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DELTA REPORT

10-Q

PPBI - PACIFIC PREMIER BANCORP I

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

The following comparison report has been automatically generated

TOTAL DELTAS	1716
CHANGES	559
DELETIONS	631
ADDITIONS	526

REFINITIV

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

☒ 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

For the transition period from _______ to _______

Commission File Number 0-22193

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(Exact name of registrant as specified in its charter)

Delaware	**33-0743196**
(State or other jurisdiction of incorporation or organization)	*(I.R.S Employer Identification No.)*

17901 Von Karman Avenue, Suite 1200, Irvine, California 92614
(Address of principal executive offices and zip code)
(949) 864-8000
(Registrant's telephone number, including area code)

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).

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 Exchange Act Rule 12b-2). Yes ☐ No ☒

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	PPBI	NASDAQ Global Select Market

The number of shares outstanding of the registrant's common stock as of October 20, 2023 April 19, 2024 was 95,899,972. 96,431,504.

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
FORM 10-Q
INDEX
FOR THE QUARTER ENDED SEPTEMBER 30, 2023 MARCH 31, 2024

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Unaudited)

(Dollars in thousands, except par value and share data)	(Dollars in thousands, except par value and share data)	September 30, 2023	December 31, 2022	(Dollars in thousands, except par value and share data)	March 31, 2024	December 31, 2023
ASSETS	**ASSETS**					
Cash and due from banks	Cash and due from banks	$ 153,976	$ 135,207			
Cash and due from banks						
Cash and due from banks						
Interest-bearing deposits with financial institutions	Interest-bearing deposits with financial institutions	1,246,300	966,042			
Cash and cash equivalents	Cash and cash equivalents	1,400,276	1,101,249			
Interest-bearing time deposits with financial institutions	Interest-bearing time deposits with financial institutions	1,242	1,734			
Investments securities held-to-maturity, at amortized cost, net of allowance for credit losses of $128 and $43 (fair value of $1,354,434 and $1,097,096) at September 30, 2023 and December 31, 2022, respectively		1,737,866	1,388,103			

Investments securities held-to-maturity, at amortized cost, net of allowance for credit losses of $115 and $126 (fair value of $1,447,697 and $1,485,506) at March 31, 2024 and December 31, 2023, respectively			
Investment securities available-for-sale, at fair value	Investment securities available-for-sale, at fair value	1,914,599	2,601,013
FHLB, FRB, and other stock	FHLB, FRB, and other stock	105,505	119,918
Loans held for sale, at lower of cost or fair value		641	2,643
Loans held for investment			
Loans held for investment			
Loans held for investment	Loans held for investment	13,270,120	14,676,298
Allowance for credit losses	Allowance for credit losses	(188,098)	(195,651)
Loans held for investment, net	Loans held for investment, net	13,082,022	14,480,647
Accrued interest receivable	Accrued interest receivable	68,131	73,784
Other real estate owned	Other real estate owned	450	—
Premises and equipment, net	Premises and equipment, net	59,396	64,543
Deferred income taxes, net	Deferred income taxes, net	192,208	183,602
Bank owned life insurance	Bank owned life insurance	468,191	460,010
Intangible assets	Intangible assets	46,307	55,588
Goodwill	Goodwill	901,312	901,312
Other assets	Other assets	297,574	253,871
Total assets	Total assets	$ 20,275,720	$ 21,688,017
LIABILITIES	**LIABILITIES**		
LIABILITIES			
LIABILITIES			
Deposit accounts:			
Deposit accounts:			
Deposit accounts:	Deposit accounts:		
Noninterest-bearing checking	Noninterest-bearing checking	$ 5,782,305	$ 6,306,825
Noninterest-bearing checking			
Noninterest-bearing checking			
Interest-bearing:	Interest-bearing:		
Checking			
Checking			
Checking	Checking	2,598,449	3,119,850
Money market/savings	Money market/savings	4,873,582	5,422,607
Retail certificates of deposit	Retail certificates of deposit	1,525,919	1,086,423

Wholesale/brokered certificates of deposit	Wholesale/brokered certificates of deposit	1,227,192	1,416,696
Total interest-bearing	Total interest-bearing	10,225,142	11,045,576
Total deposits	Total deposits	16,007,447	17,352,401
FHLB advances and other borrowings	FHLB advances and other borrowings	800,000	1,000,000
Subordinated debentures	Subordinated debentures	331,682	331,204
Accrued expenses and other liabilities	Accrued expenses and other liabilities	281,057	206,023
Accrued expenses and other liabilities			
Accrued expenses and other liabilities			
Total liabilities	Total liabilities	17,420,186	18,889,628
STOCKHOLDERS' EQUITY	**STOCKHOLDERS' EQUITY**		
Preferred stock, $0.01 par value; 1,000,000 authorized; no shares issued and outstanding	Preferred stock, $0.01 par value; 1,000,000 authorized; no shares issued and outstanding	—	—
Common stock, $0.01 par value; 150,000,000 shares authorized at September 30, 2023 and December 31, 2022; 95,900,847 shares and 95,021,760 shares issued and outstanding, respectively		937	933
Preferred stock, $0.01 par value; 1,000,000 authorized; no shares issued and outstanding			
Preferred stock, $0.01 par value; 1,000,000 authorized; no shares issued and outstanding			
Common stock, $0.01 par value; 150,000,000 shares authorized at March 31, 2024 and December 31, 2023; 96,459,966 shares and 95,860,092 shares issued and outstanding, respectively			
Additional paid-in capital	Additional paid-in capital	2,371,941	2,362,663
Retained earnings	Retained earnings	771,285	700,040
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(288,629)	(265,247)
Total stockholders' equity	Total stockholders' equity	2,855,534	2,798,389
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	$ 20,275,720	$ 21,688,017

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

		Three Months Ended		Nine Months Ended	
		September 30,	September 30,	September 30,	September 30,
(Dollars in thousands, except share data)	(Dollars in thousands, except share data)	2023	2022	2023	2022
(Dollars in thousands, except share data)					

(Dollars in thousands, except share data)					
INTEREST INCOME					
INTEREST INCOME					
INTEREST INCOME	**INTEREST INCOME**				
Loans	Loans	$ 177,032	$ 174,204	$ 540,842	$ 489,263
Loans					
Loans					
Investment securities and other interest-earning assets					
Investment securities and other interest-earning assets					
Investment securities and other interest-earning assets	Investment securities and other interest-earning assets	47,030	24,821	129,951	61,534
Total interest income	Total interest income	224,062	199,025	670,793	550,797
Total interest income					
Total interest income					
INTEREST EXPENSE					
INTEREST EXPENSE					
INTEREST EXPENSE	**INTEREST EXPENSE**				
Deposits	Deposits	62,718	9,873	156,532	14,228
Deposits					
Deposits					
FHLB advances and other borrowings					
FHLB advances and other borrowings					
FHLB advances and other borrowings	FHLB advances and other borrowings	7,235	3,480	22,328	7,171
Subordinated debentures	Subordinated debentures	4,561	4,560	13,683	13,682
Subordinated debentures					
Subordinated debentures					
Total interest expense					
Total interest expense					
Total interest expense	Total interest expense	74,514	17,913	192,543	35,081
Net interest income before provision for credit losses	Net interest income before provision for credit losses	149,548	181,112	478,250	515,716
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	3,918	1,077	8,433	1,994
Net interest income after provision for credit losses	Net interest income after provision for credit losses	145,630	180,035	469,817	513,722
Net interest income after provision for credit losses					
Net interest income after provision for credit losses					

NONINTEREST INCOME					
NONINTEREST INCOME					
NONINTEREST INCOME	**NONINTEREST INCOME**				
Loan servicing income	Loan servicing income	533	397	1,599	1,318
Loan servicing income					
Loan servicing income					
Service charges on deposit accounts					
Service charges on deposit accounts					
Service charges on deposit accounts	Service charges on deposit accounts	2,673	2,704	7,972	8,009
Other service fee income	Other service fee income	280	323	891	1,056
Other service fee income					
Other service fee income					
Debit card interchange fee income					
Debit card interchange fee income					
Debit card interchange fee income	Debit card interchange fee income	924	808	2,641	2,580
Earnings on bank owned life insurance	Earnings on bank owned life insurance	3,579	3,339	10,440	9,800
Earnings on bank owned life insurance					
Earnings on bank owned life insurance					
Net gain from sales of loans	Net gain from sales of loans	45	457	419	3,087
Net (loss) gain from sales of investment securities		—	(393)	138	1,710
Net gain from sales of loans					
Net gain from sales of loans					
Net gain from sales of investment securities					
Net gain from sales of investment securities					
Net gain from sales of investment securities					
Trust custodial account fees					
Trust custodial account fees					
Trust custodial account fees	Trust custodial account fees	9,356	9,951	29,741	31,884
Escrow and exchange fees	Escrow and exchange fees	938	1,555	2,920	5,043
Escrow and exchange fees					
Escrow and exchange fees					
Other income					
Other income					
Other income	Other income	223	1,023	3,515	3,764
Total noninterest income	Total noninterest income	18,551	20,164	60,276	68,251
Total noninterest income					
Total noninterest income					
NONINTEREST EXPENSE					
NONINTEREST EXPENSE					
NONINTEREST EXPENSE	**NONINTEREST EXPENSE**				

Compensation and benefits	Compensation and benefits	54,068	56,355	161,785	170,898
Compensation and benefits					
Compensation and benefits					
Premises and occupancy					
Premises and occupancy					
Premises and occupancy	Premises and occupancy	11,382	12,011	34,739	35,792
Data processing	Data processing	7,517	7,058	22,270	19,658
Data processing					
Data processing					
Other real estate owned operations, net					
Other real estate owned operations, net					
Other real estate owned operations, net	Other real estate owned operations, net	(4)	—	112	—
FDIC insurance premiums	FDIC insurance premiums	2,324	1,461	7,106	4,309
FDIC insurance premiums					
FDIC insurance premiums					
Legal and professional services					
Legal and professional services					
Legal and professional services	Legal and professional services	4,243	4,075	14,460	12,772
Marketing expense	Marketing expense	1,635	1,912	5,352	5,647
Marketing expense					
Marketing expense					
Office expense					
Office expense					
Office expense	Office expense	1,079	1,338	3,591	3,793
Loan expense	Loan expense	476	789	1,689	3,067
Loan expense					
Loan expense					
Deposit expense					
Deposit expense					
Deposit expense	Deposit expense	10,811	4,846	28,441	12,678
Amortization of intangible assets	Amortization of intangible assets	3,055	3,472	9,281	10,543
Amortization of intangible assets					
Amortization of intangible assets					
Other expense					
Other expense					
Other expense	Other expense	5,599	7,549	15,355	18,331
Total noninterest expense	Total noninterest expense	102,185	100,866	304,181	297,488
Total noninterest expense					
Total noninterest expense					
Net income before income taxes					
Net income before income taxes					
Net income before income taxes	Net income before income taxes	61,996	99,333	225,912	284,485
Income tax expense	Income tax expense	15,966	25,970	59,684	74,415
Income tax expense					

Income tax expense									
Net income									
Net income									
Net income	Net income	$	46,030	$	73,363	$	166,228	$	210,070
EARNINGS PER SHARE	**EARNINGS PER SHARE**								
EARNINGS PER SHARE									
EARNINGS PER SHARE									
Basic									
Basic									
Basic	Basic	$	0.48	$	0.77	$	1.74	$	2.22
Diluted	Diluted		0.48		0.77		1.74		2.21
Diluted									
Diluted									
WEIGHTED AVERAGE SHARES OUTSTANDING									
WEIGHTED AVERAGE SHARES OUTSTANDING									
WEIGHTED AVERAGE SHARES OUTSTANDING	**WEIGHTED AVERAGE SHARES OUTSTANDING**								
Basic	Basic		94,189,844		93,793,502		94,072,463		93,687,230
Basic									
Basic									
Diluted									
Diluted									
Diluted	Diluted		94,283,008		94,120,637		94,214,846		94,055,116

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended		Nine Months Ended	
(Dollars in thousands)	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net income	$ 46,030	$ 73,363	$ 166,228	$ 210,070
Other comprehensive income (loss), net of tax:				
Unrealized (loss) gain on securities available-for-sale, net of income taxes (1)	(15,684)	(68,070)	5,166	(227,135)
Reclassification adjustment for net loss (gain) on sales of securities included in net income, net of income taxes (2)	—	281	(99)	(1,222)
Net unrealized loss on securities transferred from available-for-sale to held-to-maturity, net of income taxes (3)	—	—	(36,076)	(47,884)
Amortization of unrealized loss on securities transferred from available-for-sale to held-to-maturity, net of income taxes (4)	2,522	1,694	7,627	2,990
Other comprehensive loss, net of tax	(13,162)	(66,095)	(23,382)	(273,251)
Comprehensive income (loss), net of tax	$ 32,868	$ 7,268	$ 142,846	$ (63,181)

	Three Months Ended	
(Dollars in thousands)	March 31, 2024	March 31, 2023
Net income	$ 47,025	$ 62,562
Other comprehensive income, net of tax:		

Unrealized gain on securities available-for-sale, net of income taxes (1)	1,390	36,400
Reclassification adjustment for net gain on sales of securities included in net income, net of income taxes (2)	—	(99)
Net unrealized loss on securities transferred from available-for-sale to held-to-maturity, net of income taxes (3)	—	(36,076)
Amortization of unrealized loss on securities transferred from available-for-sale to held-to-maturity, net of income taxes (4)	2,519	2,293
Other comprehensive income, net of tax	3,909	2,518
Comprehensive income, net of tax	$ 50,934	$ 65,080

(1) Income tax (benefit) expense of the unrealized (loss) gain on securities was $(6.2) million $547,000 and $(27.2) million $14.4 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $2.0 million and $(90.7) million for the nine months ended September 30, 2023 and 2022, 2023, respectively.
(2) Income tax (benefit) expense on the reclassification adjustment for net loss (gain) gain on sales of securities included in net income was $0 zero and $(112,000) $39,000 for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $39,000 and $488,000 for the nine months ended September 30, 2023 and 2022, 2023, respectively.
(3) Income tax (benefit) expense on the unrealized loss on securities transferred from available-for-sale to held-to-maturity was $0 zero and $0 $(14.3) million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $(14.3) million and $(19.1) million for the nine months ended September 30, 2023 and 2022, 2023, respectively.
(4) Income tax expense on the amortization of unrealized loss on securities transferred from available-for-sale to held-to-maturity included in net income was $1.0 million and $677,000 $915,000 for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $3.0 million and $1.2 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS AND THREE MONTHS ENDED SEPTEMBER 30, MARCH 31, 2024 AND 2023
(Unaudited)

(Dollars in thousands, except share data)	(Dollars in thousands, except share data)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Accumulated Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	(Dollars in thousands, except share data)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Accumulated Retained Earnings	Accumu Othe Comprehe Loss
Balance at December 31, 2022		95,021,760	$ 933	$2,362,663	$ 700,040	$ (265,247)	$ 2,798,389						
Balance at December 31, 2023													
Net income	Net income	—	—	—	166,228	—	166,228						
Other comprehensive loss		—	—	—	—	(23,382)	(23,382)						
Cash dividends declared ($0.99 per common share)		—	—	—	(94,616)	—	(94,616)						
Dividend equivalents declared ($0.99 per restricted stock unit)		—	—	367	(367)	—	—						
Other comprehensive income													
Cash dividends declared ($0.33 per common share)													
Dividend equivalents declared ($0.33 per restricted stock unit)													
Share-based compensation expense	Share-based compensation expense	—	—	14,622	—	—	14,622						
Issuance of restricted stock, net	Issuance of restricted stock, net	1,085,234	4	(4)	—	—	—						

Restricted stock surrendered and canceled	Restricted stock surrendered and canceled	(221,617)	—	(5,953)	—	—	(5,953)
Exercise of stock options	Exercise of stock options	15,470	—	246	—	—	246
Balance at September 30, 2023		95,900,847	$ 937	$2,371,941	$ 771,285	$ (288,629)	$ 2,855,534
Balance at March 31, 2024							

Balance at December 31, 2022	95,021,760	$ 933	$ 2,362,663	$ 700,040	$ (265,247)	$ 2,798,389
Net income	—	—	—	62,562	—	62,562
Other comprehensive income	—	—	—	—	2,518	2,518
Cash dividends declared ($0.33 per common share)	—	—	—	(31,357)	—	(31,357)
Dividend equivalents declared ($0.33 per restricted stock unit)	—	—	122	(122)	—	—
Share-based compensation expense	—	—	4,729	—	—	4,729
Issuance of restricted stock, net	834,724	4	(4)	—	—	—
Restricted stock surrendered and canceled	(142,175)	—	(5,691)	—	—	(5,691)
Exercise of stock options	468	—	11	—	—	11
Balance at March 31, 2023	95,714,777	$ 937	$ 2,361,830	$ 731,123	$ (262,729)	$ 2,831,161

Balance at June 30, 2023	95,906,217	$ 937	$ 2,366,639	$ 757,025	$ (275,467)	$ 2,849,134
Net income	—	—	—	46,030	—	46,030
Other comprehensive loss	—	—	—	—	(13,162)	(13,162)
Cash dividends declared ($0.33 per common share)	—	—	—	(31,647)	—	(31,647)
Dividend equivalents declared ($0.33 per restricted stock unit)	—	—	123	(123)	—	—
Share-based compensation expense	—	—	5,350	—	—	5,350
Issuance of restricted stock, net	11,161	—	—	—	—	—
Restricted stock surrendered and canceled	(16,531)	—	(171)	—	—	(171)
Exercise of stock options	—	—	—	—	—	—
Balance at September 30, 2023	95,900,847	$ 937	$ 2,371,941	$ 771,285	$ (288,629)	$ 2,855,534

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE NINE MONTHS AND THREE MONTHS ENDED SEPTEMBER 30, 2022

(Dollars in thousands, except share data)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Accumulated Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2021	94,389,543	$ 929	$ 2,351,294	$ 541,950	$ (7,862)	$ 2,886,311
Net income	—	—	—	210,070	—	210,070
Other comprehensive loss	—	—	—	—	(273,251)	(273,251)
Cash dividends declared ($0.99 per common share)	—	—	—	(93,806)	—	(93,806)
Dividend equivalents declared ($0.99 per restricted stock unit)	—	—	369	(369)	—	—
Share-based compensation expense	—	—	14,171	—	—	14,171
Issuance of restricted stock, net	818,229	4	(4)	—	—	—
Restricted stock surrendered and canceled	(234,851)	—	(8,858)	—	—	(8,858)
Exercise of stock options	43,846	—	759	—	—	759
Balance at September 30, 2022	95,016,767	$ 933	$ 2,357,731	$ 657,845	$ (281,113)	$ 2,735,396

Balance at June 30, 2022	94,976,605	$ 933	$ 2,353,361	$ 615,943	$ (215,018)	$ 2,755,219
Net income	—	—	—	73,363	—	73,363
Other comprehensive loss	—	—	—	—	(66,095)	(66,095)
Cash dividends declared ($0.33 per common share)	—	—	—	(31,337)	—	(31,337)
Dividend equivalents declared ($0.33 per restricted stock unit)	—	—	124	(124)	—	—
Share-based compensation expense	—	—	4,336	—	—	4,336
Issuance of restricted stock, net	56,452	—	—	—	—	—
Restricted stock surrendered and canceled	(22,348)	—	(184)	—	—	(184)
Exercise of stock options	6,058	—	94	—	—	94
Balance at September 30, 2022	95,016,767	$ 933	$ 2,357,731	$ 657,845	$ (281,113)	$ 2,735,396

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

		Nine Months Ended			**Three Months Ended**	
		September 30,	**September 30,**		**March 31,**	**March 31,**
(Dollars in thousands)	(Dollars in thousands)	**2023**	**2022**	(Dollars in thousands)	**2024**	**2023**
Cash flows from operating activities:	**Cash flows from operating activities:**			**Cash flows from operating activities:**		
Net income	Net income	$ 166,228	$ 210,070			
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:			Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	Depreciation and amortization expense	10,617	11,164			
Provision for credit losses	Provision for credit losses	8,433	1,994			
Share-based compensation expense	Share-based compensation expense	14,622	14,171			
Loss on sales and disposals of premises and equipment	Loss on sales and disposals of premises and equipment	131	54			
Net gain on sales of other real estate owned		(106)	—			
Net amortization on securities		11,244	14,127			
Net accretion of discounts/premiums for acquired loans and deferred loan fees/costs		(11,573)	(22,328)			
Net gain on sales of investment securities available-for-sale		(138)	(1,710)			
Net gain on sales of loans		(419)	(3,087)			

Net (accretion) amortization of discounts/premium on securities			
Net (accretion) amortization of discounts/premium on securities			
Net (accretion) amortization of discounts/premium on securities			
Net (accretion) of discounts/premiums for acquired loans and deferred loan fees/costs			
(Gain) on sale of investment securities available-for-sale			
(Gain) on debt extinguishment			
(Gain) on sales of loans			
Deferred income tax expense	Deferred income tax expense	677	5,561
Income from bank owned life insurance, net	Income from bank owned life insurance, net	(8,453)	(7,949)
Amortization of intangible assets	Amortization of intangible assets	9,281	10,543
Origination of loans held for sale		(1,370)	(57,685)
Proceeds from the sales of and principal payments from loans held for sale		2,085	69,478
Change in accrued expenses and other liabilities, net		78,202	6,075
Change in accrued interest receivable and other assets, net		(10,970)	82,719
Origination of loans held for sale, net of principal payments received			
Proceeds from the sales of loans held for sale			
Net change in accrued expenses and other liabilities, net			
Net change in accrued interest receivable and other assets, net			
Net cash provided by operating activities	Net cash provided by operating activities	268,491	333,197

Cash flows from investing activities:	**Cash flows from investing activities:**			**Cash flows from investing activities:**
Net decrease in interest-bearing time deposits with financial institutions		492	483	
Proceeds from sales of other real estate owned	Proceeds from sales of other real estate owned	3,307	—	
Loan originations and payments, net		1,330,911	(664,678)	
Proceeds from loans held for sale previously classified as loans held for investment		84,472	—	
Purchase of loans held for investment		—	(797)	
Proceeds from sales of other real estate owned				
Proceeds from sales of other real estate owned				
Loan (originations) and payments, net				
Proceeds from sales of loans classified as loans held for investment				
Purchase of securities held-to-maturity				
Purchase of securities held-to-maturity				
Purchase of securities held-to-maturity	Purchase of securities held-to-maturity	(21,357)	—	
Proceeds from prepayments and maturities of securities held-to-maturity	Proceeds from prepayments and maturities of securities held-to-maturity	35,748	15,570	
Purchase of securities available-for-sale	Purchase of securities available-for-sale	(224,347)	(986,997)	
Proceeds from prepayments and maturities of securities available-for-sale	Proceeds from prepayments and maturities of securities available-for-sale	198,433	248,629	
Proceeds from sales of securities available-for-sale	Proceeds from sales of securities available-for-sale	304,320	936,413	
Proceeds from the sales of premises and equipment	Proceeds from the sales of premises and equipment	3	—	

Proceeds from surrender of bank owned life insurance	Proceeds from surrender of bank owned life insurance	272	—
Purchase of premises and equipment	Purchase of premises and equipment	(5,604)	(4,961)
Change in FHLB, FRB, and other stock		1,784	(2,321)
Net change in FHLB, FRB, and other stock			
Funding of Community Reinvestment Act (“CRA”) investments, net	Funding of Community Reinvestment Act (“CRA”) investments, net	(32,621)	(10,910)
Net cash provided by (used in) investing activities		1,675,813	(469,569)
Net cash provided by investing activities			
Cash flows from financing activities:	**Cash flows from financing activities:**		
Cash flows from financing activities:			
Net (decrease) increase in deposit accounts		$(1,344,954)	$ 630,785
Net change in deposit accounts			
Net change in short-term borrowings	Net change in short-term borrowings	(200,000)	(358,000)
Proceeds from long-term borrowings		—	400,000
Repayments of long-term borrowings			
Repayments of long-term borrowings			
Repayments of long-term borrowings			
Cash dividends paid	Cash dividends paid	(94,616)	(93,806)
Cash dividends paid			
Cash dividends paid			
Proceeds from exercise of stock options			
Proceeds from exercise of stock options			
Proceeds from exercise of stock options	Proceeds from exercise of stock options	246	759
Restricted stock surrendered and canceled	Restricted stock surrendered and canceled	(5,953)	(8,858)
Net cash (used in) provided by financing activities		(1,645,277)	570,880
Net cash used in financing activities			

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Net increase in cash and cash equivalents	Net increase in cash and cash equivalents	299,027	434,508
Cash and cash equivalents, beginning of period	**Cash and cash equivalents, beginning of period**	1,101,249	304,703
Cash and cash equivalents, end of period	**Cash and cash equivalents, end of period**	$ 1,400,276	$ 739,211
Supplemental cash flow disclosures:	**Supplemental cash flow disclosures:**		
Supplemental cash flow disclosures:			
Supplemental cash flow disclosures:			
Interest paid	Interest paid	$ 177,393	$ 28,638
Income taxes paid, net		1,610	47,932
Income taxes (refunded) paid, net			
Noncash investing activities during the period:	**Noncash investing activities during the period:**		
Transfers from loans held for investment to loans held for sale	Transfers from loans held for investment to loans held for sale	84,993	—
Transfers from loans held for sale to loans held for investment		2,227	—
Transfers from loans held for investment to loans held for sale			
Transfers from loans held for investment to loans held for sale			
Loans held for sale transfer to loans held for investment			
Other real estate owned transferred from loans held for investment	Other real estate owned transferred from loans held for investment	7,336	—
Transfers of investment securities from available-for-sale to held-to-maturity	Transfers of investment securities from available-for-sale to held-to-maturity	360,347	1,019,472
Transfers of CRA investment securities from FHLB, FRB, and other stock to other assets	Transfers of CRA investment securities from FHLB, FRB, and other stock to other assets	12,601	—

Recognition of operating lease right-of-use assets	Recognition of operating lease right-of-use assets	(4,259)	(1,183)
Recognition of operating lease liabilities	Recognition of operating lease liabilities	4,336	1,183

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2023 March 31, 2024
(Unaudited)

Note 1 – Basis of Presentation

The consolidated financial statements include the accounts of Pacific Premier Bancorp, Inc. (the "Corporation") and its wholly owned subsidiaries, including Pacific Premier Bank (the "Bank") (collectively, the "Company," "we," "our," or "us"). All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, the unaudited consolidated financial statements reflect all normal recurring adjustments and accruals that are necessary for a fair presentation of the statement of financial position and the results of operations for the interim periods presented. The results of operations for the nine three months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results that may be expected for any other interim period or the full year ending December 31, 2023 December 31, 2024.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 (the "2022 "2023 Form 10-K").

The Company consolidates voting entities in which the Company has control through voting interests or entities through which the Company has a controlling financial interest in a variable interest entity ("VIE"). The Company evaluates its interests in these entities to determine whether they meet the definition of a VIE and whether the Company is required to consolidate these entities. A VIE is consolidated by its primary beneficiary, which is the party that has both (i) the power to direct the activities that most significantly impact the economic performance of the VIE and (ii) a variable interest that could potentially be significant to the VIE. To determine whether or not a variable interest the Company holds could potentially be significant to the VIE, the Company considers both qualitative and quantitative factors regarding the nature, size, and form of the Company's involvement with the VIE. See *Note 13 – Variable Interest Entities* for additional information.

Note 2 – Recently Issued Accounting Pronouncements

Accounting Standards Adopted in 2023 2024

In March 2022, 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU" or "Update") 2022-02, 2023-02, *Financial Instruments Investments - Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Tax Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures Structures Using the Proportional Amortization Method, a consensus of the Emerging Issues Task Force*. The FASB issued this Update in response to feedback the FASB received from various stakeholders in its post-implementation review process related to the issuance of ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which was effective for the Company on January 1, 2020. The amendments in this Update include allow the elimination option for an entity to apply the proportional amortization method of accounting guidance to other equity investments that are made for troubled debt restructurings ("TDRs") the primary purpose of receiving income tax credits or other income tax benefits, if certain conditions are met. Prior to this Update, the application of the proportional amortization method of accounting was limited to investments in Subtopic 310-40 - *Receivables - Troubled Debt Restructurings by Creditors*, and introduce new disclosures and enhance existing disclosures concerning certain loan refinancings and restructurings when low income housing tax credit structures. The proportional amortization method of accounting results in the amortization of applicable investments, as well as the related income tax credits or other income tax benefits received, being presented on a borrower single line in the statements of income, that is experiencing financial difficulty. income tax expense. Under the provisions of this Update, an entity must determine whether has the option to apply the proportional amortization method of accounting to applicable investments on a modification results in a new loan or the continuation of an existing loan. Further, tax-credit-program-by-tax-credit-program basis. In addition, the amendments in this Update require that all tax equity investments accounted for using the proportional amortization method use the delayed equity contribution guidance in paragraph 323-740-25-3, requiring a public business liability be recognized for delayed equity contributions that are unconditional and legally binding or for equity contributions that are contingent upon a future event when that contingent event becomes probable. Under this Update, low income housing tax credit investments for which the proportional amortization method is not applied can no longer be accounted for using the delayed equity contribution guidance. Further, this Update specifies that tax equity investments accounted for using the equity method must apply the impairment guidance in Subtopic 323-10 - Investments - Equity Method and Joint Ventures - Overall. This Update also clarifies that for low income housing tax credit investments not accounted for under the proportional amortization method or the equity method, an entity disclose current period gross charge-offs on financing receivables within the scope of ASC 326-20, *Financial Instruments* *shall account for them under Topic 321* - *Credit Losses* *Investments* - *Measured at Amortized Cost*, by year of origination and class of financing receivable. Equity Securities. The amendments in this Update became effective for the Company on January 1, 2023 for all also require additional disclosures in interim and annual periods. The adoption periods concerning investments for which the proportional amortization method is applied, including (i) the nature of tax equity investments, and (ii) the provisions in this Update are applied prospectively effect of tax equity investments and have resulted in additional disclosures concerning modifications of loans to borrowers experiencing financial difficulty, as well as disaggregated disclosure of charge-offs on loans. Please also see *Note 5 – Loans Held for Investment* for added disclosure concerning modifications of loans to borrowers experiencing financial difficulty, as well as current period gross charge-offs on loans by year of origination related income tax credits and loan classification.

In March 2022, the FASB issued ASU 2022-01, *Derivatives and Hedging (Topic 815) Fair Value Hedging - Portfolio Layer Method*. The amendments in this Update make targeted improvements to fair value hedge accounting and more specifically to the last-of-layer hedge accounting method. This Update expands the last-of-layer hedge accounting method to allow for multiple hedged layers to be designated for a single closed portfolio of prepayable financial assets, and renames this accounting method the "portfolio layer method." The provisions of this Update also include: (i) expanding the scope of the portfolio layer method to nonprepayable financial assets, (ii) specifying that eligible hedging instruments in a single layer hedge may include spot-starting or forward-starting constant-notional or amortizing-notional swaps and that the number of hedged layers corresponds with the number of hedges designated, (iii) specifies that an entity hedging multiple amounts in a closed portfolio using a single amortizing-notional swap is executing a single-layer hedge, (iv) provides additional guidance other income tax benefits on the accounting for financial position and disclosure results of hedge basis adjustments resulting from a fair value hedge under the portfolio layer method by requiring such basis adjustments be maintained at the portfolio level and not allocated to individual assets, and to disclose basis adjustments as a reconciling item in certain disclosures, such as those for loans, and (v) specifies that an entity is to exclude hedge basis adjustments in the determination of credit losses on the assets within the closed portfolio. operations. The provisions of this Update became effective for the Company on January 1, 2023 for all interim and annual periods. periods beginning January 1, 2024. Refer to *Note 14 – Tax Equity Investments* for additional information. The adoption of the provisions in this Update did not have a material impact on the Company's consolidated financial statements. Please also see *Note 11 – Derivative Instruments*, for disclosure concerning the Company's portfolio layer method fair value hedges.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848)—Facilitation of the Effects of Reference Rate Reform on Financial Reporting. In response to concerns about structural risks of Interbank Offered Rates ("IBORs"), and particularly, the risk of cessation of the London Interbank Offered Rate ("LIBOR"), regulators around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction-based and less susceptible to manipulation. The amendments in this Update provide optional guidance for a limited time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting as well as optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this Update apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. The amendments in this Update are elective and become effective upon issuance for all entities.

An entity may elect to apply the amendments in this Update to eligible hedging relationships existing as of the beginning of the interim period that includes March 12, 2020 and to new eligible hedging relationships entered into after the beginning of the interim period that includes March 12, 2020. The Company has not entered into any hedging related transactions that reference LIBOR or another reference rate that is expected to be discontinued, and as such, the amendments included in this Update have not had an impact on the Company's consolidated financial statements.

The use of LIBOR was discontinued after June 30, 2023. In anticipation of this, the Company previously created a cross-functional working group to manage the transition away from LIBOR. This working group was comprised of senior leadership and staff from functional areas that include: finance, treasury, lending, loan servicing, enterprise risk management, information technology, legal, and other internal stakeholders integral to the Bank's transition away from LIBOR. The working group monitored developments related to transition and uncertainty surrounding reference rate reform and guided the Bank's response. The working group performed regular assessments of the population of financial instruments that referenced LIBOR and worked to transition such instruments away from LIBOR. The working group also worked to confirm the Bank's loan documents that referenced LIBOR have been appropriately amended, ensuring that our internal systems were prepared for the transition, and managed the transition process with our customers. The Company has chosen to use the Secured Overnight Financing Rate ("SOFR") as an alternative to LIBOR. However, the Company may also use other alternative reference rates, such as the Constant Maturity Treasury index and Prime rate based on the individual needs of our customers as well as the types of credit being extended.

Recent Accounting Guidance Not Yet Effective

In March December 2023, the FASB issued ASU 2023-01, 2023-09, *Leases* *Income Taxes* *(Topic* *842), Common Control Arrangements* *740) - Improvements to Income Tax Disclosures*. The FASB issued this Update to enhance the transparency and decision usefulness of income tax disclosures. The amendments in this Update clarify address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the accounting for leasehold improvements associated with common control leases. This Update has been issued in order to address current diversity in practice associated with the accounting for leasehold improvements associated with a lease between entities under common control. The amendments in this Update apply to all lessees that are a party to a lease between entities under common control in which there are leasehold improvements. rate reconciliation and income taxes paid information. The amendments in this Update are effective for interim and annual periods beginning after December 15, 2023. The Company has evaluated the provisions of this Update, and does not anticipate the adoption will have a material impact on the Company's consolidated financial statements.

In March 2023, the FASB issued ASU 2023-02, *Investments - Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method, a consensus of the Emerging Issues Task Force*. The amendments in this Update allow the option for an entity to apply the proportional amortization method of accounting to other equity investments that are made for the primary purpose of receiving income tax credits or other income tax benefits, if certain conditions are met. Prior to this Update, the application of the proportional amortization method of accounting was limited to investments in low income housing tax credit structures. The proportional amortization method of accounting results in the amortization of applicable investments, as well as the related income tax credits or other income tax benefits received, being presented on a single line in the statements of income, that is income tax expense. Under this Update, an entity has the option to apply the proportional amortization method of accounting to applicable investments on a tax-credit-program-by-tax-credit-program basis. In addition, the amendments in this Update require that all tax equity investments accounted for using the proportional amortization method use the delayed equity contribution guidance in paragraph 323-740-25-3, requiring a liability be recognized for delayed equity contributions that are unconditional and legally binding or for equity contributions that are contingent upon a future event when that contingent event becomes probable. Under this Update, low income housing tax credit investments for which the proportional amortization method is not applied can no longer be accounted for using the delayed equity contribution guidance. Further, this Update specifies that tax equity investments accounted for using the equity method must apply the impairment guidance in Subtopic 323-10 - *Investments - Equity Method and Joint Ventures - Overall*. This Update also clarifies that for low income housing tax credit investments not accounted for under the proportional amortization method or the equity method, an entity shall account for them under Topic 321 - *Investments - Equity Securities*. The amendments in this Update also require additional disclosures in interim and annual periods concerning investments for which the proportional amortization method is applied, including (i) the nature of tax equity investments, and (ii) the effect of tax equity investments and related income tax credits and other income tax benefits on the financial position and results of operations. The provisions of this Update are effective for the Company for interim and annual periods beginning after December 15, 2023 December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of this Update on its consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280) - Improvements to Reportable Segments*. The amendments in this Update improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis. Amendments in this Update include: a requirement that a public entity provide all annual disclosures about a reportable segment's profit or loss in its interim period disclosures, disclosure of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), disclosure of amounts for other segment items by reportable segment and a description of its composition, clarification that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit or loss, requires that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss, and requires that a public entity that has a single reportable segment provide all the disclosures required by this Update as well as all existing disclosures required in Topic 280. The amendments in this Update are effective for the Company beginning with its 2024 annual financial statement disclosures for the year ended December 31, 2024, and for all interim and annual periods thereafter. Early adoption is permitted. The Company is currently evaluating the impact of this Update.

Note 3 – Significant Accounting Policies

Our accounting policies are described in *Note 1 - Description of Business and Summary of Significant Accounting Policies*, of our audited consolidated financial statements included in our 2022 2023 Form 10-K. Significant As of March 31, 2024, there were no significant changes to accounting policies from those disclosed in our audited consolidated financial statements included in our 2022 2023 Form 10-K are presented below.

Modified Loans to Borrowers Experiencing Financial Difficulty. Infrequently, the Company makes modifications to certain loans in order to alleviate temporary difficulties in the borrower's financial condition and/or constraints on the borrower's ability to repay the loan, and to minimize potential losses to the Company. The Company also refers to these modifications as modified loans to troubled borrowers ("MLTB"). Modifications may include: changes in the amortization terms of the loan, reductions in interest rates, acceptance of interest only payments, and, in very limited cases, reductions to the outstanding loan balance. Such loans are typically placed on nonaccrual status when there is doubt concerning the full repayment of principal and interest or the loan has been in default for a period of 90 days or more. Such loans may be returned to accrual status when all contractual amounts past due have been brought current, and the borrower's performance under the modified terms of the loan agreement and the ultimate collectability of all contractual amounts due under the modified terms is no longer in doubt. The Company typically measures the allowance for credit losses ("ACL") on MLTB on an individual basis when the loans are deemed to no longer share risk characteristics that are similar with other loans in the portfolio. The determination of the ACL for these loans is based on a discounted cash flow approach for both those measured collectively and individually, unless the loan is deemed collateral dependent, which requires measurement of the ACL based on the estimated expected fair value of the underlying collateral, less costs to sell. 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 5 – Loans Held for Investment* for additional information concerning modified loans to troubled borrowers.

Use of Estimates. The preparation of financial statements in conformity with 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 periods presented. Actual results could differ from those estimates.

Note 4 – Investment Securities

The amortized cost and estimated fair value of available-for-sale (“AFS”) investment securities were as follows:

(Dollars in thousands)	(Dollars in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
(Dollars in thousands)					
(Dollars in thousands)		Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
AFS investment securities:	**AFS investment securities:**				
September 30, 2023					
March 31, 2024					
March 31, 2024					
March 31, 2024					
U.S. Treasury	U.S. Treasury	$ 14,947	$ —	$ (2,033)	$ 12,914
Agency	Agency	457,694	—	(52,180)	405,514
Corporate	Corporate	560,873	57	(56,122)	504,808
Collateralized mortgage obligations	Collateralized mortgage obligations	337,195	—	(32,865)	304,330
Mortgage-backed securities		840,545	—	(153,512)	687,033
Collateralized mortgage obligations					
Collateralized mortgage obligations					
Total AFS investment securities	Total AFS investment securities	$2,211,254	$ 57	$(296,712)	$1,914,599
Total AFS investment securities					
Total AFS investment securities					

		Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
December 31, 2022					
December 31, 2023					
December 31, 2023					
December 31, 2023					
U.S. Treasury					
U.S. Treasury					
U.S. Treasury	U.S. Treasury	$ 49,156	$ —	$ (2,139)	$ 47,017
Agency	Agency	485,331	—	(53,893)	431,438
Corporate	Corporate	586,652	—	(44,104)	542,548
Collateralized mortgage obligations	Collateralized mortgage obligations	829,928	—	(65,699)	764,229
Mortgage-backed securities		953,678	—	(137,897)	815,781
Collateralized mortgage obligations					
Collateralized mortgage obligations					
Total AFS investment securities	Total AFS investment securities	$ 2,904,745	$ —	$ (303,732)	$ 2,601,013
Total AFS investment securities					

Total AFS investment securities

The carrying amount and estimated fair value of held-to-maturity (“HTM”) investment securities were as follows:

(Dollars in thousands)	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrecognized Gain	Gross Unrecognized Loss	Estimated Fair Value
HTM investment securities:						
September 30, 2023						
March 31, 2024						
March 31, 2024						
March 31, 2024						
Municipal bonds						
Municipal bonds						
Municipal bonds	$1,146,583	$ (128)	$1,146,455	$ —	$ (321,595)	$ 824,860
Collateralized mortgage obligations	341,238	—	341,238	1,064	(17,902)	324,400
Mortgage-backed securities	233,881	—	233,881	—	(44,999)	188,882
Other	16,292	—	16,292	—	—	16,292
Total HTM investment securities	$1,737,994	$ (128)	$1,737,866	$ 1,064	$ (384,496)	$1,354,434

(Dollars in thousands)	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrecognized Gain	Gross Unrecognized Loss	Estimated Fair Value
December 31, 2022						
December 31, 2023						
December 31, 2023						
December 31, 2023						
Municipal bonds	$ 1,148,055	$ (43)	$ 1,148,012	$ 44	$ (257,430)	$ 890,626
Municipal bonds						
Municipal bonds						
Collateralized mortgage obligations						
Mortgage-backed securities	231,692	—	231,692	—	(33,621)	198,071
Other	8,399	—	8,399	—	—	8,399
Total HTM investment securities	$ 1,388,146	$ (43)	$ 1,388,103	$ 44	$ (291,051)	$ 1,097,096

The Company reassesses classification of certain investments as part of the ongoing review of the investment securities portfolio. During the first nine months quarter of 2024, there was no transfer of AFS securities to HTM securities.

During the first quarter of 2023, the Company transferred $410.7 million of AFS collateralized mortgage obligations to HTM securities. The Company intends and has the ability to hold the securities transferred to maturity. The transfer of these securities was accounted for at fair value on the transfer date. These The collateralized mortgage obligations securities had a net carrying amount of $360.3 million with a pre-tax unrealized loss of $50.4 million, which are accreted into interest income as yield adjustments through earnings over the remaining term of the securities. The amortization of the related net after-tax unrealized losses reported in accumulated other comprehensive loss offsets the effect on interest income for the accretion of the unrealized losses associated with the transferred securities. No gains or losses were recorded at the time of transfer.

During the first nine months of 2022, the Company transferred an AFS municipal bond portfolio of $831.4 million and mortgage-backed securities of $255.0 million to HTM securities. The Company intends and has the ability to hold the securities transferred to maturity. The transfer of these securities was accounted for at fair value on the transfer date. The municipal bonds had a net carrying amount of $780.7 million with a pre-tax unrealized loss of $50.8 million, and the mortgage-backed securities had a net carrying amount of $238.8 million with a pre-tax unrealized loss of $16.2 million, both of which are accreted into interest income as yield adjustments over the remaining term of the securities. No gains or losses were recorded at the time of transfer.

Investment securities with carrying values of $3.59 billion $2.36 billion and $195.6 million $2.80 billion as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, were pledged to other borrowings, secure public deposits, and for other purposes as required or permitted by law. The increase in the investment securities pledged during the first nine months of 2023 was primarily due to the additional investment Investment securities with carrying values of $1.66 billion $2.17 billion and $1.41 billion as of March 31, 2024 and December 31, 2023, respectively, were pledged to the Federal Reserve's discount window and $1.73 billion pledged to the Federal Reserve's new Bank Term Funding Program launched in March 2023 to increase the Company's access to funding and provide liquidity.

Unrealized Gains and Losses

Unrealized gains and losses on AFS investment securities, net of tax, are recognized in stockholders' equity as accumulated other comprehensive income or loss. At September 30, 2023 March 31, 2024, the Company had a net unrealized loss on AFS investment securities of $296.7 million $34.0 million, or $212.3 million $24.4 million net of tax in accumulated other comprehensive loss, compared to a net unrealized loss of $303.7 million $36.0 million, or $217.4 million $25.8 million net of tax in accumulated other comprehensive loss, at December 31, 2022 December 31, 2023.

For investment securities transferred from AFS to HTM, the net after-tax unrealized gains and losses at the date of transfer continue to be reported in stockholders' equity as accumulated other comprehensive loss and are amortized over the remaining lives of the securities with an offsetting entry to interest income as an adjustment of yield in a manner consistent with the amortization of a premium or discount, with an offsetting entry to interest income for the accretion of the unrealized loss associated with the transferred securities. At September 30, 2023 March 31, 2024, the unrealized loss on investment securities transferred from AFS to HTM was $106.6 million $99.4 million, or $76.3 million $71.3 million net of tax in accumulated other comprehensive loss. tax. At December 31, 2023, the unrealized loss on investment securities transferred from AFS to HTM was $102.9 million, or $73.9 million net of tax.

The table below summarizes the number, fair value, and gross unrealized holding losses of the Company's AFS investment securities in an unrealized loss position for which an allowance for credit losses has not been recorded as of the dates indicated, aggregated by investment category and length of time in a continuous loss position.

