350 | $ 39,081 |
| Collectively evaluated | Collectively evaluated | 8,946,199 | 4,446,107 | 835,600 | 39,206 | 14,267,112 |
| **Total** | **Total** | $8,972,886 | $4,450,341 | $ 843,410 | $ 39,556 | $14,306,193 |

| | | December 31, 2022 | | | | |
|---|---|---|---|---|---|---|
| | | **CRE Loans** | **C&I Loans** | **Residential Mortgage Loans** | **Consumer and Other Loans** | **Total** |
| | | **(Dollars in thousands)** | | | | |

**December 31, 2023**

**December 31, 2023**

**December 31, 2023**

| **CRE Loans** | | **CRE Loans** | **C&I Loans** | **Residential Mortgage Loans** | **Consumer and Other Loans** | **Total** |
|---|---|---|---|---|---|---|
| **(Dollars in thousands)** | | | | | **(Dollars in thousands)** | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Allowance for credit losses:** | **Allowance for credit losses:** | | | | | |
| Individually evaluated | | | | | | |
| Individually evaluated | | | | | | |
| Individually evaluated | Individually evaluated | $ 870 | $ 2,941 | $ 24 | $ 21 | $ 3,856 |
| Collectively evaluated | Collectively evaluated | 95,014 | 53,931 | 8,896 | 662 | 158,503 |
| **Total** | **Total** | $ 95,884 | $ 56,872 | $ 8,920 | $ 683 | $ 162,359 |
| **Loans outstanding:** | **Loans outstanding:** | | | | | |
| **Loans outstanding:** | | | | | | |
| **Loans outstanding:** | | | | | | |
| Individually evaluated | | | | | | |
| Individually evaluated | | | | | | |
| Individually evaluated | Individually evaluated | $ 43,461 | $ 12,477 | $ 9,775 | $ 436 | $ 66,149 |
| Collectively evaluated | Collectively evaluated | 9,371,119 | 5,097,055 | 836,305 | 32,912 | 15,337,391 |
| **Total** | **Total** | $9,414,580 | $5,109,532 | $ 846,080 | $ 33,348 | $15,403,540 |

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, reserves for unfunded loan commitments recorded in other liabilities were $3.1 million $2.8 million and $1.4 million, respectively. For the three and nine months ended September 30, 2023, the Company recorded additions to reserves for unfunded commitments totaling $62 thousand and $1.8 million $3.8 million, respectively. For the three months ended September 30, 2022, March 31, 2024 and 2023, the Company recorded credit for unfunded commitments in credit related expenses totaling $250 thousand. For the nine months ended September 30, 2022, the Company recorded additions a reduction to reserves for unfunded commitments totaling $130 thousand. of $1.0 million and an addition to reserves for unfunded commitments of $1.6 million, respectively.

Generally, loans are placed on nonaccrual status if principal and/or interest payments become 90 days or more past due, and/or management deems the collectability of the principal and/or interest to be in question, as well as when required by regulatory requirements. Loans to customers whose financial conditions have deteriorated are considered for nonaccrual status whether or not the loan is 90 days or more past due. Generally, payments received on nonaccrual loans are recorded as principal reductions. Loans are returned to accrual status only when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. The Company does not recognize interest income while loans are on nonaccrual status.

The tables below represent the amortized cost of nonaccrual loans, as well as loans past due 90 or more days and still on accrual status, by loan segment and broken out by loans with a recorded ACL and those without a recorded ACL, at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

| | | September 30, 2023 | | | |
|---|---|---|---|---|---|
| | | Nonaccrual with No ACL | Nonaccrual with an ACL | Total Nonaccrual (1) | Accruing Loans Past Due 90 Days or More |
| | | (Dollars in thousands) | | | |
| | | March 31, 2024 | | | |
| | | Nonaccrual with No ACL | | | |
| | | (Dollars in thousands) | | | |
| | | March 31, 2024 | | | |
| | | Nonaccrual with No ACL | Nonaccrual with an ACL | Total Nonaccrual (1) | Accruing Loans Past Due 90 Days or More |
| | | (Dollars in thousands) | | | |
| CRE loans | CRE loans | $ 21,027 | $ 5,660 | $ 26,687 | $ 21,217 |
| C&I loans | C&I loans | 211 | 4,023 | 4,234 | 212 |
| Residential mortgage loans | Residential mortgage loans | 4,407 | 3,403 | 7,810 | — |
| Consumer and other loans | Consumer and other loans | — | 350 | 350 | 150 |
| **Total** | **Total** | $ 25,645 | $ 13,436 | $ 39,081 | $ 21,579 |

| | | December 31, 2022 | | | |
|---|---|---|---|---|---|
| | | Nonaccrual with No ACL | Nonaccrual with an ACL | Total Nonaccrual (1) | Accruing Loans Past Due 90 Days or More |
| | | (Dollars in thousands) | | | |
| | | December 31, 2023 | | | |
| | | Nonaccrual with No ACL | | | |
| | | (Dollars in thousands) | | | |
| | | December 31, 2023 | | | |
| | | Nonaccrual with No ACL | Nonaccrual with an ACL | Total Nonaccrual (1) | Accruing Loans Past Due 90 Days or More |
| | | (Dollars in thousands) | | | |
| CRE loans | CRE loans | $ 29,782 | $ 4,133 | $ 33,915 | $ — |
| C&I loans | C&I loans | 1,618 | 4,002 | 5,620 | 336 |
| Residential mortgage loans | Residential mortgage loans | 5,959 | 3,816 | 9,775 | — |
| Consumer and other loans | Consumer and other loans | — | 377 | 377 | 65 |
| **Total** | **Total** | $ 37,359 | $ 12,328 | $ 49,687 | $ 401 |

(1) Total nonaccrual loans exclude the guaranteed portion of SBA loans that are in liquidation totaling $12.1 million $10.9 million and $9.8 million $11.4 million, at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The following table presents the amortized cost of collateral-dependent loans at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

| | | September 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|---|
| | | Real Estate Collateral | Other Collateral | Total | Real Estate Collateral | Other Collateral | Total |
| | | (Dollars in thousands) | | | | | |
| | | March 31, 2024 | | | December 31, 2023 | | |
| | | Real Estate Collateral | Other Collateral | Total | Real Estate Collateral | Other Collateral | Total |
| | | (Dollars in thousands) | | | | | |
| CRE loans | CRE loans | $ 24,721 | $ — | $ 24,721 | $ 35,523 | $ — | $ 35,523 |
| C&I loans | C&I loans | 1,204 | 1,842 | 3,046 | 1,618 | 2,743 | 4,361 |
| Residential mortgage loans | Residential mortgage loans | 4,407 | — | 4,407 | 5,959 | — | 5,959 |
| Consumer and other loans | Consumer and other loans | — | — | — | — | — | — |
| **Total** | **Total** | $ 30,332 | $ 1,842 | $ 32,174 | $ 43,100 | $ 2,743 | $ 45,843 |

Collateral on loans is a significant portion of what secures collateral-dependent loans and significant changes to the fair value of the collateral can potentially impact ACL. During the nine three months ended September 30, 2023 March 31, 2024, the Company did not have any significant changes to the extent to which collateral secured its collateral-dependent loans, due to general deterioration or from other factors. Real estate collateral securing CRE and C&I loans consisted of commercial real estate properties including hotel/motel, building, office, gas station/carwash, warehouse, and residential mortgage properties.

Accrued interest receivable on loans totaled $48.5 million $48.7 million at September 30, 2023 March 31, 2024, and $47.3 $49.3 million at December 31, 2022 December 31, 2023. With the adoption of CECL, the The Company has elected not to consider exclude accrued interest receivable in its estimates of expected credit losses because the Company writes off uncollectible accrued interest receivable in a timely manner. The Company considers writing off accrued interest amounts once the amounts become 90 days past due to be considered within a timely manner. The Company has elected to write off accrued interest receivable by reversing interest income. The following table presents interest income reversals, due to loans being placed on nonaccrual status, by loan segment for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| | | (Dollars in thousands) | | | |
| | | Three Months Ended March 31, | | | |
| | | Three Months Ended March 31, | | | |
| | | Three Months Ended March 31, | | | |
| | | 2024 | | | |
| | | 2024 | | | |
| | | 2024 | | | |
| | | (Dollars in thousands) | | | |
| | | (Dollars in thousands) | | | |
| | | (Dollars in thousands) | | | |
| CRE loans | CRE loans | $ 176 | $ 154 | $ 841 | $ 1,406 |
| C&I loans | C&I loans | 216 | 21 | 1,102 | 47 |
| C&I loans | | | | | |
| C&I loans | | | | | |
| Residential mortgage loans | | | | | |
| Residential mortgage loans | | | | | |
| Residential mortgage loans | Residential mortgage loans | — | 153 | 32 | 292 |
| **Total** | **Total** | $ 392 | $ 328 | $ 1,975 | $ 1,745 |

**Total**

**Total**

The following table presents the amortized cost of past due loans, including nonaccrual loans past due 30 or more days, by the number of days past due at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, by loan segment:

| | | September 30, 2023 | | | | December 31, 2022 | | | | March 31, 2024 | | | | December 31, 2023 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 30-59 Days Past Due | 60-89 Days Past Due | 90 or More Days Past Due | Total Past Due | 30-59 Days Past Due | 60-89 Days Past Due | 90 or More Days Past Due | Total Past Due | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or More Past Due | Total Past Due | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or More Past Due | Total Past Due |
| | | (Dollars in thousands) | | | | | | | | | | | | | | | |
| | | (Dollars in thousands) | | | | | | | | | | | | (Dollars in thousands) | | | |
| CRE loans | CRE loans | $2,941 | $ — | $23,862 | $26,803 | $2,292 | $2,727 | $ 5,694 | $10,713 | | | | | | | | |
| C&I loans | C&I loans | 738 | 608 | 1,348 | 2,694 | 3,258 | 18 | 2,137 | 5,413 | | | | | | | | |
| Residential mortgage loans | Residential mortgage loans | 3,445 | — | 3,743 | 7,188 | 2,310 | — | 5,106 | 7,416 | | | | | | | | |
| Consumer and other loans | Consumer and other loans | 188 | 29 | 150 | 367 | 617 | 44 | 308 | 969 | | | | | | | | |
| **Total Past Due** | **Total Past Due** | $7,312 | $637 | $29,103 | $37,052 | $8,477 | $2,789 | $13,245 | $24,511 | | | | | | | | |

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, including, but not limited to, current financial information, historical payment experience, credit documentation, public information, and current economic trends. Homogeneous loans (i.e., home mortgage loans, home equity lines of credit, overdraft loans, express business loans, and automobile loans) are not risk rated and credit risk is analyzed largely by the number of days past due. This analysis is performed at least on a quarterly basis.

The definitions for risk ratings are as follows:

- Pass: Loans that meet a preponderance or more of the Company's underwriting criteria and evidence an acceptable level of risk.
- Special Mention: Loans that have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.
- Substandard: Loans that are inadequately protected by the current net worth and paying capacity of the borrower or by the collateral pledged, if any. Loans in this classification have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.
- Doubtful: Loans that have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The following table presents the amortized cost basis of loans receivable by segment, risk rating, and year of origination, renewal, or major modification at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

| | | September 30, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Term Loan by Origination Year | | | | | | Revolving Loans | Total |
| | | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | | |
| | | (Dollars in thousands) | | | | | | | |
| | | March 31, 2024 | | | | | | | |
| | | Term Loan by Year | | | | | | | |
| | | 2024 | | | | | | | |
| | | (Dollars in thousands) | | | | | | | |
| | | (Dollars in thousands) | | | | | | | |
| | | (Dollars in thousands) | | | | | | | |
| <u>CRE loans</u> | <u>CRE loans</u> | | | | | | | | |
| Pass | | | | | | | | | |
| Pass | | | | | | | | | |
| Pass | Pass | $ 486,169 | $2,439,636 | $2,079,381 | $1,260,813 | $1,001,741 | $1,491,874 | $ 84,192 | $ 8,843,806 |

| March 31, 2024 | | |
|---|---|---|
| Term Loan by Year | | |
| | Revolving Loans | Total |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Special mention | Special mention | — | 2,751 | 4,370 | 4,494 | 9,650 | 12,070 | 9,997 | 43,332 |
| Substandard | Substandard | 2,388 | 1,013 | 7,618 | 581 | 21,251 | 52,897 | — | 85,748 |
| Subtotal | Subtotal | $ 488,557 | $ 2,443,400 | $ 2,091,369 | $ 1,265,888 | $ 1,032,642 | $ 1,556,841 | $ 94,189 | $ 8,972,886 |
| Subtotal | | | | | | | | | |
| Subtotal | | | | | | | | | |
| Year-to-date gross charge offs | Year-to-date gross charge offs | $ — | $ 119 | $ — | $ 131 | $ 34 | $ 908 | $ — | $ 1,192 |
| **C&I loans** | **C&I loans** | | | | | | | | |
| **C&I loans** | | | | | | | | | |
| **C&I loans** | | | | | | | | | |
| Pass | | | | | | | | | |
| Pass | | | | | | | | | |
| Pass | Pass | $ 932,618 | $ 1,500,642 | $ 740,826 | $ 234,386 | $ 173,515 | $ 77,782 | $ 567,308 | $ 4,227,077 |
| Special mention | Special mention | 4,560 | 30,937 | 36,220 | 778 | 14,738 | 18 | 56,017 | 143,268 |
| Substandard | Substandard | 2,773 | 53,131 | 7,567 | 13,355 | 472 | 2,698 | — | 79,996 |
| Subtotal | Subtotal | $ 939,951 | $ 1,584,710 | $ 784,613 | $ 248,519 | $ 188,725 | $ 80,498 | $ 623,325 | $ 4,450,341 |
| Subtotal | | | | | | | | | |
| Subtotal | | | | | | | | | |
| Year-to-date gross charge offs | Year-to-date gross charge offs | $ 5,011 | $ 12,160 | $ 15,968 | $ 128 | $ 182 | $ 508 | $ — | $ 33,957 |
| **Residential mortgage loans** | **Residential mortgage loans** | | | | | | | | |
| **Residential mortgage loans** | | | | | | | | | |
| **Residential mortgage loans** | | | | | | | | | |
| Pass | | | | | | | | | |
| Pass | | | | | | | | | |
| Pass | Pass | $ 38,297 | $ 369,774 | $ 267,220 | $ 1,365 | $ 29,254 | $ 129,433 | $ — | $ 835,343 |
| Special mention | Special mention | — | — | — | — | — | — | — | — |
| Substandard | Substandard | — | — | 313 | — | 973 | 6,781 | — | 8,067 |
| Subtotal | Subtotal | $ 38,297 | $ 369,774 | $ 267,533 | $ 1,365 | $ 30,227 | $ 136,214 | $ — | $ 843,410 |
| Subtotal | | | | | | | | | |
| Subtotal | | | | | | | | | |
| Year-to-date gross charge offs | Year-to-date gross charge offs | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| **Consumer and other loans** | **Consumer and other loans** | | | | | | | | |
| **Consumer and other loans** | | | | | | | | | |
| **Consumer and other loans** | | | | | | | | | |
| Pass | | | | | | | | | |
| Pass | | | | | | | | | |
| Pass | Pass | $ 4,777 | $ 1,027 | $ 305 | $ 2,479 | $ 137 | $ 8,487 | $ 21,994 | $ 39,206 |
| Special mention | Special mention | — | — | — | — | — | — | — | — |
| Substandard | Substandard | — | — | — | — | — | 350 | — | 350 |
| Subtotal | Subtotal | $ 4,777 | $ 1,027 | $ 305 | $ 2,479 | $ 137 | $ 8,837 | $ 21,994 | $ 39,556 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Subtotal | | | | | | | | |
| Subtotal | | | | | | | | |
| Year-to-date gross charge offs | $ — | $ — | $ — | $ — | $ — | $ — | $ 250 | $ 250 |
| **Total loans** | | | | | | | | |
| **Total loans** | | | | | | | | |
| **Total loans** | | | | | | | | |
| Pass | | | | | | | | |
| Pass | | | | | | | | |
| Pass | $ 1,461,861 | $ 4,311,079 | $ 3,087,732 | $ 1,499,043 | $ 1,204,647 | $ 1,707,576 | $ 673,494 | $ 13,945,432 |
| Special mention | 4,560 | 33,688 | 40,590 | 5,272 | 24,388 | 12,088 | 66,014 | 186,600 |
| Substandard | 5,161 | 54,144 | 15,498 | 13,936 | 22,696 | 62,726 | — | 174,161 |
| **Total** | $ 1,471,582 | $ 4,398,911 | $ 3,143,820 | $ 1,518,251 | $ 1,251,731 | $ 1,782,390 | $ 739,508 | $ 14,306,193 |
| **Total** | | | | | | | | |
| **Total** | | | | | | | | |
| **Total year-to-date gross charge offs** | $ 5,011 | $ 12,279 | $ 15,968 | $ 259 | $ 216 | $ 1,416 | $ 250 | $ 35,399 |

| | December 31, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Term Loan by Origination Year | | | | | | Revolving Loans | Total |
| | 2022 | 2021 | 2020 | 2019 | 2018 | Prior | | |
| | (Dollars in thousands) | | | | | | | |
| | December 31, 2023 | | | | | | | |
| | Term Loan by Year | | | | | | Revolving Loans | Total |
| | 2023 | | | | | | | |
| | (Dollars in thousands) | | | | | | | |
| | (Dollars in thousands) | | | | | | | |
| | (Dollars in thousands) | | | | | | | |
| **CRE loans** | | | | | | | | |
| Pass | | | | | | | | |
| Pass | | | | | | | | |
| Pass | $ 2,421,631 | $ 2,194,073 | $ 1,372,027 | $ 1,076,405 | $ 1,018,553 | $ 1,064,267 | $ 105,274 | $ 9,252,230 |
| Special mention | — | 14,622 | 7,301 | 20,426 | 13,565 | 26,746 | 202 | 82,862 |
| Substandard | — | 8,240 | 1,736 | 7,881 | 10,250 | 51,381 | — | 79,488 |
| Subtotal | $ 2,421,631 | $ 2,216,935 | $ 1,381,064 | $ 1,104,712 | $ 1,042,368 | $ 1,142,394 | $ 105,476 | $ 9,414,580 |
| Subtotal | | | | | | | | |
| Subtotal | | | | | | | | |
| Year-to-date gross charge offs | | | | | | | | |
| **C&I loans** | | | | | | | | |
| **C&I loans** | | | | | | | | |
| **C&I loans** | | | | | | | | |
| Pass | | | | | | | | |
| Pass | | | | | | | | |
| Pass | $ 2,311,344 | $ 1,090,034 | $ 291,592 | $ 298,133 | $ 69,721 | $ 95,531 | $ 864,343 | $ 5,020,698 |
| Special mention | 17,911 | 37,393 | 13,707 | 110 | — | 24 | 5,256 | 74,401 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Substandard | Substandard | — | 2,833 | 5,889 | 1,000 | 1,020 | 3,691 | — | 14,433 |
| Subtotal | Subtotal | $ 2,329,255 | $ 1,130,260 | $ 311,188 | $ 299,243 | $ 70,741 | $ 99,246 | $ 869,599 | $ 5,109,532 |
| Subtotal | | | | | | | | | |
| Subtotal | | | | | | | | | |
| Year-to-date gross charge offs | | | | | | | | | |
| **Residential mortgage loans** | **Residential mortgage loans** | | | | | | | | |
| **Residential mortgage loans** | | | | | | | | | |
| **Residential mortgage loans** | | | | | | | | | |
| Pass | | | | | | | | | |
| Pass | | | | | | | | | |
| Pass | Pass | $ 382,935 | $ 283,163 | $ 1,386 | $ 30,603 | $ 62,976 | $ 75,242 | $ — | $ 836,305 |
| Special mention | Special mention | — | — | — | — | — | — | — | — |
| Substandard | Substandard | — | 311 | — | 967 | 384 | 8,113 | — | 9,775 |
| Subtotal | Subtotal | $ 382,935 | $ 283,474 | $ 1,386 | $ 31,570 | $ 63,360 | $ 83,355 | $ — | $ 846,080 |
| Subtotal | | | | | | | | | |
| Subtotal | | | | | | | | | |
| Year-to-date gross charge offs | | | | | | | | | |
| **Consumer and other loans** | **Consumer and other loans** | | | | | | | | |
| **Consumer and other loans** | | | | | | | | | |
| **Consumer and other loans** | | | | | | | | | |
| Pass | | | | | | | | | |
| Pass | | | | | | | | | |
| Pass | Pass | $ 10,005 | $ 723 | $ 3,351 | $ 223 | $ 10 | $ 1,420 | $ 17,239 | $ 32,971 |
| Special mention | Special mention | — | — | — | — | — | — | — | — |
| Substandard | Substandard | — | — | — | — | — | 377 | — | 377 |
| Subtotal | Subtotal | $ 10,005 | $ 723 | $ 3,351 | $ 223 | $ 10 | $ 1,797 | $ 17,239 | $ 33,348 |
| Subtotal | | | | | | | | | |
| Subtotal | | | | | | | | | |
| Year-to-date gross charge offs | | | | | | | | | |
| **Total loans** | **Total loans** | | | | | | | | |
| **Total loans** | | | | | | | | | |
| **Total loans** | | | | | | | | | |
| Pass | | | | | | | | | |
| Pass | | | | | | | | | |
| Pass | Pass | $ 5,125,915 | $ 3,567,993 | $ 1,668,356 | $ 1,405,364 | $ 1,151,260 | $ 1,236,460 | $ 986,856 | $ 15,142,204 |
| Special mention | Special mention | 17,911 | 52,015 | 21,008 | 20,536 | 13,565 | 26,770 | 5,458 | 157,263 |
| Substandard | Substandard | — | 11,384 | 7,625 | 9,848 | 11,654 | 63,562 | — | 104,073 |
| **Total** | **Total** | $ 5,143,826 | $ 3,631,392 | $ 1,696,989 | $ 1,435,748 | $ 1,176,479 | $ 1,326,792 | $ 992,314 | $ 15,403,540 |
| **Total** | | | | | | | | | |
| **Total** | | | | | | | | | |

| |
|---|
| **Total year-to-date gross charge offs** |

For the three and nine months ended September 30, 2023 March 31, 2024 and the twelve months ended December 31, 2022 December 31, 2023, there were no revolving loans converted to term loans.

The Company may reclassify loans held for investment to loans held for sale in the event that the Company plans to sell loans that were originated with the intent to hold to maturity. Loans transferred from held for investment to held for sale are carried at the lower of cost or fair value. The breakdown of loans by segment that were reclassified from held for investment to held for sale for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, is presented in the following table:

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| | | Three Months Ended March 31, | | | |
| | | Three Months Ended March 31, | | | |
| | | Three Months Ended March 31, | | | |
| | | 2024 | | | |
| | | 2024 | | | |
| | | 2024 | | | |
| **Transfer of loans held for investment to held for sale** | | | | | |
| **Transfer of loans held for investment to held for sale** | | | | | |
| **Transfer of loans held for investment to held for sale** | **Transfer of loans held for investment to held for sale** | (Dollars in thousands) | | | |
| | | (Dollars in thousands) | | | |
| CRE loans | CRE loans | $ 30,302 | $ 36,704 | $ 97,078 | $ 192,190 |
| C&I loans | | | | | |
| C&I loans | | | | | |
| C&I loans | C&I loans | 114,725 | 10,328 | 285,208 | 27,097 |
| **Total** | **Total** | $ 145,027 | $ 47,032 | $ 382,286 | $ 219,287 |
| **Total** | | | | | |
| **Total** | | | | | |

The Company calculates its ACL by estimating expected credit losses on a collective basis for loans that share similar risk characteristics. Loans that do not share similar risk characteristics with other loans are evaluated for credit losses on an individual basis. The Company differentiates its loan segments based on shared risk characteristics for which allowance for credit losses is measured on a collective basis.

| | **Risk Characteristics** |
|---|---|
| CRE loans | Property type, location, owner-occupied status |
| C&I loans | Delinquency status, risk rating, industry type |
| Residential mortgage loans | FICO score, LTV, delinquency status, maturity date, collateral value, location |
| Consumer and other loans | Historical losses |

The Company uses a combination of a modeled and non-modeled approach that incorporates current and future economic conditions to estimate lifetime expected losses on a collective basis. The Company uses Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD") methodologies with quantitative factors and qualitative considerations in the calculation of the allowance for credit losses for collectively assessed loans. The Company uses a reasonable and supportable period of two years, at which point loss assumptions revert back to historical loss information by means of one-year reversion period. Included in the quantitative portion of the ACL analysis are inputs such as borrowers' net operating income, debt coverage ratios, real estate collateral values, as well as factors that are more subjective or require management's judgment, including key macroeconomic variables from Moody's forecast scenarios such as GDP, unemployment rates, interest rates, and CRE prices. These key inputs are utilized in the Company's models to develop PD and LGD assumptions used in the calculation of estimated quantitative losses.

The ACL for the Company's construction, credit card, and certain consumer loans is calculated based on a non-modeled approach that utilizes historical loss rates to estimate losses. A non-modeled approach was chosen for these loans as fewer data points exist, which could result in high levels of estimated loss volatility under a modeled approach. In the aggregate, non-modeled loans represented less than 2% of the Company's total loan portfolio at September 30, 2023 March 31, 2024.

The Company's Economic Forecast Committee ("EFC") reviews economic forecast scenarios that are incorporated in the Company's ACL. The EFC reviews multiple scenarios provided to the Company by an independent third party and chooses a single scenario that best aligns with management's expectation of future economic conditions. At September 30, 2023 March 31, 2024, the Company utilized the September 2023 Consensus March 2024 consensus economic forecast scenario from Moody's, as it best aligned with management's expectations of future conditions. The forecast projected GDP growth of 1.7% 1.4% in 2023, 1.1% 2024, 2.0% for 2024, 2025, and 2.4% 1.9% for 2025, 2026, with unemployment projected to be 4.0% for 2023, 4.5% 4.1% for 2024, 4.1% for 2025, and 4.2% 3.9% in 2025. 2026. CRE prices in the Consensus consensus scenario were expected to decrease initially, with the CRE price index declining -2.2% for 2023 and -6.6% -6.7% for 2024, then before rebounding +7.2% +6.0% for 2025 and +8.0% in 2025. 2026. The Company also utilized Moody's December 2022 Consensus 2023 consensus economic forecast for the calculation of the December 31, 2022 December 31, 2023 ACL.

In order to quantify the credit risk impact of other trends and changes within the loan portfolio, the Company utilizes qualitative adjustments to the modeled and non-modeled estimated loss approaches. The parameters for making adjustments are established under a Credit Risk Matrix that provides different possible scenarios for each of the factors below. The Credit Risk Matrix and the possible scenarios enable the Bank to qualitatively adjust the Loss Migration Ratio by as much as 25 basis points for each loan type pool. This matrix considers the following seven factors, which are patterned after the guidelines provided under the Interagency Policy Statement on the Allowance for Loan and Lease Credit Losses, updated to reflect the adoption of CECL:

- Changes in lending policies and procedures, including underwriting standards and collection, charge off, and recovery practices;
- Changes in the nature and volume of the loan portfolio;
- Changes in the experience, ability, and depth of lending management and staff;
- Changes in the trends of the volume and severity of past due loans, classified loans, nonaccrual loans, and other loan modifications;
- Changes in the quality of the loan review system and the degree of oversight by the management and the Board of Directors;
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations; and
- The effect of external factors, such as competition, legal requirements, and regulatory requirements on the level of estimated losses in the loan portfolio.

For loans that do not share similar risk characteristics such as nonaccrual loans above $1.0 million, the Company evaluates these loans on an individual basis in accordance with ASC 326. Such nonaccrual loans are considered to have different risk profiles than performing loans and are therefore evaluated individually. The Company elected to collectively assess nonaccrual loans with balances below $1.0 million along with the performing and accrual loans, in order to reduce the operational burden of individually assessing small nonaccrual loans with immaterial balances. For individually assessed loans, the ACL is measured using either 1) the present value of future cash flows discounted at the loan's effective interest rate; 2) the loan's observable market price; or 3) the fair value of the collateral, if the loan is collateral-dependent. For the collateral-dependent loans, the Company obtains a new appraisal to determine the fair value of collateral. The appraisals are based on an "as-is" valuation. To ensure that appraised values remain current, the Company either obtains updated appraisals every twelve months from a qualified independent appraiser or an internal evaluation of the collateral is performed by qualified personnel. If the third-party market data indicates that the value of the collateral property has declined since the most recent valuation date, management adjusts the value of the property downward to reflect current market conditions. If the fair value of the collateral is less than the amortized balance of the loan, the Company recognizes an ACL with a corresponding charge to the provision for credit losses. loss on loans.

The Company maintains a separate ACL for its off-balance-sheet unfunded loan commitments. The Company uses an estimated funding rate to allocate an allowance to undrawn exposures. This funding rate is used as a credit conversion factor to capture how much undrawn lines of credit can potentially become drawn at any point. The funding rate is determined based on a look-back period of eight quarters. Credit loss is not estimated for off-balance-sheet credit exposures that are unconditionally cancellable by the Company.

