REFINITIV

DELTA REPORT

10-Q

HMST - HOMESTREET, INC.

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	663
CHANGES	202
DELETIONS	193
ADDITIONS	268

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: March 31, 2024 June 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: 001-35424

HOMESTREET, INC.

(Exact Name of Registrant as Specified in its Charter)

91-0186600

Washington	**91-0186600**
(State of Incorporation)	(I.R.S. Employer Identification Number)
601 Union Street, Suite 2000	
Seattle, Washington 98101	98101
(Address of principal executive offices)	(Zip Code)

(206) 623-3050

(Registrant's Telephone Number, Including Area Code)

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	HMST	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 (§ 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 ☒

The number of outstanding shares of the registrant's common stock as of May 2, 2024 August 2, 2024 was 18,857,566. 18,857,565.

PART I – FINANCIAL INFORMATION

Unless we state otherwise or the content otherwise requires, references in this Form 10-Q to "HomeStreet," "we," "our," "us" or the "Company" refer collectively to HomeStreet, Inc., a Washington corporation, HomeStreet Bank ("Bank") and other direct and indirect subsidiaries of HomeStreet, Inc.

PART I

ITEM 1 FINANCIAL STATEMENTS

HOMESTREET, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2024	
	March 31, 2024	
	March 31, 2024	December 31, 2023
	June 30, 2024	
	June 30, 2024	
	June 30, 2024	December 31, 2023
(in thousands, except share data)		
ASSETS		
ASSETS		
ASSETS		
Cash and cash equivalents		
Cash and cash equivalents		
Cash and cash equivalents		
Investment securities		

Loans held for sale ("LHFS")

Loans held for investment ("LHFI") (net of allowance for credit losses of $39,677 and $40,500)

Loans held for investment ("LHFI") (net of allowance for credit losses of $39,741 and $40,500)

Mortgage servicing rights ("MSRs")

Premises and equipment, net

Other real estate owned ("OREO")

Intangible assets

Other assets

Total assets

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

Liabilities:

Liabilities:

Deposits

Deposits

Deposits

Borrowings

Long-term debt

Accounts payable and other liabilities

Total liabilities

Commitments and contingencies

Commitments and contingencies

Commitments and contingencies

Shareholders' equity:

Common stock, no par value, authorized 160,000,000 shares; issued and outstanding, 18,857,566 shares and 18,810,055 shares

Common stock, no par value, authorized 160,000,000 shares; issued and outstanding, 18,857,566 shares and 18,810,055 shares

Common stock, no par value, authorized 160,000,000 shares; issued and outstanding, 18,857,566 shares and 18,810,055 shares

Common stock, no par value, authorized 160,000,000 shares; issued and outstanding, 18,857,565 shares and 18,810,055 shares

Common stock, no par value, authorized 160,000,000 shares; issued and outstanding, 18,857,565 shares and 18,810,055 shares

Common stock, no par value, authorized 160,000,000 shares; issued and outstanding, 18,857,565 shares and 18,810,055 shares

Retained earnings

Accumulated other comprehensive income (loss)

Total shareholders' equity

Total liabilities and shareholders' equity

See accompanying notes to consolidated financial statements

HOMESTREET, INC. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

(Unaudited)

(in thousands, except share and per share data)	(in thousands, except share and per share data)	Quarter Ended June 30,		Six Months Ended June 30,	
		2024	2023	2024	2023
(in thousands, except share and per share data)					
(in thousands, except share and per share data)					
Interest income:					
Interest income:					
Interest income:					
Loans					
Loans					
Loans					
Investment securities					
Investment securities					

Investment securities
Cash, Fed Funds and other
Cash, Fed Funds and other
Cash, Fed Funds and other
Total interest income
Total interest income
Total interest income
Interest expense:
Interest expense:
Interest expense:
Deposits
Deposits
Deposits
Borrowings
Borrowings
Borrowings
Total interest expense
Total interest expense
Total interest expense
Net interest income
Net interest income
Net interest income
Provision for credit losses
Provision for credit losses
Provision for credit losses
Net interest income after provision for credit losses
Net interest income after provision for credit losses
Net interest income after provision for credit losses
Noninterest income:
Noninterest income:
Noninterest income:
Net gain on loan origination and sale activities
Net gain on loan origination and sale activities
Net gain on loan origination and sale activities
Loan servicing income
Loan servicing income
Loan servicing income
Deposit fees
Deposit fees
Deposit fees
Other
Other
Other
Total noninterest income
Total noninterest income
Total noninterest income
Noninterest expense:
Noninterest expense:
Noninterest expense:
Compensation and benefits
Compensation and benefits
Compensation and benefits
Information services
Information services

Information services					
Occupancy					
Occupancy					
Occupancy					
General, administrative and other					
General, administrative and other					
General, administrative and other					
Total noninterest expense					
Total noninterest expense					
Goodwill impairment					
Total noninterest expense					
Income (loss) before income taxes					
Income (loss) before income taxes					
Income (loss) before income taxes					
Income tax (benefit) expense					
Income tax (benefit) expense					
Income tax (benefit) expense					
Net income (loss)					
Net income (loss)					
Net income (loss)					
Net income (loss) per share:					
Net income (loss) per share:					
Net income (loss) per share:					
Basic					
Basic					
Basic					
Diluted					
Diluted					
Diluted					
Weighted average shares outstanding:					
Weighted average shares outstanding:					
Weighted average shares outstanding:					
Basic					
Basic					
Basic		18,857,566	18,775,022	18,857,218	18,765,292
Diluted	Diluted	18,857,566	18,775,022	18,857,218	18,765,292
Diluted					
Diluted					

See accompanying notes to consolidated financial statements

HOMESTREET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(in thousands)
(in thousands)
(in thousands)
Net income (loss)
Net income (loss)
Net income (loss)
Other comprehensive income (loss):
Other comprehensive income (loss):
Other comprehensive income (loss):

Unrealized gain (loss) on investment securities available for sale ("AFS")
Unrealized gain (loss) on investment securities available for sale ("AFS")
Unrealized gain (loss) on investment securities available for sale ("AFS")
Reclassification for net (gains) losses included in income
Reclassification for net (gains) losses included in income
Reclassification for net (gains) losses included in income
Other comprehensive income (loss) before tax
Other comprehensive income (loss) before tax
Other comprehensive income (loss) before tax
Income tax impact of:
Income tax impact of:
Income tax impact of:
Unrealized gain (loss) on investment securities AFS
Unrealized gain (loss) on investment securities AFS
Unrealized gain (loss) on investment securities AFS
Reclassification for net (gains) losses included in income
Reclassification for net (gains) losses included in income
Reclassification for net (gains) losses included in income
Total
Total
Total
Other comprehensive income (loss)
Other comprehensive income (loss)
Other comprehensive income (loss)
Total comprehensive income (loss)
Total comprehensive income (loss)
Total comprehensive income (loss)

See accompanying notes to consolidated financial statements

HOMESTREET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

(in thousands, except share data)
(in thousands, except share data)
(in thousands, except share data)
For the quarter ended March 31, 2023
For the quarter ended June 30, 2023
For the quarter ended March 31, 2023
For the quarter ended June 30, 2023
For the quarter ended March 31, 2023
Balance, December 31, 2022
Balance, December 31, 2022
Balance, December 31, 2022
Net income
Net income
Net income
For the quarter ended June 30, 2023
Balance, March 31, 2023
Balance, March 31, 2023
Balance, March 31, 2023
Net income (loss)
Net income (loss)
Net income (loss)
Share-based compensation expense

Share-based compensation expense
Share-based compensation expense
Common stock issued - Stock grants
Common stock issued - Stock grants
Common stock issued - Stock grants
Other comprehensive income
Other comprehensive income (loss)
Other comprehensive income
Other comprehensive income (loss)
Other comprehensive income
Dividends declared on common stock ($0.35 per share)
Dividends declared on common stock ($0.35 per share)
Dividends declared on common stock ($0.35 per share)
Other comprehensive income (loss)
Dividends declared on common stock ($0.10 per share)
Dividends declared on common stock ($0.10 per share)
Dividends declared on common stock ($0.10 per share)
Common stock repurchased
Common stock repurchased
Common stock repurchased
Balance, March 31, 2023
Balance, June 30, 2023
Balance, March 31, 2023
Balance, June 30, 2023
Balance, March 31, 2023
Balance, June 30, 2023
For the six months ended June 30, 2023
For the six months ended June 30, 2023
For the six months ended June 30, 2023
Balance, December 31, 2022
Balance, December 31, 2022
Balance, December 31, 2022
Net income (loss)
Net income (loss)
Net income (loss)
Share-based compensation expense
Share-based compensation expense
Share-based compensation expense
Common stock issued - Stock grants
Common stock issued - Stock grants
Common stock issued - Stock grants
Other comprehensive income (loss)
Other comprehensive income (loss)
Other comprehensive income (loss)
Dividends declared on common stock ($0.45 per share)
Dividends declared on common stock ($0.45 per share)
Dividends declared on common stock ($0.45 per share)
Common stock repurchased
Common stock repurchased
Common stock repurchased
Balance, June 30, 2023
Balance, June 30, 2023
Balance, June 30, 2023
For the quarter ended June 30, 2024
For the quarter ended June 30, 2024
For the quarter ended March 31, 2024