		September 30, 2023								
		Less than 12 Months			12 Months or Longer			Total		
(Dollars in thousands)	(Dollars in thousands)	Number	Fair Value	Gross Unrealized Losses	Number	Fair Value	Gross Unrealized Losses	Number	Fair Value	Gross Unrealized Losses
AFS investment securities:	**AFS investment securities:**									
U.S. Treasury	U.S. Treasury	—	$ —	$ —	1	$ 12,914	$ (2,033)	1	$ 12,914	$ (2,033)
Agency	Agency	—	—	—	40	405,514	(52,180)	40	405,514	(52,180)
Corporate	Corporate	1	16,623	(3,377)	51	473,191	(52,745)	52	489,814	(56,122)
Collateralized mortgage obligations	Collateralized mortgage obligations	1	4,786	(61)	49	299,544	(32,804)	50	304,330	(32,865)
Mortgage-backed securities.		—	—	—	79	687,033	(153,512)	79	687,033	(153,512)

	March 31, 2024								
	Less than 12 Months			12 Months or Longer			Total		
(Dollars in thousands)	Number	Fair Value	Gross Unrealized Losses	Number	Fair Value	Gross Unrealized Losses	Number	Fair Value	Gros Unreali Losse
U.S. Treasury									
U.S. Treasury									
Collateralized mortgage obligations									
Collateralized mortgage obligations									
Total AFS investment securities									

Total AFS investment securities										
Total AFS investment securities	Total AFS investment securities	2	$21,409	$ (3,438)	220	$1,878,196	$(293,274)	222	$1,899,605	$(296,712)

		December 31, 2022								
		Less than 12 Months			12 Months or Longer			Total		
(Dollars in thousands)	(Dollars in thousands)	Number	Fair Value	Gross Unrealized Losses	Number	Fair Value	Gross Unrealized Losses	Number	Fair Value	Gross Unrealized Losses
AFS investment securities:	**AFS investment securities:**									
U.S. Treasury	U.S. Treasury	5	$ 33,982	$ (237)	1	$ 13,036	$ (1,902)	6	$ 47,018	$ (2,139)
U.S. Treasury										
U.S. Treasury										
Agency	Agency	8	79,895	(1,265)	35	351,543	(52,628)	43	431,438	(53,893)
Corporate	Corporate	35	327,984	(20,840)	21	214,565	(23,264)	56	542,549	(44,104)
Collateralized mortgage obligations	Collateralized mortgage obligations	41	522,955	(33,318)	40	241,229	(32,381)	81	764,184	(65,699)
Mortgage-backed securities		13	91,762	(6,987)	68	724,019	(130,910)	81	815,781	(137,897)
Collateralized mortgage obligations										
Collateralized mortgage obligations										
Total AFS investment securities										
Total AFS investment securities										
Total AFS investment securities	Total AFS investment securities	102	$1,056,578	$ (62,647)	165	$1,544,392	$(241,085)	267	$2,600,970	$(303,732)

	December 31, 2023								
	Less than 12 Months			12 Months or Longer			Total		
(Dollars in thousands)	Number	Fair Value	Gross Unrealized Losses	Number	Fair Value	Gross Unrealized Losses	Number	Fair Value	G Unre Lo

Allowance for Credit Losses on Investment Securities

The Company reviews individual securities classified as AFS to determine whether unrealized losses are deemed credit related or due to other factors such as changes in interest rates and general market conditions. An ACL on AFS investment securities is recorded when unrealized losses have been deemed, through the Company’s qualitative assessment, to be credit related. Non-credit related unrealized losses on AFS investment securities, which may be attributed to changes in interest rates and other market-related factors, are not recorded through an ACL. Such declines are recorded as an adjustment to accumulated other comprehensive income, loss, net of tax. In the event the Company is required to sell or has the intent to sell an AFS security that has experienced a decline in fair value below its amortized cost, the Company writes the amortized cost of the security down to fair value in the current period.

The ACL for HTM investment securities is estimated on a collective basis, based on shared risk characteristics, and is determined at the individual security level when the Company deems a security to no longer possess shared risk characteristics. Credit losses on HTM investment securities are representative of the amount needed to reduce the amortized cost basis to reflect the net amount expected to be collected.

The Company determines credit losses on both AFS and HTM investment securities through the use of a discounted cash flow approach using the security’s effective interest rate. The ACL is measured as the amount by which an investment security’s amortized cost exceeds the net present value of expected future cash flows. However, the amount of credit losses for AFS investment securities is limited to the amount of a security’s unrealized loss. The ACL is established through a charge to provision for credit losses in current period earnings.

For additional information concerning allowance for credit losses on investment securities, refer to *Note 1 - Description of Business and Summary of Significant Accounting Policies*, of our audited consolidated financial statements included in our 2022 2023 Form 10-K.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had an ACL of $128,000 $115,000 and $43,000, $126,000, respectively, for HTM investment securities classified as municipal bonds. The following table presents a rollforward by major security type of the ACL on the Company's HTM debt securities as of and for the periods indicated:

	Three Months Ended September 30, 2023		
(Dollars in thousands)	Balance, June 30, 2023	Provision for Credit Losses	Balance, September 30, 2023
HTM investment securities:			
Municipal bonds	$ 113	$ 15	$ 128

Three Months Ended March 31, 2024

Three Months Ended March 31, 2024

Three Months Ended March 31, 2024

(Dollars in thousands)	Balance, December 31, 2023	Provision (Recapture) for Credit Losses	Balance, March 31, 2024
HTM investment securities:			
HTM investment securities:			
HTM investment securities:			
Municipal bonds			
Municipal bonds			
Municipal bonds			

	Three Months Ended September 30, 2022		
(Dollars in thousands)	Balance, June 30, 2022	Provision for Credit Losses	Balance, September 30, 2022
HTM investment securities:			
Municipal bonds	$ 109	$ (18)	$ 91

	Nine Months Ended September 30, 2023		
(Dollars in thousands)	Balance, December 31, 2022	Provision for Credit Losses	Balance, September 30, 2023
HTM investment securities:			
Municipal bonds	$ 43	$ 85	$ 128

	Nine Months Ended September 30, 2022		
(Dollars in thousands)	Balance, December 31, 2021	Provision for Credit Losses	Balance, September 30, 2022
HTM investment securities:			

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

(Dollars in thousands)	Balance, December 31, 2022	Provision for Credit Losses	Balance, March 31, 2023
HTM investment securities:			
HTM investment securities:			

HTM investment securities:				
Municipal bonds				
Municipal bonds				
Municipal bonds	Municipal bonds	$ 22	$ 69	$ 91

The Company had no ACL for AFS investment securities at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. The Company performed a qualitative assessment of these investments as of September 30, 2023 March 31, 2024 and determined that the decrease in unrealized losses was during the first quarter of 2024 were the result of general market conditions, including changes in interest rates, driven by the Federal Reserve's policy to reduce levels of inflation, and does not believe the declines in fair value were credit related. As of September 30, 2023 March 31, 2024, the Company had not recorded credit losses on AFS securities that were in an unrealized loss position due to the high quality of the investments, with investment grade ratings, and many of them issued by U.S. government agencies. As of September 30, 2023 March 31, 2024, 74% 62% of our AFS securities were U.S. Treasury, U.S. government agency, and U.S. government-sponsored enterprise securities. Additionally, the Company continues to receive contractual principal and interest payments in a timely manner. It is more likely than not that the Company will not be required to sell the securities prior to their anticipated recoveries, and at this time the Company does not intend to sell these securities. There was no provision for credit losses recognized for AFS investment securities during the three and ninemonths ended September 30, 2023 March 31, 2024 and 2022.2023.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were no AFS or HTM securities in nonaccrual status. All securities in the portfolio were current with their contractual principal and interest payments. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were no securities purchased with deterioration in credit quality since their origination. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were no collateral dependent AFS or HTM securities.

Realized Gains and Losses

The following table presents the amortized cost of securities sold with related gross realized gains, and gross realized losses, as well as and net realized gains or losses for the periods indicated:

		Three Months Ended		Nine Months Ended	
		September 30,	September 30,	September 30,	September 30,
		Three Months Ended			
		Three Months Ended			
		Three Months Ended			
		March 31,			
		March 31,			
		March 31,			
(Dollars in thousands)	(Dollars in thousands)	2023	2022	2023	2022
(Dollars in thousands)					
(Dollars in thousands)					
Amortized cost of AFS investment securities sold					
Amortized cost of AFS investment securities sold					
Amortized cost of AFS investment securities sold	Amortized cost of AFS investment securities sold	$ —	$ 231,076	$ 304,182	$ 934,703
Gross realized gains	Gross realized gains	$ —	$ —	$ 986	$ 13,645
Gross realized gains					
Gross realized gains					
Gross realized (losses)	Gross realized (losses)	—	(393)	(848)	(11,935)
Net realized (losses) gains on sales of AFS investment securities		$ —	$ (393)	$ 138	$ 1,710
Gross realized (losses)					
Gross realized (losses)					

Net realized gains on sales of AFS investment securities

Net realized gains on sales of AFS investment securities

Net realized gains on sales of AFS investment securities

Contractual Maturities

The amortized cost and estimated fair value of investment securities at September 30, 2023March 31, 2024, by contractual maturity, are shown in the table below.

		Due in One Year or Less		Due after One Year through Five Years		Due after Five Years through Ten Years		Due after Ten Years		Total	
		Due in One Year or Less									
(Dollars in thousands)	(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
AFS investment securities:	**AFS investment securities:**										
U.S. Treasury	U.S. Treasury	$ —	$ —	$ 14,947	$ 12,914	$ —	$ —	$ —	$ —	$ 14,947	$ 12,914
Agency	Agency	80,578	78,561	245,493	224,454	106,631	84,760	24,992	17,739	457,694	405,514
Corporate	Corporate	13,000	12,974	275,068	270,367	272,805	221,467	—	—	560,873	504,808
Collateralized mortgage obligations	Collateralized mortgage obligations	—	—	57,210	56,349	187,343	162,195	92,642	85,786	337,195	304,330
Mortgage-backed securities		5,596	5,538	—	—	483,857	410,229	351,092	271,266	840,545	687,033
Collateralized mortgage obligations											
Collateralized mortgage obligations											
Total AFS investment securities											
Total AFS investment securities											
Total AFS investment securities	Total AFS investment securities	99,174	97,073	592,718	564,084	1,050,636	878,651	468,726	374,791	2,211,254	1,914,599
HTM investment securities:	**HTM investment securities:**										
Municipal bonds											
Municipal bonds											
Municipal bonds	Municipal bonds	—	—	26,176	23,682	37,903	32,366	1,082,504	768,812	1,146,583	824,860
Collateralized mortgage obligations	Collateralized mortgage obligations	—	—	116	116	—	—	341,122	324,284	341,238	324,400
Mortgage-backed securities	Mortgage-backed securities	—	—	—	—	3,489	3,395	230,392	185,487	233,881	188,882
Other	Other	—	—	—	—	—	—	16,292	16,292	16,292	16,292

	Due in One Year or Less		Due after One Year through Five Years		Due after Five Years through Ten Years	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
AFS investment securities:						

Total HTM investment securities	Total HTM investment securities	—	—	26,292	23,798	41,392	35,761	1,670,310	1,294,875	1,737,994	1,354,434
Total investment securities	Total investment securities	$ 99,174	$97,073	$619,010	$587,882	$1,092,028	$914,412	$2,139,036	$1,669,666	$3,949,248	$3,269,033

Note 5 – Loans Held for Investment

The Company’s loan portfolio is segmented according to loans that share similar attributes and risk characteristics.

Investor loans secured by real estate includes commercial real estate (“CRE”), non-owner-occupied, multifamily, construction, and land, as well as Small Business Administration (“SBA”) loans secured by investor real estate, which are loans collateralized by hotel/motel real property.

Business loans secured by real estate are loans to businesses that are collateralized by real estate where the operating cash flow of the business is the primary source of repayment. This loan portfolio includes CRE owner-occupied, franchise loans secured by real estate, and SBA loans secured by real estate, which are collateralized by real property other than hotel/motel real property.

Commercial loans are loans to businesses where the operating cash flow of the business is the primary source of repayment. This loan portfolio includes commercial and industrial (“C&I”), franchise loans non-real estate secured, and SBA loans non-real estate secured.

Retail loans include single family residential and consumer loans. Single family residential includes home equity lines of credit, as well as second trust deeds.

The following table presents the composition of the loan portfolio for the periods indicated:

		September 30,	**December 31,**				
		March 31,				**March 31,**	**December 31,**
(Dollars in thousands)	(Dollars in thousands)	**2023**	**2022**	(Dollars in thousands)	**2024**	**2023**	
Investor loans secured by real estate	**Investor loans secured by real estate**						
CRE non-owner-occupied							
CRE non-owner-occupied							
CRE non-owner-occupied	CRE non-owner-occupied	$ 2,514,056	$ 2,660,321				
Multifamily	Multifamily	5,719,210	6,112,026				
Construction and land	Construction and land	444,576	399,034				
SBA secured by real estate	SBA secured by real estate	37,754	42,135				
Total investor loans secured by real estate	Total investor loans secured by real estate	8,715,596	9,213,516				
Business loans secured by real estate	**Business loans secured by real estate**						
CRE owner-occupied	CRE owner-occupied	2,228,802	2,432,163				
CRE owner-occupied							
CRE owner-occupied							

Franchise real estate secured	Franchise real estate secured		313,451	378,057
SBA secured by real estate	SBA secured by real estate		53,668	61,368
Total business loans secured by real estate	Total business loans secured by real estate		2,595,921	2,871,588
Commercial loans	**Commercial loans**			
Commercial and industrial	Commercial and industrial		1,588,771	2,160,948
Commercial and industrial				
Commercial and industrial				
Franchise non-real estate secured	Franchise non-real estate secured		335,053	404,791
SBA non-real estate secured	SBA non-real estate secured		10,667	11,100
Total commercial loans	Total commercial loans		1,934,491	2,576,839
Retail loans	**Retail loans**			
Single family residential				
Single family residential				
Single family residential	Single family residential		70,984	72,997
Consumer	Consumer		1,958	3,284
Total retail loans	Total retail loans		72,942	76,281
Loans held for investment before basis adjustment (1)	Loans held for investment before basis adjustment (1)		13,318,950	14,738,224
Basis adjustment associated with fair value hedge (2)	Basis adjustment associated with fair value hedge (2)		(48,830)	(61,926)
Loans held for investment	Loans held for investment		13,270,120	14,676,298
Allowance for credit losses for loans held for investment	Allowance for credit losses for loans held for investment		(188,098)	(195,651)
Loans held for investment, net	Loans held for investment, net	$	13,082,022	$14,480,647

Total unfunded loan commitments	Total unfunded loan commitments	$	2,110,565	$	2,489,203
Total unfunded loan commitments					
Total unfunded loan commitments					
Loans held for sale, at lower of cost or fair value	Loans held for sale, at lower of cost or fair value		641		2,643

(1) Includes net deferred origination costs (fees) of $451,000 $797,000 and $(1.9) million, $(74,000), and unaccreted fair value net purchase discounts of $46.2 million $41.2 million and $54.8 million $43.3 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

(2) Represents the basis adjustment associated with the application of hedge accounting on certain loans. Refer to *Note 11 – Derivative Instruments* for additional information.

The Company generally originates SBA loans with the intent to sell the guaranteed portion of the loans prior to maturity and, therefore, designates them as held for sale. From time to time, the Company may purchase or sell other types of loans in order to manage concentrations, maximize interest income, change risk profiles, improve returns, and generate liquidity.

Loans Serviced for Others and Loan Securitization

The Company generally retains the servicing rights of the guaranteed portion of SBA loans sold, for which the Company initially records a servicing asset at fair value within its other assets category. Servicing assets are subsequently measured using the amortization method and amortized to noninterest income. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the servicing assets totaled $2.0 million $1.4 million and $3.0 million $1.6 million, respectively, and were included in other assets in the Company's consolidated statement of financial condition. Servicing assets are evaluated for impairment based upon the fair value of the servicing rights as compared to carrying amount. Impairment is recognized through a valuation allowance, to the extent the fair value is less than the carrying amount. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company determined that no valuation allowance was necessary.

In connection with the acquisition of Opus Bank ("Opus"), the Company acquired Federal Home Loan Mortgage Corporation ("Freddie Mac") guaranteed structured pass-through certificates, which were issued as a result of Opus's securitization sale of $509 million in originated multifamily loans through a Freddie Mac-sponsored transaction in December 2016. The Company's continuing involvement includes sub-servicing responsibilities, general representations and warranties, and reimbursement obligations. Servicing responsibilities on loan sales generally include obligations to collect and remit payments of principal and interest, provide foreclosure services, manage payments of taxes and insurance premiums, and otherwise administer the underlying loans. In connection with the securitization transaction, Freddie Mac was designated as the master servicer and appointed the Company to perform sub-servicing responsibilities, which generally include the servicing responsibilities described above with the exception of the servicing of foreclosed or defaulted loans. The overall management, servicing, and resolution of defaulted loans and foreclosed loans are separately designated to the special servicer, a third-party institution that is independent of the master servicer and the Company. The master servicer has the right to terminate the Company in its role as sub-servicer and direct such responsibilities accordingly.

To the extent the ultimate resolution of defaulted loans results in contractual principal and interest payments that are deficient, the Company is obligated to reimburse Freddie Mac for such amounts, not to exceed 10% of the original principal amount of the loans comprising the securitization pool at the closing date of December 23, 2016. The liability recorded for Company's exposure to the reimbursement agreement with Freddie Mac was $334,000 $345,000 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Loans sold and serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balance of loans and participations serviced for others was $406.0 million $359.8 million at September 30, 2023 March 31, 2024 and $463.4 million $373.8 million at December 31, 2022 December 31, 2023, respectively. Included in those totals are multifamily loans transferred through securitization with Freddie Mac of $50.8 million $47.6 million and $54.2 million $48.0 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, and SBA participations serviced for others of $272.5 million $246.1 million and $315.3 million $258.1 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Concentration of Credit Risk

As of September 30, 2023 March 31, 2024, the Company's loan portfolio was primarily collateralized by various forms of real estate and business assets located predominately in California. The Company's loan portfolio contains concentrations of credit in multifamily, CRE non-owner-occupied, CRE owner-occupied, and C&I business loans. The Bank maintains policies approved by the Bank's Board of Directors (the "Bank Board") that address these concentrations and diversifies its loan portfolio through loan originations, purchases, and sales to meet approved concentration levels.

Under applicable laws and regulations, the Bank may not make secured loans to one borrower in excess of 25% of the Bank's unimpaired capital plus surplus, and likewise in excess of 15% of the Bank's unimpaired capital plus surplus for unsecured loans. These loans-to-one borrower limitations result in a dollar limitation of $825.8 million $840.7 million for secured loans and $495.5 million $504.4 million for unsecured loans at September 30, 2023 March 31, 2024. In order to manage concentration risk, the Bank maintains a house lending limit well below these statutory maximums. At September 30, 2023 March 31, 2024, the Bank's largest aggregate outstanding balance of loans to one borrower was $169.2 million $319.3 million secured by multifamily properties.

Credit Quality and Credit Risk Management

The Company's credit quality and credit risk are controlled in two distinct areas. The first is the loan origination process, wherein the Bank underwrites credit and chooses which types and levels of risk it is willing to accept. The Company maintains a credit policy which addresses many related topics, sets forth maximum tolerances for key elements of loan risk, and indicates appropriate protocols for identifying and analyzing these risk elements. The policy sets forth specific guidelines for analyzing each of the loan products the Company offers from both an individual and portfolio-wide basis. The credit policy is reviewed at least annually by the Bank Board. The Bank's underwriters ensure all key risk factors are analyzed, with most underwriting including a global cash flow analysis of the prospective borrowers.

The second area is in the ongoing oversight of the loan portfolio, where existing credit risk is measured and monitored, and where performance issues are dealt with in a timely and appropriate fashion. Credit risk is monitored and managed within the loan portfolio by the Company's portfolio managers based on both the credit policy and a credit and portfolio review policy. This latter policy requires a program of financial data collection and analysis, thorough loan reviews, property and/or business inspections, monitoring of portfolio concentrations and trends, and incorporation of current business and economic conditions. The portfolio managers also monitor asset-based lines of credit, loan covenants, and other conditions associated with the Company's business loans as a means to help identify potential credit risk. Most individual loans, excluding the homogeneous loan portfolio, are reviewed at least annually, including the assignment or confirmation of a risk grade.

Risk grades are based on a six-grade Pass scale, along with Special Mention, Substandard, Doubtful, and Loss classifications, and such classifications are defined by the federal banking regulatory agencies. The assignment of risk grades allows the Company to, among other things, identify the risk associated with each credit in the portfolio and to provide a basis for estimating credit losses inherent in the portfolio. Risk grades are reviewed regularly with the Company's Credit and Portfolio Review Committee, and the portfolio management and risk grading process is reviewed on an ongoing basis by both an independent loan review function and periodic internal audits, as well as by regulatory agencies during scheduled examinations.

The following provides brief definitions for risk grades assigned to loans in the portfolio:

- Pass assets carry an acceptable level of credit quality that contains no well-defined deficiencies or weaknesses.
- Special Mention assets do not currently expose the Bank to a sufficient risk to warrant classification in one of the adverse categories, but possess correctable deficiencies or potential weaknesses deserving management's close attention.
- Substandard assets are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. These assets are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. OREO Other real estate owned ("OREO") acquired through foreclosure is also classified as substandard.
- Doubtful assets have all the weaknesses inherent in substandard assets, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.
- Loss assets are those that are considered uncollectible and of such little value that their continuance as assets is not warranted. Amounts classified as loss are promptly charged off.

The Bank's portfolio managers also manage loan performance risks, collections, workouts, bankruptcies, and foreclosures. A special department, whose portfolio managers have professional expertise in these areas, typically handles or advises on these types of matters. Loan performance risks are mitigated by our portfolio managers acting promptly and assertively to address problem credits when they are identified. Collection efforts commence immediately upon non-payment, and the portfolio managers seek to promptly determine the appropriate steps to minimize the Company's risk of loss. When foreclosure will maximize the Company's recovery for a non-performing loan, the portfolio managers will take appropriate action to initiate the foreclosure process.

When a loan is graded as special mention, substandard, or doubtful, the Company obtains an updated valuation of the underlying collateral. Collateral generally consists of accounts receivable, inventory, fixed assets, real estate properties, and/or cash. If, through the Company's credit risk management process, it is determined the ultimate repayment of a loan will come from the foreclosure upon and ultimate sale of the underlying collateral, the loan is deemed collateral dependent and evaluated individually to determine an appropriate ACL for the loan. The ACL for such loans is measured as the amount by which the fair value of the underlying collateral, less estimated costs to sell, is less than the amortized cost of the loan. The Company typically continues to obtain or confirm updated valuations of underlying collateral for special mention and classified loans on an annual or biennial basis in order to have the most current indication of fair value of the underlying collateral securing the loan. Additionally, once a loan is identified as collateral dependent, due to the likelihood of foreclosure, and repayment of the loan is expected to come from the eventual sale of the underlying collateral, an analysis of the underlying collateral is performed at least quarterly. Changes in the estimated fair value of the collateral are reflected in the lifetime ACL for the loan. Balances deemed to be uncollectable are promptly charged-off. However, if a loan is not considered collateral dependent and management determines that the loan no longer possesses risk characteristics similar to other loans in the loan portfolio, the loan is individually evaluated, and the associated ACL is determined through the use of a discounted cash flow analysis.

The following table stratifies the loans held for investment portfolio by the Company's internal risk grading, and by year of origination, as well as the gross charge-offs on a year-to-date basis by year of origination as of September 30, 2023 March 31, 2024:

		Term Loans by Vintage								
		Term Loans by Vintage								
(Dollars in thousands)	(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving	Revolving Converted to Term During the Period	Total
September 30, 2023										
(Dollars in thousands)										
(Dollars in thousands)		2024	2023	2022	2021	2020	Prior	Revolving	Revolving Converted to Term During the Period	Total
March 31, 2024										
Investor loans secured by real estate										
Investor loans secured by real estate										
Investor loans secured by real estate	**Investor loans secured by real estate**									
CRE non-owner-occupied	CRE non-owner-occupied									
CRE non-owner-occupied										
CRE non-owner-occupied										
Pass										
Pass										
Pass	Pass	$67,798	$ 506,175	$ 568,747	$194,206	$ 317,648	$ 820,980	$ —	$ —	$2,475,554
Special mention	Special mention	—	3,829	2,550	—	—	626	—	—	7,005
Substandard	Substandard	—	425	—	—	—	31,072	—	—	31,497
Multifamily	Multifamily									
Multifamily										
Multifamily										
Pass										
Pass										
Pass	Pass	79,680	1,199,616	2,076,199	733,724	841,189	776,086	—	—	5,706,494
Special mention	Special mention	—	—	—	—	—	234	—	—	234
Substandard	Substandard	—	—	—	—	12,482	—	—	—	12,482
Construction and land	Construction and land									
Construction and land										
Construction and land										
Pass	Pass	50,005	270,767	113,473	2,215	4,585	3,531	—	—	444,576
Pass										
Pass										
Special mention										
SBA secured by real estate	SBA secured by real estate									
SBA secured by real estate										
SBA secured by real estate										

Pass										
Pass										
Pass	Pass	—	6,500	130	493	4,814	17,406	—	—	29,343
Substandard	Substandard	—	—	—	—	535	7,876	—	—	8,411
Substandard										
Substandard										
Total investor loans secured by real estate										
Total investor loans secured by real estate										
Total investor loans secured by real estate	Total investor loans secured by real estate	197,483	1,987,312	2,761,099	930,638	1,181,253	1,657,811	—	—	8,715,596
Current period gross charge-offs	Current period gross charge-offs	—	—	217	—	—	2,838	—	—	3,055
Business loans secured by real estate	**Business loans secured by real estate**									
CRE owner-occupied	CRE owner-occupied									
CRE owner-occupied										
CRE owner-occupied										
Pass										
Pass										
Pass	Pass	16,141	558,149	672,134	228,971	219,389	471,819	919	—	2,167,522
Special mention	Special mention	—	15,406	—	—	4,062	15,343	—	—	34,811
Substandard	Substandard	—	10,270	2,178	4,131	324	9,566	—	—	26,469
Franchise real estate secured	Franchise real estate secured									
Franchise real estate secured										
Franchise real estate secured										
Pass										
Pass										
Pass	Pass	10,650	39,567	126,459	26,929	16,453	74,462	—	—	294,520
Special mention	Special mention	—	7,635	3,793	—	809	1,634	—	—	13,871
Substandard	Substandard	—	943	—	—	3,824	293	—	—	5,060
SBA secured by real estate	SBA secured by real estate									
SBA secured by real estate										
SBA secured by real estate										
Pass										
Pass										
Pass	Pass	114	9,375	7,944	2,127	4,124	24,050	—	—	47,734
Special mention	Special mention	—	535	—	—	—	84	—	—	619
Substandard	Substandard	—	—	—	—	—	5,315	—	—	5,315

Total loans secured by business real estate	26,905	641,880	812,508	262,158	248,985	602,566	919	—	2,595,921
Current period gross charge-offs	—	—	318	191	—	1,861	—	—	2,370
Commercial loans									
Commercial and industrial									
Pass	46,478	188,940	177,244	45,146	115,645	155,222	711,808	5,343	1,445,826
Special mention	—	28,423	12,402	155	27	2,163	58,905	77	102,152
Substandard	—	6,795	2,931	642	179	1,184	11,093	13,000	35,824
Doubtful	—	4,187	—	—	—	—	—	782	4,969

Total loans secured by business real estate
Total loans secured by business real estate
Commercial and industrial
Commercial and industrial
Pass
Pass

(Dollars in thousands)	Term Loans by Vintage 2023	2022	2021	2020	2019	Prior	Revolving	Revolving Converted to Term During the Period	Total
September 30, 2023									
Franchise non-real estate secured									
Pass	$ 6,963	$ 76,818	$ 116,268	$ 16,897	$ 36,419	$ 58,279	$ —	$ 774	$ 312,418
Special mention	442	866	1,702	—	651	735	—	—	4,396
Substandard	—	2,914	338	2,517	10,875	1,595	—	—	18,239
SBA non-real estate secured									

Term Loans by Vintage
(Dollars in thousands)

(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving	Revolving Converted to Term During the Period	Total
March 31, 2024									

Franchise non-real estate secured
Franchise non-real estate secured
Pass
Pass
SBA non-real estate secured
SBA non-real estate secured

Pass										
Pass										
Pass	Pass	508	4,559	347	116	1,518	2,628	—	—	9,676
Substandard	Substandard	—	538	—	144	55	254	—	—	991
Substandard										
Substandard										
Total commercial loans										
Total commercial loans										
Total commercial loans	Total commercial loans	54,391	314,040	311,232	65,617	165,369	222,060	781,806	19,976	1,934,491
Current period gross charge-offs	Current period gross charge-offs	56	3,003	62	5	356	37	4,779	503	8,801
Retail loans	**Retail loans**									
Single family residential	Single family residential									
Single family residential										
Single family residential										
Pass										
Pass										
Pass	Pass	20	—	—	170	—	44,607	26,186	—	70,983
Substandard		—	—	—	—	—	1	—	—	1
Consumer loans										
Consumer loans										
Consumer loans	Consumer loans									
Pass	Pass	—	—	3	11	7	808	1,129	—	1,958
Pass										
Pass										
Total retail loans										
Total retail loans										
Total retail loans	Total retail loans	20	—	3	181	7	45,416	27,315	—	72,942
Current period gross charge-offs	Current period gross charge-offs	—	—	—	—	—	983	2	—	985
Loans held for investment before basis adjustment (1)	Loans held for investment before basis adjustment (1)	$278,799	$2,943,232	$3,884,842	$1,258,594	$1,595,614	$2,527,853	$ 810,040	$ 19,976	$13,318,950
Total current period gross charge-offs	Total current period gross charge-offs	56	3,003	597	196	356	5,719	4,781	503	15,211

(1) Excludes the basis adjustment of $48.8 million $32.3 million to the carrying amount of certain loans included in fair value hedging relationships. Refer to *Note 11 – Derivative Instruments* for additional information.

The following table stratifies the loans held for investment portfolio by the Company's internal risk grading, and by year of origination, as of December 31, 2022 December 31, 2023:

Term Loans by Vintage

		Term Loans by Vintage								
(Dollars in thousands)	(Dollars in thousands)	2022	2021	2020	2019	2018	Prior	Revolving	Revolving Converted to Term During the Period	Total
December 31, 2022										
(Dollars in thousands)										

(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving	Revolving Converted to Term During the Period	Total
December 31, 2023									
Investor loans secured by real estate									
Investor loans secured by real estate									

		2022	2021	2020	2019	2018	Prior	Revolving	Revolving Converted to Term During the Period	Total
Investor loans secured by real estate	**Investor loans secured by real estate**									
CRE non-owner-occupied	CRE non-owner-occupied									
CRE non-owner-occupied										
CRE non-owner-occupied										
Pass										
Pass										
Pass	Pass	$ 523,895	$ 607,153	$208,760	$347,889	$308,317	$651,593	$ —	$ —	$2,647,607
Special mention	Special mention	—	—	—	—	7,487	—	—	—	7,487
Substandard	Substandard	—	—	—	—	194	4,570	—	463	5,227
Multifamily	Multifamily									
Multifamily										
Multifamily										
Pass										
Pass										
Pass	Pass	1,230,359	2,187,255	786,436	889,737	263,241	732,808	—	—	6,089,836
Special mention	Special mention	—	—	—	12,667	—	—	—	—	12,667
Substandard		—	6,057	—	2,723	—	743	—	—	9,523
Construction and land	Construction and land									
Construction and land										
Construction and land										
Pass										
Pass										
Pass	Pass	187,567	154,231	38,760	9,615	1,843	7,018	—	—	399,034
SBA secured by real estate										
SBA secured by real estate										
SBA secured by real estate										
Pass										
Pass										
Pass										
Substandard										

Substandard
Substandard

Total investor loans secured by real estate
Total investor loans secured by real estate
Total investor loans secured by real estate

(Dollars in thousands)	Term Loans by Vintage 2022	2021	2020	2019	2018	Prior	Revolving	Revolving Converted to Term During the Period	Total
December 31, 2022									
SBA secured by real estate									
Pass	$ 6,571	$ 130	$ 493	$ 5,407	$ 7,361	$ 13,199	$ —	$ —	$ 33,161
Substandard	—	—	—	—	2,416	6,558	—	—	8,974
Total investor loans secured by real estate	1,948,392	2,954,826	1,034,449	1,268,038	590,859	1,416,489	—	463	9,213,516
Business loans secured by real estate									
CRE owner-occupied									
Pass	593,826	718,223	242,125	240,772	114,581	448,531	5,661	—	2,363,719
Special mention	334	1,015	—	—	675	327	—	—	2,351
Substandard	10,838	2,541	11,970	2,403	4,676	33,665	—	—	66,093
Franchise real estate secured									
Pass	54,654	131,541	33,513	44,229	32,815	55,893	—	—	352,645

Term Loans by Vintage

(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving	Revolving Converted to Term During the Period	Total
December 31, 2023									
Current period gross charge-offs									

(Dollars in thousands)
Current period gross charge-offs
Current period gross charge-offs
Business loans secured by real estate
CRE owner-occupied
CRE owner-occupied
CRE owner-occupied
Pass
Pass
Pass
Special mention
Substandard
Franchise real estate secured
Franchise real estate secured
Franchise real estate secured
Pass
Pass
Pass

Special mention	Special mention	4,891	13,145	—	—	—	—	—	—	18,036
Substandard	Substandard	980	—	—	6,092	—	304	—	—	7,376
SBA secured by real estate	SBA secured by real estate									
SBA secured by real estate										
SBA secured by real estate										
Pass										
Pass										
Pass	Pass	10,993	6,978	2,329	5,710	4,440	25,415	—	—	55,865
Special mention	Special mention	—	—	—	—	—	118	—	—	118
Substandard	Substandard	—	—	—	—	1,354	4,031	—	—	5,385
Total loans secured by business real estate	Total loans secured by business real estate	676,516	873,443	289,937	299,206	158,541	568,284	5,661	—	2,871,588
Total loans secured by business real estate										
Total loans secured by business real estate										
Current period gross charge-offs										
Commercial loans	**Commercial loans**									
Commercial and industrial	Commercial and industrial									
Commercial and industrial										
Commercial and industrial										
Pass										
Pass										
Pass	Pass	282,131	262,044	55,659	155,310	78,684	121,918	1,134,568	3,412	2,093,726
Special mention	Special mention	15,105	3,567	798	—	1,864	41	9,898	—	31,273
Substandard	Substandard	2,590	80	—	3,867	562	1,029	27,680	141	35,949
Doubtful and loss										
Franchise non-real estate secured	Franchise non-real estate secured									
Pass										
Pass										
Pass	Pass	102,542	128,030	18,486	46,027	28,664	43,486	778	—	368,013
Special mention	Special mention	1,372	14,382	—	11,829	—	—	—	—	27,583
Substandard	Substandard	1,757	385	2,852	2,256	1,637	308	—	—	9,195
SBA non-real estate secured	SBA non-real estate secured									
SBA non-real estate secured										
SBA non-real estate secured										
Pass										

Pass										
Pass	Pass	3,444	435	276	1,638	633	3,124	—	—	9,550
Substandard	Substandard	—	—	—	130	224	606	—	590	1,550
Substandard										
Substandard										
Total commercial loans										
Total commercial loans										
Total commercial loans										
Current period gross charge-offs										
Retail loans										
Single family residential										
Single family residential										
Single family residential										
Pass										
Pass										
Pass										
Consumer loans										
Consumer loans										
Consumer loans										
Pass										
Pass										
Pass										
Total commercial loans		408,941	408,923	78,071	221,057	112,268	170,512	1,172,924	4,143	2,576,839
Retail loans										
Single family residential										
Pass		—	—	176	—	22	49,729	23,065	—	72,992
Total retail loans										
Substandard		—	—	—	—	—	5	—	—	5
Consumer loans										
Pass		—	6	17	11	—	969	2,254	—	3,257
Substandard		—	—	—	—	—	27	—	—	27
Total retail loans	Total retail loans	—	6	193	11	22	50,730	25,319	—	76,281
Loans held for investment		$3,033,849	$4,237,198	$1,402,650	$1,788,312	$861,690	$2,206,015	$1,203,904	$ 4,606	$14,738,224
Total retail loans										
Current period gross charge-offs										
Loans held for investment before basis adjustment (1)										

Total current period gross charge-offs

(1) Excludes the basis adjustment of $61.9 million $29.6 million to the carrying amount of certain loans included in fair value hedging relationships. Refer to *Note 11 – Derivative Instruments* for additional information.

The following tables stratify the loans held for investment portfolio by delinquency as of the periods indicated:

			Days Past Due			
			Days Past Due(2)			
(Dollars in thousands)	(Dollars in thousands)	Current	30-59	60-89	90+	Total
September 30, 2023						
(Dollars in thousands)						
(Dollars in thousands)		Current	30-59	60-89	90+	Total
March 31, 2024						
Investor loans secured by real estate	**Investor loans secured by real estate**					
Investor loans secured by real estate						
Investor loans secured by real estate						
CRE non-owner-occupied						
CRE non-owner-occupied						
CRE non-owner-occupied	CRE non-owner-occupied	$ 2,513,631	$ —	$ —	$ 425	$ 2,514,056
Multifamily	Multifamily	5,719,210	—	—	—	5,719,210
Construction and land	Construction and land	444,576	—	—	—	444,576
SBA secured by real estate	SBA secured by real estate	37,002	—	332	420	37,754
Total investor loans secured by real estate	Total investor loans secured by real estate	8,714,419	—	332	845	8,715,596
Business loans secured by real estate	**Business loans secured by real estate**					
CRE owner-occupied	CRE owner-occupied	2,224,107	—	—	4,695	2,228,802
CRE owner-occupied						
CRE owner-occupied						
Franchise real estate secured	Franchise real estate secured	313,451	—	—	—	313,451
SBA secured by real estate	SBA secured by real estate	52,495	—	—	1,173	53,668
Total business loans secured by real estate	Total business loans secured by real estate	2,590,053	—	—	5,868	2,595,921

Commercial loans	**Commercial loans**					
Commercial and industrial						
Commercial and industrial						
Commercial and industrial	Commercial and industrial	1,585,718	2,677	143	233	1,588,771
Franchise non-real estate secured	Franchise non-real estate secured	335,053	—	—	—	335,053
SBA not secured by real estate	SBA not secured by real estate	9,840	289	—	538	10,667
Total commercial loans	Total commercial loans	1,930,611	2,966	143	771	1,934,491
Retail loans	**Retail loans**					
Single family residential	Single family residential	70,984	—	—	—	70,984
Single family residential						
Single family residential						
Consumer loans	Consumer loans	1,957	1	—	—	1,958
Total retail loans	Total retail loans	72,941	1	—	—	72,942
Loans held for investment before basis adjustment (1)	Loans held for investment before basis adjustment (1)	$ 13,308,024	$ 2,967	$ 475	$ 7,484	$ 13,318,950

December 31, 2022											
December 31, 2023											
December 31, 2023											
December 31, 2023											
Investor loans secured by real estate	**Investor loans secured by real estate**										
Investor loans secured by real estate											
Investor loans secured by real estate											
CRE non-owner-occupied											
CRE non-owner-occupied											
CRE non-owner-occupied	CRE non-owner-occupied	$	2,655,892	$	—	$	—	$	4,429	$	2,660,321
Multifamily	Multifamily		6,103,246		2,723		—		6,057		6,112,026
Construction and land	Construction and land		399,034		—		—		—		399,034
SBA secured by real estate	SBA secured by real estate		42,135		—		—		—		42,135
Total investor loans secured by real estate	Total investor loans secured by real estate		9,200,307		2,723		—		10,486		9,213,516

Business loans secured by real estate	**Business loans secured by real estate**					
CRE owner-occupied	CRE owner-occupied	2,424,174	1,434	—	6,555	2,432,163
CRE owner-occupied						
CRE owner-occupied						
Franchise real estate secured	Franchise real estate secured	370,984	7,073	—	—	378,057
SBA secured by real estate	SBA secured by real estate	60,177	—	104	1,087	61,368
Total business loans secured by real estate	Total business loans secured by real estate	2,855,335	8,507	104	7,642	2,871,588
Commercial loans	**Commercial loans**					
Commercial and industrial						
Commercial and industrial						
Commercial and industrial	Commercial and industrial	2,152,302	4,657	81	3,908	2,160,948
Franchise non-real estate secured	Franchise non-real estate secured	401,199	3,592	—	—	404,791
SBA not secured by real estate	SBA not secured by real estate	10,511	—	—	589	11,100
Total commercial loans	Total commercial loans	2,564,012	8,249	81	4,497	2,576,839
Retail loans	**Retail loans**					
Single family residential	Single family residential	71,940	1,057	—	—	72,997
Single family residential						
Single family residential						
Consumer loans	Consumer loans	3,282	2	—	—	3,284
Total retail loans	Total retail loans	75,222	1,059	—	—	76,281
Loans held for investment before basis adjustment (1)	Loans held for investment before basis adjustment (1)	$ 14,694,876	$ 20,538	$ 185	$ 22,625	$ 14,738,224

(1) Excludes the basis adjustment of $48.8 million $32.3 million and $61.9 million $29.6 million to the carrying amount of certain loans included in fair value hedging relationships as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. Refer to *Note 11 – Derivative Instruments* for additional information.

(2) Nonaccrual loans are included in this aging analysis based on the loan's past due status.

Individually Evaluated Loans

The Company evaluates loans collectively for purposes of determining the ACL in accordance with ASC 326. Collective evaluation is based on aggregating loans deemed to possess similar risk characteristics. In certain instances, the Company may identify loans that it believes no longer possess risk characteristics similar to other loans in the portfolio. These loans are typically identified from a substandard or worse internal risk grade, since the specific attributes and risks associated with such loans tend to become unique as the credit deteriorates. Such loans are typically nonperforming, modified loans made to borrowers experiencing financial difficulty, and/or are deemed collateral dependent, where the ultimate repayment of the loan is expected to come from the operation of or eventual sale of the collateral. Loans that are deemed by management to no longer possess risk characteristics similar to other loans in the portfolio are evaluated individually for purposes of determining an appropriate lifetime ACL. The Company uses a discounted cash flow approach, using the loan's effective interest rate, for determining the ACL on individually evaluated loans, unless the loan is deemed collateral dependent, which requires evaluation based on the estimated fair value of the underlying collateral, less estimated costs to sell. The Company may increase or decrease the ACL for collateral dependent individually evaluated loans based on changes in the estimated expected fair value of the collateral. Changes in the ACL for all other individually evaluated loans is based substantially on the Company's evaluation of cash flows expected to be received from such loans.

As of September 30, 2023 March 31, 2024, $25.5 million $63.8 million of loans were individually evaluated with no $4.5 million ACL attributed to such loans. At September 30, 2023 March 31, 2024, $12.5 million $39.8 million of individually evaluated loans were evaluated based on the underlying value of the collateral and

$13.0 million $24.0 million were evaluated using a discounted cash flow approach. All individually evaluated loans were on nonaccrual status at September 30, 2023 March 31, 2024.

As of December 31, 2022 December 31, 2023, $30.9 million $24.8 million of loans were individually evaluated and the with no ACL attributed to such loans totaled $1.7 million. loans. At December 31, 2022 December 31, 2023, all $12.2 million of individually evaluated loans were evaluated based on the underlying value of the collateral and none $12.6 million were evaluated using a discounted cash flow approach. All individually evaluated loans were on nonaccrual status at December 31, 2022 December 31, 2023.

The increase in individually evaluated loans during the first quarter of 2024 was primarily driven by a single, diversified commercial banking relationship with loans in CRE non-owner-occupied, CRE owner-occupied, and C&I categories, totaling $37.6 million, as well as a single lending relationship with loans in franchise non-real estate secured and franchise real estate categories, totaling $1.9 million as of March 31, 2024.

Purchased Credit Deteriorated Loans

The Company analyzed acquired loans for more-than-insignificant deterioration in credit quality since their origination. Such loans are classified as purchased credit deteriorated (“PCD”) loans. Please see *Note 1 - Description of Business and Summary of Significant Accounting Policies* of our audited consolidated financial statements included in our 2022 2023 Form 10-K for more information concerning the accounting for PCD loans. The Company had PCD loans of $387.4 $347.0 million and $422.7 $359.3 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Acquired loans classified as PCD are recorded at an initial amortized cost, which is comprised of the purchase price of the loans (or initial fair value) and the initial ACL determined for the loans, which is added to the purchase price, as well as any resulting discount or premium related to factors other than credit. The Company accounts for interest income on PCD loans using the interest method, whereby any purchase discounts or premiums are accreted or amortized into interest income as an adjustment of the loan’s yield. Subsequent to acquisition, the ACL for PCD loans is measured in accordance with the Company’s ACL methodology. Please also see *Note 6 – Allowance for Credit Losses* for more information concerning the Company’s ACL methodology.

Nonaccrual Loans

When loans are placed on nonaccrual status, previously accrued but unpaid interest is reversed from current period earnings. Payments received on nonaccrual loans are generally applied as a reduction to the loan principal balance. If the likelihood of further loss is remote, the Company may recognize interest on a cash basis. Loans may be returned to accruing status if the Company believes that all remaining principal and interest is fully collectible and there has been at least three months of sustained repayment performance since the loan was placed on nonaccrual.

The Company typically does not accrue interest on loans 90 days or more past due or when, in the opinion of management, there is reasonable doubt as to the timely collection of principal or interest. interest regardless of the length of past due status. However, when such loans are well-secured and in the process of collection, the Company may continue with the accrual of interest. The Company had loans on nonaccrual status of $25.5 million $63.8 million at September 30, 2023 March 31, 2024 and $30.9 million $24.8 million at December 31, 2022 December 31, 2023. During The increase in nonaccrual loans at March 31, 2024 was primarily the three months ended September 30, 2023, we had non-relationship syndicated result of a single, diversified commercial banking relationship with loans in CRE non-owner occupied, CRE owner-occupied, and C&I participation loans to one categories, totaling $37.6 million, all of which were current, as well as a single lending relationship with loans in franchise non-real estate secured and franchise real estate categories, totaling $13.0 million being placed on nonaccrual status that resulted in an interest accrual reversal of $1.7 $1.9 million, against interest income. These loans were modified with a partial charge-off during the three months ended September 30, 2023. Subsequent to the loan modification, all loans were paid current as of September 30, 2023 March 31, 2024.