***Loan Modifications to Borrowers Experiencing Financial Difficulty***

In January 2023, the Company adopted ASU 2022-02, Financial Instruments - Credit Losses (Topic 326): TDR and Vintage Disclosures ("ASU 2022-02"), which eliminated the accounting guidance for TDR while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. The Company applied this guidance on a modified retrospective transition method, which resulted in a positive cumulative effect adjustment to retained earnings of $287 thousand, net of tax. Subsequent to the adoption of ASU 2022-02, the new guidance is applied uniformly to the Company's entire loan portfolio when estimating expected credit losses.

A summary of loans modified to borrowers experiencing financial difficulty for the periods period presented, disaggregated by loan class and type of modification, is shown in the tables below: below.

| | | Three Months Ended September 30, 2023 | | | | | Three Months Ended March 31, 2024 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | CRE Loans | C&I Loans | Residential Mortgage Loans | Consumer and Other Loans | Total | CRE Loans | C&I Loans | Residential Mortgage Loans | Consumer and Other Loans | Total |
| | | (Dollars in thousands) | | | | | (Dollars in thousands) | | | | |
| Principal forgiveness | Principal forgiveness | $ — | $ — | $ — | $ — | $ — | | | | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Interest rate reduction | Interest rate reduction | — | — | — | — | — | | | | | |
| Payment delay | Payment delay | — | — | — | — | — | | | | | |
| Term extension | Term extension | 1,119 | 2,299 | — | — | 3,418 | | | | | |
| **Total Loan Modifications** | **Total Loan Modifications** | **$ 1,119** | **$ 2,299** | **$ —** | **$ —** | **$ 3,418** | | | | | |
| **Total Loan Modifications** | | | | | | | | | | | |
| **Total Loan Modifications** | | | | | | | | | | | |
| **% of Loan Class** | **% of Loan Class** | 0.01 % | 0.05 % | — % | — % | 0.02 % | **% of Loan Class** | — % | 0.25 % | — % | — % 0.07 % |

| | Nine Months Ended September 30, 2023 | | | | |
|---|---|---|---|---|---|
| | **CRE Loans** | **C&I Loans** | **Residential Mortgage Loans** | **Consumer and Other Loans** | **Total** |
| | | | (Dollars in thousands) | | |
| Principal forgiveness | $ — | $ — | $ — | $ — | $ — |
| Interest rate reduction | — | — | — | — | — |
| Payment delay | — | — | — | — | — |
| Term extension | 1,119 | 25,449 | — | — | 26,568 |
| **Total Loan Modifications** | **$ 1,119** | **$ 25,449** | **$ —** | **$ —** | **$ 26,568** |
| **% of Loan Class** | 0.01 % | 0.57 % | — % | — % | 0.19 % |

There were no loans modified to borrowers experiencing financial difficulty during the three months ended March 31, 2023.

The following table describes the financial effect of the loan modifications made to borrowers experiencing financial difficulty for the periods presented:

| | Three Months Ended March 31, 2024 |
|---|---|
| **Modification & Loan Types** | **Financial Effect** |
| **Principal forgiveness:** | |
| C&I loans | Forgiveness of principal totaling $4.4 million |

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. All loans that have been modified to borrowers experiencing financial difficulty in within the last previous 12 months to borrowers experiencing financial difficulty were current at September 30, 2023. March 31, 2024 and 2023.

There were no loan modifications to borrowers experiencing financial difficulty that had payment defaults during the three and nine months ended September 30, 2023, March 31, 2024 and 2023, and were modified in the 12 months prior to default, to borrowers experiencing financial difficulty.

***Troubled Debt Restructurings***

At December 31, 2022, TDR loans totaled $41.1 million, consisting of $16.9 million in TDR loans on accrual status and $24.2 million in TDR loans on nonaccrual status. The Company recorded an allowance for credit losses totaling $2.8 million for TDR loans at December 31, 2022. At December 31, 2022, the Company had outstanding commitments to extend additional funds to these borrowers totaling $40 thousand. On January 1, 2023, the Company adopted ASU 2022-02, which eliminated the accounting guidance for TDR loans. The Company adopted ASU 2022-02 applying the amended requirements prospectively, except the recognition and measurement of existing TDRs, for which the Company elected the option to apply a modified retrospective transition method. Therefore, the Company did not have any TDR loans at September 30, 2023.

default.

**7. Leases**

The Company's operating leases are real estate leases of bank branch locations, loan production offices, and office spaces with remaining lease terms ranging from 1 to 10 9 years at September 30, 2023 March 31, 2024. Certain lease arrangements contain extension options, which are typically around 5 years. As these extension options are not generally considered reasonably certain of exercise, they are not included in the lease term.

At September 30, 2023, ROU assets and related liabilities were $51.8 million and $55.9 million, respectively. At December 31, 2022, ROU assets and related liabilities were $55.0 million and $59.1 million, respectively. At September 30, 2023, the short term operating lease liability totaled $14.4 million and the long-term operating lease liability totaled

$41.5 million. At December 31, 2022, the short term operating lease liability totaled $13.8 million and the long-term operating lease liability totaled $45.3 million. The Company defines short-term operating lease liabilities as liabilities due in twelve months or less, and long term lease liabilities are due in more than twelve months at the end of each reporting period. The Company did not have any finance leases at September 30, 2023 and December 31, 2022. During the nine months ended September 30, 2023, the Company extended nine leases and there were two new lease contracts. Lease extension terms ranged from two to six years and the Company reassessed the ROU assets and lease liabilities table below summarizes supplemental balance sheet information related to these leases.operating leases:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| | (Dollars in thousands) | |
| Operating lease ROU assets | $ 43,849 | $ 46,611 |
| Current portion of long-term lease liabilities | 14,128 | 14,287 |
| Long-term lease liabilities | 35,621 | 38,383 |

The Company uses its incremental borrowing rate to present value lease payments in order to recognize a ROU asset and the related lease liability. The Company calculates its incremental borrowing rate by adding a spread to the FHLB borrowing interest rate at a given period. During the three months ended March 31, 2024, the Company extended two leases and did not enter into any new lease contracts. Lease extension terms ranged from three to five years and the Company reassessed the ROU assets and lease liabilities related to these leases.

The Company wrote off $93 thousand in operating ROU assets resulting from the branch consolidation of one location during the three months ended March 31, 2023. There was no impairment on operating ROU assets during the same period of 2024.

The table below summarizes the Company's net operating lease cost:

| | | Three Months Ended March 31, | | | |
|---|---|---|---|---|---|
| | | Three Months Ended March 31, | | | |
| | | Three Months Ended March 31, | | | |
| | | 2024 | | | |
| | | 2024 | | | |
| | | 2024 | | | |
| | | (Dollars in thousands) | | | |
| | | (Dollars in thousands) | | | |
| | | (Dollars in thousands) | | | |
| Operating lease cost | | | | | |
| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| Variable lease cost | | | | | |
| | | 2023 | 2022 | 2023 | 2022 |
| Variable lease cost | | | | | |
| | | (Dollars in thousands) | | | |
| Operating lease cost | | $ 3,852 | $ 3,796 | $ 11,518 | $ 11,623 |
| Short-term lease cost | | — | — | — | — |
| Variable lease cost | Variable lease cost | 946 | 855 | 2,549 | 2,434 |
| Sublease income | Sublease income | (29) | (104) | (121) | (312) |
| Sublease income | | | | | |
| Sublease income | | | | | |
| Net lease cost | Net lease cost | $ 4,769 | $ 4,547 | $ 13,946 | $ 13,745 |
| Net lease cost | | | | | |
| Net lease cost | | | | | |

Rent expense for the three and nine months ended September 30, 2023, March 31, 2024 and 2023, was $4.5 $4.2 million and $13.6 $4.8 million, respectively. Rent expense for the three and nine months ended September 30, 2022, was $4.0 million and $13.3 million, respectively.

During the three and nine months ended September 30, 2023, the Company wrote off $0 and $93 thousand, respectively, in operating lease ROU assets resulting from the branch consolidation of one location. There was no write-off of operating ROU assets during the same periods of 2022.

The table below summarizes other information related to the Company's operating leases:

| | | At or for the Nine Months Ended September 30, | |
|---|---|---|---|
| | | 2023 | 2022 |
| | | (Dollars in thousands) | |
| Cash paid for amounts included in the measurement of lease liabilities: | Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash outflows for operating leases | Operating cash outflows for operating leases | $11,968 | $11,954 |
| ROU assets obtained in exchange for lease liabilities, net | ROU assets obtained in exchange for lease liabilities, net | 7,606 | 13,698 |
| Weighted-average remaining lease term - operating leases | Weighted-average remaining lease term - operating leases | 4.2 years | 4.7 years |
| Weighted-average discount rate - operating leases | Weighted-average discount rate - operating leases | 2.75 % | 2.31 % |

| | At or for the Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| | (Dollars in thousands) | |
| Operating cash outflows for operating leases | | |
| Operating cash outflows for operating leases | | |
| Weighted-average remaining lease term - operating leases | 3.9 years | 4.5 years |
| Weighted-average discount rate - operating leases | 2.84 % | 2.52 % |

The table below summarizes the maturity of remaining lease liabilities:

| | September 30, 2023 |
|---|---|
| | (Dollars in thousands) |
| 2023 | $ 3,972 |

| | | March 31, 2024 |
|---|---|---|
| | | (Dollars in thousands) |
| 2024 | 2024 | 15,493 |
| 2025 | 2025 | 13,874 |
| 2026 | 2026 | 13,174 |

| | | |
|---|---|---|
| 2027 | 2027 | 7,664 |
| 2028 and thereafter | | 5,265 |
| 2028 | | |
| 2029 and thereafter | | |
| Total lease payments | Total lease payments | 59,442 |
| Less: imputed interest | Less: imputed interest | 3,569 |
| Total lease obligations | Total lease obligations | $ 55,873 |

At September 30, 2023 March 31, 2024, the Company had no operating lease commitments that had not yet commenced.

The Company did not have any finance leases at March 31, 2024 and December 31, 2023.

**8. Deposits**

Total deposits of $15.74 billion $14.75 billion at September 30, 2023 March 31, 2024, were largely unchanged from $15.74 billion $14.75 billion at December 31, 2022 December 31, 2023.

The aggregate amount of time deposits in denominations of more than $250 thousand at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, was $2.39 billion $2.29 billion and $2.39 $2.24 billion, respectively. Included in time deposits of more than $250 thousand was $300.0 million in California State Treasurer's deposits at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. The California State Treasurer's deposits are subject to withdrawal based on the State's periodic evaluations. The Company is required to pledge eligible collateral of at least 110% of outstanding deposits. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, securities with fair values of approximately $335.7 million $211.6 million and $348.0 million $218.7 million, respectively, and a $150.0 million letter of credit issued by the FHLB, were pledged as collateral for the California State Treasurer's deposits.

Brokered deposits at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, totaled $1.96 billion $1.42 billion and $1.18 $1.54 billion, respectively. Brokered deposits at September 30, 2023 March 31, 2024, consisted of $130.9 million $227.8 million in money market and NOW accounts and $1.82 billion $1.19 billion in time deposit accounts. Brokered deposits at December 31, 2022 December 31, 2023, consisted of $70.2 $164.1 million in money market and NOW accounts and $1.11 $1.37 billion in time deposit accounts.

The aggregate amount of unplanned overdrafts of demand deposits that were reclassified as loans was $1.4 million and $1.9 million $2.0 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The following is a breakdown of the Company's deposits at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

| | September 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Balance | Percentage (%) | Balance | Percentage (%) |
| | (Dollars in thousands) | | | |
| Noninterest bearing demand deposits | $ 4,249,788 | 27 % | $ 4,849,493 | 31 % |
| Money market and NOW accounts | 4,424,918 | 28 % | 5,615,784 | 36 % |
| Savings deposits | 430,765 | 3 % | 283,464 | 2 % |
| Time deposits | 6,634,388 | 42 % | 4,990,060 | 31 % |
| Total deposits | $15,739,859 | 100 % | $15,738,801 | 100 % |

| | March 31, 2024 | | | December 31, 2023 | | |
|---|---|---|---|---|---|---|
| | Balance | Percentage (%) | | Balance | Percentage (%) | |
| | (Dollars in thousands) | | | | | |
| Noninterest bearing demand deposits | $ 3,652,592 | 25 | 25 % | $ 3,914,967 | 27 | 27 % |
| Money market and NOW accounts | 4,393,971 | 30 | 30 % | 4,169,543 | 28 | 28 % |
| Savings deposits | 919,093 | 6 | 6 % | 702,486 | 5 | 5 % |
| Time deposits | 5,787,761 | 39 | 39 % | 5,966,757 | 40 | 40 % |
| Total deposits | $14,753,417 | 100 | 100 % | $14,753,753 | 100 | 100 % |

## 9. Borrowings

At September 30, 2023March 31, 2024, borrowings totaled $1.80 billion$795.6 million, compared with $865.0 million$1.80 billion at December 31, 2022December 31, 2023. All of the Company's borrowings at September 30, 2023March 31, 2024 and December 31, 2022December 31, 2023, had maturities of less than 12 months. The tables below summarize the Company's borrowing lines at September 30, 2023March 31, 2024 and December 31, 2022December 31, 2023:

| | | September 30, 2023 | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Borrowings Outstanding | | | | |
| | | Total Borrowing Capacity | | Amount | Weighted Average Rate | | Available Borrowing Capacity |
| | | (Dollars in thousands) | | | | | |
| | | March 31, 2024 | | | | | March 31, 2024 |
| | | Total Borrowing Capacity | | Amount | Borrowings Outstanding | Total Borrowing Capacity | Available Borrowing Capacity |
| | | (Dollars in thousands) | | | | | |
| | | (Dollars in thousands) | | | | | |
| | | (Dollars in thousands) | | | | | |
| FHLB | FHLB | $4,459,455 | $ | 100,000 | 5.58 | % | $4,359,455 |
| FRB Discount Window | FRB Discount Window | 791,462 | | — | — | % | 791,462 |
| FRB Bank Term Funding Program ("BTFP") | FRB Bank Term Funding Program ("BTFP") | 1,717,446 | | 1,695,726 | 4.47 | % | 21,720 |
| Unsecured Federal Funds lines | Unsecured Federal Funds lines | 315,330 | | — | — | % | 315,330 |
| Total | Total | $7,283,693 | $ | 1,795,726 | 4.53 | % | $5,487,967 |

| | | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Borrowings Outstanding | | | | |
| | | Total Borrowing Capacity | | Amount | Weighted Average Rate | | Available Borrowing Capacity |
| | | (Dollars in thousands) | | | | | |
| | | December 31, 2023 | | | | | December 31, 2023 |
| | | Total Borrowing Capacity | | Amount | Borrowings Outstanding | Total Borrowing Capacity | Available Borrowing Capacity |
| | | (Dollars in thousands) | | | | | |
| | | (Dollars in thousands) | | | | | |
| | | (Dollars in thousands) | | | | | |
| FHLB | FHLB | $4,583,277 | $ | 600,000 | 3.40 | % | $3,983,277 |
| FRB Discount Window | FRB Discount Window | 670,058 | | 265,000 | 4.50 | % | 405,058 |
| BTFP | | | | | | | |
| Unsecured Federal Funds lines | Unsecured Federal Funds lines | 451,180 | | — | — | % | 451,180 |

| | | | | | |
|---|---|---|---|---|---|
| Total | Total | $5,704,515 | $ 865,000 | 3.74 % | $4,839,515 |

The Company maintains a line of credit with the FHLB of San Francisco as a secondary source of funds. The borrowing capacity with the FHLB is limited to the lower of either 25% of the Bank's total assets or the Bank's collateral capacity. The terms of this credit facility require the Company to pledge eligible collateral with the FHLB equal to at least 100% of outstanding advances. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, loans with a carrying amount of $7.77 billion $7.57 billion and $8.08 billion $7.60 billion were pledged at the FHLB for outstanding advances and remaining borrowing capacity, respectively. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, other than FHLB stock, no securities were pledged as collateral at the FHLB. The purchase of FHLB stock is a prerequisite to become a member of the FHLB system, and the Company is required to own a certain amount of FHLB stock based on total asset size and outstanding borrowings.

As a member of the FRB system, the Bank may also borrow from the FRB discount window. The maximum amount that the Bank may borrow from the FRB's discount window is up to 99% of the fair market value of the qualifying loans and securities that are pledged. At September 30, 2023 March 31, 2024, the outstanding principal balance of the qualifying loans pledged at the FRB discount window was $711.0 million $757.1 million. There were also eighty-eight no investment securities pledged at the discount window with a total fair value of $197.5 million. at March 31, 2024.

The Company availed itself of the BTFP, which was created in March 2023 to enhance banking system liquidity by allowing institutions to pledge certain securities at par value and borrow at a rate of ten basis points over the one-year overnight index swap rate. The BTFP is available to federally insured depository institutions in the U.S., with advances having a term of up to one year with no prepayment penalties. In 2023, the BTFP was available to federally insured depository institutions in the U.S. at a fixed rate of ten basis points over the one-year overnight index swap rate, but in 2024, the interest rate is no lower than the interest rate on reserve balances in effect on the day the loan is made. The Company's outstanding borrowings at March 31, 2024 and December 31, 2023, were not subject to the new rate. The BTFP ceased extending new advances in March 2024. At September 30, 2023 March 31, 2024, the Company had a total par value of $1.72 billion $718.7 million in investment securities that were pledged under the BTFP.

The Company also maintains unsecured federal funds borrowing lines with other banks. There were no borrowings outstanding from other banks at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

**10. Convertible Notes and Subordinated Debentures**

Convertible Notes

In 2018, the Company issued $217.5 million aggregate principal amount of 2.00% convertible senior notes maturing on May 15, 2038, in a private offering to qualified institutional buyers under Rule 144A of the Securities Act of 1933. The convertible notes are not capital instruments but can be converted into shares of the Company's common stock at an initial rate of 45.0760 shares per $1,000 principal amount of the notes (equivalent to an initial conversion price of approximately $22.18 per share of common stock, which represented a premium of 22.50% to the closing stock price on the date of the pricing of the notes). Holders of the convertible notes have the option to convert all or a portion of the notes at any time on or after February 15, 2023. The convertible notes can be called by the Company, in part or in whole, on or after May 20, 2023, for 100% of the principal amount in cash. Holders of the convertible notes have the option to put the notes back to the Company on May 15, 2023, May 15, 2028, or May 15, 2033, for 100% of the principal amount in cash. The convertible notes can be settled in cash, stock, or a combination of stock and cash at the option of the Company.

On May 15, 2023, most holders of the Company's holders of the convertible notes elected to exercise their optional put right and the Company paid off $197.1 million principal amount of notes in cash. In addition, during During 2023, the three and nine months ended September 30, 2023, the Company also repurchased its notes in the aggregate principal amount of $0 and $19.9 million, respectively, and recorded a gain on debt extinguishment of $0 and $405 thousand, respectively. thousand. The repurchased notes were immediately cancelled subsequent to the repurchase. These repurchases are separate from the optional put and were made through a third-party broker. No notes were repurchased or paid off in the three months ended March 31, 2024.

The carrying value of the convertible notes at March 31, 2024 and December 31, 2023, was $444 thousand. The capitalized issuance costs were fully amortized at both March 31, 2024 and the carrying value at September 30, 2023 and December 31, 2022, are presented in the tables below: December 31, 2023.

| | Capitalization Period | Gross Carrying Amount | September 30, 2023 Total Capitalization | September 30, 2023 Carrying Amount |
|---|---|---|---|---|
| | | | (Dollars in thousands) | |
| Convertible notes principal balance | | $ 444 | $ — | $ 444 |
| Issuance costs to be capitalized | 5 years | — | — | — |
| Carrying balance of convertible notes | | $ 444 | $ — | $ 444 |

| | Capitalization Period | Gross Carrying Amount | December 31, 2022 Total Capitalization | December 31, 2022 Carrying Amount |
|---|---|---|---|---|
| | | | (Dollars in thousands) | |
| Convertible notes principal balance | | $ 217,500 | $ — | $ 217,500 |
| Issuance costs to be capitalized | 5 years | (4,119) | 3,767 | (352) |
| Carrying balance of convertible notes | | $ 213,381 | $ 3,767 | $ 217,148 |

Interest expense on the convertible notes for the three and nine months ended September 30, 2023, March 31, 2024 and 2023, totaled $2 thousand and $1.9 million, respectively. Interest expense on the convertible notes for the three and nine months ended September 30, 2022 totaled $1.3 million and $4.0 million, respectively.

Subordinated Debentures

At September 30, 2023March 31, 2024, the Company had 9 wholly owned subsidiary grantor trusts that had issued $126.0 million of pooled trust preferred securities. Trust preferred securities accrue and pay distributions periodically at specified annual rates as provided in the indentures. The trusts used the net proceeds from the offering to purchase a like amount of subordinated debentures. The subordinated debentures are the sole assets of the trusts. The Company's obligations under the subordinated debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the obligations of the trusts. The trust preferred securities are mandatorily redeemable upon the maturity of the subordinated debentures, or upon earlier redemption as provided in the indentures. The Company has the right to redeem the subordinated debentures in whole (but not in part) on a quarterly basis at a redemption price specified in the indentures plus any accrued but unpaid interest to the redemption date. The Company also has a right to defer consecutive payments of interest on the subordinated debentures for up to five years.

The following table is a summary of trust preferred securities and subordinated debentures at September 30, 2023March 31, 2024:

| Issuance Trust | Issuance Trust | Issuance Date | Trust Preferred Security Amount | Carrying Value of Subordinated Debentures | Rate Type | Current Rate | Maturity Date | Issuance Trust | Issuance Date | | Trust Preferred Security Amount | | | Carrying Value of Subordinated Debentures | | Rate Type | | Current Rate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | | | | | | | | | | | | | | |
| | | | (Dollars in thousands) | | | | | | | | | | | | | | | |
| Nara Capital Trust III | | | | | | | | | | | | | | | | | | |
| Nara Capital Trust III | | | | | | | | | | | | | | | | | | |
| Nara Capital Trust III | Nara Capital Trust III | 06/05/2003 | $ 5,000 | $ 5,155 | Variable | 8.82% | 06/15/2033 | | 06/05/2003 | $ 5,000 | $ | | $ 5,155 | Variable | | Variable | | 8.74% |
| Nara Statutory Trust IV | Nara Statutory Trust IV | 12/22/2003 | 5,000 | 5,155 | Variable | 8.42% | 01/07/2034 | Nara Statutory Trust IV | 12/22/2003 | | 5,000 | 5,155 | | 5,155 | Variable | | Variable | 8 |
| Nara Statutory Trust V | Nara Statutory Trust V | 12/17/2003 | 10,000 | 10,310 | Variable | 8.62% | 12/17/2033 | Nara Statutory Trust V | 12/17/2003 | | 10,000 | 10,310 | | 10,310 | Variable | | Variable | 8 |
| Nara Statutory Trust VI | Nara Statutory Trust VI | 03/22/2007 | 8,000 | 8,248 | Variable | 7.32% | 06/15/2037 | Nara Statutory Trust VI | 03/22/2007 | | 8,000 | 8,248 | | 8,248 | Variable | | Variable | 7 |
| Center Capital Trust I | Center Capital Trust I | 12/30/2003 | 18,000 | 15,131 | Variable | 8.42% | 01/07/2034 | Center Capital Trust I | 12/30/2003 | | 18,000 | 15,265 | | 15,265 | Variable | | Variable | 8 |
| Wilshire Trust II | Wilshire Trust II | 03/17/2005 | 20,000 | 16,618 | Variable | 7.46% | 03/17/2035 | Wilshire Trust II | 03/17/2005 | | 20,000 | 16,744 | | 16,744 | Variable | | Variable | 7 |
| Wilshire Trust III | Wilshire Trust III | 09/15/2005 | 15,000 | 11,878 | Variable | 7.07% | 09/15/2035 | Wilshire Trust III | 09/15/2005 | | 15,000 | 11,984 | | 11,984 | Variable | | Variable | 6 |
| Wilshire Trust IV | Wilshire Trust IV | 07/10/2007 | 25,000 | 19,166 | Variable | 7.05% | 09/15/2037 | Wilshire Trust IV | 07/10/2007 | | 25,000 | 19,325 | | 19,325 | Variable | | Variable | 6 |
| Saehan Capital Trust I | Saehan Capital Trust I | 03/30/2007 | 20,000 | 15,844 | Variable | 7.28% | 06/30/2037 | Saehan Capital Trust I | 03/30/2007 | | 20,000 | 15,962 | | 15,962 | Variable | | Variable | 7 |
| **Total** | **Total** | | $126,000 | $ 107,505 | | | | | | | | | | | | | | |

The carrying value of the subordinated debentures at September 30, 2023March 31, 2024 and December 31, 2022December 31, 2023, was $107.5$108.1 million and $106.6$107.8 million, respectively. At September 30, 2023March 31, 2024 and December 31, 2022December 31, 2023, acquired subordinated debentures had remaining discounts of $22.4 million$21.8 million and $23.3 million$22.1 million, respectively. The carrying balance of subordinated debentures is net of remaining discounts and includes common trust securities.

The Company's investment in the common trust securities of the issuer trusts was $3.9 million at September 30, 2023March 31, 2024 and December 31, 2022December 31, 2023, and is included in other assets. Although the subordinated debentures issued by the trusts are not included as a component of stockholders' equity in the Consolidated Statements of Financial Condition, the debt is treated as capital for regulatory purposes. The Company's trust preferred security debt issuances (less common trust securities) are includable in Tier 1 capital up to a maximum of 25% of capital on an aggregate basis as they were grandfathered in under BASEL III. Any amount that exceeds 25% qualifies as Tier 2 capital.

**11. Derivative Financial Instruments**

As part of the Company's overall interest rate risk management, the Company enters into derivative instruments, including interest rate swaps, collars, caps, floors, foreign exchange contracts, risk participation agreements and mortgage banking derivatives. The notional amount does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual agreements. Derivative instruments are recognized on the balance sheet at their fair value and are not reported on a net basis.

The tables below present the fair value of the Company's derivative financial instruments at September 30, 2023March 31, 2024 and December 31, 2022December 31, 2023. The Company's derivative assets and derivative liabilities are located within "Other assets" and "Other liabilities", liabilities," respectively, on the Company's Consolidated Statements of Financial Condition.

| | | September 30, 2023 | | |
|---|---|---|---|---|
| | | | Fair Value(1) | |
| | | Notional Amount | Other Assets | Other Liabilities |
| | | (Dollars in thousands) | | |

| | March 31, 2024 | | March 31, 2024 | | |
|---|---|---|---|---|---|
| | | | | Fair Value(1) | |
| | Notional Amount | Other Assets | Notional Amount | Other Assets | Other Liabilities |
| | (Dollars in thousands) | | (Dollars in thousands) | | |

| | | | | |
|---|---|---|---|---|
| **Derivatives designated as cash flow hedges** | **Derivatives designated as cash flow hedges** | | | |
| Interest rate swaps | Interest rate swaps | $ 725,000 | $ — | $ — |
| Forward interest rate contracts | | 1,000,000 | — | 11,319 |
| Forward interest rate collars | | 500,000 | — | 7,496 |
| Interest rate swaps | | | | |
| Interest rate swaps | | | | |
| Interest rate collars | | | | |
| Forward interest rate swaps | | | | |
| **Total** | | | | |
| **Total** | | | | |
| **Total** | **Total** | $2,225,000 | $ — | $ 18,815 |
| **Derivatives not designated as hedges** | **Derivatives not designated as hedges** | | | |
| **Derivatives not designated as hedges** | | | | |
| **Derivatives not designated as hedges** | | | | |
| Interest rate contracts with correspondent banks | | | | |
| Interest rate contracts with correspondent banks | | | | |
| Interest rate contracts with correspondent banks | Interest rate contracts with correspondent banks | $1,104,518 | $ 82,604 | $ — |
| Interest rate contracts with customers | Interest rate contracts with customers | 1,104,518 | — | 84,586 |

| | | | | |
|---|---|---|---|---|
| Foreign exchange contracts with correspondent banks | Foreign exchange contracts with correspondent banks | 7,336 | — | 18 |
| Foreign exchange contracts with customers | Foreign exchange contracts with customers | 1,485 | 139 | 10 |
| Risk participation agreement | Risk participation agreement | 131,296 | — | 11 |
| Mortgage banking derivatives | Mortgage banking derivatives | 500 | 7 | 8 |
| **Total** | **Total** | $2,349,653 | $ 82,750 | $ 84,633 |

(1) The fair values of centrally-cleared derivative contracts are presented net of settled-to-market margin.

| | | December 31, 2022 | | |
|---|---|---|---|---|
| | | | Fair Value | |
| | | Notional Amount | Other Assets | Other Liabilities |
| | | (Dollars in thousands) | | |

| | December 31, 2023 | | December 31, 2023 | | |
|---|---|---|---|---|---|
| | | | | Fair Value(1) | |
| | Notional Amount | Other Assets | Notional Amount | Other Assets | Other Liabilities |
| | (Dollars in thousands) | | (Dollars in thousands) | | |

| | | | | |
|---|---|---|---|---|
| **Derivatives designated as cash flow hedges** | **Derivatives designated as cash flow hedges** | | | |
| Interest rate swaps | Interest rate swaps | $ 614,000 | $ 19,773 | $ 1,227 |
| Interest rate swaps | | | | |
| Interest rate swaps | | | | |
| Interest rate collars | | | | |
| Forward interest rate swaps | Forward interest rate swaps | 111,000 | 5,428 | — |
| Forward interest rate collars | Forward interest rate collars | 500,000 | 182 | 828 |
| **Total** | **Total** | $1,225,000 | $ 25,383 | $ 2,055 |
| **Derivatives not designated as hedges** | **Derivatives not designated as hedges** | | | |
| **Derivatives not designated as hedges** | | | | |
| **Derivatives not designated as hedges** | | | | |
| Interest rate contracts with correspondent banks | | | | |

| | | | | |
|---|---|---|---|---|
| Interest rate contracts with correspondent banks | | | | |
| Interest rate contracts with correspondent banks | Interest rate contracts with correspondent banks | $1,013,407 | $ 73,059 | $ 330 |
| Interest rate contracts with customers | Interest rate contracts with customers | 1,013,407 | 330 | 73,059 |
| Foreign exchange contracts with correspondent banks | Foreign exchange contracts with correspondent banks | 2,359 | 79 | — |
| Foreign exchange contracts with customers | Foreign exchange contracts with customers | 2,359 | — | 73 |
| Risk participation agreement | Risk participation agreement | 134,282 | — | 32 |
| Mortgage banking derivatives | Mortgage banking derivatives | 2,801 | 29 | 23 |
| **Total** | **Total** | $2,168,615 | $ 73,497 | $ 73,517 |

(1) The fair values of centrally-cleared derivative contracts are presented net of settled-to-market margin.