For the quarter ended March 31, 2024
For the quarter ended March 31, 2024
Balance, December 31, 2023
Balance, December 31, 2023
Balance, December 31, 2023
For the quarter ended June 30, 2024
Balance, March 31, 2024
Balance, March 31, 2024
Balance, March 31, 2024
Net income (loss)
Net income (loss)
Net income (loss)
Share-based compensation expense
Share-based compensation expense
Share-based compensation expense
Common stock issued - Stock grants
Common stock issued - Stock grants
Common stock issued - Stock grants
Other comprehensive income (loss)
Other comprehensive income (loss)
Other comprehensive income (loss)
Common stock repurchased
Common stock repurchased
Common stock repurchased
Balance, March 31, 2024
Balance, June 30, 2024
Balance, March 31, 2024
Balance, June 30, 2024
Balance, March 31, 2024
Balance, June 30, 2024
For the six months ended June 30, 2024
For the six months ended June 30, 2024
For the six months ended June 30, 2024
Balance, December 31, 2023
Balance, December 31, 2023
Balance, December 31, 2023
Net income (loss)
Net income (loss)
Net income (loss)
Share-based compensation expense
Share-based compensation expense
Share-based compensation expense
Common stock issued - Stock grants
Common stock issued - Stock grants
Common stock issued - Stock grants
Other comprehensive income (loss)
Other comprehensive income (loss)
Other comprehensive income (loss)
Common stock repurchased
Common stock repurchased
Common stock repurchased
Balance, June 30, 2024
Balance, June 30, 2024
Balance, June 30, 2024

See accompanying notes to consolidated financial statements

HOMESTREET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Quarter Ended March 31,
	Quarter Ended March 31,
	Quarter Ended March 31,
	Six Months Ended June 30,
	Six Months Ended June 30,
	Six Months Ended June 30,
(in thousands)	
(in thousands)	
(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:	
CASH FLOWS FROM OPERATING ACTIVITIES:	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income (loss)	
Net income (loss)	
Net income (loss)	
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Goodwill impairment charge	
Goodwill impairment charge	
Goodwill impairment charge	
Provision for credit losses	
Provision for credit losses	
Provision for credit losses	
Depreciation and amortization, premises and equipment	
Depreciation and amortization, premises and equipment	
Depreciation and amortization, premises and equipment	
Amortization of premiums and discounts: investment securities, deposits, debt	
Amortization of premiums and discounts: investment securities, deposits, debt	
Amortization of premiums and discounts: investment securities, deposits, debt	
Operating leases: excess of payments over amortization	
Operating leases: excess of payments over amortization	
Operating leases: excess of payments over amortization	
Amortization of finance leases	
Amortization of finance leases	
Amortization of finance leases	
Amortization of core deposit intangibles	
Amortization of core deposit intangibles	
Amortization of core deposit intangibles	
Amortization of deferred loan fees and costs	
Amortization of deferred loan fees and costs	
Amortization of deferred loan fees and costs	
Share-based compensation expense	
Share-based compensation expense	
Share-based compensation expense	
Deferred income tax (benefit) expense	
Deferred income tax (benefit) expense	
Deferred income tax (benefit) expense	
Origination of LHFS	

Origination of LHFS
Origination of LHFS
Proceeds from sale of LHFS
Proceeds from sale of LHFS
Proceeds from sale of LHFS
Net fair value adjustment and gain on sale of LHFS
Net fair value adjustment and gain on sale of LHFS
Net fair value adjustment and gain on sale of LHFS
Origination of MSRs
Origination of MSRs
Origination of MSRs
Change in fair value of MSRs
Change in fair value of MSRs
Change in fair value of MSRs
Amortization of servicing rights
Amortization of servicing rights
Amortization of servicing rights
Net change in trading securities
Net change in trading securities
Net change in trading securities
Increase in other assets
Increase in other assets
Increase in other assets
Increase (decrease) in accounts payable and other liabilities
Increase (decrease) in accounts payable and other liabilities
Increase (decrease) in accounts payable and other liabilities
Increase in accounts payable and other liabilities
Increase in accounts payable and other liabilities
Increase in accounts payable and other liabilities
Net cash used in operating activities
Net cash used in operating activities
Net cash used in operating activities
CASH FLOWS FROM INVESTING ACTIVITIES:
CASH FLOWS FROM INVESTING ACTIVITIES:
CASH FLOWS FROM INVESTING ACTIVITIES:
Purchase of investment securities
Purchase of investment securities
Purchase of investment securities
Proceeds from sale of investment securities
Proceeds from sale of investment securities
Proceeds from sale of investment securities
Principal payments on investment securities
Principal payments on investment securities
Principal payments on investment securities
Proceeds from sale of OREO
Proceeds from sale of OREO
Proceeds from sale of OREO
Net increase in LHFI
Net (increase) decrease in LHFI
Net increase in LHFI
Net (increase) decrease in LHFI
Net increase in LHFI
Net (increase) decrease in LHFI

Purchase of premises and equipment
Purchase of premises and equipment
Purchase of premises and equipment
Net cash received from acquisition of branches
Net cash received from acquisition of branches
Net cash received from acquisition of branches
Proceeds from sale of Federal Home Loan Bank stock
Proceeds from sale of Federal Home Loan Bank stock
Proceeds from sale of Federal Home Loan Bank stock
Purchases of Federal Home Loan Bank stock
Purchases of Federal Home Loan Bank stock
Purchases of Federal Home Loan Bank stock
Net cash provided by investing activities
Net cash provided by investing activities
Net cash provided by investing activities

	Quarter Ended March 31,
	Quarter Ended March 31,
	Quarter Ended March 31,
	Six Months Ended June 30,
	Six Months Ended June 30,
	Six Months Ended June 30,
(in thousands)	
(in thousands)	
(in thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES:	
CASH FLOWS FROM FINANCING ACTIVITIES:	
CASH FLOWS FROM FINANCING ACTIVITIES:	
Decrease in deposits, net	
Decrease in deposits, net	
Decrease in deposits, net	
Changes in short-term borrowings, net	
Changes in short-term borrowings, net	
Changes in short-term borrowings, net	
Proceeds from other long-term borrowings	
Proceeds from other long-term borrowings	
Proceeds from other long-term borrowings	
Repayment of other long-term borrowings	
Repayment of other long-term borrowings	
Repayment of other long-term borrowings	
Repayment of finance lease principal	
Repayment of finance lease principal	
Repayment of finance lease principal	
Dividends paid on common stock	
Dividends paid on common stock	
Dividends paid on common stock	
Net cash provided by financing activities	
Net cash provided by financing activities	
Net cash provided by financing activities	
Net cash used in financing activities	
Net cash used in financing activities	
Net cash used in financing activities	

Net increase in cash and cash equivalents
Net increase in cash and cash equivalents
Net increase in cash and cash equivalents
Cash and cash equivalents, beginning of year
Cash and cash equivalents, beginning of year
Cash and cash equivalents, beginning of year
Cash and cash equivalents, end of period
Cash and cash equivalents, end of period
Cash and cash equivalents, end of period
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:
Cash paid during the period for:
Cash paid during the period for:
Cash paid during the period for:
Interest
Interest
Interest
Federal and state income taxes
Federal and state income taxes
Federal and state income taxes
Non-cash activities:
Non-cash activities:
Non-cash activities:
Increase in lease assets and lease liabilities
Increase in lease assets and lease liabilities
Increase in lease assets and lease liabilities
Loans transferred from LHFI to LHFS, net
Loans transferred from LHFI to LHFS, net
Loans transferred from LHFI to LHFS, net
Ginnie Mae loans recognized with the right to repurchase, net
Ginnie Mae loans recognized with the right to repurchase, net
Ginnie Mae loans recognized with the right to repurchase, net
Ginnie Mae loans derecognized with the right to repurchase, net
Ginnie Mae loans derecognized with the right to repurchase, net
Ginnie Mae loans derecognized with the right to repurchase, net
Repurchase of common stock-award shares
Repurchase of common stock-award shares
Repurchase of common stock-award shares
Acquisition:
Acquisition:
Acquisition:
Loans acquired
Loans acquired
Loans acquired
Premises and equipment and other assets
Premises and equipment and other assets
Premises and equipment and other assets
Liabilities assumed
Liabilities assumed
Liabilities assumed