The Company did not record income from the receipt of cash payments related to nonaccruing loans during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. The Company had no loans 90 days or more past due and still accruing at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

The following tables provide a summary of nonaccrual loans as of the dates indicated:

	Nonaccrual Loans (1)	Nonaccrual Loans (1)			
	Collateral Dependent Loans	Collateral Dependent Loans	Non-Collateral Dependent Loans		
(Dollars in thousands)				Total Nonaccrual Loans	Nonaccrual Loans with No ACL
March 31, 2024					
March 31, 2024					
March 31, 2024					
Investor loans secured by real estate					
Investor loans secured by real estate					

Investor loans secured by real estate							
CRE non-owner-occupied							
CRE non-owner-occupied							
CRE non-owner-occupied							
	Nonaccrual Loans (1)						
SBA secured by real estate							
		Collateral Dependent Loans		**Non-Collateral Dependent Loans**		**Total Nonaccrual Loans**	**Nonaccrual Loans with No ACL**
(Dollars in thousands)		**Balance**	**ACL**	**Balance**	**ACL**		
September 30, 2023							
Investor loans secured by real estate							
CRE non-owner-occupied		$ 425	$—	$ —	$—	$ 425	$ 425
SBA secured by real estate							
SBA secured by real estate	SBA secured by real estate	1,242	—	—	—	1,242	1,242
Total investor loans secured by real estate	Total investor loans secured by real estate	1,667	—	—	—	1,667	1,667
Business loans secured by real estate	**Business loans secured by real estate**						
CRE owner-occupied	CRE owner-occupied	8,826	—	—	—	8,826	8,826
CRE owner-occupied							
CRE owner-occupied							
Franchise real estate secured							
SBA secured by real estate		1,173	—	—	—	1,173	1,173
Total business loans secured by real estate							
Total business loans secured by real estate							
Total business loans secured by real estate	Total business loans secured by real estate	9,999	—	—	—	9,999	9,999
Commercial loans	**Commercial loans**						
Commercial and industrial	Commercial and industrial	233	—	13,021	—	13,254	13,254
Commercial and industrial							
Commercial and industrial							
Franchise non-real estate secured							

SBA non-real estate secured	538	—	—	—	538	538
Total commercial loans	771	—	13,021	—	13,792	13,792
Total nonaccrual loans	$12,437	$—	$13,021	$—	$ 25,458	$ 25,458

Total nonaccrual loans

Total nonaccrual loans

December 31, 2022

December 31, 2023

December 31, 2023

December 31, 2023

Investor loans secured by real estate

Investor loans secured by real estate

Investor loans secured by real estate						
CRE non-owner-occupied	$ 4,429	$ —	$ —	$ —	$ 4,429	$ 4,429
Multifamily	8,780	—	—	—	8,780	8,780
SBA secured by real estate	533	—	—	—	533	533
Total investor loans secured by real estate	13,742	—	—	—	13,742	13,742
Business loans secured by real estate						
CRE owner-occupied	11,475	1,742	—	—	11,475	9,733
SBA secured by real estate	1,191	—	—	—	1,191	1,191
Total business loans secured by real estate	12,666	1,742	—	—	12,666	10,924
Commercial loans						
Commercial and industrial	3,908	—	—	—	3,908	3,908

CRE non-owner-occupied

CRE non-owner-occupied

SBA secured by real estate

SBA secured by real estate

CRE owner-occupied

CRE owner-occupied

Total business loans secured by real estate

Total business loans secured by real estate

Commercial and industrial

Commercial and industrial

SBA non-real estate secured

SBA non-real estate secured

SBA non-real estate secured	SBA non-real estate secured	589	—	—	—	589	589
Total commercial loans	Total commercial loans	4,497	—	—	—	4,497	4,497
Total nonaccrual loans	Total nonaccrual loans	$ 30,905	$ 1,742	$ —	$ —	$ 30,905	$ 29,163
Total nonaccrual loans							
Total nonaccrual loans							

(1) The ACL for nonaccrual loans is determined based on a discounted cash flow methodology unless the loan is considered collateral dependent; otherwise, the ACL for collateral dependent nonaccrual loans is determined based on the estimated fair value of the underlying collateral.

Residential Real Estate Loans In Process of Foreclosure

The Company had no consumer mortgage loans collateralized by residential real estate property for which formal foreclosure proceedings were in process as of September 30, 2023 or December 31, 2022 March 31, 2024 and December 31, 2023.

Modified Loans to Troubled Borrowers

On January 1, 2023, the Company adopted ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures,* which introduces new reporting requirements for modifications of loans to borrowers experiencing financial difficulty. The Company also refers to these loans as modified loans to troubled borrowers. borrowers (“MLTB”). An MLTB arises from a modification made to a loan in order to alleviate temporary difficulties in the borrower’s financial condition and/or constraints on the borrower’s ability to repay the loan, and to minimize potential losses to the Company. GAAP requires that certain types of modifications be reported, which consist of the following: (i) principal forgiveness, (ii) interest rate reduction, (iii) other-than-insignificant payment delay, (iv) term extension, or any combination of the foregoing. The ACL for an MLTB is measured on a collective basis, as with other loans in the loan portfolio, unless management determines that such loans no longer possess risk characteristics similar to others in the loan portfolio. In those instances, the ACL for an MLTB is determined through individual evaluation.

During Loans modified to borrowers experiencing financial difficulty were $12.2 million at March 31, 2024 and $12.6 million at December 31, 2023.

There were no loan modifications to borrowers experiencing financial difficulty during the three months ended September 30, 2023, there were two syndicated C&I participation March 31, 2024. There was one CRE owner-occupied loan modifications to one a troubled borrower experiencing financial difficulty. modified during the first quarter of 2023 with an amortized cost of $851,000 as of March 31, 2023.

The following table shows the amortized cost of the MLTBs MLTB by class and type of modification, as well as the percentage of the loan modified to the total class of loans in each class at and during the periods indicated: three months ended March 31, 2023:

	Three and Nine Months Ended September 30, 2023	
	Other-than-Insignificant Payment Delay	
(Dollars in thousands)	Balance	Percent of Total Class of Loans
Commercial loans		
Commercial and industrial	$ 13,021	0.82 %
Total commercial loans	$ 13,021	

	Three Months Ended March 31, 2023	
	Term Extension	
(Dollars in thousands)	Balance	Percent of Total Class of Loans
Business loans secured by real estate		
CRE owner-occupied	$ 851	0.04 %
Total business loans secured by real estate	$ 851	

The following table describes the financial effect of the loan modification made for the borrower experiencing financial difficulty during the three and nine months ended September 30, 2023 March 31, 2023:

		Term Extension	
Commercial Business loans secured by real estate			
Commercial and industrial	CRE owner-occupied	Extended term by 4 months	1 year of interest-only payments

During the first quarter of 2023, there was one CRE owner-occupied MLTB with an amortized cost of $851,000 as of March 31, 2023. The loan modification involved extending the term by four months. This MLTB matured and was paid off during the second quarter of 2023.

During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, there were no MLTBs that had a payment default and had been modified within the 12 months preceding the payment default (90 days or more past due).

The following table depicts the performance of the MLTB under ASU 2022-02 MLTBs as of the date dates indicated:

	Days Past Due				
(Dollars in thousands)					
(Dollars in thousands)					
(Dollars in thousands)	Current	30-59	60-89	90+	Total
March 31, 2024					

(Dollars in thousands)	Current	Days Past Due 30-59	60-89	90+	Total
September 30, 2023					
Commercial loans					
Commercial loans					
Commercial loans Commercial loans					
Commercial and industrial Commercial and industrial	$ 13,021	$—	$—	$—	$ 13,021
Commercial and industrial					
Commercial and industrial					
Total commercial loans					
Total commercial loans					
Total commercial loans Total commercial loans	$ 13,021	$—	$—	$—	$ 13,021

Troubled Debt Restructurings

Prior to the Company's adoption of ASU 2022-02 on January 1, 2023, the Company, in infrequent situations would modify or restructure loans when the borrower was experiencing financial difficulties by making a concession to the borrower. Such concessions typically were in the form of changes in the amortization terms, reductions in the interest rates, the acceptance of interest-only payments, and, in very few cases, reductions to the outstanding loan balances. These modifications were classified as TDRs and were made for the purpose of alleviating temporary impairments to the borrower's financial condition or cash flows. A workout plan between us and the borrower was designed to provide a bridge for borrower cash flow shortfalls in the near term. In most cases, the Company initially placed TDRs on nonaccrual status, and they could be returned to accrual status when the loans were brought current, performed in accordance with the restructured contractual terms for a period of at least six months, and the ultimate collectability of the total contractual restructured principal and interest payments were no longer in doubt. ASU 2022-02 eliminated the concept of TDRs in current GAAP, and therefore, beginning January 1, 2023, the Company no longer reports loans modified as TDRs except for those loans modified and reported as TDRs in prior period financial information under previous GAAP.

At December 31, 2022, there were five loans totaling $16.1 million modified as TDRs, consisting of three CRE owner-occupied loans and one C&I loan totaling $5.1 million belonging to one borrower relationship with the terms modified due to bankruptcy, and one franchise non-real estate secured loan totaling $11.0 million belonging to another borrower relationship with the terms modified for payment deferral. All TDRs were on nonaccrual status as of December 31, 2022. During the three and nine months ended September 30, 2022, the three CRE owner-occupied loans and one C&I loan classified as TDRs were in payment default after modification within the previous 12 months.

March 31, 2023					
Business loans secured by real estate					
CRE owner-occupied	$ 851	$ —	$ —	$ —	$ 851
Total business loans secured by real estate	$ 851	$ —	$ —	$ —	$ 851

Collateral Dependent Loans

Loans that have been classified as collateral dependent are loans where substantially all repayment of the loan is expected to come from the operation of or eventual liquidation of the collateral. Collateral dependent loans are evaluated individually for purposes of determining the ACL, which is determined based on the estimated fair value of the collateral. Estimates for costs to sell are included in the determination of the ACL when liquidation of the collateral is anticipated. In cases where the loan is well-secured and the estimated value of the collateral exceeds the amortized cost of the loan, no ACL is recorded.

The following tables summarize collateral dependent loans by collateral type as of the dates indicated:

(Dollars in thousands)	(Dollars in thousands)	Office Properties	Industrial Properties	Retail Properties	Land Properties	Hotel Properties	Multifamily Properties	F
September 30, 2023								
(Dollars in thousands)								
(Dollars in thousands) **March 31, 2024**								
Investor loan secured by real estate								
Investor loan secured by real estate								
Investor loan secured by real estate	**Investor loan secured by real estate**							
CRE non-owner-occupied	CRE non-owner-occupied	$ —	$ —	$ 425	$ —	$ —	$ —	
CRE non-owner-occupied								
CRE non-owner-occupied								
SBA secured by real estate								
SBA secured by real estate								
SBA secured by real estate	SBA secured by real estate	—	—	—	—	1,242	—	
Total investor loans secured by real estate	Total investor loans secured by real estate	—	—	425	—	1,242	—	
Business loans secured by real estate	**Business loans secured by real estate**							
CRE owner-occupied	CRE owner-occupied	4,131	—	—	4,695	—	—	
CRE owner-occupied								
CRE owner-occupied								
SBA secured by real estate								
SBA secured by real estate								
SBA secured by real estate	SBA secured by real estate	—	979	194	—	—	—	
Total business loans secured by real estate	Total business loans secured by real estate	4,131	979	194	4,695	—	—	
Commercial loans	**Commercial loans**							

Commercial and industrial	Commercial and industrial	—	—	—	233	—	—
Commercial and industrial							
Commercial and industrial							
SBA non-real estate secured							
SBA non-real estate secured							
SBA non-real estate secured	SBA non-real estate secured	—	—	—	—	—	—
Total commercial loans	Total commercial loans	—	—	—	233	—	—
Total collateral dependent loans	Total collateral dependent loans	$ 4,131	$ 979	$ 619	$ 4,928	$ 1,242	$ —
Total collateral dependent loans							
Total collateral dependent loans							

December 31, 2022										
December 31, 2023										
December 31, 2023										
December 31, 2023										
Investor loan secured by real estate										
Investor loan secured by real estate										
Investor loan secured by real estate	**Investor loan secured by real estate**									
CRE non-owner-occupied	CRE non-owner-occupied	$ —	$ —	$ 463	$ —	$ —	$ —	$ 3,966	$ —	$ 4,429
Multifamily		—	—	—	—	—	8,780	—	—	8,780
CRE non-owner-occupied										
CRE non-owner-occupied										
SBA secured by real estate										
SBA secured by real estate										
SBA secured by real estate	SBA secured by real estate	—	—	—	—	533	—	—	—	533
Total investor loans secured by real estate	Total investor loans secured by real estate	—	—	463	—	533	8,780	3,966	—	13,742
Business loans secured by real estate	**Business loans secured by real estate**									
CRE owner-occupied	CRE owner-occupied	4,417	—	—	4,813	—	—	2,245	—	11,475
CRE owner-occupied										
CRE owner-occupied										
SBA secured by real estate		104	1,087	—	—	—	—	—	—	1,191
Total business loans secured by real estate										
Total business loans secured by real estate										
Total business loans secured by real estate	Total business loans secured by real estate	4,521	1,087	—	4,813	—	—	2,245	—	12,666
Commercial loans	**Commercial loans**									

Commercial and industrial	Commercial and industrial	—	—	—	238	—	—	490	3,180	3,908
Commercial and industrial										
Commercial and industrial										
SBA non-real estate secured										
SBA non-real estate secured										
SBA non-real estate secured	SBA non-real estate secured	—	—	—	—	—	—	—	589	589
Total commercial loans	Total commercial loans	—	—	—	238	—	—	490	3,769	4,497
Total collateral dependent loans	Total collateral dependent loans	$ 4,521	$ 1,087	$ 463	$ 5,051	$ 533	$ 8,780	$ 6,701	$ 3,769	$ 30,905
Total collateral dependent loans										
Total collateral dependent loans										

Note 6 – Allowance for Credit Losses

The Company maintains an ACL for loans and unfunded loan commitments in accordance with ASC 326 - *Financial Instruments - Credit Losses*. ASC 326 requires the Company to initially recognize estimates for lifetime credit losses on loans and unfunded loan commitments at the time of origination or acquisition. The recognition of credit losses at origination or acquisition represents the Company's best estimate of lifetime expected credit losses, given the facts and circumstances associated with a particular loan or group of loans with similar risk characteristics. Determining the ACL involves the use of significant management judgement and estimates, which are subject to change based on management's ongoing assessment of the credit quality of the loan portfolio and changes in economic forecasts used in the Company's ACL model. The Company uses a discounted cash flow model when determining estimates for the ACL for commercial real estate loans and commercial loans, which comprise the majority of the loan portfolio, and uses a historical loss rate model for retail loans. The Company also utilizes proxy loan data in its ACL model where the Company's own historical data is not sufficiently available.

The discounted cash flow model is applied on an instrument-by-instrument basis, and for loans with similar risk characteristics, to derive estimates for the lifetime ACL for each loan. The discounted cash flow methodology relies on several significant components essential to the development of estimates for future cash flows on loans and unfunded loan commitments. These components consist of: (i) the estimated probability of default ("PD"), (ii) the estimated loss given default ("LGD"), which represents the estimated severity of the loss when a loan is in default, (iii) estimates for prepayment activity on loans, and (iv) the estimated exposure to the Company at default ("EAD"). The PD and LGD are heavily influenced by changes in economic forecasts employed in the model over a reasonable and supportable period. The Company's ACL methodology for unfunded loan commitments also includes assumptions concerning the probability an unfunded commitment will be drawn upon by the borrower. These assumptions are based on the Company's historical experience.

The Company's discounted cash flow ACL model for commercial real estate and commercial loans uses internally derived estimates for prepayments in determining the amount and timing of future contractual cash flows expected to be collected. The estimate of future cash flows also incorporates estimates for contractual amounts the Company believes may not be collected, which are based on assumptions for PD, LGD, and EAD. The EAD is determined by the contractual payment schedule and expected payment profile of the loan, incorporating estimates for expected prepayments and future draws on revolving credit facilities. The Company discounts cash flows using the effective interest rate on the loan. The effective interest rate represents the contractual rate on the loan; adjusted for any purchase premiums, or discounts, and deferred fees and costs associated with an originated loan. The Company has made an accounting policy election to adjust the effective interest rate to take into consideration the effects of estimated prepayments. The ACL for loans is determined by measuring the amount by which a loan's amortized cost exceeds its discounted cash flows expected to be collected. The ACL for credit facilities is determined by discounting estimates for cash flows not expected to be collected.

Probability of Default

The PD for investor loans secured by real estate is based largely on a model provided by a third party, using proxy loan information. The PDs generated by this model are reflective of current and expected economic conditions in the commercial real estate market, and how they are expected to impact loan level and property level attributes, and ultimately the likelihood of a default event occurring. This model incorporates assumptions for PD at a loan's maturity. Significant loan and property level attributes include: loan-to-value ratios, debt service coverage, loan size, loan vintage, and property types.

The PD for business loans secured by real estate and commercial loans is based on an internally developed PD rating scale that assigns PDs based on the Company's internal credit risk grades for loans. This internally developed PD rating scale is based on a combination of the Company's own historical data and observed historical data from the Company's peers, which consist of banks that management believes align with our business profile. As credit risk grades change for these loans, the PD assigned to them also changes. As with investor loans secured by real estate, the PD for business loans secured by real estate and commercial loans is also impacted by current and expected economic conditions.

The Company considers loans to be in default when they are 90 days or more past due and still accruing or placed on nonaccrual status.

Loss Given Default

LGDs for commercial real estate loans are derived from a third party, using proxy loan information, and are based on loan and property level characteristics for loans in the Company's loan portfolio, such as: loan-to-value ratios ("LTV"), estimated time to resolution, property size, and current and estimated future market price changes for underlying collateral. The LGD is highly dependent upon LTV ratios, and incorporates estimates for the expense associated with managing the loan through to resolution. LGDs also incorporate an estimate for the loss severity associated with loans where the borrower fails to meet their debt obligation at maturity, such as through a balloon payment or the refinancing of the loan through another lender. External factors that have an impact on LGDs include: changes in the index for CRE pricing, GDP growth rate, unemployment rates, and the Consumer Price Index. LGDs are applied to each loan in the commercial real estate portfolio, and in conjunction with the PD, produce estimates for net cash flows not expected to be collected over the estimated term of the loan.

LGDs for commercial loans are also derived from a third party that has a considerable database of credit related information specific to the financial services industry and the type of loans within this segment, and is used to generate annual default information for commercial loans. These proxy LGDs are dependent upon data inputs such as: credit quality, borrower industry, region, borrower size, and debt seniority. LGDs are then applied to each loan in the commercial segment, and in conjunction with the PD, produce estimates for net cash flows not expected to be collected over the estimated term of the loan.

Historical Loss Rates for Retail Loans

The historical loss rate model for retail loans is derived from a third party that has a considerable database of credit related information for retail loans. Key loan level attributes and economic drivers in determining the loss rate for retail loans include FICO scores, vintage, as well as geography, unemployment rates, and changes in consumer real estate prices.

Economic Forecasts

In order to develop reasonable and supportable forecasts of future conditions, the Company estimates how those forecasts are expected to impact a borrower's ability to satisfy their obligation to the Bank and the ultimate collectability of future cash flows over the life of a loan. The Company uses macroeconomic scenarios from an independent third party, which are based on past events, current conditions, and the likelihood of future events occurring. These scenarios are typically comprised of: a base-case scenario, an upside scenario, representing slightly better economic conditions than currently experienced and, a downside scenario, representing recessionary conditions. Management periodically evaluates appropriateness of economic scenarios and may decide that a particular economic scenario or a combination of probability-weighted economic scenarios should be used in the Company's ACL model. The economic scenarios chosen for the model, the extent to which more than one scenario is used, and the weights that are assigned to them, are based on the likelihood that the economy would perform better than each scenario, which is based in part on analysis performed by an independent third party. Economic scenarios chosen, as well as the assumptions within those scenarios, and whether to use a probability-weighted multiple scenario approach, can vary from one period to the next based on changes in current and expected economic conditions, and due to the occurrence of specific events. The Company's ACL model at September 30, 2023 March 31, 2024 includes assumptions concerning the rising interest rate environment, general uncertainty concerning future economic conditions, and the potential for recessionary conditions.

The Company currently forecasts PDs and LGDs based on economic scenarios over a two-year period, which we believe is a reasonable and supportable period. Beyond this point, PDs and LGDs revert to their long-term averages. The Company has reflected this reversion over a period of three years in each of its economic scenarios used to generate the overall probability-weighted forecast. Changes in economic forecasts impact the PD, LGD, and EAD for each loan, and therefore influence the amount of future cash flows the Company does not expect to collect for each loan.

It is important to note that the Company's ACL model relies on multiple economic variables, which are used in several economic scenarios. Although no one economic variable can fully demonstrate the sensitivity of the ACL calculation to changes in the economic variables used in the model, the Company has identified certain economic variables that have significant influence in the Company's model for determining the ACL. These key economic variables include changes in the U.S. unemployment rate, U.S. real GDP growth, CRE prices, and interest rates.

Qualitative Adjustments

The Company recognizes that historical information used as the basis for determining future expected credit losses may not always, by itself, provide a sufficient basis for determining future expected credit losses. The Company, therefore, considers the need for qualitative adjustments to the ACL on a quarterly basis. Qualitative adjustments may be related to and include, but not be limited to, factors such as: (i) management's assessment of economic forecasts used in the model and how those forecasts align with management's overall evaluation of current and expected economic conditions, (ii) organization specific risks such as credit concentrations, collateral specific risks, regulatory risks, and external factors that may ultimately impact credit quality, (iii) potential model limitations such as limitations identified through back-testing, and other limitations associated with factors such as underwriting changes, acquisition of new portfolios, and changes in portfolio segmentation, and (iv) management's overall assessment of the adequacy of the ACL, including an assessment of model data inputs used to determine the ACL.

Qualitative adjustments primarily relate to certain segments of the loan portfolio deemed by management to be of a higher-risk profile or other factors where management believes the quantitative component of the Company's ACL model may not be fully reflective of levels deemed adequate in the judgement of management. Certain qualitative adjustments also relate to heightened uncertainty as to future macroeconomic conditions and the related impact on certain loan segments. Management reviews the need for an appropriate level of qualitative adjustments on a quarterly basis, and as such, the amount and allocation of qualitative adjustments may change in future periods.

The following tables provide the allocation of the ACL for loans held for investment as well as the activity in the ACL attributed to various segments in the loan portfolio as of, and for the periods indicated:

		Three Months Ended September 30, 2023										
		Three Months Ended March 31, 2024										
		Three Months Ended March 31, 2024										
		Three Months Ended March 31, 2024										
(Dollars in thousands)	(Dollars in thousands)	Beginning ACL Balance	Charge-offs	Recoveries	Provision for Credit Losses	Ending ACL Balance	(Dollars in thousands)	Beginning ACL Balance	Charge-offs	Recoveries	Provision for Credit Losses	Ending ACL Balance
Investor loans secured by real estate	**Investor loans secured by real estate**											
CRE non-owner occupied		$ 31,545	$ —	$ 51	$ (13)	$ 31,583						
CRE non-owner-occupied												
CRE non-owner-occupied												
CRE non-owner-occupied												
Multifamily	Multifamily	55,648	—	—	(427)	55,221						
Construction and land	Construction and land	7,707	—	—	799	8,506						
SBA secured by real estate	SBA secured by real estate	2,331	(108)	—	(24)	2,199						
Business loans secured by real estate	**Business loans secured by real estate**											
CRE owner-occupied	CRE owner-occupied	28,515	—	12	559	29,086						
CRE owner-occupied												
CRE owner-occupied												
Franchise real estate secured	Franchise real estate secured	6,855	—	—	711	7,566						
SBA secured by real estate	SBA secured by real estate	4,511	—	128	(77)	4,562						
Commercial loans	**Commercial loans**											
Commercial and industrial												
Commercial and industrial												
Commercial and industrial	Commercial and industrial	39,586	(7,386)	565	(268)	32,497						
Franchise non-real estate secured	Franchise non-real estate secured	14,642	—	50	1,087	15,779						
SBA non-real estate secured	SBA non-real estate secured	399	(67)	3	137	472						
Retail loans	**Retail loans**											

Single family residential	Single family residential	455	—	—	36	491
Single family residential						
Single family residential						
Consumer loans	Consumer loans	139	—	—	(3)	136
Totals	Totals	$ 192,333	$ (7,561)	$ 809	$ 2,517	$ 188,098

	Nine Months Ended September 30, 2023				
(Dollars in thousands)	Beginning ACL Balance	Charge-offs	Recoveries	Provision for Credit Losses	Ending ACL Balance
Investor loans secured by real estate					
CRE non-owner occupied	$ 33,692	$ (2,657)	$ 66	$ 482	$ 31,583
Multifamily	56,334	(290)	1	(824)	55,221
Construction and land	7,114	—	—	1,392	8,506
SBA secured by real estate	2,592	(108)	—	(285)	2,199
Business loans secured by real estate					
CRE owner-occupied	32,340	(2,370)	36	(920)	29,086
Franchise real estate secured	7,019	—	—	547	7,566
SBA secured by real estate	4,348	—	208	6	4,562
Commercial loans					
Commercial and industrial	35,169	(8,734)	945	5,117	32,497
Franchise non-real estate secured	16,029	—	150	(400)	15,779
SBA non-real estate secured	441	(67)	68	30	472
Retail loans					
Single family residential	352	(90)	1	228	491
Consumer loans	221	(895)	35	775	136
Totals	$ 195,651	$ (15,211)	$ 1,510	$ 6,148	$ 188,098

	Three Months Ended September 30, 2022				
(Dollars in thousands)	Beginning ACL Balance	Charge-offs	Recoveries	Provision for Credit Losses	Ending ACL Balance
Investor loans secured by real estate					
CRE non-owner occupied	$ 37,221	$ (1,128)	$ —	$ 1,011	$ 37,104
Multifamily	56,293	—	—	(207)	56,086
Construction and land	5,436	—	—	1,004	6,440
SBA secured by real estate	2,865	—	—	90	2,955
Business loans secured by real estate					
CRE owner-occupied	31,461	—	19	346	31,826
Franchise real estate secured	6,530	—	—	180	6,710
SBA secured by real estate	5,149	—	—	(364)	4,785
Commercial loans					
Commercial and industrial	37,048	(190)	143	(1,503)	35,498
Franchise non-real estate secured	13,124	—	—	70	13,194
SBA non-real estate secured	452	—	26	(38)	440
Retail loans					
Single family residential	278	—	58	(40)	296
Consumer loans	218	—	—	(3)	215
Totals	$ 196,075	$ (1,318)	$ 246	$ 546	$ 195,549

	Nine Months Ended September 30, 2022

(Dollars in thousands)	Beginning ACL Balance	Charge-offs	Recoveries	Provision for Credit Losses	Ending ACL Balance
Investor loans secured by real estate					
CRE non-owner occupied	$ 37,380	$ (1,128)	$ —	$ 852	$ 37,104
Multifamily	55,209	—	—	877	56,086
Construction and land	5,211	—	—	1,229	6,440
SBA secured by real estate	3,201	(70)	—	(176)	2,955
Business loans secured by real estate					
CRE owner-occupied	29,575	—	33	2,218	31,826
Franchise real estate secured	7,985	—	—	(1,275)	6,710
SBA secured by real estate	4,866	—	—	(81)	4,785
Commercial loans					
Commercial and industrial	38,136	(7,750)	2,517	2,595	35,498
Franchise non-real estate secured	15,084	(448)	—	(1,442)	13,194
SBA non-real estate secured	565	(50)	44	(119)	440
Retail loans					
Single family residential	255	—	91	(50)	296
Consumer loans	285	(2)	—	(68)	215
Totals	$ 197,752	$ (9,448)	$ 2,685	$ 4,560	$ 195,549

The decrease in the ACL for loans held for investment during the three months ended September 30, 2023 of $4.2 million was reflective of $6.8 million in net charge-offs, partially offset by $2.5 million in provision for credit losses. The provision for credit losses during the three months ended September 30, 2023 was largely attributed to increases associated with economic forecasts, offset by a decrease in the balance of loans held of investment. For the nine months ended September 30, 2023, the ACL decreased $7.6 million. The decline in the ACL during this period was reflective of $13.7 million in net charge-offs, partially offset by $6.1 million in provision for credit losses. The provision for credit losses during the nine months ended September 30, 2023 was largely attributed to increases associated with economic forecasts, as well as changes in asset quality, offset by a decrease in loans held for investment. Charge-offs during the three months ended September 30, 2023 were largely attributed to one C&I lending relationship that already had a specific reserve as well as two syndicated C&I loans to one lending relationship that were modified with a partial charge-off. Charge-offs during the nine months ended September 30, 2023 were largely attributed to two C&I lending relationships, one CRE non-owner-occupied lending relationship, and one CRE owner-occupied lending relationship.

	Three Months Ended March 31, 2023				
(Dollars in thousands)	Beginning ACL Balance	Charge-offs	Recoveries	Provision for Credit Losses	Ending ACL Balance
Investor loans secured by real estate					
CRE non-owner-occupied	$ 33,692	$ (66)	$ 15	$ (1,926)	$ 31,715
Multifamily	56,334	(217)	—	1,670	57,787
Construction and land	7,114	—	—	558	7,672
SBA secured by real estate	2,592	—	—	(301)	2,291
Business loans secured by real estate					
CRE owner-occupied	32,340	(2,163)	12	(855)	29,334
Franchise real estate secured	7,019	—	—	771	7,790
SBA secured by real estate	4,348	—	—	67	4,415
Commercial loans					
Commercial and industrial	35,169	(1,123)	211	3,402	37,659
Franchise non-real estate secured	16,029	—	100	(408)	15,721
SBA non-real estate secured	441	—	6	(46)	401
Retail loans					
Single family residential	352	(90)	1	129	392
Consumer loans	221	(5)	35	(40)	211
Totals	$ 195,651	$ (3,664)	$ 380	$ 3,021	$ 195,388

The decrease in the ACL for loans held for investment during the three months ended September 30, 2022 March 31, 2024 of $526,000 $131,000 was comprised reflective of $1.1 $6.4 million in net charge-offs, partially offset by a $546,000 $6.3 million in provision for credit losses. The provision for credit losses for during the three months ended September 30, 2022 March 31, 2024 was reflective of a combination of factors, including an increase due largely attributed to increases associated with economic forecasts, specific reserves, on two individually evaluated loans, and other model updates, offset by a decrease due to an overall decline in the balance of loans held for of investment and changes in the composition mix of loan composition. Charge-offs during the loan portfolio. three months ended March 31, 2024 were largely due to $5.7 million in charge-offs associated with the sale of special mention and substandard CRE and franchise loans during the first quarter of 2024.

The decrease in the ACL for loans held for investment during the nine three months ended September 30, 2022 March 31, 2023 of $2.2 $263,000 is reflective of $3.3 million was attributed to in net charge-offs, of $6.8 million, partially offset by a $4.6 $3.0 million in provision for credit losses. The provision for credit losses during the nine three months ended September 30, 2022 was largely March 31, 2023 can be attributed to an increase increases associated with economic forecasts and other model updates, as well as changes in asset quality, including specific reserves, offset by lower loans held for investment and specific reserves on two individually evaluated loans, partially offset by the favorable impact of macroeconomic forecasts. investment. Charge-offs during the three months ended September 30, 2022 March 31, 2023 were largely attributed to one CRE non-owner-occupied owner-occupied lending relationship, while as well as charge-offs on several loans sold during the nine months ended September 30, 2022 were attributed to one first quarter of 2023, and charge-offs on other smaller C&I lending relationship and one CRE non-owner-occupied lending relationship. relationships.

Allowance for Credit Losses for Off-Balance Sheet Commitments

The Company maintains an ACL for off-balance sheet commitments related to unfunded loans and lines of credit, which is included in other liabilities of the consolidated statements of financial condition. The allowance for off-balance sheet commitments was $25.8 $16.8 million at September 30, 2023 March 31, 2024, representing an increase a decline of $1.4 $2.4 million from $24.5 $19.3 million at June 30, 2023 December 31, 2023. During the three months ended March 31, 2024, and an increase of approximately $2.2 million from $23.6 million at December 31, 2022. The the provision expense recapture for off-balance sheet commitments of $1.4 million during the three months ended September 30, 2023 was attributed, in large part, largely attributable to changes in economic forecasts, partially offset by a decline in the balance of unfunded commitments. The provision expense commitments as well as qualitative adjustments during the nine quarter.

During the three months ended September 30, 2023 March 31, 2023, the provision recapture for off-balance sheet commitments of $189,000 was largely attributed attributable to economic forecasts, partially offset by lower unfunded commitments, primarily in C&I loans, and changes in the mix of unfunded commitments between various loan segments, and a decrease in the balance of unfunded commitments.

The Company recorded a provision for credit losses on off-balance sheet commitments of $549,000 as well as qualitative adjustments during the three months ended September 30, 2022, and a provision recapture for off-balance sheet commitments of $2.6 million during the nine months ended September 30, 2022. The provision for credit losses in the third quarter of 2022 was largely due to higher unfunded commitments in the commercial and industrial loan segment. The provision recapture during the first nine months of 2022 was largely reflective of slightly favorable macroeconomic forecasts reflected in the Company's ACL model and changes in the mix of unfunded commitments between various loan segments. quarter.

The following table summarizes the activities in the ACL for off-balance sheet commitments for the periods indicated:

	Three Months Ended		Nine Months Ended	
(Dollars in thousands)	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Beginning ACL balance	$ 24,455	$ 24,106	$ 23,641	$ 27,290
Provision for credit losses on off-balance sheet commitments	1,386	549	2,200	(2,635)
Ending ACL balance	$ 25,841	$ 24,655	$ 25,841	$ 24,655

	Three Months Ended	
(Dollars in thousands)	March 31, 2024	March 31, 2023
Beginning ACL balance	$ 19,264	$ 23,641
Provision for credit losses on off-balance sheet commitments	(2,425)	(189)
Ending ACL balance	$ 16,839	$ 23,452

Note 7 – Goodwill and Other Intangible Assets

The Company had goodwill of $901.3 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. The Company did not record any adjustments to goodwill during the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

The Company's policy is to assess goodwill for impairment on an annual basis during the fourth quarter of each year, and more frequently if events or circumstances lead management to believe the value of goodwill may be impaired. Due to the market volatility experienced in the banking sector in 2023, the Company assessed goodwill for impairment at September 30, 2023, by performing a quantitative assessment of goodwill as of September 30, 2023, in accordance with ASC 350-20, *Intangibles - Goodwill and Other - Goodwill*. The quantitative assessment was performed with the assistance of an independent third party, and the results of this assessment indicated the value of goodwill assets were not impaired as of September 30, 2023.

Other intangible assets with definite lives were $46.3 million $40.4 million at September 30, 2023 March 31, 2024, consisting of $44.2 million $38.5 million in core deposit intangibles and $2.1 million $2.0 million in customer relationship intangibles. At December 31, 2022 December 31, 2023, other intangibles assets were $55.6 million $43.3 million, consisting of $53.2 million $41.2 million in core deposit intangibles and $2.4 million $2.1 million in customer relationship intangibles. The following table summarizes the change in the balance balances of core deposit intangibles and customer relationship intangibles, intangible assets, and the related accumulated amortization for the periods indicated below:

		Three Months Ended		Nine Months Ended	
		September 30,	September 30,	September 30,	September 30,
		Three Months Ended			
		Three Months Ended			
		Three Months Ended			
		March 31,			
		March 31,			
		March 31,			
(Dollars in thousands)					
(Dollars in thousands)					
(Dollars in thousands)	(Dollars in thousands)	2023	2022	2023	2022
Gross amount of intangible assets:	Gross amount of intangible assets:				
Gross amount of intangible assets:					
Gross amount of intangible assets:					
Beginning balance					
Beginning balance					
Beginning balance	Beginning balance	$ 145,212	$ 145,212	$ 145,212	$ 145,212
Additions due to acquisitions	Additions due to acquisitions	—	—	—	—
Additions due to acquisitions					
Additions due to acquisitions					
Ending balance					
Ending balance					
Ending balance	Ending balance	145,212	145,212	145,212	145,212
Accumulated amortization:	Accumulated amortization:				
Accumulated amortization:					
Accumulated amortization:					
Beginning balance					
Beginning balance					
Beginning balance	Beginning balance	(95,850)	(82,712)	(89,624)	(75,641)
Amortization	Amortization	(3,055)	(3,472)	(9,281)	(10,543)
Amortization					
Amortization					
Ending balance					
Ending balance					
Ending balance	Ending balance	(98,905)	(86,184)	(98,905)	(86,184)
Net intangible assets	Net intangible assets	$ 46,307	$ 59,028	$ 46,307	$ 59,028
Net intangible assets					
Net intangible assets					

The Company amortizes core deposit intangibles and customer relationship intangibles based on the projected useful lives of the related deposits in the case of core deposit intangibles, and over the projected useful lives of the related client relationships in the case of customer relationship intangibles. The amortization periods typically range from six to eleven years. The estimated aggregate amortization expense related to our core deposit intangible and customer relationship intangible assets for each of the next five years succeeding December 31, 2022 December 31, 2023, in order from the present, is $12.3 million, $11.1 million, $10.0 million, $8.9 million, $7.2 million, and $7.2 million $4.0 million. The Company's core deposit and customer relationship intangibles are evaluated annually for impairment or more frequently if events and circumstances lead management to believe their value may not be recoverable. Factors that may ultimately attribute to impairment include customer attrition and run-off. The Company believes core deposit relationships in the current interest rate environment continue to provide a significant benefit to the Company relative to other sources of alternative funding, and thus does not believe the value of core deposit intangible assets are impaired at September 30, 2023. In addition, the Company is unaware of any events and/or circumstances that would indicate the value of customer relationship intangible assets are impaired as of September 30, 2023 March 31, 2024.

Note 8 – Subordinated Debentures

As of September 30, 2023 March 31, 2024, the Company had three subordinated notes with an aggregate carrying value of $331.7 $332.0 million and a weighted interest rate of 5.31% 5.30%, compared to $331.2 $331.8 million with a weighted interest rate of 5.32% 5.31% at December 31, 2022 December 31, 2023. The increase of $478,000 $159,000 was primarily due to amortization of debt issuance costs.

The following table summarizes our outstanding subordinated debentures as of the dates indicated:

					Carrying Value						Carrying Value	
(Dollars in thousands)	(Dollars in thousands)	Stated Maturity	Current Interest Rate	Current Principal Balance	September 30, 2023	December 31, 2022	(Dollars in thousands)	Stated Maturity	Current Interest Rate	Current Principal Balance	March 31, 2024	December 31, 2023
Subordinated notes	**Subordinated notes**											
Subordinated notes due 2024, 5.75% per annum	Subordinated notes due 2024, 5.75% per annum	September 3, 2024	5.75 %	$ 60,000	$ 59,880	$ 59,791						
Subordinated notes due 2024, 5.75% per annum												
Subordinated notes due 2024, 5.75% per annum												
Subordinated notes due 2029, 4.875% per annum until May 15, 2024, 3-month term SOFR +2.762% thereafter	Subordinated notes due 2029, 4.875% per annum until May 15, 2024, 3-month term SOFR +2.762% thereafter	May 15, 2029	4.875 %	125,000	123,577	123,386						
Subordinated notes due 2030, 5.375% per annum until June 15, 2025, 3-month term SOFR +5.170% thereafter		June 15, 2030	5.375 %	150,000	148,225	148,027						
Subordinated notes due 2030, 5.375% per annum until June 15, 2025, 3-month term SOFR +5.17% thereafter												
Total subordinated debentures	Total subordinated debentures			$335,000	$ 331,682	$ 331,204						

Upon the cessation of LIBOR on June 30, 2023, the LIBOR-based benchmark rate after May 15, 2024 for our subordinated notes due 2029 transitioned to 3-month term SOFR as successor base rate plus the relevant spread adjustment.

In connection with the various issuances of subordinated notes, the Corporation obtained ratings from Kroll Bond Rating Agency ("KBRA"). KBRA assigned investment grade ratings of BBB+ and BBB for the Corporation's senior unsecured debt and subordinated debt, respectively, and a deposit and senior unsecured debt rating of A- and subordinated debt of BBB+ for the Bank. The Corporation's and Bank's ratings were reaffirmed in June 2023 by KBRA.

For additional information on the Company's subordinated debentures, see "*Note 13 — Subordinated Debentures*" to the consolidated financial statements in the Company's 2022 2023 Form 10-K.

For regulatory capital purposes, subordinated notes qualify as Tier 2 capital, subject to limitations. Per applicable Federal Reserve rules and regulations, the amount of the subordinated notes qualifying as Tier 2 regulatory capital is phased out by 20 % 20% of the original amount of the subordinated notes in each of the five years beginning on the fifth anniversary preceding the maturity date of the subordinated notes. The regulatory total capital ratios of the Company and the Bank continued to exceed regulatory minimums, inclusive of the fully phased-in capital conservation buffer.

Note 9 – Earnings Per Share

The Company's restricted stock awards contain non-forfeitable rights to dividends and therefore are considered participating securities. The Company calculates basic and diluted earnings per common share using the two-class method.

Under the two-class method, distributed and undistributed earnings allocable to participating securities are deducted from net income to determine net income allocable to common shareholders, which is then used in the numerator of both basic and diluted earnings per share calculations. Basic earnings per common share is computed by dividing net income allocable to common shareholders by the weighted average number of common shares outstanding for the reporting period, excluding outstanding participating securities. Diluted earnings per common share is computed by dividing net income allocable to common shareholders by the weighted average number of common shares outstanding over the reporting period, adjusted to include the effect of potentially dilutive common shares, but excludes awards considered participating securities. The computation of diluted earnings per common share excludes the impact of the assumed exercise or issuance of securities that would have an anti-dilutive effect.

The following tables set forth the Corporation's earnings per share calculations for the periods indicated:

	Three Months Ended	
(Dollars in thousands, except per share data)	September 30, 2023	September 30, 2022
Basic		
Net income	$ 46,030	$ 73,363
Less: dividends and undistributed earnings allocated to participating securities	(823)	(917)
Net income allocated to common stockholders	$ 45,207	$ 72,446
Weighted average common shares outstanding	94,189,844	93,793,502
Basic earnings per common share	$ 0.48	$ 0.77
Diluted		
Net income allocated to common stockholders	$ 45,207	$ 72,446
Weighted average common shares outstanding	94,189,844	93,793,502
Dilutive effect of share-based compensation	93,164	327,135
Weighted average diluted common shares	94,283,008	94,120,637
Diluted earnings per common share	$ 0.48	$ 0.77

		Nine Months Ended		Three Months Ended		
(Dollars in thousands, except per share data)	(Dollars in thousands, except per share data)	September 30, 2023	September 30, 2022	(Dollars in thousands, except per share data)	March 31, 2024	March 31, 2023
Basic	**Basic**					
Net income	Net income	$ 166,228	$ 210,070			
Net income						
Net income						

Less: dividends and undistributed earnings allocated to participating securities	Less: dividends and undistributed earnings allocated to participating securities	(2,674)	(2,467)
Net income allocated to common stockholders	Net income allocated to common stockholders	$ 163,554	$ 207,603
Weighted average common shares outstanding	Weighted average common shares outstanding	94,072,463	93,687,230
Weighted average common shares outstanding			
Weighted average common shares outstanding			
Basic earnings per common share	Basic earnings per common share	$ 1.74	$ 2.22
Diluted	**Diluted**		
Diluted			
Diluted			
Net income allocated to common stockholders			
Net income allocated to common stockholders			
Net income allocated to common stockholders	Net income allocated to common stockholders	$ 163,554	$ 207,603
Weighted average common shares outstanding			
Weighted average common shares outstanding			
Weighted average common shares outstanding	Weighted average common shares outstanding	94,072,463	93,687,230
Dilutive effect of share-based compensation	Dilutive effect of share-based compensation	142,383	367,886
Weighted average diluted common shares	Weighted average diluted common shares	94,214,846	94,055,116
Weighted average diluted common shares			
Weighted average diluted common shares			

Diluted earnings per common share	Diluted earnings per common share	$ 1.74	$ 2.21

Shares or stock options are excluded from the computations of diluted earnings per share when their inclusion have an anti-dilutive effect. The dilutive impact of these securities could be included in future computations of diluted earnings per share if the market price of the common stock increases. There For the three months ended March 31, 2024 and March 31, 2023 there were no potential common shares that were anti-dilutive for the three months ended September 30, 2023. For the nine months ended September 30, 2023, there were 48,808 weighted average common shares that were anti-dilutive. There were no potential common shares that were anti-dilutive for the three and nine months ended September 30, 2022.

Note 10 – Fair Value of Financial Instruments

The fair value of an asset or liability is the exchange price that would be received to sell that asset or paid to transfer that liability (exit price) in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach, and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. ASC Topic 825 - *Financial Instruments*, requires disclosure of the fair value of financial assets and financial liabilities, including both those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis and a non-recurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value are discussed below.

In accordance with ASC Topic 820 - *Fair Value Measurement*, the Company groups its financial assets and financial liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, prepayment speeds, volatilities, etc.), or model-based valuation techniques where all significant assumptions are observable, either directly or indirectly, in the market.

Level 3 - Valuation is generated from model-based techniques where one or more significant inputs are not observable, either directly or indirectly, in the market. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques may include use of matrix pricing, discounted cash flow models, and similar techniques.

Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature, and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the fair values presented. Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent limitations in any estimation technique. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management maximizes the use of observable inputs and attempts to minimize the use of unobservable inputs when determining fair value measurements. Estimated fair values are disclosed for financial instruments for which it is practicable to estimate fair value. These estimates are made at a specific point in time based on relevant market data and information about the financial instruments. These estimates do not reflect any premium or discount that could result from offering the Company's entire holdings of a particular financial instrument for sale at one time, nor do they attempt to estimate the value of anticipated future business related to the instruments. In addition, the tax ramifications related to the realization of unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of these estimates.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following is a description of both the general and specific valuation methodologies used for certain instruments measured at fair value, as well as the general classification of these instruments pursuant to the fair value hierarchy.

AFS Investment Securities – Investment securities are generally valued based upon quotes obtained from independent third-party pricing services, which use evaluated pricing applications and model processes. Observable market inputs, such as, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data are considered as part of the evaluation. The inputs are related directly to the security being evaluated, or indirectly to a similarly situated security. Market assumptions and market data are utilized in the valuation models. The Company reviews the market prices provided by the third-party pricing service for reasonableness based on the Company's understanding of the marketplace and credit issues related to the securities. The Company has not made any adjustments to the market quotes provided by them and, accordingly, the Company categorized these securities within Level 2 of the fair value hierarchy.

Equity Securities With Readily Determinable Fair Values – The Company's equity securities with readily determinable fair values consist of investments in public companies and qualify for CRA purposes. The fair value is based on the closing price on nationally recognized securities exchanges at the end of each period and classified as Level 1 of the fair value hierarchy.

Interest Rate Swaps – The Company originates a variable rate loan and enters into a variable-to-fixed interest rate swap with the customer. The Company also enters into an offsetting swap with a correspondent bank. These back-to-back swap 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 Company also enters into interest rate swap contracts with institutional counterparties to hedge against certain fixed-rate loans. 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 market standard discounted cash flow approach. The Company incorporates credit value adjustments on derivatives to properly reflect the respective counterparty's nonperformance risk in the fair value measurements of its derivatives. The Company has determined that the observable nature of the majority of inputs used in deriving the fair value of these derivative contracts fall within Level 2 of the fair value hierarchy, and the credit valuation adjustments are not significant to the overall valuation of its derivative financial instruments. As a result, the valuation of interest rate swaps is classified as Level 2 of the fair value hierarchy.