**Derivatives designated as cash flow hedges**

The Company had 23 interest rate contracts at September 30, 2023, with a total notional amount of $2.23 billion designated as cash flow hedges of liabilities tied to SOFR and Federal Funds. The designated hedged interest rate swap agreements consisted of 15 non-forward starting interest rate swaps with a notional amount of $725.0 million and a weighted average term of 3.3 years, six forward starting interest rate swaps with a notional amount of $1.00 billion and a weighted average term of 3.0 years, and two forward starting interest rate options with dealers (collars) with a notional amount of $500.0 million and a weighted average term of 3.0 years.

The Company had 17 interest rate contracts at December 31, 2022, with a total notional amount of $1.23 billion designated as cash flow hedges of liabilities tied to LIBOR and Federal Funds. The designated hedged interest rate swap contracts consisted of 13 non-forward starting interest rate swaps with a notional amount of $614.0 million and a weighted average term of 4.1 years, two forward starting interest rate swaps with a notional amount of $111.0 million and a weighted average term of 3.9 years, and two forward starting interest rate options with dealers (collars) with a notional amount of $500.0 million and an average weighted term of 3.0 years.

The Company's interest rate contracts designated as cash flow hedges were determined to be fully effective during the periods presented. presented and were hedged to financial instruments tied to term SOFR and Federal Funds Rate. The aggregate fair value of the cash flow hedges are recorded in assets or liabilities on the Consolidated Statements of Financial Condition, with changes in fair value recorded in other comprehensive income. income on the Consolidated Statements of Comprehensive Income. The gain or loss on derivatives is recorded in AOCI accumulated other comprehensive income ("AOCI") and is subsequently reclassified into interest income and interest expense in the period, during which the hedged forecasted transaction affects earnings. Amounts reported in AOCI related to interest rate agreements will be reclassified to interest income and interest expense as interest payments are received or paid on the Company's derivatives. The Company expects the hedges to remain fully effective throughout the remaining terms. The Company expects to reclassify, approximately $13.2 million from AOCI as a net decrease to interest expense during the next 12 months. months, approximately $5.2 million, net of taxes, from AOCI as an increase to net interest income.

For The table below presents the three gains (losses) on derivative instruments designated as cash flow hedges, that were reclassified from AOCI into earnings for the periods indicated:

| **Derivative Instruments Designated as Cash Flow Hedges** | **Location of Gain (Loss) Recognized in Income** | **Three Months Ended March 31,** | |
|---|---|---|---|
| | | **2024** | **2023** |
| | | **(Dollars in thousands)** | |
| Interest rate contracts | Interest income and fees on loans | $ (1,000) | $ — |
| Interest rate contracts | Interest expense on deposits | 3,483 | 1,719 |
| Interest rate contracts | Interest expense on FHLB and FRB borrowings | 1,295 | 1,053 |
| **Total** | | $ 3,778 | $ 2,772 |

Total cash held as collateral for interest rate contracts designated as cash flow hedges was $0 at March 31, 2024, and nine months ended September 30, 2023, the Company reclassified gains of $4.7 million and gains of $11.6 million, respectively, from accumulated other comprehensive income to interest expense. For the three and nine months ended

September 30, 2022, the Company reclassified gains of $511 thousand and $561 thousand, respectively, from accumulated other comprehensive income to interest expense. $22.9 million at December 31, 2023.

### Derivatives not designated as hedges

The Company's derivatives not designated as hedges are not speculative and result from a service the Company provides to certain customers.

The Company offers a loan hedging program to certain loan customers. Through this program, the Company originates a variable rate loan with the customer. The Company and the customer will then enter into a fixed interest rate swap. Simultaneously, an identical offsetting swap is entered into by the Company with a correspondent bank. These "back-to-back" swap arrangements are intended to offset each other and allow the Company to book a variable rate loan, while providing the customer with a contract for fixed interest payments. In these arrangements, the Company's net cash flow is equal to the interest income received from the variable rate loan originated with the customer. These customer interest rate contracts are not designated as hedging instruments and are recorded at fair value in other assets and other liabilities. The change in fair value is recognized in the income statement Consolidated Statements of Income as other income and fees. The Company is required to hold cash as collateral for the interest rate contracts that are not centrally cleared, which is recorded in other assets on the Consolidated Statements of Financial Condition. Total cash held as collateral for back-to-back interest rate contracts was $0 at September 30, 2023, and $9.1 million at December 31, 2022.

The Company offers foreign exchange contracts to customers to purchase and/or sell foreign currencies at set rates in the future. The foreign exchange contracts allow customers to hedge the foreign exchange rate risk of their deposits and loans denominated in foreign currencies. In conjunction with this, the Company also enters into offsetting back-to-back contracts with institutional counterparties to hedge the Company's foreign exchange rate risk. The Company also enters into certain foreign exchange contracts with institutional counterparties, including non-deliverable forward contracts, to manage its foreign exchange rate risk. These foreign exchange contracts are not designated as hedging instruments and are recorded at fair value in other assets and other liabilities. During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, the changes in fair value on foreign exchange contracts were gains of $96 $263 thousand and $105 $6 thousand, respectively, and were recognized in the income statement as other income and fees. During the three and nine months ended September 30, 2022, the changes in fair value on foreign exchange contracts were gains Consolidated Statements of $9 thousand and $9 thousand, respectively, and were recognized in the income statement Income as other income and fees.

At September 30, 2023 March 31, 2024, the Company had risk participation agreements with an outside counterparty for interest rate swaps related to loans in which it is a participant. The risk participation agreements provide credit protection to the financial institution should the borrowers fail to perform on their interest rate derivative contracts. Risk participation agreements are credit derivatives not designated as hedges. Credit derivatives are not speculative and are not used to manage interest rate risk in assets or liabilities. Changes in the fair value of credit derivatives are recognized directly in earnings. The fee received, less the estimate of the loss for credit exposure, is recognized in earnings at the time of the transaction. At September 30, 2023, the notional amount of the risk participation agreements sold was $131.3 million with a credit valuation adjustment of $11 thousand. At December 31, 2022, the notional amount of the risk participation agreements sold was $134.3 million with a credit valuation adjustment of $32 thousand.

The Company enters into various stand-alone mortgage-banking derivatives in order to hedge the risk associated with the fluctuation of interest rates. Changes in fair value are recorded as mortgage banking revenue. Residential mortgage loans funded with interest rate lock commitments and forward commitments for the future delivery of mortgage loans to third party investors are considered derivatives. At September 30, 2023 March 31, 2024, the Company had approximately $500 thousand $2.5 million in interest rate lock commitments and total forward sales commitments for the future delivery of residential mortgage loans. At December 31, 2022 December 31, 2023, the Company had approximately $2.8 million $1.4 million in interest rate lock commitments and total forward sales commitments for the future delivery of residential mortgage loans.

### 12. Commitments and Contingencies

The following table presents a summary of commitments described below as at the dates indicated below:

| | | September 30, 2023 | December 31, 2022 |
|---|---|---|---|
| | | (Dollars in thousands) | |
| | March 31, 2024 | March 31, 2024 | December 31, 2023 |
| | (Dollars in thousands) | | (Dollars in thousands) |
| Commitments to extend credit | Commitments to extend credit | $2,719,613 | $2,856,263 |
| Standby letters of credit | Standby letters of credit | 130,742 | 132,538 |
| Other letters of credit | Other letters of credit | 28,487 | 22,376 |
| Commitments to fund investments in affordable housing partnerships | Commitments to fund investments in affordable housing partnerships | 8,940 | 11,792 |

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, commercial letters of credit, and commitments to fund investments in affordable housing partnerships. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Statements of Financial Condition.

The Company's exposure to credit loss in the event of nonperformance on commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as the Company does for extending loan facilities to customers. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on the Company's credit evaluation of the counterparty. The types of collateral that the Company may hold can vary and may include accounts receivable, inventory, property, plant and equipment, and income-producing properties. The estimated exposure to loss from these commitments is included in the reserve for unfunded loan commitments, which amounted to $3.1 million $2.8 million at September 30, 2023 March 31, 2024, and $1.4 million $3.8 million at December 31, 2022 December 31, 2023.

In the normal course of business, the Company is involved in various legal claims. The Company has reviewed all legal claims against the Company with counsel and has taken into consideration the views of such counsel as to the potential outcome of the claims. Loss contingencies for all legal claims totaled $325 $450 thousand at September 30, 2023 March 31, 2024, and $229 $535 thousand at December 31, 2022 December 31, 2023. It is reasonably possible that the Company may incur losses in excess of the amounts currently accrued. However, at this time, the Company is unable to estimate the range of additional losses that are reasonably possible because of a number of factors, including the fact that certain of these litigation matters are still in their early stages. Management believes that none of these legal claims, individually or in the aggregate, will have a material adverse effect on the results of operations or financial condition of the Company.

**13. Goodwill, Intangible Assets, and Servicing Assets**

Goodwill

The carrying amount of the Company's goodwill at September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, was $464.5 million. There was no impairment of goodwill recorded during the three and nine months ended September 30, 2023 March 31, 2024.

Goodwill and other intangible assets generated from business combinations and deemed to have indefinite lives are not subject to amortization and instead are tested for impairment annually at the reporting unit level unless a triggering event occurs thereby requiring an updated assessment. Goodwill represents the excess of the purchase price over the sum of the estimated fair values of the tangible and identifiable intangible assets acquired less the estimated fair value of the liabilities assumed. Impairment exists when the carrying value of the goodwill exceeds the fair value of the reporting unit.

In March 2023, the impact to banks triggered by the closure of well-known regional banks caused a significant decline in bank stock prices, including the Company's stock price. These triggering events warranted At December 31, 2023, the Company performed a qualitative assessment to perform an interim goodwill assessment as of September 30, 2023. Management estimated the fair value of the Company using a combination of the income approach, based on the discounted free cash flows of the Company' income projections test for impairment and taking into consideration future economic forecasts available, and the market approach using the guideline public company method. Based on this quantitative assessment, the management has concluded that there was no impairment. As the Company operates as single business unit, goodwill impairment was not impaired at September 30, 2023. assessed based on the Company as a whole.

Intangible Assets

Amortization expense related to core deposit intangible assets totaled $448 $401 thousand and $1.3 million $448 thousand for the three and nine months ended September 30, 2023, respectively. Amortization expense related to core deposit intangible assets totaled $486 thousand March 31, 2024 and $1.5 million for the three and nine months ended September 30, 2022, 2023, respectively. The following table provides information regarding the core deposit intangibles at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

| Core Deposit Intangibles Related To: | Core Deposit Intangibles Related To: | Amortization Period | Gross Amount | September 30, 2023 Accumulated Amortization | September 30, 2023 Carrying Amount | December 31, 2022 Accumulated Amortization | December 31, 2022 Carrying Amount |
|---|---|---|---|---|---|---|---|
| | | | | (Dollars in thousands) | | | |
| Foster Bankshares acquisition | Foster Bankshares acquisition | 10 years | $ 2,763 | $ (2,739) | $ 24 | $ (2,668) | $ 95 |
| Wilshire Bancorp acquisition | Wilshire Bancorp acquisition | 10 years | 18,138 | (13,780) | 4,358 | (12,507) | 5,631 |
| **Total** | **Total** | | $20,901 | $ (16,519) | $4,382 | $ (15,175) | $5,726 |

| Core Deposit Intangibles Related To: | Amortization Period | Gross Amount | March 31, 2024 Accumulated Amortization | March 31, 2024 Carrying Amount | December 31, 2023 Accumulated Amortization | Carrying Amount |
|---|---|---|---|---|---|---|
| | | (Dollars in thousands) | | | | (Dollars in thousands) |

Servicing assets are recognized when SBA and residential mortgage loans are sold with the servicing retained by the Company and the related income is recorded as a component of gains on sales of loans. Servicing assets are initially recorded at fair value based on the present value of the contractually specified servicing fee, net of servicing costs, over the estimated life of the loan, using a discount rate. The Company's servicing costs approximates the industry average servicing costs of 40 basis points. All classes of Assets

Total servicing assets are subsequently measured using the amortization method, which requires at March 31, 2024, totaled $8.9 million and were comprised of $7.0 million in SBA servicing rights to be amortized into noninterest income assets and $1.9 million in proportion to, mortgage related servicing assets. At December 31, 2023, servicing assets totaled $9.6 million and over the period were comprised of the estimated future net $7.6 million in SBA servicing income of the underlying loans. assets and $2.1 million in mortgage related servicing assets.

Management periodically evaluates servicing assets for impairment based upon the fair value of the rights as compared to the carrying amount. Impairment is determined by stratifying rights into groupings based on loan type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company did not have a valuation allowance on its servicing assets.

The changes in servicing assets for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, were as follows:

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| | | (Dollars in thousands) | | | |
| | | Three Months Ended March 31, | | | |
| | | Three Months Ended March 31, | | | |
| | | Three Months Ended March 31, | | | |
| | | 2024 | | | |
| | | 2024 | | | |
| | | 2024 | | | |
| | | (Dollars in thousands) | | | |
| | | (Dollars in thousands) | | | |
| | | (Dollars in thousands) | | | |
| **Balance at beginning of period** | **Balance at beginning of period** | $ 11,532 | $ 11,215 | $ 11,628 | $ 10,418 |
| Additions through originations of servicing assets | Additions through originations of servicing assets | 36 | 1,338 | 1,885 | 4,228 |
| Additions through originations of servicing assets | | | | | |
| Additions through originations of servicing assets | | | | | |
| Amortization | | | | | |
| Amortization | | | | | |
| Amortization | Amortization | (1,111) | (952) | (3,056) | (3,045) |
| **Balance at end of period** | **Balance at end of period** | $ 10,457 | $ 11,601 | $ 10,457 | $ 11,601 |
| **Balance at end of period** | | | | | |
| **Balance at end of period** | | | | | |

Loans serviced for others are not reported as assets. The principal balances of loans serviced for other institutions were $1.05 billion $953.5 million at September 30, 2023 March 31, 2024, and $1.10 billion $987.4 million at December 31, 2022 December 31, 2023.

The Company utilizes the discounted cash flow method to calculate the initial excess servicing assets. The inputs used in evaluating servicing assets for impairment at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, are presented below.

| | | September 30, 2023 | December 31, 2022 | | | March 31, 2024 | December 31, 2023 |
|---|---|---|---|---|---|---|---|
| | | March 31, 2024 | | | | | |
| **SBA Servicing Assets:** | **SBA Servicing Assets:** | | | | | | |
| Weighted-average discount rate | | | | | | | |
| Weighted-average discount rate | | | | | | | |
| Weighted-average discount rate | Weighted-average discount rate | 10.66% | 8.76% | | 9.82% | 11.12% | |
| Constant prepayment rate | Constant prepayment rate | 12.12% | 12.09% | Constant prepayment rate | 12.22% | 12.17% | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Mortgage Servicing Assets:** | **Mortgage Servicing Assets:** | | | | | |
| Weighted-average discount rate | Weighted-average discount rate | 11.75% | 11.38% | | | |
| Weighted-average discount rate | | | | | | |
| Weighted-average discount rate | | | | | 11.13% | 11.00% |
| Constant prepayment rate | Constant prepayment rate | 9.54% | 9.61% | Constant prepayment rate | 4.99% | 9.52% |

**14. Income Taxes**

For the three months ended September 30, 2023, the Company recorded an income tax provision of $10.0 million on pretax income of $40.0 million, representing an effective tax rate of 24.90%, compared with an income tax provision of $19.7 million on pretax income of $73.4 million, representing an effective tax rate of 26.80% for the three months ended September 30, 2022.

For the nine months ended September 30, 2023 March 31, 2024, the Company recorded an income tax provision totaling $37.1 million $10.0 million on pretax income of $144.3 million $35.9 million, representing an effective tax rate of 25.71% 27.94%, compared with an income tax provision of $59.6 million $13.7 million on pretax income of $226.1 million $52.8 million, representing an effective tax rate of 26.34% 25.91% for the nine three months ended September 30, 2022 March 31, 2023.

The Company and its subsidiaries are subject to U.S. federal income tax, as well as state income taxes. The Company had total unrecognized tax benefits of $1.7 million $807 thousand at September 30, 2023 March 31, 2024, and $3.0 million $469 thousand at December 31, 2022 December 31, 2023, that relate to uncertainties associated with federal and state income tax matters.

Management believes it is reasonably possible that the unrecognized tax benefits may decrease by $1.2 million $269 thousand in the next twelve months due to the expiration of statute of limitations.

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities (without regard to certain changes to deferred taxes). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. 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 of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. In assessing the realization of deferred tax assets, management evaluates both positive and negative evidence, including the existence of any cumulative losses in the current year and the prior two years, the amount of taxes paid in available carry-back years, the forecasts of future income, applicable tax planning strategies, and assessments of current and future economic and business conditions. This analysis is updated quarterly and adjusted as necessary. Based on the analysis, the Company has determined that a valuation allowance for deferred tax assets was not required at September 30, 2023 March 31, 2024.

**15. 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. There are three levels of inputs that may be used to measure fair value. The fair value inputs of the instruments are classified and disclosed in one of the following categories pursuant to ASC 820:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The quoted price shall not be adjusted for any blockage factor (i.e., size of the position relative to trading volume).

Level 2 - Pricing inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Fair value is determined through the use of models or other valuation methodologies, including the use of pricing matrices. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Pricing inputs are unobservable for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The Company uses the following methods and assumptions in estimating fair value disclosures for financial instruments. Financial assets and liabilities recorded at fair value on a recurring and non-recurring basis are listed as follows:

Investment Securities

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

The fair value of the Company's Level 3 security available for sale was measured using an income approach valuation technique. The primary inputs and assumptions used in the fair value measurement was derived from the security's underlying collateral, which included discount rate, prepayment speeds, payment delays, and an assessment of the risk of default of the underlying collateral, among other factors. Significant increases or decreases in any of the inputs or assumptions could result in a significant increase or decrease in the fair value measurement.

Equity Investments With Readily Determinable Fair Value

The fair value of the Company's equity investments with readily determinable fair value is comprised of mutual funds. The fair value for these investments is obtained from unadjusted quoted prices in active markets on the date of measurement and is therefore classified as Level 1.

Interest Rate Contracts

The Company offers interest rate contracts to certain loan customers to allow them to hedge the risk of rising interest rates on their variable rate loans. The Company originates a variable rate loan and enters into a variable-to-fixed interest rate contract with the customer. The Company also enters into an offsetting interest rate contract with a correspondent bank. These back-to-back agreements are intended to offset each other and allow the Company to originate a variable rate loan, while providing a contract for fixed interest payments for the customer. The net cash flow for the Company is equal to the interest income received from a variable rate loan originated with the customer. The fair value of these derivatives is based on a discounted cash flow approach. The fair value assets and liabilities of centrally cleared interest rate contracts are net of variation margin settled-to-market. Due to the observable nature of the inputs used in deriving the fair value of these derivative contracts, the valuation of interest rate contracts is classified as Level 2.

Mortgage Banking Derivatives

Mortgage banking derivative instruments consist of interest rate lock commitments and forward sale contracts that trade in liquid markets. The fair value is based on the prices available from third party investors. Due to the observable nature of the inputs used in deriving the fair value, the valuation of mortgage banking derivatives is classified as Level 2.

Other Derivatives

Other derivatives consist of interest rate contracts designated as cash flow hedges, foreign exchange contracts and risk participation agreements. The fair values of these other derivative financial instruments are based upon the estimated amount the Company would receive or pay to terminate the instruments, taking into account current interest rates, foreign exchange rates and, when appropriate, the current credit worthiness of the counterparties. Fair value assets and liabilities of centrally cleared derivatives are net of variation margin settled-to-market. Interest rate contracts designated as cash flow hedges and foreign exchange contracts, which includes non-deliverable forward contracts, are classified within Level 2 due to the observable nature of the inputs used in deriving the fair value of these contracts. Credit derivatives such as risk participation agreements are valued based on credit worthiness of the underlying borrower, which is a significant unobservable input and therefore is classified as Level 3.

Collateral-Dependent Loans

The fair values of collateral-dependent loans are generally measured for ACL using the practical expedients permitted by ASC 326-20-35-5 including collateral-dependent loans measured at an observable market price (if available), or at the fair value of the loan's collateral (if the loan is collateral-dependent). Fair value of the loan's collateral, when the loan is dependent on collateral, is determined by appraisals or independent valuation, less costs to sell of 8.5%. Appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and income approach. Adjustment may be made in the appraisal process by the independent appraiser to adjust for differences between the comparable sales and income data available for similar loans and the underlying collateral. For C&I and asset backed loans, independent valuations may include a 20-60% discount for eligible accounts receivable and a 50-70% discount for inventory. These result in a Level 3 classification.

OREO

OREO is fair valued at the time the loan is foreclosed upon and the asset is transferred to OREO. The value is based primarily on third party appraisals, less costs to sell of up to 8.5% and result in a Level 3 classification of the inputs for determining fair value. OREO is reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted to lower of cost or market accordingly, based on the same factors identified above.

Loans Held For Sale

Loans held for sale are carried at the lower of cost or fair value, as determined by outstanding commitments from investors, or based on recent comparable sales (Level 2 inputs), if available. If Level 2 inputs are not available, carrying values are based on discounted cash flows using current market rates applied to the estimated life and credit risk (Level 3 inputs) or may be assessed based upon the fair value of the collateral, which is obtained from recent real estate appraisals (Level 3 inputs). These appraisals may utilize a single valuation approach or a combination of approaches including the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

| | | Fair Value Measurements at the End of the Reporting Period Using | | | | Fair Value Measurements at the End of the Reporting Period Using | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2023 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | March 31, 2024 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | (Dollars in thousands) | | | | (Dollars in thousands) | | | |

| | | | | | |
|---|---|---|---|---|---|
| Assets: | Assets: | | | | |
| Investment securities available for sale: | | | | | |
| Investment securities AFS: | | | | | |
| Investment securities AFS: | | | | | |
| Investment securities AFS: | | | | | |
| U.S. Treasury securities | | | | | |
| U.S. Treasury securities | | | | | |
| U.S. Treasury securities | U.S. Treasury securities | $102,287 | $ 102,287 | $ — | $ — |
| U.S. Government agency and U.S. Government sponsored enterprises: | U.S. Government agency and U.S. Government sponsored enterprises: | | | | |
| Agency securities | Agency securities | 3,812 | — | 3,812 | — |
| Agency securities | | | | | |
| Agency securities | | | | | |
| Collateralized mortgage obligations | Collateralized mortgage obligations | 711,324 | — | 711,324 | — |
| Mortgage-backed securities: | Mortgage-backed securities: | | | | |
| Residential | | | | | |
| Residential | | | | | |
| Residential | Residential | 401,779 | — | 401,779 | — |
| Commercial | Commercial | 355,993 | — | 355,993 | — |
| Asset-backed securities | Asset-backed securities | 150,580 | — | 150,580 | — |
| Corporate securities | Corporate securities | 18,297 | — | 18,297 | — |
| Municipal securities | Municipal securities | 250,156 | — | 249,303 | 853 |
| Equity investments with readily determinable fair value | Equity investments with readily determinable fair value | 4,169 | 4,169 | — | — |
| Interest rate contracts | Interest rate contracts | 82,604 | — | 82,604 | — |
| Mortgage banking derivatives | Mortgage banking derivatives | 7 | — | 7 | — |
| Other derivatives | Other derivatives | 139 | — | 139 | — |
| Liabilities: | Liabilities: | | | | |
| Liabilities: | | | | | |
| Liabilities: | | | | | |
| Interest rate contracts | | | | | |
| Interest rate contracts | | | | | |
| Interest rate contracts | Interest rate contracts | 84,586 | — | 84,586 | — |
| Mortgage banking derivatives | Mortgage banking derivatives | 8 | — | 8 | — |
| Other derivatives | Other derivatives | 18,854 | — | 18,843 | 11 |

| | | December 31, 2022 | Fair Value Measurements at the End of the Reporting Period Using: Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | December 31, 2023 | Fair Value Measurements at the End of the Reporting Period Using: Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|---|---|---|---|---|
| | | (Dollars in thousands) | | | | (Dollars in thousands) | | | |
| Assets: | Assets: | | | | | | | | |
| Investment securities available for sale: | | | | | | | | | |
| Investment securities AFS: | | | | | | | | | |
| Investment securities AFS: | | | | | | | | | |
| Investment securities AFS: | | | | | | | | | |
| U.S. Treasury securities | | | | | | | | | |
| U.S. Treasury securities | | | | | | | | | |
| U.S. Treasury securities | U.S. Treasury securities | $ 3,886 | $ 3,886 | $ — | $ — | | | | |
| U.S. Government agency and U.S. Government sponsored enterprises: | U.S. Government agency and U.S. Government sponsored enterprises: | | | | | | | | |
| Agency securities | Agency securities | 3,867 | — | 3,867 | — | | | | |
| Agency securities | | | | | | | | | |
| Agency securities | | | | | | | | | |
| Collateralized mortgage obligations | Collateralized mortgage obligations | 793,699 | — | 793,699 | — | | | | |
| Mortgage-backed securities: | Mortgage-backed securities: | | | | | | | | |
| Residential | | | | | | | | | |
| Residential | | | | | | | | | |
| Residential | Residential | 453,177 | — | 453,177 | — | | | | |
| Commercial | Commercial | 368,287 | — | 368,287 | — | | | | |
| Asset-backed securities | Asset-backed securities | 147,604 | — | 147,604 | — | | | | |
| Corporate securities | Corporate securities | 18,857 | — | 18,857 | — | | | | |
| Municipal securities | Municipal securities | 182,752 | — | 181,809 | 943 | | | | |
| Equity investments with readily determinable fair value | Equity investments with readily determinable fair value | 4,303 | 4,303 | — | — | | | | |
| Interest rate contracts | Interest rate contracts | 73,389 | — | 73,389 | — | | | | |
| Mortgage banking derivatives | Mortgage banking derivatives | 29 | — | 29 | — | | | | |
| Other derivatives | Other derivatives | 25,462 | — | 25,462 | — | | | | |
| Liabilities: | Liabilities: | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Liabilities: | | | | | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Interest rate contracts | | | | | |
| Interest rate contracts | | | | | |
| Interest rate contracts | Interest rate contracts | 73,389 | — | 73,389 | — |
| Mortgage banking derivatives | Mortgage banking derivatives | 23 | — | 23 | — |
| Other derivatives | Other derivatives | 2,160 | — | 2,128 | 32 |

There were no transfers between Levels 1, 2, and 3 during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

The table below presents a reconciliation and income statement classification of gains (losses) for the municipal security and risk participation agreements measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

| | | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2023 | | 2022 | | 2023 | | 2022 | |
| | | (Dollars in thousands) | | | | | | | |
| | | Three Months Ended March 31, | | | | | | | |
| | | Three Months Ended March 31, | | | | | | | |
| | | Three Months Ended March 31, | | | | | | | |
| | | 2024 | | | | | | | |
| | | 2024 | | | | | | | |
| | | 2024 | | | | | | | |
| | | (Dollars in thousands) | | | | | | | |
| | | (Dollars in thousands) | | | | | | | |
| | | (Dollars in thousands) | | | | | | | |
| Municipal securities: | Municipal securities: | | | | | | | | |
| Beginning Balance | | | | | | | | | |
| Beginning Balance | | | | | | | | | |
| Beginning Balance | Beginning Balance | $ | 930 | $ | 1,019 | $ | 943 | $ | 1,038 |
| Change in fair value included in other comprehensive income | Change in fair value included in other comprehensive income | | (77) | | (105) | | (90) | | (124) |
| Change in fair value included in other comprehensive income | | | | | | | | | |
| Change in fair value included in other comprehensive income | | | | | | | | | |
| Ending Balance | | | | | | | | | |
| Ending Balance | | | | | | | | | |
| Ending Balance | Ending Balance | $ | 853 | $ | 914 | $ | 853 | $ | 914 |
| Risk participation agreements: | Risk participation agreements: | | | | | | | | |
| Risk participation agreements: | | | | | | | | | |
| Risk participation agreements: | | | | | | | | | |
| Beginning Balance | Beginning Balance | $ | 28 | $ | 31 | $ | 32 | $ | 93 |
| Change in fair value included in income (expense) | | | (17) | | (11) | | (21) | | (73) |
| Beginning Balance | | | | | | | | | |
| Beginning Balance | | | | | | | | | |
| Change in fair value included in income | | | | | | | | | |
| Change in fair value included in income | | | | | | | | | |
| Change in fair value included in income | | | | | | | | | |
| Ending Balance | | | | | | | | | |
| Ending Balance | | | | | | | | | |
| Ending Balance | Ending Balance | $ | 11 | $ | 20 | $ | 11 | $ | 20 |

The Company measures certain assets at fair value on a non-recurring basis including collateral-dependent loans, loans held for sale, and OREO. These fair value adjustments result from individually evaluated ACL recognized during the period, application of the lower of cost or fair value on loans held for sale, and the application of fair value less cost to sell on OREO.

