

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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, 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 001-38621

PCB BANCORP

(Exact name of registrant as specified in its charter)

California

20-8856755

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

3701 Wilshire Boulevard, Suite 900, Los Angeles, California 90010

(Address of principal executive offices) (Zip Code)

(213) 210-2000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, no par value	PCB	Nasdaq Global Select Market

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 (Section 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 Rule 12b-2 of the Exchange Act.) Yes No

As of October 31, 2024, the registrant had outstanding 14,266,725 shares of common stock.

PCB Bancorp and Subsidiary

Quarterly Report on Form 10-Q

September 30, 2024

Table of Contents

Part I - Financial Information

Item 1.	<u>Consolidated Financial Statements</u>	<u>4</u>
	<u>Consolidated Balance Sheets - September 30, 2024 (Unaudited) and December 31, 2023</u>	<u>4</u>
	<u>Consolidated Statements of Income (Unaudited) - Three and Nine Months Ended September 30, 2024 and 2023</u>	<u>5</u>
	<u>Consolidated Statements of Comprehensive Income (Unaudited) - Three and Nine Months Ended September 30, 2024 and 2023</u>	<u>6</u>
	<u>Consolidated Statements of Changes in Shareholders' Equity (Unaudited) - Three and Nine Months Ended September 30, 2024 and 2023</u>	<u>7</u>
	<u>Consolidated Statements of Cash Flows (Unaudited) - Nine Months Ended September 30, 2024 and 2023</u>	<u>9</u>
	<u>Notes to Consolidated Financial Statements (Unaudited)</u>	<u>11</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>41</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>64</u>
Item 4.	<u>Controls and Procedures</u>	<u>65</u>

Part II - Other Information

Item 1.	<u>Legal Proceedings</u>	<u>66</u>
Item 1A.	<u>Risk Factors</u>	<u>66</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>67</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>67</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>67</u>
Item 5.	<u>Other Information</u>	<u>67</u>
Item 6.	<u>Exhibits</u>	<u>68</u>
	<u>Signatures</u>	<u>69</u>

Forward-looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements which reflect current views of PCB Bancorp (collectively, with its consolidated subsidiary, the "Company," "we," "us" or "our") with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "might," "should," "could," "predict," "potential," "believe," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "projection," "goal," "target," "aim," "would," and "annualized" and "outlook," or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our business and industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, estimates and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

A number of important factors could cause our actual results to differ materially from those indicated in these forward-looking statements, but are not limited to, the following:

- business and economic conditions, particularly those affecting the financial services industry and our primary market areas and arising from recent inflationary pressures and governmental and societal responses thereto;
- our ability to successfully manage our credit risk and the sufficiency of our allowance for credit loss;
- factors that can impact the performance of our loan portfolio, including real estate values and liquidity in our primary market areas, the financial health of our commercial borrowers and the success of construction projects that we finance;
- governmental monetary and fiscal policies, and changes in market interest rates;
- the current inflationary environment and government and regulatory responses thereto;
- adverse developments at other banks, including bank failures, that impact general sentiment regarding the stability and liquidity of banks and may affect our customers' behavior and our stock price;
- the significant portion of our loan portfolio that is comprised of real estate loans;
- our ability to attract and retain Korean-American customers;
- our ability to identify and address cyber-security risks, fraud and systems errors;
- our ability to effectively execute our strategic plan and manage our growth;
- changes in our senior management team and our ability to attract, motivate and retain qualified personnel;
- cyber-attacks, ransomware attacks, computer viruses or other malware that may breach the security of our websites or other systems to obtain unauthorized access to confidential information, destroy data, disable or degrade service, or sabotage our systems;
- liquidity issues, including fluctuations in the fair value and liquidity of the securities we hold and our ability to raise additional capital, if necessary;
- costs and obligations associated with operating as a public company;
- effects of competition from a wide variety of local, regional, national and other providers of financial, investment and insurance services;
- the effects of severe weather, natural disasters, acts of war or terrorism, health epidemics or pandemics (or expectations about them) and other external events on our business;
- the impact of any claims or legal actions to which we may be subject, including any effect on our reputation, and the availability of insurance coverage for such claims and actions; and
- changes in federal tax laws or policies.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements and the risks described under "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 and our other documents that we file with the United States ("U.S.") Securities and Exchange Commission ("SEC"). Because of these risks and other uncertainties, our actual future results, performance or achievement, or industry results, may be materially different from the results indicated by the forward looking statements in this report. In addition, our past results of operations are not necessarily indicative of our future results. You should not rely on any forward looking statements, which represent our beliefs, assumptions and estimates only as of the dates on which they were made, as predictions of future events. Any forward-looking statement speaks only as of the date on which it is initially made, and we do not undertake any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Part I - Financial Information

Item 1 - Consolidated Financial Statements

PCB Bancorp and Subsidiary

Consolidated Balance Sheets

(\$ in thousands, except share data)

	September 30, 2024	December 31, 2023
	(Unaudited)	
Assets		
Cash and due from banks	\$ 29,981	\$ 26,518
Interest-bearing deposits in other financial institutions	163,083	215,824
Total cash and cash equivalents	193,064	242,342
Securities available-for-sale, at fair value (amortized cost of \$156,960 and \$156,175, respectively, and allowance for credit losses of \$0 and \$0, respectively, at September 30, 2024 and December 31, 2023)	147,635	143,323
Loans held-for-sale, at lower of cost or fair value	5,170	5,155
Loans held-for-investment, net of deferred fees and costs	2,466,174	2,323,452
Allowance for credit losses on loans	(28,930)	(27,533)
Net loans held-for-investment	2,437,244	2,295,919
Premises and equipment, net	8,414	5,999
Federal Home Loan Bank and other restricted stock, at cost	14,042	12,716
Other real estate owned, net	466	2,558
Bank-owned life insurance	31,520	30,817
Servicing assets	5,902	6,666
Operating lease assets	17,932	18,913
Accrued interest receivable	9,896	9,468
Other assets	18,548	15,630
Total assets	\$ 2,889,833	\$ 2,789,506
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing demand	\$ 540,068	\$ 594,673
Savings, NOW and money market accounts	491,939	421,203
Time deposits of \$250,000 or less	787,509	760,034
Time deposits of more than \$250,000	640,166	575,702
Total deposits	2,459,682	2,351,612
Federal Home Loan Bank advances	—	39,000
Deferred tax liabilities, net	1,168	876
Operating lease liabilities	19,301	20,137
Accrued interest payable and other liabilities	47,382	29,009
Total liabilities	2,527,533	2,440,634
Commitments and contingencies		
Preferred stock, 10,000,000 shares authorized, no par value:		
Series C, senior non-cumulative perpetual, \$1,000 per share liquidation preference, 69,141 and 69,141 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively.	69,141	69,141
Common stock, 60,000,000 shares authorized, no par value; 14,266,725 and 14,260,440 shares issued and outstanding, respectively, and included 19,100 and 41,661 shares of unvested restricted stock, respectively, at September 30, 2024 and December 31, 2023	142,926	142,563
Retained earnings	156,680	146,092
Accumulated other comprehensive loss, net	(6,447)	(8,924)
Total shareholders' equity	362,300	348,872
Total liabilities and shareholders' equity	\$ 2,889,833	\$ 2,789,506

See Accompanying Notes to Consolidated Financial Statements (Unaudited)

PCB Bancorp and Subsidiary
Consolidated Statements of Income (Unaudited)
(\$ in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024		2023	
Interest and dividend income:				
Loans, including fees	\$ 42,115	\$ 34,651	\$ 121,992	\$ 98,840
Tax-exempt investment securities	24	30	81	97
Taxable investment securities	1,360	1,140	3,859	3,311
Other interest-earning assets	2,499	3,031	8,566	7,978
Total interest income	45,998	38,852	134,498	110,226
Interest expense:				
Deposits	23,057	16,403	67,560	43,437
Borrowings	222	—	1,485	209
Total interest expense	23,279	16,403	69,045	43,646
Net interest income	22,719	22,449	65,453	66,580
Provision (reversal) for credit losses	50	751	1,399	(1,830)
Net interest income after provision (reversal) for credit losses	22,669	21,698	64,054	68,410
Noninterest income:				
Service charges and fees on deposits	399	371	1,141	1,084
Loan servicing income	786	851	2,504	2,579
Bank-owned life insurance income	239	187	703	551
Gain on sale of loans	750	689	2,591	2,767
Other income	446	404	1,111	1,199
Total noninterest income	2,620	2,502	8,050	8,180
Noninterest expense:				
Salaries and employee benefits	8,801	8,572	27,244	26,175
Occupancy and equipment	2,261	1,964	6,919	5,779
Professional fees	599	685	2,656	2,189
Marketing and business promotion	667	980	1,304	1,555
Data processing	397	367	1,294	1,159
Director fees and expenses	226	152	679	549
Regulatory assessments	309	281	934	818
Other expense	1,342	1,206	5,099	3,364
Total noninterest expense	14,602	14,207	46,129	41,588
Income before income taxes	10,687	9,993	25,975	35,002
Income tax expense	2,873	2,970	7,195	10,205
Net income	7,814	7,023	18,780	24,797
Preferred stock dividends	346	—	488	—
Net income available to common shareholders	\$ 7,468	\$ 7,023	\$ 18,292	\$ 24,797
Earnings per common share, basic	\$ 0.52	\$ 0.49	\$ 1.28	\$ 1.73
Earnings per common share, diluted	\$ 0.52	\$ 0.49	\$ 1.27	\$ 1.71
Weighted-average common shares outstanding, basic	14,241,014	14,294,802	14,237,851	14,327,930
Weighted-average common shares outstanding, diluted	14,356,384	14,396,216	14,328,510	14,441,960

See Accompanying Notes to Consolidated Financial Statements (Unaudited)

PCB Bancorp and Subsidiary

Consolidated Statements of Comprehensive Income (Unaudited)

(\$ in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 7,814	\$ 7,023	\$ 18,780	\$ 24,797
Other comprehensive income (loss):				
Unrealized gain (loss) on securities available-for-sale arising during the period	5,256	(3,827)	3,527	(4,137)
Income tax benefit (expense) related to items of other comprehensive income (loss)	(1,552)	1,118	(1,050)	1,208
Total other comprehensive income (loss), net of tax	3,704	(2,709)	2,477	(2,929)
Total comprehensive income	\$ 11,518	\$ 4,314	\$ 21,257	\$ 21,868

See Accompanying Notes to Consolidated Financial Statements (Unaudited)

PCB Bancorp and Subsidiary

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(\$ in thousands, except share and per share data)

	Three Months Ended						
	Shares Outstanding			Shareholders' Equity			
	Preferred Stock	Common Stock	Preferred Stock	Common Stock	Retained Earnings	Other Comprehensive Income (Loss)	Total
Balance at July 1, 2023	69,141	14,318,890	\$ 69,141	\$ 143,686	\$ 138,315	\$ (10,731)	\$ 340,411
Comprehensive income (loss)							
Net income	—	—	—	—	7,023	—	7,023
Other comprehensive loss, net of tax	—	—	—	—	—	(2,709)	(2,709)
Issuance of restricted stock	—	3,300	—	—	—	—	—
Restricted stock surrendered due to employee tax liability	—	(99)	—	(2)	—	—	(2)
Repurchase of common stock	—	(67,202)	—	(1,058)	—	—	(1,058)
Share-based compensation expense	—	—	—	113	—	—	113
Stock options exercised	—	64,125	—	662	—	—	662
Cash dividends declared on common stock (\$0.18 per share)	—	—	—	—	(2,588)	—	(2,588)
Balance at September 30, 2023	69,141	14,319,014	\$ 69,141	\$ 143,401	\$ 142,750	\$ (13,440)	\$ 341,852
Balance at July 1, 2024	69,141	14,254,024	\$ 69,141	\$ 142,698	\$ 151,781	\$ (10,151)	\$ 353,469
Comprehensive income							
Net income	—	—	—	—	7,814	—	7,814
Other comprehensive income, net of tax	—	—	—	—	—	3,704	3,704
Issuance of restricted stock	—	1,500	—	—	—	—	—
Restricted stock surrendered due to employee tax liability	—	(150)	—	(3)	—	—	(3)
Share-based compensation expense	—	—	—	113	—	—	113
Stock options exercised	—	11,351	—	118	—	—	118
Preferred stock dividends	—	—	—	—	(346)	—	(346)
Cash dividends declared on common stock (\$0.18 per share)	—	—	—	—	(2,569)	—	(2,569)
Balance at September 30, 2024	69,141	14,266,725	\$ 69,141	\$ 142,926	\$ 156,680	\$ (6,447)	\$ 362,300

See Accompanying Notes to Consolidated Financial Statements (Unaudited)

PCB Bancorp and Subsidiary

Consolidated Statements of Changes in Shareholders' Equity, Continued (Unaudited)

(\$ in thousands, except share and per share data)

	Nine Months Ended						
	Shares Outstanding			Shareholders' Equity			
	Preferred Stock	Common Stock	Preferred Stock	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2023	69,141	14,625,474	\$ 69,141	\$ 149,631	\$ 127,181	\$ (10,511)	\$ 335,442
Cumulative effect adjustment upon adoption of ASC 326	—	—	—	—	(1,886)	—	(1,886)
Adjusted balance at January 1, 2023	69,141	14,625,474	69,141	149,631	125,295	(10,511)	333,556
Comprehensive income (loss)							
Net income	—	—	—	—	24,797	—	24,797
Other comprehensive loss, net of tax	—	—	—	—	—	(2,929)	(2,929)
Issuance of restricted stock	—	3,300	—	—	—	—	—
Restricted stock surrendered due to employee tax liability	—	(99)	—	(2)	—	—	(2)
Repurchase of common stock	—	(452,583)	—	(7,903)	—	—	(7,903)
Share-based compensation expense	—	—	—	346	—	—	346
Stock options exercised	—	142,922	—	1,329	—	—	1,329
Cash dividends declared on common stock (\$0.51 per share)	—	—	—	—	(7,342)	—	(7,342)
Balance at September 30, 2023	69,141	14,319,014	\$ 69,141	\$ 143,401	\$ 142,750	\$ (13,440)	\$ 341,852
Balance at January 1, 2024	69,141	14,260,440	\$ 69,141	\$ 142,563	\$ 146,092	\$ (8,924)	\$ 348,872
Comprehensive income							
Net income	—	—	—	—	18,780	—	18,780
Other comprehensive income, net of tax	—	—	—	—	—	2,477	2,477
Issuance of restricted stock	—	1,500	—	—	—	—	—
Forfeiture of restricted stock	—	(420)	—	—	—	—	—
Restricted stock surrendered due to employee tax liability	—	(150)	—	(3)	—	—	(3)
Repurchase of common stock	—	(14,947)	—	(222)	—	—	(222)
Share-based compensation expense	—	—	—	378	—	—	378
Stock options exercised	—	20,302	—	210	—	—	210
Preferred stock dividends	—	—	—	—	(488)	—	(488)
Cash dividends declared on common stock (\$0.54 per share)	—	—	—	—	(7,704)	—	(7,704)
Balance at September 30, 2024	69,141	14,266,725	\$ 69,141	\$ 142,926	\$ 156,680	\$ (6,447)	\$ 362,300

See Accompanying Notes to Consolidated Financial Statements (Unaudited)

PCB Bancorp and Subsidiary

Consolidated Statements of Cash Flows (Unaudited)

(\$ in thousands)

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities		
Net income	\$ 18,780	\$ 24,797
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	1,677	1,699
Net amortization of premiums on securities	123	169
Net accretion of discounts on loans	(2,137)	(2,197)
Net accretion of deferred loan fees	(919)	(648)
Amortization of servicing assets	1,372	1,344
Provision (reversal) for credit losses	1,399	(1,830)
Bank-owned life insurance income	(703)	(551)
Deferred tax expense (benefit)	(459)	625
Stock-based compensation	378	346
Gain on sale of loans	(2,591)	(2,767)
Originations of loans held-for-sale	(48,328)	(49,753)
Proceeds from sales of and principal collected on loans held-for-sale	51,761	65,550
Change in accrued interest receivable and other assets	(3,409)	2,100
Change in accrued interest payable and other liabilities	17,818	14,566
Net cash provided by operating activities	<u>34,762</u>	<u>53,450</u>
Cash flows from investing activities		
Purchase of securities available-for-sale	(14,774)	(15,959)
Proceeds from maturities and paydowns of securities available-for-sale	13,866	14,298
Proceeds from principal collected on loans held-for-sale previously classified as held-for-investment	676	5,074
Net change in loans held-for-investment	(141,948)	(104,439)
Purchase of loans held-for-investment	—	(15,741)
Purchase of Federal Home Loan Bank stock	(1,326)	(2,533)
Proceeds from sale of other real estate owned	2,571	—
Purchases of premises and equipment	(4,029)	(1,059)
Net cash used in investing activities	<u>(144,964)</u>	<u>(120,359)</u>
Cash flows from financing activities		
Net change in deposits	108,070	146,146
Net change in short-term Federal Home Loan Bank advances and other borrowings	—	(20,000)
Proceeds from long-term Federal Home Loan Bank advances	50,000	—
Repayment of long-term Federal Home Loan Bank advances	(89,000)	—
Stock options exercised	210	1,329
Restricted stock surrendered due to employee tax liability	(3)	(2)
Repurchase of common stock	(222)	(7,903)
Cash dividends paid on preferred stock	(427)	—
Cash dividends paid on common stock	(7,704)	(7,342)
Net cash provided by financing activities	<u>60,924</u>	<u>112,228</u>
Net increase (decrease) in cash and cash equivalents	(49,278)	45,319
Cash and cash equivalents at beginning of period	<u>242,342</u>	<u>147,031</u>
Cash and cash equivalents at end of period	<u>\$ 193,064</u>	<u>\$ 192,350</u>

See Accompanying Notes to Consolidated Financial Statements (Unaudited)

PCB Bancorp and Subsidiary**Consolidated Statements of Cash Flows, Continued (Unaudited)**

(\$ in thousands)

	Nine Months Ended September 30,	
	2024	2023
Supplemental disclosures of cash flow information:		
Interest paid	\$ 59,112	\$ 28,008
Income taxes paid	4,187	4,023
Supplemental disclosures of non-cash investment activities:		
Loans transferred to loans held-for-sale	\$ 676	\$ —
Loans transferred to other real estate owned	94	—
Right of use assets obtained in exchange for lease obligations	973	1,360

See Accompanying Notes to Consolidated Financial Statements (Unaudited)

PCB Bancorp and Subsidiary

Notes to Consolidated Financial Statements (Unaudited)

Note 1 - Basis of Presentation and Significant Accounting Policies

Nature of Operations

PCB Bancorp is a bank holding company whose subsidiary is PCB Bank (the "Bank"), which is a single operating segment. As of September 30, 2024, the Bank operated 11 full-service branches in Los Angeles and Orange counties, California, three full-service branches on the East Coast (Bayside, New York; and Englewood Cliffs and Palisades Park, New Jersey), and two full-service branches in Texas (Carrollton and Dallas), and four loan production offices ("LPOs") in Los Angeles and Orange Counties, California; Atlanta, Georgia; and Bellevue, Washington. The Bank offers a broad range of loans, deposits, and other products and services predominantly to small and middle market businesses and individuals.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared pursuant to Article 10 of SEC Regulation S-X and other SEC rules and regulations for reporting on the Quarterly Report on Form 10-Q. Accordingly, certain disclosures required by U.S. generally accepted accounting principles ("GAAP") are not included herein. These interim statements should be read in conjunction with the audited consolidated financial statements and notes included in the Annual Report on Form 10-K for the year ended December 31, 2023 filed by the Company with the SEC. The December 31, 2023 balance sheet presented herein has been derived from the audited financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC, but does not include all of the disclosures required by GAAP for complete financial statements.

In the opinion of management of the Company, the accompanying unaudited interim consolidated financial statements reflect all of the adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated financial condition and consolidated results of operations as of the dates and for the periods presented. Certain reclassifications have been made in the prior period financial statements to conform to the current period presentation. The results of operations for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

Principles of Consolidation

The consolidated financial statements include the accounts of PCB Bancorp and its wholly owned subsidiary as of September 30, 2024 and December 31, 2023, and for the three and nine months ended September 30, 2024 and 2023. Significant inter-company accounts and transactions have been eliminated in consolidation. Unless the context requires otherwise, all references to the Company include its wholly owned subsidiary.