Equity Warrant Assets – The Company acquired equity warrant assets as a result of the acquisition of Opus. Opus received equity warrant assets through its lending activities as part of loan origination fees. The warrants provide the Bank the right to purchase a specific number of equity shares of the underlying company's equity at a certain price before expiration and contain net settlement terms qualifying as derivatives under ASC Topic 815 - *Derivatives and Hedging*. The fair value of equity warrant assets is determined using a Black-Scholes option pricing model and are classified as Level 3 within the fair value hierarchy due to the extent of unobservable inputs. The key assumptions used in determining the fair value include the exercise price of the warrants, valuation of the underlying entity's outstanding stock, expected term, risk-free interest rate, marketability discount for private company warrants, and price volatility. During 2023, the equity warrant assets were either settled or written off as the warrants were determined to not be exercisable until the underlying company's fair market value is greater than the value established in the warrant agreement.

Foreign Exchange Contracts – The Company enters into foreign exchange contracts to accommodate the business needs of its customers. The Company also enters into offsetting contracts with institutional counterparties to mitigate the Company's foreign exchange exposure with its customers, or enters into bilateral collateral and master netting agreements with certain customer counterparties to manage its credit exposure. The Company measures the fair value of foreign exchange contracts based on quoted prices for identical instruments in active markets, a Level 1 measurement.

The following fair value hierarchy table presents information about the Company's financial assets and liabilities measured at fair value on a recurring basis at the dates indicated:

		September 30, 2023					
		March 31, 2024					March 31, 2024
		Fair Value Measurement Using				Fair Value Measurement Using	
(Dollars in thousands)	(Dollars in thousands)	Level 1	Level 2	Level 3	Total Fair Value		Total Fair Value
Financial assets	**Financial assets**						
Financial assets							
Financial assets							
AFS investment securities:							
AFS investment securities:							
AFS investment securities:	AFS investment securities:						
U.S. Treasury	U.S. Treasury	$ —	$ 12,914	$ —	$ 12,914		
Agency	Agency	—	405,514	—	405,514		
Corporate	Corporate	—	504,808	—	504,808		

Collateralized mortgage obligations	Collateralized mortgage obligations	—	304,330	—	304,330
Mortgage-backed securities		—	687,033	—	687,033
Collateralized mortgage obligations					
Collateralized mortgage obligations					
Total AFS investment securities					
Total AFS investment securities					
Total AFS investment securities	Total AFS investment securities	$ —	$1,914,599	$ —	$1,914,599
Equity securities	Equity securities	$898	$ —	$ —	$ 898
Equity securities					
Equity securities					
Derivative assets:					
Derivative assets:					
Derivative assets:	Derivative assets:				
Foreign exchange contracts	Foreign exchange contracts	$ 22	$ —	$ —	$ 22
Foreign exchange contracts					
Foreign exchange contracts					
Interest rate swaps (1)	Interest rate swaps (1)	—	8,198	—	8,198
Equity warrants		—	—	391	391
Total derivative assets					
Total derivative assets					
Total derivative assets	Total derivative assets	$ 22	$ 8,198	$391	$ 8,611
Financial liabilities	**Financial liabilities**				
Financial liabilities					
Financial liabilities					
Derivative liabilities:					
Derivative liabilities:					
Derivative liabilities:	Derivative liabilities:				
Interest rate swaps	Interest rate swaps	$ —	$ 15,176	$ —	$ 15,176
Interest rate swaps					
Interest rate swaps					
Total derivative liabilities	Total derivative liabilities	$ —	$ 15,176	$ —	$ 15,176

(1) Represents amounts after the application of variation margin payments as settlements with central counterparties, where applicable. See *Note 11 – Derivative Instruments* for additional information.

December 31, 2022

		December 31, 2023				December 31, 2023
		Fair Value Measurement Using				Fair Value Measurement Using
(Dollars in thousands)	(Dollars in thousands)	Level 1	Level 2	Level 3	Total Fair Value	Total Fair Value
Financial assets	**Financial assets**					
Financial assets						
Financial assets						
AFS investment securities:						
AFS investment securities:						
AFS investment securities:	AFS investment securities:					
U.S. Treasury	U.S. Treasury	$ —	$ 47,017	$ —	$ 47,017	
Agency	Agency	—	431,438	—	431,438	
Corporate	Corporate	—	542,548	—	542,548	
Collateralized mortgage obligations	Collateralized mortgage obligations	—	764,229	—	764,229	
Mortgage-backed securities		—	815,781	—	815,781	
Collateralized mortgage obligations						
Collateralized mortgage obligations						
Total AFS investment securities						
Total AFS investment securities						
Total AFS investment securities	Total AFS investment securities	$ —	$ 2,601,013	$ —	$ 2,601,013	
Equity securities (1)		$ 925	$ —	$ —	$ 13,526	
Equity securities						
Equity securities						
Equity securities						
Derivative assets:	Derivative assets:					
Derivative assets:						
Derivative assets:						
Foreign exchange contracts	Foreign exchange contracts	$ 1	$ —	$ —	$ 1	
Interest rate swaps (2)		—	7,053	—	7,053	
Equity warrants		—	—	1,894	1,894	
Foreign exchange contracts						
Foreign exchange contracts						
Interest rate swaps (1)						
Total derivative assets						
Total derivative assets						
Total derivative assets	Total derivative assets	$ 1	$ 7,053	$ 1,894	$ 8,948	

Financial liabilities	**Financial liabilities**				
Financial liabilities					
Financial liabilities					
Derivative liabilities:					
Derivative liabilities:					
Derivative liabilities:	Derivative liabilities:				
Foreign exchange	Foreign exchange	$ 1	$ —	$ —	$ 1
Interest rate swaps		—	12,530	—	12,530
Foreign exchange					
Foreign exchange					
Interest rate swaps (2)					
Total derivative liabilities	Total derivative liabilities	$ 1	$ 12,530	$ —	$ 12,531

(1) Includes equity securities that are measured at net asset value per share (or its equivalent) as a practical expedient of $12.6 million at December 31, 2022 and are excluded from the fair value hierarchy.

(2) Represents amounts after the application of variation margin payments as settlements with central counterparties, where applicable. See *Note 11 – Derivative Instruments* for additional information.

The following table is a reconciliation of the fair value of the equity warrants that are classified as Level 3 and measured on a recurring basis as of:

		Three Months Ended		Nine Months Ended	
		September 30,	**September 30,**	**September 30,**	**September 30,**
		Three Months Ended			
		Three Months Ended			
		Three Months Ended			
		March 31,			
		March 31,			
		March 31,			
(Dollars in thousands)					
(Dollars in thousands)					
(Dollars in thousands)	(Dollars in thousands)	**2023**	**2022**	**2023**	**2022**
Beginning balance	Beginning balance	$ 407	$ 1,906	$ 1,894	$ 1,889
Beginning balance					
Beginning balance					
Change in fair value (1)					
Change in fair value (1)					
Change in fair value (1)	Change in fair value (1)	(16)	5	(41)	22
Net exercise	Net exercise	—	—	(1,462)	—
Net exercise					
Net exercise					
Ending balance	Ending balance	$ 391	$ 1,911	$ 391	$ 1,911
Ending balance					
Ending balance					

(1) The changes in fair value are included in other income on the consolidated statement of income.

The following table presents quantitative information about Level 3 fair value measurements for assets measured at fair value on a recurring basis at the dates indicated.

	September 30, 2023					
				Range		
(Dollars in thousands)	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Min	Max	Weighted Average
Equity warrants	$ 391	Black-Scholes option pricing model	Volatility Risk free interest rate Marketability discount	35.00% 5.03% 5.50%	35.00% 5.03% 5.50%	35.00% 5.03% 5.50%

	December 31, 2022					
				Range		
(Dollars in thousands)	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Min	Max	Weighted Average
Equity warrants	$ 1,894	Black-Scholes option pricing model	Volatility Risk free interest rate Marketability discount	30.00% 4.32% 6.00%	35.00% 4.41% 16.00%	31.14% 4.39% 13.60%

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Individually Evaluated Loans – A loan is individually evaluated for expected credit losses when it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement and it does not share similar risk characteristics with other loans. Individually evaluated loans are measured at fair value when they are deemed collateral dependent. Fair value on such loans is measured based on the underlying collateral. Collateral generally consists of accounts receivable, inventory, fixed assets, real estate, and cash. The Company measures impairment on all individually evaluated loans for which it has reduced the principal balance to the value of the underlying collateral less the anticipated selling costs.

Other Real Estate Owned – OREO is initially recorded at the fair value less estimated costs to sell at the date of transfer. This amount becomes the property's new basis. Any fair value adjustments based on the property's fair value less estimated costs to sell at the date of acquisition are charged to the allowance for credit losses.

The fair value of individually evaluated collateral dependent loans and other real estate owned OREO were determined using Level 3 assumptions, and represents individually evaluated loan for which a specific reserve has been established or on which a write down has been taken. For real estate loans, generally, the Company obtains third party appraisals (or property valuations) and/or collateral audits in conjunction with internal analysis based on historical experience on its individually evaluated loans and other real estate owned to determine fair value. In determining the net realizable value of the underlying collateral for individually evaluated loans and OREO, the Company then discounts the valuation to cover both market price fluctuations and selling costs, typically ranging from 7% to 10% of the collateral value, that the Company expects would be incurred in the event of foreclosure. In addition to the discounts taken, the Company's calculation of net realizable value considered any other senior liens in place on the underlying collateral. For non-real estate loans, fair value of the loan's collateral may be determined using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions, and management's expertise and knowledge of the client and client's business.

At September 30, 2023 March 31, 2024, the Company's individually evaluated collateral dependent loans were evaluated based on the fair value of their underlying collateral based upon the most recent appraisals available to management. The Company completed partial charge-offs on certain individually evaluated loans based on recent real estate or property appraisals and recorded the related reserves where applicable during the nine three months ended September 30, 2023 March 31, 2024.

The following table presents our assets measured at fair value on a nonrecurring basis at the dates indicated.

		September 30, 2023						
		Fair Value Measurement Using						
(Dollars in thousands)	(Dollars in thousands)	Level 1	Level 2	Level 3	Total Fair Value	(Dollars in thousands)	Fair Value Measurement Using	Total Fair Value
March 31, 2024								
Financial assets								
Financial assets								
Financial assets	Financial assets							

Collateral dependent loans	Collateral dependent loans	$ —	$ —	$419	$419
Other real estate owned		—	—	450	450
Collateral dependent loans					
Collateral dependent loans					
Total assets	**Total assets**	$ —	$ —	$869	$869
Total assets					
Total assets					

		December 31, 2022			
		Fair Value Measurement Using			**Total**
(Dollars in thousands)		**Level 1**	**Level 2**	**Level 3**	**Fair Value**
December 31, 2023					
Financial assets					
Financial assets					
Financial assets	**Financial assets**				
Collateral dependent loans	Collateral dependent loans	$ —	$ —	$3,180	$3,180
Other real estate owned					
Total assets					

The following table presents quantitative information about Level 3 fair value measurements for assets measured at fair value on a nonrecurring basis at the dates indicated.

		September 30, 2023					
					Range		
(Dollars in thousands)	(Dollars in thousands)	**Fair Value**	**Valuation Technique(s)**	**Unobservable Input(s)**	**Min**	**Max**	**Weighted Average**
March 31, 2024							
Investor loans secured by real estate	**Investor loans secured by real estate**						

(Dollars in thousands)	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range Min	Range Max	Weighted Average
Investor loans secured by real estate						
Investor loans secured by real estate						
CRE non-owner-occupied						
CRE non-owner-occupied						
CRE non-owner-occupied	$3,852	Fair value of collateral	Cost to sell			10.00%
SBA secured by real estate (1)						

SBA secured by real estate (1)

		Fair Value	Valuation Technique(s)	Unobservable Input(s)	Min	Max	Weighted Average					
SBA secured by real estate (1)	SBA secured by real estate (1)	$ 419	Fair value of collateral	Cost to sell	10.00%	10.00%	10.00%	71	Fair value of collateral	Fair value of collateral	Cost to sell	10.00%
Total individually evaluated loans	Total individually evaluated loans	419										
Other real estate owned		450	Fair value of property	Cost to sell	10.00%	10.00%	10.00%					

Total individually evaluated loans

Total individually evaluated loans

Total assets	Total assets	$ 869

Total assets

Total assets

December 31, 2023

Investor loans secured by real estate

Investor loans secured by real estate

Investor loans secured by real estate

		December 31, 2022											
					Range								
(Dollars in thousands)		Fair Value	Valuation Technique(s)	Unobservable Input(s)	Min	Max	Weighted Average						
SBA secured by real estate (1)													
SBA secured by real estate (1)													
SBA secured by real estate (1)								$ 419			Fair value of collateral	Cost to sell	10.00%
Commercial loans	**Commercial loans**												
Commercial loans													
Commercial loans													
Commercial and industrial													
Commercial and industrial													
Commercial and industrial	Commercial and industrial	$ 3,180	Fair value of collateral	Collateral discount and cost to sell	6.00%	6.00%	6.00%	1,150	Fair value of collateral		Fair value of collateral	Cost to sell	7.00%
Total individually evaluated loans	Total individually evaluated loans	$ 3,180											
Total individually evaluated loans													
Total individually evaluated loans													

Other real estate owned				
Other real estate owned				
Other real estate owned	248	Fair value of property	Cost to sell	10.00%
Total assets				

(1) SBA loans that are collateralized by hotel/motel real property.

Fair Values of Financial Instruments

The fair value estimates presented herein are based on pertinent information available to management as of the dates indicated, representing an exit price.

(Dollars in thousands)	At September 30, 2023					March 31, 2024				
	Carrying Amount	Level 1	Level 2	Level 3	Estimated Fair Value	Carrying Amount	Level 1	Level 2	Level 3	Estimated Fair Value
Assets										
Cash and cash equivalents	$ 1,400,276	$1,400,276	$ —	$ —	$ 1,400,276					
Interest-bearing time deposits with financial institutions	1,242	1,242	—	—	1,242					
HTM investment securities	1,737,866	—	1,354,434	—	1,354,434					
AFS investment securities	1,914,599	—	1,914,599	—	1,914,599					
Equity securities	898	898	—	—	898					
Loans held for sale	641	—	666	—	666					
Loans held for investment, net	13,270,120	—	—	12,405,677	12,405,677					
Derivative assets (1)	8,611	22	8,198	391	8,611					
Accrued interest receivable	68,131	—	68,131	—	68,131					
Liabilities										
Deposit accounts	$16,007,447	$ —	$16,010,816	$ —	$16,010,816					
FHLB advances	800,000	—	786,086	—	786,086					
Subordinated debentures	331,682	—	319,637	—	319,637					

Subordinated debentures						
Derivative liabilities	Derivative liabilities	15,176	—	15,176	—	15,176
Accrued interest payable	Accrued interest payable	29,822	—	29,822	—	29,822

(1) Represents amounts after the application of variation margin payments as settlements with central counterparties, where applicable. See *Note 11 – Derivative Instruments* for additional information.

		At December 31, 2022				
(Dollars in thousands)	(Dollars in thousands)	Carrying Amount	Level 1	Level 2	Level 3	Estimated Fair Value
Assets	**Assets**					
Cash and cash equivalents	Cash and cash equivalents	$ 1,101,249	$1,101,249	$ —	$ —	$ 1,101,249
Interest-bearing time deposits with financial institutions	Interest-bearing time deposits with financial institutions	1,734	1,734	—	—	1,734
HTM investment securities	HTM investment securities	1,388,103	—	1,097,096	—	1,097,096
AFS investment securities	AFS investment securities	2,601,013	—	2,601,013	—	2,601,013
Equity securities (1)		13,526	925	—	—	13,526
Loans held for sale		2,643	—	2,755	—	2,755
Equity securities						
Loans held for investment, net	Loans held for investment, net	14,676,298	—	—	13,846,403	13,846,403
Derivative assets (2)		8,948	1	7,053	1,894	8,948
Loans held for investment, net						
Loans held for investment, net						
Derivative assets (1)						
Accrued interest receivable	Accrued interest receivable	73,784	—	73,784	—	73,784
Liabilities						
Liabilities						
Liabilities	**Liabilities**					
Deposit accounts	Deposit accounts	$17,352,401	$ —	$17,334,219	$ —	$17,334,219
FHLB advances	FHLB advances	1,000,000	—	982,695	—	982,695
Subordinated debentures	Subordinated debentures	331,204	—	327,609	—	327,609
Subordinated debentures						
Subordinated debentures						

	December 31, 2023				
(Dollars in thousands)	Carrying Amount	Level 1	Level 2	Level 3	Estimated Fair Value
Assets					

Derivative liabilities	Derivative liabilities	12,531	1	12,530	—	12,531
Accrued interest payable	Accrued interest payable	14,661	—	14,661	—	14,661

(1) Includes equity securities that are measured at net asset value per share (or its equivalent) as a practical expedient of $12.6 million at December 31, 2022 and are excluded from the fair value hierarchy.

(2) Represents amounts after the application of variation margin payments as settlements with central counterparties, where applicable. See *Note 11 – Derivative Instruments* for additional information.

Note 11 – Derivative Instruments

The Company uses derivative instruments to manage its exposure to market risks, including interest rate risk, and to assist customers with their risk management objectives. The Company designates certain derivatives as hedging instruments in a qualifying hedge accounting relationship, while other derivatives serve as economic hedges that do not qualify for hedge accounting.

Derivatives Designated as Hedging Instruments

Fair Value Hedges – The Company is exposed to changes in the fair value of fixed-rate assets due to changes in benchmark interest rates. The Company entered into pay-fixed and receive-floating interest rate swaps associated with certain fixed rate loans, primarily multifamily and commercial real estate loans, to manage its exposure to changes in fair value on these instruments attributable to changes in the designated SOFR benchmark interest rate. These interest rate swaps are designated as fair value hedges using the portfolio layer method. The Company receives variable-rate interest payments in exchange for making fixed-rate payments over the lives of the contracts without exchanging the notional amounts. The fair value hedges are recorded as components of other assets and other liabilities in the Company's consolidated statements of financial condition. The gain or loss on these derivatives, as well as the offsetting loss or gain on the hedged items attributable to the hedged risk, are recognized consistent with the classification of the hedged item in interest income in the Company's consolidated statements of income. During the three months ended September 30, 2023, as part of its interest rate sensitivity management, the Company entered into two $150.0 million in notional amount, $300.0 million in aggregate, of pay-fixed At March 31, 2024 and receive-floating interest rate swaps associated with certain fixed rate loans to replenish interest rate swaps that matured during the current quarter and interest rate swaps that are maturing later in 2023. At September 30, 2023 and December 31, 2022 December 31, 2023, interest rate swaps with an aggregate notional amount of $1.40 billion $1.35 billion and $1.20 billion $1.35 billion respectively, were designated as fair value hedges.

The following amounts were recorded on the consolidated statement of financial condition related to cumulative basis adjustment for fair value hedges as of the dates indicated:

Line Item in the Statement of Financial Position in Which the Hedged Item is Included	Line Item in the Statement of Financial Position in Which the Hedged Item is Included	Carrying Amount of the Hedged Assets		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets		Line Item in the Statement of Financial Position in Which the Hedged Item is Included	Carrying Amount of the Hedged Assets		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets	
(Dollars in thousands)	(Dollars in thousands)	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	(Dollars in thousands)	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Loans held for investment (1)	Loans held for investment (1)	$1,351,170	$1,138,074	$ (48,830)	$ (61,926)					
Total	Total	$1,351,170	$1,138,074	$ (48,830)	$ (61,926)					

(1) These amounts were included in the amortized cost basis of closed portfolios of loans held for investment used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolios anticipated to be outstanding for the designated hedge period. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the amortized cost basis of the closed portfolios used in these hedging relationships was $3.59 billion $3.19 billion and $3.35 billion $3.25 billion, respectively, the cumulative basis adjustments associated with these hedging relationships was $(48.8) $(32.3) million and $(61.9) $(29.6) million, respectively, and the amounts of the designated hedged items were $1.40 billion $1.35 billion and $1.20 billion $1.35 billion, respectively.

Derivatives Not Designated as Hedging Instruments

Interest Rate Swap Contracts – From time to time, the Company enters into interest rate swap agreements with certain borrowers to assist them in mitigating their interest rate risk exposure associated with the loans they have with the Company. At the same time, the Company enters into identical offsetting interest rate swap agreements with another financial institution to mitigate the Company's interest rate risk exposure associated with the swap agreements it enters into with its borrowers. The Company had has over-the-counter derivative instruments and centrally-cleared derivative instruments with matched terms. The fair values of these agreements are determined through a third-party valuation model used by the Company's swap advisory firm, which uses observable market data such as interest rates, prices of Eurodollar futures contracts, and market swap rates. The fair values of these swaps are recorded as components of other assets and other liabilities in the Company's consolidated statement of financial condition. Changes in the fair value of these swaps, which occur due to changes in interest rates, are recorded in the Company's statement of income as a component of noninterest income. Upon the cessation of LIBOR on June 30, 2023, our LIBOR-indexed interest rate swap contracts transitioned to SOFR as successor rate for both valuations and settlements.

Over-the-counter contracts are tailored to meet the needs of the counterparties involved and, therefore, generally contain a greater degree of credit risk and liquidity risk than centrally-cleared contracts, which have standardized terms. Although changes in the fair value of swap agreements between the Company and borrowers and the Company and other financial institutions offset each other, changes in the credit risk of these counterparties may result in a difference in the fair value of the swap agreements. Offsetting over-the-counter swap agreements the Company has with other financial institutions are collateralized with cash, and swap agreements with borrowers are secured by the collateral arrangements for the underlying loans these borrowers have with the Company. All interest rate swap agreements entered into by the Company are free-standing derivatives and are not designated as hedging instruments.

Foreign Exchange Contracts – The Company offers foreign exchange spot and forward contracts as accommodations to its customers to purchase and/or sell foreign currencies at a contractual price. In conjunction with these products the Company also enters into offsetting contracts with institutional counterparties to mitigate the Company's foreign exchange exposure with its customers, or enters into bilateral collateral and master netting agreements with certain customer counterparties to manage its credit exposure. These contracts allow the Company to offer its customers foreign exchange products while minimizing its exposure to foreign exchange rate fluctuations. These foreign exchange contracts are not designated as hedging instruments and are recorded at fair value in other assets and other liabilities in the Company's consolidated statements of financial condition. Changes in the fair value of these contracts are recorded in the Company's consolidated statements of income as a component of noninterest income.

Equity Warrant Assets – The Company acquired equity warrant assets as a result of the acquisition of Opus. Opus received equity warrant assets through its lending activities, which were accounted for as loan origination fees. The warrants provide the Bank the right to purchase a specific number of equity shares of the underlying company's equity at a certain price before expiration and contain net settlement terms qualifying as derivatives under ASC Topic 815. The Company no longer has loans associated with these borrowers. Changes in the fair value of the warrants are recognized as a component of noninterest income with a corresponding offset within other assets. The total fair value of the warrants held in private companies was zero in other assets as of March 31, 2024 and December 31, 2023, respectively. During 2023, the equity warrant assets were either settled or written off as the warrants were determined to not be exercisable until the underlying company's fair market value is greater than the value established in the warrant agreement.

The following tables summarize the Company's derivative instruments included in “other assets” and “other liabilities” in the consolidated statements of financial condition as of the dates indicated:

	September 30, 2023			
	Derivative Assets		Derivative Liabilities	
(Dollars in thousands)	Notional	Fair Value	Notional	Fair Value
Derivative instruments designated as hedging instruments:				
Fair value hedge - interest rate swap contracts	$ 1,400,000	$ 50,918	$ —	$ —
Total derivative designated as hedging instruments	1,400,000	50,918	—	—
Derivative instruments not designated as hedging instruments:				
Foreign exchange contracts	2,948	22	—	—
Interest rate swaps contracts	107,508	15,019	107,508	15,030
Equity warrants	—	391	—	—
Total derivative not designated as hedging instruments	110,456	15,432	107,508	15,030
Total derivatives	$ 1,510,456	66,350	$ 107,508	15,030
Netting adjustments - cleared positions (1)		57,739		146
Total derivatives in the Statement of Financial Condition		$ 8,611		$ 15,176

	March 31, 2024			
	Derivative Assets		Derivative Liabilities	
(Dollars in thousands)	Notional	Fair Value	Notional	Fair Value
Derivative instruments designated as hedging instruments:				

Fair value hedge - interest rate swap contracts	$ 900,000	$ 34,461	$ 450,000	$ 461
Total derivative designated as hedging instruments	900,000	34,461	450,000	461
Derivative instruments not designated as hedging instruments:				
Foreign exchange contracts	475	8	56	—
Interest rate swaps contracts	102,428	11,899	102,428	11,908
Total derivative not designated as hedging instruments	102,903	11,907	102,484	11,908
Total derivatives	$ 1,002,903	46,368	$ 552,484	12,369
Netting adjustments - cleared positions (1)		39,872		350
Total derivatives in the Statement of Financial Condition		$ 6,496		$ 12,019

(1) Netting adjustments represents the variation margin payments that are considered legal settlements of derivative exposure and applied to net the fair value of the respective derivative contracts in accordance with the applicable accounting guidance on the settle-to-market rule for cleared derivatives.

	December 31, 2022			
	Derivative Assets		Derivative Liabilities	
December 31, 2023				
Derivative Assets				
(Dollars in thousands)	Notional	Fair Value	Notional	Fair Value
Derivative instruments designated as hedging instruments:				
Fair value hedge - interest rate swap contracts				
Fair value hedge - interest rate swap contracts				
Fair value hedge - interest rate swap contracts	$ 900,000	$63,710	$300,000	$ 72
Total derivative designated as hedging instruments	900,000	63,710	300,000	72
Derivative instruments not designated as hedging instruments:				
Foreign exchange contracts	22	1	143	1
Foreign exchange contracts				
Foreign exchange contracts				
Interest rate swaps contracts	112,124	12,524	112,124	12,525
Equity warrants	—	1,894	—	—

(Dollars in thousands)	December 31, 2023			
	Derivative Assets		Derivative Liabilities	
	Notional	Fair Value	Notional	Fair Value

Total derivative not designated as hedging instruments	112,146	14,419	112,267	12,526
Total derivatives	$1,012,146	$78,129	$412,267	$12,598
Netting adjustments - cleared positions (1)		69,181		67
Total derivatives in the Statement of Financial Condition		$ 8,948		$12,531

(1) Netting adjustments represents the variation margin payments that are considered legal settlements of derivative exposure and applied to net the fair value of the respective derivative contracts in accordance with the applicable accounting guidance on the settle-to-market rule for cleared derivatives.

The following table presents the effect of fair value hedge accounting on the consolidated statements of income:

		Three Months Ended		**Nine Months Ended**	
(Dollars in thousands)	**Location of Gain (Loss) Recognized in Income on Derivative Instruments**	**September 30, 2023**	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
Gain (loss) on fair value hedging relationships:					
Hedged items	Interest Income	$ 4,300	$ (17,037)	$ 13,096	$ (62,826)

Derivatives designated as hedging instruments	Derivatives designated as hedging instruments	Interest Income	6,268	21,582	15,578	65,921
Derivatives designated as hedging instruments						
Derivatives designated as hedging instruments						

The following table summarizes the effect of the derivatives not designated as hedging instruments in the consolidated statements of income.

(Dollars in thousands)		Three Months Ended		Nine Months Ended	
Derivatives Not Designated as Hedging Instruments:	**Location of Gain (Loss) Recognized in Income on Derivative Instruments**	**September 30, 2023**	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
Foreign exchange contracts	Other income	$ 205	$ 141	$ 688	$ 264
Interest rate products	Other income	(9)	1	(9)	4
Equity warrants	Other income	(16)	5	(802)	22
Total		$ 180	$ 147	$ (123)	$ 290

(Dollars in thousands)		Three Months Ended	
Derivatives Not Designated as Hedging Instruments:	**Location of Gain (Loss) Recognized in Income on Derivative Instruments**	**March 31, 2024**	**March 31, 2023**
Foreign exchange contracts	Other income	$ 145	$ 220
Interest rate products	Other income	2	—
Equity warrants	Other income	—	(251)
Total		$ 147	$ (31)

Note 12 – Balance Sheet Offsetting

Derivative financial instruments may be eligible for offset in the consolidated statements of financial condition, such as those subject to enforceable master netting arrangements or a similar agreement. Under these agreements, the Company has the right to net settle multiple contracts with the same counterparty. The Company offers an interest rate swap product to qualified customers, which are then paired with derivative contracts the Company enters into with a counterparty bank. While derivative contracts entered into with counterparty banks may be subject to enforceable master netting agreements, derivative contracts with customers may not be subject to enforceable master netting arrangements. With regard to derivative contracts not centrally cleared through a clearinghouse, regulations require collateral to be posted by the party with a net liability position. Parties to a centrally cleared over-the-counter derivative exchange daily payments that reflect the daily change in the value of the derivative. These payments are commonly referred to as variation margin and are treated as settlements of derivative exposure rather than as collateral. The Company elected to account for centrally-cleared gross amounts of derivative contracts on a gross basis, even when the right for setoff are in place. However, assets and liabilities for derivative contracts cleared through certain central clearing parties are reported at the fair value of the respective derivative contracts is reported net of the variation margin payments. payments, where applicable.

Financial instruments that are eligible for offset in the consolidated statements of financial condition as of the periods indicated are presented below:

				Gross Amounts Not Offset in the Consolidated Statements of Financial Condition			
Gross Amounts Recognized (1)	**Gross Amounts Recognized (1)**	**Gross Amounts Offset in the Consolidated Statements of Financial Condition**	**Net Amounts Presented in the Consolidated Statements of Financial Condition**		**Net Amount**	**Gross Amounts Recognized (1)**	**O C S o**

(Dollars in thousands) (Dollars in thousands) September 30, 2023	Gross Amounts Recognized (1)	Gross Amounts Offset in the Consolidated Statements of Financial Condition	Net Amounts Presented in the Consolidated Statements of Financial Condition	Financial Instruments (2)	Cash Collateral (3)	Net Amount
March 31, 2024						
March 31, 2024						
March 31, 2024						
Derivative assets: Derivative assets:						
Derivative assets:						
Derivative assets:						
Interest rate swaps						
Interest rate swaps						
Interest rate swaps Interest rate swaps	$ 8,198	$ —	$ 8,198	$—	$(6,730)	$ 1,468
Total Total	$ 8,198	$ —	$ 8,198	$—	$(6,730)	$ 1,468
Derivative liabilities: Derivative liabilities:						
Derivative liabilities:						
Derivative liabilities:						
Interest rate swaps						
Interest rate swaps						
Interest rate swaps Interest rate swaps	$ 15,176	$ —	$ 15,176	$—	$ —	$15,176
Total Total	$ 15,176	$ —	$ 15,176	$—	$ —	$15,176
December 31, 2022						
December 31, 2023						
December 31, 2023						
December 31, 2023						
Derivative assets: Derivative assets:						
Derivative assets:						
Derivative assets:						
Interest rate swaps						
Interest rate swaps						
Interest rate swaps Interest rate swaps	$ 7,053	$ —	$ 7,053	$ —	$ (5,440)	$ 1,613
Total Total	$ 7,053	$ —	$ 7,053	$ —	$ (5,440)	$ 1,613
Derivative liabilities: Derivative liabilities:						
Derivative liabilities:						
Derivative liabilities:						
Interest rate swaps						
Interest rate swaps						
Interest rate swaps Interest rate swaps	$ 12,530	$ —	$ 12,530	$ —	$ —	$ 12,530
Total Total	$ 12,530	$ —	$ 12,530	$ —	$ —	$ 12,530

(1) Represents amounts after the application of variation margin payments as settlements with central counterparties, where applicable.

(2) Represents the fair value of securities pledged with counterparty bank.

(3) Represents cash collateral received from or pledged with counterparty bank. Amounts are limited to the derivative asset or liability balance and, accordingly, do not include excess collateral, if any, received or pledged.

Note 13 – Variable Interest Entities

The Company is involved with VIEs through its loan securitization activities and affordable housing investments that qualify for the low-income housing tax credit ("LIHTC"). The Company has determined that its interests in these entities meet the definition of variable interests.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company determined it was not the primary beneficiary of the VIEs and did not consolidate its interests in VIEs. The following table provides a summary of the carrying amount of assets and liabilities in the Company's consolidated statements of financial condition and maximum exposure to loss as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 that relate to variable interests in non-consolidated VIEs.

		September 30, 2023			December 31, 2022									
		March 31, 2024							March 31, 2024			December 31, 2023		
(Dollars in thousands)	(Dollars in thousands)	Maximum Loss	Assets	Liabilities	Maximum Loss	Assets	Liabilities	(Dollars in thousands)	Maximum Loss	Assets	Liabilities	Maximum Loss	Assets	Liabilities
Multifamily loan securitization:	Multifamily loan securitization:													
Investment securities (1)														
Investment securities (1)														
Investment securities (1)	Investment securities (1)	$ 51,055	$ 51,055	$ —	$ 56,784	$ 56,784	$ —							
Reimbursement obligation (2)	Reimbursement obligation (2)	50,901	—	334	50,901	—	334							
Affordable housing partnership:	Affordable housing partnership:													
Other investments (3)	Other investments (3)	56,349	92,267	—	60,531	75,959	—							
Other investments (3)														
Other investments (3)														
Unfunded equity commitments (2)	Unfunded equity commitments (2)	—	—	35,917	—	—	15,428							
Total	Total	$158,305	$143,322	$ 36,251	$168,216	$132,743	$ 15,762							
Total														
Total														

(1) Included in investment securities AFS on the consolidated statement of financial condition.

(2) Included in accrued expenses and other liabilities on the consolidated statement of financial condition.

(3) Included in other assets on the consolidated statement of financial condition.

Multifamily Loan Securitization

With respect to the securitization transaction with Freddie Mac discussed in *Note 5 – Loans Held for Investment*, the Company's variable interests reside with the underlying Freddie Mac-issued guaranteed, structured pass-through certificates that were held as AFS investment securities at fair value as of September 30, 2023 March 31, 2024. Additionally, the Company has variable interests through a reimbursement agreement executed by Freddie Mac that obligates the Company to reimburse Freddie Mac for any defaulted contractual principal and interest payments identified after the ultimate resolution of the defaulted loans. Such reimbursement obligations are not to exceed 10% of the original principal amount of the loans comprising the securitization pool.

As part of the securitization transaction, the Company released all servicing obligations and rights to Freddie Mac who was designated as the Master Servicer. In its capacity as Master Servicer, Freddie Mac can terminate the Company's role as sub-servicer and direct such responsibilities accordingly. In evaluating our variable interests and continuing involvement in the VIE, we determined that we do not have the power to make significant decisions or direct the activities that most significantly impact the economic performance of the VIE's assets and liabilities. As sub-servicer of the loans, the Company does not have the authority to make significant decisions that influence the value of the VIE's net assets and, therefore, the Company is not the primary beneficiary of the VIE. As a result, we determined that the VIE associated with the multifamily securitization should not be included in the consolidated financial statements of the Company.

We believe that our maximum exposure to loss as a result of our involvement with the VIE associated with the securitization is the carrying value of the investment securities issued by Freddie Mac and purchased by the Company. Additionally, our maximum exposure to loss under the reimbursement agreement executed with Freddie Mac is 10% of the original principal amount of the loans comprising the securitization pool, or $50.9 million $50.9 million. However, as the total outstanding principal amount of the underlying loans decreased below the aforementioned threshold, the maximum exposure declined to the total outstanding principal amount of the underlying loans of $47.6 million at March 31, 2024 and $48.0 million at December 31, 2023. Based upon our analysis of quantitative and qualitative data over the underlying loans included in the securitization pool, as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, our reserve for estimated losses with respect to the reimbursement obligation was $334,000. $345,000.

Investments in Qualified Affordable Housing Partnerships

The Company has variable interests through its affordable housing partnership investments. These investments are fundamentally designed to provide a return through the generation of income tax credits and other income tax benefits. The Company has evaluated its involvement with the low-income housing projects and determined it does not have the ability to exercise significant influence over or participate in the decision-making activities related to the management of the projects, and therefore, is not the primary beneficiary, and does not consolidate these interests.

The Company's maximum exposure to loss, exclusive of any potential realization of tax credits, is equal to the commitments invested, adjusted for amortization. The amount of unfunded commitments was included in the investments recognized as assets with a corresponding liability. The preceding table summarizes the amount of tax credit investments held as assets, the amount of unfunded commitments recognized as liabilities, and the maximum exposure to loss as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Note 14 – Tax Equity Investments

The Company makes investments in the equity of certain limited partnerships or limited liability companies that typically qualify for credit under the Community Reinvestment Act. Certain of these equity investments are associated with affordable housing projects that generate LIHTC and other income tax benefits for the Company.

The Company typically accounts for tax equity investments using the proportional amortization method, if certain criteria are met. The election to account for tax equity investments using the proportional amortization method is done so on a tax credit program-by-tax credit program basis. Under the proportional amortization method, the Company amortizes the initial cost of the investment, which is inclusive of any commitments to make future equity contributions, in proportion to the income tax credits and other income tax benefits that are allocated to the Company over the period of the investment. The net benefits of these investments, which are comprised of income tax credits and operating loss income tax benefits, net of investment amortization, are recognized in the income statement as a component of income tax expense. At March 31, 2024 and December 31, 2023, the carrying value of these investments was $85.4 million and $88.8 million, respectively, and are included in other assets in the consolidated statements of financial position.

As of March 31, 2024, the Company's unfunded commitments associated with tax equity investments, which comprise of investments in affordable housing partnerships, were estimated to be paid as follows:

(Dollars in thousands)	Amount
Year Ending December 31,	
2024	$ 10,085
2025	11,477
2026	4,297
2027	2,360
2028	419
Thereafter	2,509
Total unfunded commitments	$ 31,147

The following table presents income tax credits and other income tax benefits, as well as amortization expense, associated with investments in qualified affordable housing partnerships where the proportional amortization method of accounting has been applied for the periods indicated.

	Three Months Ended	
(Dollars in thousands)	March 31, 2024	March 31, 2023
Tax credit and other tax benefits recognized (1)	$ 4,217	$ 3,776
Amortization of investments (1)	3,475	3,050

(1) Amounts for income tax credits and other income tax benefits, as well as amortization of investments, are included in income tax expense in the consolidated statements of income, and change in accrued interest receivable and other assets, net line item on the consolidated statements of cash flows, for the periods presented above.

There was no non-income tax related activity associated with these investments recorded outside of income tax expense for the three months ended March 31, 2024 and 2023, respectively. There were no impairment losses recorded on tax equity investments during the three months ended March 31, 2024 and 2023, respectively.

Note 15 – Subsequent Events

Quarterly Cash Dividend

On October 23, 2023 April 22, 2024, the Corporation's Board of Directors declared a cash dividend of $0.33 per share, payable on November 13, 2023 May 13, 2024 to stockholders of record as of November 3, 2023 May 6, 2024.

Prepayment of FHLB Advance

On October 6, 2023, in light of a stabilizing deposit base and as part of its balance sheet and liquidity management, the Company deployed excess cash to pay down a $200 million higher cost FHLB term advance. Prior to the redemption, such FHLB term advance carried a fixed interest rate of 4.84% with a maturity date in May 2024. Total payment in aggregate was $199.4 million, including principal and accrued and unpaid interest expense, net of a prepayment credit of $793,000, which was recorded as a net gain on debt extinguishment. Management anticipates the deleverage strategy will positively impact the Company's cost of funds, net interest margin, and FHLB available borrowing capacity.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

All references to "we," "us," "our," "Pacific Premier," or the "Company" mean Pacific Premier Bancorp, Inc. and our consolidated subsidiaries, including Pacific Premier Bank, our primary operating subsidiary. All references to the "Bank" refer to Pacific Premier Bank. All references to the "Corporation" refer to Pacific Premier Bancorp, Inc.

This Quarterly Report on Form 10-Q contains information and statements that are considered "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 represent plans, estimates, objectives, goals, guidelines, expectations, intentions, projections, and statements of our beliefs concerning future events, business plans, objectives, expected operating results, and the assumptions upon which those statements are based. Forward-looking statements include without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements and are typically identified with words such as "may," "could," "should," "will," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," or words or phrases of similar meaning.

We caution that the forward-looking statements are based largely on our expectations and are subject to a number of known and unknown risks and uncertainties that are subject to change based on factors, which are, in many instances, beyond our control. Actual results, performance or achievements could differ materially from those contemplated, expressed, or implied by the forward-looking statements.

The following factors, among others, could cause our financial performance to differ materially from that expressed in such forward-looking statements:

- The strength of the United States ("U.S.") economy in general and the strength of the local economies in which we conduct operations;
- Recent adverse Adverse developments in the banking industry highlighted by high-profile bank failures and the potential impact of such developments on customer confidence, liquidity, and regulatory responses to these developments;
- The effects of, and changes in, trade, monetary, and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System (the "Federal Reserve");
- Interest rate, liquidity, economic, market, credit, operational, and inflation risks associated with our business, including the speed and predictability of changes in these risks;
- Our ability to attract and retain deposits and to access other sources of liquidity, particularly in a rising or high interest rate environment, and the quality and composition of our deposits;
- Business and economic conditions generally and in the financial services industry, nationally and within our current and future geographic markets, including the tight labor market, ineffective management of the U.S. Federal budget or debt, or turbulence or uncertainty in domestic or foreign financial markets;
- The effect of acquisitions we have made or may make, including, without limitation, the failure to achieve the expected revenue growth and/or expense savings from such acquisitions, and/or the failure to effectively integrate an acquisition target into our operations;
- The timely development of competitive new products and services and the acceptance of these products and services by new and existing customers;
- Possible impairment charges to goodwill, including any impairment that may result from increased volatility in our stock price;

- The impact of changes in financial services policies, laws, and regulations, including those concerning taxes, banking, securities, and insurance, and the application thereof by regulatory bodies;
- Compliance risks, including the costs of monitoring, testing, and maintaining compliance with complex laws and regulations;
- The effectiveness of our risk management framework and quantitative models;
- The transition away from USD London Interbank Offered Rate ("LIBOR") and related uncertainty, as well as the risks and costs related to our adoption of Secured Overnight Financing Rate ("SOFR");
- The effect of changes in accounting policies and practices or accounting standards, as may be adopted from time to time by bank regulatory agencies, the Securities and Exchange Commission ("SEC"), the Public Company Accounting Oversight Board ("PCAOB"), the Financial Accounting Standards Board ("FASB"), or other accounting standards setters;
- Possible credit-related impairments of securities held by us;
- Changes in the level of our nonperforming assets and charge-offs;
- The impact of governmental efforts to restructure the U.S. financial regulatory system;
- The impact of recent or future changes in Federal Deposit Insurance Corporation (the "FDIC") insurance assessment rate or the rules and regulations related to the calculation of the FDIC insurance assessment amount, including any special assessments;
- Changes in consumer spending, borrowing, and savings habits;
- The effects of concentrations in our lack of a diversified loan portfolio, including commercial real estate, and the risks of geographic and industry concentrations;
- The possibility that we may reduce or discontinue the payments of dividends on our common stock;
- The possibility that we may discontinue, reduce, or otherwise limit the level of repurchases of our common stock we may make from time to time pursuant to our stock repurchase program;
- Changes in the financial performance and/or condition of our borrowers;
- Changes in the competitive environment among financial and bank holding companies and other financial service providers;
- Geopolitical conditions, including acts or threats of terrorism, actions taken by the U.S. or other governments in response to acts or threats of terrorism and/or military conflicts, including the war between Russia and Ukraine, Israel and the war Hamas, and overall tensions in the Middle East, and trade tensions, all of which could impact business and economic conditions in the U.S. and abroad;
- Public health crises and pandemics including with respect to COVID-19, and their effects on the economic and business environments in which we operate, including on our credit quality and business operations, as well as the impact on general economic and financial market conditions;
- Cybersecurity threats and incidents, and related potential costs and risks, including reputation, financial, and litigation risks; the cost of defending against them;
- Climate change, including the enhanced regulatory, compliance, credit, and reputational risks and costs;
- Natural disasters, earthquakes, fires, and severe weather;
- Unanticipated regulatory, legal, or judicial proceedings; and
- Our ability to manage the risks involved in the foregoing.

If one or more of the factors affecting our forward-looking information and statements proves incorrect, then our actual results, performance, or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements contained in this Quarterly Report on Form 10-Q and other reports and registration statements filed by us with the SEC. Therefore, we caution you not to place undue reliance on our forward-looking information and statements. We will not update the forward-looking information and statements to reflect actual results or changes in the factors affecting the forward-looking information and statements. For information on the factors that could cause actual results to differ from the expectations stated in the forward-looking statements, see "Risk Factors" under Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 (the "2022 "2023 Form 10-K") in addition to Part II, Item 1A - Risk Factors of this Quarterly Report on Form 10-Q and other reports as filed with the SEC.

Forward-looking information and statements should not be viewed as predictions, and should not be the primary basis upon which investors evaluate us. Any investor in our common stock should consider all risks and uncertainties disclosed in our filings with the SEC, all of which are accessible on the SEC's website at http://www.sec.gov.

GENERAL

Management's discussion and analysis of financial condition and results of operations is intended to provide a better understanding of the significant changes in trends relating to the Company's financial condition, results of operations, liquidity, and capital resources. This discussion should be read in conjunction with our 2022 2023 Form 10-K, plus the unaudited consolidated financial statements and the notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q. The results for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results expected for the year ending December 31, 2023 December 31, 2024.

The Corporation is a California-based bank holding company incorporated in 1997 in the state of Delaware and registered as a bank holding company under the Bank Holding Company Act of 1956, as amended ("BHCA"). Our wholly owned subsidiary, Pacific Premier Bank, is a California state-chartered commercial bank. The Bank was founded in 1983 as a state-chartered thrift and subsequently converted to a federally-chartered thrift in 1991. The Bank converted to a California-chartered commercial bank and became a member of the Federal Reserve System in March 2007. The Bank is also a member of the FHLB, Federal Home Loan Bank of San Francisco ("FHLB"), which is a member of the Federal Home Loan Bank System. As a bank holding company, the Corporation is subject to regulation and supervision by the Federal Reserve. We are required to file with Reserve and the Federal Reserve quarterly and annual reports and such additional information as the Federal Reserve may require pursuant to the BHCA. Bank of San Francisco ("FRB"). The Federal Reserve may conduct examinations of bank holding companies, such as the Corporation, and its subsidiaries. The Corporation is also a bank holding company within the meaning of the California Financial Code. As such, the Corporation and its subsidiaries are subject to the supervision and examination by, and may be required to file reports with, the California Department of Financial Protection and Innovation ("DFPI").