Assets measured at fair value on a non-recurring basis are summarized below:

| | September 30, 2023 | Fair Value Measurements at the End of the Reporting Period Using: Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | March 31, 2024 | Fair Value Measurements at the End of the Reporting Period Using: Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | (Dollars in thousands) | | | |
| Assets: | | | | | | | | |
| Assets: | | | | | | | | |
| Collateral-dependent loans receivable at fair value: | | | | | | | | |
| Collateral-dependent loans receivable at fair value: | | | | | | | | |
| Collateral-dependent loans receivable at fair value: | | | | | | | | |
| Collateral-dependent loans receivable at fair value: | | | | | | | | |
| CRE loans | | | | | | | | |
| CRE loans | | | | | | | | |
| CRE loans | | | | | | | | |
| CRE loans | $ 4,149 | $ — | $ — | $ 4,149 | | | | |
| C&I loans | | | | | | | | |
| C&I loans | 2,835 | — | — | 2,835 | | | | |
| Loans held for sale, net | 19,502 | — | 19,502 | — | | | | |
| OREO | 105 | — | — | 105 | | | | |

| | December 31, 2022 | Fair Value Measurements at the End of the Reporting Period Using: Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | December 31, 2023 | Fair Value Measurements at the End of the Reporting Period Using: Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | (Dollars in thousands) | | | |
| Assets: | | | | | | | | |
| Assets: | | | | | | | | |
| Collateral-dependent loans receivable at fair value: | | | | | | | | |
| Collateral-dependent loans receivable at fair value: | | | | | | | | |
| Collateral-dependent loans receivable at fair value: | | | | | | | | |
| Collateral-dependent loans receivable at fair value: | | | | | | | | |
| CRE loans | | | | | | | | |
| CRE loans | | | | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| CRE loans | CRE loans | $ 807 | $ — | $ — | $ 807 |
| C&I loans | C&I loans | 2,744 | — | — | 2,744 |
| Loans held for sale, net | Loans held for sale, net | 48,795 | — | 48,795 | — |
| Loans held for sale, net | | | | | |
| Loans held for sale, net | | | | | |
| OREO | OREO | 1,050 | — | — | 1,050 |

For assets measured at fair value on a non-recurring basis, the total net losses, which include charge offs, recoveries, recorded ACL, valuations, and recognized gains and losses on sales are summarized below:

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 | |
| | | (Dollars in thousands) | | | | (Dollars in thousands) |
| Assets: | Assets: | | | | | |
| Collateral-dependent loans receivable at fair value: | Collateral-dependent loans receivable at fair value: | | | | | |
| Collateral-dependent loans receivable at fair value: | | | | | | |
| Collateral-dependent loans receivable at fair value: | | | | | | |
| CRE loans | CRE loans | $ (156) | $ (962) | $ (567) | $(1,573) | |
| CRE loans | | | | | | |
| CRE loans | | | | | | |
| C&I loans | | | | | | |
| C&I loans | | | | | | |
| C&I loans | C&I loans | (1,768) | (3,323) | (2,157) | (3,323) | |
| Loans held for sale, net | | (341) | — | (341) | — | |
| OREO | OREO | (37) | (337) | (308) | (593) | |
| OREO | | | | | | |
| OREO | | | | | | |

**Fair Value of Financial Instruments**

Carrying amounts and estimated fair values of financial instruments, not previously presented, at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, were as follows:

| | September 30, 2023 | | | March 31, 2024 | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | Estimated Fair Value | Fair Value Measurement Using | Carrying Amount | Estimated Fair Value | Fair Value Measurement Using |
| | (Dollars in thousands) | | | (Dollars in thousands) | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial Assets:** | **Financial Assets:** | | | | | | | | | | |
| Cash and cash equivalents | Cash and cash equivalents | $2,500,323 | $2,500,323 | Level 1 | | | | | | | |
| Cash and cash equivalents | | | | | | | | | | | |
| Cash and cash equivalents | | | | | | $1,185,296 | | $ | 1,185,296 | Level 1 | |
| Investment securities HTM | | | | | | | | | | | |
| Investment securities HTM | | | | | | | | | | | |
| Investment securities HTM | Investment securities HTM | 266,609 | 239,773 | Level 2 | | 261,601 | 242,717 | | 242,717 | Level 2 | Level 2 |
| Equity investments without readily determinable fair values | Equity investments without readily determinable fair values | 39,014 | 39,014 | Level 2 | Equity investments without readily determinable fair values | 39,608 | 39,608 | | 39,608 | Level 2 | Level 2 |
| Loans held for sale | Loans held for sale | 19,502 | 19,502 | Level 2 | Loans held for sale | 2,763 | 2,768 | | 2,768 | Level 2 | Level 2 |
| Loans receivable, net | Loans receivable, net | 14,147,384 | 13,688,653 | Level 3 | Loans receivable, net | 13,560,420 | 13,162,050 | | 13,162,050 | Level 3 | Level 3 |
| Accrued interest receivable | Accrued interest receivable | 60,665 | 60,665 | Level 2/3 | Accrued interest receivable | 60,316 | 60,316 | | 60,316 | Level 2/3 | Level 2/3 |
| Servicing assets, net | Servicing assets, net | 10,457 | 15,697 | Level 3 | Servicing assets, net | 8,869 | 15,288 | | 15,288 | Level 3 | Level 3 |
| Customers' liabilities on acceptances | Customers' liabilities on acceptances | 250 | 250 | Level 2 | Customers' liabilities on acceptances | 780 | 780 | | 780 | Level 2 | Level 2 |
| **Financial Liabilities:** | **Financial Liabilities:** | | | | | | | | | | |
| Noninterest bearing deposits | Noninterest bearing deposits | $4,249,788 | $4,249,788 | Level 2 | | | | | | | |
| Savings and other interest bearing demand deposits | | 4,855,683 | 4,855,683 | Level 2 | | | | | | | |
| Noninterest bearing deposits | | | | | | | | | | | |
| Noninterest bearing deposits | | | | | | $3,652,592 | | $ | 3,652,592 | Level 2 | |
| Money market, interest bearing demand and savings deposits | | | | | Money market, interest bearing demand and savings deposits | 5,313,064 | | | 5,313,064 | Level 2 | |
| Time deposits | Time deposits | 6,634,388 | 6,636,281 | Level 2 | Time deposits | 5,787,761 | 5,793,249 | | 5,793,249 | Level 2 | Level 2 |
| FHLB and FRB borrowings | FHLB and FRB borrowings | 1,795,726 | 1,790,766 | Level 2 | FHLB and FRB borrowings | 795,634 | 797,206 | | 797,206 | Level 2 | Level 2 |
| Convertible notes | Convertible notes | 444 | 433 | Level 1 | Convertible notes | 444 | 434 | | 434 | Level 1 | Level 1 |
| Subordinated debentures | Subordinated debentures | 107,505 | 105,773 | Level 3 | Subordinated debentures | 108,148 | 97,376 | | 97,376 | Level 3 | Level 3 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accrued interest payable | Accrued interest payable | 166,831 | 166,831 | Level 2 | Accrued interest payable | 122,467 | 122,467 | 122,467 | Level 2 | Level 2 |
| Acceptances outstanding | Acceptances outstanding | 250 | 250 | Level 2 | Acceptances outstanding | 780 | 780 | 780 | Level 2 | Level 2 |

| | December 31, 2022 | | |
|---|---|---|---|
| | Carrying Amount | Estimated Fair Value | Fair Value Measurement Using |
| | (Dollars in thousands) | | |

| | December 31, 2023 | | |
|---|---|---|---|
| | Carrying Amount | Estimated Fair Value | Fair Value Measurement Using |
| | (Dollars in thousands) | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Financial Assets:** | **Financial Assets:** | | | | | | | | | |
| Cash and cash equivalents | Cash and cash equivalents | $ 506,776 | $ 506,776 | Level 1 | | | | | | |
| Interest earning deposits in other financial institutions | | 735 | 733 | Level 2 | | | | | | |
| Cash and cash equivalents | | | | | | | | | | |
| Cash and cash equivalents | | | | | | $1,928,967 | | $ 1,928,967 | | Level 1 |
| Investment securities HTM | | | | | | | | | | |
| Investment securities HTM | | | | | | | | | | |
| Investment securities HTM | Investment securities HTM | 271,066 | 258,407 | Level 2 | | 263,912 | 250,518 | 250,518 | Level 2 | Level 2 |
| Equity investments without readily determinable fair values | Equity investments without readily determinable fair values | 38,093 | 38,093 | Level 2 | Equity investments without readily determinable fair values | 39,387 | 39,387 | 39,387 | Level 2 | Level 2 |
| Loans held for sale | Loans held for sale | 49,245 | 49,248 | Level 2 | Loans held for sale | 3,408 | 3,419 | 3,419 | Level 2 | Level 2 |
| Loans receivable, net | Loans receivable, net | 15,241,181 | 14,745,881 | Level 3 | Loans receivable, net | 13,694,925 | 13,270,444 | 13,270,444 | Level 3 | Level 3 |
| Accrued interest receivable | Accrued interest receivable | 55,460 | 55,460 | Level 2/3 | Accrued interest receivable | 61,720 | 61,720 | 61,720 | Level 2/3 | Level 2/3 |
| Servicing assets, net | Servicing assets, net | 11,628 | 17,375 | Level 3 | Servicing assets, net | 9,631 | 14,853 | 14,853 | Level 3 | Level 3 |
| Customers' liabilities on acceptances | Customers' liabilities on acceptances | 818 | 818 | Level 2 | Customers' liabilities on acceptances | 471 | 471 | 471 | Level 2 | Level 2 |
| **Financial Liabilities:** | **Financial Liabilities:** | | | | | | | | | |
| Noninterest bearing deposits | Noninterest bearing deposits | $4,849,493 | $4,849,493 | Level 2 | | | | | | |
| Savings and other interest bearing demand deposits | | 5,899,248 | 5,899,248 | Level 2 | | | | | | |
| Noninterest bearing deposits | | | | | | | | | | |
| Noninterest bearing deposits | | | | | | $3,914,967 | | $ 3,914,967 | | Level 2 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Money market, interest bearing demand and savings deposits | | | | | Money market, interest bearing demand and savings deposits | 4,872,029 | | 4,872,029 | | Level 2 | |
| Time deposits | Time deposits | 4,990,060 | 5,020,093 | Level 2 | Time deposits | 5,966,757 | 5,974,125 | 5,974,125 | Level 2 | | Level 2 |
| FHLB and FRB borrowings | FHLB and FRB borrowings | 865,000 | 867,088 | Level 2 | FHLB and FRB borrowings | 1,795,726 | 1,795,820 | 1,795,820 | Level 2 | | Level 2 |
| Convertible notes, net | Convertible notes, net | 217,148 | 213,937 | Level 1 | Convertible notes, net | 444 | 451 | 451 | Level 1 | | Level 1 |
| Subordinated debentures | Subordinated debentures | 106,565 | 107,944 | Level 3 | Subordinated debentures | 107,825 | 99,358 | 99,358 | Level 3 | | Level 3 |
| Accrued interest payable | Accrued interest payable | 26,668 | 26,668 | Level 2 | Accrued interest payable | 168,174 | 168,174 | 168,174 | Level 2 | | Level 2 |
| Acceptances outstanding | Acceptances outstanding | 818 | 818 | Level 2 | Acceptances outstanding | 471 | 471 | 471 | Level 2 | | Level 2 |

The Company measures assets and liabilities for its fair value disclosures based on an exit price notion. Although the exit price notion represents the value that would be received to sell an asset or paid to transfer a liability, the actual price received for a sale of assets or paid to transfer liabilities could be different from exit price disclosed. The methods and assumptions used to estimate fair value are described as follows:

The carrying amount was the estimated fair value for cash and cash equivalents, savings and other interest bearing demand deposits, equity investments without readily determinable fair values, customers' and Bank's liabilities on acceptances, noninterest bearing deposits, short-term debt, secured borrowings, and variable rate loans or deposits that reprice frequently and fully. The fair value of loans was determined through a discounted cash flow analysis, which incorporates probability of default and loss given default rates on an individual loan basis. For fixed rate loans, the discount rate used in a discounted cash flow analysis was based on the SOFR Swap Rate. For variable loans, the discount rate started with the underlying index rate and an adjustment was made on certain loans, which considered factors such as servicing costs, capital charges, duration, asset type incremental costs, and use of projected cash flows. Fair values of residential real estate loans included Fannie Mae and Freddie Mac prepayment speed assumptions or a third-party index based on historical prepayment speeds. Fair value of time deposits was based on discounted cash flow analyses using recent issuance rates over the prior three months and a market rate analysis of recent offering rates for retail products. Wholesale time deposit fair values incorporated brokered time deposit offering rates. The fair value of the Company's debt was based on current rates for similar financing with a liquidity premium added to assumed market spreads to reflect exit pricing and the marketability/liquidity costs contained with consummating an orderly transaction. Fair value for the Company's convertible notes was based on the actual last traded price of the notes. The fair value of commitments to fund loans represents fees currently charged to enter into similar agreements with similar remaining maturities and was not presented herein, as the fair value of these financial instruments was not material to the consolidated financial statements.

**16. Stockholders' Equity**

Total stockholders' equity at September 30, 2023 March 31, 2024, was $2.03 billion $2.11 billion, compared with $2.02 billion $2.12 billion at December 31, 2022 December 31, 2023.

In January 2022, the Company's Board of Directors approved a share repurchase program that authorized the Company to repurchase up to $50.0 million of its common stock, of which an estimated $35.3 million remained available at September 30, 2023 March 31, 2024. During the nine three months ended September 30, 2023 March 31, 2024, the Company did not repurchase any shares of common stock as part of this program (see Part II, Item 2—"Unregistered Sales of Equity Securities and Use of Proceeds" for additional information).

For the three months ended September 30, 2023 March 31, 2024 and 2022, the Company paid cash dividends of $0.14 per common share. For the nine months ended September 30, 2023 and 2022, 2023, the Company paid total dividends of $0.42 $0.14 per common share.

The following table presents the changes to accumulated other comprehensive income loss for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (Dollars in thousands) | | | |
| Balance at beginning of period | $ (228,884) | $ (171,707) | $ (230,857) | $ (11,412) |
| Unrealized net losses on securities available for sale | (68,261) | (112,043) | (68,117) | (308,974) |
| Unrealized net losses on securities available for sale transferred to held to maturity | — | — | — | (36,576) |
| Unrealized net gains on interest rate contracts used for cash flow hedge | (4,310) | 18,893 | 3,405 | 24,901 |
| Reclassification adjustments for net (gains) losses realized in net income | (3,720) | 662 | (8,780) | 688 |

| | | | | |
|---|---|---|---|---|
| Tax effect | 22,490 | 27,660 | 21,664 | 94,838 |
| Other comprehensive loss, net of tax | (53,801) | (64,828) | (51,828) | (225,123) |
| Balance at end of period | $ (282,685) | $ (236,535) | $ (282,685) | $ (236,535) |

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| | (Dollars in thousands) | |
| Balance at beginning of period | $ (204,738) | $ (230,857) |
| Unrealized net (losses) gains on securities available for sale | (13,734) | 31,215 |
| Unrealized net losses on interest rate contracts used for cash flow hedges | (8,186) | (5,938) |
| Reclassification adjustments for net gains realized in net income | (2,931) | (1,738) |
| Tax effect | 7,311 | (6,939) |
| Other comprehensive (loss) income, net of tax | (17,540) | 16,600 |
| Balance at end of period | $ (222,278) | $ (214,257) |

Reclassifications for net gains and losses realized in net income for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, related to net gains on interest rate contracts designated as cash flow hedges and amortization on unrealized losses from transferred investment securities to HTM. Gains and losses on interest rate contracts are recorded in interest expense in the Consolidated Statements of Income. The unrealized holding losses at the date of transfer on securities HTM will continue to be reported, net of taxes, in accumulated other comprehensive income ("AOCI") AOCI as a component of stockholders' equity and be amortized over the remaining life of the securities as an adjustment of yield, offsetting the impact on yield of the corresponding discount amortization.

For the three and nine months ended September 30, 2023, March 31, 2024 and 2023, the Company reclassified net gains of $4.7 $3.8 million and $11.6 $2.8 million on interest rate contracts designated as cash flow hedges, respectively, from other comprehensive income loss to interest expense. For the three income and nine months ended September 30, 2022, the Company reclassified gains of $511 thousand and $561 thousand, respectively, from other comprehensive income to interest expense.

For the three and nine months ended September 30, 2023 March 31, 2024, the Company recorded a reclassification adjustments adjustment of $972 $847 thousand and $2.8 million, respectively, from other comprehensive income loss to a reduction of interest income, to amortize transferred unrealized losses to investment securities HTM, compared with $1.2 million and $1.2 $1.0 million for the three and nine months ended September 30, 2022 March 31, 2023.

### 17. Stock-Based Compensation

In 2019, the Company's stockholders approved the 2019 stock-based incentive plan (the "2019 Plan"), which provides for grants of stock options, stock appreciation rights ("SAR"), restricted stock, performance shares, and performance units to non-employee directors and employees of the Company. Stock options may be either incentive stock options ("ISOs"), as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or nonqualified stock options ("NQSOs").

The 2019 Plan provides the Company flexibility to (i) attract and retain qualified non-employee directors, executives, and other key employees with appropriate equity-based awards; (ii) motivate high levels of performance; (iii) recognize employees' contributions to the Company's success; and (iv) align the interests of the participants with those of the Company's stockholders. The 2019 Plan initially had 4,400,000 shares that were available for grant to participants. In September 2023, an additional 150,000 shares of common stock were made available to be issued in connection with grants of restricted stock to be granted as inducement awards for potential new employment with the Company under the 2019 Plan as Exempt Awards and pursuant to Nasdaq Listing Rule 5635(c)(4). ; this pool was not previously approved by stockholders. These additional shares are not available to persons who previously served as an employee or director of the Company, other than following a bona fide period of non-employment. The Company has not issued, and does not expect to issue, any shares under this 150,000 inducement award pool. At September 30, 2023 March 31, 2024, there were 156,212 96,233 remaining shares available for future grants under the 2019 plan, including excluding the 150,000 shares for inducement awards previously mentioned. awards. The pool of available shares can be partially replenished for future grants to the extent there are forfeitures, expirations or otherwise terminations of existing equity awards without issuance of the shares underlying such awards. The exercise price for shares under an ISO may not be less than 100% of fair market value on the date the award is granted under the Code. Similarly, under the terms of the 2019 Plan, the exercise price for SARs and NQSOs may not be less than 100% of fair market value on the date of grant. Performance units are awarded to participants at the market price of the Company's common stock on the date of award, after the lapse of the restriction period and the attainment of the performance criteria. All options not exercised generally expire 10 years after the date of grant.

ISOs, SARs, and NQSOs have vesting periods of three to five years and have 10-year contractual terms. Restricted stock, performance shares, and performance units are granted with a restriction period of not less than one year from the grant date for performance-based awards and not more than three years from the grant date for time-based vesting of grants. Compensation expense for awards is recognized over the vesting period.

With the exception of the shares that are underlying stock options and restricted stock awards, the Board of Directors may choose to settle the awards by paying the equivalent cash value or by delivering the appropriate number of shares.

The following is a summary of the Company's stock option activity for the nine three months ended September 30, 2023 March 31, 2024:

| | Number of Shares | Weighted-Average Exercise Price Per Share | Weighted-Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value |
|---|---|---|---|---|

| | | Number of Shares | Weighted-Average Exercise Price Per Share | Weighted-Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value |
|---|---|---|---|---|---|
| | | | | | (Dollars in thousands) |
| Outstanding - January 1, 2023 | | 649,367 | $ 16.63 | | |
| | | | | | (Dollars in thousands) |
| Outstanding - January 1, 2024 | | | | | |
| Granted | | | | | |
| Granted | | | | | |
| Granted | Granted | — | — | | |
| Exercised | Exercised | — | — | | |
| Exercised | | | | | |
| Exercised | | | | | |
| Expired | | | | | |
| Expired | | | | | |
| Expired | Expired | (20,000) | 17.18 | | |
| Forfeited | Forfeited | — | — | | |
| Outstanding - September 30, 2023 | | 629,367 | $ 16.61 | 2.15 | $ — |
| Options exercisable - September 30, 2023 | | 629,367 | $ 16.61 | 2.15 | $ — |
| Forfeited | | | | | |
| Forfeited | | | | | |
| Outstanding - March 31, 2024 | | | | | |
| Outstanding - March 31, 2024 | | | | | |
| Outstanding - March 31, 2024 | | | | | |
| Options exercisable - March 31, 2024 | | | | | |

The following is a summary of the Company’s restricted stock and performance unit activity for the nine three months ended September 30, 2023 March 31, 2024:

| | | Number of Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|---|
| Outstanding (unvested) - January 1, 2023 | | 1,760,373 | $ 13.89 |
| Outstanding (unvested) - January 1, 2024 | | | |
| Granted | Granted | 1,504,513 | 10.10 |
| Vested | Vested | (828,160) | 12.46 |
| Forfeited | Forfeited | (133,851) | 11.08 |
| Outstanding (unvested) - September 30, 2023 | | 2,302,875 | $ 12.09 |

Outstanding (unvested) - March 31, 2024

The total fair value of restricted stock and performance units vested during the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, was $8.2 million $8.5 million and $9.5 million $6.2 million, respectively.

In July 2022, the Company discontinued the Hope Employee Stock Purchase Plan (“ESPP”), which allowed eligible employees to purchase the Company’s common shares through payroll deductions, which build up between the offering date and the purchase date. At the purchase date, the Company used the accumulated funds to purchase shares of the Company’s common stock on behalf of the participating employees at a 10% discount to the closing price of the Company’s common shares. The closing price is the lower of either the closing price on the first day of the offering period or the closing price on the purchase date. The dollar amount of common shares purchased under the ESPP must not exceed 20% of the participating employee’s base salary, subject to a cap of $25 thousand in stock value based on the grant date. The ESPP was considered compensatory under GAAP and compensation expense for the ESPP is recognized as part of the Company’s stock-based compensation expense. No compensation expense was incurred for the ESPP during the three and nine months ended September 30, 2023, due to the plan’s discontinuation. The compensation expense for the ESPP during the three and nine months ended September 30, 2022, was $50 thousand and $284 thousand, respectively.

The total amounts charged against income related to stock-based payment arrangements were $3.0 million $2.7 million and $8.8 million $2.4 million for the three and nine months ended September 30, 2023, March 31, 2024 and 2023, respectively. For the three and nine months ended September 30, 2022, $3.2 million and $9.3 million, respectively, of stock-based payment arrangements were charged against income. The income tax benefit recognized was approximately $755 $751 thousand and $2.3 million $609 thousand for the three and nine months ended September 30, 2023, respectively, compared with $865 thousand March 31, 2024 and $2.4 million for the three and nine months ended September 30, 2022, 2023, respectively.

Since all stock option grants were vested at September 30, 2023 March 31, 2024, there was no unrecognized compensation expense related to non-vested stock option grants. grants for the three months ended March 31, 2024. Unrecognized compensation expense related to non-vested restricted stock and performance units for the three months ended March 31, 2024 was $16.4 million $8.5 million, and is expected to be recognized over a weighted average vesting period of 1.69 1.45 years.

**18. Regulatory Matters**

The Company and the Bank are subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a material and adverse effect on the Company’s and the Bank’s business, financial condition and results of operation, such as restrictions on growth or the payment of dividends or other capital distributions or management fees. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

At September 30, 2023 March 31, 2024, the capital ratios for the Company and the Bank were in excess of all regulatory minimum capital ratios with the addition of the conservation buffer.

On January 1, 2020, the Company adopted ASU 2016-13 and implemented the CECL methodology. In response to the COVID-19 pandemic, federal regulatory agencies published a final rule that provides the option to delay the cumulative effect of the day 1 impact of CECL adoption on regulatory capital, along with 25% of the change in the adjusted allowance for credit losses (as computed for regulatory capital purposes, which excludes purchased credit deteriorated (“PCD”) loans), for two years, followed by a three-year phase-in period. The Company has elected the five-year transition period consistent with the final rule issued by the federal regulatory agencies.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the most recent regulatory notification categorized the Bank as “well-capitalized” under the regulatory framework for prompt corrective action. To generally be categorized as “well-capitalized”, the Bank must maintain a minimum total capital ratio, Tier 1 capital ratio, common equity Tier 1 capital ratio, and leverage ratio as set forth in the following table. There are no conditions or events since the most recent notification from regulators that management believes has changed the institution’s category.

The Company’s and the Bank’s levels and ratios are presented in the tables below for the dates indicated and include the effects of the Company’s election to utilize the five-year transition described above:

| | Actual | | Ratio Required for Capital Adequacy Purposes | Ratio Required To Be Well-Capitalized | Ratio Required for Minimum Capital Adequacy With Capital Conservation Buffer |
|---|---|---|---|---|---|
| **September 30, 2023** | Amount | Ratio | | | |

| | Actual |
|---|---|
| **March 31, 2024** | |

| | | (Dollars in thousands) | | | | | | (Dollars in thousands) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Common equity Tier 1 capital (to risk weighted assets): | Common equity Tier 1 capital (to risk weighted assets): | | | | | | | | | | | | |
| Company | | | | | | | | | | | | | |
| Company | | | | | | | | | | | | | |
| Company | | | | | | | | | | | $1,872,360 | | 12.47 % |
| Bank | | | | | | | | | | Bank | $1,948,503 | | 12.99 % |
| Tier 1 capital (to risk-weighted assets): | | | | | | | | | | | | | |
| Company | | | | | | | | | | | | | |
| Company | | | | | | | | | | | | | |
| Company | Company | $1,856,328 | 11.67 % | 4.50 % | N/A | 7.00 % | $1,976,607 | 13.17 | 13.17 % | | 6.00 % | | |
| Bank | Bank | $1,922,135 | 12.08 % | 4.50 % | 6.50 % | 7.00 % | Bank $1,948,503 | 12.99 | 12.99 % | | | 6.00 % | |
| Total capital (to risk-weighted assets): | Total capital (to risk-weighted assets): | | | | | | | | | | | | |
| Company | Company | $2,105,754 | 13.23 % | 8.00 % | N/A | 10.50 % | | | | | | | |
| Bank | | $2,067,957 | 13.00 % | 8.00 % | 10.00 % | 10.50 % | | | | | | | |
| Tier 1 capital (to risk-weighted assets): | | | | | | | | | | | | | |
| Company | | | | | | | | | | | | | |
| Company | Company | $1,959,932 | 12.32 % | 6.00 % | N/A | 8.50 % | $2,130,033 | 14.19 | 14.19 % | | 8.00 % | | |
| Bank | Bank | $1,922,135 | 12.08 % | 6.00 % | 8.00 % | 8.50 % | Bank $2,101,929 | 14.01 | 14.01 % | | | 8.00 % | |
| Leverage capital (to average assets): | Leverage capital (to average assets): | | | | | | | | | | | | |
| Company | Company | $1,959,932 | 9.83 % | 4.00 % | N/A | N/A | | | | | | | |
| Company | | | | | | | | | | | | | |
| Company | | | | | | | | | | | $1,976,607 | | 10.42 % |
| Bank | Bank | $1,922,135 | 9.65 % | 4.00 % | 5.00 % | N/A | Bank $1,948,503 | 10.27 | 10.27 % | | | 4.00 % | |

| | Actual | | | | |
|---|---|---|---|---|---|
| **December 31, 2022** | Amount | Ratio | Ratio Required for Capital Adequacy Purposes | Ratio Required To Be Well-Capitalized | Ratio Required for Minimum Capital Adequacy With Capital Conservation Buffer |

| | Actual |
|---|---|
| **December 31, 2023** | |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | | (Dollars in thousands) | | | | | | |
| Common equity Tier 1 capital (to risk weighted assets): | Common equity Tier 1 capital (to risk weighted assets): | | | | | | | | | | | | |
| Company | | | | | | | | | | | | | |
| Company | | | | | | | | | | | | | |
| Company | | | | | | | | | | | $1,869,774 | | 12.28 % |
| Bank | | | | | | | | | | | Bank $1,940,303 | | 12.75 % |
| Tier 1 capital (to risk-weighted assets): | | | | | | | | | | | | | |
| Company | | | | | | | | | | | | | |
| Company | | | | | | | | | | | | | |
| Company | Company | $1,799,020 | 10.55 % | 4.50 % | N/A | 7.00 % | | $1,973,698 | 12.96 | 12.96 % | | 6.00 % | |
| Bank | Bank | $2,049,973 | 12.03 % | 4.50 % | 6.50 % | 7.00 % | Bank | $1,940,303 | 12.75 | 12.75 % | | 6.00 % | |
| Total capital (to risk-weighted assets): | Total capital (to risk-weighted assets): | | | | | | | | | | | | |
| Company | Company | $2,041,319 | 11.97 % | 8.00 % | N/A | 10.50 % | | | | | | | |
| Bank | | $2,189,607 | 12.85 % | 8.00 % | 10.00 % | 10.50 % | | | | | | | |
| Tier 1 capital (to risk-weighted assets): | | | | | | | | | | | | | |
| Company | | | | | | | | | | | | | |
| Company | Company | $1,901,685 | 11.15 % | 6.00 % | N/A | 8.50 % | | $2,120,157 | 13.92 | 13.92 % | | 8.00 % | |
| Bank | Bank | $2,049,973 | 12.03 % | 6.00 % | 8.00 % | 8.50 % | Bank | $2,086,762 | 13.71 | 13.71 % | | 8.00 % | |
| Leverage capital (to average assets): | Leverage capital (to average assets): | | | | | | | | | | | | |
| Company | Company | $1,901,685 | 10.15 % | 4.00 % | N/A | N/A | | | | | | | |
| Company | | | | | | | | | | | | | |
| Company | | | | | | | | | | | $1,973,698 | | 10.11 % |
| Bank | Bank | $2,049,973 | 10.94 % | 4.00 % | 5.00 % | N/A | Bank | $1,940,303 | 9.94 | 9.94 % | | 4.00 % | |

**19. Revenue Recognition**

With the adoption of ASU 2014-09 (Topic 606), the The Company recognizes revenue when obligations under the terms of a contract with customers are satisfied. Topic 606 ASU 2014-09 (Topic 606) does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain noninterest income streams such as fees associated with mortgage servicing rights, financial guarantees, derivatives, and certain credit card fees are also out of scope of the new guidance. Topic 606 is applicable to noninterest revenue streams such as deposit related fees, wire transfer fees, and certain OREO related net gains or expenses. However, the recognition of these revenue streams for the Company did not change significantly upon adoption of Topic 606. Noninterest revenue streams within the scope of Topic 606 are discussed below.