Goodwill and other intangibles

Goodwill and other intangibles

Goodwill and other intangibles

See accompanying notes to consolidated financial statements

HomeStreet, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

HomeStreet, Inc., a State of Washington corporation organized in 1921 (the "Corporation"), is a Washington-based diversified financial services holding company whose operations are primarily conducted through its wholly owned subsidiaries (collectively the "Company") HomeStreet Statutory Trusts and HomeStreet Bank (the "Bank"), and the Bank's subsidiaries, Continental Escrow Company, HomeStreet Foundation, HS Properties, Inc., HS Evergreen Corporate Center LLC, and Union Street Holdings LLC. The Company is principally engaged in commercial banking, mortgage banking and consumer/retail banking activities serving customers primarily in the Western United States.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation. The Company allocates resources and assesses financial performance on a consolidated basis and therefore has one reporting segment. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Actual results could differ significantly from those estimates. Certain amounts in the financial statements from prior periods have been reclassified to conform to the current financial statement presentation.

These unaudited interim financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed in this Quarterly Report on Form 10-Q. The results of operations in the interim financial statements do not necessarily indicate the results that may be expected for the full year. The interim financial information should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2023 ("2023 Annual Report on Form 10-K"), filed with the U.S. Securities and Exchange Commission ("SEC").

Branch Acquisition

On February 10, 2023, the Company completed its acquisition of three branches in southern California, whereby we assumed approximately $376 million in deposits and purchased approximately $21 million in loans. The application of the acquisition method of accounting resulted in recording goodwill of $12 million and a core deposit intangible of $11 million.

Merger

On April 30, 2024, the Company entered into Amendment No. 1 to the previously announced definitive merger agreement with FirstSun Capital Bancorp (“FirstSun”), the holding company of Sunflower Bank, N.A ("Sunflower Bank"), and Dynamis Subsidiary, Inc., whereby, under the merger agreement, as amended, the Company and the Bank will merge with and into FirstSun and Sunflower Bank, respectively (collectively, the "Merger"). Subject to terms and conditions of the merger agreement, as amended, the companies will combine in an all-stock transaction in which HomeStreet shareholders will receive 0.3867 of a share of FirstSun common stock for each share of HomeStreet common stock. The parties to the Merger expect to complete the Merger in late 2024, subject to the satisfaction of closing conditions, including receipt of required regulatory approvals and satisfaction or waiver of other closing conditions.

Recent Accounting Developments

In March 2023, the FASB issued ASU 2023-02, “Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method.” ASU 2023-02 permits reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. ASU 2023-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2023. We adopted ASU 2023-02 and it did not have a material impact on the Company’s financial position or results of operations.

In October 2023, the FASB issued ASU 2023-06, "Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative." The amendments in ASU 2023-06 modify the disclosure or presentation requirements of a variety of Topics in the Codification, with the intention of clarifying or improving them and align the requirements in the codification with the SEC's regulations (and will be removed from the SEC regulations). ASU 2023-06 should be adopted prospectively, and the effective date varies and is determined for each individual disclosure based on the effective date of the SEC's removal of the related disclosure. ASU 2023-06 will not have an impact on the Company's financial position or results of operation as it is disclosure only.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which expands disclosures about a public entity’s reportable segments and requires more enhanced information about a reportable segment’s expenses, interim segment profit or loss, and how a public entity’s chief operating decision maker uses reported segment profit or loss information in assessing segment performance and allocating resources. The update will be effective for annual periods beginning after December 15, 2023. ASU 2023-07 will not have an impact on the Company's financial position or results of operation as it impacts disclosures only. We are assessing the impact on our disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which expands disclosures in an entity’s income tax rate reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. The update will be effective for annual periods beginning after December 15, 2024. ASU 2023-09 will not have an impact on the Company's financial position or results of operation as it impacts disclosures only. We are assessing the impact on our disclosures.

NOTE 2–INVESTMENT SECURITIES:

The following table sets forth certain information regarding the amortized cost basis and fair values of our investment securities AFS and held-to-maturity ("HTM"):

		At March 31, 2024					At June 30, 2024			
(in thousands)	(in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	(in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
AFS										
AFS										
AFS										
Mortgage backed securities ("MBS"):										
Mortgage backed securities ("MBS"):										
Mortgage backed securities ("MBS"):										
Residential										
Residential										
Residential										
Commercial										
Collateralized mortgage obligations ("CMOs"):										
Residential										
Residential										
Residential										
Commercial										
Municipal bonds										
Corporate debt securities										
U.S. Treasury securities										
Agency debentures										
Total										
HTM										
Municipal bonds										
Municipal bonds										
Municipal bonds										

	At December 31, 2023			
(in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
AFS				
MBS:				
Residential	$ 194,141	$ 117	$ (10,460)	$ 183,798
Commercial	55,235	—	(7,479)	47,756
CMOs:				
Residential	473,269	8	(33,539)	439,738
Commercial	63,456	—	(6,059)	57,397
Municipal bonds	452,057	670	(47,853)	404,874
Corporate debt securities	45,611	34	(7,098)	38,547
U.S. Treasury securities	22,658	—	(2,474)	20,184
Agency debentures	60,202	5	(1,302)	58,905
Total	$ 1,366,629	$ 834	$ (116,264)	$ 1,251,199
HTM				
Municipal bonds	$ 2,371	$ —	$ (40)	$ 2,331

At March 31, 2024 June 30, 2024, and December 31, 2023, the Company held $28 million $26 million and $25 million, respectively, of trading securities, consisting of US Treasury notes used as economic hedges of our single family mortgage servicing rights, which are carried at fair value and included with within investment securities on the balance sheet.

For the quarters ended March 31, 2024 June 30, 2024 and 2023, net losses of $0.6 million $0.3 million and $1.1 million on trading securities, respectively, and for the six months ended June 30, 2024 and 2023, net gains losses of $0.6 million $0.9 million and $0.4 million on trading securities, respectively, were recorded in servicing income.

MBS and CMOs represent securities issued or guaranteed by government sponsored enterprises ("GSEs"). Most of the MBS and CMO securities in our investment portfolio are guaranteed by Fannie Mae, Ginnie Mae or Freddie Mac. Municipal bonds are comprised of general obligation bonds (i.e., backed by the general credit of the issuer) and revenue bonds (i.e., backed by either collateral or revenues from the specific project being financed) issued by various municipal corporations. As of March 31, 2024 June 30, 2024 and December 31, 2023, substantially all securities held, including municipal bonds and corporate debt securities, were rated investment grade based upon nationally recognized statistical rating organizations where available and, where not available, based upon internal ratings.