A bank holding company, such as the Corporation, is required to serve as a source of financial strength to its subsidiary depository institutions and to commit resources to support such institutions in circumstances where it might not do so absent such a policy. The Federal Reserve, under the BHCA, has the authority to require a bank holding company to terminate any activity or to relinquish control of a nonbank subsidiary (other than a nonbank subsidiary of a bank) upon the Federal Reserve's determination that such activity or control constitutes a serious risk to the financial soundness and stability of any bank subsidiary of the bank holding company.

As a California state-chartered commercial bank, which is a member of the Federal Reserve, the Bank is subject to supervision, periodic examination, and regulation by the DFPI, the Federal Reserve, the Consumer Financial Protection Bureau, and the FDIC. The Bank's deposits are insured by the FDIC through the Deposit Insurance Fund. In general terms, insurance coverage is up to $250,000 per depositor for all deposit accounts. As a result of this deposit insurance function, the FDIC also has certain supervisory authority and powers over the Bank. If, as a result of an examination of the Bank, the regulators should determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of the Bank's operations are unsatisfactory or that the Bank or our management is violating or has violated any law or regulation, various remedies are available to the regulators. Such remedies include the power to enjoin unsafe or unsound practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in capital, to restrict growth, to assess civil monetary penalties, to remove officers and directors, and ultimately, to request the FDIC to terminate the Bank's deposit insurance. As a California-chartered commercial bank, the Bank is also subject to certain provisions of California law.

Our corporate headquarters is located in Irvine, California. At September 30, 2023 March 31, 2024, we primarily conduct conducted business throughout the Western Region of the United States from our 58 59 full-service depository branches located in California, Washington, Oregon, Arizona, and Nevada. Following the Snohomish branch consolidation in Washington in April 2024, the Bank operates 58 full-service depository branches. The branch consolidated was identified largely based on the proximity of neighboring branches, deposit base, transaction volume, and market opportunity to improve further the overall efficiency of operations, as well as the Bank's goals related to Fair Lending and the Community Reinvestment Act ("CRA").

In support of our organic and strategic growth strategy we have developed a variety of banking products and services within our targeted markets in the Western U.S. tailored to small- and middle-market businesses, corporations, including the owners and employees of those businesses, professionals, entrepreneurs, real estate investors, and non-profit organizations, as well as consumers in the communities we serve. Through our branches and our website, www.ppbi.com, we provide a wide array of banking products and services such as: various types of deposit accounts, digital banking, treasury management services, online bill payment, and a wide array of loan products, including commercial business loans, lines of credit, Small Business Administration ("SBA") loans, commercial real estate ("CRE") loans, agribusiness loans, quick-service restaurant ("QSR") franchise lending, home equity lines of credit, and construction loans throughout the Western U.S. in major metropolitan markets within Arizona, California, Nevada, Oregon, and Washington. We also offer enhanced nationwide specialty banking products and services for Homeowners' Associations ("HOA") and HOA management companies, as well as experienced owner-operator franchisees in the QSR industry. Our specialty products and services offerings include commercial escrow and exchange services through our Commerce Escrow division, which facilitates commercial provides a variety of real-property and non-real property escrow services, and tax-deferred commercial real estate exchanges under including the facilitation of Section 1031 of the Internal Revenue Code, as well as custodial and maintenance services through our Pacific Premier Trust division which serves as a custodian for clients with alternative assets held in qualified self-directed IRAs IRA accounts as well as certain accounts that do not qualify as IRAs pursuant to the Internal Revenue Code.

The Bank funds its lending and investment activities with retail and commercial deposits obtained through its branches, advances from the FHLB, lines of credit, and wholesale and brokered certificates of deposit.

Our principal source of income is the net spread between interest earned on loans and investments and the interest costs associated with deposits and borrowings used to finance the loan and investment portfolios. Additionally, the Bank generates fee income from loan and investment sales, and various products and services offered to depository, loan, escrow, and IRA custodial clients.

RECENT DEVELOPMENTS

While economic conditions have generally been favorable with lower levels of unemployment and increased economic activity, the strong demand for goods and services in recent years in conjunction with supply chain constraints have contributed to higher levels of inflation throughout prices for goods and services in the U.S. economy, including within the Company's market area. Inflation has resulted in higher prices for food, energy, housing, and various supply chain inputs, among others. These inflationary pressures persisted throughout 2022 in recent years and into 2023, 2024, resulting in higher costs for consumers and businesses. To address the persistent levels of inflation, the Federal Open Market Committee ("FOMC") has taken steps since March 2022 to tighten monetary policy through a cumulative 525 basis point increase increases to the federal funds rate, as of September 30, 2023, as well as by reducing the size of the Federal Reserve's balance sheet. The FOMC has stated that it remains committed to monetary policy measures that are designed to bring inflation down. While increases in interest rates have generally resulted in higher levels of interest income for the banking industry, interest expense has also increased due to competition for deposits and higher borrowing costs for liquidity. associated with wholesale funding. Higher interest rates may also reduce economic activity overall or result in recessionary conditions in future periods. During the first half of 2023, high-profile bank failures created significant industry-wide market turmoil as well as concerns about the health of the overall banking system. Recent economic Economic data indicates that the pace of inflation has moderated in recent months. quarters. However, the inflation rate remains above FOMC's 2% target. The full extent of these economic pressures associated with inflation, the labor market strength, the measures including future actions taken by the FOMC and the possibility that the FOMC could maintain high interest rates longer than anticipated, and the potential for reduced economic activity on the Company's business are uncertain. Should these ongoing economic pressures persist, we anticipate it could have an impact on the following:

- *Loan growth and interest income* - If economic activity begins to wane, it may have an impact on our borrowers, the businesses they operate, and their financial condition. Our borrowers may have less demand for credit needed to invest in and expand their businesses, as well as less demand for real estate and consumer loans. Such factors would place pressure on the level of interest-earning assets, which may negatively impact our interest income.

- *Credit quality* - Should there be a decline in economic activity, the markets we serve could experience increases in unemployment, declines in consumer confidence, and a reluctance on the part of businesses to invest in and expand their operations, among other things. Such factors may result in weakened economic conditions, place strain on our borrowers, and ultimately impact the credit quality of our loan portfolio. We expect this could result in increases in the level of past due, nonaccrual, and classified loans, as well as higher net charge-offs. While economic conditions have generally been favorable thus far, notwithstanding higher levels of inflation, there can be no assurance favorable economic conditions will continue. In addition, a higher interest rate environment impacts the ability of our borrowers with adjustable rate loans to meet their debt service requirements. As such, should we experience future deterioration in the credit quality of our loan portfolio, it may contribute to the need for additional provisions for credit losses. Higher interest rates may also lower the rate of return on commercial real estate values that could result in higher charge offs and provision for credit losses.

- *Allowance for Credit Losses ("ACL")* - The Company is required to record credit losses on certain financial assets in accordance with the Current Expected Credit Loss ("CECL") model as stipulated under ASC 326, which is highly dependent upon expectations of future economic conditions and requires management judgment. Should expectations of future economic conditions deteriorate, the Company may be required to increase the ACL through additional provisions for credit losses.

- *Impairment charges* - If economic conditions deteriorate or headwinds within the banking industry persist, it could adversely impact the Company's operating results and/or the value of certain of our assets. As a result, the Company may be required to write-down the value of certain assets such as goodwill, intangible assets, or deferred tax assets when there is evidence to suggest their value has become impaired or will not be realizable at a future date.

- *Accumulated other comprehensive income (loss)* - Unrealized gains and losses on available-for-sale ("AFS") investment securities are recognized in stockholders' equity, net of tax, as accumulated other comprehensive income (loss). If economic conditions deteriorate, and/or if the interest rates continue to increase, the valuation of the Company's AFS investment securities could continue to be negatively impacted, which may lead to increases in other comprehensive loss, the potential for credit losses, decreases to the Company's stockholders' equity, and declines in the Company's tangible book value per share. For additional information, see *"Non-GAAP measures"* presented under *Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations*. The Company's held-to-maturity ("HTM") investment securities are carried at amortized cost. Rising cost and changes in fair value are not recorded, however increases in interest rates would also may decrease the fair value of the Company's HTM investment securities and increase the unrecognized losses embedded in these securities.

- *Deposits and deposit costs* - Given the expectation in the near-term for interest rates to remain elevated through restrictive monetary policy, by the FOMC, it is likely that deposit costs will continue to increase. In connection with the high-profile bank failures observed in the first half of 2023, if adverse developments and significant market volatility continue in the banking sector, it may become more challenging for the Company to retain and attract deposit relationships.

- *Liquidity* - Consistent with our prudent, proactive approach to liquidity management, we may take certain actions to further enhance our liquidity, including but not limited to, increasing our FHLB borrowings, increasing our brokered deposits, or obtaining borrowing from the Federal Reserve's discount window or the Bank Term Funding Program. window. Additional liquidity could be obtained by liquidating loans and AFS investment securities. In the event that we liquidate AFS securities having an unrealized loss position, those losses would become realized. While the Company does not currently intend to sell HTM securities, if the Company were required to sell such securities to meet liquidity needs, it may realize the unrecognized losses of these securities.

The Company continues to focus on serving its customers and communities, maintaining the well-being of its employees, and executing its strategic initiatives. The Company continues to monitor the economic environment and industry conditions and will make changes as appropriate.

CRITICAL ACCOUNTING POLICIES

Management has established various accounting policies that govern the application of GAAP in the preparation of our financial statements. Certain accounting policies require management to make estimates and assumptions that involve a significant level of estimation uncertainty and are reasonably likely to have a material impact on the carrying value of certain assets and liabilities as well as the Company’s results of operations, which management considers to be critical accounting policies. The estimates and assumptions management uses are based on historical experience and other factors, which management believes to be reasonable under the circumstances. Actual results could differ significantly from these estimates and assumptions, which could have a material impact on the carrying value of the Company’s assets and liabilities as well as the Company’s results of operations in future reporting periods. The Company’s critical accounting policies consist of the allowance for credit losses on loans and off-balance sheet commitments. commitments, as well as goodwill. Please see *Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations* in the Company’s 2022 2023 Form 10-K for additional discussion concerning this these critical accounting policy. policies. Also, our significant accounting policies are described in *Note 1. Description of Business and Summary of Significant Accounting Policies* to the consolidated financial statements in our 2022 2023 Form 10-K.

NON-GAAP MEASURES

The Company uses certain non-GAAP financial measures to provide meaningful supplemental information regarding the Company’s operational performance and to enhance investors’ overall understanding of such financial performance. Generally, a non-GAAP financial measure is a numerical measure of a company’s financial performance, financial position, or cash flows that exclude (or include) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. However, these non-GAAP financial measures are supplemental and are not a substitute for an analysis based on GAAP measures and may not be comparable to non-GAAP financial measures that may be presented by other companies.

For periods presented below, return on average assets (“ROAA”) excluding the net loss from investment securities repositioning and the FDIC special assessment is a non-GAAP financial measure derived from GAAP based amounts. We calculate this figure by excluding the net loss from investment securities repositioning during the fourth quarter of 2023, the FDIC special assessment, and the related tax impact from net income. Management believes that the exclusion of such nonrecurring items from this financial measure provides useful information to gain an understanding of the operating results of our core business and a better comparison of financial performance.

	Three Months Ended		
(Dollars in thousands)	March 31, 2024	December 31, 2023	March 31, 2023
Net income (loss)	$ 47,025	$ (135,376)	$ 62,562
Less: net loss from investment securities repositioning	—	(254,065)	—
Add: FDIC special assessment	523	2,080	—
Less: tax adjustment (1)	148	72,387	—
Adjusted net income for average assets	$ 47,400	$ 48,382	$ 62,562
Average assets	$ 19,034,396	$ 19,624,945	$ 21,684,873
ROAA (annualized)	0.99 %	(2.76)%	1.15 %
Adjusted ROAA (annualized)	1.00 %	0.99 %	1.15 %

(1) Adjusted by statutory tax rate.

For periods presented below, return on average tangible common equity (“ROATCE”) is a non-GAAP financial measure derived from GAAP-based amounts. We calculate this figure by excluding amortization of intangible assets expense from net income and excluding the average intangible assets and average goodwill from the average stockholders’ stockholders' equity during the period. periods indicated. Management believes that the exclusion of such items from this financial measure provides useful information to gain an understanding of the operating results of our core business. The adjusted net income, adjusted return on average equity (“ROAE”), and adjusted ROATCE further exclude the nonrecurring items to provide a better comparison to the financial results of prior periods.

Three Months Ended
Three Months Ended
Three Months Ended

March 31,
March 31,
March 31,

(Dollars in thousands)
(Dollars in thousands)
(Dollars in thousands)
Net income
Net income

Net income

Plus: amortization of intangible assets expense

Plus: amortization of intangible assets expense

Plus: amortization of intangible assets expense

Less: tax adjustment (1)

Less: tax adjustment (1)

Less: tax adjustment (1)

Net income for average tangible common equity

Net income for average tangible common equity

Net income for average tangible common equity

Less: net loss from investment securities repositioning

Less: net loss from investment securities repositioning

Less: net loss from investment securities repositioning

Add: FDIC special assessment

Add: FDIC special assessment

Add: FDIC special assessment

Less: tax adjustment (1)

Less: tax adjustment (1)

Less: tax adjustment (1)

Adjusted net income for average tangible common equity

Adjusted net income for average tangible common equity

Adjusted net income for average tangible common equity

		Three Months Ended			Nine Months Ended	
Average stockholders' equity						
(Dollars in thousands)		September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net income		$ 46,030	$ 57,636	$ 73,363	$ 166,228	$ 210,070
Plus: amortization of intangible assets expense		3,055	3,055	3,472	9,281	10,543
Less: amortization of intangible assets expense tax adjustment (1)		868	868	991	2,638	3,009
Net income for average tangible common equity		$ 48,217	$ 59,823	$ 75,844	$ 172,871	$ 217,604
Average stockholders' equity						
Average stockholders' equity	Average stockholders' equity	$ 2,861,965	$ 2,843,361	$ 2,775,124	$ 2,842,718	$ 2,801,141
Less: average intangible assets	Less: average intangible assets	48,150	51,180	61,101	51,191	64,588

Less: average intangible assets

Less: average intangible assets

Less: average goodwill

Less: average goodwill						
Less: average goodwill	Less: average goodwill	901,312	901,312	901,312	901,312	901,312
Average tangible common equity	Average tangible common equity	$ 1,912,503	$ 1,890,869	$ 1,812,711	$ 1,890,215	$ 1,835,241
Average tangible common equity						
Average tangible common equity						
Add: average after-tax realized loss from investment securities repositioning						
Add: average after-tax realized loss from investment securities repositioning						
Add: average after-tax realized loss from investment securities repositioning						
Adjusted average tangible common equity						
Adjusted average tangible common equity						
Adjusted average tangible common equity						
Return on average equity		6.43 %	8.11 %	10.57 %	7.80 %	10.00 %
Return on average tangible common equity		10.08 %	12.66 %	16.74 %	12.19 %	15.81 %
ROAE (annualized)						
ROAE (annualized)						
ROAE (annualized)						
Adjusted ROAE (annualized)						
Adjusted ROAE (annualized)						
Adjusted ROAE (annualized)						
ROATCE (annualized)						
ROATCE (annualized)						
ROATCE (annualized)						
Adjusted ROATCE (annualized)						
Adjusted ROATCE (annualized)						
Adjusted ROATCE (annualized)						

(1) Amortization of intangible assets expense adjusted by statutory tax rate. rate.

The adjusted basic earnings per common share and adjusted diluted earnings per common share are non-GAAP financial measures derived from GAAP based amounts. We calculate the adjusted basic earnings per common share by dividing net income allocable to common shareholders, excluding the net loss from investment securities repositioning during the fourth quarter of 2023, the FDIC special assessment, and the related tax impact, by the weighted average number of common shares outstanding for the reporting period, excluding outstanding participating securities. The adjusted diluted earnings per common share is computed by dividing net income allocable to common shareholders, excluding the net loss from investment securities repositioning, FDIC special assessment, and the related tax impact, by the weighted average number of diluted common shares outstanding over the reporting period, adjusted to include the effect of potentially dilutive common shares based on adjusted net income, but excludes awards considered participating securities. The computation of diluted earnings per common share excludes the impact of the assumed exercise or issuance of securities that would have an anti-dilutive effect. Management believes that the exclusion of such items from this financial measure provides useful information to gain an understanding of the operating results of our core business and a better comparison of financial performance.

	Three Months Ended		
	March 31,	December 31,	March 31,
(Dollars in thousands, except per share data)	2024	2023	2023
Basic			
Net income (loss)	$ 47,025	$ (135,376)	$ 62,562

Less: dividends and undistributed earnings allocated to participating securities	(779)	(560)	(823)
Net income (loss) allocated to common stockholders	46,246	(135,936)	61,739
Less: net loss from investment securities repositioning	—	(254,065)	—
Add: FDIC special assessment	523	2,080	—
Less: tax adjustment (1)	148	72,387	—
Adjusted net income allocated to common stockholders	$ 46,621	$ 47,822	$ 61,739
Weighted average common shares outstanding	94,350,259	94,233,813	93,857,812
Basic earnings (loss) per common share	$ 0.49	$ (1.44)	$ 0.66
Adjusted basic earnings per common share	$ 0.49	$ 0.51	$ 0.66
Diluted			
Net income (loss) allocated to common stockholders	$ 46,246	$ (135,936)	$ 61,739
Less: net loss from investment securities repositioning	—	(254,065)	—
Add: FDIC special assessment	523	2,080	—
Less: tax adjustment (1)	148	72,387	—
Adjusted net income allocated to common stockholders	$ 46,621	$ 47,822	$ 61,739
Weighted average common shares outstanding	94,350,259	94,233,813	93,857,812
Dilutive effect of share-based compensation	127,096	—	324,710
Weighted average diluted common shares	94,477,355	94,233,813	94,182,522
Dilutive effect of share-based compensation	—	101,065	—
Adjusted weighted average diluted common shares	94,477,355	94,334,878	94,182,522
Diluted earnings (loss) per common share	$ 0.49	$ (1.44)	$ 0.66
Adjusted diluted earnings per common share	$ 0.49	$ 0.51	$ 0.66

(1) Adjusted by statutory tax rate

Tangible book value per share and tangible common equity to tangible assets (the "tangible common equity ratio") are non-GAAP financial measures derived from GAAP-based amounts. We calculate tangible book value per share by dividing tangible common stockholders' equity by shares outstanding. We calculate the tangible common equity ratio by excluding the balance of intangible assets from common stockholders' equity and dividing by period end tangible assets, which also excludes intangible assets. We believe that this information is important to shareholders as tangible equity is a measure that is consistent with the calculation of capital for bank regulatory purposes, which excludes intangible assets from the calculation of risk-based ratios.

		September 30,	December 31,
(Dollars in thousands)	(Dollars in thousands)	2023	2022
(Dollars in thousands)			
(Dollars in thousands)			
Total stockholders' equity			
Total stockholders' equity			
Total stockholders' equity	Total stockholders' equity	$ 2,855,534	$ 2,798,389
Less: intangible assets	Less: intangible assets	947,619	956,900
Less: intangible assets			
Less: intangible assets			
Tangible common equity			
Tangible common equity			
Tangible common equity	Tangible common equity	$ 1,907,915	$ 1,841,489
Total assets	Total assets	$ 20,275,720	$ 21,688,017
Total assets			
Total assets			
Less: intangible assets			

Less: intangible assets							
Less: intangible assets	Less: intangible assets		947,619			956,900	
Tangible assets	Tangible assets	$	19,328,101		$	20,731,117	
Tangible assets							
Tangible assets							
Tangible common equity ratio							
Tangible common equity ratio							
Tangible common equity ratio	Tangible common equity ratio		9.87	%		8.88	%
Common shares issued and outstanding	Common shares issued and outstanding			95,900,847			95,021,760
Common shares issued and outstanding							
Common shares issued and outstanding							
Book value per share							
Book value per share							
Book value per share	Book value per share	$	29.78		$	29.45	
Less: intangible book value per share	Less: intangible book value per share		9.88			10.07	
Less: intangible book value per share							
Less: intangible book value per share							
Tangible book value per share	Tangible book value per share	$	19.89		$	19.38	
Tangible book value per share							
Tangible book value per share							

For periods presented below, efficiency Efficiency ratio is a non-GAAP financial measure derived from GAAP-based amounts. This figure represents the ratio of noninterest expense, less amortization of intangible assets and other real estate owned operations, where applicable, to the sum of net interest income before provision for loan credit losses and total noninterest income less (loss) gain from sales of investment securities, and (loss) gain from other real estate owned. owned, and gain from debt extinguishment. The adjusted efficiency ratio further excludes the FDIC special assessment to provide a better comparison to the financial results of prior periods. Management believes that the exclusion of such items from this financial measure provides useful information to gain an understanding of the operating results of our core business.

		Three Months Ended			Nine Months Ended	
		September 30,	June 30,	September 30,	September 30,	September 30,
			Three Months Ended			
			Three Months Ended			
			Three Months Ended			
		March 31,				
		March 31,				
		March 31,				
(Dollars in thousands)						
(Dollars in thousands)						
(Dollars in thousands)	(Dollars in thousands)	2023	2023	2022	2023	2022
Total noninterest expense	Total noninterest expense	$ 102,185	$ 100,644	$ 100,866	$ 304,181	$ 297,488
Total noninterest expense						
Total noninterest expense						
Less: amortization of intangible assets						
Less: amortization of intangible assets						

Less: amortization of intangible assets	Less: amortization of intangible assets	3,055	3,055	3,472	9,281	10,543
Less: other real estate owned operations, net	Less: other real estate owned operations, net	(4)	8	—	112	—
Noninterest expense, adjusted		$ 99,134	$ 97,581	$ 97,394	$ 294,788	$ 286,945
Less: other real estate owned operations, net						
Less: other real estate owned operations, net						
Adjusted noninterest expense						
Adjusted noninterest expense						
Adjusted noninterest expense						
Less: FDIC special assessment						
Less: FDIC special assessment						
Less: FDIC special assessment						
Adjusted noninterest expense excluding FDIC special assessment						
Adjusted noninterest expense excluding FDIC special assessment						
Adjusted noninterest expense excluding FDIC special assessment						
Net interest income before provision for credit losses	Net interest income before provision for credit losses	$ 149,548	$ 160,092	$ 181,112	$ 478,250	$ 515,716
Add: total noninterest income		18,551	20,539	20,164	60,276	68,251
Less: net gain (loss) from sales of investment securities		—	—	(393)	138	1,710
Less: net gain from other real estate owned		—	106	—	106	—
Net interest income before provision for credit losses						
Net interest income before provision for credit losses						
Add: total noninterest income (loss)						
Add: total noninterest income (loss)						
Add: total noninterest income (loss)						
Less: net (loss) gain from sales of investment securities						
Less: net (loss) gain from sales of investment securities						
Less: net (loss) gain from sales of investment securities						
Revenue, adjusted		$ 168,099	$ 180,525	$ 201,669	$ 538,282	$ 582,257
Less: net loss from other real estate owned						

Less: net loss from other real estate owned					
Less: net loss from other real estate owned					
Less: net gain from debt extinguishment					
Less: net gain from debt extinguishment					
Less: net gain from debt extinguishment					
Adjusted revenue					
Adjusted revenue					
Adjusted revenue					
Efficiency ratio	Efficiency ratio	59.0 %	54.1 %	48.3 %	54.8 %	49.3 %
Efficiency ratio					
Efficiency ratio					
Adjusted efficiency ratio excluding FDIC special assessment					
Adjusted efficiency ratio excluding FDIC special assessment					
Adjusted efficiency ratio excluding FDIC special assessment					

Pre-provision net revenue is a non-GAAP financial measure derived from GAAP-based amounts. We calculate the pre-provision net revenue by excluding income tax and provision for credit losses from net income. The adjusted pre-provision net income further excludes the net loss from investment securities repositioning during the fourth quarter of 2023 and the FDIC special assessment to provide a better comparison of financial performance. Management believes that the exclusion of such items from this financial measure provides useful information to gain an understanding of the operating results of our core business and a consistent better comparison to the financial results of prior periods.

		Three Months Ended			Nine Months Ended	
		September 30,	June 30,	September 30,	September 30,	September 30,
			Three Months Ended			
			Three Months Ended			
			Three Months Ended			
		March 31,				
		March 31,				
		March 31,				
(Dollars in thousands)						
(Dollars in thousands)						
(Dollars in thousands)	(Dollars in thousands)	2023	2023	2022	2023	2022
Interest income	Interest income	$ 224,062	$ 225,388	$ 199,025	$ 670,793	$ 550,797
Interest income						
Interest income						
Interest expense						
Interest expense						
Interest expense	Interest expense	74,514	65,296	17,913	192,543	35,081
Net interest income	Net interest income	149,548	160,092	181,112	478,250	515,716
Noninterest income		18,551	20,539	20,164	60,276	68,251
Revenue		168,099	180,631	201,276	538,526	583,967
Net interest income						
Net interest income						

Noninterest income (loss)						
Noninterest income (loss)						
Noninterest income (loss)						
Revenue (loss)						
Revenue (loss)						
Revenue (loss)						
Noninterest expense						
Noninterest expense						
Noninterest expense	Noninterest expense	102,185	100,644	100,866	304,181	297,488
	Pre-provision net revenue	$ 65,914	$ 79,987	$ 100,410	$ 234,345	$ 286,479
	Pre-provision net revenue (annualized)	$ 263,656	$ 319,948	$ 401,640	$ 312,460	$ 381,972
Pre-provision net revenue (loss)						
Pre-provision net revenue (loss)						
Pre-provision net revenue (loss)						
Less: net loss from investment securities repositioning						
Less: net loss from investment securities repositioning						
Less: net loss from investment securities repositioning						
Add: FDIC special assessment						
Add: FDIC special assessment						
Add: FDIC special assessment						
Adjusted pre-provision net revenue						
Adjusted pre-provision net revenue						
Adjusted pre-provision net revenue						
Pre-provision net revenue (loss) (annualized)						
Pre-provision net revenue (loss) (annualized)						
Pre-provision net revenue (loss) (annualized)						
Adjusted pre-provision net revenue (annualized)						
Adjusted pre-provision net revenue (annualized)						
Adjusted pre-provision net revenue (annualized)						
Average assets	Average assets	$ 20,805,787	$ 21,058,006	$ 21,687,436	$ 21,179,669	$ 21,440,803
Pre-provision net revenue to average assets		0.32 %	0.38 %	0.46 %	1.11 %	1.34 %
Pre-provision net revenue to average assets (annualized)		1.27 %	1.52 %	1.85 %	1.48 %	1.78 %
Average assets						
Average assets						

Pre-provision net revenue (loss) to average assets
Pre-provision net revenue (loss) to average assets
Pre-provision net revenue (loss) to average assets
Pre-provision net revenue (loss) to average assets (annualized)
Pre-provision net revenue (loss) to average assets (annualized)
Pre-provision net revenue (loss) to average assets (annualized)
Adjusted pre-provision net revenue on average assets
Adjusted pre-provision net revenue on average assets
Adjusted pre-provision net revenue on average assets
Adjusted pre-provision net revenue on average assets (annualized)
Adjusted pre-provision net revenue on average assets (annualized)
Adjusted pre-provision net revenue on average assets (annualized)

Cost of non-maturity deposits is a non-GAAP financial measure derived from GAAP-based amounts. Cost of non-maturity deposits is calculated as the ratio of non-maturity deposit interest expense to average non-maturity deposits. We calculate non-maturity deposit interest expense by excluding interest expense for all certificates of deposit from total deposit expense, and we calculate average non-maturity deposits by excluding all certificates of deposit from total deposits. Management believes the cost of non-maturity deposits is a useful measure to assess the Company's deposit base, including its potential volatility.

		Three Months Ended			Nine Months Ended	
		September 30,	June 30,	September 30,	September 30,	September 30,
			Three Months Ended			
			Three Months Ended			
			Three Months Ended			
		March 31,				
		March 31,				
		March 31,				
(Dollars in thousands)						
(Dollars in thousands)						
(Dollars in thousands)	(Dollars in thousands)	2023	2023	2022	2023	2022
Total deposits interest expense	Total deposits interest expense	$ 62,718	$ 53,580	$ 9,873	$ 156,532	$ 14,228
Total deposits interest expense						
Total deposits interest expense						
Less: certificates of deposit interest expense						
Less: certificates of deposit interest expense						

Less: certificates of deposit interest expense	Less: certificates of deposit interest expense		13,398			10,306			1,420			31,479		2,557
Less: brokered certificates of deposit interest expense	Less: brokered certificates of deposit interest expense		19,174			18,869			3,827			51,099		4,153
Less: brokered certificates of deposit interest expense														
Less: brokered certificates of deposit interest expense														
Non-maturity deposit expense														
Non-maturity deposit expense														
Non-maturity deposit expense	Non-maturity deposit expense	$	30,146		$	24,405		$	4,626		$	73,954	$	7,518
Total average deposits	Total average deposits	$	16,543,917		$	16,876,251		$	17,732,822		$	16,912,012	$	17,590,276
Total average deposits														
Total average deposits														
Less: average certificates of deposit														
Less: average certificates of deposit														
Less: average certificates of deposit	Less: average certificates of deposit		1,439,531			1,286,160			835,645			1,311,737		934,518
Less: average brokered certificates of deposit	Less: average brokered certificates of deposit		1,611,726			1,767,970			702,785			1,608,442		263,563
Less: average brokered certificates of deposit														
Less: average brokered certificates of deposit														
Average non-maturity deposits														
Average non-maturity deposits														
Average non-maturity deposits	Average non-maturity deposits	$	13,492,660		$	13,822,121		$	16,194,392		$	13,991,833	$	16,392,195
Cost of non-maturity deposits	Cost of non-maturity deposits		0.89	%		0.71	%		0.11	%		0.71 %		0.06 %
Cost of non-maturity deposits														
Cost of non-maturity deposits														

RESULTS OF OPERATIONS

The following table presents the components of results of operations, share data, and performance ratios for the periods indicated:

	Three Months Ended			Nine Months Ended	
(Dollar in thousands, except per share data and percentages)	September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022

		March 31,				
		March 31,				
		March 31,				
(Dollar in thousands, except per share data)						
(Dollar in thousands, except per share data)						
(Dollar in thousands, except per share data)						
Operating data						
Operating data						
Operating data	**Operating data**					
Interest income	Interest income	$ 224,062	$ 225,388	$ 199,025	$ 670,793	$ 550,797
Interest income						
Interest income						
Interest expense						
Interest expense						
Interest expense	Interest expense	74,514	65,296	17,913	192,543	35,081
Net interest income	Net interest income	149,548	160,092	181,112	478,250	515,716
Net interest income						
Net interest income						
Provision for credit losses						
Provision for credit losses						
Provision for credit losses	Provision for credit losses	3,918	1,499	1,077	8,433	1,994
Net interest income after provision for credit losses	Net interest income after provision for credit losses	145,630	158,593	180,035	469,817	513,722
Net gain from sales of loans		45	345	457	419	3,087
Other noninterest income		18,506	20,194	19,707	59,857	65,164
Net interest income after provision for credit losses						
Net interest income after provision for credit losses						
Net (loss) gain from sales of loans						
Net (loss) gain from sales of loans						
Net (loss) gain from sales of loans						
Other noninterest income (loss)						
Other noninterest income (loss)						
Other noninterest income (loss)						
Noninterest expense	Noninterest expense	102,185	100,644	100,866	304,181	297,488
Net income before income taxes		61,996	78,488	99,333	225,912	284,485
Noninterest expense						
Noninterest expense						
Net income (loss) before income taxes						
Net income (loss) before income taxes						
Net income (loss) before income taxes						
Income tax expense	Income tax expense	15,966	20,852	25,970	59,684	74,415

Net income		$ 46,030	$ 57,636	$ 73,363	$ 166,228	$ 210,070
Pre-provision net revenue		$ 65,914	$ 79,987	$ 100,410	$ 234,345	$ 286,479
Income tax expense						
Income tax expense						
Net income (loss)						
Net income (loss)						
Net income (loss)						
Pre-provision net revenue (loss) [1]						
Pre-provision net revenue (loss) [1]						
Pre-provision net revenue (loss) [1]						
Share data						
Share data						
Share data	**Share data**					
Earnings per share:	Earnings per share:					
Earnings per share:						
Earnings per share:						
Basic	Basic	$ 0.48	$ 0.60	$ 0.77	$ 1.74	$ 2.22
Basic						
Basic						
Diluted	Diluted	0.48	0.60	0.77	1.74	2.21
Diluted						
Diluted						
Adjusted diluted [1]						
Adjusted diluted [1]						
Adjusted diluted [1]						
Common equity dividends declared per share						
Common equity dividends declared per share						
Common equity dividends declared per share	Common equity dividends declared per share	0.33	0.33	0.33	0.99	0.99
Dividend payout ratio [1] [2]	Dividend payout ratio [1] [2]	68.76 %	54.86 %	42.72 %	56.94 %	44.68 %
Dividend payout ratio [1] [2]						
Dividend payout ratio [1] [2]						
Book value per share						
Book value per share						
Book value per share	Book value per share	$ 29.78	$ 29.71	$ 28.79	$ 29.78	$ 28.79
Tangible book value per share [2] [1]	Tangible book value per share [2] [1]	19.89	19.79	18.68	19.89	18.68
Tangible book value per share [2] [1]						
Tangible book value per share [2] [1]						
Performance ratios	**Performance ratios**					
Return on average assets [3]		0.88 %	1.09 %	1.35 %	1.05 %	1.31 %
Return on average equity [3]		6.43	8.11	10.57	7.80	10.00
Return on average tangible common equity [2][3]		10.08	12.66	16.74	12.19	15.81

Performance ratios						
Performance ratios						
ROAA (3)						
ROAA (3)						
ROAA (3)						
Adjusted ROAA (1)(3)						
Adjusted ROAA (1)(3)						
Adjusted ROAA (1)(3)						
ROAE (3)						
ROAE (3)						
ROAE (3)						
Adjusted ROAE (1)(3)						
Adjusted ROAE (1)(3)						
Adjusted ROAE (1)(3)						
ROATCE (1)(3)						
ROATCE (1)(3)						
ROATCE (1)(3)						
Adjusted ROATCE (1)(3)						
Adjusted ROATCE (1)(3)						
Adjusted ROATCE (1)(3)						
Pre-provision net revenue on average assets (2)(3)		1.27	1.52	1.85	1.48	1.78
Pre-provision net revenue on average assets (1)(3)						
Pre-provision net revenue on average assets (1)(3)						
Pre-provision net revenue on average assets (1)(3)						
Adjusted pre-provision net revenue on average assets (1)(3)						
Adjusted pre-provision net revenue on average assets (1)(3)						
Adjusted pre-provision net revenue on average assets (1)(3)						
Net interest margin						
Net interest margin						
Net interest margin	Net interest margin	3.12	3.33	3.61	3.30	3.50
Cost of deposits	Cost of deposits	1.50	1.27	0.22	1.24	0.11
Cost of deposits						
Cost of deposits						
Average equity to average assets	Average equity to average assets	13.76	13.50	12.80	13.42	13.06
Efficiency ratio (2)		59.0	54.1	48.3	54.8	49.3
Average equity to average assets						
Average equity to average assets						
Efficiency ratio (1)						
Efficiency ratio (1)						
Efficiency ratio (1)						
Adjusted efficiency ratio excluding FDIC special assessment (1)						

Adjusted efficiency ratio excluding FDIC special assessment (1)
Adjusted efficiency ratio excluding FDIC special assessment (1)

(1) Dividend payout ratio is defined as common equity dividends declared per share divided by basic earnings per share.

(2) Reconciliations of the non-GAAP measures are set forth in the *Non-GAAP measures* section of *Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations* in this Quarterly Report on Form 10-Q.

(2) Dividend payout ratio is defined as common equity dividends declared per share divided by basic earnings per share.

(3) Ratio is annualized.

In the third first quarter of 2023, 2024, we reported net income of $46.0 million $47.0 million, or $0.48 $0.49 per diluted share. This compares with a net income loss of $57.6 million $135.4 million, or $0.60 $(1.44) per diluted share, for the second fourth quarter of 2023. The decrease increase in net income was primarily due to a $10.5 million decrease in net interest income, a $2.4 million $260.0 million increase in provision for credit losses, a $2.0 million decrease in noninterest income, driven primarily by the prior quarter's net loss from the sale of AFS investment securities to reposition our investment securities portfolio, and a $1.5 million increase $137,000 decrease in noninterest expense, partially offset by a $4.9 million decrease $73.9 million increase in income tax expense.

expense, a $2.2 million increase in provision for credit losses, and a $1.7 million decrease in net interest income.

Net income of $46.0 million $47.0 million, or $0.48 $0.49 per diluted share, for the third first quarter of 2023 2024 compares to net income for the third first quarter of 2022 2023 of $73.4 million $62.6 million, or $0.77 $0.66 per diluted share. The decrease in net income was primarily due to a $31.6 million $23.5 million decrease in net interest income, a $2.8 million $1.3 million increase in noninterest expense, and a $836,000 increase in provision for credit losses, a $1.6 million decrease in noninterest income, and a $1.3 million increase in noninterest expense, partially offset by a $10.0 million $5.5 million decrease in income tax expenses. expenses and a $4.6 million increase in noninterest income.

For the third first quarter of 2023, 2024, the Company's return on average assets ROAA was 0.88% 0.99%, return on average equity ROAE was 6.43% 6.50%, and return on average tangible common equity ROATCE(1) was 10.08% 10.05%, compared to 1.09% (2.76)%, 8.11% (19.01)%, and 12.66% (28.01)%, respectively, for the second fourth quarter of 2023, and 1.35% 1.15%, 10.57% 8.87%, and 16.74% 13.89%, respectively, for the third first quarter of 2022. 2023. For additional details, see *"Non-GAAP measures"* presented under *Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations*.

For the nine months ended September 30, 2023, the Company recorded net income of $166.2 million, or $1.74 per diluted share. This compares with net income of $210.1 million, or $2.21 per diluted share, for the nine months ended September 30, 2022. The decrease in net income of $43.8 million was mostly due to a $37.5 million decrease in net interest income, an $8.0 million decrease in noninterest income, a $6.7 million increase in noninterest expense, and a $6.4 million increase in provision for credit losses, partially offset by $14.7 million decrease in income tax expense.

For the nine months ended September 30, 2023, the Company's return on average assets was 1.05%, return on average equity was 7.80%, and return on average tangible common equity was 12.19%, compared with a return on average assets of 1.31%, return on average equity of 10.00%, and return on average tangible common equity of 15.81% for the nine months ended September 30, 2022. For additional details, see *"Non-GAAP measures"* presented under *Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Net Interest Income

Our primary source of revenue is net interest income, which is the difference between the interest earned on loans, investment securities, and interest-earning balances with financial institutions ("interest-earning assets") and the interest paid on deposits and borrowings ("interest-bearing liabilities"). Net interest margin is net interest income expressed as a percentage of average interest-earning assets. Net interest income is affected by changes in both interest rates and the volume of interest-earning assets and interest-bearing liabilities.

Net interest income totaled $149.5 million $145.1 million in the third first quarter of 2023, 2024, a decrease of $10.5 million $1.7 million, or 6.6% 1.1%, from the second fourth quarter of 2023. The decrease in net interest income was primarily attributable to lower average interest-earning asset balances, a higher cost of funds, lower interest income from fair value hedges on fixed-rate loans, and one less day of interest, partially offset by higher yields on interest-earning assets, as well as lower average wholesale/brokered CD balances and lower average borrowings, both a direct result of the higher interest rate environment, lower average loans and investment securities balances, and lower loan prepayment fees, partially offset by one more day Company's balance sheet repositioning in the fourth quarter of interest. 2023.

The net interest margin for the third first quarter of 2023 decreased 21 2024 increased 11 basis points to 3.12% 3.39%, from 3.33% 3.28% in the prior quarter. The lower net interest margin increase was primarily due to higher yields on investment securities as a result of a full quarter's benefit from the prior quarter's securities repositioning to higher-yielding AFS Treasury securities, partially offset by a higher cost of funds and lower loan prepayment fees, partially offset by higher yields on interest-bearing cash balances due from banks and investment securities. funds.

Net interest income for the third first quarter of 2023 2024 decreased $31.6 million $23.5 million, or 17.4% 13.9%, compared to the third first quarter of 2022. 2023. The decrease was attributable to a higher cost of funds and lower average loans and investment securities interest-earning asset balances, partially offset by lower average interest-bearing liabilities and higher yields on average interest-earning assets, all the result of the higher interest rate environment and higher average interest-bearing cash balances due from banks. the Company’s balance sheet management strategies to prioritize capital accumulation.

For the first nine months ended 2023, net interest income decreased $37.5 million, or 7.3%, compared to the first nine months ended 2022. The decrease was primarily attributable to a higher cost of funds, an increase in average brokered and retail certificates of deposit balances and average borrowings, and lower average loans and investment securities balances, partially offset by higher yields on average interest-earning assets.

The following table presents the net interest margin, average balances calculated based on daily average, interest income and yields earned on average interest-earning assets and interest expense and rates paid on average interest-bearing liabilities, and the average yield/rate by asset and liability component for the periods indicated:

		Average Balance Sheet											
		Three Months Ended											
		September 30, 2023			June 30, 2023			September 30, 2022					
		Three Months Ended											
		March 31, 2024											
(Dollars in thousands)	(Dollars in thousands)	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost	(Dollars in thousands)	Average Balance	
Assets	**Assets**												
Interest-earning assets:													
Interest-earning assets:													
Interest-earning assets:	Interest-earning assets:												
Cash and cash equivalents	Cash and cash equivalents	$ 1,695,508	$ 21,196	4.96 %	$ 1,433,137	$ 16,600	4.65 %	$ 665,510	$ 2,754	1.64 %	Cash and cash equivalents	$ 1,140,909	$
Investment securities	Investment securities	3,828,766	25,834	2.70 %	3,926,568	25,936	2.64 %	4,277,444	22,067	2.06 %	Investment securities	2,948,170	26,818
Loans receivable, net (1)(2)	Loans receivable, net (1)(2)	13,475,194	177,032	5.21 %	13,927,145	182,852	5.27 %	14,986,682	174,204	4.61 %	Loans receivable, net (1)(2)	13,149,038	172,975
Total interest-earning assets	Total interest-earning assets	18,999,468	224,062	4.68 %	19,286,850	225,388	4.69 %	19,929,636	199,025	3.96 %	Total interest-earning assets	17,238,117	213,431
Noninterest-earning assets	Noninterest-earning assets	1,806,319			1,771,156			1,757,800					
Total assets	Total assets	$ 20,805,787			$ 21,058,006			$ 21,687,436					
Total assets													
Total assets													
Liabilities and equity													
Liabilities and equity													
Liabilities and equity	**Liabilities and equity**												
Interest-bearing deposits:	Interest-bearing deposits:												
Interest-bearing deposits:													
Interest-bearing deposits:													
Interest checking													
Interest checking													
Interest checking	Interest checking	$ 2,649,203	$ 10,849	1.62 %	$ 2,746,578	$ 8,659	1.26 %	$ 3,812,448	$ 1,658	0.17 %	$ 2,838,332	$	$ 9,90
Money market	Money market	4,512,740	19,182	1.69 %	4,644,623	15,644	1.35 %	5,053,890	2,940	0.23 %	Money market	4,636,141	23,632
Savings	Savings	329,684	115	0.14 %	352,377	102	0.12 %	434,591	28	0.03 %	Savings	287,735	227
Retail certificates of deposit	Retail certificates of deposit	1,439,531	13,398	3.69 %	1,286,160	10,306	3.21 %	835,645	1,420	0.67 %	Retail certificates of deposit	1,727,728	19,075
Wholesale/brokered certificates of deposit	Wholesale/brokered certificates of deposit	1,611,726	19,174	4.72 %	1,767,970	18,869	4.28 %	702,785	3,827	2.16 %	Wholesale/brokered certificates of deposit	568,872	6,669
Total interest-bearing deposits	Total interest-bearing deposits	10,542,884	62,718	2.36 %	10,797,708	53,580	1.99 %	10,839,359	9,873	0.36 %	Total interest-bearing deposits	10,058,808	59,506

FHLB advances and other borrowings	FHLB advances and other borrowings	800,049	7,235	3.59 %	800,016	7,155	3.59 %	636,006	3,480	2.17 %	FHLB advances and other borrowings	518,879	4,237
Subordinated debentures	Subordinated debentures	331,607	4,561	5.50 %	331,449	4,561	5.50 %	330,975	4,560	5.51 %	Subordinated debentures	331,932	4,561
Total borrowings	Total borrowings	1,131,656	11,796	4.15 %	1,131,465	11,716	4.15 %	966,981	8,040	3.31 %	Total borrowings	850,811	8,798
Total interest-bearing liabilities	Total interest-bearing liabilities	11,674,540	74,514	2.53 %	11,929,173	65,296	2.20 %	11,806,340	17,913	0.60 %	Total interest-bearing liabilities	10,909,619	68,304
Noninterest-bearing deposits	Noninterest-bearing deposits	6,001,033			6,078,543			6,893,463					
Other liabilities	Other liabilities	268,249			206,929			212,509					
Other liabilities													
Other liabilities													
Total liabilities													
Total liabilities													
Total liabilities	Total liabilities	17,943,822			18,214,645			18,912,312					
Stockholders' equity	Stockholders' equity	2,861,965			2,843,361			2,775,124					
Stockholders' equity													
Stockholders' equity													
Total liabilities and equity													
Total liabilities and equity													
Total liabilities and equity	Total liabilities and equity	$20,805,787			$21,058,006			$21,687,436					
Net interest income	Net interest income		$149,548			$160,092			$181,112				
Net interest income													
Net interest income													
Net interest margin (3)													
Net interest margin (3)													
Net interest margin (3)	Net interest margin (3)			3.12 %			3.33 %			3.61 %			
Cost of deposits (4)	Cost of deposits (4)			1.50 %			1.27 %			0.22 %	Cost of deposits (4)		
Cost of funds (5)	Cost of funds (5)			1.67 %			1.45 %			0.38 %	Cost of funds (5)		
Cost of non-maturity deposits (6)	Cost of non-maturity deposits (6)			0.89 %			0.71 %			0.11 %	Cost of non-maturity deposits (6)		
Ratio of interest-earning assets to interest-bearing liabilities	Ratio of interest-earning assets to interest-bearing liabilities			162.74 %			161.68 %			168.80 %	Ratio of interest-earning assets to interest-bearing liabilities		

(1) Average balance includes loans held for sale and nonperforming loans and is net of deferred loan origination fees/costs and discounts/premiums, and the basis adjustment of certain loans included in fair value hedging relationships, where applicable.