*Service Charges on Deposit Accounts and Wire Transfer Fees*

Service charges on noninterest and interest bearing deposit accounts consist of monthly service charges, customer analysis charges, non-sufficient funds (“NSF”) charges, and other deposit account related charges. The Company’s performance obligation for account analysis charges and monthly service charges is generally satisfied, and the related revenue is recognized, over the period in which the service is provided. NSF charges, other deposit account related charges, and wire transfer fees are transaction based, and therefore the Company’s performance obligation is satisfied at the point of the transaction, and related revenue recognized at that point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers’ accounts.

Service charges on deposit accounts and wire transfers are summarized below:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (Dollars in thousands) | | | |

Three Months Ended March 31,
Three Months Ended March 31,
2024
2024
(Dollars in thousands)
(Dollars in thousands)

| | | Three Months Ended March 31, 2024 (Dollars in thousands) | | | |
|---|---|---|---|---|---|
| Noninterest bearing deposit account income: | Noninterest bearing deposit account income: | | | | |
| Monthly service charges | Monthly service charges | $ 243 | $ 250 | $ 729 | $ 751 |
| Monthly service charges | | | | | |
| Monthly service charges | | | | | |
| Customer analysis charges | | | | | |
| Customer analysis charges | | | | | |
| Customer analysis charges | Customer analysis charges | 1,292 | 1,426 | 3,677 | 3,541 |
| NSF charges | NSF charges | 763 | 749 | 2,209 | 2,149 |
| NSF charges | | | | | |
| NSF charges | | | | | |
| Other service charges | Other service charges | 93 | 87 | 273 | 268 |
| Other service charges | | | | | |
| Other service charges | | | | | |
| Total noninterest bearing deposit account income | | | | | |
| Total noninterest bearing deposit account income | | | | | |
| Total noninterest bearing deposit account income | Total noninterest bearing deposit account income | 2,391 | 2,512 | 6,888 | 6,709 |
| Interest bearing deposit account income: | Interest bearing deposit account income: | | | | |
| Interest bearing deposit account income: | | | | | |
| Interest bearing deposit account income: | | | | | |
| Monthly service charges | Monthly service charges | 24 | 23 | 73 | 70 |
| Monthly service charges | | | | | |
| Monthly service charges | | | | | |
| Total service fees on deposit accounts | | | | | |
| Total service fees on deposit accounts | | | | | |
| Total service fees on deposit accounts | Total service fees on deposit accounts | $ 2,415 | $ 2,535 | $ 6,961 | $ 6,779 |
| Wire transfer fee income: | Wire transfer fee income: | | | | |
| Wire transfer fee income: | | | | | |
| Wire transfer fee income: | | | | | |
| Wire transfer fees | | | | | |
| Wire transfer fees | | | | | |
| Wire transfer fees | Wire transfer fees | $ 681 | $ 765 | $ 2,067 | $ 2,254 |

| | | | | | |
|---|---|---|---|---|---|
| Foreign exchange fees | Foreign exchange fees | 125 | 91 | 362 | 360 |
| Foreign exchange fees | | | | | |
| Foreign exchange fees | | | | | |
| Total wire transfer fees | Total wire transfer fees | $ 806 | $ 856 | $ 2,429 | $ 2,614 |
| Total wire transfer fees | | | | | |
| Total wire transfer fees | | | | | |

**20. Subsequent Events**

On October 20, 2023 April 26, 2024, the Company announced entered into a strategic reorganization designed to enhance shareholder value over merger agreement with Territorial Bancorp Inc. ("Territorial"), headquartered in Honolulu, Hawai'i. Under the long term. Accordingly, terms of the merger agreement, Territorial will merge with and into the Company, realigned its structure around lines immediately followed by the merger of Territorial's subsidiary bank, Territorial Savings Bank, with and into the Company's subsidiary bank, Bank of Hope. Upon completion of the transaction, Territorial shareholders will receive a fixed exchange ratio of 0.8048 shares of the Company's common stock in exchange for each share of Territorial common stock they own. Based on the closing price of the Company's common stock on April 26, 2024, this represents a value of $8.82 per share of Territorial common stock, although the actual value will be determined upon the completion of the merger.

The transaction is expected to close by year-end 2024, subject to regulatory approvals, the approval of Territorial shareholders, and the satisfaction of other customary closing conditions. Following the completion of the transaction, the legacy Territorial franchise in Hawai'i will continue to do business and product delivery channels, optimized its production capacity and reduced its headcount. As part under the Territorial Savings Bank brand, as a trade name of this reorganization, the Company reduced its total headcount by 13%. The Company expects certain one-time costs associated with the reorganization to be recorded during the fourth quarter Bank of 2023. Hope.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")**

The following discussion and analysis should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 and the unaudited consolidated financial statements and notes set forth elsewhere in this Quarterly Report on Form 10-Q.

**GENERAL**

Hope Bancorp, Inc. is the holding company of Bank of Hope, a multi-regional bank in the United States with $20.08 billion $18.09 billion in total assets at September 30, 2023 March 31, 2024, and headquartered in Los Angeles, California. From its base roots as the largest Korean American bank in the United States, Bank of Hope has grown to serve a multi-ethnic population of customers across the nation through its network of branches and loan production offices. The Bank also operates a representative office in Seoul, Korea to serve its growing base of multi-national commercial and consumer customers. The Bank provides a full suite of consumer and commercial loan, deposit and fee-based products and services, including CRE, C&I, SBA, residential mortgage and other consumer lending; treasury management services and trade finance; foreign currency exchange transactions; interest rate contracts and wealth management.

Domestically, Bank of Hope at September 30, 2023 March 31, 2024, operated 53 48 full-service branches in California, Washington, Texas, Illinois, New York, New Jersey, Virginia, Alabama, and Georgia. The Bank also operates SBA loan production offices in Seattle, Denver, Dallas, Atlanta, Portland, California, New York, City, Northern California Texas, Washington, Illinois, New Jersey, Virginia, Georgia, Florida, Alabama, Colorado, and Houston; commercial loan production offices Oregon, as well as a representative office in Northern California, Seattle and Tampa; and residential mortgage loan production offices in Southern California. Seoul, South Korea. Bank of Hope is a California-chartered bank, and its deposits are insured by the FDIC to the extent provided by law. Bank of Hope is an Equal Opportunity Lender.

Our principal business involves earning interest on loans and investment securities, primarily funded by deposits and borrowings. Operating income and net income are derived primarily from the difference between interest income received from interest earning assets and interest expense paid on interest bearing liabilities and, to a lesser extent, from fees received in connection with servicing loan and deposit accounts, providing fee-based products and services, and income from the sale of loans. Major expenses are the interest paid on deposits and borrowings, provisions for credit losses and general operating expenses, which primarily consist of salaries and employee benefits, occupancy costs, and other operating expenses. Interest rates are highly sensitive to many factors that are beyond our control, such as changes in the national economy and in the related monetary policies of the FRB, inflation, unemployment, consumer spending, political changes, and other events. We cannot predict the impact that these factors and future changes in domestic and foreign economic and political conditions might have on our business, financial condition, and results of operations.

**Selected Financial Data**

The following tables set forth a performance overview concerning the periods indicated and should be read in conjunction with the unaudited consolidated financial statements and notes set forth elsewhere in this Quarterly Report on Form 10-Q and the following Results of Operations and Financial Condition sections of this MD&A.

| | | |
|---|---|---|
| | **At or for the Three Months Ended March 31,** | |
| | **At or for the Three Months Ended March 31,** | |
| | **At or for the Three Months Ended March 31,** | |
| | **At or for the Three Months Ended September 30,** | **At or for the Nine Months Ended September 30,** |

| | | 2023 | 2022 | 2023 | 2022 | |
|---|---|---|---|---|---|---|
| | | (Dollars in thousands, except share and per share data) | | | | (Dollars in thousands, except share and per share data) |
| **Income Statement Data:** | **Income Statement Data:** | | | | | |
| Interest income | Interest income | $ 275,793 | $ 189,182 | $ 779,654 | $ 491,878 | |
| Interest income | | | | | | |
| Interest income | | | | | | |
| Interest expense | | | | | | |
| Interest expense | | | | | | |
| Interest expense | Interest expense | 140,415 | 35,996 | 379,709 | 63,978 | |
| Net interest income | Net interest income | 135,378 | 153,186 | 399,945 | 427,900 | |
| Net interest income | | | | | | |
| Net interest income | | | | | | |
| Provision for credit losses | | | | | | |
| Provision for credit losses | | | | | | |
| Provision for credit losses | Provision for credit losses | 16,800 | 9,200 | 27,400 | 1,400 | |
| Net interest income after provision for credit losses | Net interest income after provision for credit losses | 118,578 | 143,986 | 372,545 | 426,500 | |
| Net interest income after provision for credit losses | | | | | | |
| Net interest income after provision for credit losses | | | | | | |
| Noninterest income | | | | | | |
| Noninterest income | | | | | | |
| Noninterest income | Noninterest income | 8,305 | 13,355 | 36,297 | 39,287 | |
| Noninterest expense | Noninterest expense | 86,873 | 83,914 | 264,560 | 239,652 | |
| Noninterest expense | | | | | | |
| Noninterest expense | | | | | | |
| Income before income tax provision | | | | | | |
| Income before income tax provision | | | | | | |
| Income before income tax provision | Income before income tax provision | 40,010 | 73,427 | 144,282 | 226,135 | |
| Income tax provision | Income tax provision | 9,961 | 19,679 | 37,090 | 59,561 | |
| Income tax provision | | | | | | |
| Income tax provision | | | | | | |
| Net income | | | | | | |
| Net income | | | | | | |
| Net income | Net income | $ 30,049 | $ 53,748 | $ 107,192 | $ 166,574 | |
| **Per Share Data:** | **Per Share Data:** | | | | | |
| **Per Share Data:** | | | | | | |
| **Per Share Data:** | | | | | | |
| Earnings per common share - basic | | | | | | |
| Earnings per common share - basic | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Earnings per common share - basic | Earnings per common share - basic | $ | 0.25 | $ | 0.45 | $ | 0.89 | $ | 1.39 |
| Earnings per common share - diluted | Earnings per common share - diluted | $ | 0.25 | $ | 0.45 | $ | 0.89 | $ | 1.38 |

Earnings per common share - diluted

Earnings per common share - diluted

Cash dividends declared per common share

Cash dividends declared per common share

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Cash dividends declared per common share | Cash dividends declared per common share | $ | 0.14 | $ | 0.14 | $ | 0.42 | $ | 0.42 |
| Book value per common share (period end) | Book value per common share (period end) | $ | 16.92 | $ | 16.54 | $ | 16.92 | $ | 16.54 |

Book value per common share (period end)

Book value per common share (period end)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Tangible common equity (“TCE”) per share (period end) (1) | Tangible common equity (“TCE”) per share (period end) (1) | $ | 13.01 | $ | 12.60 | $ | 13.01 | $ | 12.60 |

Tangible common equity (“TCE”) per share (period end) (1)

Tangible common equity (“TCE”) per share (period end) (1)

TCE ratio (period end) (1)

TCE ratio (period end) (1)

| | | | | | |
|---|---|---|---|---|---|
| TCE ratio (period end) (1) | TCE ratio (period end) (1) | 7.96 % | 8.09 % | 7.96 % | 8.09 % |
| **Common Share Count:** | **Common Share Count:** | | | | |

**Common Share Count:**

**Common Share Count:**

Number of common shares outstanding (period end)

Number of common shares outstanding (period end)

| | | | | | |
|---|---|---|---|---|---|
| Number of common shares outstanding (period end) | Number of common shares outstanding (period end) | 120,026,220 | 119,479,253 | 120,026,220 | 119,479,253 |
| Weighted average shares - basic | Weighted average shares - basic | 120,020,567 | 119,476,035 | 119,843,382 | 119,940,044 |

Weighted average shares - basic

Weighted average shares - basic

Weighted average shares - diluted

Weighted average shares - diluted

| | | | | | |
|---|---|---|---|---|---|
| Weighted average shares - diluted | Weighted average shares - diluted | 120,374,618 | 119,996,523 | 120,249,952 | 120,595,988 |
| **Selected Performance Ratios:** | **Selected Performance Ratios:** | | | | |

**Selected Performance Ratios:**

**Selected Performance Ratios:**

Return on average assets (2)

Return on average assets (2)

| | | | | | |
|---|---|---|---|---|---|
| Return on average assets (2) | Return on average assets (2) | 0.60 % | 1.17 % | 0.72 % | 1.23 % |
| Return on average stockholders’ equity (2) | Return on average stockholders’ equity (2) | 5.78 % | 10.58 % | 6.92 % | 10.85 % |

Return on average stockholders’ equity (2)

Return on average stockholders’ equity (2)

| | | | | | |
|---|---|---|---|---|---|
| Return on average tangible equity (1) (2) | Return on average tangible equity (1) (2) | 7.47 % | 13.77 % | 8.95 % | 14.10 % |

Return on average tangible equity (1) (2)

Return on average tangible equity (1) (2)

Dividend payout ratio (dividends per share/diluted EPS)

Dividend payout ratio (dividends per share/diluted EPS)

| | | | | | |
|---|---|---|---|---|---|
| Dividend payout ratio (dividends per share/diluted EPS) | Dividend payout ratio (dividends per share/diluted EPS) | 56.09 % | 31.26 % | 47.12 % | 30.41 % |
| Net interest margin (2) (3) | Net interest margin (2) (3) | 2.83 % | 3.49 % | 2.84 % | 3.36 % |

Net interest margin (2) (3)

Net interest margin (2) (3)

Efficiency ratio (4)

Efficiency ratio (4)

| | | | | | |
|---|---|---|---|---|---|
| Efficiency ratio (4) | Efficiency ratio (4) | 60.46 % | 50.39 % | 60.65 % | 51.30 % |

**Three Months Ended March 31,**

**Three Months Ended March 31,**

**Three Months Ended March 31,**

**(Dollars in thousands)**

**(Dollars in thousands)**

**(Dollars in thousands)**

**Average Balance Sheet Data:**

Assets

Assets

Assets

Interest earning cash and deposits at other banks

Interest earning cash and deposits at other banks

Interest earning cash and deposits at other banks

Investment securities AFS and HTM

Investment securities AFS and HTM

Investment securities AFS and HTM

Loans

Loans

Loans

Deposits

Deposits

Deposits

FHLB & FRB borrowings

FHLB & FRB borrowings

FHLB & FRB borrowings

Stockholders’ equity

Stockholders’ equity

Stockholders’ equity

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (Dollars in thousands) | | | |
| **Average Balance Sheet Data:** | | | | |
| Assets | $ 20,059,304 | $ 18,428,874 | $ 19,875,322 | $ 18,018,588 |
| Interest earning cash and deposits at other banks | 2,106,469 | 54,870 | 1,531,561 | 133,745 |
| Investment securities AFS and HTM | 2,275,133 | 2,366,696 | 2,255,839 | 2,469,858 |
| Loans | 14,550,106 | 14,925,298 | 14,961,058 | 14,378,774 |
| Deposits | 15,707,585 | 15,445,403 | 15,754,009 | 15,068,049 |
| FHLB & FRB borrowings | 1,809,322 | 448,837 | 1,558,493 | 423,875 |
| Stockholders’ equity | 2,079,092 | 2,032,362 | 2,066,157 | 2,046,351 |

| | | September 30, 2023 | September 30, 2022 |
|---|---|---|---|
| | | (Dollars in thousands) | |
| **Statement of Financial Condition Data - at Period End:** | **Statement of Financial Condition Data - at Period End:** | | |
| **Statement of Financial Condition Data - at Period End:** | | | |
| **Statement of Financial Condition Data - at Period End:** | | | |
| Assets | | | |
| Assets | | | |
| Assets | Assets | $ 20,076,364 | $ 19,083,388 |
| Interest earning cash and deposits at other banks | Interest earning cash and deposits at other banks | 2,275,037 | 101,086 |

| | | | | | |
|---|---|---|---|---|---|
| Interest earning cash and deposits at other banks | | | | | |
| Interest earning cash and deposits at other banks | | | | | |
| Investment securities AFS and HTM | | | | | |
| Investment securities AFS and HTM | | | | | |
| Investment securities AFS and HTM | Investment securities AFS and HTM | 2,260,837 | | 2,264,533 | |
| Loans receivable | Loans receivable | 14,306,193 | | 15,491,187 | |
| Loans receivable | | | | | |
| Loans receivable | | | | | |
| Deposits | | | | | |
| Deposits | | | | | |
| Deposits | Deposits | 15,739,859 | | 15,502,209 | |
| FHLB and FRB borrowings | FHLB and FRB borrowings | 1,795,726 | | 1,072,000 | |
| FHLB and FRB borrowings | | | | | |
| FHLB and FRB borrowings | | | | | |
| Convertible notes, net | | | | | |
| Convertible notes, net | | | | | |
| Convertible notes, net | Convertible notes, net | 444 | | 216,913 | |
| Subordinated debentures, net | Subordinated debentures, net | 107,505 | | 106,258 | |
| Subordinated debentures, net | | | | | |
| Subordinated debentures, net | | | | | |
| Stockholders' equity | | | | | |
| Stockholders' equity | | | | | |
| Stockholders' equity | Stockholders' equity | 2,030,424 | | 1,975,725 | |
| **Consolidated Regulatory Capital Ratios** (5) | **Consolidated Regulatory Capital Ratios** (5) | | | | |
| Leverage ratio (6) | | 9.83 | % | 10.25 | % |
| **Consolidated Regulatory Capital Ratios** (5) | | | | | |
| **Consolidated Regulatory Capital Ratios** (5) | | | | | |
| Common equity Tier 1 capital ratio | | | | | |
| Common equity Tier 1 capital ratio | | | | | |
| Common equity Tier 1 capital ratio | Common equity Tier 1 capital ratio | 11.67 | % | 10.32 | % |
| Tier 1 capital ratio | Tier 1 capital ratio | 12.32 | % | 10.92 | % |
| Tier 1 capital ratio | | | | | |
| Tier 1 capital ratio | | | | | |
| Total capital ratio | Total capital ratio | 13.23 | % | 11.72 | % |
| Total capital ratio | | | | | |
| Total capital ratio | | | | | |
| Leverage ratio (6) | | | | | |
| Leverage ratio (6) | | | | | |
| Leverage ratio (6) | | | | | |
| **Asset Quality Ratios:** | | | | | |
| **Asset Quality Ratios:** | | | | | |
| **Asset Quality Ratios:** | **Asset Quality Ratios:** | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Allowance for credit losses to loans receivable | Allowance for credit losses to loans receivable | 1.11 | % | 1.04 | % |
| Allowance for credit losses to loans receivable | | | | | |
| Allowance for credit losses to loans receivable | | | | | |
| Allowance for credit losses to nonaccrual loans | | | | | |
| Allowance for credit losses to nonaccrual loans | | | | | |
| Allowance for credit losses to nonaccrual loans | Allowance for credit losses to nonaccrual loans | 406.36 | % | 248.66 | % |
| Nonaccrual loans to loans receivable | Nonaccrual loans to loans receivable | 0.27 | % | 0.42 | % |
| Nonperforming loans to loans receivable (7) | | 0.42 | % | 0.62 | % |
| Nonperforming assets to total assets (7) | | 0.31 | % | 0.51 | % |
| Nonaccrual loans to loans receivable | | | | | |
| Nonaccrual loans to loans receivable | | | | | |
| Nonperforming loans to loans receivable | | | | | |
| Nonperforming loans to loans receivable | | | | | |
| Nonperforming loans to loans receivable | | | | | |
| Nonperforming assets to total assets | | | | | |
| Nonperforming assets to total assets | | | | | |
| Nonperforming assets to total assets | | | | | |

(1) TCE per share, TCE ratio, and return on average tangible equity are non-GAAP financial measures that we believe provide investors with information useful in understanding our operating results and financial condition. A quantitative reconciliation of the most directly comparable GAAP to non-GAAP financial measures is provided on the following page.

(2) Annualized.

(3) Net interest margin is calculated by dividing annualized net interest income by average total interest earning assets.

(4) Efficiency ratio is defined as noninterest expense divided by the sum of net interest income before provision for credit losses and noninterest income.

(5) The ratios generally required to meet the definition of a “well-capitalized” financial institution under certain banking regulations are 5.0% leverage capital ratio, 6.5% common equity tier 1 capital ratio, 8.0% tier 1 capital ratio, and 10.0% total capital ratio.

(6) Calculations are based on quarterly average asset balances.

(7) Nonperforming assets consist of nonperforming loans and OREO. Prior to January 1, 2023, nonperforming loans included accruing TDR loans.

**Non-GAAP Financial Measurements**

We provide certain non-GAAP financial measures that we believe provide investors with meaningful supplemental information that is useful in understanding our operating results and financial condition. The methodologies for calculating non-GAAP measures may differ among companies. The following tables reconcile the non-GAAP financial measures used in this Form 10-Q to the most comparable GAAP performance measures:

| | | September 30, 2023 | September 30, 2022 | | |
|---|---|---|---|---|---|
| | | (Dollars in thousands, except share data) | | | |
| | March 31, 2024 (Dollars in thousands, except share data) | | | March 31, 2024 | March 31, 2023 (Dollars in thousands, except share data) |
| Total stockholders' equity | Total stockholders' equity | $ 2,030,424 | $ 1,975,725 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Less: Goodwill and core deposit intangible assets, net | Less: Goodwill and core deposit intangible assets, net | (468,832) | (470,662) | | | |
| TCE | TCE | $ 1,561,592 | $ 1,505,063 | | | |
| Total assets | Total assets | $20,076,364 | $19,083,388 | | | |
| Total assets | | | | | | |
| Total assets | | | | | | |
| Less: Goodwill and core deposit intangible assets, net | Less: Goodwill and core deposit intangible assets, net | (468,832) | (470,662) | | | |
| Tangible assets | Tangible assets | $19,607,532 | $18,612,726 | | | |
| Common shares outstanding | Common shares outstanding | 120,026,220 | 119,479,253 | | | |
| Common shares outstanding | | | | | | |
| Common shares outstanding | | | | | | |
| TCE per share | TCE per share | $ 13.01 | $ 12.60 | | | |
| TCE per share | | | | | | |
| TCE per share | | | | | | |
| TCE ratio | TCE ratio | 7.96 % | 8.09 % | TCE ratio | 9.33 % | 7.91 % |

Tangible book value per common share is calculated by subtracting goodwill and core deposit intangible assets from total stockholders' equity, then dividing the difference by the number of shares of common stock outstanding. TCE ratio is calculated by subtracting goodwill and core deposit intangible assets from total stockholders' equity, then dividing the difference by total assets after subtracting goodwill and core deposit intangible assets.

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | **2023** | **2022** | **2023** | **2022** |
| | | **(Dollars in thousands)** | | | |
| | | **Three Months Ended March 31,** | | | |
| | | **Three Months Ended March 31,** | | | |
| | | **Three Months Ended March 31,** | | | |
| | | **2024** | | | |
| | | **2024** | | | |
| | | **2024** | | | |
| | | **(Dollars in thousands)** | | | |
| | | **(Dollars in thousands)** | | | |
| | | **(Dollars in thousands)** | | | |
| Net income | Net income | $ 30,049 | $ 53,748 | $ 107,192 | $ 166,574 |
| Average stockholders' equity | Average stockholders' equity | $ 2,079,092 | $ 2,032,362 | $ 2,066,157 | $ 2,046,351 |
| Average stockholders' equity | | | | | |
| Average stockholders' equity | | | | | |
| Less: Average goodwill and core deposit intangible assets, net | Less: Average goodwill and core deposit intangible assets, net | (469,079) | (470,941) | (469,525) | (471,424) |
| Less: Average goodwill and core deposit intangible assets, net | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Less: Average goodwill and core deposit intangible assets, net | | | | | |
| Average tangible equity | | | | | |
| Average tangible equity | | | | | |
| Average tangible equity | Average tangible equity | $ 1,610,013 | $ 1,561,421 | $ 1,596,632 | $ 1,574,927 |
| Return on average tangible equity (annualized) | Return on average tangible equity (annualized) | 7.47 % | 13.77 % | 8.95 % | 14.10 % |
| Return on average tangible equity (annualized) | | | | | |
| Return on average tangible equity (annualized) | | | | | |

Return on average tangible equity is calculated by dividing net income for the period (annualized) by average stockholders' equity for the period after subtracting average goodwill and core deposit intangible assets for the period from average stockholders' equity.

## Results of Operations

### Overview

Net income for the third first quarter of 2023 2024 was $30.0 million $25.9 million, or $0.25 $0.21 per diluted common share, compared with $53.7 million $39.1 million, or $0.45 $0.33 per diluted common share, for the same period of 2022, 2023, which was a decrease of $23.7 million $13.3 million, or 44.1% 33.9%. The year-over-year decrease in net income was primarily due to decreases in net interest income and noninterest income, and an increase in the provision for credit losses.

Net income for the nine months ended September 30, 2023, was $107.2 million, or $0.89 per diluted common share, compared with $166.6 million, or $1.38 per diluted share, for the same period of 2022, which was a decrease of $59.4 million, or 35.6%. The decrease in net income was primarily due to increases in the provision for credit losses and noninterest expense, and offset partially by a decrease in net interest income. noninterest expense.

### Net Interest Income and Net Interest Margin

***Net Interest Income***

A principal component of our earnings is net interest income, which is the difference between the interest and fees earned on loans and investments, and the interest paid on deposits, borrowed funds, and convertible notes. Net interest income expressed as a percentage of average interest earning assets is referred to as the net interest margin. The net interest spread is the yield on average interest earning assets less the cost of average interest bearing liabilities. Net interest income is affected by changes in the balances of interest earning assets and interest bearing liabilities, changes in yields earned on interest earning assets, and changes in rates paid on interest bearing liabilities.

*Comparison of Three Months Ended September 30, 2023 March 31, 2024, with the Three Months Ended September 30, 2022 March 31, 2023*

Net interest income before provision for credit losses was $135.4 million $115.0 million for the third first quarter of 2023, 2024, compared with $153.2 million $133.9 million for the same period of 2022, 2023, a decrease of $17.8 million $18.8 million, or 11.6% 14.1%. The year-over-year decrease in net interest income was driven by a higher cost of funds, an increase in the average balance of interest bearing funding, and increases a decrease in average interest bearing deposits and short-term borrowings, loans, partially offset by expanding yields on interest earning assets and a higher average balance in of interest earning cash and deposits in other banks. The expanding year-over-year increase in interest earning asset yields and higher deposit costs are reflective of rising reflected the change in market interest rates during the period. The target Federal Funds rate increased to 5.50% at September 30, 2023 March 31, 2024, up from 3.25% 5.00% at September 30, 2022 March 31, 2023. The increase in the average on-balance sheet liquidity balance of interest earning cash and deposits in other banks reflected an overall conservative approach to liquidity risk management. The elevated level of average interest earning cash and deposits in other banks was management, largely funded through the FRB's BTFP.

*Comparison The banking industry underwent a disruption in the first half of Nine Months Ended September 30, 2023, with 2023 related to the Nine Months Ended September 30, 2022*

Net interest income before provision for credit losses was $399.9 million for the nine months ended September 30, 2023, compared with $427.9 million for the same period failures of 2022, a decrease of $28.0 million, or 6.5%. The year-over-year decrease in net interest income was driven by a higher cost of funds and increases in average interest bearing deposits and short-term borrowings, partially offset by expanding yields on interest earning assets and higher average balances in loans and interest earning cash and deposits in other several regional banks.