Significant Accounting Policies

The accounting and reporting policies of the Company are based upon GAAP and conform to predominant practices within the banking industry. The Company has not made any significant changes in its critical accounting policies from those disclosed in its Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC.

Use of Estimates in the Preparation of Financial Statements

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are subject to change and such change could have a material effect on the consolidated financial statements. Actual results may differ from those estimates.

Adopted Accounting Pronouncements

During the nine months ended September 30, 2024, there were no significant accounting pronouncements applicable to the Company that were adopted or became effective.

Recent Accounting Pronouncements Not Yet Adopted

The following recently issued accounting pronouncement applicable to the Company has not yet been adopted:

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 780) - Improvements to Income Tax Disclosures." The amendments in this ASU require public entities to disclose in their rate reconciliation table additional categories of information about federal, state and foreign income taxes and to provide more details about the reconciling items in some categories if items meet a quantitative threshold. This ASU also requires all entities to disclose income taxes paid, net of refunds, disaggregated by federal, state and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative threshold, among other things. This ASU is effective for the Company for fiscal years beginning after December 15, 2024 with early adoption permitted. The Company will update its income tax disclosure upon adoption.

Note 2 - Fair Value Measurements

Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, defines fair value, establishes a framework for measuring fair value including a three-level valuation hierarchy, and expands disclosures about fair value measurements. Fair value is the exchange price that would be received for an asset or paid to transfer a liability (i.e. an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three-level fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are defined as follows:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair value is measured on a recurring basis for certain assets and liabilities in which fair value is the primary basis of accounting. Additionally, fair value is used on a non-recurring basis to evaluate certain assets or liabilities for impairment or for disclosure purposes. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company records securities available-for-sale at fair value on a recurring basis. Certain other assets, such as loans held-for-sale, loans individually evaluated, servicing assets and other real estate owned ("OREO") are recorded at fair value on a non-recurring basis. Non-recurring fair value measurements typically involve assets that are periodically evaluated for impairment and for which any impairment is recorded in the period in which the re-measurement is performed. The following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

Investment securities: The fair values of securities available-for-sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1) or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2). Management reviews the valuation techniques and assumptions used by the provider and determines that the provider uses widely accepted valuation techniques based on observable market inputs appropriate for the type of security being measured. Securities held-to-maturity are not measured at fair value on a recurring basis.

Loans held-for-sale: The Company records SBA loans held-for-sale, residential property loans held-for-sale and certain non-residential real estate loans held-for-sale at the lower of cost or fair value, on an aggregate basis. The Company obtains fair values from a third party independent valuation service provider. Loans held-for-sale accounted for at the lower of cost or fair value are considered to be recognized at fair value when they are recorded at below cost, on an aggregate basis, and are classified as Level 2.

Loans individually evaluated: Certain collateral-dependent loans individually evaluated are recognized at fair value when they reflect partial write-downs, through charge-offs or specific reserve allowances, that are based on the current appraised or market-quoted value of the underlying collateral. In some cases, the properties for which market quotes or appraised values have been obtained are located in areas where comparable sales data is limited, outdated, or unavailable. Fair value estimates for collateral-dependent loans individually evaluated are obtained from real estate brokers or other third-party consultants, and are classified as Level 3.

Other real estate owned: The Company initially records OREO at fair value at the time of foreclosure. Thereafter, OREO is recorded at the lower of cost or fair value based on their subsequent changes in fair value. The fair value of OREO is generally based on recent real estate appraisals adjusted for estimated selling costs. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments may be significant and result in a Level 3 classification due to the unobservable inputs used for determining fair value. Only OREO with a valuation allowance are considered to be carried at fair value.

Servicing Assets: Servicing assets represent the value associated with servicing loans that have been sold. The fair value for servicing assets is determined through discounted cash flow analysis and utilizes discount rates and prepayment speed assumptions as inputs. All of these assumptions require a significant degree of management estimation and judgment. The fair market valuation is performed on a quarterly basis for servicing assets. Servicing assets are accounted for at the lower of cost or market value and considered to be recognized at fair value when they are recorded at below cost and are classified as Level 3.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis as of dates indicated:

(\$ in thousands)	Fair Value Measurement Level					Total					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)							
		Inputs (Level 2)	Significant Unobservable Inputs (Level 3)								
September 30, 2024											
Securities available-for-sale:											
U.S. government agency and U.S. government sponsored enterprise securities:											
Residential mortgage-backed securities	\$ —	\$ 112,153	\$ —	\$ 112,153							
Residential collateralized mortgage obligations	\$ —	\$ 22,386	\$ —	\$ 22,386							
SBA loan pool securities	\$ —	\$ 6,431	\$ —	\$ 6,431							
Municipal bonds	\$ —	\$ 2,473	\$ —	\$ 2,473							
Corporate bonds	\$ —	\$ 4,192	\$ —	\$ 4,192							
Total securities available-for-sale	\$ —	\$ 147,635	\$ —	\$ 147,635							
Total assets measured at fair value on a recurring basis	\$ —	\$ 147,635	\$ —	\$ 147,635							
Total liabilities measured at fair value on a recurring basis	\$ —	\$ —	\$ —	\$ —							
December 31, 2023											
Securities available-for-sale:											
U.S. government agency and U.S. government sponsored enterprise securities:											
Residential mortgage-backed securities	\$ —	\$ 104,091	\$ —	\$ 104,091							
Residential collateralized mortgage obligations	\$ —	\$ 24,173	\$ —	\$ 24,173							
SBA loan pool securities	\$ —	\$ 7,450	\$ —	\$ 7,450							
Municipal bonds	\$ —	\$ 3,329	\$ —	\$ 3,329							
Corporate bonds	\$ —	\$ 4,280	\$ —	\$ 4,280							
Total securities available-for-sale	\$ —	\$ 143,323	\$ —	\$ 143,323							
Total assets measured at fair value on a recurring basis	\$ —	\$ 143,323	\$ —	\$ 143,323							
Total liabilities measured at fair value on a recurring basis	\$ —	\$ —	\$ —	\$ —							

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The following table presents the Company's assets and liabilities measured at fair value on a non-recurring basis as of dates indicated:

(\$ in thousands)	Fair Value Measurement Level					Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
September 30, 2024						
Loans individually evaluated:						
Business property	\$ —	\$ —	\$ —	\$ 1,274	\$ 1,274	
Commercial and industrial	—	—	—	16	16	
Total loans individually evaluated	—	—	—	1,290	1,290	
Total assets measured at fair value on a non-recurring basis	\$ —	\$ —	\$ —	\$ 1,290	\$ 1,290	
Total liabilities measured at fair value on a non-recurring basis	\$ —	\$ —	\$ —	\$ —	\$ —	
December 31, 2023						
Loans individually evaluated:						
Business property	\$ —	\$ —	\$ —	\$ 425	\$ 425	
Total loans individually evaluated	—	—	—	425	425	
Total assets measured at fair value on a non-recurring basis	\$ —	\$ —	\$ —	\$ 425	\$ 425	
Total liabilities measured at fair value on a non-recurring basis	\$ —	\$ —	\$ —	\$ —	\$ —	

The following table presents quantitative information about level 3 fair value measurements for assets measured at fair value on a non-recurring basis as of the date indicated:

(\$ in thousands)	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Weighted-Average
September 30, 2024				
Loans individually evaluated:				
Business property	\$ 1,274	Fair value of collateral	Selling cost	6%
Commercial and industrial	16	Discounted cash flow	NM	NM
December 31, 2023				
Loans individually evaluated:				
Business property	\$ 425	Fair value of collateral	NM	NM

The following table presents gains or losses, including charge-offs, recoveries, and specific reserves recorded, for assets measured at fair value for the periods indicated:

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Loans individually evaluated:				
Business property	\$ 3	\$ (15)	\$ 47	\$ (47)
Commercial and industrial	(1)	—	31	1,074
Net gains (losses) recognized	\$ 2	\$ (15)	\$ 78	\$ 1,027

Fair Value of Financial Instruments

The following table presents the carrying value and estimated fair values of financial assets and liabilities as of the dates indicated:

(\$ in thousands)	Carrying Value	Fair Value	Fair Value Measurements				
			Level 1	Level 2	Level 3		
September 30, 2024							
Financial assets:							
Interest-bearing deposits in other financial institutions	\$ 163,083	\$ 163,083	\$ 163,083	—	—		
Securities available-for-sale	147,635	147,635	—	147,635	—		
Loans held-for-sale	5,170	5,625	—	5,625	—		
Net loans held-for-investment	2,437,244	2,382,466	—	—	2,382,466		
Federal Home Loan Bank ("FHLB") and other restricted stock	14,042	N/A	N/A	N/A	N/A		
Accrued interest receivable	9,896	9,896	275	488	9,133		
Financial liabilities:							
Deposits	\$ 2,459,682	\$ 2,466,010	\$ —	\$ —	\$ 2,466,010		
Accrued interest payable	27,985	27,985	—	—	27,985		
December 31, 2023							
Financial assets:							
Interest-bearing deposits in other financial institutions	\$ 215,824	\$ 215,824	\$ 215,824	\$ —	\$ —		
Securities available-for-sale	143,323	143,323	—	143,323	—		
Loans held-for-sale	5,155	5,472	—	5,472	—		
Net loans held-for-investment	2,295,919	2,225,573	—	—	2,225,573		
FHLB and other restricted stock	12,716	N/A	N/A	N/A	N/A		
Accrued interest receivable	9,468	9,468	128	513	8,827		
Financial liabilities:							
Deposits	\$ 2,351,612	\$ 2,353,465	\$ —	\$ —	\$ 2,353,465		
FHLB advances	39,000	39,013	—	39,013	—		
Accrued interest payable	18,052	18,052	—	192	17,860		

Note 3 - Investment Securities

The following table presents the amortized cost and fair value of the securities available-for-sale as of the dates indicated:

(\$ in thousands)	Amortized Cost	Gross Unrealized Gain		Gross Unrealized Loss		Fair Value		
September 30, 2024								
Securities available-for-sale:								
U.S. government agency and U.S. government sponsored enterprise securities:								
Residential mortgage-backed securities	\$ 119,363	\$ 692	\$ (7,902)	\$ 112,153				
Residential collateralized mortgage obligations	23,459	101	(1,174)	22,386				
SBA loan pool securities	6,688	2	(259)	6,431				
Municipal bonds	2,450	23	—	2,473				
Corporate bonds	5,000	—	(808)	4,192				
Total securities available-for-sale	\$ 156,960	\$ 818	\$ (10,143)	\$ 147,635				
December 31, 2023								
Securities available-for-sale:								
U.S. government agency and U.S. government sponsored enterprise securities:								
Residential mortgage-backed securities	\$ 114,485	\$ 199	\$ (10,593)	\$ 104,091				
Residential collateralized mortgage obligations	25,611	63	(1,501)	24,173				
SBA loan pool securities	7,773	3	(326)	7,450				
Municipal bonds	3,306	25	(2)	3,329				
Corporate bonds	5,000	—	(720)	4,280				
Total securities available-for-sale	\$ 156,175	\$ 290	\$ (13,142)	\$ 143,323				

As of September 30, 2024 and December 31, 2023, pledged securities were \$ 75.4 million and \$ 70.9 million, respectively. These securities were pledged for the State Deposit from the California State Treasurer.

The Company elected to exclude accrued interest receivable from the amortized cost of its securities available-for-sale. Accrued interest receivable on securities available-for-sale totaled \$488 thousand and \$513 thousand at September 30, 2024 and December 31, 2023, respectively.

As of September 30, 2024 and December 31, 2023, there were no holdings of securities available-for-sale of any one issuer, other than the U.S. government agency and U.S. government sponsored enterprise, in an amount greater than 10% of shareholder's equity.

The following table presents the amortized cost and fair value of the securities available-for-sale by contractual maturity as of the date indicated. Expected maturities may differ from contractual maturities, if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

(\$ in thousands)	September 30, 2024	
	Amortized Cost	Fair Value
Within one year	\$ —	\$ —
One to five years	82	83
Five to ten years	6,097	5,297
Greater than ten years	1,271	1,285
Residential mortgage-backed securities, residential collateralized mortgage obligations and SBA loan pool securities	149,510	140,970
Total	\$ 156,960	\$ 147,635

The Company had no proceeds from sales and calls of securities available-for-sale for the three and nine months ended September 30, 2024 or 2023.

The following table summarizes the investment securities with unrealized losses by security type and length of time in a continuous unrealized loss position for which an allowance for credit losses ("ACL") was not recorded as of the dates indicated:

(\$ in thousands)	Length of Time that Individual Securities Have Been In a Continuous Unrealized Loss Position									
	Less Than 12 Months			12 Months or Longer			Total			
	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	
September 30, 2024										
Securities available-for-sale:										
U.S. government agency and U.S. government sponsored enterprise securities:										
Residential mortgage-backed securities	\$ 59	\$ (1)	3	\$ 72,529	\$ (7,901)	108	\$ 72,588	\$ (7,902)	111	
Residential collateralized mortgage obligations	991	(3)	1	14,206	(1,171)	36	15,197	(1,174)	37	
SBA loan pool securities	55	—	1	5,705	(259)	13	5,760	(259)	14	
Corporate bonds	—	—	—	4,192	(808)	1	4,192	(808)	1	
Total securities available-for-sale	\$ 1,105	\$ (4)	5	\$ 96,632	\$ (10,139)	158	\$ 97,737	\$ (10,143)	163	
December 31, 2023										
Securities available-for-sale:										
U.S. government agency and U.S. government sponsored enterprise securities:										
Residential mortgage-backed securities	\$ 9,252	\$ (41)	8	\$ 78,958	\$ (10,552)	110	\$ 88,210	\$ (10,593)	118	
Residential collateralized mortgage obligations	5,660	(62)	4	13,919	(1,439)	35	19,579	(1,501)	39	
SBA loan pool securities	—	—	—	6,627	(326)	14	6,627	(326)	14	
Municipal bonds	81	—	1	362	(2)	1	443	(2)	2	
Corporate bonds	—	—	—	4,280	(720)	1	4,280	(720)	1	
Total securities available-for-sale	\$ 14,993	\$ (103)	13	\$ 104,146	\$ (13,040)	161	\$ 119,139	\$ (13,142)	174	

As of September 30, 2024, 95.3%, at amortized cost basis, of the Company's securities available-for-sale were issued by U.S. government agency and U.S. government sponsored enterprise. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell these securities before their anticipated recovery, the Company determined that these securities with unrealized losses did not warrant an ACL.

Municipal and corporate bonds had an investment grade rating upon purchase. The issuers of these securities have not established any cause for default on these securities and various rating agencies have reaffirmed their long-term investment grade status as of September 30, 2024. These securities have fluctuated in value since their purchase dates as market interest rates fluctuated. Additionally, the Company continues to receive contractual principal and interest payments in a timely manner. The Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell before the recovery of its amortized cost basis. The Company therefore determined that the investment securities with unrealized losses did not warrant an ACL as of September 30, 2024.

As of September 30, 2024, the Company recorded no ACL on securities available-for-sale.

Note 4 - Loans and Allowance for Credit Losses on Loans

Loans Held-For-Investment

The following table presents the composition of the Company's loans held-for-investment as of the dates indicated.

(\$ in thousands)	September 30, 2024	December 31, 2023
Commercial real estate:		
Commercial property	\$ 874,824	\$ 855,270
Business property	579,461	558,772
Multifamily	185,485	132,500
Construction	21,150	24,843
Total commercial real estate	1,660,920	1,571,385
Commercial and industrial	407,024	342,002
Consumer:		
Residential mortgage	383,377	389,420
Other consumer	14,853	20,645
Total consumer	398,230	410,065
Loans held-for-investment	2,466,174	2,323,452
Allowance for credit losses on loans	(28,930)	(27,533)
Net loans held-for-investment	\$ 2,437,244	\$ 2,295,919

In the ordinary course of business, the Company may grant loans to certain of its officers and directors, and the companies with which they are associated. As of September 30, 2024 and December 31, 2023, the Company had \$108 thousand and \$111 thousand of such loans outstanding, respectively.

Allowance for Credit Losses on Loans

The following table presents a composition of provision (reversal) for credit losses for the periods indicated:

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Provision (reversal) for credit losses on loans	\$ 193	\$ 822	\$ 1,444	\$ (1,438)
Provision (reversal) for credit losses on off-balance sheet credit exposures	(143)	(71)	(45)	(392)
Total provision (reversal) for credit losses	\$ 50	\$ 751	\$ 1,399	\$ (1,830)

The following tables present the activities in ACL on loans for the periods indicated:

(\$ in thousands)	Commercial								Total
	Commercial Property	Business Property	Multifamily	Construction	and Industrial	Residential Mortgage	Other Consumer		
Balance at July 1, 2024	\$ 11,900	\$ 4,848	\$ 1,661	\$ 131	\$ 7,186	\$ 2,957	\$ 64	\$	28,747
Charge-offs	—	(104)	—	—	—	—	—	(7)	(111)
Recoveries	—	1	—	—	8	—	92		101
Provision (reversal) for credit losses on loans	(1,515)	779	(14)	(38)	1,056	6	(81)		193
Balance at September 30, 2024	\$ 10,385	\$ 5,524	\$ 1,647	\$ 93	\$ 8,250	\$ 2,963	\$ 68	\$	28,930
Balance at July 1, 2023	\$ 9,601	\$ 6,077	\$ 1,259	\$ 125	\$ 6,513	\$ 1,216	\$ 76	\$	24,867
Charge-offs	—	—	—	—	(45)	—	(67)		(112)
Recoveries	—	2	—	—	8	—	12		22
Provision (reversal) for credit losses on loans	1,747	(1,922)	554	(30)	(468)	877	64		822
Balance at September 30, 2023	\$ 11,348	\$ 4,157	\$ 1,813	\$ 95	\$ 6,008	\$ 2,093	\$ 85	\$	25,599
(\$ in thousands)	Commercial								Total
	Commercial Property	Business Property	Multifamily	Construction	and Industrial	Residential Mortgage	Other Consumer		
Balance at January 1, 2024	\$ 12,665	\$ 4,739	\$ 1,441	\$ 135	\$ 6,245	\$ 2,226	\$ 82	\$	27,533
Charge-offs	—	(104)	—	—	(155)	—	(37)		(296)
Recoveries	—	3	—	—	87	—	159		249
Provision (reversal) for credit losses on loans	(2,280)	886	206	(42)	2,073	737	(136)		1,444
Balance at September 30, 2024	\$ 10,385	\$ 5,524	\$ 1,647	\$ 93	\$ 8,250	\$ 2,963	\$ 68	\$	28,930
Balance at January 1, 2023	\$ 8,502	\$ 5,749	\$ 1,134	\$ 151	\$ 5,502	\$ 3,691	\$ 213	\$	24,942
Impact of ASC 326 adoption	(1,762)	896	256	—	4,344	(2,534)	(133)		1,067
Charge-offs	—	(4)	—	—	(45)	—	(70)		(119)
Recoveries	—	8	—	—	1,100	—	39		1,147
Provision (reversal) for credit losses on loans	4,608	(2,492)	423	(56)	(4,893)	936	36		(1,438)
Balance at September 30, 2023	\$ 11,348	\$ 4,157	\$ 1,813	\$ 95	\$ 6,008	\$ 2,093	\$ 85	\$	25,599

The increase in overall ACL for the three and nine months ended September 30, 2024 was primarily due to increases in loans held-for-investment and quantitatively measured loss reserve requirement, as well as, an ACL increase on commercial and industrial loans related to qualitative adjustment factors from the increase of past due loans. ACL on commercial property loans decreased primarily due to a decrease in reserve related to qualitative adjustment factors from the improvement in the credit metrics.

Credit Quality Indicators

The Company classifies loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans in regards to credit risk. This analysis typically includes non-homogeneous loans, such as commercial property and commercial and industrial loans, and is performed on an ongoing basis as new information is obtained. The Company uses the following definitions for risk ratings:

Pass - Loans classified as pass include non-homogeneous loans not meeting the risk ratings defined below and smaller, homogeneous loans not assessed on an individual basis.