(2) Interest income includes net discount accretion of $2.2 million $2.1 million, $2.9 million $2.6 million, and $4.6 million $2.5 million for the three months ended September 30, 2023 March 31, 2024, June 30, 2023 December 31, 2023, and September 30, 2022 March 31, 2023, respectively.

(3) Represents annualized net interest income divided by average interest-earning assets.

(4) Represents annualized interest expense on deposits divided by the sum of average interest-bearing deposits and noninterest-bearing deposits.

(5) Represents annualized total interest expense divided by the sum of average total interest-bearing liabilities and noninterest-bearing deposits.

(6) Reconciliation of the "*Non-GAAP measures*" presented under *Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations*.

	Average Balance Sheet					
	Nine Months Ended					
	September 30, 2023			September 30, 2022		
(Dollars in thousands)	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Assets						
Interest-earning assets:						

Cash and cash equivalents	$ 1,489,404	$ 51,390	4.61 %	$ 564,727	$ 4,055	0.96 %
Investment securities	3,972,437	78,561	2.64 %	4,358,619	57,479	1.76 %
Loans receivable, net (1)(2)	13,929,002	540,842	5.19 %	14,756,817	489,263	4.43 %
Total interest-earning assets	19,390,843	670,793	4.63 %	19,680,163	550,797	3.74 %
Noninterest-earning assets	1,788,826			1,760,640		
Total assets	$ 21,179,669			$ 21,440,803		
Liabilities and equity						
Interest-bearing deposits:						
Interest checking	$ 2,800,181	$ 25,350	1.21 %	$ 3,802,932	$ 2,599	0.09 %
Money market	4,714,727	47,879	1.36 %	5,208,713	4,838	0.12 %
Savings	377,928	725	0.26 %	429,833	81	0.03 %
Retail certificates of deposit	1,311,737	31,479	3.21 %	934,518	2,557	0.37 %
Wholesale/brokered certificates of deposit	1,608,442	51,099	4.25 %	263,563	4,153	2.11 %
Total interest-bearing deposits	10,813,015	156,532	1.94 %	10,639,559	14,228	0.18 %
FHLB advances and other borrowings	861,940	22,328	3.46 %	489,464	7,171	1.96 %
Subordinated debentures	331,452	13,683	5.50 %	330,801	13,682	5.51 %
Total borrowings	1,193,392	36,011	4.03 %	820,265	20,853	3.39 %
Total interest-bearing liabilities	12,006,407	192,543	2.14 %	11,459,824	35,081	0.41 %
Noninterest-bearing deposits	6,098,997			6,950,717		
Other liabilities	231,547			229,121		
Total liabilities	18,336,951			18,639,662		
Stockholders' equity	2,842,718			2,801,141		
Total liabilities and equity	$ 21,179,669			$ 21,440,803		
Net interest income		$ 478,250			$ 515,716	
Net interest margin (3)			3.30 %			3.50 %
Cost of deposits (4)			1.24 %			0.11 %
Cost of funds (5)			1.42 %			0.25 %
Cost of non-maturity deposits (6)			0.71 %			0.06 %
Ratio of interest-earning assets to interest-bearing liabilities			161.50 %			171.73 %

(1) Average balance includes loans held for sale and nonperforming loans and is net of deferred loan origination fees/costs and discounts/premiums, and the basis adjustment of certain loans included in fair value hedging relationships, where applicable.

(2) Interest income includes net discount accretion of $7.6 million and $18.1 million for the nine months ended September 30, 2023 and September 30, 2022, respectively.

(3) Represents net interest income divided by average interest-earning assets.

(4) Represents annualized interest expense on deposits divided by the sum of average interest-bearing deposits and noninterest-bearing deposits.

(5) Represents annualized total interest expense divided by the sum of average total interest-bearing liabilities and noninterest-bearing deposits.

(6) Reconciliation of the "*Non-GAAP measures*" presented under *Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Changes in our net interest income are a function of changes in volume and rates of interest-earning assets and interest-bearing liabilities. Changes in net interest income that are not a function of changes in volume and rates of interest-earning assets and interest-bearing liabilities are allocated proportionately to the change due to volume and the change due to rate. The following tables present the impact that the volume and rate changes have had on our net interest income for the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, we have provided information on changes to our net interest income with respect to:

- Changes in volume (changes in volume multiplied by prior rate);
- Changes in interest rates (changes in interest rates multiplied by prior volume and includes the recognition of discounts/premiums and deferred fees/costs); and
- The net change or the combined impact of volume and rate changes allocated proportionately to changes in volume and changes in interest rates.

	Three Months Ended September 30, 2023 Compared to Three Months Ended June 30, 2023

Increase (Decrease) Due to

Three Months Ended March 31, 2024

Three Months Ended March 31, 2024

Three Months Ended March 31, 2024

Compared to

Three Months Ended December 31, 2023

Increase (Decrease) Due to

Compared to

Three Months Ended December 31, 2023

Increase (Decrease) Due to

(Dollars in thousands)	(Dollars in thousands)	Volume	Rate	Net	(Dollars in thousands)	Volume	Rate	Net
Interest-earning assets	**Interest-earning assets**				**Interest-earning assets**			
Cash and cash equivalents	Cash and cash equivalents	$ 3,356	$ 1,240	$ 4,596				
Investment securities	Investment securities	(653)	551	(102)				
Loans receivable, net	Loans receivable, net	(4,964)	(856)	(5,820)				
Total interest-earning assets	Total interest-earning assets	(2,261)	935	(1,326)				
Interest-bearing liabilities	**Interest-bearing liabilities**				**Interest-bearing liabilities**			
Interest checking	Interest checking	(311)	2,501	2,190				
Money market	Money market	(457)	3,995	3,538				
Savings	Savings	(7)	20	13				
Retail certificates of deposit	Retail certificates of deposit	1,374	1,718	3,092				
Wholesale/brokered certificates of deposit	Wholesale/brokered certificates of deposit	(1,669)	1,974	305				
FHLB advances and other borrowings	FHLB advances and other borrowings	4	76	80				
Subordinated debentures	Subordinated debentures	(1)	1	—				
Total interest-bearing liabilities	Total interest-bearing liabilities	(1,067)	10,285	9,218				
Decrease in net interest income	Decrease in net interest income	$ (1,194)	$ (9,350)	$ (10,544)				

Three Months Ended September 30, 2023

Compared to

Three Months Ended September 30, 2022

Increase (Decrease) Due to

Three Months Ended March 31, 2024

Three Months Ended March 31, 2024

		Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023 Increase (Decrease) Due to				Compared to Three Months Ended March 31, 2023 Increase (Decrease) Due to		
(Dollars in thousands)	(Dollars in thousands)	Volume	Rate	Net	(Dollars in thousands)	Volume	Rate	Net
Interest-earning assets	**Interest-earning assets**				**Interest-earning assets**			
Cash and cash equivalents	Cash and cash equivalents	$ 7,966	$ 10,476	$ 18,442				
Investment securities	Investment securities	(1,945)	5,712	3,767				
Loans receivable, net	Loans receivable, net	(18,713)	21,541	2,828				
Total interest-earning assets	Total interest-earning assets	(12,692)	37,729	25,037				
Interest-bearing liabilities	**Interest-bearing liabilities**				**Interest-bearing liabilities**			
Interest checking	Interest checking	(336)	9,527	9,191				
Money market	Money market	(275)	16,517	16,242				
Savings	Savings	(5)	92	87				
Retail certificates of deposit	Retail certificates of deposit	1,669	10,309	11,978				
Wholesale/brokered certificates of deposit	Wholesale/brokered certificates of deposit	7,999	7,348	15,347				
FHLB advances and other borrowings	FHLB advances and other borrowings	1,062	2,693	3,755				
Subordinated debentures	Subordinated debentures	9	(8)	1				
Total interest-bearing liabilities	Total interest-bearing liabilities	10,123	46,478	56,601				
(Decrease) Increase in net interest income	(Decrease) Increase in net interest income	$ (22,815)	$ (8,749)	$ (31,564)				

	Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022 Increase (Decrease) Due to		
(Dollars in thousands)	Volume	Rate	Net
Interest-earning assets			
Cash and cash equivalents	$ 14,219	$ 33,116	$ 47,335
Investment securities	(4,533)	25,615	21,082
Loans receivable, net	(25,141)	76,720	51,579
Total interest-earning assets	(15,455)	135,451	119,996
Interest-bearing liabilities			
Interest checking	(518)	23,269	22,751
Money market	(413)	43,454	43,041
Savings	(9)	653	644

Retail certificates of deposit	1,433	27,489	28,922
Wholesale/brokered certificates of deposit	39,065	7,881	46,946
FHLB advances and other borrowings	7,553	7,604	15,157
Subordinated debentures	27	(26)	1
Total interest-bearing liabilities	47,138	110,324	157,462
Increase (decrease) in net interest income	$ (62,593)	$ 25,127	$ (37,466)

Provision for Credit Losses

For the third first quarter of 2023, 2024, the Company recorded a $3.9 million provision expense for credit losses, compared to a $1.5 million $1.7 million provision expense during the second fourth quarter of 2023, and a $1.1 million $3.0 million provision expense during the third first quarter of 2022. 2023. The provision expense for loans during the third first quarter of 2023 2024 was largely attributed to increases associated with economic forecasts, specific reserves, and other model updates, offset by lower a decrease in loans held for investment. investment and changes in the mix of loan composition. The provision expense recapture for off-balance sheet commitments was attributable, in large part, to changes in economic forecasts, offset by lower unfunded commitments as well as qualitative adjustments during the quarter. The provision expense recapture for HTM investment securities was due to the changes in economic forecasts on HTM investment securities classified as municipal bonds during the quarter.

The For the fourth quarter of 2023, provision expense for loans was attributed to increases associated with changes in economic forecasts, which were partially offset by changes in composition of the second loan portfolio. The provision recapture for unfunded commitments for the fourth quarter of 2023 was largely attributed to lower levels of unfunded commitments.

For the first quarter of 2023, the provision expense for loans was attributed to increases associated with the impact of economic forecasts on and other model updates, as well as changes in asset quality, including specific reserves, offset by lower loans held for investment. The provision recapture for off-balance sheet commitments was attributable to lower unfunded commitments and changes in the mix of unfunded commitments between various loan segments, as well as qualitative adjustments during the quarter. The provision expense for HTM investment securities was impacted by the weighted macroeconomic forecasts on HTM investment securities classified as municipal bonds, offset by lower loans held for investment and lower unfunded commitments. The provision expense for the third quarter of 2022 was reflective of a combination of factors, including increases due to specific reserves on two individually evaluated loans and higher unfunded commitments in the commercial and industrial ("C&I") loan segment, partially offset by an overall decrease in loans held for investment and changes in the composition of the loan portfolio. bonds.

	Three Months Ended			Variance From			
	September 30,	June 30,	September 30,	June 30, 2023		September 30, 2022	
		Three Months Ended					
		Three Months Ended					
		Three Months Ended					
	March 31,						
	March 31,						
	March 31,						
(Dollars in thousands)							
(Dollars in thousands)							
(Dollars in thousands) (Dollars in thousands)	2023	2023	2022	$	%	$	%
Provision for credit losses **Provision for credit losses**							
Provision for credit losses							
Provision for credit losses							
Provision for loan losses Provision for loan losses	$ 2,517	$ 610	$ 546	$ 1,907	312.6 %	$ 1,971	361.0 %
Provision for loan losses							
Provision for loan losses							
Provision for unfunded commitments							
Provision for unfunded commitments							
Provision for unfunded commitments Provision for unfunded commitments	1,386	1,003	549	383	38.2 %	837	152.5 %

Provision for HTM securities	15	(114)	(18)	129	(113.2) %	33	(183.3) %
Total provision for credit losses	$ 3,918	$ 1,499	$ 1,077	$ 2,419	161.4 %	$ 2,841	263.8 %

Provision for HTM securities
Provision for HTM securities
Provision for HTM securities
Total provision for credit losses
Total provision for credit losses
Total provision for credit losses

For the first nine months of 2023, the Company recorded a $8.4 million provision expense for credit losses, compared to a $2.0 million provision expense recorded for the first nine months of 2022. The provision expense for the first nine months of 2023 was driven principally by increases associated with changes in economic forecasts and changes in asset quality, partially offset by lower loans held for investment and lower unfunded commitments. The provision expense for the first nine months of 2022 was driven principally by loan growth and specific reserves on individually evaluated loans, as well as the impact of macroeconomic uncertainties, partially offset by a recapture for unfunded commitments largely due to changes in unfunded lending segment mix.

	Nine Months Ended		Variance From	
	September 30,	September 30,	September 30, 2022	
(Dollars in thousands)	2023	2022	$	%
Provision for credit losses				
Provision for loans losses	$ 6,148	$ 4,560	$ 1,588	34.8 %
Provision for unfunded commitments	2,200	(2,635)	4,835	(183.5)%
Provision for held-to-maturity securities	85	$ 69	$ 16	23.2 %
Total provision for credit losses	$ 8,433	$ 1,994	$ 6,439	322.9 %

Noninterest Income

The following table presents the components of noninterest income for the periods indicated:

	Three Months Ended			Variance From			
	September 30,	June 30,	September 30,	June 30, 2023		September 30, 2022	
(Dollars in thousands)	2023	2023	2022	$	%	$	%
Noninterest income							
Loan servicing income	$ 533	$ 493	$ 397	$ 40	8.1 %	$ 136	34.3 %
Service charges on deposit accounts	2,673	2,670	2,704	3	0.1 %	(31)	(1.1)%
Other service fee income	280	315	323	(35)	(11.1)%	(43)	(13.3)%
Debit card interchange fee income	924	914	808	10	1.1 %	116	14.4 %
Earnings on bank owned life insurance	3,579	3,487	3,339	92	2.6 %	240	7.2 %
Net gain from sales of loans	45	345	457	(300)	(87.0)%	(412)	(90.2)%
Net gain (loss) from sales of investment securities	—	—	(393)	—	— %	393	100.0 %
Trust custodial account fees	9,356	9,360	9,951	(4)	— %	(595)	(6.0)%
Escrow and exchange fees	938	924	1,555	14	1.5 %	(617)	(39.7)%
Other income	223	2,031	1,023	(1,808)	(89.0)%	(800)	(78.2)%
Total noninterest income	$ 18,551	$ 20,539	$ 20,164	$ (1,988)	(9.7)%	$ (1,613)	(8.0)%

		Nine Months Ended		Variance From			Three Months Ended			Variance From	
		September 30,	September 30,	September 30, 2022			March 31,	December 31,	March 31,	December 31, 2023	
(Dollars in thousands)	(Dollars in thousands)	2023	2022	$	%	(Dollars in thousands)	2024		2023	$	%
Noninterest income	Noninterest income										

Loan servicing income	Loan servicing income	$ 1,599	$ 1,318	$ 281	21.3 %										
Loan servicing income															
Loan servicing income							$ 529		$ 359		$ 573		$ 170		47.4 %
Service charges on deposit accounts	Service charges on deposit accounts	7,972	8,009	(37)	(0.5)%	Service charges on deposit accounts	2,688	2,648	2,648	2,629	2,629	40	40	1.5	
Other service fee income	Other service fee income	891	1,056	(165)	(15.6)%	Other service fee income	336	322	322	296	296	14	14	4.3	
Debit card interchange fee income	Debit card interchange fee income	2,641	2,580	61	2.4 %	Debit card interchange fee income	765	844	844	803	803	(79)	(79)	(9.4)	(
Earnings on bank owned life insurance	Earnings on bank owned life insurance	10,440	9,800	640	6.5 %	Earnings on bank owned life insurance	4,159	3,678	3,678	3,374	3,374	481	481	13.1	1
Net gain from sales of loans		419	3,087	(2,668)	(86.4)%										
Net gain from sales of investment securities		138	1,710	(1,572)	(91.9)%										
Net (loss) gain from sales of loans						Net (loss) gain from sales of loans	—		(4)		29		4		100.0 %
Net (loss) gain from sales of investment securities						Net (loss) gain from sales of investment securities	—		(254,065)		138		254,065		100.0 %
Trust custodial account fees															
Trust custodial account fees															
Trust custodial account fees	Trust custodial account fees	29,741	31,884	(2,143)	(6.7)%		10,642	9,388	9,388	11,025	11,025	1,254	1,254	13.4	13.4
Escrow and exchange fees	Escrow and exchange fees	2,920	5,043	(2,123)	(42.1)%	Escrow and exchange fees	696	1,074	1,074	1,058	1,058	(378)	(378)	(35.2)	(3
Other income	Other income	3,515	3,764	(249)	(6.6)%	Other income	5,959	1,562	1,562	1,261	1,261	4,397	4,397	281.5	28
Total noninterest income		$ 60,276	$ 68,251	$(7,975)	(11.7)%										
Total noninterest income (loss)						Total noninterest income (loss)	$25,774		$ (234,194)		$21,186		$259,968		111.0 %

Noninterest income for the third first quarter of 2023 2024 was $18.6 million $25.8 million, a decrease an increase of $2.0 million $260.0 million from the second fourth quarter of 2023. The decrease increase was related to the investment securities portfolio repositioning, which resulted in a loss of $254.1 million during the fourth quarter of 2023. Excluding the prior quarter's loss from sales of AFS securities, noninterest income increased $5.9 million, primarily due to a $1.8 million decrease in other income attributable to decreases in Community Reinvestment Act ("CRA") investment income and income $5.1 million gain on other equity investments debt extinguishment resulting from an early redemption of a $200.0 million FHLB term advance as well as various sundry fees.

During a $1.3 million increase in trust custodial account fees driven by annual tax fees earned during the third quarter of 2023, the Bank sold $1.2 million of SBA loans for a net gain of $45,000, compared to the sales of $78.0 million of non-relation-based C&I syndicated loans for a net gain of $345,000, and $1.5 million of nonperforming loans for no gain in the second quarter of 2023. current quarter.

Noninterest income for the third first quarter of 2023 decreased $1.6 million, 2024 increased $4.6 million compared to the third first quarter of 2022. 2023. The decrease increase was primarily due to a $5.1 million gain on debt extinguishment resulting from an $800,000 decrease in other income primarily due to lower income on CRA and other equity investments, early redemption of a $617,000 decrease in escrow and exchange fees attributable to lower commercial real estate transaction activity, and a $595,000 decrease in trust custodial account fees resulting primarily from a decrease in custodial accounts. $200.0 million FHLB term advance during the current quarter.

For the first nine months of 2023, noninterest income totaled $60.3 million, a decrease from $68.3 million for the first nine months of 2022. The decrease was primarily related to a $2.7 million decrease in net gain from sales of loans, a $2.1 million decrease in trust custodial account fees resulting primarily from a decrease in custodial accounts, a $2.1 million decrease in escrow and exchange fees attributable to the lower transaction activity in the commercial real estate market, and a $1.6 million decrease in net gain from sales of investment securities.

Noninterest Expense

The following table presents the components of noninterest expense for the periods indicated:

	Three Months Ended			Variance From			
	September 30,	June 30,	September 30,	June 30, 2023		September 30, 2022	
(Dollars in thousands)	2023	2023	2022	$	%	$	%
Noninterest expense							
Compensation and benefits	$ 54,068	$ 53,424	$ 56,355	$ 644	1.2 %	$ (2,287)	(4.1)%
Premises and occupancy	11,382	11,615	12,011	(233)	(2.0)%	(629)	(5.2)%
Data processing	7,517	7,488	7,058	29	0.4 %	459	6.5 %
Other real estate owned operations, net	(4)	8	—	(12)	(150.0)%	(4)	(100.0)%
FDIC insurance premiums	2,324	2,357	1,461	(33)	(1.4)%	863	59.1 %
Legal and professional services	4,243	4,716	4,075	(473)	(10.0)%	168	4.1 %
Marketing expense	1,635	1,879	1,912	(244)	(13.0)%	(277)	(14.5)%
Office expense	1,079	1,280	1,338	(201)	(15.7)%	(259)	(19.4)%
Loan expense	476	567	789	(91)	(16.0)%	(313)	(39.7)%
Deposit expense	10,811	9,194	4,846	1,617	17.6 %	5,965	123.1 %
Amortization of intangible assets	3,055	3,055	3,472	—	— %	(417)	(12.0)%
Other expense	5,599	5,061	7,549	538	10.6 %	(1,950)	(25.8)%
Total noninterest expense	$ 102,185	$ 100,644	$ 100,866	$ 1,541	1.5 %	$ 1,319	1.3 %

		Nine Months Ended		Variance From			Three Months Ended									Variance From	
		September 30,	September 30,	September 30, 2022			March 31,			December 31,			March 31,			December 31, 2023	
(Dollars in thousands)	(Dollars in thousands)	2023	2022	$	%	(Dollars in thousands)	2024					2023		$			%
Noninterest expense	**Noninterest expense**																
Compensation and benefits																	
Compensation and benefits																	
Compensation and benefits	Compensation and benefits	$ 161,785	$ 170,898	$ (9,113)	(5.3)%		$ 54,130		$	$ 51,907	$		$ 54,293	$	$	2,223	4.3
Premises and occupancy	Premises and occupancy	34,739	35,792	(1,053)	(2.9)%	Premises and occupancy		10,807	11,183		11,183	11,742		11,742	(376)		(376)
Data processing	Data processing	22,270	19,658	2,612	13.3 %	Data processing		7,511	7,409		7,409	7,265		7,265	102		102
Other real estate owned operations, net	Other real estate owned operations, net	112	—	112	100.0 %	Other real estate owned operations, net		46	103		103	108		108	(57)		(57)

FDIC insurance premiums	FDIC insurance premiums	7,106	4,309	2,797	64.9 %	FDIC insurance premiums	2,629	4,267	4,267	2,425	2,425	(1,638)	(1,638)	(38.4
Legal and professional services	Legal and professional services	14,460	12,772	1,688	13.2 %	Legal and professional services	4,143	4,663	4,663	5,501	5,501	(520)	(520)	(11.2
Marketing expense	Marketing expense	5,352	5,647	(295)	(5.2)%	Marketing expense	1,558	1,728	1,728	1,838	1,838	(170)	(170)	(9.8
Office expense	Office expense	3,591	3,793	(202)	(5.3)%	Office expense	1,093	1,367	1,367	1,232	1,232	(274)	(274)	(20.0
Loan expense	Loan expense	1,689	3,067	(1,378)	(44.9)%	Loan expense	770	437	437	646	646	333	333	76.2
Deposit expense	Deposit expense	28,441	12,678	15,763	124.3 %	Deposit expense	12,665	11,152	11,152	8,436	8,436	1,513	1,513	13.6
Amortization of intangible assets	Amortization of intangible assets	9,281	10,543	(1,262)	(12.0)%									
Amortization of intangible assets														
Amortization of intangible assets							2,836		3,022		3,171		(186)	
Other expense	Other expense	15,355	18,331	(2,976)	(16.2)%	Other expense	4,445	5,532	5,532	4,695	4,695	(1,087)	(1,087)	(19.6
Total noninterest expense	Total noninterest expense	$ 304,181	$ 297,488	$ 6,693	2.2 %	Total noninterest expense	$102,633	$	$102,770	$	$101,352	$	$(137)	(0.1)

Noninterest expense totaled $102.2 million $102.6 million for the third first quarter of 2023, an increase 2024, a decrease of $1.5 million $137,000 compared to the second fourth quarter of 2023, 2023. The results were impacted by a $523,000 FDIC special assessment in the first quarter of 2024 and a $2.1 million FDIC special assessment during the fourth quarter of 2023. Excluding the special assessments, noninterest expense increased $1.4 million, primarily due to a $1.6 million $2.2 million increase in compensation and benefits related to higher payroll taxes and the annual equity-based compensation awards, as well as a $1.5 million increase in deposit expense driven by higher deposit earnings credit rates, a $644,000 increase in compensation HOA deposits growth and benefits from higher payroll taxes and stock compensation, and a $538,000 increase in other expense, primarily due to higher charitable contributions, partially offset by a $473,000 decrease in legal and professional services, a $244,000 decrease in marketing expense, and a $233,000 decrease in premises and occupancy.

Noninterest expense increased by $1.3 million compared to the third quarter of 2022. The increase was primarily due to a $6.0 million increase in deposit expense driven by higher deposit earnings credit rates, partially offset by a $2.3 million decrease in compensation and benefits from reduced staffing levels and a $2.0 million decrease $1.1 million increase in other expense largely attributable to a client's unauthorized transaction incident in the same quarter last year.

The Company's efficiency ratio was 59.0% for the third quarter of 2023, compared to 54.1% for the second quarter of 2023, and 48.3% for the third quarter of 2022. For additional details, see *"Non-GAAP measures"* presented under *Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations*.expense.

Noninterest expense totaled $304.2 million for the first nine months quarter of 2023, an increase of $6.7 million, or 2.2%, 2024 increased by $1.3 million compared with to the first nine months quarter of 2022. 2023. The increase was driven primarily by due to a $15.8 million $4.2 million increase in deposit expense driven by growth in HOA deposits growth and higher deposit earnings credit rates, partially offset by a $2.8 million increase in FDIC insurance premiums, a $2.6 million increase in data processing, and a $1.7 million increase $1.4 million decrease in legal and professional services partially offset by a $9.1 million decrease in compensation and benefits from reduced staffing levels and lower incentives, a $3.0 million decrease in other expense, primarily due to a client's unauthorized transaction incident in the same period last year referenced above, a $1.4 million decrease in loan expense, a $1.3 million decrease in amortization of intangible assets, and a $1.1 million $935,000 decrease in premises and occupancy.

The Company's efficiency ratio was 54.8% 60.2% for the first nine months quarter of 2024, compared to 60.1% for the fourth quarter of 2023, compared to 49.3% and 51.7% for the first nine months quarter of 2022. 2023. For additional details, see *"Non-GAAP measures"* presented under *Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Income Taxes

For the three months ended September 30, 2023 March 31, 2024, June 30, 2023 December 31, 2023, and September 30, 2022 March 31, 2023, income tax expense (benefit) was $16.0 million $17.4 million, $20.9 million, $(56.5) million, and $26.0 million $22.9 million, respectively, and the effective income tax rate was 25.8% 27.0%, 26.6% 29.4%, and 26.1% 26.8%, respectively. For the nine months ended September 30, 2023 and 2022, The income tax expense benefit in the prior quarter was $59.7 million and $74.4 million, respectively, and primarily attributable to the effective income tax rate was 26.4% and 26.2%, respectively. pretax loss recorded for the fourth quarter of 2023, driven by the balance sheet repositioning related to the Bank's investment securities portfolio. Our effective tax rate for the three and nine months ended September 30, 2023 March 31, 2024 differs from the 21% federal statutory rate due to the impact of state taxes as well as various permanent tax differences, including tax-exempt income from municipal securities and loans, Bank Owned Life Insurance income, tax credits from benefits associated with low-income housing tax credit investments, Section 162(m) limitation on the deduction of executive compensation, and the exercise of stock options and vesting of other stock-based compensation.

The total amount of unrecognized tax benefits was $1.4 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, and was comprised of unrecognized tax benefits related to the Opus acquisition in 2020. The total amount of tax benefits that, if recognized, would favorably impact the effective tax rate was $563,000 at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. The Company does not believe It is reasonably possible that $1.1 million of the Company's unrecognized tax benefits will change significantly may be recognized within the next twelve months. 12 months due to a lapse of the statute of limitations.

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. The Company had has accrued for $168,000 $231,000 and $89,000 of $200,000 for such interest at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. No amounts for penalties were accrued.

The Company and its subsidiaries are subject to U.S. Federal income tax, as well as income and franchise tax in multiple state jurisdictions. The statute of limitations related to the consolidated Federal income tax returns is closed for all tax years up to and including 2018. 2019. The expirations of the statutes of limitations related to the various state income and franchise tax returns vary by state.

The Company accounts for income taxes by recognizing deferred tax assets and liabilities based upon temporary differences between the amounts for financial reporting purposes and the tax basis of its assets and liabilities. 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 assets 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 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 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

FINANCIAL CONDITION

At September 30, 2023 March 31, 2024, assets totaled $20.28 billion $18.81 billion, a decrease of $1.41 billion $213.5 million, or 6.5% 1.1%, from $21.69 billion $19.03 billion at December 31, 2022 December 31, 2023. The decrease was primarily due to a $1.41 billion $276.9 million decrease in total loans, and a $336.7 million decrease in investment securities, partially offset by a $299.0 million $92.3 million increase in cash and cash equivalents. equivalents and a $4.9 million increase in investment securities.

Total liabilities were $17.42 billion $15.91 billion at September 30, 2023 March 31, 2024, compared to $18.89 billion $16.14 billion at December 31, 2022 December 31, 2023. The decrease of $1.47 billion $233.7 million, or 7.8% 1.4%, from December 31, 2022 December 31, 2023 was primarily due to decreases of $1.34 billion in deposits and $200.0 million $400.0 million in FHLB term advances and $192.2 million in deposits, partially offset by an increase of $75.0 million $26.0 million in other liabilities.

Total stockholders' equity was $2.86 billion $2.90 billion as of September 30, 2023 March 31, 2024, a $57.1 million an increase of $20.2 million from $2.80 billion $2.88 billion at December 31, 2022 December 31, 2023. The increase in stockholders' equity was primarily due to $166.2 million $47.0 million of net income and $3.9 million of other comprehensive income, partially offset by $94.6 million $31.6 million in cash dividends and $23.4 million of other comprehensive loss. dividends.

To address the rising interest rate environment, dislocation in credit, funding, and capital markets, and industry-wide turmoil experienced during the first half of 2023, we took strategic actions to increase loan pricing and continued our commitment to conservative underwriting standards to manage the lower level of new loan demand, increase our deposit pricing to mitigate deposit outflows, further enhance our capital, and bolster our liquidity position by reducing the size of the AFS securities portfolio and adding retail deposits. As a result of our prudent and proactive capital and liquidity management, we were able to reduce FHLB term borrowings during Throughout the first quarter of 2023. During the third quarter of 2023, customer deposit flows continued to stabilize and enabled us to reduce brokered deposits while also maintaining ample liquidity levels. During the nine months ended September 30, 2023, 2024, we did not utilize either the Federal Reserve's discount window or the Bank Term Funding Program. We continued to prioritize capital accumulation over balance sheet growth in light of the uncertain economic outlook. As a result of our prudent and proactive capital, liquidity, and credit risk management, coupled with our ability to opportunistically deploy liquidity generated from the securities portfolio repositioning during the fourth quarter of 2023, we were able to reduce FHLB term borrowings while also maintaining liquidity levels. During the first quarter of 2024, we did not utilize the Federal Reserve's discount window or the Bank Term Funding Program, which expired on March 11, 2024. The strength of our capital position provides us with greater optionality and flexibility in terms of balance sheet management.

Our book value per share increased to $29.78 $30.09 at September 30, 2023 March 31, 2024 from $29.45 $30.07 at December 31, 2022 December 31, 2023. At September 30, 2023 March 31, 2024, the Company's tangible common equity to tangible assets ratio was 9.87% 10.97%, an increase from 8.88% 10.72% at

December 31, 2022 December 31, 2023. Our tangible book value per share was $19.89, $20.33, compared to $19.38 $20.22 at December 31, 2022 December 31, 2023. The increases in tangible common equity ratio and tangible book value per share at September 30, 2023 March 31, 2024 from the prior year-end were primarily driven by net income, partially offset by dividends paid and the increase in other comprehensive loss from the impact of higher interest rates on our AFS securities portfolio. paid. The decrease in tangible assets also contributed to the increase in tangible common equity ratio. For additional details, see *"Non-GAAP measures"* presented under *Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Loans

Loans held for investment totaled $13.27 billion $13.01 billion at September 30, 2023 March 31, 2024, a decrease of $1.41 billion $276.9 million, or 9.6% 2.1%, from $14.68 $13.29 billion at December 31, 2022 December 31, 2023. The decrease was a result of lower loan originations due to our disciplined approach around credit risk management and loan pricing along with lower softer loan demand, partially offset by lower particularly in our CRE and multifamily business, a decrease in credit line draws, as well as loan maturities and prepayments during the first nine months of 2023. The commercial line average utilization rate decreased from an average rate of 39.6% for the fourth quarter of 2022 to 36.2% for the third quarter of 2023. 2024. Since December 31, 2022, commercial loans decreased $642.3 million December 31, 2023, investor loans secured by real estate decreased $497.9 million $185.9 million, business loans secured by real estate decreased $275.7 million $53.9 million, commercial loans decreased $33.9 million, and retail loans decreased $3.3 million. $518,000. While total commercial loans decreased during the first quarter of 2024, the commercial line average utilization rate increased from an average rate of 37.5% for the fourth quarter of 2023 to 45.0% for the first quarter of 2024. The decline in loans from prior year-end reflects the strategic actions we have taken to maintain a disciplined approach to our loan production and pricing in order to manage our balance sheet and capital position, as well as prudent credit underwriting standards to manage the lower level of new loan demand.

The total end-of-period weighted average interest rate on loans, excluding fees and discounts, at September 30, 2023 March 31, 2024 was 4.76% 4.91%, compared to 4.61% 4.87% at December 31, 2022 December 31, 2023. The increase reflects the impact of higher rates on new originations and the repricing of floating rate loans as a result of the increases in benchmark interest rates.

Loans The Company had no loans held for sale primarily represent the guaranteed portion of SBA loans, which the Bank originates for sale, at March 31, 2024 and totaled $641,000 at September 30, 2023, a decrease of $2.0 million from $2.6 million at December 31, 2022 December 31, 2023.

The following table sets forth the composition of our loan portfolio in dollar amounts and as a percentage of the portfolio, and gives the weighted average interest rate by loan category at the dates indicated:

(Dollars in thousands)	(Dollars in thousands)	September 30, 2023 Amount	September 30, 2023 Percent of Total	September 30, 2023 Weighted Average Interest Rate	December 31, 2022 Amount	December 31, 2022 Percent of Total	December 31, 2022 Weighted Average Interest Rate
Investor loans secured by real estate	**Investor loans secured by real estate**						
CRE non-owner-occupied	CRE non-owner-occupied	$ 2,514,056	18.9 %	4.69 %	$ 2,660,321	18.1 %	4.51 %
Multifamily	Multifamily	5,719,210	43.1 %	3.93 %	6,112,026	41.6 %	3.86 %
Construction and land	Construction and land	444,576	3.4 %	9.11 %	399,034	2.7 %	8.24 %
SBA secured by real estate	SBA secured by real estate	37,754	0.3 %	9.19 %	42,135	0.3 %	7.61 %
Total investor loans secured by real estate	Total investor loans secured by real estate	8,715,596	65.7 %	4.44 %	9,213,516	62.7 %	4.25 %
Business loans secured by real estate	**Business loans secured by real estate**						
CRE owner-occupied	CRE owner-occupied	2,228,802	16.8 %	4.32 %	2,432,163	16.6 %	4.22 %

(Dollars in thousands)	March 31, 2024 Amount		March 31, 2024 Percent of Total	March 31, 2024 Weighted Average Interest Rate	December 31 Amount
Investor loans secured by real estate					
CRE non-owner-occupied	$2,309,252	17.7	17.7 %	4.79 %	$ 2,4
Multifamily	5,558,966	42.7	42.7 %	3.99 %	5,6
Construction and land	486,734	3.7	3.7 %	9.01 %	4
SBA secured by real estate	35,206	0.3	0.3 %	9.34 %	
Total investor loans secured by real estate	8,390,158	64.4	64.4 %	4.52 %	8,5
CRE owner-occupied					
CRE owner-occupied	2,149,362		16.5 %	4.39 %	2,191,334

Franchise real estate secured	Franchise real estate secured	313,451	2.4 %	4.73 %	378,057	2.6 %	4.75 %	Franchise real estate secured	294,938	2.3	2.3 %	4.76 %	3
SBA secured by real estate	SBA secured by real estate	53,668	0.4 %	8.85 %	61,368	0.4 %	7.45 %	SBA secured by real estate	48,426	0.4	0.4 %	8.96 %	
Total business loans secured by real estate	Total business loans secured by real estate	2,595,921	19.6 %	4.46 %	2,871,588	19.6 %	4.36 %	Total business loans secured by real estate	2,492,726	19.2	19.2 %	4.52 %	2,5
Commercial loans	**Commercial loans**												
Commercial and industrial													
Commercial and industrial													
Commercial and industrial	Commercial and industrial	1,588,771	12.0 %	6.84 %	2,160,948	14.7 %	6.32 %		1,774,487	13.6	13.6 %	7.11 %	1,790,608
Franchise non-real estate secured	Franchise non-real estate secured	335,053	2.5 %	4.97 %	404,791	2.8 %	4.91 %	Franchise non-real estate secured	301,895	2.3	2.3 %	5.00 %	3
SBA non-real estate secured	SBA non-real estate secured	10,667	0.1 %	9.67 %	11,100	0.1 %	7.83 %	SBA non-real estate secured	10,946	0.1	0.1 %	9.89 %	
Total commercial loans	Total commercial loans	1,934,491	14.6 %	6.53 %	2,576,839	17.6 %	6.11 %	Total commercial loans	2,087,328	16.0	16.0 %	6.83 %	2,1
Retail loans	**Retail loans**												
Single family residential	Single family residential	70,984	0.5 %	6.79 %	72,997	0.5 %	5.51 %						
Single family residential													
Single family residential									72,353		0.6 %	7.45 %	72,752
Consumer	Consumer	1,958	— %	6.62 %	3,284	— %	6.29 %	Consumer	1,830	—	— %	7.49 %	
Total retail loans	Total retail loans	72,942	0.5 %	6.79 %	76,281	0.5 %	5.53 %	Total retail loans	74,183	0.6	0.6 %	7.45 %	
Loans held for investment before basis adjustment (1)	Loans held for investment before basis adjustment (1)	13,318,950	100.4 %	4.76 %	14,738,224	100.4 %	4.61 %	Loans held for investment before basis adjustment (1)	13,044,395	100.2	100.2 %	4.91 %	13,3
Basis adjustment associated with fair value hedge (2)	Basis adjustment associated with fair value hedge (2)	(48,830)	(0.4)%		(61,926)	(0.4)%							
Loans held for investment	Loans held for investment	13,270,120	100.0 %		14,676,298	100.0 %							
Loans held for investment													
Loans held for investment													
Allowance for credit losses for loans held for investment	Allowance for credit losses for loans held for investment	(188,098)			(195,651)								
Allowance for credit losses for loans held for investment													

Allowance for credit losses for loans held for investment			
Loans held for investment, net			
Loans held for investment, net			
Loans held for investment, net	Loans held for investment, net	$ 13,082,022	$ 14,480,647
Total unfunded loan commitments	Total unfunded loan commitments	$ 2,110,565	$ 2,489,203
Total unfunded loan commitments			
Total unfunded loan commitments			
Loans held for sale, at lower of cost or fair value	Loans held for sale, at lower of cost or fair value	641	2,643
Loans held for sale, at lower of cost or fair value			
Loans held for sale, at lower of cost or fair value			

(1) Includes net deferred origination costs (fees) of $451,000 $797,000 and $(1.9) million, $(74,000), and unaccreted fair value net purchase discounts of $46.2 million $41.2 million and $54.8 million $43.3 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

(2) Represents the basis adjustment associated with the application of hedge accounting on certain loans. Refer to *Note 11 – Derivative Instruments* to the Notes to the consolidated financial statements in this Quarterly Report on Form 10-Q for additional information.

We also have a granular and geographically diverse set of lending relationships. In the tables below, we show the segmentation and geographic dispersion of certain loan portfolios as of March 31, 2024 and December 31, 2023.

CRE Non-Owner-Occupied. CRE non-owner-occupied loans totaled $2.31 billion at March 31, 2024 and $2.42 billion at December 31, 2023. We originate loans that are secured by investor owned CRE, such as retail centers, small office locations, light industrial buildings, and mixed-use commercial properties located in our primary market areas. We believe this loan portfolio is a well-balanced portfolio by geography and by property type as presented below:

	March 31, 2024		December 31, 2023	
(Dollars in thousands)	Amount	%	Amount	%
By Property Type				
Hotel and Motel	$ 283,712	12 %	$ 285,906	12 %
Industrial	293,524	13 %	306,811	13 %
Office	602,964	26 %	621,857	26 %
Retail	729,892	32 %	809,716	33 %
Other	399,160	17 %	397,482	16 %
Total CRE non-owner-occupied	$ 2,309,252	100 %	$ 2,421,772	100 %
By Geography(1)				
California:				
Los Angeles	$ 590,510	26 %	$ 632,267	26 %
Orange	324,195	14 %	344,667	14 %
Riverside	122,574	5 %	133,520	5 %
San Bernardino	60,000	2 %	67,483	3 %
San Diego	158,414	7 %	170,847	7 %
San Luis Obispo	177,239	8 %	179,740	7 %

Santa Barbara	71,446	3 %	71,779	3 %
Ventura	21,033	1 %	21,201	1 %
Other CA	197,638	9 %	209,259	9 %
Arizona	167,730	7 %	168,312	7 %
Nevada	144,952	6 %	140,103	6 %
Washington	87,443	4 %	89,101	4 %
Other States	186,078	8 %	193,493	8 %
Total CRE non-owner-occupied	$ 2,309,252	100 %	$ 2,421,772	100 %

(1) Based on location of primary real property collateral. All California information is by respective county.

Multifamily. Multifamily loans totaled $5.56 billion at March 31, 2024 and $5.65 billion at December 31, 2023. We originate loans secured by multifamily residential properties (five units and greater) located in our primary market areas. These lending relationships consist of seasoned owners of multifamily properties with extensive operating experience. The loans are stratified by number of units and physical location below:

	March 31, 2024		December 31, 2023	
(Dollars in thousands)	Amount	%	Amount	%
By Number of Units				
10 or fewer units	$ 1,058,892	19 %	$ 1,079,854	19 %
11-25 units	1,599,086	29 %	1,606,326	29 %
26-50 units	1,076,277	19 %	1,097,250	19 %
51-100 units	1,073,075	19 %	1,090,924	19 %
101+ units	751,636	14 %	770,956	14 %
Total Multifamily	$ 5,558,966	100 %	$ 5,645,310	100 %
By Geography(1)				
California:				
Los Angeles	$ 2,125,759	38 %	$ 2,154,693	38 %
Orange	195,968	4 %	196,622	4 %
Riverside	111,352	2 %	111,809	2 %
San Bernardino	137,844	2 %	138,455	2 %
San Diego	356,377	6 %	359,556	6 %
San Luis Obispo	25,086	1 %	25,225	1 %
Santa Barbara	43,280	1 %	43,499	1 %
Ventura	40,271	1 %	40,361	1 %
Other CA	692,437	12 %	715,844	13 %
Arizona	434,856	8 %	437,613	8 %
Nevada	150,760	3 %	158,237	3 %
Washington	685,590	12 %	689,144	12 %
Other States	559,386	10 %	574,252	9 %
Total Multifamily	$ 5,558,966	100 %	$ 5,645,310	100 %

(1) Based on location of primary real property collateral. All California information is by respective county.

CRE Owner-Occupied. CRE owner-occupied loans totaled $2.15 billion at March 31, 2024 and $2.19 billion at December 31, 2023. We originate business loans secured by owner-occupied CRE, such as light industrial buildings, mixed-use commercial properties, and small office locations for professional services located in our primary market areas. These loans are underwritten and analyzed based on each business's cash flows. This portfolio is well-diversified by industry, with a geography covering California and the Western U.S.:

	March 31, 2024		December 31, 2023	
(Dollars in thousands)	Amount	%	Amount	%
By Industry(1)				
Accommodation and Food Services	$ 134,808	6 %	$ 143,398	6 %

Administrative and Support	61,666	3 %	62,286	3 %
Agriculture	99,150	5 %	101,344	5 %
Construction	154,061	7 %	149,821	7 %
Educational Services	156,552	7 %	171,858	8 %
Entertainment	71,921	3 %	72,801	3 %
Financial Services	38,922	2 %	37,938	2 %
Health Care	296,623	14 %	292,813	13 %
Manufacturing	232,560	11 %	237,147	11 %
Other Services	231,386	11 %	233,625	11 %
Professional Services	98,272	5 %	101,027	5 %
Real Estate	127,851	6 %	132,824	6 %
Retail Trade	205,468	9 %	209,609	9 %
Transport and Warehouse	40,381	2 %	41,445	2 %
Wholesale Trade	169,002	8 %	173,371	8 %
Other	30,739	1 %	30,027	1 %
Total CRE owner-occupied	$ 2,149,362	100 %	$ 2,191,334	100 %

By Geography(2)				
California:				
Los Angeles	$ 657,688	31 %	$ 684,079	31 %
Orange	217,391	10 %	222,742	10 %
Riverside	351,608	16 %	350,277	16 %
San Bernardino	189,720	9 %	192,695	9 %
San Diego	135,196	6 %	134,120	6 %
San Luis Obispo	98,882	5 %	99,441	5 %
Santa Barbara	113,384	5 %	114,758	5 %
Ventura	54,530	3 %	55,101	3 %
Other CA	134,577	6 %	137,428	6 %
Arizona	56,347	3 %	58,872	3 %
Nevada	48,297	2 %	48,713	2 %
Washington	19,673	1 %	19,950	1 %
Other States	72,069	3 %	73,158	3 %
Total CRE owner-occupied	$ 2,149,362	100 %	$ 2,191,334	100 %

(1) Distribution by North American Industry Classification System (NAICS)

(2) Based on location of primary real property collateral. All California information is by respective county.