***Net Interest Margin***

Net interest margin is impacted by the weighted average rates earned on interest earning assets and paid on interest bearing liabilities. The net interest margin for the third first quarter of 2023 2024 was 2.83% 2.55%, a decrease of 66 47 basis points from 3.49% 3.02% for the same period of 2022. Net interest margin for the nine months ended September 30, 2023, was 2.84%, a decrease of 52 basis points from 3.36% for the same period of 2022. 2023. The decrease in net interest margin was primarily due to a higher cost of funds, and an increase in the average borrowings, balance of interest bearing funding, and a decrease in average loans, partially offset by loan yield expansion and growth in average interest earning cash and deposits at other banks.

The weighted average yield on loans increased to 6.27% 6.25% for the third first quarter of 2023, 2024, up 162 50 basis points from 4.65% 5.75% for the same period of 2022. The weighted average yield on loans increased by 179 basis points to 6.00% for the nine months ended September 30, 2023, up from 4.21% for the same period of 2022. 2023. The increase in average yields was driven by the upward repricing of variable rate loans in a rising interest rate environment, and higher average rates on new loans. At September 30, 2023 March 31, 2024, variable interest rate loans made up 46% 45% of the loan portfolio. For the three and nine months ended September 30, 2023, March 31, 2024 and 2023, the average weighted rate on new loan originations was 8.36% 8.27% and 8.03% 7.53%, respectively, compared with 5.37% and 4.47% for the same periods of 2022, respectively.

The weighted average yield on investment securities for the three and nine months ended September 30, 2023, March 31, 2024 and 2023, was 2.97% 3.13% and 2.83% 2.73%, respectively, compared with 2.26% and 2.03% for the same periods of 2022, respectively. The increase in average yields was primarily due to higher rates on new purchases of investment securities, and an upward repricing of variable rate investments. At September 30, 2023 March 31, 2024, 13% 12% of the investment portfolio consisted of securities with variable coupon rates. The change in yields was also impacted by fluctuations in the overall investment portfolio yield due to the change in pay-down speeds of investment securities.

The weighted average yield on interest earning cash and deposits at other banks for the third first quarter of 2023 2024 was 5.30% 5.41%, an increase of 427 119 basis points from 1.03% 4.22% for the same period of 2022. The weighted average yield on interest earning cash and deposits at other banks for the nine months ended September 30, 2023, was 5.09%, an increase of 474 basis points from 0.35% for the same period of 2022. 2023. The yield on interest earning cash and deposits at other banks is tied to the Federal Funds rate.

The weighted average cost of deposits for the third first quarter of 2023 2024 was 2.98% 3.36%, an increase of 219 99 basis points from 0.79% 2.37% for the same period of 2022. The weighted average cost of deposits for the nine months ended September 30, 2023, was 2.72%, an increase of 226 basis points from 0.46% for the same period of 2022. 2023. The year-over-year increase in the cost of deposits was driven by rising market interest rates, a remix of deposits into higher-cost categories, and increased competition for deposits.

The weighted average cost of FHLB and FRB borrowings for the third first quarter of 2023 2024 was 4.35% 4.27%, an increase of 223 25 basis points from 2.12% 4.02% for the same period of 2022. The weighted average cost of FHLB and FRB borrowings for the nine months ended September 30, 2023, was 4.30%, an increase of 287 basis points from 1.43% for the same period of 2022. 2023. The year-over-year increase in the cost of FHLB and FRB borrowings was a result of the overall increase in market interest rates.

The weighted average cost of convertible notes for the three and nine months ended September 30, 2023 first quarter of 2024 was 2.00%, was 1.76% and a decrease of 44 basis points from 2.44%, respectively, compared with 2.39% and 2.42% for the same periods period of 2022, respectively. 2023. The cost of convertible notes consisted of the 2.00% coupon rate and non-cash interest expense from the capitalization of issuance costs prior to June 30, 2023. The capitalized issuance costs were fully amortized at September 30, 2023 March 31, 2024, and the cost is expected to continue to consist solely of the coupon rate going forward.

The weighted average cost of subordinated debentures for the third first quarter of 2023 2024 was 10.36% 10.41%, an increase of 418 95 basis points from 6.18% 9.46% for the same period of 2022. The weighted average cost of subordinated debentures for the nine months ended September 30, 2023, was 9.87%, an increase of 481 basis points from 5.06% for the same period of 2022. 2023. The subordinated debentures have variable interest rates that are tied to the three-month Chicago Mercantile Exchange term Secured Financing Overnight Rate ("SOFR") rate, and the three-month LIBOR rate prior to LIBOR cessation at June 2023. The cost increased alongside the year-over-year increase in LIBOR and SOFR rates.

The following tables present our consolidated daily average balance of major assets and liabilities, together with interest rates earned and paid on the various sources and uses of funds for the periods indicated:

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Three Months Ended September 30, | | | | | | | | | | |
| | | Three Months Ended March 31, | | | | | | | | | | |
| | | 2023 | | | 2022 | | | | 2024 | | | |
| | | Average Balance | Interest Income/ Expense | Average Yield/ Rate* | Average Balance | Interest Income/ Expense | Average Yield/ Rate* | | Average Balance | | | Interest Income/ Expense |
| | | (Dollars in thousands) | | | | | | | | | | |
| **INTEREST EARNINGS ASSETS:** | **INTEREST EARNINGS ASSETS:** | | | | | | | | | | | |
| Loans(1) (2) | | | | | | | | | | | | |
| Loans(1) (2) | | | | | | | | | | | | |
| Loans(1) (2) | Loans(1) (2) | $14,550,106 | $229,937 | 6.27 % | $14,925,298 | $175,078 | 4.65 % | $ | 13,746,219 | $ | $213,626 | 6. |
| Investment securities AFS and HTM(3) | Investment securities AFS and HTM(3) | 2,275,133 | 17,006 | 2.97 % | 2,366,696 | 13,498 | 2.26 % | Investment securities AFS and HTM(3) | 2,317,154 | 18,049 | | 18,049 |
| Interest earning cash and deposits at other banks | Interest earning cash and deposits at other banks | 2,106,469 | 28,115 | 5.30 % | 54,870 | 142 | 1.03 % | Interest earning cash and deposits at other banks | 2,019,769 | 27,183 | | 27,183 |
| FHLB stock and other investments | FHLB stock and other investments | 47,316 | 735 | 6.16 % | 52,854 | 464 | 3.48 % | FHLB stock and other investments | 48,136 | 816 | | 816 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total interest earning assets | Total interest earning assets | 18,979,024 | 275,793 | 5.77 % | 17,399,718 | 189,182 | 4.31 % | Total interest earning assets | 18,131,278 | 259,674 | | 259,674 |
| Total noninterest earning assets | Total noninterest earning assets | 1,080,280 | | | 1,029,156 | | | | | | | |
| **Total assets** | **Total assets** | **$20,059,304** | | | **$18,428,874** | | | | | | | |
| **Total assets** | | | | | | | | | | | | |
| **Total assets** | | | | | | | | | | | | |
| **INTEREST BEARING LIABILITIES:** | | | | | | | | | | | | |
| **INTEREST BEARING LIABILITIES:** | | | | | | | | | | | | |
| **INTEREST BEARING LIABILITIES:** | **INTEREST BEARING LIABILITIES:** | | | | | | | | | | | |
| Deposits: | Deposits: | | | | | | | | | | | |
| Money market and NOW | | $ 4,202,076 | $ 36,574 | 3.45 % | $ 6,255,271 | $ 19,614 | 1.24 % | | | | | |
| Savings deposits | | 331,354 | 2,240 | 2.68 % | 324,487 | 969 | 1.18 % | | | | | |
| Deposits: | | | | | | | | | | | | |
| Deposits: | | | | | | | | | | | | |
| Money market, interest bearing demand and savings deposits | | | | | | | | | | | | |
| Money market, interest bearing demand and savings deposits | | | | | | | | | | | | |
| Money market, interest bearing demand and savings deposits | | | | | | | | | $5,072,782 | | | $ 50,145 |
| Time deposits | | | | | | | | | | | | |
| Time deposits | | | | | | | | | | | | |
| Time deposits | Time deposits | 6,862,038 | 79,040 | 4.57 % | 3,146,432 | 10,084 | 1.27 % | | 5,985,501 | 73,888 | 73,888 | |
| Total interest bearing deposits | Total interest bearing deposits | 11,395,468 | 117,854 | 4.10 % | 9,726,190 | 30,667 | 1.25 % | Total interest bearing deposits | 11,058,283 | 124,033 | | 124,033 |
| FHLB and FRB borrowings | FHLB and FRB borrowings | 1,809,322 | 19,821 | 4.35 % | 448,837 | 2,393 | 2.12 % | FHLB and FRB borrowings | 1,683,334 | 17,853 | | 17,853 |
| Convertible notes, net | Convertible notes, net | 444 | 2 | 1.76 % | 216,762 | 1,322 | 2.39 % | Convertible notes, net | 444 | 2 | | 2 |
| Subordinated debentures, net | Subordinated debentures, net | 103,429 | 2,738 | 10.36 % | 102,182 | 1,614 | 6.18 % | Subordinated debentures, net | 104,049 | 2,739 | | 2,739 |
| Total interest bearing liabilities | Total interest bearing liabilities | 13,308,663 | 140,415 | 4.19 % | 10,493,971 | 35,996 | 1.36 % | Total interest bearing liabilities | 12,846,110 | 144,627 | | 144,627 |
| Noninterest bearing liabilities and equity: | Noninterest bearing liabilities and equity: | | | | | | | | | | | |
| Noninterest bearing demand deposits | Noninterest bearing demand deposits | 4,312,117 | | | 5,719,213 | | | | | | | |
| Noninterest bearing demand deposits | | | | | | | | | | | | |
| Noninterest bearing demand deposits | | | | | | | | | | | | |
| Other liabilities | | | | | | | | | | | | |

Other liabilities

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Other liabilities | Other liabilities | 359,432 | | 183,328 | | | | |
| Stockholders’ equity | Stockholders’ equity | 2,079,092 | | 2,032,362 | | | | |

Stockholders’ equity

Stockholders’ equity

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Total liabilities and stockholders’ equity** | **Total liabilities and stockholders’ equity** | **$20,059,304** | | **$18,428,874** | | | | |

**Total liabilities and stockholders’ equity**

**Total liabilities and stockholders’ equity**

Net interest income/net interest spread (not annualized)

Net interest income/net interest spread (not annualized)

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Net interest income/net interest spread (not annualized) | Net interest income/net interest spread (not annualized) | **$135,378** | 1.58 % | **$153,186** | 2.95 % | | **$115,047** | 1.23 |
| **Net interest margin** | **Net interest margin** | | **2.83 %** | | **3.49 %** | **Net interest margin** | | |
| Cost of deposits | Cost of deposits | | 2.98 % | | 0.79 % | Cost of deposits | | |

* Annualized

(1) Interest income on loans includes loan fees

(2) Average balances of loans consist of loans receivable and loans held for sale

(3) Interest income and yields are not presented on a tax-equivalent basis

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Average Balance | Interest Income/ Expense | Average Yield/ Rate* | Average Balance | Interest Income/ Expense | Average Yield/ Rate* |
| | (Dollars in thousands) | | | | | |
| **INTEREST EARNINGS ASSETS:** | | | | | | |
| Loans(1) (2) | $ 14,961,058 | $ 671,543 | 6.00 % | $ 14,378,774 | $ 452,774 | 4.21 % |
| Investment securities AFS and HTM(3) | 2,255,839 | 47,665 | 2.83 % | 2,469,858 | 37,462 | 2.03 % |
| Interest earning cash and deposits at other banks | 1,531,561 | 58,332 | 5.09 % | 133,745 | 352 | 0.35 % |
| FHLB stock and other investments | 47,135 | 2,114 | 6.00 % | 63,542 | 1,290 | 2.71 % |
| Total interest earning assets | 18,795,593 | 779,654 | 5.55 % | 17,045,919 | 491,878 | 3.86 % |
| Total noninterest earning assets | 1,079,729 | | | 972,669 | | |
| **Total assets** | **$ 19,875,322** | | | **$ 18,018,588** | | |
| **INTEREST BEARING LIABILITIES:** | | | | | | |
| Deposits: | | | | | | |
| Money market and NOW | $ 4,603,479 | $ 112,349 | 3.26 % | $ 6,360,040 | $ 33,970 | 0.71 % |
| Savings deposits | 268,145 | 3,741 | 1.87 % | 322,058 | 2,834 | 1.18 % |
| Time deposits | 6,436,645 | 203,836 | 4.23 % | 2,683,217 | 14,759 | 0.74 % |
| Total interest bearing deposits | 11,308,269 | 319,926 | 3.78 % | 9,365,315 | 51,563 | 0.74 % |
| FHLB and FRB borrowings | 1,558,493 | 50,141 | 4.30 % | 423,875 | 4,537 | 1.43 % |
| Convertible notes, net | 103,933 | 1,922 | 2.44 % | 216,538 | 3,967 | 2.42 % |
| Subordinated debentures, net | 103,117 | 7,720 | 9.87 % | 101,882 | 3,911 | 5.06 % |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total interest bearing liabilities | 13,073,812 | 379,709 | 3.88 % | 10,107,610 | 63,978 | 0.85 % |
| Noninterest bearing liabilities and equity: | | | | | | |
| Noninterest bearing demand deposits | 4,445,740 | | | 5,702,734 | | |
| Other liabilities | 289,613 | | | 161,893 | | |
| Stockholders' equity | 2,066,157 | | | 2,046,351 | | |
| **Total liabilities and stockholders' equity** | **$ 19,875,322** | | | **$ 18,018,588** | | |
| Net interest income/net interest spread (not annualized) | | **$ 399,945** | 1.67 % | | **$ 427,900** | 3.01 % |
| **Net interest margin** | | | **2.84 %** | | | **3.36 %** |
| Cost of deposits | | | 2.72 % | | | 0.46 % |

* Annualized

(1) Interest income on loans includes loan fees

(2) Average balances of loans consist of loans receivable and loans held for sale

(3) Interest income and yields are not presented on a tax-equivalent basis

Changes in net interest income are a function of changes in interest rates and volumes of interest earning assets and interest bearing liabilities. The following tables settable sets forth information regarding the changes in interest income and interest expense for the periods indicated. The total change for each category of interest earning assets and interest bearing liabilities is segmented into the change attributable to variations in volume (changes in volume multiplied by the old rate) and the change attributable to variations in interest rates (changes in rates multiplied by the old volume). Nonaccrual loans are included in average loans used to compute this table.

| | | Three Months Ended September 30, 2023 over September 30, 2022 | | | Three Months Ended March 31, 2024 over March 31, 2023 | | |
|---|---|---|---|---|---|---|---|
| | | Net Increase (Decrease) | Change due to: Rate | Volume | Net Increase (Decrease) | Change due to: Rate | Volume |
| | | (Dollars in thousands) | | | (Dollars in thousands) | | |
| **INTEREST INCOME:** | **INTEREST INCOME:** | | | | | | |
| Loans, including fees | Loans, including fees | $ 54,859 | $ 59,363 | $ (4,504) | | | |
| Loans, including fees | | | | | | | |
| Loans, including fees | | | | | | | |
| Investment securities AFS and HTM | Investment securities AFS and HTM | 3,508 | 4,048 | (540) | | | |
| Interest earning cash and deposits at other banks | Interest earning cash and deposits at other banks | 27,973 | 2,799 | 25,174 | | | |
| FHLB stock and other investments | FHLB stock and other investments | 271 | 324 | (53) | | | |
| **Total interest income** | **Total interest income** | $ 86,611 | $ 66,534 | $20,077 | | | |
| **INTEREST EXPENSE:** | **INTEREST EXPENSE:** | | | | | | |
| Money market and NOW | | $ 16,960 | $ 25,181 | $ (8,221) | | | |
| Savings deposits | | 1,271 | 1,250 | 21 | | | |
| Money market, interest bearing demand and savings deposits | | | | | | | |

| | | | | |
|---|---|---|---|---|
| Money market, interest bearing demand and savings deposits | | | | |
| Money market, interest bearing demand and savings deposits | | | | |
| Time deposits | Time deposits | 68,956 | 47,385 | 21,571 |
| FHLB and FRB borrowings | FHLB and FRB borrowings | 17,428 | 4,499 | 12,929 |
| Convertible notes, net | Convertible notes, net | (1,320) | (274) | (1,046) |
| Subordinated debentures, net | Subordinated debentures, net | 1,124 | 1,104 | 20 |
| **Total interest expense** | **Total interest expense** | $104,419 | $ 79,145 | $25,274 |
| **NET INTEREST INCOME** | **NET INTEREST INCOME** | $ (17,808) | $(12,611) | $ (5,197) |

| | Nine Months Ended September 30, 2023 over September 30, 2022 | | |
|---|---|---|---|
| | Net Increase (Decrease) | Change due to: | |
| | | Rate | Volume |
| | (Dollars in thousands) | | |
| **INTEREST INCOME:** | | | |
| Loans, including fees | $ 218,769 | $ 199,755 | $ 19,014 |
| Investment securities AFS and HTM | 10,203 | 13,680 | (3,477) |
| Interest earning cash and deposits at other banks | 57,980 | 32,650 | 25,330 |
| FHLB stock and other investments | 824 | 1,228 | (404) |
| **Total interest income** | $ 287,776 | $ 247,313 | $ 40,463 |
| **INTEREST EXPENSE:** | | | |
| Money market and NOW | $ 78,379 | $ 90,166 | $ (11,787) |
| Savings deposits | 907 | 1,443 | (536) |
| Time deposits | 189,077 | 146,113 | 42,964 |
| FHLB and FRB borrowings | 45,604 | 19,535 | 26,069 |
| Convertible notes, net | (2,045) | 36 | (2,081) |
| Subordinated debentures, net | 3,809 | 3,761 | 48 |
| **Total interest expense** | $ 315,731 | $ 261,054 | $ 54,677 |
| **NET INTEREST INCOME** | $ (27,955) | $ (13,741) | $ (14,214) |

**Provision for Credit Losses**

The provision for credit losses reflects management's assessment of the current period cost associated with credit risk inherent in the loan portfolio. The provision for credit losses for each period includes provision for credit loss on loans and provision for unfunded loans commitments. Provision for credit loss on loans is dependent upon many factors, including loan growth, net charge offs, changes in the composition of the loan portfolio, delinquencies, assessments by management, examinations of the loan portfolio, the value of the underlying collateral on problem loans, the general economic conditions in our market areas, and future projections of the economy. Specifically, the provision for credit losses loss on loans represents the amount charged against current period earnings to achieve an allowance for credit losses that, in management's judgment, is adequate to absorb probable lifetime losses inherent in the loan portfolio. Provision for unfunded loan commitments is based on the estimated future funding of loan commitments. Periodic fluctuations in the provision for credit losses result from management's assessment of the adequacy of the allowance for credit losses and allowance for unfunded loan commitments, and actual credit losses may vary in material respects from current estimates. If the allowance for credit losses is allowances are inadequate, we may be required to record additional provisions, which may have a material and adverse effect on business, financial condition, and results of operations.

The provision for credit losses for the third first quarter of 2023 2024 was $16.8 million $2.6 million, an increase a decrease of $7.6 million $720 thousand from $9.2 million in provision for credit losses for the same period of the prior year. Provision for credit losses for the nine months ended September 30, 2023, was $27.4 million, an increase of $26.0 million from $1.4 million in provision for credit losses $3.3 million for the same period of the prior year. The increase provision for credit losses includes both provision for credit loss on loans and provision for unfunded loan commitments. The year-over-year decrease in provision for credit losses for periods in 2023 compared with periods in 2022 was largely due to increased net charge offs. During the third quarter recapture of 2023, we recorded an idiosyncratic full charge off provision for unfunded loan commitments of $23.4 million related to a borrower that entered into Chapter 7 liquidation in August 2023. Related to this credit, we recorded impairment reserves of $9.6 million at June 30, 2023. During $1.0 million for the first quarter of 2022, there was 2024, due to a large recovery decline in the estimated future funding of $17.3 million on loan commitments. This compares to a previously charged off provision for unfunded loan which reduced commitments of $1.6 million for the amount first quarter of 2023. The provision for credit losses required loss on loans totaled $3.6 million for the nine three months ended September 30, 2022 March 31, 2024, compared with $1.7 million for the three months ended March 31, 2023. The year-over-year increase to the provision for credit loss on loans was due to charge offs, partially offset by the lower balance of loans receivable.

The allowance for credit losses coverage ratio was 1.16% of loans receivable at March 31, 2024, compared with 1.09% at March 31, 2023.

See the "Financial Condition" section of this MD&A for additional information and further discussion.

**Noninterest Income**

Noninterest income is primarily comprised of service fees on deposit accounts, international service fees (fees received on trade finance letters of credit), wire transfer fees, swap fee income, net gains on sales of loans, and other income and fees. Noninterest income for the third first quarter of 2023 2024 was $8.3 million, compared with $13.4 million $11.0 million for the same period of 2022, 2023, a decrease of $5.1 million $2.7 million, or 37.8%. Noninterest income for the nine months ended September 30, 2023, was $36.3 million, compared with $39.3 million for the same period of the prior year, a decrease of $3.0 million, or 7.6% 24.5%.

Noninterest income by category is summarized in the tables table below:

| | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Increase (Decrease) Amount | Increase (Decrease) Percent (%) |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Service fees on deposit accounts | $ 2,415 | $ 2,535 | $ (120) | (4.7) % |
| International service fees | 740 | 834 | (94) | (11.3) % |
| Wire transfer fees | 806 | 856 | (50) | (5.8) % |
| Swap fees | (61) | 1,193 | (1,254) | N/A |
| Net gains on sales of SBA loans | — | 2,782 | (2,782) | (100.0) % |
| Net gains on sales of residential mortgage loans | 118 | 29 | 89 | 306.9 % |
| Other income and fees | 4,287 | 5,126 | (839) | (16.4) % |
| Total noninterest income | $ 8,305 | $13,355 | $(5,050) | (37.8) % |

| | Three Months Ended March 31, 2024 | 2023 | 2023 | Increase (Decrease) Amount | Amount | Percent (%) | Percent (%) |
|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | | | |
| Service fees on deposit accounts | $2,587 | $ | $ 2,221 | $ | $ 366 | 16.5 | 16.5 % |
| International service fees | 1,035 | 1,088 | 1,088 | (53) | (53) | (4.9) | (4.9)% |
| Wire transfer fees | 812 | | 773 | | 39 | | 5.0 % |
| Swap fees | 143 | 42 | 42 | 101 | 101 | 240.5 | 240.5 % |
| Net gains on sales of SBA loans | — | 2,225 | 2,225 | (2,225) | (2,225) | (100.0) | (100.0)% |
| Net gains on sales of residential mortgage loans | 73 | 64 | 64 | 9 | 9 | 14.1 | 14.1 % |
| Other income and fees | 3,636 | 4,565 | 4,565 | (929) | (929) | (20.4) | (20.4) % |
| Total noninterest income | $8,286 | $ | $ 10,978 | $ | $(2,692) | (24.5) | (24.5) % |

| | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 | Increase (Decrease) Amount | Increase (Decrease) Percent (%) |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Service fees on deposit accounts | $ 6,961 | $ 6,779 | $ 182 | 2.7 % |
| International service fees | 2,682 | 2,372 | 310 | 13.1 % |
| Wire transfer fees | 2,429 | 2,614 | (185) | (7.1) % |
| Swap fees | 655 | 2,153 | (1,498) | (69.6) % |

| | | | | |
|---|---|---|---|---|
| Net gains on sales of SBA loans | 4,097 | 14,189 | (10,092) | (71.1) % |
| Net gains on sales of residential mortgage loans | 264 | 862 | (598) | (69.4) % |
| Other income and fees | 19,209 | 10,318 | 8,891 | 86.2 % |
| Total noninterest income | $36,297 | $39,287 | $(2,990) | (7.6) % |

The year-over-year decrease in noninterest income was primarily attributable to lower net gains on sales of SBA loans and swap fee income. For the nine months ended September 30, 2023, the decrease was partially offset by an increase in other income and fees, compared with the same period of 2022.

Swap fees represent income earned from the execution of customer level back to back swap transactions. Swap fees for the three and nine months ended September 30, 2023 declined by $1.3 million and $1.5 million, respectively, compared to the three and nine months ended September 30, 2022, due to an overall decline in swap transactions for periods in 2023 compared to periods in 2022. fees.

During the three and nine months ended September 30, 2023 March 31, 2024, we sold $0 and $79.1 million, respectively, in did not sell SBA guaranteed loans and, consequently, recorded $0 and $4.1 million, respectively, no in net gains on sale of SBA loans. During the three and nine months ended September 30, 2022 March 31, 2023, we sold $57.8 million and $186.1 million, respectively, $40.7 million in SBA guaranteed loans and recorded $2.8 million and $14.2 million, respectively, $2.2 million in net gains on sale of SBA loans. We elected not to not sell any SBA 7(a) loans during starting in the second half of 2023, third quarter, retaining loan production on our balance sheet instead.

During the three and nine months ended September 30, 2023 March 31, 2024, we sold $10.3 million and $24.2 million, respectively, $6.2 million in residential mortgage loans and recorded $118 $73 thousand and $264 thousand, respectively, in net gains on sale of residential mortgage loans. During the three and nine months ended September 30, 2022 March 31, 2023, we sold $3.7 million and $45.6 million, respectively, $7.3 million in residential mortgage loans and recorded $29 $64 thousand and $862 thousand, respectively, in net gains on sale of residential mortgage loans.

During the nine three months ended September 30, 2023 March 31, 2023, other income and fees included $500 thousand in fee income from our investment services line that was eliminated after 2023 due to restructuring, and a $5.8 million $236 thousand gain on debt extinguishment from a cash distribution from an investment in an affordable housing partnership, our repurchase of convertible notes, which did not occur recur in the year-ago period. Other income and fees for the nine months ended September 30, 2023, was also impacted by a year-over-year increase in the fair value same period of equity investments. 2024.

**Noninterest Expense**

Noninterest expense for the third first quarter of 2023 2024 was $86.9 million $84.8 million, an increase a decrease of $3.0 million $3.9 million, or 3.5% 4.4%, from $83.9 million $88.7 million for the third first quarter of 2022. Noninterest expense for the nine months ended September 30, 2023, was $264.6 million, an increase of $24.9 million, or 10.4%, from $239.7 million for the same period of the prior year. 2023.

The breakdown of changes in noninterest expense by category is shown in the following tables: table:

| | | Three Months Ended September 30, | | Increase (Decrease) | | | | Three Months Ended March 31, | | | | Increase (Decrease) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2023 | 2022 | Amount | Percent (%) | | | 2024 | | 2023 | | Amount | | | Percent (%) | |
| | | (Dollars in thousands) | | | | | | (Dollars in thousands) | | | | | | | | |
| Salaries and employee benefits | Salaries and employee benefits | $ 51,033 | $ 53,222 | $ (2,189) | (4.1) | % | Salaries and employee benefits | $ 47,836 | $ | $57,169 | $ | $(9,333) | (16.3) | | (16.3) | % |
| Occupancy | Occupancy | 7,149 | 6,682 | 467 | 7.0 | % | Occupancy | 6,786 | 7,521 | 7,521 | (735) | | (735) | (9.8) | | (9.8)% |
| Furniture and equipment | Furniture and equipment | 5,625 | 4,967 | 658 | 13.2 | % | Furniture and equipment | 5,340 | 5,058 | 5,058 | 282 | | 282 | 5.6 | | 5.6 % |
| Data processing and communications | Data processing and communications | 2,891 | 2,469 | 422 | 17.1 | % | | | | | | | | | | |
| Data processing and communications | | | | | | | | | | | | | | | | |
| Data processing and communications | | | | | | | | 2,990 | | 2,822 | | 168 | | | 6.0 | % |
| Professional fees | Professional fees | 2,111 | 1,196 | 915 | 76.5 | % | Professional fees | 2,518 | 1,543 | 1,543 | 975 | | 975 | 63.2 | | 63.2 % |
| Amortization of investments in affordable housing partnerships | Amortization of investments in affordable housing partnerships | 1,933 | 2,329 | (396) | (17.0) | % | Amortization of investments in affordable housing partnerships | 2,134 | 1,716 | 1,716 | 418 | | 418 | 24.4 | | 24.4 % |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FDIC assessments | FDIC assessments | 3,683 | 1,633 | 2,050 | 125.5 % | FDIC assessments | 2,926 | 1,781 | 1,781 | 1,145 | 1,145 | 64.3 | | 64.3 % |
| FDIC special assessment | | | | | | FDIC special assessment | 1,000 | | — | | 1,000 | | 100.0 | % |
| Earned interest credit | Earned interest credit | 6,377 | 4,685 | 1,692 | 36.1 % | | | | | | | | | |
| Earned interest credit | | | | | | | | | | | | | | |
| Earned interest credit | | | | | | | 5,834 | | 4,427 | | 1,407 | | 31.8 | % |
| Restructuring costs | | | | | | | | | | | | | | |
| Restructuring costs | | | | | | | | | | | | | | |
| Restructuring costs | | | | | | | 143 | | — | | 143 | | 100.0 | % |
| Merger related costs | | | | | | Merger related costs | 1,044 | | — | | 1,044 | | 100.0 | % |
| Other | Other | 6,071 | 6,731 | (660) | (9.8) % | Other | 6,288 | 6,697 | 6,697 | (409) | (409) | (6.1) | | (6.1)% |
| Total noninterest expense | Total noninterest expense | $ 86,873 | $ 83,914 | $ 2,959 | 3.5 % | Total noninterest expense | $ 84,839 | $ | $88,734 | $ | $(3,895) | (4.4) | | (4.4) % |

| | Nine Months Ended September 30, | | Increase (Decrease) | |
|---|---|---|---|---|
| | 2023 | 2022 | Amount | Percent (%) |
| | (Dollars in thousands) | | | |
| Salaries and employee benefits | $160,507 | $152,025 | $ 8,482 | 5.6 % |
| Occupancy | 21,637 | 21,195 | 442 | 2.1 % |
| Furniture and equipment | 16,076 | 14,389 | 1,687 | 11.7 % |
| Data processing and communications | 8,630 | 7,823 | 807 | 10.3 % |
| Professional fees | 5,070 | 4,989 | 81 | 1.6 % |
| Amortization of investments in affordable housing partnerships | 5,561 | 6,192 | (631) | (10.2) % |
| FDIC assessments | 10,155 | 4,652 | 5,503 | 118.3 % |
| Earned interest credit | 15,894 | 5,996 | 9,898 | 165.1 % |
| Other | 21,030 | 22,391 | (1,361) | (6.1) % |
| Total noninterest expense | $264,560 | $239,652 | $24,908 | 10.4 % |

The increase year-over-year decrease in noninterest expense for the three and nine months ended September 30, 2023 compared with the three and nine months ended September 30, 2022, was primarily driven by higher earned interest credits and FDIC assessment expense. In addition, for the nine months ended September 30, 2023, lower salaries and employee benefits expense increased compared with the same period of 2022.

expense.