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

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

Doubtful - Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The following table summarizes the Company's loans held-for-investment by loan segment, internal risk ratings and vintage year as of September 30, 2024 and gross write offs for the nine months ended September 30, 2024. The vintage year is the year of origination, renewal or major modification. Revolving loans that are converted to term loans presented in the table below are excluded from the Term Loans by Origination Year columns.

(\$ in thousands)	Term Loans by Origination Year						Revolving Loans				
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Converted to Term	Total		
September 30, 2024											
Commercial Real Estate:											
Commercial property											
Pass	\$ 90,144	\$ 143,673	\$ 260,646	\$ 149,104	\$ 77,092	\$ 130,013	\$ 20,556	\$ 387	\$ 871,615		
Special mention	—	—	—	—	—	—	—	—	—	—	
Substandard	—	133	410	—	—	—	2,666	—	—	3,209	
Doubtful	—	—	—	—	—	—	—	—	—	—	
Total	\$ 90,144	\$ 143,806	\$ 261,056	\$ 149,104	\$ 77,092	\$ 132,679	\$ 20,556	\$ 387	\$ 874,824		
Current period gross write offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Business property											
Pass	\$ 65,709	\$ 100,737	\$ 95,856	\$ 151,769	\$ 45,463	\$ 105,797	\$ 2,256	\$ 3,780	\$ 571,367		
Special mention	—	—	5,057	—	—	—	—	—	—	5,057	
Substandard	—	—	448	865	—	1,724	—	—	—	3,037	
Doubtful	—	—	—	—	—	—	—	—	—	—	
Total	\$ 65,709	\$ 100,737	\$ 101,361	\$ 152,634	\$ 45,463	\$ 107,521	\$ 2,256	\$ 3,780	\$ 579,461		
Current period gross write offs	\$ —	\$ —	\$ 77	\$ —	\$ —	\$ 27	\$ —	\$ —	\$ —	104	
Multifamily											
Pass	\$ 19,920	\$ 53,051	\$ 40,063	\$ 38,358	\$ 25,937	\$ 5,117	\$ 1,001	\$ —	\$ 183,447		
Special mention	—	—	—	—	—	—	—	—	—	—	
Substandard	—	—	—	2,038	—	—	—	—	—	2,038	
Doubtful	—	—	—	—	—	—	—	—	—	—	
Total	\$ 19,920	\$ 53,051	\$ 40,063	\$ 40,396	\$ 25,937	\$ 5,117	\$ 1,001	\$ —	\$ 185,485		
Current period gross write offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Construction											
Pass	\$ 29	\$ 8,461	\$ 12,660	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 21,150		
Special mention	—	—	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	—	—	—	—	
Doubtful	—	—	—	—	—	—	—	—	—	—	
Total	\$ 29	\$ 8,461	\$ 12,660	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 21,150		
Current period gross write offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	

(\$ in thousands)	Term Loans by Origination Year							Revolving Loans Converted to Term			Total		
	2024	2023	2022	2021	2020	Prior	Revolving Loans						
September 30, 2024 (Continued)													
Commercial and Industrial													
Pass	\$ 28,303	\$ 35,694	\$ 23,060	\$ 9,848	\$ 3,423	\$ 9,009	\$ 294,168	\$ 3,395	\$ 406,900				
Special mention	—	—	—	—	—	—	—	—	—				
Substandard	—	—	—	—	—	124	—	—	—	124			
Doubtful	—	—	—	—	—	—	—	—	—				
Total	\$ 28,303	\$ 35,694	\$ 23,060	\$ 9,848	\$ 3,423	\$ 9,133	\$ 294,168	\$ 3,395	\$ 407,024				
Current period gross write offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5	\$ —	\$ 150	\$ 155				
Consumer													
Residential mortgage													
Pass	\$ 17,670	\$ 75,436	\$ 154,579	\$ 74,455	\$ 10,913	\$ 49,910	\$ —	\$ —	\$ 382,963				
Special mention	—	—	—	—	—	—	—	—	—				
Substandard	—	—	—	—	—	414	—	—	—	414			
Doubtful	—	—	—	—	—	—	—	—	—				
Total	\$ 17,670	\$ 75,436	\$ 154,579	\$ 74,455	\$ 10,913	\$ 50,324	\$ —	\$ —	\$ 383,377				
Current period gross write offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —				
Other consumer													
Pass	\$ 274	\$ 3,331	\$ 5,007	\$ 1,894	\$ 565	\$ 50	\$ 3,694	\$ —	\$ 14,815				
Special mention	—	—	—	—	—	—	—	—	—				
Substandard	—	38	—	—	—	—	—	—	—	38			
Doubtful	—	—	—	—	—	—	—	—	—				
Total	\$ 274	\$ 3,369	\$ 5,007	\$ 1,894	\$ 565	\$ 50	\$ 3,694	\$ —	\$ 14,853				
Current period gross write offs	\$ —	\$ 12	\$ 15	\$ —	\$ 10	\$ —	\$ —	\$ —	\$ —	37			
Total loans held-for-investment													
Pass	\$ 222,049	\$ 420,383	\$ 591,871	\$ 425,428	\$ 163,393	\$ 299,896	\$ 321,675	\$ 7,562	\$ 2,452,257				
Special mention	—	—	5,057	—	—	—	—	—	—	5,057			
Substandard	—	171	858	2,903	—	4,928	—	—	—	8,860			
Doubtful	—	—	—	—	—	—	—	—	—				
Total	\$ 222,049	\$ 420,554	\$ 597,786	\$ 428,331	\$ 163,393	\$ 304,824	\$ 321,675	\$ 7,562	\$ 2,466,174				
Current period gross write offs	\$ —	\$ 12	\$ 92	\$ —	\$ 10	\$ 32	\$ —	\$ 150	\$ 296				

The following table summarizes the Company's loans held-for-investment by loan segment, internal risk ratings and vintage year as of December 31, 2023. The vintage year is the year of origination, renewal or major modification. Revolving loans that are converted to term loans presented in the table below are excluded from term loans by vintage year columns.

(\$ in thousands)	Term Loans by Origination Year						Revolving Loans			Converted to Term	Total
	2023	2022	2021	2020	2019	Prior	Revolving Loans				
December 31, 2023											
Commercial Real Estate:											
Commercial property											
Pass	\$ 154,563	\$ 268,369	\$ 155,817	\$ 83,461	\$ 70,425	\$ 107,879	\$ 8,807	\$ —	\$ 849,321		
Special mention	—	—	484	—	—	2,952	—	—	—	3,436	
Substandard	—	—	—	—	311	2,202	—	—	—	2,513	
Doubtful	—	—	—	—	—	—	—	—	—	—	
Total	\$ 154,563	\$ 268,369	\$ 156,301	\$ 83,461	\$ 70,736	\$ 113,033	\$ 8,807	\$ —	\$ 855,270		
Business property											
Pass	\$ 103,364	\$ 103,549	\$ 163,136	\$ 50,362	\$ 69,852	\$ 59,765	\$ 882	\$ 4,327	\$ 555,237		
Special mention	—	—	—	—	—	—	—	—	—	—	
Substandard	—	452	193	—	2,254	636	—	—	—	3,535	
Doubtful	—	—	—	—	—	—	—	—	—	—	
Total	\$ 103,364	\$ 104,001	\$ 163,329	\$ 50,362	\$ 72,106	\$ 60,401	\$ 882	\$ 4,327	\$ 558,772		
Multifamily											
Pass	\$ 14,219	\$ 40,618	\$ 42,848	\$ 26,472	\$ 2,419	\$ 5,924	\$ —	\$ —	\$ 132,500		
Special mention	—	—	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	—	—	—	—	
Doubtful	—	—	—	—	—	—	—	—	—	—	
Total	\$ 14,219	\$ 40,618	\$ 42,848	\$ 26,472	\$ 2,419	\$ 5,924	\$ —	\$ —	\$ 132,500		
Construction											
Pass	\$ 4,617	\$ 9,120	\$ —	\$ 7,500	\$ 3,606	\$ —	\$ —	\$ —	\$ 24,843		
Special mention	—	—	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	—	—	—	—	
Doubtful	—	—	—	—	—	—	—	—	—	—	
Total	\$ 4,617	\$ 9,120	\$ —	\$ 7,500	\$ 3,606	\$ —	\$ —	\$ —	\$ 24,843		

(\$ in thousands)	Term Loans by Origination Year						Prior	Revolving Loans	Revolving Loans Converted to Term	Total				
	2023	2022	2021	2020	2019									
December 31, 2023 (Continued)														
Commercial and Industrial														
Pass	\$ 77,957	\$ 28,638	\$ 11,950	\$ 4,354	\$ 6,323	\$ 8,327	\$ 198,010	\$ 3,796	\$ 339,355					
Special mention	—	—	—	379	314	27	1,000	—	—	1,720				
Substandard	—	—	—	—	142	785	—	—	—	927				
Doubtful	—	—	—	—	—	—	—	—	—	—				
Total	\$ 77,957	\$ 28,638	\$ 11,950	\$ 4,733	\$ 6,779	\$ 9,139	\$ 199,010	\$ 3,796	\$ 342,002					
Consumer														
Residential mortgage														
Pass	\$ 79,581	\$ 163,734	\$ 78,499	\$ 11,363	\$ 10,865	\$ 45,378	\$ —	\$ —	\$ 389,420					
Special mention	—	—	—	—	—	—	—	—	—	—				
Substandard	—	—	—	—	—	—	—	—	—	—				
Doubtful	—	—	—	—	—	—	—	—	—	—				
Total	\$ 79,581	\$ 163,734	\$ 78,499	\$ 11,363	\$ 10,865	\$ 45,378	\$ —	\$ —	\$ 389,420					
Other consumer														
Pass	\$ 4,837	\$ 7,527	\$ 3,275	\$ 1,326	\$ 458	\$ 7	\$ 3,190	\$ —	\$ 20,620					
Special mention	—	—	—	—	—	—	—	—	—	—				
Substandard	—	15	—	10	—	—	—	—	—	25				
Doubtful	—	—	—	—	—	—	—	—	—	—				
Total	\$ 4,837	\$ 7,542	\$ 3,275	\$ 1,336	\$ 458	\$ 7	\$ 3,190	\$ —	\$ 20,645					
Total loans held-for-investment														
Pass	\$ 439,138	\$ 621,555	\$ 455,525	\$ 184,838	\$ 163,948	\$ 227,280	\$ 210,889	\$ 8,123	\$ 2,311,296					
Special mention	—	—	484	379	314	2,979	1,000	—	5,156					
Substandard	—	467	193	10	2,707	3,623	—	—	7,000					
Doubtful	—	—	—	—	—	—	—	—	—	—				
Total	\$ 439,138	\$ 622,022	\$ 456,202	\$ 185,227	\$ 166,969	\$ 233,882	\$ 211,889	\$ 8,123	\$ 2,323,452					

Nonaccrual Loans

The following table presents the loans on nonaccrual status by loan segments as of the date indicated:

(\$ in thousands)	Total Nonaccrual	Nonaccrual Loans	ACL on	Collateral	ACL on Collateral
	Loans	with ACL	Nonaccrual Loans	Dependent Nonaccrual Loans	Dependent Nonaccrual Loans
September 30, 2024					
Commercial real estate:					
Commercial property	\$ 1,633	\$ —	\$ —	\$ 1,633	\$ —
Business property	2,367	1,560	286	2,367	286
Multifamily	2,038	—	—	2,038	—
Total commercial real estate	6,038	1,560	286	6,038	286
Commercial and industrial	124	47	31	77	—
Consumer:					
Residential mortgage	414	—	—	414	—
Other consumer	38	38	—	—	—
Total consumer	452	38	—	414	—
Total	\$ 6,614	\$ 1,645	\$ 317	\$ 6,529	\$ 286
December 31, 2023					
Commercial real estate:					
Commercial property	\$ 958	\$ —	\$ —	\$ 958	\$ —
Business property	2,865	689	264	2,865	264
Total commercial real estate	3,823	689	264	3,823	264
Commercial and industrial	68	—	—	68	—
Consumer:					
Other consumer	25	25	—	—	—
Total consumer	25	25	—	—	—
Total	\$ 3,916	\$ 714	\$ 264	\$ 3,891	\$ 264

There were no nonaccrual loans guaranteed by a U.S. government agency at September 30, 2024 and December 31, 2023.

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 table presents the collateral dependent loans by loan segments as of the date indicated:

(\$ in thousands)	Hotel /						Single Family			Total	
	Motel	Warehouse	Car Wash	Retail	Apartment	Residential	Other				
September 30, 2024											
Commercial real estate:											
Commercial property	\$ 1,633	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,633	
Business property	—	—	1,718	613	—	—	—	—	36	2,367	
Multifamily	—	—	—	—	2,038	—	—	—	—	2,038	
Total commercial real estate	1,633	—	1,718	613	2,038	—	—	36	6,038		
Commercial and industrial	11	—	—	—	—	66	—	—	77		
Consumer:											
Residential mortgage	—	—	—	—	—	414	—	—	—	414	
Total consumer	—	—	—	—	—	414	—	—	—	414	
Total	\$ 1,644	\$ —	\$ 1,718	\$ 613	\$ 2,038	\$ 480	\$ 36	\$ —	\$ 6,529		
December 31, 2023											
Commercial real estate:											
Commercial property	\$ 958	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 958	
Business property	—	2,137	—	689	—	—	—	39	—	2,865	
Total commercial real estate	958	2,137	—	689	—	—	—	39	—	3,823	
Commercial and industrial	13	—	—	—	—	55	—	—	—	68	
Total	\$ 971	\$ 2,137	\$ —	\$ 689	\$ —	\$ 55	\$ 39	\$ —	\$ 3,891		

Past Due Loans

The following table presents the aging of past due in accruing loans and nonaccrual loans by loan segments as of date indicated:

(\$ in thousands)	Still Accruing						Nonaccrual						Total Loans Past Due	
	30 to 59 Days Past Due		60 to 89 Days Past Due		90 or More Days Past Due		30 to 59 Days Past Due		60 to 89 Days Past Due		90 or More Days Past Due			
September 30, 2024														
Commercial real estate:														
Commercial property	\$ 257	\$ —	\$ —	\$ 257	\$ 607	\$ —	\$ 276	\$ 883	\$ 1,140					
Business property	680	—	—	680	—	—	707	707	1,387					
Multifamily	—	—	—	—	—	—	2,038	2,038	2,038					
Total commercial real estate	937	—	—	937	607	—	3,021	3,628	4,565					
Commercial and industrial	698	—	—	698	34	46	44	124	822					
Consumer:														
Residential mortgage	1,212	—	—	1,212	—	414	—	414	1,626					
Other consumer	126	21	—	147	—	—	38	38	185					
Total consumer	1,338	21	—	1,359	—	414	38	452	1,811					
Total	\$ 2,973	\$ 21	\$ —	\$ 2,994	\$ 641	\$ 460	\$ 3,103	\$ 4,204	\$ 7,198					
December 31, 2023														
Commercial real estate:														
Commercial property	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 296	\$ —	\$ 296	\$ 296					
Business property	560	—	—	560	—	39	168	207	767					
Total commercial real estate	560	—	—	560	—	335	168	503	1,063					
Commercial and industrial	217	—	—	217	—	—	—	—	217					
Consumer:														
Residential mortgage	604	—	—	604	—	—	—	—	604					
Other consumer	13	34	—	47	—	15	3	18	65					
Total consumer	617	34	—	651	—	15	3	18	669					
Total	\$ 1,394	\$ 34	\$ —	\$ 1,428	\$ —	\$ 350	\$ 171	\$ 521	\$ 1,949					

Loan Modification

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay, interest rate reduction or combination of at above mentioned modifications. When principal forgiveness is provided, the amount of forgiveness is charged-off against the ACL. These loans are placed on nonaccrual status at the time of such modification.

The following tables present loans that the borrowers were both experiencing financial difficulty and modified during the periods indicated by loan segments and modification type:

(\$ in thousands)	Three Months Ended		
	Combination of Other-Than- Insignificant Payment Delay and Term Extension	Total	Percentage to Each Loan Segment
September 30, 2024			
Commercial real estate:			
Business property	\$ 1,183	\$ 1,183	0.2 %
Total commercial real estate	1,183	1,183	0.1 %
Total	\$ 1,183	\$ 1,183	0.1 %
Nine Months Ended			
(\$ in thousands)	Nine Months Ended		
	Combination of Other-Than- Insignificant Payment Delay and Term Extension	Total	Percentage to Each Loan Segment
September 30, 2024			
Commercial real estate:			
Commercial property	\$ 410	\$ 410	0.1 %
Business property	2,230	2,230	0.4 %
Total commercial real estate	2,640	2,640	0.2 %
Commercial and industrial	\$ 44	\$ 44	0.1 %
Total	\$ 2,684	\$ 2,684	0.1 %

The following tables present the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the periods indicates:

(\$ in thousands)	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
	Combination of Other-Than-Insignificant Payment Delay and Term Extension	Combination of Other-Than-Insignificant Payment Delay and Term Extension
Commercial property		6-month fixed payment and 6-month term extension
Business property	6-month fixed payment and 6-month term extension	6-month fixed payment and 6-month term extension
Commercial and industrial		6-month interest-only payment and 6-month term extension

There were no loans that were both experiencing financial difficulty and modified during the three and nine months ended September 30, 2023.

The Company had no commitments to lend to any borrower included in the above table as of September 30, 2024.

The following table presents the performance of loans that the borrowers were both experiencing financial difficulty and modified in the last 12 months:

(\$ in thousands)	30 to 59 Days Past Due	60 to 89 Days Past Due	90 or More Days Past Due	Total
September 30, 2024				
Commercial real estate:				
Business property	\$ —	\$ —	\$ 671	\$ 671
Total commercial real estate	—	—	671	671
Commercial and industrial	—	—	44	44
Total	\$ —	\$ —	\$ 715	\$ 715

Purchases, Sales, and Transfers

The following table presents a summary of loans that were transferred from loans held-for-investment to loans held-for-sale for the periods indicated:

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Consumer:				
Residential mortgage	\$ 676	\$ —	\$ 676	\$ —
Total consumer	676	—	676	—
Total	\$ 676	\$ —	\$ 676	\$ —

The Company had no loans that were transferred from loans held-for-sale to loans held-for-investment during three and nine months ended September 30, 2024 or 2023.

The following table presents a summary of purchases of loans held-for-investment for the periods indicated:

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Consumer:				
Residential mortgage	\$ —	\$ —	\$ —	\$ 15,741
Total consumer	—	—	—	15,741
Total	\$ —	\$ —	\$ —	\$ 15,741

Loans Held-For-Sale

The following table presents a composition of loans held-for-sale as of the date indicated:

(\$ in thousands)	September 30, 2024		December 31, 2023	
Commercial real estate:				
Business property	\$ 4,500	\$ 2,802		
Total commercial real estate	4,500	2,802		
Commercial and industrial			670	2,353
Total	\$ 5,170	\$ 5,155		

Loans held-for-sale are carried at the lower of cost or fair value. When a determination is made at the time of commitment to originate as held-for-investment, it is the Company's intent to hold these loans to maturity or for the "foreseeable future," subject to periodic reviews under the Company's management evaluation processes, including asset/liability management and credit risk management. When the Company subsequently changes its intent to hold certain loans, the loans are transferred to held-for-sale at the lower of cost or fair value. Certain loans are transferred to held-for-sale with write-downs to ACL on loans.

Note 5. Other Real Estate Owned

The following table presents activity in OREO for the periods indicated:

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Balance at beginning of year	\$ —	\$ —	\$ 2,558	\$ —
Additions	466	—	466	—
Sales	—	—	(2,558)	—
Balance at end of year	\$ 466	\$ —	\$ 466	\$ —

During the year ended December 31, 2023, the Company recognized an OREO of \$ 2.6 million by transferring a SBA 7(a) loan of \$ 593 thousand, of which its guaranteed portion was previously sold. The Company's exposure was 25% of the OREO and the SBA was entitled to 75% of the sale price upon the sale of property. The Company sold the property during the three months ended March 31, 2024.

The following table presents activity in OREO valuation allowance for the periods indicated:

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Balance at beginning of year	\$ —	\$ —	\$ —	\$ —
Additions	—	—	—	—
Net direct write-downs and removal from sale	—	—	—	—
Balance at end of year	\$ —	\$ —	\$ —	\$ —

The following table presents expenses related to OREO for the periods indicated:

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net (gain) loss on sales	\$ —	\$ —	\$ (13)	\$ —
Operating expenses, net of rental income	5	—	7	—
Total	\$ 5	\$ —	\$ (6)	\$ —

The Company did not provide loans to finance the sale of its OREO properties during the nine months ended September 30, 2024.