Investment securities AFS that were in an unrealized loss position are presented in the following tables based on the length of time the individual securities have been in an unrealized loss position:

		At March 31, 2024							At June 30, 2024					
		Less than 12 months		12 months or more		Total		Less than 12 months		12 months or more		Total		
(in thousands)	(in thousands)	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	(in thousands)	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
AFS														
AFS														
AFS														
MBS:														
MBS:														
MBS:														
Residential														
Residential														
Residential														
Commercial														
CMOs:														
Residential														
Residential														
Residential														
Commercial														
Municipal bonds														
Corporate debt securities														
U.S. Treasury securities														
Agency debentures														
Total														
HTM														
Municipal bonds														
Municipal bonds														
Municipal bonds														

	At December 31, 2023					
	Less than 12 months		12 months or more		Total	
(in thousands)	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
AFS						
MBS:						
Residential	$ (3)	$ 1,145	$ (10,457)	$ 177,393	$ (10,460)	$ 178,538
Commercial	—	61	(7,479)	47,695	(7,479)	47,756
CMOs:						
Residential	(368)	83,815	(33,171)	348,914	(33,539)	432,729
Commercial	—	—	(6,059)	57,397	(6,059)	57,397
Municipal bonds	(73)	7,489	(47,780)	364,775	(47,853)	372,264

Corporate debt securities	—	—	(7,098)	28,513	(7,098)	28,513
U.S. Treasury securities	—	—	(2,474)	20,184	(2,474)	20,184
Agency debentures	(135)	42,897	(1,167)	11,003	(1,302)	53,900
Total	$ (579)	$ 135,407	$ (115,685)	$ 1,055,874	$ (116,264)	$ 1,191,281
HTM						
Municipal bonds	$ —	$ —	$ (40)	$ 2,331	$ (40)	$ 2,331

The Company has evaluated AFS securities in an unrealized loss position and has determined the decline in value is temporary and is related to the change in market interest rates since purchase. The decline in value is not related to any issuer- or industry-specific credit event. The Company has not identified any expected credit losses on its debt securities as of March 31, 2024 June 30, 2024 or December 31, 2023. The Company bases this conclusion in part on its periodic review of the credit ratings of the AFS securities or reviews of the financial condition of the issuers. In addition, as of March 31, 2024 June 30, 2024 and December 31, 2023, the Company had not made a decision to sell any of its debt securities held, nor did the Company consider it more likely than not that it would be required to sell such securities before recovery of their amortized cost basis.

The following tables present the fair value of investment securities AFS and HTM by contractual maturity along with the associated contractual yield:

		At March 31, 2024														
		Within one year			After one year through five years			After five years through ten years			After ten years			Total	Within one year	
(dollars in thousands)	(dollars in thousands)	Fair Value	Weighted Average Yield		Fair Value		Weighted Average Yield	Fair Value		Weighted Average Yield	Fair Value		Weighted Average Yield	Fair Value	Weighted Average Yield	(do tho
AFS																
AFS																
AFS																
Municipal bonds	Municipal bonds	$ —	—	— %	$ 5,847	1.84	1.84 %	$ 64,423	3.24	3.24 %	$327,830	3.00	3.00 %	$398,100	3.02	
Corporate debt securities	Corporate debt securities	—	—	— %	13,867	4.87	4.87 %	21,285	4.07	4.07 %	—	—	— %	35,152	4.38	
U.S. Treasury securities	U.S. Treasury securities	—	—	— %	19,896	1.13	1.13 %	—	—	— %	—	—	— %	19,896	1.13	
Agency debentures	Agency debentures	16,962	5.00	5.00 %	25,933	5.26	5.26 %	7,398	2.13	2.13 %	3,144	2.14	2.14 %	53,437	4.56	
Total	Total	$16,962	5.00	5.00 %	$65,543	3.62	3.62 %	$ 93,106	3.34	3.34 %	$330,974	2.99	2.99 %	$506,585	3.20	
HTM																
HTM																
HTM																
Municipal bonds																
Municipal bonds																
Municipal bonds		$ —	—	— %	$ 2,305	2.28	2.28 %	$ —	—	— %	$ —	—	— %	$ 2,305	2.28	

	At December 31, 2023									
	Within one year		After one year through five years		After five years through ten years		After ten years		Total	
(dollars in thousands)	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield
AFS										
Municipal bonds	$ —	— %	$ 5,856	1.84 %	$ 60,775	3.36 %	$ 338,243	3.01 %	$ 404,874	3.04 %
Corporate debt securities	4,425	3.53 %	12,714	4.95 %	21,408	3.89 %	—	— %	38,547	4.21 %
U.S. Treasury securities	—	— %	20,184	1.14 %	—	— %	—	— %	20,184	1.14 %
Agency debentures	16,977	4.93 %	30,925	5.20 %	7,758	2.15 %	3,245	2.17 %	58,905	4.51 %
Total	$ 21,402	4.64 %	$ 69,679	3.64 %	$ 89,941	3.40 %	$ 341,488	3.00 %	$ 522,510	3.21 %
HTM										
Municipal bonds	$ —	— %	$ 2,331	2.29 %	$ —	— %	$ —	— %	$ 2,331	2.29 %

The weighted-average yield is computed using the contractual coupon of each security weighted based on the fair value of each security. Taxable-equivalent amounts are used where applicable. MBS and CMOs are excluded from the tables above because such securities are not due on a single maturity date. The weighted average yield of MBS and CMOs as of March 31, 2024 June 30, 2024 and December 31, 2023 was 3.09% and 3.21%, respectively.

Sales of AFS investment securities were as follows:

	Quarter Ended March 31,				
	Quarter Ended March 31,				
	Quarter Ended March 31,				
(in thousands)					
(in thousands)					
		Quarter Ended June 30,		Six Months Ended June 30,	
(in thousands)	(in thousands)	2024	2023	2024	2023
Proceeds					
Proceeds					
Proceeds					
Gross gains					
Gross gains					
Gross gains					
Gross losses					
Gross losses					
Gross losses					

The following table summarizes the carrying value of securities pledged as collateral to secure public deposits, borrowings and other purposes as permitted or required by law:

(in thousands)	(in thousands)	At March 31, 2024	At December 31, 2023	(in thousands)	At June 30, 2024	At December 31, 2023
Federal Reserve Bank to secure borrowings						
Federal Reserve Bank to secure borrowings						
Federal Reserve Bank to secure borrowings						
Washington, Oregon and California to secure public deposits						
Other securities pledged						
Other securities pledged						
Other securities pledged						
Total securities pledged as collateral						

The Company assesses the creditworthiness of the counterparties that hold the pledged collateral and has determined that these arrangements have little credit risk.

Tax-exempt interest income on investment securities was $2.8 million for each of the both quarters ended March 31, 2024 June 30, 2024 and 2023 and $5.6 million for both six months ended June 30, 2024 and 2023.

NOTE 3-LOANS AND CREDIT QUALITY:

The Company's LHFI is divided into two portfolio segments, commercial loans and consumer loans. Within each portfolio segment, the Company monitors and assesses credit risk based on the risk characteristics of each of the following loan classes: non-owner occupied commercial real estate ("CRE"), multifamily, construction and land development, owner occupied CRE and commercial business loans within the commercial loan portfolio segment and single family and home equity and other loans within the consumer loan portfolio segment. LHFI consists of the following:

(in thousands)	(in thousands)	At March 31, 2024	At December 31, 2023	(in thousands)	At June 30, 2024	At December 31, 2023
CRE						
CRE						
CRE						
Non-owner occupied CRE						
Non-owner occupied CRE						
Non-owner occupied CRE						
Multifamily						
Construction/land development						
Total						
Commercial and industrial loans						

Owner occupied CRE
Owner occupied CRE
Owner occupied CRE
Commercial business
Total
Consumer loans
Single family
Single family
Single family
Home equity and other
Total (1)
Total LHFI
Allowance for credit losses ("ACL")
Total LHFI less ACL

(1) Includes $1.3 million at both March 31, 2024 June 30, 2024 and December 31, 2023, of loans where a fair value option election was made at the time of origination and, therefore, are carried at fair value with changes in fair value recognized in the consolidated income statements.

Loans totaling $5.1 billion at both March 31, 2024 June 30, 2024 and December 31, 2023, were pledged to secure borrowings from the Federal Home Loan Bank ("FHLB") and loans totaling $1.4 billion and $1.2 billion at March 31, 2024 June 30, 2024 and December 31, 2023, respectively, were pledged to secure borrowings from the Federal Reserve Bank of San Francisco ("FRBSF").

Credit Risk Concentrations

LHFI are primarily secured by real estate located in the Pacific Northwest, California and Hawaii. At March 31, 2024 June 30, 2024, and December 31, 2023 single family loans in the state of Washington represented 12% and 11% of the total LHFI portfolio. At March 31, 2024 June 30, 2024 and December 31, 2023, multifamily loans in the state of California represented 36% of the total LHFI portfolio.

Credit Quality

Management considers the level of ACL to be appropriate to cover credit losses expected over the life of the loans for the LHFI portfolio. The cumulative loss rate used as the basis for the estimate of credit losses is comprised of the Bank's historical loss experience and eight qualitative factors for current and forecasted periods.

As of March 31, 2024 June 30, 2024, the historical expected loss rates decreased increased when compared to December 31, 2023 due to product mix risk and composition changes. During the first quarter of 2024 six months ended June 30, 2024, the qualitative factors decreased due to economic conditions and improved single-family collateral forecasts conditions, partially offset slightly by deteriorated commercial collateral conditions. increases related to the volume and nature of the portfolio. Additionally, over the two-year forecast period in the markets in which it operates, the Bank expects neutral economic forecasts offset slightly by near-term deterioration in commercial and neutral to improving collateral forecasts.