Commercial & Industrial. C&I loans totaled $1.77 billion at March 31, 2024 and $1.79 billionat December 31, 2023. We originate C&I loans secured by various business assets, including inventory, receivables, machinery, and equipment. Loan types include revolving lines of credit, term loans, seasonal loans, and loans secured by liquid collateral such as cash deposits or marketable securities. These loans are underwritten and analyzed based on each business's cash flows. This portfolio includes loans to small and middle market businesses by industry and by geography as shown below:

	March 31, 2024		December 31, 2023	
(Dollars in thousands)	Amount	%	Amount	%
By Industry(1)				
Administrative	$ 56,172	3 %	$ 55,663	3 %
Agriculture	47,111	3 %	48,766	3 %
Construction	375,163	21 %	372,965	21 %
Educational Services	32,599	2 %	32,909	2 %
Entertainment	30,570	2 %	31,486	2 %
Financial Services	371,009	21 %	328,856	18 %
Health Care	51,172	3 %	57,428	3 %

Information		38,875	2 %	39,008	2 %
Manufacturing		171,731	10 %	176,248	10 %
Other Services		115,444	6 %	126,731	7 %
Professional Services		76,870	4 %	85,928	5 %
Public Administration		171,009	10 %	174,378	10 %
Real Estate		141,648	8 %	149,835	8 %
Transport and Warehouse		27,076	1 %	28,651	2 %
Wholesale Trade		28,311	2 %	37,547	2 %
Other		39,727	2 %	44,209	2 %
Total Commercial and industrial	$	1,774,487	100 %	$ 1,790,608	100 %
By Geography(2)					
California:					
Los Angeles	$	667,414	37 %	$ 624,418	35 %
Orange		269,807	15 %	263,012	15 %
Riverside		117,189	7 %	123,920	7 %
San Bernardino		55,868	3 %	65,121	4 %
San Diego		120,970	7 %	126,541	7 %
San Luis Obispo		47,387	3 %	59,314	3 %
Santa Barbara		24,469	1 %	35,556	2 %
Ventura		39,462	2 %	38,463	2 %
Other CA		155,680	9 %	164,069	9 %
Arizona		44,702	3 %	47,610	3 %
Nevada		18,450	1 %	22,530	1 %
Washington		56,281	3 %	59,187	3 %
Other States		156,808	9 %	160,867	9 %
Total Commercial and industrial	$	1,774,487	100 %	$ 1,790,608	100 %

(1) Distribution by North American Industry Classification System (NAICS)

(2) Based on location of primary real property collateral if available, otherwise borrower address is used. All California information is by respective county.

Delinquent Loans. Loans

When a borrower fails to make required payments on a loan and does not cure the delinquency within 30 days, we normally initiate proceedings to pursue our remedies under the loan documents. For loans secured by real estate, we provide the required notices to the borrower and make any required filings, and commence foreclosure proceedings if necessary. If the loan is not reinstated within the time permitted by law, we may sell the property at a foreclosure sale. At these foreclosure sales, we generally acquire title to the property. At September 30, 2023 March 31, 2024, loans delinquent 30 or more days as a percentage of total loans held for investment was 0.08% 0.09%, compared to 0.30% 0.08% at December 31, 2022 December 31, 2023. The decrease increase in delinquent loans during the nine three months ended September 30, 2023 March 31, 2024 was primarily due to decreases increases in C&I loans that are 30-59 30-89 days past due and 90 days or more past due largely from loans returning to current status, payoffs, and charge-offs. due.

The following table sets forth delinquencies in the Company's loan portfolio as of the dates indicated:

(Dollars in thousands)	(Dollars in thousands)	30 - 59 Days # of Loans	30 - 59 Days Loan Balance	60 - 89 Days # of Loans	60 - 89 Days Loan Balance	90 Days or More # of Loans	90 Days or More Loan Balance	Total # of Loans	Total Loan Balance
At September 30, 2023									
At March 31, 2024									
Investor loans secured by real estate	**Investor loans secured by real estate**								

(Dollars in thousands)	30 - 59 Days # of Loans	30 - 59 Days Loan Balance	60 - 89 Days # of Loans	60 - 89 Days Loan Balance	90 Days or More # of Loans	90 Days or More Loan Balance	Total # of Loans	Total Loan Balance
At March 31, 2024								
Investor loans secured by real estate								

CRE non-owner-occupied	CRE non-owner-occupied	—	$ —	—	$ —	1	$ 425	1	$ 425
SBA secured by real estate	SBA secured by real estate	—	—	1	332	1	420	2	752
SBA secured by real estate									
SBA secured by real estate									
Total investor loans secured by real estate	Total investor loans secured by real estate	—	—	1	332	2	845	3	1,177
Business loans secured by real estate	**Business loans secured by real estate**								
CRE owner-occupied	CRE owner-occupied	—	—	—	—	3	4,695	3	4,695
CRE owner-occupied									
CRE owner-occupied									
Franchise real estate secured									
SBA secured by real estate		—	—	—	—	2	1,173	2	1,173
Total business loans secured by real estate									
Total business loans secured by real estate									
Total business loans secured by real estate	Total business loans secured by real estate	—	—	—	—	5	5,868	5	5,868
Commercial loans	**Commercial loans**								
Commercial and industrial	Commercial and industrial	10	2,677	7	143	1	233	18	3,053
Commercial and industrial									
Commercial and industrial									
Franchise non-real estate secured									
SBA non-real estate secured	SBA non-real estate secured	2	289	—	—	1	538	3	827
Total commercial loans	Total commercial loans	12	2,966	7	143	2	771	21	3,880
Retail loans	**Retail loans**								
Single family residential									
Single family residential									
Single family residential									
Consumer		1	1	—	—	—	—	1	1

Total retail loans

Total retail loans

Total retail loans	Total retail loans	1	1	—	—	—	—	1	1
Total	Total	13	$ 2,967	8	$ 475	9	$ 7,484	30	$ 10,926
Delinquent loans to loans held for investment	Delinquent loans to loans held for investment		0.02 %		— %		0.06 %		0.08 %

Delinquent loans to loans held for investment	0.01 %	0.01 %	0.07 %	0.09 %

(Dollars in thousands)	30 - 59 Days # of Loans	30 - 59 Days Loan Balance	60 - 89 Days # of Loans	60 - 89 Days Loan Balance	90 Days or More # of Loans	90 Days or More Loan Balance	Total # of Loans	Total Loan Balance
At December 31, 2023								
Investor loans secured by real estate								
CRE non-owner-occupied	—	$ —	—	$ —	1	$ 412	1	$ 412
SBA secured by real estate	—	—	—	—	1	420	1	420
Total investor loans secured by real estate	—	—	—	—	2	832	2	832
Business loans secured by real estate								
CRE owner-occupied	—	—	—	—	3	4,655	3	4,655
Franchise real estate secured	1	292	—	—	—	—	1	292
SBA secured by real estate	1	137	—	—	—	—	1	137
Total business loans secured by real estate	2	429	—	—	3	4,655	5	5,084
Commercial loans								
Commercial and industrial	7	228	9	1,294	1	231	17	1,753
Franchise non-real estate secured	7	1,559	—	—	—	—	7	1,559
SBA non-real estate secured	1	249	—	—	2	558	3	807
Total commercial loans	15	2,036	9	1,294	3	789	27	4,119
Retail loans								
Single family residential	1	19	—	—	—	—	1	19
Total retail loans	1	19	—	—	—	—	1	19
Total	18	$ 2,484	9	$ 1,294	8	$ 6,276	35	$ 10,054
Delinquent loans to loans held for investment		0.02 %		0.01 %		0.05 %		0.08 %

(Dollars in thousands)	30 - 59 Days # of Loans	30 - 59 Days Loan Balance	60 - 89 Days # of Loans	60 - 89 Days Loan Balance	90 Days or More # of Loans	90 Days or More Loan Balance	Total # of Loans	Total Loan Balance
At December 31, 2022								
Investor loans secured by real estate								
CRE non-owner-occupied	—	$ —	—	$ —	2	$ 4,429	2	$ 4,429
Multifamily	1	2,723	—	—	2	6,057	3	8,780
Total investor loans secured by real estate	1	2,723	—	—	4	10,486	5	13,209
Business loans secured by real estate								
CRE owner-occupied	3	1,434	—	—	4	6,555	7	7,989
Franchise real estate secured	2	7,073	—	—	—	—	2	7,073
SBA secured by real estate	—	—	1	104	2	1,087	3	1,191
Total business loans secured by real estate	5	8,507	1	104	6	7,642	12	16,253
Commercial loans								

Commercial and industrial	9	4,657	9	81	4	3,908	22	8,646
Franchise non-real estate secured	5	3,592	—	—	—	—	5	3,592
SBA non-real estate secured	—	—	—	—	1	589	1	589
Total commercial loans	14	8,249	9	81	5	4,497	28	12,827
Retail loans								
Single family residential	2	1,057	—	—	—	—	2	1,057
Consumer	1	2	—	—	—	—	1	2
Total retail loans	3	1,059	—	—	—	—	3	1,059
Total	23	$ 20,538	10	$ 185	15	$ 22,625	48	$ 43,348
Delinquent loans to loans held for investment		0.14 %		— %		0.16 %		0.30 %

Modified Loans to Troubled Borrowers

On January 1, 2023, the Company adopted ASU 2022-02, which introduces new reporting requirements for modifications of loans to borrowers experiencing financial difficulty, which the Company also refers to as modified loans to troubled borrowers ("MLTB"). An MLTB arises from a modification made to a loan in response to a borrower's financial difficulty, in order to alleviate temporary impairments in the borrower's financial condition and/or constraints on the borrower's ability to repay the loan, and to minimize potential losses to the Company. GAAP requires that certain types of modifications be reported, which consist of the following:

- Principal forgiveness
- Interest rate reduction
- Other-than-insignificant payment delay
- Term extension
- Any combination of the above

Please also see See *Note 31 - Description of Business and Summary of Significant Accounting Policies*to the Notes to the of our audited consolidated financial statements included in this Quarterly Report on our 2023 Form 10-Q 10-K for additional discussion on MLTBs.

As of September 30, 2023March 31, 2024, the Company had two syndicated C&I participation loan modifications to one borrower experiencing financial difficulty totaling $13.0 million$12.2 million, the modification of which involved other-than-insignificant payment delays. During the three and nine months ended September 30, 2023March 31, 2024, there were no MLTBs that had a payment default and had been modified within the 12 months preceding the payment default.

Troubled Debt Restructurings

Prior to the Company's adoptionAs of ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326) - Troubled Debt Restructurings and Vintage Disclosures* on January 1, 2023, the Company, in infrequent situations, would modify or restructure loans when the borrower was experiencing financial difficulties by making a concession to the borrower. Such concessions typically were in the form of changes in the amortization terms, reductions in the interest rates, acceptance of interest-only payments, and, in very few cases, reduction of the outstanding loan balances. These loans were classified as troubled debt restructurings ("TDRs"). ASU 2022-02 eliminated the concept of TDRs in current GAAP, and therefore, beginning January 1, 2023, the Company no longer reports loans modified as TDRs following the Company's adoption of ASU 2022-02 on January 1, 2023.

At December 31, 2022March 31, 2023, the Company had five loans modified as TDRs totaling $16.1 million,one CRE owner-occupied MLTB with an amortized cost of $851,000 to a borrower experiencing financial difficulty, the modification of which comprised three commercial real estate ("CRE") owner-occupied loans and one C&I loan totaling $5.1 million belonging to one borrower relationship withinvolved the terms modified due to bankruptcy, andextension of the term by four months. Since modification, this MLTB did not have a franchise non-real estate secured loan for $11.0 million belonging to another borrower relationship with the terms modified for payment deferral. All TDRs were on nonaccrual status as of December 31, 2022. Duringdefault during the three and nine months ended September 30, 2022, the three CRE owner-occupied loans and one C&IMarch 31, 2023. This loan classified as TDRs were in payment default after modification within the previous 12 months.was subsequently paid off at maturity.

Credit Quality

We separate our loans by type, and we segregate the loans into various risk grade categories of "Pass," "Special Mention," "Substandard," "Doubtful," or "Loss." Classified loans consists of those with a credit risk rating of substandard, doubtful, or loss. For additional information on the Company's credit quality and credit risk grades, see *Note 5 – Loans Held for Investment* to the Notes to the consolidated financial statements in this Quarterly Report on Form 10-Q.

Classified loans totaled $149.3$204.7 million, or 1.12%1.57% of loans held for investment, at September 30, 2023March 31, 2024, compared with $149.3$142.0 million, or 1.02%1.07% of loans held for investment, at December 31, 2022December 31, 2023. AsThe increase was primarily the result of

September 30, 2023, we had non-relationship syndicated a single, diversified commercial banking relationship with loans in CRE non-owner occupied, CRE owner-occupied, and C&I participation loans to one lending relationship categories, totaling $13.0 million being $37.6 million, that were downgraded and placed on nonaccrual status, consisting of two loans amounting to $8.0 million classified as substandard and two loans amounting to $5.0 million classified as doubtful. These loans were modified as MLTBs during the three months ended September 30, 2023. Subsequent to the loan modification, all loans were paid current as first quarter of September 30, 2023. 2024.

The following tables stratify the loan portfolio by the Company's internal risk grading as of the dates indicated:

		Credit Risk Grades				
		Credit Risk Grades				
(Dollars in thousands)	(Dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total Gross Loans
(Dollars in thousands)		Pass	Special Mention	Substandard	Doubtful	Total Gross Loans
September 30, 2023						
March 31, 2024						
Investor loans secured by real estate						
Investor loans secured by real estate						
Investor loans secured by real estate	**Investor loans secured by real estate**					
CRE non-owner-occupied	CRE non-owner-occupied	$ 2,475,554	$ 7,005	$ 31,497	$ —	$ 2,514,056
Multifamily	Multifamily	5,706,494	234	12,482	—	5,719,210
Construction and land	Construction and land	444,576	—	—	—	444,576
SBA secured by real estate	SBA secured by real estate	29,343	—	8,411	—	37,754
Total investor loans secured by real estate	Total investor loans secured by real estate	8,655,967	7,239	52,390	—	8,715,596
Business loans secured by real estate	**Business loans secured by real estate**					
CRE owner-occupied	CRE owner-occupied	2,167,522	34,811	26,469	—	2,228,802
CRE owner-occupied						
CRE owner-occupied						
Franchise real estate secured	Franchise real estate secured	294,520	13,871	5,060	—	313,451
SBA secured by real estate	SBA secured by real estate	47,734	619	5,315	—	53,668
Total business loans secured by real estate	Total business loans secured by real estate	2,509,776	49,301	36,844	—	2,595,921
Commercial loans	**Commercial loans**					

Commercial and industrial

Commercial and industrial

Commercial and industrial	Commercial and industrial	1,445,826	102,152	35,824	4,969	1,588,771
Franchise non-real estate secured	Franchise non-real estate secured	312,418	4,396	18,239	—	335,053
SBA non-real estate secured	SBA non-real estate secured	9,676	—	991	—	10,667
Total commercial loans	Total commercial loans	1,767,920	106,548	55,054	4,969	1,934,491
Retail loans	**Retail loans**					
Single family residential	Single family residential	70,983	—	1	—	70,984
Single family residential						
Single family residential						
Consumer loans	Consumer loans	1,958	—	—	—	1,958
Total retail loans	Total retail loans	72,941	—	1	—	72,942
Loans held for investment before basis adjustment (1)	Loans held for investment before basis adjustment (1)	$ 13,006,604	$ 163,088	$ 144,289	$ 4,969	$ 13,318,950

December 31, 2022

December 31, 2023

December 31, 2023

December 31, 2023

Investor loans secured by real estate

Investor loans secured by real estate

Investor loans secured by real estate	**Investor loans secured by real estate**					
CRE non-owner-occupied	CRE non-owner-occupied	$ 2,647,607	$ 7,487	$ 5,227	$—	$ 2,660,321
Multifamily	Multifamily	6,089,836	12,667	9,523	—	6,112,026
Construction and land	Construction and land	399,034	—	—	—	399,034
SBA secured by real estate	SBA secured by real estate	33,161	—	8,974	—	42,135
Total investor loans secured by real estate	Total investor loans secured by real estate	9,169,638	20,154	23,724	—	9,213,516

Business loans secured by real estate	**Business loans secured by real estate**					
CRE owner-occupied	CRE owner-occupied	2,363,719	2,351	66,093	—	2,432,163
CRE owner-occupied						
CRE owner-occupied						
Franchise real estate secured	Franchise real estate secured	352,645	18,036	7,376	—	378,057
SBA secured by real estate	SBA secured by real estate	55,865	118	5,385	—	61,368
Total business loans secured by real estate	Total business loans secured by real estate	2,772,229	20,505	78,854	—	2,871,588
Commercial loans	**Commercial loans**					
Commercial and industrial						
Commercial and industrial						
Commercial and industrial	Commercial and industrial	2,093,726	31,273	35,949	—	2,160,948
Franchise non-real estate secured	Franchise non-real estate secured	368,013	27,583	9,195	—	404,791
SBA non-real estate secured	SBA non-real estate secured	9,550	—	1,550	—	11,100
Total commercial loans	Total commercial loans	2,471,289	58,856	46,694	—	2,576,839
Retail loans	**Retail loans**					
Single family residential	Single family residential	72,992	—	5	—	72,997
Single family residential						
Single family residential						
Consumer loans	Consumer loans	3,257	—	27	—	3,284
Total retail loans	Total retail loans	76,249	—	32	—	76,281
Loans held for investment before basis adjustment (1)	Loans held for investment before basis adjustment (1)	$ 14,489,405	$ 99,515	$ 149,304	$ —	$ 14,738,224

(1) Excludes the basis adjustment of $48.8 million $32.3 million and $61.9 million $29.6 million to the carrying amount of certain loans included in fair value hedging relationships at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. Refer to *Note 11 – Derivative Instruments* to the Notes to the consolidated financial statements in this Quarterly Report on Form 10-Q for additional information.

Nonperforming Assets

Nonperforming assets consist of loans whereby we have ceased accruing interest (i.e., nonaccrual loans), other real estate owned ("OREO"), and other repossessed assets owned. Nonaccrual loans generally consist of loans that are 90 days or more past due and loans where, in the opinion of management, there is reasonable doubt as to the full collection of principal and interest. interest regardless of the length of past due status.

Nonperforming assets decreased increased by $5.0 $39.0 million to $25.9 million $64.1 million, or 0.34% of total assets, at March 31, 2024, compared to $25.1 million, or 0.13% of total assets, at September 30, 2023, compared to $30.9 million, or 0.14% of total December 31, 2023. The increase in nonperforming assets at December 31, 2022. At September 30, 2023 March 31, 2024, nonperforming assets consisted was primarily the result of nonperforming a single, diversified commercial banking relationship with loans in CRE non-owner occupied, CRE owner-occupied, and C&I categories, totaling $37.6 million, all of $25.5 million which were current, as well as a single lending relationship with loans in franchise non-real estate secured and OREO franchise real estate categories, totaling $1.9 million, as of $450,000. At December 31, 2022, all nonperforming assets consisted of nonperforming loans. March 31, 2024.

At September 30, 2023 March 31, 2024, nonperforming loans totaled $25.5 million $63.8 million, or 0.49% of loans held for investment, an increase from $24.8 million, or 0.19% of loans held for investment, a decrease from $30.9 million, or 0.21% of loans held for investment, at December 31, 2022 December 31, 2023.

OREO was $450,000 totaled $248,000 at September 30, 2023 March 31, 2024, compared to no OREO unchanged from $248,000 at December 31, 2022 December 31, 2023.

The Company had no loans 90 days or more past due and still accruing at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

The following table sets forth the composition of nonperforming assets at the dates indicated:

(Dollars in thousands)	(Dollars in thousands)	September 30, 2023	December 31, 2022
(Dollars in thousands)			
(Dollars in thousands)			
Nonperforming assets			
Nonperforming assets			
Nonperforming assets	**Nonperforming assets**		
Investor loans secured by real estate	**Investor loans secured by real estate**		
Investor loans secured by real estate			
Investor loans secured by real estate			
CRE non-owner-occupied	CRE non-owner-occupied	$ 425	$ 4,429
Multifamily		—	8,780
CRE non-owner-occupied			
CRE non-owner-occupied			
SBA secured by real estate			
SBA secured by real estate			
SBA secured by real estate	SBA secured by real estate	1,242	533
Total investor loans secured by real estate	Total investor loans secured by real estate	1,667	13,742
Total investor loans secured by real estate			
Total investor loans secured by real estate			
Business loans secured by real estate			
Business loans secured by real estate			
Business loans secured by real estate	**Business loans secured by real estate**		
CRE owner-occupied	CRE owner-occupied	8,826	11,475
CRE owner-occupied			
CRE owner-occupied			
Franchise real estate secured			
Franchise real estate secured			
Franchise real estate secured			
SBA secured by real estate		1,173	1,191
Total business loans secured by real estate			
Total business loans secured by real estate			
Total business loans secured by real estate	Total business loans secured by real estate	9,999	12,666

Commercial loans	**Commercial loans**						
Commercial loans							
Commercial loans							
Commercial and industrial	Commercial and industrial		13,254			3,908	
Commercial and industrial							
Commercial and industrial							
Franchise non-real estate secured							
Franchise non-real estate secured							
Franchise non-real estate secured							
SBA non-real estate secured	SBA non-real estate secured		538			589	
SBA non-real estate secured							
SBA non-real estate secured							
Total commercial loans							
Total commercial loans							
Total commercial loans	Total commercial loans		13,792			4,497	
Total nonperforming loans	Total nonperforming loans		25,458			30,905	
Total nonperforming loans							
Total nonperforming loans							
Other real estate owned							
Other real estate owned							
Other real estate owned	**Other real estate owned**		450			—	
Total	Total	$	25,908		$	30,905	
Total							
Total							
Allowance for credit losses							
Allowance for credit losses							
Allowance for credit losses	Allowance for credit losses	$	188,098		$	195,651	
Allowance for credit losses as a percent of total nonperforming loans	Allowance for credit losses as a percent of total nonperforming loans		739	%		633	%
Allowance for credit losses as a percent of total nonperforming loans							
Allowance for credit losses as a percent of total nonperforming loans							
Nonperforming loans as a percent of loans held for investment							
Nonperforming loans as a percent of loans held for investment							
Nonperforming loans as a percent of loans held for investment	Nonperforming loans as a percent of loans held for investment		0.19	%		0.21	%
Nonperforming assets as a percent of total assets	Nonperforming assets as a percent of total assets		0.13	%		0.14	%
MLTBs/TDRs included in nonperforming loans		$	13,021		$	5,051	
Nonperforming assets as a percent of total assets							
Nonperforming assets as a percent of total assets							
MLTBs included in nonperforming loans							
MLTBs included in nonperforming loans							
MLTBs included in nonperforming loans							

Allowance for Credit Losses

The Company maintains an ACL for loans and unfunded loan commitments in accordance with ASC 326, which requires the Company to record an initial estimate of expected lifetime credit losses for loans and unfunded loan commitments at the time of origination or acquisition. The ACL is maintained at a level deemed appropriate by management to provide for expected credit losses in the portfolio as of the date of the consolidated statements of financial condition. Estimating expected credit losses requires management to use relevant forward-looking information, including the use of reasonable and supportable forecasts. The measurement of the ACL is performed by collectively evaluating loans with similar risk characteristics. Loans that have been deemed by management to no longer possess similar risk characteristics are evaluated individually under a discounted cash flow approach, except those that have been deemed collateral dependent are evaluated individually based on the expected estimated fair value of the underlying collateral.

The Company measures the ACL on commercial real estate and commercial loans using a discounted cash flow approach, using the loan's effective interest rate, while the ACL for retail loans is based on a historical loss rate model. The discounted cash flow methodology relies on several significant components essential to the development of estimates for future cash flows on loans and unfunded commitments. These components consist of: (i) the estimated probability of default ("PD"), (ii) the estimated loss given default ("LGD"), which represents the estimated severity of the loss when a loan is in default, (iii) estimates for prepayment activity on loans, and (iv) the estimated exposure to the Company at default ("EAD"). In the case of unfunded loan commitments, the Company incorporates estimates for utilization, based on historical loan data. PD and LGD for investor loans secured by real estate loans are derived from a third party, using proxy loan information, and loan and property level attributes. PD for both investor and business real estate loans, as well as commercial loans, is heavily impacted by current and expected economic conditions. Forecasts for PDs and LGDs are made over a two-year period, which we believe is reasonable and supportable, and are based on economic scenarios. Beyond this point, PDs and LGDs revert to their historical long-term averages. The Company has reflected this reversion over a period of three years in the ACL model.

The Company's ACL includes assumptions concerning current and future economic conditions using reasonable and supportable forecasts from an independent third party. These economic forecast scenarios are based on past events, current conditions, and the likelihood of future events occurring. Management periodically evaluates economic scenarios used in the Company's ACL model, and thus the scenarios as well as the assumptions within those scenarios, and whether to use a weighted multiple scenario approach, can vary from one period to the next based on changes in current and expected economic conditions, and due to the occurrence of specific events. As of September 30, 2023 March 31, 2024, the Company's ACL model used three weighted scenarios representing a base-case scenario, an upside scenario, and a downside scenario. The use of three weighted scenarios at September 30, 2023 March 31, 2024 is consistent with the approach used in the Company's ACL model at June 30, 2023 December 31, 2023. The Company's ACL model at September 30, 2023 March 31, 2024 includes assumptions concerning the rising interest rate environment, general uncertainty concerning future economic conditions, and the potential for future recessionary conditions. The Company has identified certain economic variables that have significant influence in the Company's model for determining the ACL. These key economic variables include changes in the U.S. unemployment rate, U.S. real GDP growth, CRE prices, and the interest rates.

The Company considers the need for qualitative adjustments to the ACL on a quarterly basis. Qualitative adjustments may be related to and include, but not be limited to, factors such as (i) management's assessment of economic forecasts used in the model and how those forecasts align with management's overall evaluation of current and expected economic conditions, (ii) organization-specific risks such as credit concentrations, collateral specific risks, regulatory risks, and external factors that may ultimately impact credit quality, (iii) potential model limitations such as limitations identified through back-testing, and other limitations associated with factors such as underwriting changes, acquisition of new portfolios and changes in portfolio segmentation, and (iv) management's overall assessment of the adequacy of the ACL, including an assessment of model data inputs used to determine the ACL. Qualitative adjustments served to increase or decrease the level of allocated ACL to these segments of the loan portfolio: investor loans secured by real estate, business loans secured by real estate, and commercial loans.

The following charts quantify the factors attributing to the changes in the ACL on loans held for investment for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023:

Q12024 Attributionv4.jpg Q12023 Attributionv3.jpg

Attribution_YTD Q3 2023 v3.jpg Attribution_YTD Q3 2022 v3.jpg

(1) Certain factors attributing to the changes in the ACL for 2022 2023 have been reclassified to conform to the 2023 2024 presentation

At September 30, 2023, the ACL on loans was $188.1 million, a decrease of $4.2 million from $192.3 million at June 30, 2023. The decrease in the ACL for loans held for investment during the three months ended September 30, 2023 can be attributed to net charge-offs of $6.8 million, partially offset by $2.5 million in provision for credit losses. Charge-offs during the three months ended September 30, 2023 are largely attributed to one C&I lending relationship that already had a specific reserve as well as two syndicated C&I loans to one lending relationship that were modified with a partial charge-off. The ACL on loans held for investment decreased $7.6 million from $195.7 million at December 31, 2022. The decrease in the ACL for loans held for investment during the nine months ended September 30, 2023 can be attributed to net charge-offs of $13.7 million, partially offset by $6.1 million in provision for credit losses. Charge-offs during the nine months ended September 30, 2023 are largely attributed to two C&I lending relationships, one CRE non-owner-occupied lending relationship, and one CRE owner-occupied lending relationship.

The decrease in the ACL for loans held for investment during the three months ended September 30, 2022 of $526,000 was attributed to net charge-offs of $1.1 million, partially offset by $546,000 in provision for credit losses. The decrease in the ACL for loans held for investment during the nine months ended September 30, 2022 of $2.2 million was attributed to net charge-offs of $6.8 million, partially offset by a $4.6 million provision for credit losses. Charge-offs during the three months ended September 30, 2022 were largely attributed to one CRE non-owner-occupied relationship, while charge-offs during the nine months ended September 30, 2022 were attributed to one C&I lending relationship and one CRE non-owner-occupied lending relationship.

The Company maintains an ACL for off-balance sheet commitments related to unfunded loans and lines of credit, which is included in other liabilities of the consolidated statements of financial condition. The allowance for off-balance sheet commitments was $25.8 million at September 30, 2023, representing an increase of $1.4 million from $24.5 million at June 30, 2023, and an increase of approximately $2.2 million from $23.6 million at December 31, 2022. The provision expense for off-balance sheet commitments of $1.4 million during the three months ended September 30, 2023 was attributed, in large part, to changes in economic forecasts, partially offset by a decline in the balance of unfunded commitments. The provision expense during the nine months ended September 30, 2023 was largely attributed to economic forecasts, partially offset by changes in the mix of unfunded commitments between various loan segments, and a decrease in the balance of unfunded commitments.

The Company recorded a provision for credit losses on off-balance sheet commitments of $549,000 during the three months ended September 30, 2022, and a provision recapture for off-balance sheet commitments of $2.6 million during the nine months ended September 30, 2022. The provision for credit losses in the third quarter of 2022 was largely due to higher unfunded commitments in the C&I loan segment. The provision recapture during the first nine months of 2022 was largely reflective of slightly favorable macroeconomic forecasts reflected in the Company's ACL model and changes in the mix of unfunded commitments between various loan segments.

For additional information on the provision for credit losses and ACL on loans and ACL for off-balance sheet commitments related to unfunded loans and lines of credit, refer to "*Provision for Credit Losses*" presented under *Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Note 6 – Allowance for Credit Losses* to the Notes to the consolidated financial statements in this Quarterly Report on Form 10-Q.

At September 30, 2023March 31, 2024, the Company believes the ACL was adequate to cover current expected credit losses in the loan portfolio. However, no assurance can be given that we will not, in any particular period, sustain credit losses that exceed the amount reserved, or that subsequent evaluation of our loan portfolio, in light of prevailing factors, including economic conditions that may adversely affect our market area or other circumstances, will not require significant increases in the ACL. In addition, regulatory agencies, as an integral part of their examination process, periodically review our ACL and may require us to recognize changes to the ACL based on judgments different from those of management. Should any of the factors considered by management in evaluating the appropriate level of the ACL change, including the size and composition of the loan portfolio, the credit quality of the loan portfolio, as well as forecasts of future economic conditions, the Company's estimate of current expected credit losses could also significantly change and affect the level of future provisions for credit losses.

The following table sets forth the Company's ACL, its corresponding percentage of the loan category balance, and the percent of loan balance to total loans held for investment in each of the loan categories listed as of the dates indicated:

		September 30, 2023			December 31, 2022				March 31, 2024				Decemb
(Dollars in thousands)	(Dollars in thousands)	Amount	Allowance as a % of Segment	% of Total Loans	Amount	Allowance as a % of Segment	% of Total Loans	(Dollars in thousands)	Amount		Allowance as a % of Segment	% of Total Loans	Amour
Investor loans secured by real estate	**Investor loans secured by real estate**							**Investor loans secured by real estate**					
CRE non-owner-occupied	CRE non-owner-occupied	$ 31,583	1.26 %	18.9 %	$ 33,692	1.27 %	18.1 %	CRE non-owner-occupied	$ 30,781	1.33	1.33 %	17.7 %	$
Multifamily	Multifamily	55,221	0.97 %	43.1 %	56,334	0.92 %	41.6 %	Multifamily	58,411	1.05	1.05 %	42.7 %	
Construction and land	Construction and land	8,506	1.91 %	3.4 %	7,114	1.78 %	2.7 %	Construction and land	8,171	1.68	1.68 %	3.7 %	
SBA secured by real estate	SBA secured by real estate	2,199	5.82 %	0.3 %	2,592	6.15 %	0.3 %	SBA secured by real estate	2,184	6.20	6.20 %	0.3 %	
Total investor loans secured by real estate	Total investor loans secured by real estate	97,509	1.12 %	65.7 %	99,732	1.08 %	62.7 %	Total investor loans secured by real estate	99,547	1.19	1.19 %	64.4 %	
Business loans secured by real estate	**Business loans secured by real estate**												
CRE owner-occupied	CRE owner-occupied	29,086	1.31 %	16.8 %	32,340	1.33 %	16.6 %						
CRE owner-occupied													
CRE owner-occupied									28,760		1.34 %	16.5 %	28,787

Franchise real estate secured	Franchise real estate secured	7,566	2.41 %	2.4 %	7,019	1.86 %	2.6 %	Franchise real estate secured	7,258	2.46	2.46 %	2.3 %	
SBA secured by real estate	SBA secured by real estate	4,562	8.50 %	0.4 %	4,348	7.09 %	0.4 %	SBA secured by real estate	4,288	8.85	8.85 %	0.4 %	
Total business loans secured by real estate	Total business loans secured by real estate	41,214	1.59 %	19.6 %	43,707	1.52 %	19.6 %	Total business loans secured by real estate	40,306	1.62	1.62 %	19.2 %	
Commercial loans	**Commercial loans**												
Commercial and industrial													
Commercial and industrial													
Commercial and industrial	Commercial and industrial	32,497	2.05 %	12.0 %	35,169	1.63 %	14.7 %		37,107	2.09	2.09 %	13.6 %	36,692
Franchise non-real estate secured	Franchise non-real estate secured	15,779	4.71 %	2.5 %	16,029	3.96 %	2.8 %	Franchise non-real estate secured	14,320	4.74	4.74 %	2.3 %	
SBA non-real estate secured	SBA non-real estate secured	472	4.42 %	0.1 %	441	3.97 %	0.1 %	SBA non-real estate secured	495	4.52	4.52 %	0.1 %	
Total commercial loans	Total commercial loans	48,748	2.52 %	14.6 %	51,639	2.00 %	17.6 %	Total commercial loans	51,922	2.49	2.49 %	16.0 %	
Retail loans	**Retail loans**												
Single family residential	Single family residential	491	0.69 %	0.5 %	352	0.48 %	0.5 %						
Single family residential													
Single family residential									442		0.61 %	0.6 %	505
Consumer loans	Consumer loans	136	6.95 %	— %	221	6.73 %	— %	Consumer loans	123	6.72	6.72 %	— %	
Total retail loans	Total retail loans	627	0.86 %	0.5 %	573	0.75 %	0.5 %	Total retail loans	565	0.76	0.76 %	0.6 %	
Total (1)	Total (1)	$188,098	1.42 %	100.0 %	$195,651	1.33 %	100.0 %	Total (1)	$192,340	1.48	1.48 %	100.0 %	$

(1) Total loans utilized in the calculation of the ratio of ACL to total loans held for investment includes $48.8 million $32.3 million and $61.9 million $29.6 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, of the basis adjustment of certain loans included in fair value hedging relationships. Refer to *Note 11 – Derivative Instruments* to the Notes to the consolidated financial statements in this Quarterly Report on Form 10-Q for additional information.

At September 30, 2023 March 31, 2024, the ratio of ACL to loans held for investment was 1.42% 1.48%, an increase from 1.33% 1.45% at December 31, 2022 December 31, 2023. Our unamortized fair value discount on the loans acquired totaled $46.2 million $41.2 million, or 0.35% 0.32% of total loans held for investment, at September 30, 2023 March 31, 2024, compared to $54.8 million $43.3 million, or 0.37% 0.33% of total loans held for investment, at December 31, 2022 December 31, 2023.

The following table sets forth the Company's net charge-offs as a percentage to the average loans held for investment balances in each of the loan categories, as well as other credit related percentages at and for the periods indicated:

	Three Months Ended		
	September 30, 2023	June 30, 2023	September 30, 2022
	Three Months Ended		
	March 31, 2024		

(Dollars in thousands)	(Dollars in thousands)	Net Charge-offs (Recoveries)	Average Loan Balance	Percentage	Net Charge-offs (Recoveries)	Average Loan Balance	Percentage	Net Charge-offs (Recoveries)	Average Loan Balance	Percentage	(Dollars in thousands)	Net Charge-offs (Recoveries)			Averag Bala
Investor loans secured by real estate	**Investor loans secured by real estate**														
CRE non-owner-occupied															
CRE non-owner-occupied															
CRE non-owner-occupied	CRE non-owner-occupied	$ (51)	$ 2,547,595	—%	$ 2,591	$ 2,611,462	0.10%	$ 1,128	$ 2,767,511	0.04%	$ 927	$		$ 2,357,553	
Multifamily	Multifamily	—	5,751,877	—%	72	5,845,595	—%	—	6,201,458	—%	Multifamily	(5)	5,609,799		5,6
Construction and land	Construction and land	—	424,498	—%	—	429,916	—%	—	359,352	—%	Construction and land	—	479,812		4
SBA secured by real estate	SBA secured by real estate	108	38,473	0.28%	—	39,212	—%	—	43,336	—%	SBA secured by real estate	253	35,911		
Total investor loans secured by real estate	Total investor loans secured by real estate	57	8,762,443	—%	2,663	8,926,185	0.03%	1,128	9,371,657	0.01%	Total investor loans secured by real estate	1,175	8,483,075		8,4
Business loans secured by real estate	**Business loans secured by real estate**														
CRE owner-occupied	CRE owner-occupied	(12)	2,247,742	—%	195	2,312,704	0.01%	(19)	2,491,146	—%					
CRE owner-occupied															
CRE owner-occupied												4,389			2,182
Franchise real estate secured	Franchise real estate secured	—	314,310	—%	—	343,306	—%	—	383,124	—%	Franchise real estate secured	212	300,828		3
SBA secured by real estate	SBA secured by real estate	(128)	55,115	(0.23)%	(80)	59,033	(0.14)%	—	69,205	—%	SBA secured by real estate	(1)	49,807		
Total business loans secured by real estate	Total business loans secured by real estate	(140)	2,617,167	(0.01)%	115	2,715,043	—%	(19)	2,943,475	—%	Total business loans secured by real estate	4,600	2,533,095		2,5
Commercial loans	**Commercial loans**														
Commercial and industrial															
Commercial and industrial															
Commercial and industrial	Commercial and industrial	6,821	1,720,368	0.40%	56	1,873,094	—%	47	2,222,550	—%	546	1,769,879		1,769,879	
Franchise non-real estate secured	Franchise non-real estate secured	(50)	341,418	(0.01)%	—	376,106	—%	—	407,141	—%	Franchise non-real estate secured	100	308,832		3
SBA non-real estate secured	SBA non-real estate secured	64	11,841	0.54%	(59)	11,086	(0.53)%	(26)	12,718	(0.20)%	SBA non-real estate secured	(2)	10,865		

Total commercial loans	Total commercial loans	6,835	2,073,627	0.33%	(3)	2,260,286	—%	21	2,642,409	—%	Total commercial loans	644	2,089,576	2,0
Retail loans	**Retail loans**													
Single family residential	Single family residential	—	70,679	—%	—	70,889	—%	(58)	75,888	(0.08)%				
Single family residential														
Single family residential												—		72
Consumer	Consumer	—	2,123	—%	890	3,121	28.52%	—	3,844	—%	Consumer	—	2,107	
Total retail loans	Total retail loans	—	72,802	—%	890	74,010	1.20%	(58)	79,732	(0.07)%	Total retail loans	—	74,191	
Total (1)	Total (1)	$ 6,752	$ 13,475,128	0.05%	$ 3,665	$ 13,926,258	0.03%	$ 1,072	$ 14,986,332	0.01%	Total (1)	$ 6,419	$	$ 13,149
Allowance for credit losses to loans held for investment	Allowance for credit losses to loans held for investment			1.42%			1.41%			1.31%				
Allowance for credit losses to loans held for investment														
Allowance for credit losses to loans held for investment														
Nonperforming loans to loans held for investment	Nonperforming loans to loans held for investment			0.19%			0.12%			0.41%	Nonperforming loans to loans held for investment			
Allowance for credit losses to nonperforming loans	Allowance for credit losses to nonperforming loans			739%			1148%			323%	Allowance for credit losses to nonperforming loans			

(1) Average loan balance includes $50.9 million $30.9 million, $49.3 million $44.3 million, and $50.9 million $60.6 million of average basis adjustment of certain loans included in fair value hedging relationships for the three months ended September 30, 2023 March 31, 2024, June 30, 2023 December 31, 2023, and September 30, 2022 March 31, 2023, respectively. Refer to *Note 11 – Derivative Instruments* to the Notes to the consolidated financial statements in this Quarterly Report on Form 10-Q for additional information.

	For the Nine Months Ended					
	September 30, 2023			September 30, 2022		
(Dollars in thousands)	Net Charge-offs (Recoveries)	Average Loan Balance	Percentage	Net Charge-offs (Recoveries)	Average Loan Balance	Percentage
Investor loans secured by real estate						
CRE non-owner-occupied	$ 2,591	$ 2,593,463	0.10%	$ 1,128	$ 2,767,770	0.04%
Multifamily	289	5,877,859	—%	—	6,083,095	—%
Construction and land	—	425,005	—%	—	321,860	—%
SBA secured by real estate	108	39,560	0.27%	70	45,733	0.15%
Total investor loans secured by real estate	2,988	8,935,887	0.03%	1,198	9,218,458	0.01%
Business loans secured by real estate						
CRE owner-occupied	2,334	2,310,584	0.10%	(33)	2,399,142	—%
Franchise real estate secured	—	344,588	—%	—	383,570	—%
SBA secured by real estate	(208)	58,506	(0.36)%	—	71,863	—%
Total business loans secured by real estate	2,126	2,713,678	0.08%	(33)	2,854,575	—%
Commercial loans						
Commercial and industrial	7,789	1,876,199	0.42%	5,233	2,222,749	0.24%
Franchise non-real estate secured	(150)	370,829	(0.04)%	448	400,780	0.11%
SBA non-real estate secured	(1)	11,580	(0.01)%	6	12,578	0.05%
Total commercial loans	7,638	2,258,608	0.34%	5,687	2,636,107	0.22%
Retail loans						

Single family residential	89	71,183	0.13%	(91)	79,683	(0.11)%
Consumer	860	2,829	30.40%	2	4,399	0.05%
Total retail loans	949	74,012	1.28%	(89)	84,082	(0.11)%
Total (1)	$ 13,701	$ 13,928,641	0.10%	$ 6,763	$ 14,756,427	0.05%
Allowance for credit losses to loans held for investment			1.42%			1.31%
Nonperforming loans to loans held for investment			0.19%			0.41%
Allowance for credit losses to nonperforming loans			739%			323%

(1) Average loan balance includes $53.5 million and $36.8 million of average basis adjustment of certain loans included in fair value hedging relationships for the nine months ended September 30, 2023 and September 30, 2022, respectively. Refer to *Note 11 – Derivative Instruments* to the Notes to the consolidated financial statements in this Quarterly Report on Form 10-Q for additional information.

Investment Securities

Our investment policy, as established by our Asset Liability Committee, is established to provide and maintain liquidity, capital preservation, complement our lending activities, support our interest rate risk management strategies and tax planning, and generate a favorable return on investments without incurring undue interest rate and credit risks. Specifically, our investment policy generally limits our investments to U.S. government securities, federal agency-backed securities, U.S. government-sponsored enterprise ("GSE") guaranteed mortgage-backed securities ("MBS"), which are guaranteed by Fannie Mae ("FNMA"), Freddie Mac ("FHLMC"), Federal Farm Credit Banks ("FFCB"), or Ginnie Mae ("GNMA"), U.S. Treasury securities, municipal bonds, and corporate bonds, specifically bank debt notes. The Bank has designated all investment securities as AFS or HTM. AFS securities are carried at fair value, with unrealized gains or losses, net of tax, on these securities recognized in stockholders' equity as accumulated other comprehensive income or loss. HTM securities are carried at amortized cost, net of ACL.

We primarily use our investment portfolio for liquidity purposes, capital preservation, and to support our interest rate risk management strategies. Investments totaled $3.65 billion Our investment securities portfolio amounted to $2.87 billion at September 30, 2023 March 31, 2024, a decrease an increase of $336.7 million $4.9 million, or 8.4% 0.2%, from $3.99 billion $2.87 billion at December 31, 2022 December 31, 2023. The decrease in securities increase was primarily the result of $304.2 million $170.2 million in sales purchases and a decrease of $1.9 million in mark-to-market unrealized loss on AFS investment securities, and $285.2 million partially offset by $167.3 million in principal payments, fair value discounts from the AFS securities transferred to HTM, amortizations, accretion, and redemptions, partially offset by $245.7 million in purchases, and an AFS redemptions. The Company did not sell any investment securities mark-to-market unrealized loss reduction during the first quarter of $7.1 million. 2024. In general, the purchase of investment securities is primarily related to investing excess liquidity from our banking operations. During the first nine months quarter of 2023, 2024, we have maintained a meaningful portion of the AFS securities portfolio in highly-liquid, short-term securities. This strategy enhances our interest rate sensitivity profile to the current rate environment and provides us with the flexibility to quickly redeploy these funds into higher-yielding assets as opportunities arise. The effective duration of AFS securities portfolio was 3.3 0.9 years at September 30, 2023 March 31, 2024 and 3.1 0.7 years at December 31, 2022 December 31, 2023.

At September 30, 2023 March 31, 2024, AFS and HTM investment securities were $1.91 billion $1.15 billion and $1.74 billion $1.72 billion, respectively, compared to $2.60 billion $1.14 billion and $1.39 billion $1.73 billion, respectively, at December 31, 2022 December 31, 2023. AFS securities are carried at fair value with unrealized gains or losses on these securities recognized in stockholders' equity as accumulated other comprehensive income or loss. HTM securities are carried at amortized cost.

During the first nine months of 2023, the Company transferred approximately $410.7 million of AFS collateralized mortgage obligations to HTM securities. The Company intends and has the ability to hold the securities transferred to maturity. The transfer of these securities was accounted for at fair value on the transfer date. These collateralized mortgage obligations securities had a net carrying amount of $360.3 million with pre-tax unrealized losses of $50.4 million, which are accreted into interest income as yield adjustments through earnings over the remaining term of the securities. The amortization of the related net after-tax unrealized losses reported in accumulated other comprehensive loss offsets the effect on interest income for the accretion of the unrealized losses associated with the transferred securities. No gains or losses were recorded at the time of transfer. The AFS securities transferred to HTM were investment grade with no credit-related issues as of the transfer date. The transfer of AFS securities to HTM was part of our management strategy to limit interest rate impact to accumulated other comprehensive loss. See *Note 4 – Investment Securities* to the Notes to the consolidated financial statements in this Quarterly Report on Form 10-Q.