Salaries and employee benefits expense decreased $2.2 million $9.3 million, or 4.1% 16.3%, for the third first quarter of 2023, 2024, compared with the same period of 2022, due to 2023, reflecting the realized cost savings from a decline in incentive bonus provisions and commissions paid. Salaries and employee benefits expense increased $8.5 million, or 5.6%, for the nine months ended September 30, 2023, compared with the same period in 2022, reflecting inflation and higher rates of compensation in a competitive staffing market. Also included in the 2023 year-to-date salaries and employee benefits expense was $1.7 million of severance costs incurred in the first quarter, reduced total headcount related to staffing rationalization. the restructuring in 2023. The number of full-time equivalent employees decreased to 1,446 1,227 at September 30, 2023 March 31, 2024, down from 1,539 1,467 at September 30, 2022 March 31, 2023.

FDIC assessments expense increased by $1.1 million, or 64.3%, for the three months ended March 31, 2024, compared with the same period of 2023. The FDIC assessment expense utilizes an initial base assessment rate, which is calculated as a percentage of the Bank's average consolidated total assets less average tangible equity. In addition to the initial assessment base, adjustments are added based upon the Bank's regulatory rating and on other financial measures. In 2023, the FDIC annual base assessment rate increased by two basis points industry-wide. For the three and nine months ended September 30, 2023, our FDIC assessment expense was $3.7 million and $10.2 million, respectively, up from $1.6 million and $4.7 million for the same periods In addition, in 2022, respectively. In May November 2023, the FDIC issued a proposed rule that would impose approved a special assessment at the rate of approximately 12.5 13.4 basis points per year, paid in eight quarterly installments beginning in the first quarter of 2024. This rate would will be applied to an assessment base of the insured depository institution's estimated uninsured deposits reported as of December 31, 2022, adjusted to exclude the first $5 billion in estimated uninsured deposits. In February 2024, the FDIC informed banks of an increase from the original estimate related to this special assessment. The increase in FDIC assessment fees for the three months ended March 31, 2024, compared with 2023 was due primarily to the aforementioned increased annual base assessment rate and an additional $1.0 million accrued for the special assessment.

Earned interest credits are provided to certain commercial depositors to help offset deposit service charges incurred. The earned interest credits are tied to short-term interest rates and have increased with the increases in the Federal Funds rate since mid-2022. Earned interest credits increased to $6.4 million $5.8 million for the third first quarter of 2023, 2024, compared with $4.7 million $4.4 million for the same period in 2022, and increased to $15.9 million 2023.

Merger related costs of $1.0 million for the nine three months ended September 30, 2023 March 31, 2024, compared mostly relate to professional fees for the definitive merger agreement with $6.0 million Territorial Bancorp, Inc. announced in April 2024. See Note 20 - "Subsequent Events" for additional information regarding the year-ago period. merger.

**Provision for Income Taxes**

Income tax provision expense was $10.0 million and $37.1 million for the three and nine months ended September 30, 2023 March 31, 2024, respectively, compared with $19.7 million and $59.6 million $13.7 million for the same periods period of 2022, respectively. 2023. The effective income tax rate for the three and nine months ended September 30, 2023 March 31, 2024, was 24.90% and 25.71% 27.94%, respectively, compared with 26.80% and 26.34% 25.91% for the same periods period of 2022, respectively. 2023.

We invest in affordable housing partnerships and receive CRA credits and tax credits that reduce the overall effective tax rate. Amortization of investments in affordable housing partnerships is recorded in noninterest expense based on benefit schedules of individual investment projects under the equity method of accounting. The benefit schedules show tax deductions investors can take each year. We amortize the initial cost of the investments in affordable housing partnerships. This amortization expense is more than offset by both tax credits received, which reduce our tax provision expense dollar for dollar, and the tax benefits related to any tax losses generated through the affordable housing project's expenditures. For the three and nine months ended September 30, 2023 March 31, 2024, total tax credits related to our investment in affordable housing partnerships were approximately $2.0 million and $6.0 million, respectively. $2.1 million. This compares with approximately $2.2 million and $6.7 $2.0 million in tax credits related to our investment in affordable housing partnerships for the same periods period in 2022, respectively. 2023. The balance of investments in affordable housing partnerships decreased increased to $42.1 million $52.3 million at September 30, 2023 March 31, 2024, from $50.3 million $46.0 million at September 30, 2022 March 31, 2023.

## Financial Condition

At September 30, 2023 March 31, 2024, total assets were $20.08 billion $18.09 billion, an increase a decrease of $911.9 million $1.04 billion, or 4.8% 5.5%, from $19.16 billion $19.13 billion at December 31, 2022 December 31, 2023. The increase decrease in total assets was primarily due to an increase decreases in cash and cash equivalents, partially offset by a decrease in loans receivable, and investment securities during the nine three months ended September 30, 2023 March 31, 2024.

**Cash and Cash Equivalents**

Cash and cash equivalents increased to $2.50 billion of $1.19 billion at September 30, 2023 March 31, 2024, up was down from $506.8 million $1.93 billion at December 31, 2022 2023, primarily reflecting the payoff of . In March 2023, the banking industry experienced significant disruption $1.00 billion of our BTFP borrowings with multiple high profile bank failures within a few days. As a result, there was an overall decline of consumer confidence existing cash in the banking industry and in response to these events we bolstered our on-balance sheet liquidity with drawdowns of our available borrowing capacity, primarily through the use of BTFP. three months ended March 31, 2024.

**Investment Securities Portfolio**

At September 30, 2023 March 31, 2024, we had $1.99 billion $2.02 billion in investment securities AFS, compared with $1.97 billion $2.15 billion at December 31, 2022 December 31, 2023. The net unrealized loss on the investment securities AFS at September 30, 2023 March 31, 2024, was $385.4 million $298.5 million, compared with a net unrealized loss on securities AFS of $317.3 million $284.7 million at December 31, 2022 December 31, 2023. The year-to-date increase in net unrealized loss position reflected movements in market interest rates. At September 30, 2023 March 31, 2024, we had $266.6 million $261.6 million in investment securities HTM, compared with $271.1 million $263.9 million at December 31, 2022 December 31, 2023. We have the ability and intent to hold securities classified as HTM to maturity.

During the nine three months ended September 30, 2023 March 31, 2024, $378.4 million $37.2 million in investment securities were purchased, and $292.9 million $37.0 million in investment securities were paid down. For the nine months ended September 30, 2023, there were no down, and $117.7 million in investment securities that matured were called, or were sold. called.

We performed an analysis on our investment securities in unrealized loss positions at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, and determined that an allowance for credit losses was not required for investment securities AFS or HTM. The majority of our investment portfolio consists of securities issued by U.S. Government agencies or U.S. Government sponsored enterprises, which were determined to have a zero loss expectation. At September 30, 2023 March 31, 2024, we also had 18 five asset-backed securities, six corporate securities, and 92 58 municipal bonds not issued by U.S. Government agencies or U.S. Government sponsored enterprises that were in unrealized loss positions. Based on our analysis of these investment securities, we concluded a credit loss did not exist due to the strength of the issuers, high bond ratings, and because full payment of principal and interest is expected.

**Equity Investments**

Total equity investments include equity investments with readily determinable fair values and equity investments without readily determinable fair values. Equity investments at September 30, 2023 March 31, 2024, totaled $43.2 million $43.9 million, an increase of $787 $175 thousand, or 1.9% 0.4%, from $42.4 million $43.8 million at December 31, 2022 December 31, 2023.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, total equity investments with readily determinable fair values totaled $4.2 million $4.3 million and $4.3 million $4.4 million, respectively, consisting of mutual funds. Changes to the fair value of equity investments with readily determinable fair values is recorded in other noninterest income.

We also had $39.0 million $39.6 million and $38.1 million $39.4 million in equity investments without readily determinable fair values at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. At September 30, 2023 March 31, 2024, equity investments without readily determinable fair values included $37.6 million $38.2 million in CRA investments, $1.0 million in CDFI investments, and $370 thousand in correspondent bank stock. Equity investments without readily determinable fair values are carried at cost, less impairment, and adjustments are made to the carrying balance based on observable price changes. There were no impairments or observable price changes for equity investments without readily determinable fair values during the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023.

### Loans Held For Sale

Loans held for sale at September 30, 2023 March 31, 2024, totaled $19.5 million $2.8 million, compared with $49.2 million $3.4 million at December 31, 2022 December 31, 2023. Loans held for sale at September 30, 2023 March 31, 2024, comprised one C&I loan totaling $19.5 million. $2.3 million in CRE loans and $476 thousand in residential mortgage loans. At December 31, 2022 December 31, 2023, loans held for sale consisted of $48.8 million $2.3 million in CRE loans and C&I loans, and $450 thousand $1.1 million in residential mortgage loans. During the nine three months ended September 30, 2023 March 31, 2024, we sold $399.0 million $6.2 million in loans, consisting all of $295.7 million in CRE loans and C&I loans, $79.1 million in SBA loans, and $24.2 million in which were residential mortgage loans.

### Loans Receivable

At September 30, 2023 March 31, 2024, loans receivable totaled $14.31 $13.72 billion, a decrease of $1.10 billion, $134.4 million, or 7.1% 1.0%, from $15.40 $13.85 billion at December 31, 2022 December 31, 2023. The following table summarizes our loan portfolio by amount and percentage of total loans outstanding in each loan segment as of the dates indicated:

| | September 30, 2023 Amount | Percent (%) | December 31, 2022 Amount | Percent (%) | March 31, 2024 Amount | Percent (%) | December 31, 2023 Amount | Percent (%) |
|---|---|---|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | (Dollars in thousands) | | | |
| **Loan portfolio composition** | | | | | | | | |
| CRE loans | $ 8,972,886 | 63 % | $ 9,414,580 | 61 % | $ 8,707,673 | 64 64 % | $8,797,884 | 64 64 % |
| C&I loans | 4,450,341 | 31 % | 5,109,532 | 33 % | 4,041,063 | 29 29 % | 4,135,044 | 30 30 % |
| Residential mortgage loans | 843,410 | 6 % | 846,080 | 6 % | 936,035 | 7 7 % | 883,687 | 6 6 % |
| Consumer and other loans | 39,556 | — % | 33,348 | — % | 34,407 | — — % | 37,004 | — — % |
| Total loans receivable, net of deferred costs and fees | 14,306,193 | 100 % | 15,403,540 | 100 % | 13,719,178 | 100 100 % | 13,853,619 | 100 100 % |
| Allowance for credit losses | (158,809) | | (162,359) | | | | | |
| Loans receivable, net of allowance for credit losses | $14,147,384 | | $15,241,181 | | | | | |

The year-to-date decrease in our total loans receivable was primarily due to a decrease of $659.2 million declines in CRE and C&I loans as loan payoffs and paydowns exceeded new origination volume, reflecting, in part, our prudent approach to loan growth and lower customer demand in a decrease of $441.7 million high interest rate environment. The decreases were partially offset by an increase in CRE loans. Year-to-date principal paydowns and residential mortgage loans sold outpaced new loan production and mortgage warehouse lines of credit was intentionally decreased. over the same period.

Lines of credit or loan commitments to business customers are not normally made for periods longer than one year. The same credit policies are used in making commitments and conditional obligations as for providing loan facilities to customers. Annual reviews of such commitments are performed prior to renewal.

The following table shows loan commitments and letters of credit outstanding as of the dates indicated:

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | (Dollars in thousands) | |

| March 31, 2024 | March 31, 2024 | December 31, 2023 |
|---|---|---|

| | | | |
|---|---|---|---|
| | (Dollars in thousands) | | |
| Commitments to extend credit | Commitments to extend credit | $2,719,613 | $2,856,263 |
| Standby letters of credit | Standby letters of credit | 130,742 | 132,538 |
| Other commercial letters of credit | Other commercial letters of credit | 28,487 | 22,376 |
| **Total loan commitments and letters of credit** | **Total loan commitments and letters of credit** | $2,878,842 | $3,011,177 |

(Dollars in thousands)

**Nonperforming Assets**

Nonperforming assets, which consist of nonaccrual loans, accruing delinquent loans past due 90 days or more, and OREO, totaled $61.7 million $106.8 million at September 30, 2023 March 31, 2024, compared with $69.4 million $45.5 million at December 31, 2022 December 31, 2023. We adopted ASU 2022-02 on January 1, 2023, which eliminated the concept The increase in nonperforming assets was largely driven by one relationship consisting of TDR loans from GAAP. Therefore, accruing TDR three commercial real estate loans. These loans are no longer included fully secured and sales agreements are in nonperforming assets. Nonperforming assets at December 31, 2022, included accruing TDR loans of $16.9 million. place for the collateral properties. The ratio of nonperforming assets to total assets decreased increased to 0.31% 0.59% at September 30, 2023 March 31, 2024, from 0.36% 0.24% at December 31, 2022 December 31, 2023. Nonaccrual loans to loans receivable decreased increased to 0.27% 0.43% at September 30, 2023 March 31, 2024, from 0.32% 0.33% at December 31, 2022 December 31, 2023.

The following table summarizes the composition of our nonperforming assets as of the dates indicated.

| | | September 30, 2023 | December 31, 2022 | March 31, 2024 | December 31, 2023 |
|---|---|---|---|---|---|
| | | (Dollars in thousands) | | | |
| | March 31, 2024 (Dollars in thousands) | | | | (Dollars in thousands) |
| Nonaccrual loans (1) | Nonaccrual loans (1) | $39,081 | $49,687 | | |
| Accruing delinquent loans past due 90 days or more | Accruing delinquent loans past due 90 days or more | 21,579 | 401 | | |
| Accruing troubled debt restructured loans (2) | | — | 16,931 | | |
| Total nonperforming loans | | | | | |
| Total nonperforming loans | | | | | |
| Total nonperforming loans | Total nonperforming loans | 60,660 | 67,019 | | |
| OREO | OREO | 1,043 | 2,418 | | |
| Total nonperforming assets | Total nonperforming assets | $61,703 | $69,437 | | |
| Nonaccrual loans to loans receivable | Nonaccrual loans to loans receivable | 0.27 % | 0.32 % | | |
| Nonaccrual loans to loans receivable | | | | | |
| Nonaccrual loans to loans receivable | | | | 0.43 % | 0.33 % |
| Nonperforming loans to loans receivable | Nonperforming loans to loans receivable | 0.42 % | 0.44 % | Nonperforming loans to loans receivable 0.78 % | 0.33 % |
| Nonperforming assets to total assets | Nonperforming assets to total assets | 0.31 % | 0.36 % | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Nonperforming assets to total assets | | | | | | |
| Nonperforming assets to total assets | | | | | 0.59 % | 0.24 % |
| Allowance for credit losses to nonaccrual loans | Allowance for credit losses to nonaccrual loans | 406.36 % | 326.76 % | Allowance for credit losses to nonaccrual loans | 266.70 % | 351.06 % |
| Allowance for credit losses to nonperforming loans (2) | | 261.80 % | 242.26 % | | | |
| Allowance for credit losses to nonperforming assets (2) | | 257.38 % | 233.82 % | | | |
| Allowance for credit losses to nonperforming loans | | | | Allowance for credit losses to nonperforming loans | 148.63 % | 349.05 % |
| Allowance for credit losses to nonperforming assets | | | | Allowance for credit losses to nonperforming assets | 148.63 % | 348.56 % |

(1) Nonaccrual loans exclude the guaranteed portion of delinquent SBA loans that are in liquidation totaling $12.1 million $10.9 million at September 30, 2023 March 31, 2024, and $9.8 million $11.4 million at December 31, 2022 December 31, 2023.

(2) The Company adopted ASU 2022-02 on January 1, 2023, which eliminated the concept of TDR loans from GAAP. Prior to January 1, 2023, nonperforming loans included accruing TDR loans.

**Allowance for Credit Losses**

The ACL was $158.8 million at September 30, 2023 March 31, 2024, compared with $162.4 million $158.7 million at December 31, 2022 December 31, 2023. The ACL was 1.11% 1.16% and 1.05% 1.15% of loans receivable at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The ACL to loans receivable ratio does not include discount on acquired loans. Total discount on acquired loans at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, totaled $6.3 million $4.8 million and $9.1 million $5.7 million, respectively.

The third-party economic forecast used in the calculation at September 30, 2023 March 31, 2024, worsened relative was relatively unchanged compared to the forecast used at December 31, 2022 December 31, 2023. The updated macroeconomic forecast projected lower GDP growth and a lower CRE price index combined with higher unemployment figures. The decline in projected forecast macroeconomic variables resulted in an increase in overall ACL coverage at September 30, 2023 compared to December 31, 2022. The year-to-date lower balance of the ACL primarily reflected the year-to-date decrease in loans receivable.

The following table reflects the allocation of the ACL by loan segment and the ratio of total ACL to total loans as of the dates indicated:

| | | September 30, 2023 | December 31, 2022 | March 31, 2024 | December 31, 2023 |
|---|---|---|---|---|---|
| | | (Dollars in thousands) | | (Dollars in thousands) | |
| CRE loans | CRE loans | $ 96,736 | $ 95,884 | | |
| C&I loans | C&I loans | 49,422 | 56,872 | | |
| Residential mortgage loans | Residential mortgage loans | 11,996 | 8,920 | | |
| Consumer and other loans | Consumer and other loans | 655 | 683 | | |
| Total | Total | $158,809 | $162,359 | | |
| Allowance for credit losses to loans receivable | Allowance for credit losses to loans receivable | 1.11 % | 1.05 % | | |
| Allowance for credit losses to loans receivable | | | | | |
| Allowance for credit losses to loans receivable | | | | 1.16 % | 1.15 % |

Our ACL coverage ratio at September 30, 2023 March 31, 2024, increased to 1.11% 1.16%, up from 1.05% 1.15% at December 31, 2022 December 31, 2023. The decrease increase in total ACL at September 30, 2023 March 31, 2024, compared with December 31, 2022 December 31, 2023, consisted of decreases increases in ACL for both individually and collectively evaluated loans. The decline decrease in C&I CRE ACL was primarily due to a decline in C&I lower CRE loan balances from December 31, 2022 December 31, 2023 to September 30, 2023 March 31, 2024, which was offset by increases in ACL for CRE C&I and residential mortgage loans due to a decline in weakening projected macroeconomic variables.

The following table presents the provisions for credit losses on loans, the amount of loans charged off, and the recoveries on loans previously charged off, together with the balance of the ACL at the beginning and end of each period, the balance of average loans and loans receivable outstanding, and related ratios at the dates and for the periods indicated:

| | | At or for the Three Months Ended September 30, | | At or for the Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 | |
| | | (Dollars in thousands) | | | | (Dollars in thousands) |
| **LOANS:** | **LOANS:** | | | | | |
| Average loans | Average loans | $14,550,106 | $14,925,298 | $14,961,058 | $14,378,774 | |
| Average loans | | | | | | |
| Average loans | | | | | | |
| Loans receivable (end of period) | | | | | | |
| Loans receivable (end of period) | | | | | | |
| Loans receivable (end of period) | Loans receivable (end of period) | $14,306,193 | $15,491,187 | $14,306,193 | $15,491,187 | |
| **ALLOWANCE:** | **ALLOWANCE:** | | | | | |
| **ALLOWANCE:** | | | | | | |
| **ALLOWANCE:** | | | | | | |
| Balance, beginning of period | | | | | | |
| Balance, beginning of period | | | | | | |
| Balance, beginning of period | Balance, beginning of period | $ 172,996 | $ 151,580 | $ 162,359 | $ 140,550 | |
| Less loan charge offs: | Less loan charge offs: | | | | | |
| Less loan charge offs: | | | | | | |
| Less loan charge offs: | | | | | | |
| CRE loans | | | | | | |
| CRE loans | | | | | | |
| CRE loans | CRE loans | (631) | (185) | (1,192) | (1,936) | |
| C&I loans | C&I loans | (33,219) | (262) | (33,957) | (611) | |
| Residential mortgage loans | | — | (22) | — | (22) | |
| C&I loans | | | | | | |
| C&I loans | | | | | | |
| Consumer and other loans | | | | | | |
| Consumer and other loans | | | | | | |
| Consumer and other loans | Consumer and other loans | (75) | (81) | (250) | (196) | |
| Total loan charge offs | Total loan charge offs | (33,925) | (550) | (35,399) | (2,765) | |
| Total loan charge offs | | | | | | |
| Total loan charge offs | | | | | | |
| Plus loan recoveries: | | | | | | |
| Plus loan recoveries: | | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Plus loan recoveries: | Plus loan recoveries: | | | | |
| CRE loans | CRE loans | 2,898 | 176 | 3,090 | 18,853 |
| CRE loans | | | | | |
| CRE loans | | | | | |
| C&I loans | C&I loans | 34 | 147 | 1,707 | 2,486 |
| Residential mortgage loans | | — | — | — | — |
| C&I loans | | | | | |
| C&I loans | | | | | |
| Consumer and other loans | | | | | |
| Consumer and other loans | | | | | |
| Consumer and other loans | Consumer and other loans | 6 | 8 | 59 | 37 |
| Total loan recoveries | Total loan recoveries | 2,938 | 331 | 4,856 | 21,376 |
| Net loan (charge offs) recoveries | | (30,987) | (219) | (30,543) | 18,611 |
| Total loan recoveries | | | | | |
| Total loan recoveries | | | | | |
| Net loan charge offs | | | | | |
| Net loan charge offs | | | | | |
| Net loan charge offs | | | | | |
| ASU 2022-02 day 1 adjustment | ASU 2022-02 day 1 adjustment | — | — | (407) | — |
| Provision for credit losses | | 16,800 | 9,200 | 27,400 | 1,400 |
| ASU 2022-02 day 1 adjustment | | | | | |
| ASU 2022-02 day 1 adjustment | | | | | |
| Provision for credit loss on loans | | | | | |
| Provision for credit loss on loans | | | | | |
| Provision for credit loss on loans | | | | | |
| Balance, end of period | | | | | |
| Balance, end of period | | | | | |
| Balance, end of period | Balance, end of period | $ 158,809 | $ 160,561 | $ 158,809 | $ 160,561 |
| Net loan charge offs (recoveries) to average loans* | | 0.85 % | 0.01 % | 0.27 % | (0.17)% |
| Net loan charge offs to average loans* | | | | | |
| Net loan charge offs to average loans* | | | | | |
| Net loan charge offs to average loans* | | | | | |
| Allowance for credit losses to loans receivable at end of period | | | | | |
| Allowance for credit losses to loans receivable at end of period | | | | | |
| Allowance for credit losses to loans receivable at end of period | Allowance for credit losses to loans receivable at end of period | 1.11 % | 1.04 % | 1.11 % | 1.04 % |

* Annualized

Net loan charge offs as a percentage of average loans were 0.85% 0.10% and 0.27% 0.00%, annualized, for the three and nine months ended September 30, 2023, respectively, compared with an annualized net March 31, 2024 and 2023, respectively. Net loan charge off ratio of 0.01% and an annualized net recovery ratio of 0.17%, respectively, offs for the same periods in 2022. In third quarter of 2023, we recorded an idiosyncratic full charge off of $23.4 million related to a borrower that entered into Chapter 7 liquidation in August 2023. For the nine three months ended September 30, 2023 March 31, 2024, we had a large recovery of $17.3 million related to a CRE borrower. primarily reflected C&I loan charge offs totaling $4.6 million.

We believe the ACL at September 30, 2023 March 31, 2024, was adequate to absorb lifetime losses in the loan portfolio. However, there is no assurance that actual losses will not exceed the current estimated credit losses. Among other things, if the effects of the banking industry disruption, rising or continued elevated levels of inflation, potential economic recession, and the war wars in the Gaza Strip and Ukraine are worse than we currently expect, or if the effects are prolonged, actual losses could exceed the estimated credit losses, which could have a material and adverse effect on our financial condition and results of operations.

At September 30, 2023 March 31, 2024, we had $48.5 million $48.7 million in accrued interest receivables on loans, compared with $47.3 million $49.3 million at December 31, 2022 December 31, 2023.

**Investments in Affordable Housing Partnerships**

At September 30, 2023 March 31, 2024, we had $42.1 million $52.3 million in investments in affordable housing partnerships, compared with $47.7 million $54.5 million at December 31, 2022 December 31, 2023. The decrease in investments in affordable housing partnerships was a result of amortization during the nine three months ended September 30, 2023 March 31, 2024. Commitments to fund investments in affordable housing partnerships totaled $8.9 million $20.7 million at September 30, 2023 March 31, 2024, compared with $11.8 million $21.0 million at December 31, 2022 December 31, 2023.

**OREO**

At September 30, 2023 March 31, 2024, OREO, net totaled $1.0 million, $0, compared with $2.4 million $63 thousand at December 31, 2022 December 31, 2023. During the nine three months ended September 30, 2023 March 31, 2024, there was one loan were no loans transferred to OREO and we sold one OREO property with a carrying balance of $1.5 million. $63 thousand. OREO are presented on the balance sheet net of OREO valuation allowances. The OREO valuation allowance at September 30, 2023, totaled $0, compared with $1.4 million at December 31, 2022.

**Deposits, Borrowings, and Convertible Notes**

***Deposits***

Deposits are our primary source of funds used in lending and investment activities. At September 30, 2023 March 31, 2024, total deposits were $15.74 billion $14.75 billion, up $1.1 million unchanged from $14.75 billion at December 31, 2023. Demand deposits decreased $262.4 million and time deposits decreased $179.0 million during the three months ended March 31, 2024, or 0.01%, from $15.74 billion at December 31, 2022. Time deposits increased $1.64 billion while money market, NOW accounts, and savings deposits increased $147.3 million $441.0 million during the nine three months ended September 30, 2023, while money market and NOW accounts decreased $1.19 billion, and demand deposits decreased $599.7 million during the nine months ended September 30, 2023 March 31, 2024. This shift in The stability of our total deposit mix reflects an industry-wide migration and customer preferences for higher yielding balances was due to a planned reduction of brokered time deposits which was offset by growth in a high interest rate environment. customer deposits.

At September 30, 2023 March 31, 2024, 27.0% 24.7% of total deposits were noninterest bearing demand deposits, 42.1% 39.3% were time deposits, and 30.9% 36.0% were interest bearing money market, NOW accounts, and savings deposits. At December 31, 2022 December 31, 2023, 30.8% 26.5% of total deposits were noninterest bearing demand deposits, 31.7% 40.5% were time deposits, and 37.5% 33.0% were interest bearing money market, NOW accounts, and savings deposits.

At September 30, 2023 March 31, 2024, we had $1.96 billion $1.42 billion in brokered deposits and $300.0 million in California State Treasurer deposits, compared with $1.18 down from $1.54 billion in brokered deposits and $300.0 million in California State Treasurer deposits at December 31, 2022 December 31, 2023. The year-to-date increase decrease in brokered deposits reflected the banking industry disruption caused by multiple bank failures a planned reduction in the first half of 2023. brokered time deposits. The California State Treasurer time deposits at September 30, 2023 March 31, 2024, had original maturities of six months, a weighted average interest rate of 4.95% 5.41%, and were collateralized with securities with a total fair value of $335.7 million. $211.6 million and a $150.0 million letter of credit issued by the FHLB. At September 30, 2023 March 31, 2024, time deposits of more than $250 thousand totaled $2.39 billion $2.29 billion, compared with $2.39 billion $2.24 billion at December 31, 2022 December 31, 2023.

The Bank's estimated insured and collateralized deposits at September 30, 2023 March 31, 2024, were equivalent to approximately 63% 60% of the Bank's total deposits, compared with approximately 59% 62% at December 31, 2022 December 31, 2023. The Bank's estimated uninsured and uncollateralized deposits at September 30, 2023 March 31, 2024, totaled $5.85 billion (37% $5.91 billion (40% of deposits), a decrease an increase from $6.48 billion (41% $5.67 billion (38% of deposits) at December 31, 2022 December 31, 2023. Uninsured and uncollateralized deposits are estimated based on the portion of account balances in excess of FDIC insurance limits plus deposits that are not collateralized. limits.