In addition to the ACL for LHFI, the Company maintains a separate allowance for unfunded loan commitments which is included in accounts payable and other liabilities on our consolidated balance sheets. The allowance for unfunded commitments was $1.6 million $1.5 million and $1.8 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

The Bank has elected to exclude accrued interest receivable from the evaluation of the ACL. Accrued interest on LHFI was $29.2 million $28.8 million and $28.9 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively, and was reported in other assets in the consolidated balance sheets.

Activity in the ACL for LHFI and the allowance for unfunded commitments was as follows:

		Quarter Ended June 30,		Six Months Ended June 30,	
(in thousands)	(in thousands)	2024	2023	2024	2023
(in thousands)					
(in thousands)					
Beginning balance					
Beginning balance					
Beginning balance					
Provision for credit losses					
Provision for credit losses					
Provision for credit losses					
Net (charge-offs) recoveries					
Net (charge-offs) recoveries					
Net (charge-offs) recoveries					

Ending balance
Ending balance
Ending balance
Allowance for unfunded commitments:
Allowance for unfunded commitments:
Allowance for unfunded commitments:
Beginning balance
Beginning balance
Beginning balance
Provision for credit losses
Provision for credit losses
Provision for credit losses
Ending balance
Ending balance
Ending balance
Provision for credit losses:
Provision for credit losses:
Provision for credit losses:
Allowance for credit losses - loans
Allowance for credit losses - loans
Allowance for credit losses - loans
Allowance for unfunded commitments
Allowance for unfunded commitments
Allowance for unfunded commitments
Total
Total
Total

Activity in the ACL for LHFI by loan portfolio and loan sub-class was as follows:

		Quarter Ended March 31, 2024					Quarter Ended June 30, 2024					
(in thousands)	(in thousands)	Beginning balance	Charge-offs	Recoveries	Provision	Ending balance	(in thousands)	Beginning balance	Charge-offs	Recoveries	Provision	Ending balance
CRE												
CRE												
CRE												
Non-owner occupied CRE												
Non-owner occupied CRE												
Non-owner occupied CRE												
Multifamily												
Construction/land development												
Multifamily construction												
Multifamily construction												
Multifamily construction												
CRE construction												
Single family construction												
Single family construction to permanent												
Total												
Commercial and industrial loans												
Owner occupied CRE												
Owner occupied CRE												
Owner occupied CRE												

Commercial business
Total
Consumer loans
Single family
Single family
Single family
Home equity and other
Total
Total ACL

	Quarter Ended March 31, 2023						Quarter Ended June 30, 2023					
(in thousands)	(in thousands)	Beginning balance	Charge-offs	Recoveries	Provision	Ending balance	(in thousands)	Beginning balance	Charge-offs	Recoveries	Provision	Ending balance
CRE												
CRE												
CRE												
Non-owner occupied CRE												
Non-owner occupied CRE												
Non-owner occupied CRE												
Multifamily												
Construction/land development												
Multifamily construction												
Multifamily construction												
Multifamily construction												
CRE construction												
Single family construction												
Single family construction to permanent												
Total												
Commercial and industrial loans												
Owner occupied CRE												
Owner occupied CRE												
Owner occupied CRE												
Commercial business												
Total												
Consumer loans												
Single family												
Single family												
Single family												
Home equity and other												
Total												
Total ACL												

	Six Months Ended June 30, 2024				
(in thousands)	Beginning balance	Charge-offs	Recoveries	Provision	Ending balance
CRE					
Non-owner occupied CRE	$ 2,610	$ —	$ —	$ (833)	$ 1,777
Multifamily	13,093	—	—	3,977	17,070
Construction/land development					
Multifamily construction	3,983	—	—	(2,012)	1,971

CRE construction	189	—	—	(154)	35
Single family construction	7,365	—	—	(1,920)	5,445
Single family construction to permanent	672	—	—	(372)	300
Total	27,912	—	—	(1,314)	26,598
Commercial and industrial loans					
Owner occupied CRE	899	—	—	(168)	731
Commercial business	2,950	(1,120)	40	3,725	5,595
Total	3,849	(1,120)	40	3,557	6,326
Consumer loans					
Single family	5,287	—	3	(1,446)	3,844
Home equity and other	3,452	(111)	59	(427)	2,973
Total	8,739	(111)	62	(1,873)	6,817
Total ACL	$ 40,500	$ (1,231)	$ 102	$ 370	$ 39,741

	Six Months Ended June 30, 2023				
(in thousands)	Beginning balance	Charge-offs	Recoveries	Provision	Ending balance
CRE					
Non-owner occupied CRE	$ 2,102	$ —	$ —	$ 140	$ 2,242
Multifamily	10,974	—	—	(1,279)	9,695
Construction/land development					
Multifamily construction	998	—	—	568	1,566
CRE construction	196	—	—	(27)	169
Single family construction	12,418	—	—	(1,351)	11,067
Single family construction to permanent	1,171	—	—	250	1,421
Total	27,859	—	—	(1,699)	26,160
Commercial and industrial loans					
Owner occupied CRE	1,030	—	—	(100)	930
Commercial business	3,247	(799)	48	1,341	3,837
Total	4,277	(799)	48	1,241	4,767
Consumer loans					
Single family	5,610	—	17	990	6,617
Home equity and other	3,754	(140)	174	168	3,956
Total	9,364	(140)	191	1,158	10,573
Total ACL	$ 41,500	$ (939)	$ 239	$ 700	$ 41,500

The following table presents a vintage analysis of the commercial portfolio segment by loan sub-class and risk rating or delinquency status.

	At March 31, 2024										At June 30, 2024									
(in thousands)	(in thousands)	2024	2023	2022	2021	2020	2019 and prior	Revolving	Revolving-term	Total	(in thousands)	2024	2023	2022	2021	2020	2019 and prior	Revolving	Revolving-term	Total
COMMERCIAL PORTFOLIO																				
Non-owner occupied CRE																				
Non-owner occupied CRE																				
Non-owner occupied CRE																				
Pass																				
Pass																				
Pass																				
Special Mention																				
Substandard																				
Total																				
Multifamily																				

Pass
Pass
Pass
Special Mention
Substandard
Total
Multifamily construction
Pass
Pass
Pass
Special Mention
Substandard
Total
CRE construction
Pass
Pass
Pass
Special Mention
Substandard
Total
Single family construction
Pass
Pass
Pass
Special Mention
Substandard
Total
Single family construction to permanent
Current
Current
Current
Past due:
30-59 days
30-59 days
30-59 days
60-89 days
90+ days
Total
Owner occupied CRE
Pass
Pass
Pass
Special Mention
Substandard
Total
Commercial business
Pass
Pass
Pass
Special Mention
Substandard
Total

Total commercial portfolio

The following table presents a vintage analysis of the consumer portfolio segment by loan sub-class and delinquency status:

	At March 31, 2024										At June 30, 2024									
(in thousands)	(in thousands)	2024	2023	2022	2021	2020	2019 and prior	Revolving	Revolving-term	Total	(in thousands)	2024	2023	2022	2021	2020	2019 and prior	Revolving	Revolving-term	Total
CONSUMER PORTFOLIO																				
CONSUMER PORTFOLIO																				
CONSUMER PORTFOLIO																				
Single family																				
Single family																				
Single family																				
Current																				
Current																				
Current																				
Past due:																				
30-59 days																				
30-59 days																				
30-59 days																				
60-89 days																				
90+ days																				
Total																				
Home equity and other																				
Current																				
Current																				
Current																				
Past due:																				
30-59 days																				
30-59 days																				
30-59 days																				
60-89 days																				
90+ days																				
Total																				
Total consumer portfolio (1)																				
Total LHFI																				

(1) Includes $1.3 million of loans where a fair value option election was made at the time of origination and, therefore, are carried at fair value with changes in fair value recognized in the consolidated income statements.