Note 6 - Servicing Assets

The Company sells SBA and certain residential mortgage loans with servicing retained. SBA loans are included in commercial real estate loans ("CRE SBA") and commercial and industrial loans ("C&I SBA"). The Company sold loans of \$13.5 million and \$17.7 million, respectively, with the servicing rights retained and recognized a net gain on sale of \$750 thousand and \$689 thousand, respectively, during the three months ended September 30, 2024 and 2023. During the nine months ended September 30, 2024 and 2023, the Company sold loans of \$46.5 million and \$61.6 million, respectively, with the servicing rights retained and recognized a net gain on sale of \$2.6 million and \$2.8 million, respectively. Loan servicing income was \$786 thousand and \$851 thousand, respectively, for the three months ended September 30, 2024 and 2023, and \$ 2.5 million and \$2.6 million, respectively, for the nine months ended September 30, 2024 and 2023.

The following table presents the composition of servicing assets with key assumptions used to estimate the fair value as of the dates indicated:

(\$ in thousands)	September 30, 2024					December 31, 2023						
	Residential Mortgage		CRE SBA		C&I SBA	Total	Residential Mortgage		CRE SBA		C&I SBA	Total
	Carrying amount	\$ 43	\$ 5,343	\$ 516	\$ 5,902	\$ 49	\$ 6,135	\$ 482	\$ 6,666			
Fair value	\$ 95	\$ 7,580	\$ 807	\$ 8,482	\$ 104	\$ 8,284	\$ 728	\$ 9,116				
Discount rate	7.85 %	12.14 %	15.85 %		9.93 %	12.30 %	15.46 %					
Prepayment speed	14.62 %	18.46 %	14.10 %		12.75 %	16.71 %	13.97 %					
Weighted-average remaining life	19.0 years	20.7 years	7.3 years		19.8 years	21.0 years	7.1 years					
Underlying loans being serviced	\$ 9,560	\$ 453,823	\$ 63,679	\$ 527,062	\$ 10,666	\$ 461,300	\$ 60,265	\$ 532,231				

The following tables present activity in servicing assets for the periods indicated:

(\$ in thousands)	Three Months Ended September 30,										
	2024					2023					
	Residential Mortgage		CRE SBA		C&I SBA	Total	Residential Mortgage		CRE SBA		C&I SBA
Balance at beginning of period	\$ 45	\$ 5,656	\$ 504	\$ 6,205	\$ 55	\$ 6,655	\$ 432	\$ 7,142			
Additions	—	107	69	176	—	199	50	249			
Amortization	(2)	(420)	(57)	(479)	(4)	(420)	(47)	(471)			
Balance at end of period	\$ 43	\$ 5,343	\$ 516	\$ 5,902	\$ 51	\$ 6,434	\$ 435	\$ 6,920			

(\$ in thousands)	Nine Months Ended September 30,										
	2024					2023					
	Residential Mortgage		CRE SBA		C&I SBA	Total	Residential Mortgage		CRE SBA		C&I SBA
Balance at beginning of period	\$ 49	\$ 6,135	\$ 482	\$ 6,666	\$ 64	\$ 6,831	\$ 452	\$ 7,347			
Additions	—	427	181	608	—	787	130	917			
Amortization	(6)	(1,219)	(147)	(1,372)	(13)	(1,184)	(147)	(1,344)			
Balance at end of period	\$ 43	\$ 5,343	\$ 516	\$ 5,902	\$ 51	\$ 6,434	\$ 435	\$ 6,920			

Note 7 - Operating Leases

The following table presents operating lease cost and supplemental cash flow information related to leases for the periods indicated:

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating lease cost ⁽¹⁾	\$ 889	\$ 744	\$ 2,716	\$ 2,237
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 849	\$ 809	\$ 2,577	\$ 2,440
Right of use assets obtained in exchange for lease obligations	\$ 973	\$ 1,134	\$ 973	\$ 1,360

(1) Included in Occupancy and Equipment on the Consolidated Statements of Income (Unaudited).

The Company used the incremental borrowing rate based on the information available at lease commencement in determining the present value of lease payments. The following table presents supplemental balance sheet information related to leases as of the dates indicated:

(\$ in thousands)	September 30, 2024	December 31, 2023
Operating leases:		
Operating lease assets	\$ 17,932	\$ 18,913
Operating lease liabilities	\$ 19,301	\$ 20,137
Weighted-average remaining lease term	7.9 years	8.3 years
Weighted-average discount rate	4.70 %	4.63 %

The following table presents maturities of operating lease liabilities as of the date indicated:

(\$ in thousands)	September 30, 2024
Maturities:	
2024	\$ 862
2025	3,397
2026	3,051
2027	2,665
2028	2,541
After 2028	11,480
Total lease payment	23,996
Imputed Interest	(4,695)
Present value of operating lease liabilities	\$ 19,301

Note 8 - Federal Home Loan Bank Advances and Other Borrowings

FHLB Advances

The Company had no FHLB advances at September 30, 2024. At December 31, 2023, the Company had a term FHLB advance of \$ 39.0 million with an interest rate of 5.63% and a maturity date of February 21, 2024 (term of 92 days). The Company repaid the advance upon maturity.

At September 30, 2024 and December 31, 2023, loans pledged to secure borrowings from the FHLB were \$ 979.7 million and \$1.04 billion, respectively. The Company's investment in capital stock of the FHLB of San Francisco totaled \$13.9 million and \$12.5 million at September 30, 2024 and December 31, 2023, respectively. The Company had additional borrowing capacity of \$703.0 million and \$603.0 million from the FHLB as of September 30, 2024 and December 31, 2023, respectively.

Federal Reserve Discount Window

The Company had \$578.7 million of unused borrowing capacity from the Federal Reserve Discount Window, to which the Company pledged loans with a carrying value of \$712.4 million with no outstanding borrowings at September 30, 2024. At December 31, 2023, the Company had \$ 528.9 million of unused borrowing capacity from the Federal Reserve Discount Window, to which the Company pledged loans with a carrying value of \$681.8 million with no outstanding borrowings.

Overnight Federal Funds Lines

The Company maintains overnight federal funds lines with correspondent financial institutions. The Company maintained available borrowing capacity of \$65.0 million and had no overnight borrowing at both September 30, 2024 and December 31, 2023.

Note 9 - Shareholders' Equity

Series C, Senior Non-Cumulative Perpetual Preferred Stock

On May 24, 2022, the Company issued 69,141 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series C, liquidation preference of \$ 1,000 per share ("Series C Preferred Stock") for the capital investment of \$69.1 million from the U.S. Treasury under the Emergency Capital Investment Program ("ECIP"). The ECIP investment qualifies as tier 1 capital for purposes of the bank regulatory capital requirements.

The Series C Preferred Stock accrued no dividend for the first 24 months following the investment date. Beginning on May 24, 2024, holders of the Series C Preferred Stock are entitled to quarterly non-cumulative cash dividends as declared by the Company's Board of Directors. The Series C Preferred Stock dividend rate adjusts annually based on the lending growth criteria listed in the terms of the ECIP investment with the annual dividend rate up to 2%. After the tenth anniversary of the investment date, the dividend rate will be fixed based on average annual amount of lending in years 2 through 10. Dividends will be payable quarterly in arrears on March 15, June 15, September 15, and December 15. The terms of the Series C Preferred Stock prohibit the Company from paying dividends on or repurchasing shares of its common stock unless it has paid or contemporaneously pays the full Series C Preferred Stock dividend with respect to the preceding quarterly dividend period.

The Series C Preferred Stock may be redeemed at the option of the Company on or after the fifth anniversary of issuance (or earlier in the event of loss of regulatory capital treatment), subject to the approval of the appropriate federal banking regulator and in accordance with the federal banking agencies' regulatory capital regulations.

The Company began paying quarterly dividends on the Series C Preferred Stock at 2% beginning in the three months ended June 30, 2024. Dividends on the Series C Preferred Stock totaled \$346 thousand and \$488 thousand for the three and nine months ended September 30, 2024, respectively.

Stock Repurchases

During the year ended December 31, 2023, the Company repurchased and retired 512,657 shares of common stock at a weighted-average price of \$17.22 per share under a stock repurchase program approved by the Board of Directors on August 2, 2023 and a legacy stock repurchase program approved on July 28, 2022.

During the nine months ended September 30, 2024, the Company repurchased and retired 14,947 shares of common stock at a weighted-average price of \$14.88 per share. On July 25, 2024, the Company announced the amendment of the 2023 stock repurchase program, which extended the program expiration from August 2, 2024 to August 1, 2025. As of September 30, 2024, the Company was authorized to purchase 577,777 additional shares under the 2023 stock repurchase program.

Note 10 - Share-Based Compensation

On May 25, 2023, the Company adopted the 2023 Equity Based Compensation Plan ("2023 EBC Plan") approved by its shareholders to replace the 2013 Equity Based Stock Compensation Plan. The 2023 EBC Plan provides 700,000 shares of common stock for equity based compensation awards including incentive and non-qualified stock options, and restricted stock awards. As of September 30, 2024, there were 482,800 shares available for future grants.

Share-Based Compensation Expense

The following table presents share-based compensation expense and the related tax benefits for the periods indicated:

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Share-based compensation expense related to:				
Stock options	\$ 69	\$ 27	\$ 213	\$ 90
Restricted stock awards	44	86	165	256
Total share-based compensation expense	\$ 113	\$ 113	\$ 378	\$ 346
Related tax benefits	\$ 26	\$ 25	\$ 89	\$ 75

The following table presents unrecognized share-based compensation expense as of the date indicated:

(\$ in thousands)	September 30, 2024	
	Unrecognized Expense	Weighted-Average Remaining Expected Recognition Period
Unrecognized share-based compensation expense related to:		
Stock options	\$ 591	2.3 years
Restricted stock awards	321	2.0 years
Total unrecognized share-based compensation expense	\$ 912	2.2 years

Stock Options

The following tables represent stock option activity for the periods indicated:

(\$ in thousands except per share data)	Three Months Ended September 30, 2024				
	Number of Shares	Weighted-Average Exercise Price Per Share		Weighted-Average Contractual Term	Aggregated Intrinsic Value
		Price Per Share	Contractual Term	Intrinsic Value	
Outstanding at beginning of period	605,764	\$ 13.95		5.2 years	\$ 1,413
Granted	5,000	\$ 18.25		10.0 years	
Exercised	(11,351)	\$ 10.33		1.1 years	
Forfeited	(9,075)	\$ 10.33		1.1 years	
Outstanding at end of period	590,338	\$ 14.11		5.2 years	\$ 2,763
Exercisable at end of period	342,338	\$ 12.90		2.5 years	\$ 2,017

(\$ in thousands except per share data)	Nine Months Ended September 30, 2024				
	Number of Shares	Weighted-Average Exercise Price Per Share		Weighted-Average Contractual Term	Aggregated Intrinsic Value
		Price Per Share	Contractual Term	Intrinsic Value	
Outstanding at beginning of period	614,715	\$ 13.90		5.7 years	\$ 2,788
Granted	5,000	\$ 18.25		10.0 years	
Exercised	(20,302)	\$ 10.33		1.1 years	
Forfeited	(9,075)	\$ 10.33		1.1 years	
Outstanding at end of period	590,338	\$ 14.11		5.2 years	\$ 2,763
Exercisable at end of period	342,338	\$ 12.90		2.5 years	\$ 2,017

The following table represents information regarding unvested stock options for the periods indicated:

	Three Months Ended September 30, 2024			Nine Months Ended September 30, 2024		
	Number of Shares	Weighted-Average Exercise Price Per Share		Number of Shares	Weighted-Average Exercise Price Per Share	
		Share	Exercise Price Per		Share	Exercise Price Per
Outstanding at beginning of period	255,000	\$ 15.90		271,000	\$ 15.85	
Granted	5,000	\$ 18.25		5,000	\$ 18.25	
Vested	(12,000)	\$ 19.36		(28,000)	\$ 16.84	
Outstanding at end of period	248,000	\$ 15.78		248,000	\$ 15.78	

Restricted Stock Awards

The following table represents restricted stock award activity for the periods indicated:

	Three Months Ended September 30, 2024			Nine Months Ended September 30, 2024		
	Number of Shares	Weighted-Average Grant Date Fair Value Per Share		Number of Shares	Weighted-Average Grant Date Fair Value Per Share	
		Value Per Share	Grant Date Fair		Value Per Share	Grant Date Fair
Outstanding at beginning of period	24,980	\$ 19.90		41,661	\$ 17.53	
Granted	1,500	\$ 18.74		1,500	\$ 18.74	
Vested	(7,380)	\$ 16.82		(23,641)	\$ 14.83	
Forfeited	—	\$ —		(420)	\$ 15.97	
Outstanding at end of period	19,100	\$ 21.00		19,100	\$ 21.00	

Note 11 - Income Taxes

Income tax expense was \$2.9 million and \$3.0 million, respectively, and the effective tax rate was 26.9% and 29.7%, respectively, for the three months ended September 30, 2024 and 2023. For nine months ended September 30, 2024 and 2023, income tax expense was \$7.2 million and \$10.2 million, respectively, and the effective tax rate was 27.7% and 29.2%, respectively.

At September 30, 2024 and December 31, 2023, the Company had no unrecognized tax benefits or related accrued interest.

The Company and its subsidiaries are subject to U.S. federal and various state jurisdictions income tax examinations. As of September 30, 2024, the Company is no longer subject to examination by taxing authorities for tax years before 2021 for federal taxes and before 2020 for various state jurisdictions. The statute of limitations vary by state, and state taxes other than California have been minimal and immaterial to the Company's financial results.

Note 12 - Earnings Per Share

Earnings per share ("EPS") is computed under the two-class method. Net income allocated to common stock is computed by subtracting income allocated to unvested restricted stock from net income available to common shareholders. Income allocated to unvested restricted stock includes cash dividends paid and undistributed income available to holders of unvested restricted stock, if any. Basic EPS is computed by dividing net income allocated to common stock by the weighted-average common shares outstanding excluding the weighted-average unvested restricted stock. Diluted EPS is computed by dividing net income allocated to common stock by the weighted-average common stock outstanding, excluding the weighted-average unvested restricted stock, adjusted for the dilutive effect of stock options.

The following table presents the computations of basic and diluted EPS for the periods indicated:

(\$ in thousands, except per share)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Basic earnings per share:				
Net income available to common shareholders	\$ 7,468	\$ 7,023	\$ 18,292	\$ 24,797
Less: income allocated to unvested restricted stock	(11)	(21)	(31)	(78)
Net income allocated to common stock	\$ 7,457	\$ 7,002	\$ 18,261	\$ 24,719
Weighted-average total common shares outstanding	14,262,513	14,337,341	14,262,340	14,372,908
Less: weighted-average unvested restricted stock	(21,499)	(42,539)	(24,489)	(44,978)
Weighted-average common shares outstanding, basic	14,241,014	14,294,802	14,237,851	14,327,930
Basic earnings per share	\$ 0.52	\$ 0.49	\$ 1.28	\$ 1.73
Diluted earnings per share:				
Net income allocated to common stock	\$ 7,457	\$ 7,002	\$ 18,261	\$ 24,719
Weighted-average common shares outstanding, basic	14,241,014	14,294,802	14,237,851	14,327,930
Diluted effect of stock options	115,370	101,414	90,659	114,030
Weighted-average common shares outstanding, diluted	14,356,384	14,396,216	14,328,510	14,441,960
Diluted earnings per share	\$ 0.52	\$ 0.49	\$ 1.27	\$ 1.71

There were 291,700 and 93,700 stock options excluded in computing diluted EPS because they were anti-dilutive for three months ended September 30, 2024 and 2023, respectively. For the nine months ended September 30, 2024 and 2023, there were 283,000 and 93,700 stock options excluded in computing diluted EPS because they were anti-dilutive, respectively.

Note 13 - Off-Balance Sheet Credit Exposures, Commitments and Other Contingencies

In the ordinary course of business, the Company enters into financial commitments to meet the financing needs of its customers. These financial commitments include commitments to extend credit and letters of credit. Those instruments involve to varying degrees, elements of credit, and interest rate risk not recognized in the Company's consolidated financial statements.

The Company had the following outstanding financial commitments whose contractual amount represents credit risk as of the dates indicated:

(\$ in thousands)	September 30, 2024		December 31, 2023	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Unused lines of credit	\$ 11,828	\$ 381,302	\$ 2,808	\$ 347,652
Unfunded loan commitments	5,590	34,839	4,020	47,038
Standby letters of credit	5,158	1,516	4,638	1,786
Commercial letters of credit	—	—	—	160
Total	\$ 22,576	\$ 417,657	\$ 11,466	\$ 396,636

Unfunded loan commitments are generally made for periods of 90 days or less, except for SBA loans that are generally made for periods of 180 days or less.

The Company applies an expected credit loss estimation methodology applied to each respective loan segment for determining the ACL on off-balance sheet credit exposures. The loss estimation process includes assumptions for utilization at default. These assumptions are based on the Company's own historical internal loan data. As a part of adoption of ASC 326, the Company recorded an initial adjustment to the ACL on off-balance sheet credit exposures of \$1.6 million on January 1, 2023. As of September 30, 2024 and December 31, 2023, the Company maintained an ACL on off-balance sheet credit exposures of \$1.2 million and \$1.3 million in Accrued Interest Payable and Other Liabilities in the Consolidated Balance Sheets, respectively.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total amounts do not necessarily represent future cash requirements. The Company evaluates each client's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company is based on management's credit evaluation of the customer.

Litigation

The Company is involved in various matters of litigation, which have arisen in the ordinary course of business. In the opinion of management, the disposition of pending matters of litigation will not have a material effect on the Company's consolidated financial statements.

Network and Data Incident

On August 30, 2021, the Bank identified unusual activity on its network. The Bank responded promptly to disable the activity, investigate its source and monitor the Bank's network. The Bank subsequently became aware of claims that it had been the target of a ransomware attack. On September 7, 2021, the Bank determined that an external actor had illegally accessed and/or acquired certain data on its network. The Bank worked with third-party forensic investigators to understand the nature and scope of the incident and determine what information may have been accessed and/or acquired and who may have been impacted. The investigation revealed that this incident impacted certain files containing certain Bank customer information. Some of these files contained documents related to loan applications, such as tax returns, Form W-2 information of their employees, and payroll records. The Bank has notified all individuals identified as impacted, consistent with applicable laws. All impacted individuals were offered free Equifax Complete Premier credit monitoring and identify theft protection services. The Bank has notified law enforcement and appropriate authorities of the incident.

On December 16, 2021, a complaint based on the incident was filed in the Los Angeles County Superior Court seeking damages, injunctive relief, and equitable relief. During the three months ended September 30, 2023, the Bank agreed to settle this matter in exchange for \$700 thousand to the putative class members, including costs of settlement administration, and attorneys' fees and costs. The Bank received preliminary court approval of the settlement and notice was provided to members of the proposed class during the three months ended September 30, 2023. The court issued an order granting final approval on June 20, 2024.

The Company expects that the full amount of the final settlement will be covered under the Company's applicable insurance policies.