The ACL on investment securities is determined for both the AFS and HTM classifications of the investment portfolio in accordance with ASC 326 and evaluated on a quarterly basis. As of September 30, 2023 March 31, 2024 and December 31, 2022 2023, the Company had an ACL of $128,000 $115,000 and $43,000, 126,000, respectively, for HTM investment securities classified as municipal bonds. The Company recognized $15,000 of provision expense for credit losses during the three months ended September 30, 2023 and $114,000 and $18,000 of provision recapture for HTM investment securities for the three months ended June 30, 2023 and September 30, 2022, respectively. The Company recognized $85,000 and $69,000 of provision for credit losses for the nine months ended September 30, 2023 and September 30, 2022, respectively. The Company had no ACL for AFS investment securities at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. For additional information, refer to *Note 4 – Investment Securities* to the Notes to the consolidated financial statements in this Quarterly Report on Form 10-Q.

The following table sets forth the fair value of AFS and the amortized cost of HTM investment securities as well as the weighted average yields on our investment security portfolio by contractual maturity as of the date indicated. Weighted average yields are an arithmetic computation of income within each maturity range based on the amortized costs of securities, not on a tax-equivalent basis.

	September 30, 2023									
	One Year or Less		More than One to Five Years		More than Five Years to Ten Years		More than Ten Years		Total	
(Dollars in thousands)	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
Investment securities available-for-sale:										
U.S. Treasury	$ —	— %	$ 12,914	1.33 %	$ —	— %	$ —	— %	$ 12,914	1.33 %
Agency	78,561	2.32 %	224,454	0.60 %	84,760	1.42 %	17,739	1.58 %	405,514	1.14 %
Corporate	12,974	5.81 %	270,367	5.68 %	221,467	3.18 %	—	— %	504,808	4.47 %
Collateralized mortgage obligations	—	— %	56,349	4.99 %	162,195	2.99 %	85,786	3.56 %	304,330	3.49 %
Mortgage-backed securities	5,538	3.47 %	—	— %	410,229	1.16 %	271,266	1.72 %	687,033	1.41 %
Total securities available-for-sale	97,073	2.85 %	564,084	3.49 %	878,651	2.03 %	374,791	2.13 %	1,914,599	2.44 %
HTM investment securities:										
Municipal bonds	$ —	— %	$ 26,176	1.45 %	$ 37,903	1.62 %	$1,082,504	2.07 %	$1,146,583	2.04 %
Collateralized mortgage obligations	—	— %	116	5.70 %	—	— %	341,122	4.17 %	341,238	4.17 %
Mortgage-backed securities	—	— %	—	— %	3,489	4.92 %	230,392	1.94 %	233,881	1.99 %
Other	—	— %	—	— %	—	— %	16,292	2.84 %	16,292	2.84 %
Total HTM investment securities	$ —	— %	$ 26,292	1.47 %	$ 41,392	1.90 %	$1,670,310	2.49 %	$1,737,994	2.46 %
Total securities	$97,073	2.85 %	$590,376	3.40 %	$920,043	2.02 %	$2,045,101	2.42 %	$3,652,593	2.45 %

	One Year or Less			
(Dollars in thousands)	Amount		Weighted Average Yield	Amount
AFS investment securities:				
U.S. Treasury	$564,939	5.22	5.22 %	$ —
Agency	—	—	— %	250
Corporate	32,995	5.78	5.78 %	231,709
Collateralized mortgage obligations	49		5.73 %	40,660
Total AFS investment securities	597,983		5.25 %	272,619
HTM investment securities:				
Municipal bonds	$—	—	— %	$26,337
Collateralized mortgage obligations	—	—	— %	86
Mortgage-backed securities	—	—	— %	1,918
Other	—	—	— %	—
Total HTM investment securities	$ —	—	— %	$ 28,341
Total securities	$597,983	5.25	5.25 %	$300,960

The following table presents the fair value of AFS and the amortized cost of HTM investment securities portfolios by Moody's credit ratings at September 30, 2023 March 31, 2024.

(Dollars in thousands)	(Dollars in thousands)	U.S. Treasury	Agency	Corporate Debt	Municipal Bonds	Collateralized Mortgage Obligations	Mortgage-backed Securities	Other	Total	%
Aaa - Aa3	Aaa - Aa3	$ 12,914	$ 405,514	$ 19,876	$ 1,146,583	$ 645,568	$ 920,914	$ —	$ 3,151,369	86.2 %
A1 - A3	A1 - A3	—	—	309,129	—	—	—	—	309,129	8.5 %
Baa1 - Baa3	Baa1 - Baa3	—	—	175,803	—	—	—	16,292	192,095	5.3 %
Total	Total	$ 12,914	$ 405,514	$ 504,808	$ 1,146,583	$ 645,568	$ 920,914	$ 16,292	$ 3,652,593	100.0 %

(Dollars in thousands)	U.S. Treasury		Agency			Corporate Debt			Munici Bond
Aaa - Aa3	$ 564,939	$	$ 1,670	$		$ 19,992		$	$ 1,145,9
A1 - A3	—	—	—		236,748		236,748	—	
Baa1 - Baa3	—	—	—		182,142		182,142	—	
Total	$ 564,939	$	$ 1,670	$		$ 438,882		$	$ 1,145,9

At September 30, 2023, 94.7% All of the Company's municipal bond securities in our portfolio have an underlying rating of investment grade, with the majority insured by the largest bond insurance companies to bring each of these securities portfolio was rated "A1 - A3" to a Moody's A rating or higher. better. The Company has predominantly purchased general obligation bonds that are risk-weighted at 20% for regulatory capital purposes. The Company reduces its exposure to any single adverse event by holding securities from geographically diversified municipalities. We continue to monitor the quality of our investment securities portfolio in accordance with current financial conditions and economic environment.

Deposits

Deposits. At September 30, 2023 March 31, 2024, deposits totaled $16.01 billion $15.19 billion, a decrease an increase of $1.34 billion $192.2 million, or 7.8% 1.3%, from $17.35 billion $15.00 billion at December 31, 2022 December 31, 2023. The decrease in deposits included decreases increase was largely driven by increases of $549.0 million $169.2 million in money market/ market and savings, $524.5 million $110.3 million in retail certificates of deposit, and $64.8 million in noninterest-bearing checking, $521.4 million partially offset by reductions of $114.0 million in interest-bearing checking and $189.5 million $38.1 million in brokered certificates of deposit, partially offset by an increase of $439.5 million in retail certificates of deposit. The deposits decrease was largely driven by clients redeploying funds into higher yielding alternatives, prepaying or paying down loans, and, to a lesser extent, shifting depositor behavior following the industry-wide turmoil experienced in the first half of 2023.

At September 30, 2023 March 31, 2024, non-maturity deposits totaled $13.25 billion $12.82 billion or 82.8% 84.4% of total deposits, a decrease an increase of $1.59 billion $120.0 million, or 10.7% 0.9%, from December 31, 2022 December 31, 2023. The decrease from the prior year-end increase was attributable to the management's strategic deposits pricing to manage the increase in largely driven by seasonal deposit growth within our deposit costs, competition for deposits, HOA business and reduced funding needs in the rapidly rising rate environment. municipal deposits. Our non-maturity deposits reflect our well-diversified and relationship-focused business model that has resulted in 36.1% 32.9% of noninterest-bearing checking deposits as a percent of total deposits as of September 30, 2023 March 31, 2024.

At September 30, 2023 March 31, 2024, maturity deposits totaled $2.75 billion $2.37 billion, an increase of $250.0 million $72.2 million, or 10.0% 3.1%, from December 31, 2022 December 31, 2023. The increase was primarily driven by the an increase of $110.3 million in retail certificates of deposit, partially offset in part by the decrease reduction of $38.1 million in brokered certificates of deposit.

The total end-of-period weighted average rate of deposits at September 30, 2023 March 31, 2024 was 1.52% 1.66%, an increase from 0.79% 1.55% at December 31, 2022 December 31, 2023, principally driven by higher pricing across all deposit categories and a greater mix of maturity deposits. At September 30, 2023 March 31, 2024, the end-of-period weighted average rate of non-maturity deposits was 0.96% 1.12%, compared to 0.43% 1.04% at December 31, 2022 December 31, 2023. While incorporating time deposits into our funding mix during the first half of 2023 increased our deposit costs in the near term, locking in the longer-term funding ahead of the Federal Reserve's anticipated additional interest rate increases would provide more funding flexibility and help us control our overall funding costs going forward. During the third quarter of 2023, client deposit flows continued to stabilize in the face of significant pricing competition and we reduced brokered deposits by $489.5 million. Given the rising interest rate environment, for the near term, it is likely that deposit costs will continue to increase and the deposit pricing impact may lead to deposit balance fluctuations.

As of September 30, 2023 March 31, 2024, no the Bank counted one client, a property management holding company, with deposits of $811.2 million, or 5.3% of total deposits, and 11,263 total deposit accounts. No individual depositor represented more than 1.1% 2.1% of our total deposits, and our top 50 depositors represented 8.8% 15.0% of our total deposits.

Our ratio of loans held for investment to deposits was 82.9% 85.7% and 84.6% 88.6% at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The following table sets forth the distribution of the Company's deposit accounts at the dates indicated and the weighted average interest rates as of the last day of each period for each category of deposits presented:

September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023

(Dollars in thousands)	Balance	% of Total Deposits	Weighted Average Rate	Balance	% of Total Deposits	Weighted Average Rate	Balance		% of Total Deposits	Weighted Average Rate	Balance		% of Total Deposits
Noninterest-bearing checking	$ 5,782,305	36.1 %	— %	$ 6,306,825	36.4 %	— %	$ 4,997,636	32.9	32.9 %	— %	$ 4,932,817	32.9	32.9
Interest-bearing deposits:													
Interest-bearing checking	2,598,449	16.2 %	1.34 %	3,119,850	18.0 %	0.63 %	2,785,626		18.3 %	1.55 %	2,899,621		19.3 %
Money market	4,556,574	28.5 %	1.82 %	4,946,019	28.5 %	0.85 %	4,756,596	31.3	31.3 %	2.09 %	4,572,693	30.5	30.5
Savings	317,008	2.0 %	0.22 %	476,588	2.7 %	0.49 %	281,040	1.9	1.9 %	0.33 %	295,749	2.0	2.0
Total non-maturity deposits	13,254,336	82.8 %	0.96 %	14,849,282	85.6 %	0.43 %	12,820,898	84.4	84.4 %	1.12 %	12,700,880	84.7	84.7
Time deposit accounts:													
Less than 1.00%	130,670	0.8 %	0.13 %	398,777	2.3 %	0.15 %	65,724	0.4	0.4 %	0.19 %	90,480	0.6	0.6 %
1.00 - 1.99	22,804	0.1 %	1.69 %	193,529	1.1 %	1.78 %	19,855	0.1	0.1 %	1.76 %	20,505	0.1	0.1
2.00 - 2.99	73,508	0.5 %	2.59 %	431,042	2.5 %	2.47 %	17,150	0.1	0.1 %	2.63 %	20,191	0.1	0.1
3.00 - 3.99	474,962	3.0 %	3.53 %	645,228	3.7 %	3.44 %	212,289	1.4	1.4 %	3.58 %	361,060	2.4	2.4
4.00 - 4.99	1,325,205	8.3 %	4.42 %	834,543	4.8 %	4.42 %	1,288,341	8.6	8.6 %	4.67 %	1,084,443	7.3	7.3
5.00 and greater	725,962	4.5 %	5.31 %	—	— %	— %	763,571	5.0	5.0 %	5.15 %	718,067	4.8	4.8
Total time deposit accounts	2,753,111	17.2 %	4.22 %	2,503,119	14.4 %	2.95 %	2,366,930	15.6	15.6 %	4.56 %	2,294,746	15.3	15.3
Total deposits	$16,007,447	100.0 %	1.52 %	$17,352,401	100.0 %	0.79 %	$15,187,828		100.0 %	1.66 %	$ 14,995,626		100.0 %

The following table sets forth the estimated deposits exceeding the FDIC insurance limit:

(Dollars in thousands)	September 30, 2023	December 31, 2022
Uninsured deposits	$ 6,161,799	$ 5,756,162

The Bank is a member of the IntraFi Network (“IntraFi”), which allows banking customers to access FDIC insurance protection on deposits that exceed the FDIC insurance limit while receiving reciprocal deposits from other FDIC-insured banks. These reciprocal deposits acquired by the Bank through IntraFi, including both the Certificate of Deposit Account Registry Service (“CDARS”) and Insured Cash Service (“ICS”) programs, offer protection to depositors by fully insuring deposits with other network banks.

At September 30, 2023 March 31, 2024, the Company’s FDIC-insured deposits as a percentage of total deposits was 62% 60%. Insured and collateralized deposits comprised 66% of total deposits at September 30, 2023 March 31, 2024, which includes federally-insured deposits, $595.7 million $883.6 million of collateralized municipal and tribal deposits, and $70.0 million of privately insured deposits. At December 31, 2023, the Company’s FDIC-insured deposits as a percentage of total deposits was 60%. Insured and collateralized deposits comprised 66% of total deposits at December 31, 2023, which includes federally-insured deposits, $732.6 million of collateralized municipal and tribal deposits, and $70.0 million of privately insured deposits.

The estimated aggregate amount of time deposits in excess of the FDIC insurance limit is $464.5 million $572.9 million at September 30, 2023 March 31, 2024 and $382.0 million $534.8 million at December 31, 2022 December 31, 2023. The following table sets forth the maturity distribution of the estimated uninsured time deposits:

(Dollars in thousands)	(Dollars in thousands)	September 30, 2023	December 31, 2022	(Dollars in thousands)	March 31, 2024	December 31, 2023
3 months or less	3 months or less	$ 224,876	$ 199,742			
Over 3 months through 6 months	Over 3 months through 6 months	136,077	109,659			
Over 6 months through 12 months	Over 6 months through 12 months	84,867	50,707			
Over 12 months	Over 12 months	18,726	21,903			
Total	Total	$ 464,546	$ 382,011			

Borrowings. Borrowings

At September 30, 2023 March 31, 2024, total borrowings amounted to $1.13 billion $532.0 million, a decrease of $199.5 million $399.8 million, or 15.0% 42.9%, from $1.33 billion $931.8 million at December 31, 2022. December 31, 2023. Total borrowings at September 30, 2023 March 31, 2024 were comprised of $800.0 million $200.0 million of FHLB term advances and $331.7 million $332.0 million of subordinated debentures. The decrease in borrowings at September 30, 2023 March 31, 2024 as compared to December 31, 2022 December 31, 2023 was primarily due to the maturity decreases of $200.0 million $400.0 million in FHLB term advances, resulting from one $200.0 million advance redemption and one $200.0 million advance maturity during the first quarter of 2023, 2024, partially offset by the amortization of the subordinated debt issuance cost. At September 30, 2023 March 31, 2024, total borrowings represented 5.6% 2.8% of total assets and had an end-of-period weighted average rate of 4.09% 5.07%, compared with 6.1% 4.9% of total assets and an end-of-period weighted average rate of 3.72% 3.93% at December 31, 2022 December 31, 2023.

At September 30, 2023 March 31, 2024, total subordinated debentures were comprised of the following:

- Subordinated notes of $60.0 million at a fixed rate of 5.75% due September 3, 2024 (the “Notes I”) and a carrying value of $59.9 million, net of unamortized debt issuance cost of $120,000. $60,000. Interest is payable semiannually at 5.75% per annum;
- Subordinated notes of $125.0 million at 4.875% fixed-to-floating rate due May 15, 2029 (the “Notes II”) and a carrying value of $123.6 million $123.7 million, net of unamortized debt issuance cost of $1.4 million $1.3 million. Interest is payable semiannually at an initial fixed rate of 4.875% per annum. From and including May 15, 2024, but excluding the maturity date or the date of earlier redemption, the Notes II will bear interest at a floating rate equal to three-month term SOFR, plus a spread of 2.762% per annum, payable quarterly in arrears; and
- Subordinated notes of $150.0 million at 5.375% fixed-to-floating rate due June 15, 2030 (the “Notes III”) and a carrying value of $148.2 million $148.4 million, net of unamortized debt issuance cost of $1.8 million $1.6 million. Interest on the Notes III accrue at a rate equal to 5.375% per annum from and including June 15, 2020 to, but excluding, June 15, 2025, payable semiannually in arrears. From and including June 15, 2025 to, but excluding, June 15, 2030 or the earlier redemption date, interest will accrue at a floating rate per annum equal to a benchmark rate, which is expected to be three-month term SOFR, plus a spread of 517 basis points, payable quarterly in arrears.

For additional information about the subordinated debentures, see *Note 8 – Subordinated Debentures* to the Notes to the consolidated financial statements in this Quarterly Report on Form 10-Q.

The following table sets forth certain information regarding the Company’s borrowed funds as of and during the periods indicated:

(Dollars in thousands)	(Dollars in thousands)	September 30, 2023 Balance	September 30, 2023 Weighted Average Rate	December 31, 2022 Balance	December 31, 2022 Weighted Average Rate	(Dollars in thousands)	March 31, 2024 Balance		March 31, 2024 Weighted Average Rate	December 31, 2023 Balance		December 31, 2023 Weighted Average Rate
FHLB advances	FHLB advances	$ 800,000	3.59 %	$1,000,000	3.19 %	FHLB advances	$200,000	4.68	4.68 %	$ 600,000	3.17	3.17 %
Subordinated debentures	Subordinated debentures	331,682	5.31 %	331,204	5.32 %							
Subordinated debentures												
Subordinated debentures							332,001		5.30 %	331,842		5.31 %
Total borrowings	Total borrowings	$1,131,682	4.09 %	$1,331,204	3.72 %	Total borrowings	$532,001	5.07	5.07 %	$ 931,842	3.93	3.93 %
Weighted average cost of borrowings during the quarter	Weighted average cost of borrowings during the quarter	4.15 %		3.62 %								
Weighted average cost of borrowings during the quarter												
Weighted average cost of borrowings during the quarter							4.15 %			4.01 %		
Borrowings as a percent of total assets	Borrowings as a percent of total assets	5.6 %		6.1 %		Borrowings as a percent of total assets	2.8 %			4.9 %		

As of September 30, 2023 March 31, 2024, our unused borrowing capacity was $8.20 billion $8.53 billion, which consisted of available lines of credit with FHLB and other correspondent banks as well as access through the Federal Reserve Bank's discount window and the Bank Term Funding Program. window. As a result of our proactive liquidity management, we were able to reduce FHLB borrowings by $200 million $400.0 million during the first quarter of 2023, 2024, and we did not utilize either the Federal Reserve Bank's discount window or the Bank Term Funding Program. Program, which expired on March 11, 2024.

The Company maintains additional sources of liquidity at the Corporation level. Our Corporation maintains a $25.0 million line of credit with U.S. Bank and had no outstanding balance against it at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

CAPITAL RESOURCES AND LIQUIDITY

Liquidity Management

Our primary sources of funds are deposits, advances from the FHLB and other borrowings, principal and interest payments on loans, and income from investments, to meet our financial obligations, which arise primarily from the withdrawal of deposits, extension of credit, and payment of operating expenses. While maturities and scheduled amortization of loans are a predictable source of funds, deposit inflows and outflows as well as loan prepayments are greatly influenced by market interest rates, economic conditions, and competition.

In addition to the interest payments on loans and investments as well as fees collected on the services we provide, our primary sources of funds generated during the first nine three months of 2023 2024 were from:

- Principal payments on loans held for investment of $1.13 billion $229.1 million;
- Increased deposits of $192.2 million; and
- Proceeds of $538.5 $174.4 million from the sale, payment, or maturity of securities;

We used these funds to:

- Decrease deposits FHLB borrowings of $1.34 billion $394.9 million;
- Purchase investment securities of $245.7 million $170.2 million;
- Decrease FHLB borrowings of $200.0 million; Return capital to shareholders through $31.6 million in dividends; and
- Originate loans held for investment of $161.9 million; and

- Return capital to shareholders through $94.6 million in dividends. $14.0 million.

Our most liquid assets are comprised of unrestricted cash, short-term investments, and unpledged AFS investment securities. The levels of these assets are dependent on our operating, lending, and investing activities during any given period. We endeavor to take a prudent, proactive approach to liquidity management, as evidenced by our balance-sheet-oriented initiatives throughout 2022 2023 and 2023. into 2024. At September 30, 2023 March 31, 2024, cash and cash equivalents totaled $1.40 billion $1.03 billion. If additional liquidity is needed or otherwise desired as part of our liquidity management strategy, we have additional sources of liquidity that can be accessed, including FHLB advances, federal fund lines, the Federal Reserve Board's lending programs, brokered deposits, as well as loan and investment securities sales. As of September 30, 2023 March 31, 2024, the Bank had secured borrowing capacity with FHLB allowing us to borrow up to 30% of $6.12 billion the Bank's total assets equating to a credit line of $5.71 billion, of which $4.57 billion $4.69 billion remained available for borrowing, based on collateral pledged of $7.90 billion $7.35 billion at carrying value in qualifying loans, and we had $800.0 million $200.0 million in FHLB term borrowings. We also had a $1.26 $3.45 billion line with the FRB discount window secured by investment securities a $1.97 billion line with the FRB's Bank Term Funding Program, and unsecured lines of credit aggregating to $390.0 million with other correspondent banks from which to purchase federal funds, and AFS investment securities with the aggregate market value of $1.91 billion. funds. Our unused borrowing capacity was $8.20 billion $8.53 billion, and the combined readily available liquidity with cash and cash equivalents of $1.40 billion was $1.03 billion, interest-bearing time deposits with financial institutions of $1.0 million, as well as short-term, unpledged, AFS U.S. Treasury securities of $343.7 million, totaled approximately $9.60 billion $9.90 billion, with a coverage ratio of 174.7% 190.9% to uninsured and uncollateralized deposits. In October 2023, in addition to the investment securities already pledged to the FRB discount window, the Bank also pledged $2.58 billion in qualifying loans under the FRB's Borrower-in-Custody program and increased the borrowing capacity with the FRB discount window by $1.77 billion.

We believe our level of liquid assets is sufficient to meet current anticipated funding needs. As part of September 30, 2023 our daily monitoring, we calculate a liquidity ratio by dividing the sum of cash balances plus unpledged AFS securities by total deposits, excluding time deposits maturing one year or more, plus FHLB advances maturing within one year. As of March 31, 2024, our liquidity ratio was 20.3% 14.4%, which is above the Company's minimum policy requirement of 10.0%. The Company regularly monitors liquidity, models liquidity stress scenarios to ensure that adequate liquidity is available, and has contingency funding plans in place, which are reviewed and tested on a regular, recurring basis.

A substantial portion of our loans were funded by our deposits. The Bank's participation in IntraFi's CDARS and ICS programs provides our depositors with full deposit insurance coverage of excess balances, while the Bank receives reciprocal deposits from other FDIC-insured banks, and helps the Bank to retain the full amount of the deposits on its balance sheet, enhancing the Company's funding stability. To the extent that 2023 2024 deposit growth is not sufficient to satisfy our ongoing commitments to fund maturing and withdrawable deposits, repay maturing borrowings, fund existing and future loans, or make investments, we may access funds through our FHLB borrowing arrangement, FRB discount window, and Bank Term Funding Program, unsecured lines of credit, or other sources.

The Bank maintains liquidity guidelines in the Company's Liquidity Policy that permits the purchase of brokered deposit funds, in an amount not to exceed 15% of total deposits or 12% of total assets, as a secondary source for funding. At September 30, 2023 March 31, 2024, we had $1.23 billion $572.1 million in brokered deposits, which constituted 7.67% 3.77% of total deposits and 6.05% 3.04% of total assets at that date. During nine months ended September 30, 2023, the Bank added approximately $439.5 million in retail certificates of deposit, which are part of the interest rate risk management strategy to bolster our liquidity position and provide greater balance sheet flexibility.

The Corporation is a corporate entity separate and apart from the Bank that must provide for its own liquidity. The Corporation's primary sources of liquidity are dividends from the Bank. There are statutory and regulatory provisions that limit the ability of the Bank to pay dividends to the Corporation. Management believes that such restrictions will not have a material impact on the ability of the Corporation to meet its ongoing cash obligations. During the nine three months ended September 30, 2023 March 31, 2024, the Bank paid $168.0 million $31.6 million in dividends to the Corporation.

The Corporation maintains a line of credit of $25.0 million with U.S. Bank that will expire on September 26, 2024. The Corporation anticipates renewing the line of credit upon expiration. This line of credit provides an additional source of liquidity at the Corporation level. At September 30, 2023 March 31, 2024, the Corporation had no outstanding balances against this line.

During each of the first three quarters quarter of 2023, 2024, the Corporation declared a quarterly dividend payment of $0.33 per share. On October 23, 2023 April 22, 2024, the Company's Board of Directors declared a $0.33 per share dividend, payable on November 13, 2023 May 13, 2024 to stockholders of record as of November 3, 2023 May 6, 2024. The Corporation's Board of Directors periodically reviews whether to declare or pay cash dividends, taking into account, among other things, general business conditions, the Company's financial results, future prospects, capital requirements, legal and regulatory restrictions, and such other factors as the Corporation's Board of Directors may deem relevant.

On January 11, 2021, the Company's Board of Directors approved a stock repurchase program, which authorized the repurchase of up to 4,725,000 shares of its common stock, representing approximately 5% of the Company's issued and outstanding shares of common stock and approximately $150 million of common stock as of December 31, 2020 based on the closing price of the Company's common stock on December 31, 2020. During the nine three months ended September 30, 2023 March 31, 2024, the Company did not repurchase any shares of common stock. See *Part II, Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds* for additional information.

Material Cash Requirement

Our material cash requirements may include funding existing loan commitments, funding equity investments and affordable housing partnerships for low-income housing tax credit, withdrawal/maturity of existing deposits, repayment of borrowings, operating lease payments, and expenditures necessary to maintain current operations.

The Company enters into contractual obligations in the normal course of business as a source of funds for its asset growth and to meet required capital needs. The following schedule summarizes maturities and principal payments due on our contractual obligations, excluding accrued interest:

		September 30, 2023				March 31, 2024		
(Dollars in thousands)	(Dollars in thousands)	Less than 1 year	More than 1 year	Total	(Dollars in thousands)	Less than 1 year	More than 1 year	Total
FHLB advances and other borrowings								
FHLB advances and other borrowings								
FHLB advances and other borrowings	FHLB advances and other borrowings	$ 400,000	$400,000	$ 800,000				
Subordinated debentures	Subordinated debentures	59,880	271,802	331,682				
Certificates of deposit	Certificates of deposit	2,700,495	52,616	2,753,111				
Operating leases	Operating leases	19,144	35,604	54,748				
Affordable housing partnerships commitment	Affordable housing partnerships commitment	12,348	23,569	35,917				
Total contractual cash obligations	Total contractual cash obligations	$3,191,867	$783,591	$3,975,458				

We believe that the Company's liquidity sources will be sufficient to meet the contractual obligations as they become due through the maintenance of adequate liquidity levels.

In the ordinary course of business, we enter into various transactions to meet the financing needs of our customers which, in accordance with GAAP, are not included in our consolidated balance sheets. These transactions include off-balance sheet commitments, including commitments to extend credit and standby letters of credit, and commitments to fund investments that qualify for CRA credit. The following table presents a summary of the Company's commitments to extend credit by expiration period:

		September 30, 2023				March 31, 2024		
(Dollars in thousands)	(Dollars in thousands)	Less than 1 year	More than 1 year	Total	(Dollars in thousands)	Less than 1 year	More than 1 year	Total
Loan commitments to extend credit	Loan commitments to extend credit	$1,356,752	$706,248	$2,063,000				
Standby letters of credit	Standby letters of credit	47,565	—	47,565				
Total	Total	$1,404,317	$706,248	$2,110,565				

Since many commitments to extend credit are expected to expire, the total commitment amounts do not necessarily represent future cash requirements. For further information, see *Note 15 - Off-Balance Sheet Arrangements, Commitments, and Contingencies* to the Notes to the consolidated financial statements in the Company's 2022 2023 Form 10-K.

Regulatory Capital Compliance

The Corporation and the Bank are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of the Corporation's and the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Corporation's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain capital in order to meet certain capital ratios to be considered adequately capitalized or well capitalized under the regulatory framework for prompt corrective action. As of the most recent formal notification from the Federal Reserve, the Bank was categorized as "well capitalized." There are no conditions or events since that notification that management believes have changed the Bank's categorization.

Final comprehensive regulatory capital rules for U.S. banking organizations pursuant to the capital framework of the Basel Committee on Banking Supervision, generally referred to as "Basel III," became effective for the Company and the Bank on January 1, 2015, subject to phase-in periods for certain of their components and other provisions. Beginning January 1, 2016, Basel III implemented a requirement for all banking organizations to maintain a capital conservation buffer of 2.5% above the minimum risk-based capital requirements, which fully phased in by January 1, 2019, in order to avoid certain limitations on capital distributions, stock repurchases and discretionary bonus payments to executive officers. . The capital conservation buffer is exclusively comprised of common equity Tier 1 capital, and it applies to each of the three risk-based capital ratios but not to the leverage ratio. At September 30, 2023 March 31, 2024, the Company and Bank are in compliance with the capital conservation buffer requirement and exceeded the minimum common equity Tier 1, Tier 1, and total capital ratio, inclusive of the fully phased-in capital conservation buffer, of 7.00%, 8.50%, and 10.50%, respectively, and the Bank qualified as "well capitalized" for purposes of the federal bank regulatory prompt corrective action regulations. The regulatory capital ratios of the Company and Bank further strengthened at September 30, 2023 March 31, 2024 compared to the capital ratios at December 31, 2022 December 31, 2023.

In February 2019, the U.S. federal bank regulatory agencies approved a final rule modifying their regulatory capital rules and providing an option to phase-in over a three-year period the Day 1 adverse regulatory capital effects of the CECL accounting standard. Additionally, in March 2020, the U.S. Federal bank regulatory agencies issued an interim final rule that provides banking organizations an option to delay the estimated CECL impact on regulatory capital for an additional two years for a total transition period of up to five years. The cumulative difference at the end of the second year of the transition period is then phased into regulatory capital at 25% per year over a three-year transition period. The final rule was adopted and became effective in September 2020. The Company implemented the CECL model commencing January 1, 2020 and elected to phase in the full effect of CECL on regulatory capital over the five-year transition period. This cumulative difference at the end of 2021 will be phased in regulatory capital over the three-year period from January 1, 2022 through December 31, 2024.

For regulatory capital purposes, the Corporation's subordinated debt is included in Tier 2 capital, the eligible amount of which is phased out by 20% of the original amount at the beginning of each of the last five years before maturity. See *Note 8 – Subordinated Debentures* to the Notes to the consolidated financial statements in this Quarterly Report on Form 10-Q for additional information.

As defined in applicable regulations and set forth in the table below, the Corporation and the Bank continue to exceed the regulatory capital minimum requirements, and the Bank continues to exceed the "well capitalized" standards and the required conservation buffer at the dates indicated:

	Actual	Minimum Required for Capital Adequacy Purposes Inclusive of Capital Conservation Buffer	Minimum Required For Well Capitalized Requirement
September 30, 2023			
Pacific Premier Bancorp, Inc. Consolidated			
Tier 1 leverage ratio	11.13%	4.00%	N/A
Common equity tier 1 capital ratio	14.87%	7.00%	N/A
Tier 1 capital ratio	14.87%	8.50%	N/A
Total capital ratio	17.74%	10.50%	N/A
Pacific Premier Bank			
Tier 1 leverage ratio	12.42%	4.00%	5.00%
Common equity tier 1 capital ratio	16.59%	7.00%	6.50%
Tier 1 capital ratio	16.59%	8.50%	8.00%
Total capital ratio	17.66%	10.50%	10.00%
December 31, 2022			
Pacific Premier Bancorp, Inc. Consolidated			
Tier 1 leverage ratio	10.29%	4.00%	N/A
Common equity tier 1 capital ratio	12.99%	7.00%	N/A

Tier 1 capital ratio	12.99%	8.50%	N/A
Total capital ratio	15.53%	10.50%	N/A
Pacific Premier Bank			
Tier 1 leverage ratio	11.80%	4.00%	5.00%
Common equity tier 1 capital ratio	14.89%	7.00%	6.50%
Tier 1 capital ratio	14.89%	8.50%	8.00%
Total capital ratio	15.74%	10.50%	10.00%

	Actual	Minimum Required for Capital Adequacy Purposes Inclusive of Capital Conservation Buffer	Minimum Required For Well Capitalized Requirement
March 31, 2024			
Pacific Premier Bancorp, Inc. Consolidated			
Tier 1 leverage ratio	11.48%	4.00%	N/A
Common equity tier 1 capital ratio	15.02%	7.00%	N/A
Tier 1 capital ratio	15.02%	8.50%	N/A
Total capital ratio	18.23%	10.50%	N/A
Pacific Premier Bank			
Tier 1 leverage ratio	12.97%	4.00%	5.00%
Common equity tier 1 capital ratio	16.96%	7.00%	6.50%
Tier 1 capital ratio	16.96%	8.50%	8.00%
Total capital ratio	18.21%	10.50%	10.00%
December 31, 2023			
Pacific Premier Bancorp, Inc. Consolidated			
Tier 1 leverage ratio	11.03%	4.00%	N/A
Common equity tier 1 capital ratio	14.32%	7.00%	N/A
Tier 1 capital ratio	14.32%	8.50%	N/A
Total capital ratio	17.29%	10.50%	N/A
Pacific Premier Bank			
Tier 1 leverage ratio	12.43%	4.00%	5.00%
Common equity tier 1 capital ratio	16.13%	7.00%	6.50%
Tier 1 capital ratio	16.13%	8.50%	8.00%
Total capital ratio	17.23%	10.50%	10.00%

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Asset/Liability Management and Market Risk

Market risk is the risk of loss in value or reduced earnings from adverse changes in market prices and interest rates. The Bank's market risk arises primarily from interest rate risk in our lending, investments, and deposit taking activities. Interest rate risk primarily occurs to the degree that the Bank's interest-bearing liabilities reprice or mature on a different basis and frequency than its interest-earning assets. The Bank actively monitors and manages its portfolios to limit the adverse effects on net interest income and economic value due to changes in interest rates. The Asset Liability Committee is responsible for implementing the Bank's interest rate risk management policy established by the Board of Directors that sets forth limits of acceptable changes in net interest income ("NII") and economic value of equity ("EVE") due to specified changes in interest rates. Management monitors asset and liability maturities and repricing characteristics on a regular basis and evaluates its interest rate risk as it relates to operational strategies.

Interest Rate Risk Management

The principal objective of the Company's interest rate risk management function is to maintain an interest rate risk profile close to the desired risk profile in light of the interest rate outlook. The Bank measures the interest rate risk included in the major balance sheet portfolios and compares the current risk profile to the desired risk profile and to policy limits set by the Board of Directors. Management then implements strategies consistent with the desired risk profile. Asset duration is compared to liability, with the desired mix of fixed and floating rate determined based upon the Company's risk profile and outlook. Likewise, the Bank seeks to raise non-maturity deposits. Management often implements these strategies through pricing actions. Finally, management structures its security portfolio and borrowings to offset some of the interest rate sensitivity created by the repricing characteristics of customer loans and deposits.

Management monitors asset and liability maturities and repricing characteristics on a regular basis and evaluates its interest rate risk as it relates to operational strategies. Management analyzes potential strategies for their impact on the interest rate risk profile. Each quarter the Board of Directors reviews the Bank's asset/liability position, including simulations showing the impact on the Bank's EVE in various interest rate scenarios. Interest rate moves, up or down, may subject the Bank to interest rate spread compression, which adversely impacts its net interest income. This is primarily due to the lag in repricing of the indices, to which adjustable rate loans and mortgage-backed securities are tied, as well as their repricing frequencies. Furthermore, large rate moves show the impact of interest rate caps and floors on adjustable rate transactions. This is partly offset by lags in repricing for deposit products. The extent of the interest rate spread compression depends on the direction and severity of interest rate moves and features in the Bank's product portfolios.

The Company's interest rate sensitivity is monitored by management through the use of both a simulation model that quantifies the estimated impact to earnings ("Earnings at Risk") for a twelve- and twenty-four-month period, and a model that estimates the change in the Company's EVE under alternative interest rate scenarios, primarily instantaneous parallel interest rate shifts in 100 basis point increments. The simulation model estimates the impact on NII from changing interest rates on interest-earning assets and interest expense paid on interest- bearing liabilities. The EVE model computes the net present value of equity by discounting all expected cash flows on assets and liabilities under each rate scenario. For each scenario, the EVE is the present value of all assets less the present value of all liabilities. The EVE ratio is defined as the EVE divided by the market value of assets within the same scenario.

The following table shows the projected NII and net interest margin of the Company at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, assuming instantaneous parallel interest rate shifts in the first month of the following quarter:

			September 30, 2023		
			March 31, 2024		
			March 31, 2024		
			March 31, 2024		
(Dollars in thousands)			(Dollars in thousands)		
			Earnings at Risk		**Projected Net Interest Margin**
			(Dollars in thousands)		
			(Dollars in thousands)		
			Earnings at Risk		
			Earnings at Risk		
			Earnings at Risk		
Change in Rates (Basis Points)					
Change in Rates (Basis Points)					
Change in Rates (Basis Points)	**Change in Rates (Basis Points)**	**$ Amount**	**$ Change**	**% Change**	**Rate %**
300	300	645,486	22,786	3.7	3.57
300					
300					
200					
200					
200	200	640,202	17,502	2.8	3.54
100	100	633,093	10,393	1.7	3.50
100					
100					
Static					
Static					
Static	Static	622,700	—	—	3.44
-100	-100	599,995	(22,705)	(3.6)	3.32
-100					
-100					
-200					
-200					

-200	-200	569,128	(53,572)	(8.6)	3.15
-300	-300	535,011	(87,689)	(14.1)	2.96
-300					
-300					

		December 31, 2022			
		December 31, 2023			
		December 31, 2023			
		December 31, 2023			
(Dollars in thousands)		(Dollars in thousands)			
		Earnings at Risk			Projected Net Interest Margin
		(Dollars in thousands)			
		(Dollars in thousands)			
		Earnings at Risk			
		Earnings at Risk			
		Earnings at Risk			
Change in Rates (Basis Points)	**Change in Rates (Basis Points)**	**$ Amount**	**$ Change**	**% Change**	**Rate %**
Change in Rates (Basis Points)					
Change in Rates (Basis Points)					
300					
300					
300					
200					
200					
200	200	787,390	32,342	4.3	4.03
100	100	772,657	17,609	2.3	3.95
100					
100					
Static					
Static					
Static	Static	755,048	—	—	3.86
-100	-100	727,456	(27,592)	(3.7)	3.72
-100					
-100					
-200	-200	681,562	(73,486)	(9.7)	3.49
-200					
-200					
-300					
-300					
-300					

The following table shows the EVE and projected change in the EVE of the Company at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, assuming instantaneous parallel interest rate shifts in the first month of the following quarter:

September 30, 2023
March 31, 2024
March 31, 2024
March 31, 2024

(Dollars in thousands)			(Dollars in thousands)		
			Economic Value of Equity		EVE as % of market value of portfolio assets
			(Dollars in thousands)		
			(Dollars in thousands)		
			Economic Value of Equity		
			Economic Value of Equity		
			Economic Value of Equity		
Change in Rates (Basis Points)					
Change in Rates (Basis Points)					
Change in Rates (Basis Points)	**Change in Rates (Basis Points)**	**$ Amount**	**$ Change**	**% Change**	**EVE Ratio**
300	300	3,290,008	(87,985)	(2.6)	19.18
300					
300					
200					
200					
200	200	3,356,730	(21,263)	(0.6)	18.99
100	100	3,403,117	25,124	0.7	18.66
100					
100					
Static					
Static					
Static	Static	3,377,993	—	—	17.95
-100	-100	3,288,581	(89,412)	(2.6)	16.93
-100					
-100					
-200					
-200					
-200	-200	3,139,280	(238,713)	(7.1)	15.66
-300	-300	2,924,831	(453,162)	(13.4)	14.14
-300					
-300					

December 31, 2022

December 31, 2023

December 31, 2023

December 31, 2023

(Dollars in thousands)			(Dollars in thousands)		
			Economic Value of Equity		**EVE as % of market value of portfolio assets**
			(Dollars in thousands)		
			(Dollars in thousands)		
			Economic Value of Equity		
			Economic Value of Equity		
			Economic Value of Equity		
Change in Rates (Basis Points)	**Change in Rates (Basis Points)**	**$ Amount**	**$ Change**	**% Change**	**EVE Ratio**

Change in Rates (Basis Points)					
Change in Rates (Basis Points)					
300					
300					
300					
200					
200					
200	200	3,910,396	9,655	0.2	20.39
100	100	3,949,678	48,937	1.3	19.95
100					
100					
Static					
Static					
Static	Static	3,900,741	—	—	19.09
-100	-100	3,770,385	(130,356)	(3.3)	17.88
-100					
-100					
-200	-200	3,554,253	(346,488)	(8.9)	16.34
-200					
-200					
-300					
-300					
-300					

Based on the modeling of the impact on earnings and EVE from changes in interest rates, the Company's sensitivity to changes in interest rates is moderate low for rising rates, aided by the addition of interest rate swaps for hedging purposes. Both With a slightly asset sensitive profile, the Earnings at Risk and the EVE is expected to increase as rates rise. It is important to note the above tables are forecasts based on several assumptions and that actual results may vary. The forecasts are based on estimates of historical behavior and assumptions by management that may change over time and may turn out to be different. Factors affecting these estimates and assumptions include, but are not limited to (1) competitor behavior, (2) economic conditions both locally and nationally, (3) actions taken by the Federal Reserve Board, (4) customer behavior, and (5) management's responses to the foregoing. Changes that vary significantly from the assumptions and estimates may have significant effects on the Company's earnings and EVE.

The Company has minimal direct market risk from foreign exchange and no exposure from commodities.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, an evaluation was carried out by our management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) during the quarter ended September 30, 2023 March 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in legal proceedings occurring in the ordinary course of business. Management believes that none of the legal proceedings occurring in the ordinary course of business, individually or in the aggregate, will have a material adverse impact on the results of operations or financial condition of the Company.

Item 1A. Risk Factors

The section titled Risk Factors in Part I, Item 1A of our 2022 2023 Form 10-K included a discussion of the many risks and uncertainties we face, any one or more of which could have a material adverse effect on our business, results of operations, financial condition (including capital and liquidity), or prospects or the value of or return on an investment in the Company. There are no material changes to our risk factors as previously described under Item 1A of our 20222023 Form 10-K and our Form 10-Q for the first quarter of 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On January 11, 2021, the Company's Board of Directors approved a stock repurchase program, which authorized the repurchase of up to 4,725,000 shares of its common stock. The stock repurchase program may be limited or terminated at any time without notice. During the third first quarter of 2023, 2024, the Company did not repurchase any shares of common stock.

The following table provides information with respect to purchases made by or on behalf of us or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common stock during the third first quarter of 2023. 2024.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July January 1, 2023 2024 to July 31, 2023 January 31, 2024	—	$ —	—	4,245,056
August February 1, 2023 2024 to August 31, 2023 February 29, 2024	—	—	—	4,245,056
September March 1, 2023 2024 to September 30, 2023 March 31, 2024	—	—	—	4,245,056
Total	—		—	

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b5-1 Trading Plans

During the quarter ended September 30, 2023 March 31, 2024, no officer or director of the Company adopted or terminated any contract, instruction, or written plan for the purchase or sale of securities of the Company's common stock that is intended to satisfy the affirmative defense conditions of Securities Exchange Act Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement as defined in 17 CFR § 229.408(c).

Item 6. Exhibits

Exhibit 3.1	Second Amended and Restated Certificate of Incorporation of Pacific Premier Bancorp, Inc. (1)
Exhibit 3.2	Amended and Restated Bylaws of Pacific Premier Bancorp, Inc. (1)
Exhibit 4.1	Specimen Stock Certificate of Pacific Premier Bancorp, Inc. (2)
Exhibit 4.2	Long-term borrowing instruments are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Company undertakes to furnish copies of such instruments to the SEC upon request.
Exhibit 31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended
Exhibit 31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended
Exhibit 32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
Exhibit 101.SCH	Inline XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document
Exhibit 101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 104	The cover page of Pacific Premier Bancorp, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, formatted in Inline XBRL (contained in Exhibit 101)

(1) Incorporated by reference from the Registrant's Form 8-K filed with the SEC on May 15, 2018.

(2) Incorporated by reference from the Registrant's Registration Statement on Form S-1 (Registration No. 333-20497) filed with the SEC on January 27, 1997.

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.

PACIFIC PREMIER BANCORP, INC.,

Date:	October April 26, 2023 2024	By:	/s/ Steven R. Gardner
			Steven R. Gardner
			Chairman, Chief Executive Officer, and President
			(Principal Executive Officer)
Date:	October April 26, 2023 2024	By:	/s/ Ronald J. Nicolas, Jr.
			Ronald J. Nicolas, Jr.
			Senior Executive Vice President and Chief Financial Officer
			(Principal Financial Officer)

Exhibit 31.1

Pacific Premier Bancorp, Inc.,
Quarterly Report on Form 10-Q
for the Quarter ended September 30, 2023 March 31, 2024

CHIEF EXECUTIVE OFFICER CERTIFICATION

Pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as Amended

I, Steven R. Gardner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pacific Premier 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 the 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 registrant's 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:	October April 26, 2023 2024	/s/ Steven R. Gardner
		Steve R. Gardner
		Chairman, Chief Executive Officer, and President

Exhibit 31.2

Pacific Premier Bancorp, Inc.,
Quarterly Report on Form 10-Q
for the Quarter ended September 30, 2023 March 31, 2024

CHIEF FINANCIAL OFFICER CERTIFICATION

Pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as Amended

I, Ronald J. Nicolas, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pacific Premier 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 the 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 registrant's 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: October April 26, 2023 2024

/s/ Ronald J. Nicolas, Jr.
Ronald J. Nicolas, Jr.
Sr. Executive Vice President and Chief Financial Officer

Exhibit 32

Pacific Premier Bancorp, Inc.,
Quarterly Report on Form 10-Q
for the Quarter ended September 30, 2023 March 31, 2024

CERTIFICATION
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 Quarterly Report of Pacific Premier 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 on the date hereof (the "Report"), the undersigned hereby certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the undersigned's best knowledge and belief:

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

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

Date: October April 26, 2023 2024

Pacific Premier Bancorp, Inc.

/s/ Steven R. Gardner
Steven R. Gardner
Chairman, Chief Executive Officer, and President

/s/ Ronald J. Nicolas, Jr.
Ronald J. Nicolas, Jr.
Sr. Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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.