The following table presents a vintage analysis of the commercial portfolio segment by loan sub-class and risk rating or delinquency status:

	At December 31, 2023								
(in thousands)	2023	2022	2021	2020	2019	2018 and prior	Revolving	Revolving-term	Total
COMMERCIAL PORTFOLIO									
Non-owner occupied CRE									
Pass	$ 1,499	$ 70,388	$ 71,217	$ 41,235	$ 118,900	$ 286,379	$ 601	$ —	$ 590,219
Special Mention	—	—	—	—	686	34,177	—	—	34,863
Substandard	—	—	—	—	16,230	—	573	—	16,803
Total	1,499	70,388	71,217	41,235	135,816	320,556	1,174	—	641,885
Multifamily									
Pass	108,274	1,813,647	1,151,677	475,708	189,567	177,712	—	—	3,916,585
Special Mention	—	—	3,942	12,887	2,368	1,344	—	—	20,541
Substandard	—	—	—	—	—	3,063	—	—	3,063
Total	108,274	1,813,647	1,155,619	488,595	191,935	182,119	—	—	3,940,189
Multifamily construction									
Pass	(198)	56,013	112,234	—	—	—	—	—	168,049
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—

Total	(198)	56,013	112,234	—	—	—	—	—	168,049
CRE construction									
Pass	7	—	14,685	—	—	—	—	—	14,692
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	3,821	—	—	—	—	3,821
Total	7	—	14,685	3,821	—	—	—	—	18,513
Single family construction									
Pass	75,305	39,621	12,294	—	—	72	146,758	—	274,050
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total	75,305	39,621	12,294	—	—	72	146,758	—	274,050
Single family construction to permanent									
Current	27,114	56,469	19,871	1,850	—	—	—	—	105,304
Past due:									
30-59 days	—	—	—	—	—	—	—	—	—
60-89 days	—	—	—	—	—	—	—	—	—
90+ days	—	—	—	—	—	—	—	—	—
Total	27,114	56,469	19,871	1,850	—	—	—	—	105,304
Owner occupied CRE									
Pass	12,459	68,399	39,629	43,399	65,392	111,199	2	1,122	341,601
Special Mention	1,871	1,478	9,290	—	2,956	28,784	—	—	44,379
Substandard	1	—	—	—	253	5,051	—	—	5,305
Total	14,331	69,877	48,919	43,399	68,601	145,034	2	1,122	391,285
Commercial business									
Pass	17,970	45,892	27,227	33,404	16,198	24,903	157,656	973	324,223
Special Mention	—	11,465	2,891	—	452	38	3,485	—	18,331
Substandard	—	—	2,134	7,601	3,788	1,886	1,021	65	16,495
Total	17,970	57,357	32,252	41,005	20,438	26,827	162,162	1,038	359,049
Total commercial portfolio	$ 244,302	$ 2,163,372	$ 1,467,091	$ 619,905	$ 416,790	$ 674,608	$ 310,096	$ 2,160	$ 5,898,324

The following table presents a vintage analysis of the consumer portfolio segment by loan sub-class and delinquency status:

	At December 31, 2023								
(in thousands)	2023	2022	2021	2020	2019	2018 and prior	Revolving	Revolving-term	Total
CONSUMER PORTFOLIO									
Single family									
Current	$ 27,011	$ 354,691	$ 313,866	$ 147,183	$ 49,126	$ 245,574	$ —	$ —	$ 1,137,451
Past due:									
30-59 days	—	—	—	—	—	781	—	—	781
60-89 days	—	—	—	—	—	1,374	—	—	1,374
90+ days	—	—	—	—	—	673	—	—	673
Total	27,011	354,691	313,866	147,183	49,126	248,402	—	—	1,140,279
Home equity and other									
Current	2,165	2,493	311	121	46	1,631	370,462	5,483	382,712
Past due:									
30-59 days	8	2	—	—	—	—	802	162	974
60-89 days	1	3	—	—	—	—	419	—	423
90+ days	—	—	—	—	—	24	162	6	192
Total	2,174	2,498	311	121	46	1,655	371,845	5,651	384,301
Total consumer portfolio (1)	$ 29,185	$ 357,189	$ 314,177	$ 147,304	$ 49,172	$ 250,057	$ 371,845	$ 5,651	$ 1,524,580
Total LHFI	$ 273,487	$ 2,520,561	$ 1,781,268	$ 767,209	$ 465,962	$ 924,665	$ 681,941	$ 7,811	$ 7,422,904

(1) Includes $1.3 million of loans where a fair value option election was made at the time of origination and, therefore, are carried at fair value with changes in fair value recognized in the consolidated income statements.

The following tables present a vintage analysis of the commercial and consumer portfolio segment by loan sub-class and gross charge-offs:

		At March 31, 2024									At June 30, 2024									
(in thousands)	(in thousands)	2024	2023	2022	2021	2020	2019 and prior	Revolving	Revolving-term	Total	(in thousands)	2024	2023	2022	2021	2020	2019 and prior	Revolving	Revolving-term	Total
COMMERCIAL PORTFOLIO																				
COMMERCIAL PORTFOLIO																				
COMMERCIAL PORTFOLIO																				
Commercial business																				
Commercial business																				
Commercial business																				
Gross charge-offs																				
Gross charge-offs																				
Gross charge-offs																				
CONSUMER PORTFOLIO																				
CONSUMER PORTFOLIO																				
CONSUMER PORTFOLIO																				
Home equity and other																				
Home equity and other																				
Home equity and other																				
Gross charge-offs																				
Gross charge-offs																				
Gross charge-offs																				
Total LHFI																				
Total LHFI																				
Total LHFI																				

		December 31, 2023									At December 31, 2023									
(in thousands)	(in thousands)	2023	2022	2021	2020	2019	2018 and prior	Revolving	Revolving-term	Total	(in thousands)	2023	2022	2021	2020	2019	2018 and prior	Revolving	Revolving-term	Total
COMMERCIAL PORTFOLIO																				
COMMERCIAL PORTFOLIO																				
COMMERCIAL PORTFOLIO																				
Commercial business																				
Commercial business																				
Commercial business																				
Gross charge-offs																				
Gross charge-offs																				
Gross charge-offs																				
CONSUMER PORTFOLIO																				
CONSUMER PORTFOLIO																				
CONSUMER PORTFOLIO																				
Home equity and other																				
Home equity and other																				
Home equity and other																				
Gross charge-offs																				
Gross charge-offs																				
Gross charge-offs																				
Total LHFI																				
Total LHFI																				
Total LHFI																				

Collateral Dependent Loans

The following table presents the amortized cost basis of collateral-dependent loans by loan sub-class and collateral type:

	At March 31, 2024
	At March 31, 2024
	At March 31, 2024
	At June 30, 2024
	At June 30, 2024
	At June 30, 2024
(in thousands)	
(in thousands)	
(in thousands)	
CRE	
CRE	
CRE	
Non-owner occupied CRE	
Non-owner occupied CRE	
Non-owner occupied CRE	
Multifamily	
Multifamily	
Multifamily	
Construction/land development	
Construction/land development	
Construction/land development	
Multifamily construction	
Multifamily construction	
Multifamily construction	
CRE construction	
CRE construction	
CRE construction	
Total	
Total	
Total	
Commercial and industrial loans	
Commercial and industrial loans	
Commercial and industrial loans	
Commercial business	
Commercial business	
Commercial business	
Total	
Total	
Total	
Consumer loans	
Consumer loans	
Consumer loans	
Single family	
Single family	
Single family	
Total	
Total	
Total	
Total collateral-dependent loans	
Total collateral-dependent loans	
Total collateral-dependent loans	

At December 31, 2023

At December 31, 2023

At December 31, 2023

(in thousands)	(in thousands)	1-4 Family	Multifamily	Non-residential real estate	Other non-real estate	Total	(in thousands)	1-4 Family	Non-residential real estate	Other non-real estate	Total
CRE											
CRE											
CRE											
Non-owner occupied CRE											
Non-owner occupied CRE											
Non-owner occupied CRE											
Construction/land development											
Construction/land development											
Construction/land development											
CRE construction											
CRE construction											
CRE construction											
Total											
Commercial and industrial loans											
Commercial business											
Commercial business											
Commercial business											
Total											
Consumer loans											
Single family											
Single family											
Single family											
Total											
Total collateral-dependent loans											

Nonaccrual and Past Due Loans

The following table presents nonaccrual status for loans:

		At March 31, 2024		At December 31, 2023						
		At June 30, 2024		At December 31, 2023						
(in thousands)	(in thousands)	Nonaccrual with no related ACL	Total Nonaccrual	Nonaccrual with no related ACL	Total Nonaccrual	(in thousands)	Nonaccrual with no related ACL	Total Nonaccrual	Nonaccrual with no related ACL	Total Nonaccrual
CRE										
CRE										
CRE										
Non-owner occupied CRE										
Non-owner occupied CRE										
Non-owner occupied CRE										
Multifamily										
Construction/land development										
Multifamily construction										
Multifamily construction										
Multifamily construction										
CRE construction										
CRE construction										
CRE construction										
Total										
Total										
Total										