Note 14 - Regulatory Matters

Under the final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks ("Basel III rules"), the Bank must hold a capital conservation buffer of 2.50% above the adequately capitalized risk-based capital ratios to avoid restrictions on dividends, stock repurchase, discretionary bonuses and other payments. Management believes as of September 30, 2024 and December 31, 2023, the Bank met all capital adequacy requirements to which it is subject. Under the Federal Reserve's "Small Bank Holding Company" policy, the Company is not currently subject to separate minimum capital requirements under the Basel III rules. At such time as the Company reaches the \$3 billion asset level, it will be subject to consolidated capital requirements under the Basel III rules independent of the Bank. For comparison purposes, the Company's ratios are included in the following discussion as well, all of which would have exceeded the "well-capitalized" level had the Company been subject to separate capital minimums. The Company and the Bank's capital conservation buffer was 7.42% and 7.54%, respectively, as of September 30, 2024, and 7.73% and 8.07%, respectively, as of December 31, 2023. Unrealized gain or loss on securities available-for-sale is not included in computing regulatory capital. The following table presents the regulatory capital amounts and ratios for the Company and the Bank as of dates indicated:

(\$ in thousands)	Actual		Minimum Capital Requirement		To Be Well Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2024						
PCB Bancorp						
Common tier 1 capital (to risk-weighted assets)	\$ 299,090	11.92 %	\$ 112,909	4.5 %	N/A	N/A
Total capital (to risk-weighted assets)	398,395	15.88 %	200,727	8.0 %	N/A	N/A
Tier 1 capital (to risk-weighted assets)	368,231	14.68 %	150,545	6.0 %	N/A	N/A
Tier 1 capital (to average assets)	368,231	12.79 %	115,148	4.0 %	N/A	N/A
PCB Bank						
Common tier 1 capital (to risk-weighted assets)	\$ 359,655	14.33 %	\$ 112,905	4.5 %	\$ 163,086	6.5 %
Total capital (to risk-weighted assets)	389,818	15.54 %	200,721	8.0 %	250,901	10.0 %
Tier 1 capital (to risk-weighted assets)	359,655	14.33 %	150,541	6.0 %	200,721	8.0 %
Tier 1 capital (to average assets)	359,655	12.49 %	115,146	4.0 %	143,933	5.0 %
December 31, 2023						
PCB Bancorp						
Common tier 1 capital (to risk-weighted assets)	\$ 288,174	12.23 %	\$ 106,043	4.5 %	N/A	N/A
Total capital (to risk-weighted assets)	386,125	16.39 %	188,521	8.0 %	N/A	N/A
Tier 1 capital (to risk-weighted assets)	357,315	15.16 %	141,391	6.0 %	N/A	N/A
Tier 1 capital (to average assets)	357,315	13.43 %	106,423	4.0 %	N/A	N/A
PCB Bank						
Common tier 1 capital (to risk-weighted assets)	\$ 350,038	14.85 %	\$ 106,081	4.5 %	\$ 153,228	6.5 %
Total capital (to risk-weighted assets)	378,849	16.07 %	188,588	8.0 %	235,735	10.0 %
Tier 1 capital (to risk-weighted assets)	350,038	14.85 %	141,441	6.0 %	188,588	8.0 %
Tier 1 capital (to average assets)	350,038	13.16 %	106,421	4.0 %	133,026	5.0 %

The California Financial Code provides that a bank generally may not make a cash distribution to its shareholders in excess of the lesser of the bank's undivided profits or the bank's net income for its last three fiscal years less the amount of any distribution made to the bank's shareholders during the same period. This law limits the distributions the Bank is permitted to make to the Company. As a California corporation, the Company is subject to the limitations of the California Corporations Code, which allows a corporation to distribute cash or property to shareholders, including a dividend or repurchase or redemption of shares, if the corporation meets either a retained earnings test or a balance sheet test. Under the retained earnings test, the Company may make a distribution from retained earnings to the extent that its retained earnings exceed the sum of (a) the amount of the distribution plus (b) the amount, if any, of dividends in arrears on shares with preferential dividend rights. Under the balance sheet test, the Company may also make a distribution if, immediately after the distribution, the value of its assets equals or exceeds the sum of (a) its total liabilities plus (b) the liquidation preference of any shares which have a preference upon dissolution over the rights of shareholders receiving the distribution. Indebtedness is not considered a liability if the terms of such indebtedness provide that payment of principal and interest thereon are to be made only if, and to the extent that, a distribution to shareholders could be made under the balance sheet test.

The Federal Reserve, the Federal Deposit Insurance Corporation (the “FDIC”) and the California Department of Financial Protection and Innovation periodically examine the Company, the Bank and their businesses, including for compliance with laws and regulations. If, as a result of an examination, a banking agency were to determine that the Company’s or the Bank’s financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of their operations had become unsatisfactory, or that the Company or the Bank was in violation of any law or regulation, they may take a number of different remedial actions as they deem appropriate. These actions 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 the Company’s or the Bank’s capital, to restrict growth, to assess civil money penalties, to fine or remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate the Bank’s deposit insurance and place the Bank into receivership or conservatorship.

Note 15 - Revenue Recognition

The following table presents revenue from contracts with customers within the scope of ASC 606, Revenue from Contracts with Customers, for the periods indicated:

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Noninterest income in-scope of Topic 606				
Service charges and fees on deposits:				
Monthly service fees	\$ 27	\$ 27	\$ 77	\$ 79
Account analysis fees	250	239	715	699
Non-sufficient funds charges	96	81	272	241
Other deposit related fees	26	24	77	65
Total service charges and fees on deposits	399	371	1,141	1,084
Debit card fees	154	103	253	254
Gain (loss) on sale of other real estate owned	—	—	13	—
Wire transfer fees	156	162	462	467
Other service charges	61	54	177	157
Total	\$ 770	\$ 690	\$ 2,046	\$ 1,962

Note 16 - Subsequent Events

Dividend Declared on Common Stock

On October 23, 2024, the Company’s Board of Directors declared a quarterly cash dividend of \$ 0.18 per common share. The dividend will be paid on or about November 15, 2024, to shareholders of record as of the close of business on November 8, 2024.

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

The following is management's discussion and analysis of the major factors that influenced the Company's results of operations and financial condition as of and for the three and nine months ended September 30, 2024. This analysis should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2023 and with the unaudited consolidated financial statements and notes (unaudited) thereto set forth in this Quarterly Report on Form 10-Q.

Critical Accounting Estimates

The Company's consolidated financial statements are prepared in accordance with GAAP and general practices within the banking industry. Within these financial statements, certain financial information contains approximate measurements of financial effects of transactions and impacts at the consolidated statements of financial condition dates and the Company's results of operations for the reporting periods. As certain accounting policies require significant estimates and assumptions that have a material impact on the carrying value of assets and liabilities, the Company has established critical accounting policies to facilitate making the judgment necessary to prepare financial statements. The Company's critical accounting policies are described in Note 1 to Consolidated Financial Statements and in the "Critical Accounting Estimates" section of Management's Discussion and Analysis of Financial Condition and Results of Operations in its Annual Report on Form 10-K for the year ended December 31, 2023 and in Note 1 to Consolidated Financial Statements (unaudited) included in Part I of this Quarterly Report on Form 10-Q.

Allowance for Credit Losses

On January 1, 2023, the Company adopted the provisions of ASC 326, *"Financial Instruments - Credit Losses (Topic 326)" Instruments*. The adoption of ASC 326 changes the way the Company estimates the ACL on certain financial assets. The adoption of ASC 326 requires the Company to measure and record current expected credit losses for financial assets within the scope of ASC 326, which the Company currently consist substantially of loans, off-balance sheet credit exposures and securities available-for-sale. Measuring credit losses under the current expected credit losses ("CECL") framework requires a significant amount of judgment, including the incorporation of reasonable and supportable forecasts about future conditions that may ultimately impact the level of credit losses the Company may recognize. Under the CECL framework, current expected credit losses are recorded on financial assets within the scope of ASC 326 at the time of their origination or acquisition.

Estimating expected credit losses requires management to use relevant forward-looking information, including the use of reasonable and supportable forecasts. The measurement of the ACL is performed by collectively evaluating loans with similar risk characteristics. The Company's discounted cash flow methodology incorporates a probability of default and loss given default model, as well as expectations of future economic conditions, using reasonable and supportable forecasts.

The use of reasonable and supportable forecasts requires significant judgment, such as selecting forecast scenarios, as well as determining the appropriate length of the forecast horizon. Management leverages economic projections from a reputable and independent third party to inform and provide its reasonable and supportable economic forecasts. Although no one economic variable can fully demonstrate the sensitivity of the ACL estimate to changes in economic variables used in the ACL model, the Company utilized changes in U.S. unemployment rate and year-over-year change in real gross domestic product ("GDP") growth rate as its key economic variables. Other internal and external indicators of economic forecasts may also be considered by management when developing the forecast metrics. The Company's ACL model reverts to long-term average loss rates for purposes of estimating expected cash flows beyond a period deemed reasonable and supportable. The Company forecasts economic conditions and expected credit losses over a one-year time horizon. Beyond the one-year forecast time horizon, the Company's ACL model reverts to historical long-term average loss rates over a one-year period.

Within the various economic scenarios considered as of September 30, 2024, the quantitative estimate of the ACL would increase by approximately \$8.4 million under sole consideration of a more adverse downside scenario. The quoted sensitivity calculation reflects the sensitivity of the modeled ACL estimate to macroeconomic forecast data, but is absent of qualitative overlays and other qualitative adjustments that are part of the quarterly reserving process and does not necessarily reflect the nature and extent of future changes in the ACL for reasons including increases or decreases in qualitative adjustments, changes in the risk profile and size of the portfolio, changes in the severity of the macroeconomic scenario and the range of scenarios under management consideration.

A portion of the collectively evaluated ACL on loans also includes qualitative adjustments for risk factors not reflected or captured by the quantitative modeled ACL but are relevant in estimating future expected credit losses. Qualitative adjustments may be related to and include, but not limited to factors such as: (i) management's assessment of economic forecasts used in the model and how those forecasts align with management's overall evaluation of current and expected economic conditions, (ii) organization-specific risks such as credit concentrations, collateral specific risks, regulatory risks, and external factors that may ultimately impact credit quality, (iii) potential model 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 ACL model data inputs.

Although management uses the best information reasonably available to derive estimates and assumptions necessary to measure an appropriate level of the ACL, these estimates and assumptions are subject to change in future periods, which may have a material impact on the level of the ACL and the Company's results of operations.

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 excludes (or includes) 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.

The following tables present reconciliation of return on average tangible common equity, tangible common equity per common share and tangible common equity to tangible assets ratios to their most comparable GAAP measures as of the dates or for the periods indicated. These non-GAAP measures, which are presented in this Quarterly Report on Form 10-Q, are used by management in its analysis of the Company's performance.

(\$ in thousands)	Nine Months Ended September 30,			
	2024	2023	2024	2023
Average total shareholders' equity	\$ 357,376	\$ 343,144	\$ 352,866	\$ 339,423
Less: average preferred stock	69,141	69,141	69,141	69,141
Average tangible common equity	\$ 288,235	\$ 274,003	\$ 283,725	\$ 270,282
Net income	\$ 7,814	\$ 7,023	\$ 18,780	\$ 24,797
Annualized return on average shareholders' equity	8.70 %	8.12 %	7.11 %	9.77 %
Net income available to common shareholders	\$ 7,468	\$ 7,023	\$ 18,292	\$ 24,797
Annualized return on average tangible common equity	10.31 %	10.17 %	8.61 %	12.27 %
(\$ in thousands, except per share data)				
	September 30, 2024	December 31, 2023	September 30, 2023	
Total shareholders' equity	\$ 362,300	\$ 348,872	\$ 341,852	
Less: preferred stock	69,141	69,141	69,141	
Tangible common equity	\$ 293,159	\$ 279,731	\$ 272,711	
Outstanding common shares	14,266,725	14,260,440	14,319,014	
Book value per common share	\$ 25.39	\$ 24.46	\$ 23.87	
Tangible common equity per common share	\$ 20.55	\$ 19.62	\$ 19.05	
Total assets	\$ 2,889,833	\$ 2,789,506	\$ 2,567,974	
Total shareholders' equity to total assets	12.54 %	12.51 %	13.31 %	
Tangible common equity to total assets	10.14 %	10.03 %	10.62 %	

Selected Financial Data

The following table presents certain selected financial data as of the dates or for the periods indicated:

(\$ in thousands, except per share data)	As of or For the Three Months Ended September 30,		As of or For the Nine Months Ended September 30,	
	2024	2023	2024	2023
	2024	2023	2024	2023
Selected balance sheet data:				
Cash and cash equivalents	\$ 193,064	\$ 192,350	\$ 193,064	\$ 192,350
Securities available-for-sale	147,635	139,218	147,635	139,218
Loans held-for-sale	5,170	6,693	5,170	6,693
Loans held-for-investment	2,466,174	2,167,605	2,466,174	2,167,605
ACL on loans	(28,930)	(25,599)	(28,930)	(25,599)
Total assets	2,889,833	2,567,974	2,889,833	2,567,974
Total deposits	2,459,682	2,192,129	2,459,682	2,192,129
Shareholders' equity	362,300	341,852	362,300	341,852
Selected income statement data:				
Interest income	\$ 45,998	\$ 38,852	\$ 134,498	\$ 110,226
Interest expense	23,279	16,403	69,045	43,646
Net interest income	22,719	22,449	65,453	66,580
Provision (reversal) for credit losses	50	751	1,399	(1,830)
Noninterest income	2,620	2,502	8,050	8,180
Noninterest expense	14,602	14,207	46,129	41,588
Income before income taxes	10,687	9,993	25,975	35,002
Income tax expense	2,873	2,970	7,195	10,205
Net income	7,814	7,023	18,780	24,797
Preferred stock dividends	346	—	488	—
Net income available to common shareholders	7,468	7,023	18,292	24,797
Per share data:				
Earnings per common share, basic	\$ 0.52	\$ 0.49	\$ 1.28	\$ 1.73
Earnings per common share, diluted	0.52	0.49	1.27	1.71
Book value per common share ⁽¹⁾	25.39	23.87	25.39	23.87
Tangible common equity per common share ⁽⁹⁾	20.55	19.05	20.55	19.05
Cash dividends declared per common share	0.18	0.18	0.54	0.51
Outstanding share data:				
Number of common shares outstanding	14,266,725	14,319,014	14,266,725	14,319,014
Weighted-average common shares outstanding, basic	14,241,014	14,294,802	14,237,851	14,327,930
Weighted-average common shares outstanding, diluted	14,356,384	14,396,216	14,328,510	14,441,960
Selected performance ratios:				
Return on average assets ⁽²⁾	1.08 %	1.09 %	0.88 %	1.32 %
Return on average shareholders' equity ⁽²⁾	8.70 %	8.12 %	7.11 %	9.77 %
Dividend payout ratio ⁽³⁾	34.62 %	36.73 %	42.19 %	29.48 %
Efficiency ratio ⁽⁴⁾	57.63 %	56.94 %	62.76 %	55.63 %
Yield on average interest-earning assets ⁽²⁾	6.58 %	6.18 %	6.51 %	6.01 %
Cost of average interest-bearing liabilities ⁽²⁾	4.85 %	4.17 %	4.86 %	3.88 %
Net interest spread ⁽²⁾	1.73 %	2.01 %	1.65 %	2.13 %
Net interest margin ^{(2), (5)}	3.25 %	3.57 %	3.17 %	3.63 %
Total loans to total deposits ratio ⁽⁶⁾	100.47 %	99.19 %	100.47 %	99.19 %

(\$ in thousands, except per share data)	As of or For the Three Months Ended September 30,			As of or For the Nine Months Ended September 30,		
	2024	2023	2024	2023		
Asset quality:						
Loans 30 to 89 days past due and still accruing	\$ 2,994	\$ 708	\$ 2,994	\$ 708		
Nonperforming loans ⁽⁷⁾	6,614	3,730	6,614	3,730		
Nonperforming assets ⁽⁸⁾	7,080	3,730	7,080	3,730		
Net charge-offs (recoveries)	10	90	47	(1,028)		
Loans 30 to 89 days past due and still accruing to loans held-for-investment	0.12 %	0.03 %	0.12 %	0.03 %		
Nonperforming loans to loans held-for-investment	0.27 %	0.17 %	0.27 %	0.17 %		
Nonperforming loans to ACL on loans	22.86 %	14.57 %	22.86 %	14.57 %		
Nonperforming assets to total assets	0.24 %	0.15 %	0.24 %	0.15 %		
ACL on loans to loans held-for-investment	1.17 %	1.18 %	1.17 %	1.18 %		
ACL on loans to nonperforming loans	437.41 %	686.30 %	437.41 %	686.30 %		
Net charge-offs (recoveries) to average loans held-for-investment ⁽²⁾	0.01 %	0.01 %	0.01 %	(0.07) %		
Capital ratios:						
Shareholders' equity to total assets	12.54 %	13.31 %	12.54 %	13.31 %		
Tangible common equity to total assets ⁽⁹⁾	10.14 %	10.62 %	10.14 %	10.62 %		
Average shareholders' equity to average total assets	12.47 %	13.39 %	12.41 %	13.48 %		
PCB Bancorp						
Common tier 1 capital (to risk-weighted assets)	11.92 %	13.07 %	11.92 %	13.07 %		
Total capital (to risk-weighted assets)	15.88 %	17.48 %	15.88 %	17.48 %		
Tier 1 capital (to risk-weighted assets)	14.68 %	16.24 %	14.68 %	16.24 %		
Tier 1 capital (to average assets)	12.79 %	13.76 %	12.79 %	13.76 %		
PCB Bank						
Common tier 1 capital (to risk-weighted assets)	14.33 %	15.87 %	14.33 %	15.87 %		
Total capital (to risk-weighted assets)	15.54 %	17.11 %	15.54 %	17.11 %		
Tier 1 capital (to risk-weighted assets)	14.33 %	15.87 %	14.33 %	15.87 %		
Tier 1 capital (to average assets)	12.49 %	13.44 %	12.49 %	13.44 %		

(1) Shareholders' equity divided by common shares outstanding.

(2) Annualized.

(3) Dividends declared per common share divided by basic earnings per common share.

(4) Noninterest expenses divided by the sum of net interest income and noninterest income.

(5) Net interest income divided by average total interest-earning assets.

(6) Total loans include both loans held-for-sale and loans held-for-investment.

(7) Nonperforming loans include nonaccrual loans and loans past due 90 days or more and still accruing.

(8) Nonperforming assets include nonperforming loans and other real estate owned.

(9) Non-GAAP measure. See "Non-GAAP Measures" for a reconciliation to its most comparable GAAP measure.

Executive Summary

Q3 2024 Financial Highlights

- Net income available for common shareholders was \$7.5 million for the three months ended September 30, 2024, an increase of \$445 thousand, or 6.3%, from \$7.0 million for the three months ended September 30, 2023;
- Recorded a provision for credit losses of \$50 thousand for the three months ended September 30, 2024 compared with \$751 thousand for the three months ended September 30, 2023.
- ACL on loan to loans held-for-investment ratio was 1.17% at September 30, 2024 compared with 1.19% at December 31, 2023.
- Net interest income was \$22.7 million for the three months ended September 30, 2024 compared with \$22.4 million for the three months ended September 30, 2023. Net interest margin was 3.25% for the three months ended September 30, 2024 compared with 3.57% for the three months ended September 30, 2023.
- Gain on sale of loans was \$750 thousand for the three months ended September 30, 2024 compared with \$689 thousand for the three months ended September 30, 2023.
- Total assets were \$2.89 billion at September 30, 2024, an increase of \$100.3 million, or 3.6%, from \$2.79 billion at December 31, 2023;
- Loans held-for-investment were \$2.47 billion at September 30, 2024, an increase of \$142.7 million, or 6.1%, from \$2.32 billion at December 31, 2023; and
- Total deposits were \$2.46 billion at September 30, 2024, an increase of \$108.1 million, or 4.6%, from \$2.35 billion at December 31, 2023.