The following is a schedule of time deposit maturities at September 30, 2023 March 31, 2024:

| | September 30, 2023 | |
|---|---|---|
| | Balance | Percent (%) |
| | (Dollars in thousands) | |

| | March 31, 2024 | | March 31, 2024 | |
|---|---|---|---|---|
| | Balance | | Balance | Percent (%) |
| | (Dollars in thousands) | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Three months or less | | | | | | | |
| Three months or less | | | | | | | |
| Three months or less | Three months or less | $2,624,150 | 40 % | $ | 1,653,676 | 29 | 29 % |
| Over three months through six months | Over three months through six months | 2,127,410 | 32 % | Over three months through six months | 1,441,804 | 25 | 25 % |
| Over six months through nine months | Over six months through nine months | 1,119,536 | 17 % | Over six months through nine months | 1,391,873 | 24 | 24 % |
| Over nine months through twelve months | Over nine months through twelve months | 697,813 | 10 % | Over nine months through twelve months | 1,189,952 | 20 | 20 % |
| Over twelve months | Over twelve months | 65,479 | 1 % | Over twelve months | 110,456 | 2 | 2 % |
| Total time deposits | Total time deposits | $6,634,388 | 100 % | Total time deposits | $ 5,787,761 | 100 | 100 % |

***FHLB and FRB Borrowings and Other Borrowings***

We utilize FHLB and FRB borrowings as a secondary source of funds in addition to deposits, which we consider our primary source of funding. FHLB advances are typically secured by pledged loans and/or securities with a market value at least equal to the outstanding advances plus our investment in FHLB stock. At September 30, 2023 March 31, 2024, borrowings totaled $1.80 billion $795.6 million, consisting of $100.0 million in FHLB borrowings and $1.70 billion $695.6 million in FRB borrowings, compared with $865.0 million $1.80 billion in borrowings at December 31, 2022 December 31, 2023, consisting of $600.0 million $100.0 million in FHLB borrowings and $265.0 million $1.70 in FRB borrowings. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the weighted average weighted remaining maturity of total FHLB and FRB borrowings was six months and less than one month and three months, respectively. At September 30, 2023 March 31, 2024, FRB borrowings included $1.70 billion comprised $695.6 million in borrowings from the BTFP at an a weighted average weighted rate of 4.47% 4.61% maturing in the first half second quarter of 2024. Given its attractive cost and structure, the We paid off $1.00 billion in BTFP was utilized to bolster on-balance sheet liquidity in response to the banking industry disruption caused by the bank failures borrowings in the first half of 2023. Correspondingly, three months ended March 31, 2024, resulting in cash and cash equivalent levels increased decreasing to $2.50 billion $1.19 billion at September 30, 2023 March 31, 2024, up from $506.8 million $1.93 billion at December 31, 2022 December 31, 2023.

We did not have federal funds purchased at September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023.

Trust preferred securities accrue and pay distributions periodically at specified annual rates as provided in the related indentures for the securities. The trusts used the net proceeds from their respective offerings to purchase a like amount of subordinated debentures issued by us. The subordinated debentures are the sole assets of the trusts. Our obligations under the subordinated debentures and related documents, taken together, constitute a full and unconditional guarantee by us of the obligations of the trusts. The subordinated debentures totaled $107.5 million $108.1 million at September 30, 2023 March 31, 2024, and $106.6 million $107.8 million at December 31, 2022 December 31, 2023. The trust preferred securities are mandatorily redeemable upon the maturity of the subordinated debentures, or upon earlier redemption as provided in the indentures. We have the right to redeem the subordinated debentures in whole (but not in part) on or after specific dates, at a redemption price specified in the indentures plus any accrued but unpaid interest to the redemption date (see Note 10—"Convertible Notes and Subordinated Debentures" for additional information regarding the subordinated debentures issued).

***Convertible Notes***

In 2018, we issued $217.5 million aggregate principal amount of 2.00% convertible senior notes maturing on May 15, 2038, in a private offering to qualified institutional buyers under Rule 144A of the Securities Act of 1933. The convertible notes were issued as part of our plan to repurchase common stock. stock and pay interest on a semi-annual basis. The net carrying balance of convertible notes at September 30, 2023 both March 31, 2024 and December 31, 2023, was $444 thousand. During the nine months ended September 30, 2023, In 2023, we repurchased its notes in the aggregate principal amount of $19.9 million and recorded a gain on debt extinguishment of $405 thousand. The repurchased notes were immediately cancelled subsequent to repurchase. On May 15, 2023, most holders of our convertible notes exercised their right to put their notes and therefore we paid off $197.1 million of convertible note principal in cash. At December 31, 2022, No notes were repurchased or paid off in the net carrying balance of convertible notes was $217.1 million, net of $352 thousand in uncapitalized issuance costs. three months ended March 31, 2024.

**Off-Balance-Sheet Activities and Contractual Obligations**

We routinely engage in activities that involve, to varying degrees, elements of risk that are not reflected, in whole or in part, in the consolidated financial statements. These activities are part of our normal course of business and include traditional off-balance-sheet credit-related financial instruments, interest rate swap contracts, foreign exchange contracts, and long-term debt.

Traditional off-balance-sheet credit-related financial instruments are primarily commitments to extend credit and standby letters of credit. These activities could require us to make cash payments to third parties if certain specified future events occur. The contractual amounts represent the extent of our exposure in these off-balance-sheet activities. These activities are necessary to meet the financing needs of our customers.

We enter into interest rate contracts under which we are required to either receive cash from or pay cash to counterparties depending on changes in interest rates. We utilize interest rate contracts, interest rate floors, and interest rate caps to help manage the risk of changing interest rates. We also sell interest rate contracts to certain adjustable rate commercial loan customers to fix the interest rate on their floating rate loans. When the fixed rate interest rate contract is originated with the customer, an identical offsetting interest rate contract is also entered into by us with a correspondent bank.

We have outstanding risk participation agreements that are part of syndicated loan transactions that we participated in as a means to earn additional fee income. Risk participation agreements are credit derivatives not designated as hedges, in which we share in the risk related to the interest rate swap on participated loans. Credit derivatives are not speculative and are not used to manage interest rate risk in assets or liabilities.

We enter into various stand-alone mortgage-banking derivatives in order to hedge the risk associated with the fluctuation of interest rates. The first type of derivative, an interest rate lock commitment, is a commitment to originate loans whereby the interest rate on the loan is determined prior to funding. To mitigate interest rate risk on these rate lock commitments, we also enter into forward commitments, or commitments to deliver residential mortgage loans on a future date, which are also considered derivatives. The net change in the fair value of derivatives represents income recorded from changes in fair value for these mortgage derivative instruments.

We do not anticipate that our current off-balance-sheet activities will have a material impact on our future results of operations or our financial condition. Further information regarding our financial instruments with off-balance-sheet risk can be found in Item 3 “Quantitative and Qualitative Disclosures about Market Risk.”

**Stockholders’ Equity and Regulatory Capital**

Historically, our primary source of capital has been the retention of earnings, net of interest payments on subordinated debentures and convertible notes and dividend payments to stockholders. We seek to maintain capital at a level sufficient to assure our stockholders, customers, and regulators that Hope Bancorp and the Bank are financially sound. For this purpose, we perform ongoing assessments of capital related risks, components of capital, as well as projected sources and uses of capital in conjunction with projected increases in assets and levels of risks.

Total stockholders’ equity was $2.03 billion $2.11 billion at September 30, 2023 March 31, 2024, compared with $2.02 billion $2.12 billion at December 31, 2022 December 31, 2023. During the nine three months ended September 30, 2023 March 31, 2024, stockholders’ equity increased decreased by $11.1 million $9.0 million due to an increase in accumulated other comprehensive loss of $17.5 million and dividends paid of $16.8 million, partially offset by net income earned of $107.2 million $25.9 million, and an increase in additional paid-in capital consisting of $5.8 million $479 thousand in stock-based compensation, and an compensation. The increase to beginning retained earnings of $287 thousand, net of tax, resulting from our adoption of ASU 2022-02, partially offset by a decrease in accumulated other comprehensive income of $51.8 million, and dividends paid of $50.3 million. The year-to-date decrease in accumulated other comprehensive income loss from December 31, 2022, December 31, 2023 to September 30, 2023 March 31, 2024, reflected a decrease an increase in unrealized losses on our investment securities AFS due to changes in market interest rates.

In January 2022, our Board of Directors approved a stock repurchase plan that authorized management to repurchase up to $50.0 million of common stock. Stock repurchases through the plan may be executed through various means, including, without limitation, open market transactions, privately negotiated transactions or by other means as determined by management and in accordance with SEC rules and regulations. At September 30, 2023, we We had $35.3 million remaining of the $50.0 million stock repurchase plan. plan at both March 31, 2024 and December 31, 2023.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the most recent regulatory notification generally categorized the Bank as “well capitalized” under the general regulatory framework for Prompt Corrective Action. To be generally categorized as “well-capitalized” the Bank must maintain the common equity Tier 1 capital, total capital, Tier 1 capital, and Tier 1 leverage capital ratios as set forth in the tables below.

| | September 30, 2023 | | | | March 31, 2024 | | |
|---|---|---|---|---|---|---|---|
| | Actual | | Ratio Required To Be Well-Capitalized | Excess Over Well-Capitalized | Actual | Ratio Required To Be Well-Capitalized | Excess Over Well-Capitalized |
| | Amount | Ratio | | | | | |
| | (Dollars in thousands) | | | | | | |
| | (Dollars in thousands) | | | | | | |
| | (Dollars in thousands) | | | | | | |
| | (Dollars in thousands) | | | | | | |
| Hope Bancorp, Inc. | Hope Bancorp, Inc. | | | | | | |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Common equity tier 1 capital (to risk-weighted assets) | Common equity tier 1 capital (to risk-weighted assets) | $1,856,328 | 11.67 % | N/A | N/A | | | | | | | | | |
| Common equity tier 1 capital (to risk-weighted assets) | | | | | | | | | | | | | | |
| Common equity tier 1 capital (to risk-weighted assets) | | | | | | | | | | $ 1,872,360 | 12.47 % | | | N/A |
| Tier 1 capital (to risk-weighted assets) | | | | | | | | | Tier 1 capital (to risk-weighted assets) | $ 1,976,607 | 13.17 % | | | N/A |
| Total capital (to risk-weighted assets) | Total capital (to risk-weighted assets) | $2,105,754 | 13.23 % | N/A | N/A | Total capital (to risk-weighted assets) | $2,130,033 | 14.19 | 14.19 % | | | | N/A | |
| Tier 1 capital (to risk-weighted assets) | | $1,959,932 | 12.32 % | N/A | N/A | | | | | | | | | |
| Leverage capital (to average assets) | Leverage capital (to average assets) | $1,959,932 | 9.83 % | N/A | N/A | Leverage capital (to average assets) | $1,976,607 | 10.42 | 10.42 % | | | | N/A | |
| **Bank of Hope** | **Bank of Hope** | | | | | | | | | | | | | |
| Common equity tier 1 capital (to risk-weighted assets) | Common equity tier 1 capital (to risk-weighted assets) | $1,922,135 | 12.08 % | 6.50 % | 5.58 % | | | | | | | | | |
| Common equity tier 1 capital (to risk-weighted assets) | | | | | | | | | | | | | | |
| Common equity tier 1 capital (to risk-weighted assets) | | | | | | | | | | $ 1,948,503 | 12.99 % | 6.50 % | | 6.49 % |
| Tier 1 capital (to risk-weighted assets) | | | | | | | | | Tier 1 capital (to risk-weighted assets) | $ 1,948,503 | 12.99 % | 8.00 % | | 4.99 % |
| Total capital (to risk-weighted assets) | Total capital (to risk-weighted assets) | $2,067,957 | 13.00 % | 10.00 % | 3.00 % | Total capital (to risk-weighted assets) | $2,101,929 | 14.01 | 14.01 % | | | 10.00 % | 4.01 % | |
| Tier 1 capital (to risk-weighted assets) | | $1,922,135 | 12.08 % | 8.00 % | 4.08 % | | | | | | | | | |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Leverage capital (to average assets) | Leverage capital (to average assets) | $1,922,135 | 9.65 % | 5.00 % | 4.65 % | Leverage capital (to average assets) | $1,948,503 | 10.27 | 10.27 % | 5.00 % | 5.27 % | |
| | | December 31, 2022 | | | | | | | | | | |
| | | Actual | | Ratio Required To Be Well-Capitalized | Excess Over Well-Capitalized | | December 31, 2023 | | | | | |
| | | Amount | Ratio | | | | Actual | | | Ratio Required To Be Well-Capitalized | Excess Over Well-Capitalized | |
| | | (Dollars in thousands) | | | | | | | | | | |
| | | (Dollars in thousands) | | | | | | | | | | |
| | | (Dollars in thousands) | | | | | | | | | | |
| | | (Dollars in thousands) | | | | | | | | | | |
| **Hope Bancorp, Inc.** | **Hope Bancorp, Inc.** | | | | | | | | | | | |
| Common equity tier 1 capital (to risk-weighted assets) | Common equity tier 1 capital (to risk-weighted assets) | $1,799,020 | 10.55 % | N/A | N/A | | | | | | | |
| Common equity tier 1 capital (to risk-weighted assets) | | | | | | | | | | | | |
| Common equity tier 1 capital (to risk-weighted assets) | | | | | | | | | $ 1,869,774 | 12.28 % | | N/A |
| Tier 1 capital (to risk-weighted assets) | | | | | | | | Tier 1 capital (to risk-weighted assets) | $ 1,973,698 | 12.96 % | | N/A |
| Total capital (to risk-weighted assets) | Total capital (to risk-weighted assets) | $2,041,319 | 11.97 % | N/A | N/A | Total capital (to risk-weighted assets) | $2,120,157 | 13.92 | 13.92 % | | N/A | |
| Tier 1 capital (to risk-weighted assets) | | $1,901,685 | 11.15 % | N/A | N/A | | | | | | | |
| Leverage capital (to average assets) | Leverage capital (to average assets) | $1,901,685 | 10.15 % | N/A | N/A | Leverage capital (to average assets) | $1,973,698 | 10.11 | 10.11 % | | N/A | |
| **Bank of Hope** | **Bank of Hope** | | | | | | | | | | | |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Common equity tier 1 capital (to risk-weighted assets) | Common equity tier 1 capital (to risk-weighted assets) | $2,049,973 | 12.03 % | 6.50 % | 5.53 % | | | | | | | | |
| Common equity tier 1 capital (to risk-weighted assets) | | | | | | | | | | | | | |
| Common equity tier 1 capital (to risk-weighted assets) | | | | | | | | | | $ 1,940,303 | 12.75 % | 6.50 % | 6.25 % |
| Tier 1 capital (to risk-weighted assets) | | | | | | | | | Tier 1 capital (to risk-weighted assets) | $ 1,940,303 | 12.75 % | 8.00 % | 4.75 % |
| Total capital (to risk-weighted assets) | Total capital (to risk-weighted assets) | $2,189,607 | 12.85 % | 10.00 % | 2.85 % | Total capital (to risk-weighted assets) | $2,086,762 | 13.71 | 13.71 % | | | 10.00 % | 3.71 % |
| Tier 1 capital (to risk-weighted assets) | | $2,049,973 | 12.03 % | 8.00 % | 4.03 % | | | | | | | | |
| Leverage capital (to average assets) | Leverage capital (to average assets) | $2,049,973 | 10.94 % | 5.00 % | 5.94 % | Leverage capital (to average assets) | $1,940,303 | 9.94 | 9.94 % | | | 5.00 % | 4.94 % |

**Liquidity Management**

Liquidity risk is the risk of reduction in our earnings or capital that would result if we were not able to meet our obligations when they come due without incurring unacceptable losses. Liquidity risk includes the risk of unplanned decreases or changes in funding sources and changes in market conditions that affect our ability to liquidate assets quickly and with minimum loss of value. Factors considered in liquidity risk management are the stability of the deposit base; the marketability, maturity, and pledging of our investments; the availability of alternative sources of funds; and our demand for credit. The objective of our liquidity management is to have funds available to meet cash flow requirements arising from fluctuations in deposit levels and the demands of daily operations, which include funding of securities purchases, providing for customers' credit needs, and ongoing repayment of borrowings.

Our primary sources of liquidity are derived from financing activities, which include deposits, federal funds facilities, and borrowings from the FHLB and the FRB's Discount Window and BTFP. These funding sources are augmented by payments of principal and interest on loans and securities, proceeds from sale of loans, and the liquidation or sale of securities from our available for sale portfolio or sale of equity investments. Primary uses of funds include withdrawal of and interest payments on deposits, originations of loans, purchases of investment securities, and payment of operating expenses.

At September 30, 2023 March 31, 2024, our total borrowing capacity, cash and cash equivalents, and unpledged securities totaled $8.29 $7.69 billion, up from $7.23 compared with $7.66 billion at December 31, 2022 December 31, 2023. At September 30, 2023 March 31, 2024, our borrowing capacity comprised $4.46 billion $4.21 billion from the FHLB ($4.36 4.11 billion unused and available to borrow), $2.51 billion $1.35 billion from the FRB ($813.2 653.5 million unused and available to borrow), and $315.3 $311.8 million of Fed funds facilities with other banks (entirely unused). At September 30, 2023 March 31, 2024, our total remaining available borrowing capacity was $5.49 billion $5.07 billion. In addition to these lines, cash and cash equivalents, interest earning cash deposits and deposits with other banks totaled $2.50 billion $1.19 billion, and unpledged investment securities AFS amounted to $299.5 million. $1.43 billion. We believe our liquidity sources are sufficient to meet all reasonably foreseeable short-term and intermediate-term needs.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The objective of the Company's asset and liability management activities is to optimize earnings while maintaining adequate liquidity and maintaining exposure to interest rate risk deemed to be acceptable by management, by adjusting the type and mix of assets and liabilities to effectively address changing conditions and risks. Primary operating strategies for attaining this objective include managing the net interest margin through appropriate risk/return pricing of assets and liabilities, and emphasizing growth of low-cost, stable customer deposits. Various methods are used to protect against exposure to interest rate fluctuations, reducing the effects of fluctuations on associated cash flows or values. Internal analyses are performed to measure, evaluate, and monitor liquidity and interest rate risk.

***Interest Rate Risk***

Interest rate risk is the most significant market risk impacting the Company. Interest rate risk occurs when interest rate sensitive assets and liabilities do not reprice simultaneously and/or in equal volumes. A key objective of asset and liability management is to manage interest rate risk associated with changing asset and liability cash flows and values, and market interest rate movements. The management of interest rate risk is governed by policies reviewed and approved annually by the Board of Directors. The Board delegates responsibility for interest rate risk management to the Board Risk Committee and to the Asset and Liability Management Committee ("ALM"), which is composed of the Bank's senior executives and other designated officers.

The fundamental objective of the ALM is to manage exposure to interest rate fluctuations while maintaining adequate levels of liquidity and capital. ALM meets regularly to monitor interest rate risk, the sensitivity of assets and liabilities to interest rate changes, the book and market values of assets and liabilities, and the Company's investment activities. It also directs changes in the composition of assets and liabilities. Overall, the Company aims to reduce the sensitivity of earnings to interest rate fluctuations. Certain assets and liabilities, however, may react in different degrees to changes in market interest rates. Furthermore, interest rates on certain types of assets and liabilities may fluctuate prior to changes in market interest rates, while interest rates on other types of assets and liabilities may lag behind changes in market interest rates. The expected maturities of various assets or liabilities may shorten or lengthen as interest rates change. Management considers the anticipated effects of these factors when implementing interest rate risk management objectives.

***Interest Rate Sensitivity***

One of the methods used to monitor interest rate risk is the use of a net interest income simulation model. In order to measure, at September 30, 2023 March 31, 2024, the sensitivity of forecasted net interest income to changing interest rates, both rising and falling interest rate scenarios were projected and compared to base market interest rate forecasts. Scenarios included parallel and non-parallel interest rate shifts, instantaneous shocks and ramps. Scenarios were based on static adjusted balance sheets that incorporated assumptions related to asset prepayment and time deposit withdrawal speeds, noninterest bearing deposit migration, and estimated deposit betas. Deposit betas represent the change in the rates paid on deposits against a change in benchmark interest indices. The net interest income simulation model does not represent a forecast of the Company's net interest income but is a tool utilized to assess the impact of changing market interest rates across a range of market interest rate environments. As a result, actual results will differ from simulated results for multiple reasons, which may include actual balance sheet composition differences, timing, magnitude and frequency of interest rate changes, deviations from projected customer behavioral assumptions, and changes in market conditions or management strategies.

Another application of the simulation model is the economic value of equity. This analysis assesses the changes in the market values of interest rate sensitive financial instruments that would occur in response to changes in benchmark interest rates, under varying scenarios.

The hypothetical impacts on net interest income and economic value of equity from parallel changes in market interest rates, over a 12-month ramp, using an adjusted balance sheet and an implied forward interest rate curve, as projected by the simulation model are illustrated in the following table. The net interest income sensitivity analysis illustrates the impact of forecast net interest income over a one-year time horizon. The economic value of equity volatility is a point-in-time analysis of balance sheet and off-balance sheet positions that incorporates the cash flows over their estimated remaining lives.

| | | September 30, 2023 | | September 30, 2022 | | | March 31, 2024 | | March 31, 2023 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Simulated Rate Changes | Simulated Rate Changes | Estimated Net Interest Income Sensitivity | Economic Value Of Equity Volatility | Estimated Net Interest Income Sensitivity | Economic Value Of Equity Volatility | Simulated Rate Changes | Estimated Net Interest Income Sensitivity | Economic Value Of Equity Volatility | Estimated Net Interest Income Sensitivity | Economic Value Of Equity Volatility |
| + 200 basis points | | 2.14 % | (10.56) % | 5.18 % | (5.61) % | | | | | |
| + 300 basis points | | | | | | | | | | |
| + 300 basis points | | | | | | | | | | |
| + 300 basis points | | | | | | | 0.80 % | (19.70) % | 16.00 % | (7.30) % |
| + 100 basis points | + 100 basis points | 1.21 % | (4.91) % | 2.77 % | (2.36) % | + 100 basis points | 0.60 % | (5.90) % | 5.20 % | (1.50) % |
| - 100 basis points | - 100 basis points | (3.28) % | 1.92 % | (2.06) % | 1.38 % | - 100 basis points | (2.10) % | 2.70 % | (5.40) % | 0.20 % |
| - 200 basis points | | (6.73) % | 2.60 % | (4.47) % | 0.67 % | | | | | |
| - 300 basis points | | | | | | - 300 basis points | (6.80) % | 2.30 % | (16.60) % | (5.00) % |

The simulation results presented in the table above are based on a static an adjusted balance sheet as of September 30, 2023 March 31, 2024, which reflects changes to loan prepayment speeds, deposit mix changes, early withdrawal assumptions for time deposits, and September 30, 2022. As such, they do attrition assumptions for non-maturity deposit, but does not reflect asset or liability migration, attrition, or growth that would occur in a dynamic environment of rising or falling interest rates. The adjusted balance sheet at March 31, 2023, reflects the same assumptions, except those of deposit mix change and time deposit early withdrawals. The simulation results are based on a parallel shift off of base interest rates as of September 30, 2023 March 31, 2024, and September 30, 2022. March 31, 2023, using an implied forward interest rate curve. The upper limit of the Federal Funds target range was 5.50% as of September 30, 2023 March 31, 2024, and 3.25% 5.00% as of September 30, 2022 March 31, 2023. The year-over-year change in interest rates and the composition of the balance sheet impacted the dollar amount of the base interest income, the replacement yields and rates for maturing assets and liabilities, and the deposit beta assumptions utilized in the simulation model. Future actual performance will be dependent on market conditions, the level of competition for deposits, the magnitude of continued interest rate increases, and the timing and magnitude of eventual interest rate decreases.

**LIBORTransition**

We had financial instruments that were indexed to LIBOR including investment securities, loans, derivatives, subordinated debentures, and other financial contracts prior to June 30, 2023. Since January 1, 2022, we ceased to originate any LIBOR based financial instruments. We have substantially completed its efforts to modify financial instruments tied to LIBOR by establishing an alternative benchmark rate. The transition away from LIBOR did not have a material impact on our consolidated financial statements.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our Chairman, President, and Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We conducted an evaluation under the supervision and with the participation of our management, including our Chairman, President, and Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Chairman, President, and Chief Executive Officer and our Chief Financial Officer determined that our disclosure controls and procedures were effective at September 30, 2023March 31, 2024.

**Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2023March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II**

**OTHER INFORMATION**

**Item 1. Legal Proceedings**

In the normal course of business, the Company is involved in various legal claims. Management has reviewed all legal claims against the Company with counsel and has taken into consideration the views of such counsel as to the potential outcome of the claims in determining our accrued loss contingency. Accrued loss contingencies for all legal claims totaled approximately $325$450 thousand at September 30, 2023March 31, 2024. It is reasonably possible the Company may incur losses in excess of our accrued loss contingency. However, at this time, the Company is unable to estimate the range of additional losses that are reasonably possible because of a number of factors, including the fact that certain of these litigation matters are still in their early stages. Management believes that none of these legal claims, individually or in the aggregate, will have a material adverse effect on the results of operations or financial condition of the Company.

**Item 1A. Risk Factors**

Management is not aware of any material changes to the risk factors discussed in Part 1, Item 1A, of the Annual Report on Form 10-K for the year ended December 31, 2022, as supplemented by risk factors discussed in Part II, Item 1A of the subsequent Quarterly Reports on 10-Q. December 31, 2023. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors discussed in Part 1, Item 1A, of the Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, as supplemented by risk factors discussed in Part II, Item 1A of the subsequent Quarterly Reports on 10-Q, which could materially and adversely affect the Company’s business, financial condition, results of operations, and stock price. The risks described in the Annual Report on Form 10-K and subsequent Quarterly Reports on 10-Q are not the only risks facing the Company. Additional risks and uncertainties not presently known to management, or that management presently believes not to be material, may also result in material and adverse effects on the Company’s business, financial condition, results of operations, and stock price.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Purchases of Equity Securities**

The Company did not have any unregistered sales of equity securities during the three months ended September 30, 2023March 31, 2024.

In January 2022, the Company’s Board of Directors approved a share repurchase program that authorized the Company to repurchase up to $50.0 million of its common stock. The stock repurchase authorization does not have an expiration date and may be modified, amended, suspended, or discontinued at the Company’s discretion at any time without notice. The Company did not repurchase any shares as part of this program during the three months ended September 30, 2023March 31, 2024.

The following table summarizes share repurchase activities during the three months ended September 30, 2023March 31, 2024:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program |
|---|---|---|---|---|
| | | | | (Dollars in thousands) |
| July January 1, 2023 2024 to July 31, 2023 January 31, 2024 | — | $ — | — | $ 35,333 |
| August February 1, 2023 2024 to August 31, 2023 February 29, 2024 | — | — | — | 35,333 |
| September March 1, 2023 2024 to September 30, 2023 March 31, 2024 | — | — | — | 35,333 |
| Total | — | $ — | — | |

**Item 3.** **Defaults Upon Senior Securities**

None.

**Item 4.** **Mine Safety Disclosures**

Not Applicable.

**Item 5.** **Other Information**

During the three months ended September 30, 2023 March 31, 2024, no director or officer of the Company adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as defined in Item 408 of Regulation S-K.

**Item 6.** **Exhibits**

See "Index to Exhibits."

**INDEX TO EXHIBITS**

| Exhibit No. | Description |
|---|---|
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002* |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002* |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002** |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002** |
| 101.INS | The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document* |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document* |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document* |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document* |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document* |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)* |

* **Filed herewith**

** **Furnished herewith**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HOPE BANCORP, INC.

Date: November 8, 2023 May 7, 2024

/s/ Kevin S. Kim

Kevin S. Kim

Chairman, President, and Chief Executive Officer

Date: November 8, 2023 May 7, 2024

/s/ Julianna Balicka

Julianna Balicka

Executive Vice President and Chief Financial Officer

85 81

**EXHIBIT 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kevin S. Kim, certify that:

1. I have reviewed this periodic report on Form 10-Q of Hope Bancorp, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of end of the period covered by this report based on such evaluation; and d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrants' board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023 May 7, 2024

/s/ Kevin S. Kim

Kevin S. Kim

Chairman, President, and Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Julianna Balicka certify that:

1. I have reviewed this periodic report on Form 10-Q of Hope Bancorp, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of end of the period covered by this report based on such evaluation; and d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrants' board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023 May 7, 2024

/s/ Julianna Balicka
Julianna Balicka
Executive Vice President and Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**
**PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the periodic report of Hope Bancorp, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission (the “Report”), I, Kevin S. Kim, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Date: November 8, 2023 May 7, 2024

/s/ Kevin S. Kim

Kevin S. Kim

Chairman, President, and Chief Executive Officer

**EXHIBIT 32.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**
**PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the periodic report of Hope Bancorp, Inc (the “Company”) on Form 10-Q for the period ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission (the “Report”), I, Julianna Balicka, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Date: November 8, 2023 May 7, 2024

/s/ Julianna Balicka

Julianna Balicka

Executive Vice President and Chief Financial Officer

**DISCLAIMER**

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.







REFINITIV