Results of Operations

Net Interest Income

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

The following table presents interest income, average interest-earning assets, interest expense, average interest-bearing liabilities, and their corresponding yields and costs expressed both in dollars and rates, on a consolidated operations basis, for the periods indicated:

(\$ in thousands)	Three Months Ended September 30,					
	2024		Yield/ Cost (6)		2023	
	Average Balance	Interest	Average Balance	Interest	Yield/ Cost (6)	
Interest-earning assets:						
Total loans ⁽¹⁾	\$ 2,456,015	\$ 42,115	6.82 %	\$ 2,137,184	\$ 34,651	6.43 %
Mortgage backed securities	111,350	1,000	3.57 %	98,534	750	3.02 %
Collateralized mortgage obligation	22,661	244	4.28 %	24,959	262	4.16 %
SBA loan pool securities	6,571	69	4.18 %	7,842	81	4.10 %
Municipal bonds - tax exempt ⁽²⁾	2,698	24	3.54 %	3,602	30	3.30 %
Corporate bonds	4,248	47	4.40 %	4,056	47	4.60 %
Interest-bearing deposits in other financial institutions	161,669	2,202	5.42 %	206,399	2,798	5.38 %
FHLB and other bank stock	14,042	297	8.41 %	12,716	233	7.27 %
Total interest-earning assets	2,779,254	45,998	6.58 %	2,495,292	38,852	6.18 %
Noninterest-earning assets:						
Cash and due from banks	24,098			21,298		
Allowance for credit losses on loans	(28,797)			(24,869)		
Other assets	92,152			71,512		
Total noninterest earning assets	87,453			67,941		
Total assets	\$ 2,866,707			\$ 2,563,233		
Interest-bearing liabilities:						
Deposits:						
NOW and money market accounts	\$ 496,158	5,129	4.11 %	\$ 481,341	4,398	3.62 %
Savings	6,204	4	0.26 %	7,197	4	0.22 %
Time deposits	1,390,644	17,924	5.13 %	1,073,044	12,001	4.44 %
Borrowings	15,848	222	5.57 %	—	—	— %
Total interest-bearing liabilities	1,908,854	23,279	4.85 %	1,561,582	16,403	4.17 %
Noninterest-bearing liabilities:						
Demand deposits	534,761			626,738		
Other liabilities	65,716			31,769		
Total noninterest-bearing liabilities	600,477			658,507		
Total liabilities	2,509,331			2,220,089		
Shareholders' equity	357,376			343,144		
Total liabilities and shareholders' equity	\$ 2,866,707			\$ 2,563,233		
Net interest income		\$ 22,719			\$ 22,449	
Net interest spread ⁽³⁾			1.73 %			2.01 %
Net interest margin ⁽⁴⁾			3.25 %			3.57 %
Cost of deposits			3.78 %			2.97 %
Cost of funds ⁽⁵⁾			3.79 %			2.97 %

(1) Average balance includes both loans held-for-sale and loans held-for-investment, as well as nonaccrual loans. Net amortization of deferred loan fees of \$246 thousand and \$226 thousand, respectively, and net accretion of discount on loans of \$773 thousand and \$775 thousand, respectively, are included in the interest income for the three months ended September 30, 2024 and 2023.

(2) The yield on municipal bonds has not been computed on a tax-equivalent basis.

(3) Net interest spread is calculated by subtracting average rate on interest-bearing liabilities from average yield on interest-earning assets.

(4) Net interest margin is calculated by dividing net interest income by average interest-earning assets.

(5) Cost of funds is calculated by dividing annualized interest expense on total interest-bearing liabilities by the sum of average total interest-bearing liabilities and noninterest-bearing demand deposits.

(6) Annualized.

The following table presents interest income, average interest-earning assets, interest expense, average interest-bearing liabilities, and their corresponding yields and costs expressed both in dollars and rates, on a consolidated operations basis, for the periods indicated:

(\$ in thousands)	Nine Months Ended September 30,					
	2024		Yield/ Cost (6)		2023	
	Average Balance	Interest	Average Balance	Interest	Yield/ Cost (6)	
Interest-earning assets:						
Total loans ⁽¹⁾	\$ 2,413,777	\$ 121,992	6.75 %	\$ 2,102,600	\$ 98,840	6.29 %
Mortgage backed securities	105,933	2,750	3.47 %	98,364	2,146	2.92 %
Collateralized mortgage obligation	23,137	747	4.31 %	25,970	780	4.02 %
SBA loan pool securities	6,925	221	4.26 %	8,406	244	3.88 %
Municipal bonds - tax exempt ⁽²⁾	3,077	81	3.52 %	4,017	97	3.23 %
Corporate bonds	4,211	141	4.47 %	4,300	141	4.38 %
Interest-bearing deposits in other financial institutions	188,432	7,714	5.47 %	195,016	7,391	5.07 %
FHLB and other bank stock	13,519	852	8.42 %	11,704	587	6.71 %
Total interest-earning assets	2,759,011	134,498	6.51 %	2,450,377	110,226	6.01 %
Noninterest-earning assets:						
Cash and due from banks	22,845			21,069		
Allowance for credit losses on loans	(28,251)			(25,438)		
Other assets	89,784			72,616		
Total noninterest earning assets	84,378			68,247		
Total assets	\$ 2,843,389			\$ 2,518,624		
Interest-bearing liabilities:						
Deposits:						
NOW and money market accounts	\$ 474,584	14,670	4.13 %	\$ 477,605	11,772	3.30 %
Savings	6,432	12	0.25 %	7,684	14	0.24 %
Time deposits	1,380,379	52,878	5.12 %	1,015,234	31,651	4.17 %
Borrowings	35,427	1,485	5.60 %	5,212	209	5.36 %
Total interest-bearing liabilities	1,896,822	69,045	4.86 %	1,505,735	43,646	3.88 %
Noninterest-bearing liabilities:						
Demand deposits	537,682			647,258		
Other liabilities	56,019			26,208		
Total noninterest-bearing liabilities	593,701			673,466		
Total liabilities	2,490,523			2,179,201		
Shareholders' equity	352,866			339,423		
Total liabilities and shareholders' equity	\$ 2,843,389			\$ 2,518,624		
Net interest income		\$ 65,453			\$ 66,580	
Net interest spread ⁽³⁾			1.65 %			2.13 %
Net interest margin ⁽⁴⁾			3.17 %			3.63 %
Cost of deposits			3.76 %			2.70 %
Cost of funds ⁽⁵⁾			3.79 %			2.71 %

(1) Average balance includes both loans held-for-sale and loans held-for-investment, as well as nonaccrual loans. Net amortization of deferred loan fees of \$919 thousand and \$648 thousand, respectively, and net accretion of discount on loans of \$2.1 million and \$2.2 million, respectively, are included in the interest income for the nine months ended September 30, 2024 and 2023.

(2) The yield on municipal bonds has not been computed on a tax-equivalent basis.

(3) Net interest spread is calculated by subtracting average rate on interest-bearing liabilities from average yield on interest-earning assets.

(4) Net interest margin is calculated by dividing net interest income by average interest-earning assets.

(5) Cost of funds is calculated by dividing annualized interest expense on total interest-bearing liabilities by the sum of average total interest-bearing liabilities and noninterest-bearing demand deposits.

(6) Annualized.

The following table presents the changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. Information is provided on changes attributable to: (i) changes in volume multiplied by the prior rate; and (ii) changes in rate multiplied by the prior volume. Changes attributable to both rate and volume which cannot be segregated have been allocated proportionately to the change due to volume and the change due to rate.

(\$ in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024 vs. 2023			2024 vs. 2023		
	Increase (Decrease) Due to	Net Increase	Increase (Decrease) Due to	Net Increase		
	Volume	Rate	(Decrease)	Volume	Rate	(Decrease)
Interest earned on:						
Total loans	\$ 5,091	\$ 2,373	\$ 7,464	\$ 14,699	\$ 8,453	\$ 23,152
Investment securities	71	143	214	54	478	532
Other interest-earning assets	(608)	76	(532)	(186)	774	588
Total interest income	4,554	2,592	7,146	14,567	9,705	24,272
Interest incurred on:						
Savings, NOW, and money market deposits	122	609	731	(104)	3,000	2,896
Time deposits	3,523	2,400	5,923	11,410	9,817	21,227
Borrowings	222	—	222	1,213	63	1,276
Total interest expense	3,867	3,009	6,876	12,519	12,880	25,399
Change in net interest income	\$ 687	\$ (417)	\$ 270	\$ 2,048	\$ (3,175)	\$ (1,127)

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

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

(\$ in thousands)	Three Months Ended		Amount Change	Percentage Change
	September 30,	2024		
Interest and dividend income:				
Loans, including fees	\$ 42,115	\$ 34,651	\$ 7,464	21.5 %
Investment securities	1,384	1,170	214	18.3 %
Other interest-earning assets	2,499	3,031	(532)	(17.6) %
Total interest income	45,998	38,852	7,146	18.4 %
Interest expense:				
Deposits	23,057	16,403	6,654	40.6 %
Borrowings	222	—	222	NM
Total interest expense	23,279	16,403	6,876	41.9 %
Net interest income	\$ 22,719	\$ 22,449	\$ 270	1.2 %

Net interest income increased primarily due to an 11.4% increase in average balance of interest-earning assets and a 40 basis point increase in average yield, partially offset by a 22.2% increase in average balance of interest-bearing liabilities and a 68 basis point increase in average cost.

Interest and fees on loans increased primarily due to a 14.9% increase in average balance and a 39 basis point increase in average yield. The increase in average yield was primarily due to increases in overall interest rates on loans and net amortization of deferred loan fees.

Interest on investment securities increased primarily due to a 39 basis point increase in average yield and a 6.1% increase in average balance. The increase in average yield was primarily due to a higher yield on newly purchased investment securities. For the three months ended September 30, 2024 and 2023, the average yield on total investment securities was 3.73% and 3.34%, respectively.

Interest income on other interest-earning assets increased primarily due to a 17 basis point increase in average yield, partially offset by a 19.8% decrease in average balance. The increase in average yield was primarily due to an increase in dividends received on FHLB stock. For the three months ended September 30, 2024 and 2023, the average yield on total other interest-earning assets was 5.66% and 5.49%, respectively.

Interest expense on deposits increased primarily due to a 21.2% increase in average balance of interest-bearing deposits and an 68 basis point increase in average cost of interest-bearing deposits. The increase in average balance was primarily due to the migration of noninterest-bearing deposits to money market accounts and time deposits attributable to the rising market rates. The increase in average cost was primarily due to an increase in market rates. For the three months ended September 30, 2024 and 2023, average cost on total interest-bearing deposits was 4.85% and 4.17%, respectively, and average cost on total deposits were 3.78% and 2.97%, respectively.

The Company did not utilize borrowings during the three months ended September 30, 2023.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

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

(\$ in thousands)	Nine Months Ended September 30,		Amount Change	Percentage Change
	2024	2023		
Interest and dividend income:				
Loans, including fees	\$ 121,992	\$ 98,840	\$ 23,152	23.4 %
Investment securities	3,940	3,408	532	15.6 %
Other interest-earning assets	8,566	7,978	588	7.4 %
Total interest income	134,498	110,226	24,272	22.0 %
Interest expense:				
Deposits	67,560	43,437	24,123	55.5 %
Borrowings	1,485	209	1,276	610.5 %
Total interest expense	69,045	43,646	25,399	58.2 %
Net interest income	\$ 65,453	\$ 66,580	\$ (1,127)	(1.7) %

Net interest income decreased primarily due to a 26.0% increase in average balance of interest-bearing liabilities and a 98 basis point increase in average cost, partially offset by a 12.6% increase in average balance of interest-earning assets and a 50 basis point increase in average yield.

Interest and fees on loans increased primarily due to a 14.8% increase in average balance and a 46 basis point increase in average yield. The increase in average yield was primarily due to increases in overall interest rates on loans and net amortization of deferred loan fees.

Interest on investment securities increased primarily due to a 44 basis point increase in average yield and a 1.6% increase in average balance. The increase in average yield was primarily due to a decrease in net amortization of premiums on securities and a higher yield on newly purchased investment securities. For the nine months ended September 30, 2024 and 2023, the average yield on total investment securities was 3.67% and 3.23%, respectively.

Interest income on other interest-earning assets increased primarily due to a 51 basis point increase in average yield, partially offset by a 2.3% decrease in average balance. The increase in average yield was primarily due to an increase in interest rate on cash held at the Federal Reserve Bank and dividends received on FHLB stock. For the nine months ended September 30, 2024 and 2023, the average yield on total other interest-earning assets was 5.67% and 5.16%, respectively.

Interest expense on deposits increased primarily due to a 24.0% increase in average balance of interest-bearing deposits and a 98 basis point increase in average cost of interest-bearing deposits. The increase in average balance was primarily due to the migration of noninterest-bearing deposits to money market accounts and time deposits attributable to the rising market rates. The increase in average cost was primarily due to an increase in market rates. For the nine months ended September 30, 2024 and 2023, average cost on total interest-bearing deposits was 4.85% and 3.87%, respectively, and average cost on total deposits were 3.76% and 2.70%, respectively.

Interest expense on borrowings increased primarily due to a 579.7% increase in average balance and a 24 basis point increase in average cost of interest-bearing deposits. The increase in average cost was primarily due to an increase in market rates.

Provision (reversal) for Credit Losses

The following tables present a composition of provision (reversal) for credit losses for the periods indicated:

(\$ in thousands)	Three Months Ended September 30,		Amount Change	Percentage Change
	2024	2023		
Provision for credit losses on loans	\$ 193	\$ 822	\$ (629)	(76.5) %
Provision (reversal) for credit losses on off-balance sheet credit exposure	(143)	(71)	(72)	NM
Total provision for credit losses	\$ 50	\$ 751	\$ (701)	(93.3) %

(\$ in thousands)	Nine Months Ended September 30,		Amount Change	Percentage Change
	2024	2023		
Provision (reversal) for credit losses on loans	\$ 1,444	\$ (1,438)	\$ 2,882	NM
Provision (reversal) for credit losses on off-balance sheet credit exposure	(45)	(392)	347	NM
Total provision (reversal) for credit losses	\$ 1,399	\$ (1,830)	\$ 3,229	NM

The provision for credit losses for the three and nine months ended September 30, 2024 was primarily due to increases in loans held-for-investment and quantitatively measured loss reserve requirement, partially offset by a decrease in reserve related to qualitative adjustment factors. See further discussion in "Allowance for Credit Losses."

Noninterest Income

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

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

(\$ in thousands)	Three Months Ended September 30,		Amount Change	Percentage Change
	2024	2023		
Service charges and fees on deposits	\$ 399	\$ 371	\$ 28	7.5 %
Loan servicing income	786	851	(65)	(7.6) %
Bank-owned life insurance income	239	187	52	27.8 %
Gain on sale of loans	750	689	61	8.9 %
Other income	446	404	42	10.4 %
Total noninterest income	\$ 2,620	\$ 2,502	\$ 118	4.7 %

Loan servicing income decreased primarily due to a decrease in servicing fee income and an increase in servicing asset amortization. Servicing asset amortization was \$478 thousand and \$470 thousand, respectively, for the three months ended September 30, 2024 and 2023.

Gain on sale of loans increased primarily due to an increase in level of premium on SBA loans in the secondary market, partially offset by a decrease in sales volume. The Company sold SBA loans of \$13.5 million with a gain of \$750 thousand and a residential mortgage loan of \$676 thousand at par during the three months ended September 30, 2024. During the three months ended September 30, 2023, the Company sold SBA loans of \$17.7 million with a gain of \$689 thousand.

Other income primarily included wire transfer fees of \$156 thousand and \$162 thousand, respectively, and debit card interchange fees of \$154 thousand and \$103 thousand, respectively, for the three months ended September 30, 2024 and 2023.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

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

(\$ in thousands)	Nine Months Ended September 30,		Amount Change	Percentage Change
	2024	2023		
Service charges and fees on deposits	\$ 1,141	\$ 1,084	\$ 57	5.3 %
Loan servicing income	2,504	2,579	(75)	(2.9) %
Bank-owned life insurance income	703	551	152	27.6 %
Gain on sale of loans	2,591	2,767	(176)	(6.4) %
Other income	1,111	1,199	(88)	(7.3) %
Total noninterest income	\$ 8,050	\$ 8,180	\$ (130)	(1.6) %

Loan servicing income decreased primarily due to a decrease in servicing fee income and an increase in servicing asset amortization. Servicing asset amortization was \$1.4 million and \$1.3 million, respectively, for the nine months ended September 30, 2024 and 2023.

Gain on sale of loans decreased primarily due to an increase in level of premium on SBA loans in the secondary market, partially offset by a decrease in sales volume. The Company sold SBA loans of \$46.5 million with a gain of \$2.6 million and a residential mortgage loan of \$676 thousand at par during the nine months ended September 30, 2024. During the nine months ended September 30, 2023, the Company sold SBA loans of \$61.6 million with a gain of \$2.8 million.

Other income primarily included wire transfer fees of \$462 thousand and \$467 thousand, respectively, and debit card interchange fees of \$253 thousand and \$254 thousand, respectively, for the nine months ended September 30, 2024 and 2023.

Noninterest Expense

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

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

(\$ in thousands)	Three Months Ended September 30,		Amount Change	Percentage Change
	2024	2023		
Salaries and employee benefits	\$ 8,801	\$ 8,572	\$ 229	2.7 %
Occupancy and equipment	2,261	1,964	297	15.1 %
Professional fees	599	685	(86)	(12.6) %
Marketing and business promotion	667	980	(313)	(31.9) %
Data processing	397	367	30	8.2 %
Director fees and expenses	226	152	74	48.7 %
Regulatory assessments	309	281	28	10.0 %
Other expenses	1,342	1,206	136	11.3 %
Total noninterest expense	\$ 14,602	\$ 14,207	\$ 395	2.8 %

Salaries and employee benefits increased primarily due to increases in salaries, bonus accrual, incentives tied to sales of SBA loans originated at LPOs, and other employee benefits, partially offset by a decrease in vacation accrual. The number of full-time equivalent employees was 264 at September 30, 2024 compared to 270 at September 30, 2023.

Occupancy and equipment increased primarily due to an expansion of headquarters location in the second half of 2023, the relocation of a regional office and the consolidation of two branches into a new location in Orange County, California starting from the three months ended June 30, 2024.

Professional fees decreased primarily due to the completion a core system conversion that was completed in April 2024, resulting in high professional fees during the three months ended September 30, 2024.

Marketing and business promotion expense decreased primarily due to a decrease in advertisements.

Regulatory assessments increased primarily due to an increase in the balance sheet.

Other expenses included \$97 thousand and \$114 thousand in loan related expenses, \$625 thousand and \$565 thousand in office expense, and \$221 thousand and \$206 thousand in armed guard expense for the three months ended September 30, 2024 and 2023, respectively.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

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

(\$ in thousands)	Nine Months Ended September 30,		Amount Change	Percentage Change
	2024	2023		
Salaries and employee benefits	\$ 27,244	\$ 26,175	\$ 1,069	4.1 %
Occupancy and equipment	6,919	5,779	1,140	19.7 %
Professional fees	2,656	2,189	467	21.3 %
Marketing and business promotion	1,304	1,555	(251)	(16.1) %
Data processing	1,294	1,159	135	11.6 %
Director fees and expenses	679	549	130	23.7 %
Regulatory assessments	934	818	116	14.2 %
Other expenses	5,099	3,364	1,735	51.6 %
Total noninterest expense	\$ 46,129	\$ 41,588	\$ 4,541	10.9 %

Salaries and employee benefits increased primarily due to salaries, bonus accrual, incentives tied to sales of SBA loans originated at LPOs, and other employee benefits, partially offset by a decrease in vacation accrual. The number of full-time equivalent employees was 264 at September 30, 2024 compared to 270 at September 30, 2023.

Occupancy and equipment increased primarily due to an expansion of headquarters location in the second half of 2023, and the relocation of a regional office and the consolidation of two branches into a new location in Orange County, California starting from the three months ended June 30, 2024.

Professional fees decreased primarily due to the completion a core system conversion that was completed in April 2024, resulting in high professional fees during the nine months ended September 30, 2024.

Marketing and business promotion expense decreased primarily due to a decrease in advertisements.

Regulatory assessments increased primarily due to an increase in the balance sheet.

Other expenses included \$315 thousand and \$311 thousand in loan related expenses, \$1.7 million and \$1.6 million in office expense, and \$635 thousand and \$588 thousand in armed guard expense for the nine months ended September 30, 2024 and 2023, respectively. In addition, the Company recognized a termination charge for the legacy core system of \$508 thousand and an expense of \$815 thousand for a reimbursement for an SBA loan guarantee previously paid by the SBA on a loan originated in 2014 that subsequently defaulted and was ultimately determined to be ineligible for the SBA guaranty during the nine months ended September 30, 2024.

Income Tax Expense

Income tax expense was \$2.9 million and \$3.0 million, respectively, and the effective tax rate was 26.9% and 29.7%, respectively, for the three months ended September 30, 2024 and 2023. For nine months ended September 30, 2024 and 2023, income tax expense was \$7.2 million and \$10.2 million, respectively, and the effective tax rate was 27.7% and 29.2%, respectively.

Financial Condition

Investment Securities

The Company's investment strategy aims to maximize earnings while maintaining liquidity in securities with minimal credit risk. The types and maturities of securities purchased are primarily based on current and projected liquidity and interest rate sensitivity positions.

The following table presents the amortized cost and fair value of the investment securities portfolio as of the dates indicated:

(\$ in thousands)	September 30, 2024			December 31, 2023		
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Securities available-for-sale:						
U.S. government agency and U.S. government sponsored enterprise securities:						
Residential mortgage-backed securities	\$ 119,363	\$ 112,153	\$ (7,210)	\$ 114,485	\$ 104,091	\$ (10,394)
Residential collateralized mortgage obligations	23,459	22,386	(1,073)	25,611	24,173	(1,438)
SBA loan pool securities	6,688	6,431	(257)	7,773	7,450	(323)
Municipal bonds	2,450	2,473	23	3,306	3,329	23
Corporate bonds	5,000	4,192	(808)	5,000	4,280	(720)
Total securities available-for-sale	\$ 156,960	\$ 147,635	\$ (9,325)	\$ 156,175	\$ 143,323	\$ (12,852)

Total investment securities were \$147.6 million at September 30, 2024, an increase of \$4.3 million, or 3.0%, from \$143.3 million at December 31, 2023. The increase was primarily due to purchases of \$14.8 million and an increase in fair value of securities available-for-sale of \$3.5 million, partially offset by principal paydowns of \$13.9 million and net premium amortization of \$123 thousand.

As of September 30, 2024, 95.3%, at amortized cost basis, of the Company's securities available-for-sale were issued by U.S. government agency and U.S. government sponsored enterprise. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell these securities before their anticipated recovery, the Company determined that these securities with unrealized losses did not warrant an ACL.

Municipal and corporate bonds had an investment grade rating upon purchase. The issuers of these securities have not established any cause for default on these securities and various rating agencies have reaffirmed their long-term investment grade status as of September 30, 2024. These securities have fluctuated in value since their purchase dates as market interest rates fluctuated. Additionally, the Company continues to receive contractual principal and interest payments in a timely manner. The Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell before the recovery of its amortized cost basis. The Company determined that the investment securities with unrealized losses did not warrant an ACL as of September 30, 2024.

As of September 30, 2024, the Company recorded no ACL on securities available-for-sale.

The following table presents the contractual maturity schedule for securities, at amortized cost, and their weighted-average yields as of the date indicated:

(\$ in thousands)	September 30, 2024										
	Within One Year		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total		
	Amortized Cost	Weighted-Average Yield	Amortized Cost	Weighted-Average Yield	Amortized Cost	Weighted-Average Yield	Amortized Cost	Weighted-Average Yield	Amortized Cost	Weighted-Average Yield	
Securities available-for-sale:											
U.S. government agency and U.S. government sponsored enterprise securities:											
Residential mortgage-backed securities	\$ —	— %	\$ 1,278	1.66 %	\$ 5,125	2.01 %	\$ 112,960	3.37 %	\$ 119,363	3.29 %	
Residential collateralized mortgage obligations	—	— %	5,302	5.64 %	1,565	5.86 %	16,592	3.36 %	23,459	4.04 %	
SBA loan pool securities	163	2.58 %	1,481	5.31 %	1,857	2.38 %	3,187	4.22 %	6,688	3.91 %	
Municipal bonds	—	— %	82	3.00 %	1,097	3.50 %	1,271	3.57 %	2,450	3.52 %	
Corporate bonds	—	— %	—	— %	5,000	3.75 %	—	— %	5,000	3.75 %	
Total securities available-for-sale	\$ 163	2.58 %	\$ 8,143	4.93 %	\$ 14,644	3.18 %	\$ 134,010	3.39 %	\$ 156,960	3.45 %	

Weighted-average yields are based upon the amortized cost of securities and are calculated using the interest method which takes into consideration of premium amortization and discount accretion. Weighted-average yields on tax-exempt debt securities exclude the federal income tax benefit.

Loans Held-For-Sale

Loans held-for-sale are carried at the lower of cost or fair value. When a determination is made at the time of commitment to originate as held-for-investment, it is the Company's intent to hold these loans to maturity or for the foreseeable future, subject to periodic reviews under the Company's management evaluation processes, including asset/liability management and credit risk management. When the Company subsequently changes its intent to hold certain loans, the loans are transferred to held-for-sale at the lower of cost or fair value. Certain loans are transferred to held-for-sale with write-downs to allowance for credit losses on loans.

Loans held-for-sale were \$5.2 million at September 30, 2024, an increase of \$15 thousand, or 0.3%, from \$5.2 million at December 31, 2023. The increase was primarily due to new funding of \$48.3 million and a loan transferred from loan held-for-investment of \$676 thousand, partially offset by sales of \$47.2 million and pay-offs and pay-downs of \$1.8 million.

Loans Held-For-Investment and Allowance for Credit Losses

The following table presents the composition of the Company's loans held-for-investment as of the dates indicated:

(\$ in thousands)	September 30, 2024		December 31, 2023	
	Amount	Percentage to Total	Amount	Percentage to Total
Commercial real estate:				
Commercial property	\$ 874,824	35.5 %	\$ 855,270	36.8 %
Business property	579,461	23.5 %	558,772	24.0 %
Multifamily	185,485	7.5 %	132,500	5.7 %
Construction	21,150	0.9 %	24,843	1.1 %
Total commercial real estate	1,660,920	67.4 %	1,571,385	67.6 %
Commercial and industrial	407,024	16.5 %	342,002	14.7 %
Consumer:				
Residential mortgage	383,377	15.5 %	389,420	16.8 %
Other consumer	14,853	0.6 %	20,645	0.9 %
Total consumer	398,230	16.1 %	410,065	17.7 %
Loans held-for-investment	\$ 2,466,174	100.0 %	\$ 2,323,452	100.0 %
Allowance for credit losses on loans	(28,930)		(27,533)	
Net loans held-for-investment	\$ 2,437,244		\$ 2,295,919	
ACL on loans to loans held-for-investment		1.17 %		1.19 %

Loans held-for-investment were \$2.47 billion at September 30, 2024, an increase of \$142.7 million, or 6.1%, from \$2.32 billion at December 31, 2023. The increase was primarily due to new funding and advances of \$1.83 billion, partially offset by paydowns and payoffs of \$1.69 billion.

The following table presents activities in ACL for the periods indicated:

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
ACL on loans				
Balance at beginning of period	\$ 28,747	\$ 24,867	\$ 27,533	\$ 24,942
Impact of ASC 326 adoption	—	—	—	1,067
Charge-offs	(111)	(112)	(296)	(119)
Recoveries	101	22	249	1,147
Provision (reversal) for credit losses on loans	193	822	1,444	(1,438)
Balance at end of period	\$ 28,930	\$ 25,599	\$ 28,930	\$ 25,599
ACL on off-balance sheet credit exposures				
Balance at beginning of period	\$ 1,375	\$ 1,585	\$ 1,277	\$ 299
Impact of ASC 326 adoption	—	—	—	1,607
Provision (reversal) for credit losses on off-balance sheet credit exposure	(143)	(71)	(45)	(392)
Balance at end of period	\$ 1,232	\$ 1,514	\$ 1,232	\$ 1,514

The increase in ACL for the three months ended September 30, 2024 was primarily due to increases in loans held-for-investment and quantitatively measured loss reserve requirement, partially offset by a decrease in reserve related to qualitative adjustment factors. The increase in the quantitatively measured loss reserve requirement was primarily due to the increased unemployment rate forecasts by the Federal Open Market Committee ("FOMC"). The projected 2024 and 2025 year-end national unemployment rate increased to 4.4% and 4.4%, respectively, in the September 2024 meeting from 4.0% and 4.2%, respectively, in the June 2024 meetings, which resulted an increase in probability of default ("PD") rates for the 4-quarter projected period. The projected 2024 year-end year-over-year change in real GDP decreased to 2.0% in the September 2024 meeting from 2.1% in the June 2024 meetings. The projected 2025 year-end year-over-year change in real GDP was maintained at 2.0% at both meetings. Management believes that the projections used are reasonable and aligns with the Company's expectation of the economic environment over the next 4 quarters.

The following tables present net charge-offs (recoveries) as a percentage to the average loan held-for-investment balances in each of the loan segments for the periods indicated:

(\$ in thousands)	Three Months Ended September 30,					
	2024			2023		
	Average Balance	Net Charge-Offs (Recoveries)	Percentage	Average Balance	Net Charge-Offs (Recoveries)	Percentage
Commercial real estate:						
Commercial property	\$ 840,158	\$ —	— %	\$ 797,244	\$ —	— %
Business property	600,435	103	0.07 %	538,583	(2)	0.01 %
Multifamily	129,307	—	— %	129,193	—	— %
Construction	30,528	—	— %	17,993	—	— %
Total commercial real estate	1,600,428	103	0.03 %	1,483,013	(2)	0.01 %
Commercial and industrial	401,268	(8)	(0.01) %	256,553	37	0.06 %
Consumer:			—			
Residential mortgage	386,490	—	— %	359,156	—	— %
Other consumer	19,000	(85)	(1.79) %	21,676	55	1.01 %
Total consumer	405,490	(85)	(0.08) %	380,832	55	0.06 %
Total	\$ 2,407,186	\$ 10	0.01 %	\$ 2,120,398	\$ 90	0.01 %
Nine Months Ended September 30,						
(\$ in thousands)	2024			2023		
	Average Balance	Net Charge-Offs (Recoveries)	Percentage	Average Balance	Net Charge-Offs (Recoveries)	Percentage
Commercial real estate:						
Commercial property	\$ 854,822	\$ —	— %	\$ 782,089	\$ —	— %
Business property	584,282	101	0.02 %	530,820	(4)	(0.01) %
Multifamily	146,934	—	— %	125,909	—	— %
Construction	27,756	—	— %	17,428	—	— %
Total commercial real estate	1,613,794	101	0.01 %	1,456,246	(4)	(0.01) %
Commercial and industrial	386,714	68	0.02 %	252,795	(1,055)	(0.56) %
Consumer:			—			
Residential mortgage	386,845	—	— %	351,988	—	— %
Other consumer	18,334	(122)	(0.89) %	22,154	31	0.19 %
Total consumer	405,179	(122)	(0.04) %	374,142	31	0.01 %
Total	\$ 2,405,687	\$ 47	0.01 %	\$ 2,083,183	\$ (1,028)	(0.07) %

Nonperforming Loans and Nonperforming Assets

The following table presents a summary of total non-performing assets as of the dates indicated:

(\$ in thousands)	September 30, 2024	December 31, 2023	Amount Change	Percentage Change
Nonaccrual loans held-for-investment				
Commercial real estate:				
Commercial property	\$ 1,633	\$ 958	\$ 675	70.5 %
Business property	2,367	2,865	(498)	(17.4) %
Multifamily	2,038	—	2,038	NM
Total commercial real estate	6,038	3,823	2,215	57.9 %
Commercial and industrial	124	68	56	82.4 %
Consumer:				
Residential mortgage	414	—	414	NM
Other consumer	38	25	13	52.0 %
Total consumer	452	25	427	1,708.0 %
Total nonaccrual loans	6,614	3,916	2,698	68.9 %
Loans past due 90 days or more still on accrual	—	—	—	— %
Nonperforming loans	6,614	3,916	2,698	68.9 %
Nonperforming loans held-for-sale	—	—	—	— %
Total nonperforming loans	6,614	3,916	2,698	68.9 %
Other real estate owned	466	2,558	(2,092)	(81.8) %
Nonperforming assets	\$ 7,080	\$ 6,474	\$ 606	9.4 %
Nonaccrual loans to loans held-for-investment	0.27 %	0.17 %		
Nonperforming assets to total assets	0.24 %	0.23 %		
ACL on loans to nonaccrual loans	437.41 %	703.09 %		

The increase in nonaccrual loans held-for-investment was primarily due to loans placed on nonaccrual status of \$6.6 million, partially offset by paydowns and payoffs of \$1.6 million, loans returned to accrual status of \$2.0 million, charge-offs of \$126 thousand, and a loan transferred to OREO of \$94 thousand during the nine months ended September 30, 2024.

Loans are generally placed on nonaccrual status when they become 90 days past due, unless management believes the loan is well secured and in the process of collection. In all cases, loans are placed on nonaccrual if collection of principal or interest is considered doubtful. Past due loans may or may not be adequately collateralized, but collection efforts are continuously pursued. Loans may be restructured by management when a borrower experiences changes to their financial condition, causing an inability to meet the original repayment terms, and where management believes the borrower will eventually overcome those circumstances and repay the loan in full. Additional income of approximately \$171 thousand and \$432 thousand would have been recorded during the three and nine months ended September 30, 2024, respectively, had these loans been paid in accordance with their original terms throughout the periods indicated.

Deposits

The Bank gathers deposits primarily through its branch locations. The Bank offers a variety of deposit products including demand deposits accounts, NOW and money market accounts, savings accounts and time deposits. The following table presents a summary of the Company's deposits as of the dates indicated:

(\$ in thousands)	September 30,		December 31,		Amount Change	Percentage Change
	2024	2023				
Noninterest-bearing demand deposits	\$ 540,068	\$ 594,673	\$ (54,605)	(9.2) %		
Interest-bearing deposits:						
Savings	5,718	6,846	(1,128)	(16.5) %		
NOW	15,873	16,825	(952)	(5.7) %		
Retail money market accounts	470,347	397,531	72,816	18.3 %		
Brokered money market accounts	1	1	—	— %		
Retail time deposits of:						
\$250,000 or less	492,430	456,293	36,137	7.9 %		
More than \$250,000	580,166	515,702	64,464	12.5 %		
Brokered time deposits	295,079	303,741	(8,662)	(2.9) %		
Time deposits from California State Treasurer	60,000	60,000	—	— %		
Total interest-bearing deposits	1,919,614	1,756,939	162,675	9.3 %		
Total deposits	\$ 2,459,682	\$ 2,351,612	\$ 108,070	4.6 %		
Estimated total deposits not covered by deposit insurance	\$ 1,042,366	\$ 954,591	87,775	9.2 %		
Estimated time deposits not covered by deposit insurance	\$ 444,683	\$ 408,637	36,046	8.8 %		

The decrease in noninterest-bearing demand deposits was primarily due to strong deposit market competition and the migration of noninterest-bearing demand deposits to interest-bearing deposits. To retain existing and attract new customers, the Bank offers competitive rates on deposit products.

The increase in retail time deposits was primarily due to new accounts of \$272.7 million and renewals of the matured accounts of \$560.4 million, partially offset by matured and closed accounts of \$760.8 million.

As of September 30, 2024 and December 31, 2023, total deposits were comprised of 22.0% and 25.3%, respectively, of noninterest-bearing demand accounts, 20.0% and 17.9%, respectively, of savings, NOW and money market accounts, and 58.0% and 56.8%, respectively, of time deposits.

Deposits from certain officers, directors and their related interests with which they are associated held by the Company were \$3.3 million and \$3.7 million, respectively, at September 30, 2024 and December 31, 2023.

The following table presents the maturity of time deposits as of the dates indicated:

(\$ in thousands)	Three Months or	Three to Six	Six Months to	Total
	Less	Months	One Year	
September 30, 2024				
Time deposits of \$250,000 or less	\$ 311,432	\$ 307,473	\$ 166,065	\$ 787,509
Time deposits of more than \$250,000	278,950	214,268	143,774	640,166
Total	\$ 590,382	\$ 521,741	\$ 309,839	\$ 1,427,675
Not covered by deposit insurance	\$ 205,831	\$ 138,864	\$ 97,729	\$ 444,683
December 31, 2023				
Time deposits of \$250,000 or less	\$ 316,356	\$ 165,091	\$ 276,145	\$ 760,034
Time deposits of more than \$250,000	207,539	140,583	224,557	575,702
Total	\$ 523,895	\$ 305,674	\$ 500,702	\$ 1,335,736
Not covered by deposit insurance	\$ 147,680	\$ 107,482	\$ 151,070	\$ 408,637

Shareholders' Equity and Regulatory Capital

Capital Resources

Shareholders' equity is influenced primarily by earnings, dividends paid on common stock and preferred stock, sales and redemptions of common stock and preferred stock, and changes in accumulated other comprehensive income caused primarily by fluctuations in unrealized gains or losses, net of taxes, on securities available-for-sale.

Shareholders' equity was \$362.3 million at September 30, 2024, an increase of \$13.4 million, or 3.8%, from \$348.9 million at December 31, 2023. The increase was primarily due to net income of \$18.8 million and a decrease in accumulated other comprehensive loss of \$2.5 million, partially offset by dividends declared on common stock of \$7.7 million, repurchases of common stock of \$222 thousand and preferred stock dividends of \$488 thousand.

Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the federal and state banking regulators. The Company is not currently subject to separate minimum capital requirements under the Federal Reserve's "Small Bank Holding Company" policy. At such time as the Company reaches the \$3 billion asset level, it will be subject to consolidated capital requirements independent of the Bank.

Failure to meet regulatory capital requirements may result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for the prompt corrective action ("PCA"), the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting policies. In addition to these uniform risk-based capital guidelines and leverage ratios that apply across the industry, the regulators have the discretion to set individual minimum capital requirements for specific institutions at rates significantly above the minimum guidelines and ratios.

The following table presents a summary of the capital requirements applicable to the Bank in order to be considered "well-capitalized" from a regulatory perspective, as well as the Bank's capital ratios as of the dates indicated. For comparison purpose, the Company's ratios are included as well, all of which would have exceeded the "well-capitalized" level under PCA had the Company been subject to separate capital minimums.

	PCB Bancorp	PCB Bank	Minimum Regulatory Requirements	Well Capitalized Requirements (Bank)	
September 30, 2024					
Common tier 1 capital (to risk-weighted assets)	11.92 %	14.33 %	4.5 %	6.5	%
Total capital (to risk-weighted assets)	15.88 %	15.54 %	8.0 %	10.0	%
Tier 1 capital (to risk-weighted assets)	14.68 %	14.33 %	6.0 %	8.0	%
Tier 1 capital (to average assets)	12.79 %	12.49 %	4.0 %	5.0	%
December 31, 2023					
Common tier 1 capital (to risk-weighted assets)	12.23 %	14.85 %	4.5 %	6.5	%
Total capital (to risk-weighted assets)	16.39 %	16.07 %	8.0 %	10.0	%
Tier 1 capital (to risk-weighted assets)	15.16 %	14.85 %	6.0 %	8.0	%
Tier 1 capital (to average assets)	13.43 %	13.16 %	4.0 %	5.0	%

To avoid restrictions on dividends, share repurchases and discretionary compensation payments to executives, the federal banking agencies require a banking organization to maintain a capital conservation buffer of 2.50% in common tier 1 capital, in addition to the minimum capital ratios necessary to minimum regulatory requirements. The capital conservation buffer increases the minimum common equity Tier 1 capital ratio to 7%, the minimum Tier 1 capital (to risk-weighted assets) ratio to 8.5% and the minimum total capital ratio (to risk-weighted assets) to 10.5% for banking organizations seeking to avoid the limitations on dividends, share repurchases and discretionary compensation payments to executives. The Company's and the Bank's capital conservation buffer were 7.42% and 7.54%, respectively, as of September 30, 2024, and 7.73% and 8.07%, respectively, as of December 31, 2023.

Emergency Capital Investment Program

On May 24, 2022, the Company issued 69,141 shares of Series C Preferred Stock for the capital investment of \$69.1 million from the U.S. Treasury under the ECIP. The ECIP investment qualifies as tier 1 capital for purposes of the bank regulatory capital requirements.

The Series C Preferred Stock accrued no dividend for the first 24 months following the investment date. Beginning on May 24, 2024, holders of the Series C Preferred Stock are entitled to quarterly non-cumulative cash dividends as declared by the Company's Board of Directors. The Series C Preferred Stock dividend rate adjusts annually based on the lending growth criteria listed in the terms of the ECIP investment with the annual dividend rate up to 2%. After the tenth anniversary of the investment date, the dividend rate will be fixed based on average annual amount of lending in years 2 through 10. Dividends will be payable quarterly in arrears on March 15, June 15, September 15, and December 15. The terms of the Series C Preferred Stock prohibit the Company from paying dividends on or repurchasing shares of its common stock unless it has paid or contemporaneously pays the full Series C Preferred Stock dividend with respect to the preceding quarterly dividend period.

The Series C Preferred Stock may be redeemed at the option of the Company on or after the fifth anniversary of issuance (or earlier in the event of loss of regulatory capital treatment), subject to the approval of the appropriate federal banking regulator and in accordance with the federal banking agencies' regulatory capital regulations.

Established by the Consolidated Appropriations Act of 2021, the ECIP was created to encourage low- and moderate-income community financial institutions and minority depository institutions to provide loans, grants, and forbearance for small businesses, minority-owned businesses, and consumers, especially low-income and underserved communities, including persistent poverty counties, that may be disproportionately impacted by the economic effect of the COVID-19 pandemic by providing direct and indirect capital investments in low- and moderate-income community financial institutions.

The Company began paying quarterly dividends on the Series C Preferred Stock at 2% beginning in the three months ended June 30, 2024. Dividends on the Series C Preferred Stock totaled \$346 thousand and \$488 thousand for the three and nine months ended September 30, 2024, respectively.

Stock Repurchases

During the year ended December 31, 2023, the Company repurchased and retired 512,657 shares of common stock at a weighted-average price of \$17.22 per share under a stock repurchase program approved by the Board of Directors on August 2, 2023 and a legacy stock repurchase program approved on July 28, 2022.

During the nine months ended September 30, 2024, the Company repurchased and retired 14,947 shares of common stock at a weighted-average price of \$14.88 per share. On July 25, 2024, the Company announced the amendment of the 2023 stock repurchase program, which extended the program expiration from August 2, 2024 to August 1, 2025. As of September 30, 2024, the Company was authorized to purchase 577,777 additional shares under the 2023 stock repurchase program.

Liquidity

Liquidity refers to the measure of ability to meet the cash flow requirements of depositors and borrowers, while at the same time meeting operating cash flow and capital and strategic cash flow needs, all at a reasonable cost. The Company continuously monitors its liquidity position to ensure that assets and liabilities are managed in a manner that will meet all short-term and long-term cash requirements, while maintaining an appropriate balance between assets and liabilities to meet the return on investment objectives of the Company's shareholders.

The Company's liquidity position is supported by management of liquid assets and liabilities and access to alternative sources of funds. Liquid assets include cash, interest-bearing deposits in financial institutions, federal funds sold, and unpledged securities available-for-sale. Liquid liabilities may include core deposits, federal funds purchased, securities sold under repurchase agreements and other borrowings. Other sources of liquidity include the sale of loans, the ability to acquire additional national market non-core deposits, additional collateralized borrowings such as FHLB advances and Federal Reserve Discount Window, and the issuance of debt securities and preferred or common securities.

The Company's short-term and long-term liquidity requirements are primarily to fund on-going operations, including payment of interest on deposits and debt, extensions of credit to borrowers, capital expenditures and shareholder dividends. These liquidity requirements are met primarily through cash flow from operations, redeployment of prepaying and maturing balances in loan and investment securities portfolios, increases in debt financing and other borrowings, and increases in customer deposits.

Integral to the Company's liquidity management is the administration of borrowings. To the extent the Company is unable to obtain sufficient liquidity through core deposits, the Company seeks to meet its liquidity needs through wholesale funding or other borrowings on either a short or long-term basis.

The following table presents a summary of the Company's liquidity position as of the dates indicated:

(\$ in thousands)	September 30, 2024	December 31, 2023	Amount Change	Percentage Change
Cash and cash equivalents	\$ 193,064	\$ 242,342	\$ (49,278)	(20.3) %
Cash and cash equivalents to total assets	6.7 %	8.7 %		
Available borrowing capacity:				
FHLB advances	\$ 702,986	\$ 602,976	\$ 100,010	16.6 %
Federal Reserve Discount Window	578,713	528,893	49,820	9.4 %
Overnight federal funds lines	65,000	65,000	—	— %
Total	\$ 1,346,699	\$ 1,196,869	\$ 149,830	12.5 %
Total available borrowing capacity to total assets	46.6 %	42.9 %		

The Company also maintains relationships in the capital markets with brokers and dealers to issue time deposits and money market accounts.

PCB Bancorp, on a stand-alone holding company basis, must provide for its own liquidity and its main source of funding is dividends from the Bank. There are statutory, regulatory and debt covenant limitations that affect the ability of the Bank to pay dividends to the holding company. Management believes that these limitations will not impact the Company's ability to meet its ongoing short- and long-term cash obligations.

Off-Balance Credit Exposures and Contractual Obligations

Off-Balance Sheet Credit Exposures

The Company has limited off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on financial condition, results of operations, liquidity, capital expenditures or capital resources.

In the ordinary course of business, the Company enters into financial commitments to meet the financing needs of its customers. These financial commitments include commitments to extend credit, unused lines of credit, commercial and similar letters of credit and standby letters of credit. Those instruments involve to varying degrees, elements of credit and interest rate risk not recognized in the Company's financial statements.

The Company's exposure to loan loss in the event of nonperformance on these financial commitments is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for loans reflected in the consolidated financial statements.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total amounts do not necessarily represent future cash requirements. The Company evaluates each client's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary is based on management's credit evaluation of the customer. The following table presents outstanding financial commitments whose contractual amount represents credit risk as of the dates indicated:

(\$ in thousands)	September 30, 2024		December 31, 2023	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Unused lines of credit	\$ 11,828	\$ 381,302	\$ 2,808	\$ 347,652
Unfunded loan commitments	5,590	34,839	4,020	47,038
Standby letters of credit	5,158	1,516	4,638	1,786
Commercial letters of credit	—	—	—	160
Total	\$ 22,576	\$ 417,657	\$ 11,466	\$ 396,636

Contractual Obligations

The following table presents supplemental information regarding total contractual obligations as of the dates indicated:

(\$ in thousands)	One to Three Years		Three to Five Years		Total
	Within One Year	Years	Years	Over Five Years	
September 30, 2024					
Time deposits	\$ 1,421,962	\$ 5,489	\$ 224	—	\$ 1,427,675
Operating leases	3,434	5,892	4,971	9,699	23,996
Total	\$ 1,425,396	\$ 11,381	\$ 5,195	\$ 9,699	\$ 1,451,671
December 31, 2023					
Time deposits	\$ 1,330,271	\$ 5,279	\$ 186	—	\$ 1,335,736
FHLB advances	39,000	—	—	—	39,000
Operating leases	3,385	6,233	4,959	10,695	25,272
Total	\$ 1,372,656	\$ 11,512	\$ 5,145	\$ 10,695	\$ 1,400,008

Management believes that the Company will be able to meet its contractual obligations as they come due through the maintenance of adequate cash levels. Management expects to maintain adequate cash levels through profitability, loan and securities repayment and maturity activity and continued deposit gathering activities. The Company has in place various borrowing mechanisms for both short-term and long-term liquidity needs.

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss due to changes in market values of assets and liabilities. Market risk occurs in the normal course of business through exposures to market interest rates, equity prices, and credit spreads.

Overview

Interest rate risk is the risk to earnings and value arising from changes in market interest rates. Interest rate risk arises from timing differences in the repricings and maturities of interest-earning assets and interest-bearing liabilities (repricing risk), changes in the expected maturities of assets and liabilities arising from embedded options, such as borrowers' ability to prepay residential mortgage loans at any time and depositors' ability to redeem certificates of deposit before maturity (option risk), changes in the shape of the yield curve where interest rates increase or decrease in a nonparallel fashion (yield curve risk), and changes in spread relationships between different yield curves, such as U.S. Treasuries and Secured Overnight Financing Rate ("SOFR") (basis risk).

The Company's Board Asset Liability Committee ("ALCO") establishes broad policy limits with respect to interest rate risk. Board ALCO establishes specific operating guidelines within the parameters of the Board of Directors' policies. In general, the Company seeks to minimize the impact of changing interest rates on net interest income and the economic values of assets and liabilities. Board ALCO meets quarterly to monitor the level of interest rate risk sensitivity to ensure compliance with the Board of Directors' approved risk limits. The Company also has a Management ALCO, which is comprised of the senior management team and the Chief Executive Officer, to proactively monitor interest rate risk.

Interest rate risk management is an active process that encompasses monitoring loan and deposit flows complemented by investment and funding activities. Effective management of interest rate risk begins with understanding the dynamic characteristics of assets and liabilities and determining the appropriate interest rate risk posture given business forecasts, management objectives, market expectations, and policy constraints.

An asset sensitive position refers to a balance sheet position in which an increase in short-term interest rates is expected to generate higher net interest income, as rates earned on interest-earning assets would reprice upward more quickly than rates paid on interest-bearing liabilities, thus expanding net interest margin. Conversely, a liability sensitive position refers to a balance sheet position in which an increase in short-term interest rates is expected to generate lower net interest income, as rates paid on interest-bearing liabilities would reprice upward more quickly than rates earned on interest-earning assets, thus compressing net interest margin.

Measurement

Interest rate risk exposure is measured and monitored through various risk management tools, which include a simulation model that performs interest rate sensitivity analyses under multiple interest rate scenarios. Interest rate risk measurement is calculated and reported to the Board ALCO at least quarterly. The information reported includes period-end results and identifies any policy limits exceeded, along with an assessment of the policy limit breach and the action plan and timeline for resolution, mitigation, or assumption of the risk.

The Company uses two approaches to model interest rate risk: Net Interest Income at Risk ("NII at Risk"), and Economic Value of Equity ("EVE"). Under NII at Risk, net interest income is modeled utilizing various assumptions for assets, liabilities, and derivatives. The Company uses a static balance sheet to perform these analyses. EVE measures the period end market value of assets minus the market value of liabilities and the change in this value as rates change. EVE simulation reflects the effect of interest rate shifts on the value of the Company. In contrast to NII simulation, EVE simulation identifies risks arising from repricing or maturity gaps over the life of the balance sheet. The EVE approach provides a comparatively broader scope than the NII at Risk approach since it captures all anticipated cash flows.

Simulation results are highly dependent on input assumptions. To the extent the actual behavior is different from the assumption used in the models, there could be material changes in results. The assumptions applied in the model are documented, supported, and periodically back-tested to assess the reasonableness and effectiveness. The Company makes appropriate changes to the model as needed and these changes are reviewed by Board and Management ALCOs. The Company also continuously validates the model, methodology and results. Scenario results do not reflect strategies that the management could employ to limit the impact of changing interest rate expectations.

As part of the Company's continuous evaluation and periodic enhancements to its NII and EVE calculations. The model incorporates deposit repricing assumptions impacting both consumer and wholesale deposits, deposit behavior assumption related to its non-maturity deposits, and prepayment assumptions related to its loan portfolio. The model modifications incorporated observed pricing and customer behavior in both rising and falling interest rate environments. The model is updated annually and was last evaluated during the three months ended September 30, 2024.

The following table presents the projected changes in NII at Risk and EVE that would occur upon an immediate change in interest rates based on independent analysis as of the dates indicated, but without giving effect to any steps that management might take to counteract changes:

Simulated Rate Changes	September 30, 2024		December 31, 2023	
	Net Interest Income Sensitivity	Economic Value of Equity Sensitivity	Net Interest Income Sensitivity	Economic Value of Equity Sensitivity
+200	5.7 %	(3.0) %	7.0 %	(6.8) %
+100	2.9 %	(1.2) %	3.6 %	(3.1) %
-100	(4.3) %	(1.4) %	(4.3) %	1.8 %
-200	(9.2) %	(5.5) %	(9.4) %	— %

On September 18, 2024, the FOMC lowered the upper range of the Fed Funds Target Rate from 5.5% to 5.0%. In the accompanying statement, they added, "The Committee has gained greater confidence that inflation is moving sustainably toward 2%, and judges that the risks to achieving its employment and inflation goals are roughly in balance." The Committee added that they remain attentive to the risks to both sides of its dual mandate, and will carefully assess incoming data, the evolving outlook and balance of risks.

As of September 30, 2024, the Company's net interest income sensitivity results exhibit an asset sensitive profile. Net interest income is expected to increase when interest rates rise, as the Company has a large proportion of variable rate loans in its loan portfolio, primarily linked to Prime Rate indices, that are sensitive to changes in short-term interest rates. The Company's deposit portfolio is also sensitive to changes in short-term interest rates, even though a large portion of its deposit mix is composed of non-maturity deposits that are not directly tied to short-term interest rate indices. The modeled results are highly sensitive to reinvestment yield and deposit beta assumptions. Actual results in net interest income during a period of rising interest rates may vary from the Company's net interest income sensitivity results, as the actual result reflects earnings asset growth and deposit mix changes based on customer preferences relative to the interest rate environment.

The Company's EVE sensitivity reflects a slight liability sensitive profile due to the continuing deposit mix shift from non-maturity deposits to time deposits. The model result is highly sensitive to deposit behaviors as well as loan prepayment assumptions. Due to the uncertainty of the current economic forecast, and timing and direction of future interest rate movements, actual result may vary from the Company's EVE sensitivity results.

Item 4 - Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Act"), as of September 30, 2024 was carried out under the supervision and with the participation of the Company's Chief Executive Officer, Chief Financial Officer and other members of the Company's senior management. The Company's Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2024, the Company's disclosure controls and procedures were effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the Act is: (i) accumulated and communicated to the Company's management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure; and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control 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 three months ended September 30, 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

In the normal course of business, the Company is involved in various legal claims. Management has reviewed all legal claims against the Company with counsel and have taken into consideration the views of such counsel as to the potential outcome of the claims in determining the accrued loss contingency. The Company did not have any accrued loss contingencies for legal claims at September 30, 2024. It is reasonably possible the Company may incur losses in addition to the amounts currently accrued. However, at this time, the Company is unable to estimate the range of additional losses that are reasonably possible because of a number of factors, including the fact that certain of these litigation matters are still in their early stages and involve claims for which, at this point, the Company believes have little to no merit. Management has considered these and other possible loss contingencies and does not expect the amounts to be material to the consolidated financial statements.

Network and Data Incident

On August 30, 2021, the Bank identified unusual activity on its network. The Bank responded promptly to disable the activity, investigate its source and monitor the Bank's network. The Bank subsequently became aware of claims that it had been the target of a ransomware attack. On September 7, 2021, the Bank determined that an external actor had illegally accessed and/or acquired certain data on its network. The Bank worked with third-party forensic investigators to understand the nature and scope of the incident and determine what information may have been accessed and/or acquired and who may have been impacted. The investigation revealed that this incident impacted certain files containing certain Bank customer information. Some of these files contained documents related to loan applications, such as tax returns, Form W-2 information of their employees, and payroll records. The Bank has notified all individuals identified as impacted, consistent with applicable laws. All impacted individuals were offered free Equifax Complete Premier credit monitoring and identify theft protection services. The Bank has notified law enforcement and appropriate authorities of the incident.

On December 16, 2021, Plaintiff Min Woo Bae, individually and on behalf of all others similarly situated, filed in the Los Angeles County Superior Court a complaint based on the incident for damages, injunctive relief, and equitable relief, styled *Min Woo Bae v. Pacific City Bank*, Case Number 21STCV45922 ("the Matter"). During the three months ended September 30, 2023, the Bank agreed to settle this matter in exchange for \$700 thousand to the putative class members, including costs of settlement administration, and attorneys' fees and costs. The Bank received preliminary court approval of the settlement and notice was provided to members of the proposed class during the three months ended September 30, 2023. The court issued an order granting final approval on June 20, 2024.

The Company expects that the full amount of the final settlement will be covered under the Company's applicable insurance policies.

Item 1A - Risk Factors

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

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

There were no unregistered sales of equity securities during the three months ended September 30, 2024.

The following table presents share repurchase activities during the periods indicated:

(\$ in thousands, except per share data)	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Number of Shares That May Yet Be Purchased Under the Program
From July 1, 2024 to July 31, 2024	—	\$ —	—	577,777
From August 1, 2024 to August 31, 2024	—	—	—	577,777
From September 1, 2024 to September 30, 2024	—	—	—	577,777
Total	—	\$ —	—	577,777

During the year ended December 31, 2023, the Company repurchased and retired 512,657 shares of common stock at a weighted-average price of \$17.22 per share under a stock repurchase program approved by the Board of Directors on August 2, 2023 and a legacy stock repurchase program approved on July 28, 2022.

During the nine months ended September 30, 2024, the Company repurchased and retired 14,947 shares of common stock at a weighted-average price of \$14.88 per share.

Item 3 - Defaults Upon Senior Securities

None.

Item 4 - Mine Safety Disclosures

Not applicable.

Item 5 - Other Information

During the three months ended September 30, 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 Number	Description	Form	File No.	Exhibit	Filing Date
3.1	Articles of Incorporation of PCB Bancorp, as amended	10-Q	001-38621	3.1	August 8, 2019
3.2	Bylaws of PCB Bancorp	8-K	001-38621	3.1	May 23, 2024
3.3	Certificate of Determination for Senior Non-Cumulative Perpetual Preferred Stock, Series C	8-K	001-38621	3.1	May 24, 2022
4.1	Specimen common stock certificate of PCB Bancorp	10-Q	001-38621	4.1	August 8, 2019
4.2	Description of Capital Stock	10-Q	001-38621	4.2	August 4, 2022
4.3	Form of Certificate for Senior Non-Cumulative Perpetual Preferred Stock, Series C	8-K	001-38621	4.1	May 24, 2022
10.1	Employment Agreement, dated January 1, 2018, between Pacific City Financial Corporation and Henry Kim	S-1	333-226208	10.1	July 17, 2018
10.1A	First Amendment to Employment Agreement, dated August 26, 2021, among PCB Bancorp, Pacific City Bank and Henry Kim	10-Q	001-38621	10.1A	November 8, 2021
10.1B	Second Amendment to Employee Agreement, dated December 28, 2021, among PCB Bancorp, Pacific City Bank and Henry Kim	10-K	001-38621	10.1B	March 4, 2022
10.2	2023 Equity Based Compensation Plan	S-8	333-272874	4.1	June 23, 2023
10.3	Form of Stock Option Award Agreement under 2023 Equity Based Compensation Plan	8-K	001-38621	10.1	July 27, 2023
10.4	Form of Restricted Stock Award Agreement under 2023 Equity Based Compensation Plan	8-K	001-38621	10.2	July 27, 2023
10.5	2013 Equity Based Compensation Plan, as amended	S-1	333-226208	10.2	July 17, 2018
10.6	Form of Stock Option Award Agreement under 2013 Equity Based Compensation Plan	S-1	333-226208	10.3	July 17, 2018
10.7	Form of Restricted Stock Award Agreement under 2013 Equity Based Compensation Plan	S-1	333-226208	10.4	July 17, 2018
10.8	Letter Agreement, dated May 24, 2022, between PCB Bancorp and the U.S. Department of Treasury, with respect to the issuance of Senior Non-Cumulative Perpetual Preferred Stock, Series C	8-K	001-38621	10.1	May 24, 2022
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*				
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*				
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**				
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**				
97	PCB Bancorp Compensation Clawback Policy dated March 11, 2024	10-K	001-38621	3.2	March 12, 2024
101.INS	The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				
101.SCH	Inline XBRL Taxonomy Extension Schema Document*				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*				
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)*				

* Filed herewith

** Furnished herewith

Signatures

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

PCB Bancorp

Date: November 7, 2024

/s/ Henry Kim

Henry Kim

President and Chief Executive Officer
(*Principal Executive Officer*)

Date: November 7, 2024

/s/ Timothy Chang

Timothy Chang

Executive Vice President and Chief Financial Officer
(*Principal Financial and Accounting Officer*)

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

I, Henry Kim, certify that:

1. I have reviewed this periodic report on Form 10-Q of PCB Bancorp;
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 statement 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: November 7, 2024

/s/ Henry Kim

Henry Kim

President and Chief Executive Officer

(Principal Executive Officer)

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

I, Timothy Chang, certify that:

1. I have reviewed this periodic report on Form 10-Q of PCB Bancorp;
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 statement 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: November 7, 2024

/s/ Timothy Chang

Timothy Chang

Executive Vice President and Chief Financial Officer
(*Principal Financial and Accounting Officer*)

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

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

- (1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: November 7, 2024

/s/ Henry Kim

Henry Kim

President and Chief Executive Officer
(*Principal Executive Officer*)

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

In connection with the periodic report of PCB Bancorp (the "Company") on Form 10-Q for the period ended September 30, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Timothy Chang, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: November 7, 2024

/s/ Timothy Chang

Timothy Chang

Executive Vice President and Chief Financial Officer
(*Principal Financial and Accounting Officer*)