Commercial and industrial loans
Owner occupied CRE
Owner occupied CRE
Owner occupied CRE
Commercial business
Total
Consumer loans
Single family
Single family
Single family
Home equity and other
Total
Total nonaccrual loans

The following tables present an aging analysis of past due loans by loan portfolio segment and loan sub-class:

	At March 31, 2024
	At June 30, 2024
	Past Due and Still Accruing
	Past Due and Still Accruing
	Past Due and Still Accruing
(in thousands)	
(in thousands)	
(in thousands)	
CRE	
CRE	
CRE	
Non-owner occupied CRE	
Non-owner occupied CRE	
Non-owner occupied CRE	
Multifamily	
Multifamily	
Multifamily	
Construction/land development	
Construction/land development	
Construction/land development	
Multifamily construction	
Multifamily construction	
Multifamily construction	
CRE construction	
CRE construction	
CRE construction	

Single family construction																							
Single family construction																							
Single family construction																							
Single family construction to permanent																							
Single family construction to permanent																							
Single family construction to permanent																							
Total																							
Total																							
Total																							
Commercial and industrial loans																							
Commercial and industrial loans																							
Commercial and industrial loans																							
Owner occupied CRE																							
Owner occupied CRE																							
Owner occupied CRE																							
Commercial business																							
Commercial business																							
Commercial business																							
Total																							
Total																							
Total																							
Consumer loans																							
Consumer loans																							
Consumer loans																							
Single family																							
Single family																							
Single family																							
Home equity and other																							
Home equity and other																							
Home equity and other																							
Total																							
Total																							
Total	5,349	2,630	2,630	3,794	3,794	4,245	4,245	16,018	16,018	1,521,072	1,521,072	1,537,090	1,537,090	(3)	(3)	3,329	2,691	2,691	5,459	5,459	2,899	2,899	14,3
Total loans																							
%																							

%

%

(in thousands)	At December 31, 2023 Past Due and Still Accruing 30-59 days	60-89 days	90 days or more	Nonaccrual	Total past due and nonaccrual (1)	Current	Total loans
CRE							
Non-owner occupied CRE	$ —	$ —	$ —	$ 16,803	$ 16,803	$ 625,082	$ 641,885
Multifamily	—	1,915	—	—	1,915	3,938,274	3,940,189
Construction/land development							
Multifamily construction	—	—	—	—	—	168,049	168,049
CRE construction	—	—	—	3,821	3,821	14,692	18,513
Single family construction	—	—	—	—	—	274,050	274,050
Single family construction to permanent	—	—	—	—	—	105,304	105,304
Total	—	1,915	—	20,624	22,539	5,125,451	5,147,990
Commercial and industrial loans							
Owner occupied CRE	—	—	—	706	706	390,579	391,285
Commercial business	—	—	—	13,686	13,686	345,363	359,049
Total	—	—	—	14,392	14,392	735,942	750,334
Consumer loans							
Single family	5,174	1,993	4,261 (2)	2,650	14,078	1,126,201	1,140,279
Home equity and other	974	225	—	1,310	2,509	381,792	384,301
Total	6,148	2,218	4,261	3,960	16,587	1,507,993	1,524,580 (3)
Total loans	$ 6,148	$ 4,133	$ 4,261	$ 38,976	$ 53,518	$ 7,369,386	$ 7,422,904
%	0.08 %	0.05 %	0.06 %	0.53 %	0.72 %	99.28 %	100.00 %

(1) Includes loans whose repayments are insured by the FHA or guaranteed by the VA or Small Business Administration ("SBA") of $11.9 $11.3 million and $12.4 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

(2) FHA-insured and VA-guaranteed single family loans that are 90 days or more past due are maintained on accrual status if they are determined to have little to no risk of loss.

(3) Includes $1.3 million of loans at both March 31, 2024 June 30, 2024 and December 31, 2023, where a fair value option election was made at the time of origination and, therefore, are carried at fair value with changes in fair value recognized in our consolidated income statements.

Loan Modifications

The Company provides modifications to borrowers experiencing financial difficulty ("MBFD"), which may include delays in payment of amounts due, extension of the terms of the notes or reduction in the interest rates on the notes. In certain instances, the Company may grant more than one type of modification. The granting of modifications for the quarters and six months ended March 31, 2024 June 30, 2024 and 2023 did not have a material impact on the ACL. The following tables provide information related to loans modifiedfor the quarters and six months ended March 31, 2024 June 30, 2024 and 2023 to borrowers experiencing financial difficulty, disaggregated by class of financing receivable and type of concession granted:

(in thousands, except percentages)	Significant Payment Delay Quarter Ended June 30, 2024 Amortized Cost Basis at Period End	% of Total Class of Financing Receivable	2023 Amortized Cost Basis at Period End	% of Total Class of Financing Receivable	Six Months Ended June 30, 2024 Amortized Cost Basis at Period End	% of Total Class of Financing Receivable	2023 Amortized Cost Basis at Period End	% of Total Class of Financing Receivable
Commercial business	$ —	— %	$ —	— %	$ 97	0.03 %	$ —	— %

(in thousands, except percentages)	Term Extension Quarter Ended June 30, 2024 Amortized Cost Basis at Period End	% of Total Class of Financing Receivable	2023 Amortized Cost Basis at Period End	% of Total Class of Financing Receivable	Six Months Ended June 30, 2024 Amortized Cost Basis at Period End	% of Total Class of Financing Receivable	2023 Amortized Cost Basis at Period End	% of Total Class of Financing Receivable

Commercial business	$	—	— %	$ 4,734	1.27 %	$ 3,455	0.92 %	$ 4,734	1.27 %

	Significant Payment Delay and Term Extension							
	Quarter Ended June 30,				Six Months Ended June 30,			
	2024		2023		2024		2023	
(in thousands, except percentages)	Amortized Cost Basis at Period End	% of Total Class of Financing Receivable	Amortized Cost Basis at Period End	% of Total Class of Financing Receivable	Amortized Cost Basis at Period End	% of Total Class of Financing Receivable	Amortized Cost Basis at Period End	% of Total Class of Financing Receivable
Single family	$ 804	0.07 %	$ 942	0.09 %	$ 1,177	0.03 %	$ 1,120	0.10 %

	Significant Payment Delay			
	Quarter Ended March 31,			
	2024		2023	
(in thousands, except percentages)	Amortized Cost Basis at Period End	% of Total Class of Financing Receivable	Amortized Cost Basis at Period End	% of Total Class of Financing Receivable
Commercial business	$ 103	0.03 %	$ —	— %

	Term Extension			
	Quarter Ended March 31,			
	2024		2023	
(in thousands, except percentages)	Amortized Cost Basis at Period End	% of Total Class of Financing Receivable	Amortized Cost Basis at Period End	% of Total Class of Financing Receivable
Non-owner occupied CRE	$ 560	0.09 %	$ —	— %
Commercial business	3,555	0.92 %	—	— %

Significant Payment Delay and Term Extension

Significant Payment Delay and Term Extension
Significant Payment Delay and Term Extension

Quarter Ended March 31,

Interest Rate Reduction, Significant Payment Delay and Term Extension

Interest Rate Reduction, Significant Payment Delay and Term Extension
Interest Rate Reduction, Significant Payment Delay and Term Extension

Quarter Ended June 30,

2024

2024
2024

(in thousands, except percentages)

(in thousands, except percentages)
(in thousands, except percentages)

Single family

Single family
Single family

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty:

Interest Rate Reduction

Interest Rate Reduction
Interest Rate Reduction

Quarter Ended June 30,

Quarter Ended June 30,
Quarter Ended June 30,

2024

2024

2024

Single family

Single family

Single family

Significant Payment Delay

Significant Payment Delay

Significant Payment Delay

Significant Payment Delay

Quarter Ended March 31,

Quarter Ended June 30,

Quarter Ended June 30,

Quarter Ended June 30,

2024

2024

2024

Commercial business

Commercial business

Commercial business

Single Family

Single Family

Single Family

Term Extension

Term Extension

Term Extension

Quarter Ended March 31,

Quarter Ended June 30,

Quarter Ended June 30,

Quarter Ended June 30,

2024

2024

2024

Non-owner occupied CRE

Non-owner occupied CRE

Non-owner occupied CRE

Commercial business

Commercial business

Commercial business

Single family

Single family

Single family

Upon determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

The following table depicts the payment status of loans that were classified as MBFDs on or after January 1, 2023 April 1, 2023 through December 31, 2023 March 31, 2024:

	Payment Status (Amortized Cost Basis) at March 31, 2024				Payment Status (Amortized Cost Basis) at June 30, 2024			
(in thousands)	(in thousands)	Current	30-89 Days Past Due	90+ Days Past Due	(in thousands)	Current	30-89 Days Past Due	90+ Days Past Due
Non-owner occupied CRE								
Non-owner occupied CRE								

Non-owner occupied CRE
Construction/land development
Commercial business
Single family
Total
Total
Total

The following table depicts the payment status of loans that were classified as MBFDs on or after January 1, 2022 April 1, 2022 through December 31, 2022 March 31, 2023:

		Payment Status (Amortized Cost Basis) at March 31, 2023				Payment Status (Amortized Cost Basis) at June 30, 2023		
(in thousands)	(in thousands)	Current	30-89 Days Past Due	90+ Days Past Due	(in thousands)	Current	30-89 Days Past Due	90+ Days Past Due
Commercial business								
Commercial business								
Commercial business								
Single family								
Home equity and other								
Total								
Total								
Total								

The following table provides the amortized cost basis as of March 31, 2024 of MBFDs on or after January 1, 2023 through December 31, 2023 and subsequently had a payment default:

	Amortized Cost Basis of Modified Loans That Subsequently Defaulted				
	Quarter Ended March 31, 2024				
(in thousands)	Significant Payment Delay	Term Extension	Interest Rate Reduction and Term Extension	Significant Payment Delay and Term Extension	Interest Rate Reduction, Significant Payment Delay and Term Extension
Non-owner occupied CRE	$ —	$ —	$ —	$ 16,240	$ —
Construction/land development	—	—	—	3,824	—
Commercial business	—	4,420	—	—	—
Single family	241	—	—	351	—
Total	$ 241	$ 4,420	$ —	$ 20,415	$ —

The following table provides the amortized cost basis as of March 31, 2023 June 30, 2024 of MBFDs on or after January 1, 2022 April 1, 2023 through December 31, 2022 March 31, 2024 and subsequently had a payment default:

	Amortized Cost Basis of Modified Loans That Subsequently Defaulted				
	Quarter Ended June 30, 2024				
(in thousands)	Significant Payment Delay	Term Extension	Interest Rate Reduction and Term Extension	Significant Payment Delay and Term Extension	Interest Rate Reduction, Significant Payment Delay and Term Extension
Commercial business	$ —	$ 2,708	$ —	$ —	$ —
Single family	833	—	—	—	—
Total	$ 833	$ 2,708	$ —	$ —	$ —

The following table provides the amortized cost basis as of June 30, 2023 of MBFDs on or after April 1, 2022 through March 31, 2023 and subsequently had a payment default:

	Amortized Cost Basis of Modified Loans That Subsequently Defaulted				
	Quarter Ended June 30, 2023				
(in thousands)	Significant Payment Delay	Term Extension	Interest Rate Reduction and Term Extension	Significant Payment Delay and Term Extension	Interest Rate Reduction, Significant Payment Delay and Term Extension
Single family	$ —	$ —	$ —	$ 215	$ 469

The following table provides the amortized cost basis as of June 30, 2024 of MBFDs on or after April 1, 2023 through March 31, 2024 and subsequently had a payment default:

	Amortized Cost Basis of Modified Loans That Subsequently Defaulted				
	Six Months Ended June 30, 2024				
(in thousands)	Significant Payment Delay	Term Extension	Interest Rate Reduction and Term Extension	Significant Payment Delay and Term Extension	Interest Rate Reduction, Significant Payment Delay and Term Extension
Non-owner occupied CRE	$ —	$ —	$ —	$ 16,240	$ —
Construction/land development	—	—	—	3,824	—
Commercial business	—	7,128	—	—	—
Single family	1,074	—	—	351	—
Total	$ 1,074	$ 7,128	$ —	$ 20,415	$ —

The following table provides the amortized cost basis as of June 30, 2023 of MBFDs on or after April 1, 2022 through March 31, 2023 and subsequently had a payment default:

		Amortized Cost Basis of Modified Loans That Subsequently Defaulted					Quarter Ended March 31, 2023					Six Months Ended June 30, 2023
(in thousands)	(in thousands)	Significant Payment Delay	Term Extension	Interest Rate Reduction and Term Extension	Significant Payment Delay and Term Extension	Interest Rate Reduction, Significant Payment Delay and Term Extension	(in thousands)	Significant Payment Delay	Term Extension	Interest Rate Reduction and Term Extension	Significant Payment Delay and Term Extension	Interest Rate Reduction, Significant Payment Delay and Term Extension
Single family												
Single family												
Single family												

NOTE 4–DEPOSITS:

Deposit balances, including their weighted average rates, were as follows:

		At March 31, 2024			At December 31, 2023								
		At June 30, 2024			At December 31, 2023								
(dollars in thousands)	(dollars in thousands)	Amount	Weighted Average Rate		Amount	Weighted Average Rate		(dollars in thousands)	Amount	Weighted Average Rate		Amount	
Noninterest-bearing demand deposits													
Noninterest-bearing demand deposits													
Noninterest-bearing demand deposits		$1,311,559	—	— %	$1,306,503	—	— %		$ 1,252,850	—	— %	$1,306,503	–
Interest bearing:													
Interest-bearing demand deposits													
Interest-bearing demand deposits													
Interest-bearing demand deposits		330,301	0.23	0.23 %	344,748	0.25	0.25 %		332,290	0.34	0.34 %	344,748	0.2
Savings	Savings	256,383	0.06	0.06 %	261,508	0.06	0.06 %	Savings	246,397	0.06	0.06 %	261,508	
Money market	Money market	1,536,341	1.67	1.67 %	1,622,665	1.79	1.79 %	Money market	1,502,960	1.83	1.83 %	1,622,665	

Certificates of deposit											
Brokered deposits											
Brokered deposits											
Brokered deposits	921,103	5.36	5.36 %	1,218,008	5.36	5.36 %	948,989	5.40	5.40 %	1,218,008	5.3
Other	2,135,415	4.32	4.32 %	2,009,946	3.95	3.95 %	2,248,984	4.49	4.49 %	2,009,946	
Total interest bearing deposits	5,179,543	3.25	3.25 %	5,456,875	3.19	3.19 %	5,279,620	3.50	3.50 %	5,456,875	
Total deposits	$6,491,102	2.59	2.59 %	$6,763,378	2.58	2.58 %	$6,532,470	2.77	2.77 %	$6,763,378	

There were $256 million $283 million and $255 million in public funds included in deposits at March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

Certificates of deposit outstanding mature as follows:

(in thousands)	March 31, June 30, 2024
Within one year	$ 2,782,594 2,915,523
One to two years	260,104 268,684
Two to three years	5,025 5,474
Three to four years	7,262 6,717
Four to five years	1,418 1,422
Thereafter	115 153
Total	$ 3,056,518 3,197,973

The aggregate amount of certificate of deposits in denominations of more than the FDIC limit of $250 thousand at March 31, 2024 June 30, 2024 and December 31, 2023 were $277 million $250 million and $194 million, respectively.

NOTE 5–DERIVATIVES AND HEDGING ACTIVITIES:

To reduce the risk of significant interest rate fluctuations on the value of certain assets and liabilities, such as single family mortgage LHFS and MSRs, the Company utilizes derivatives as economic hedges. The notional amounts and fair values for derivatives, all of which are economic hedges are included in other assets or accounts payable and other liabilities on the consolidated balance sheet, consist of the following:

	At March 31, 2024				At June 30, 2024		
	Notional amount	Notional amount	Fair value derivatives		Notional amount	Fair value derivatives	
(in thousands)	(in thousands)	Asset	Liability	(in thousands)	Asset	Liability	
Forward sale commitments							
Forward sale commitments							
Forward sale commitments							
Interest rate lock commitments							
Interest rate lock commitments							
Interest rate lock commitments							
Interest rate swaps							
Futures							
Options							
Total derivatives before netting							
Netting adjustment/Cash collateral (1)							
Carrying value on consolidated balance sheet							

At December 31, 2023

(in thousands)	Notional amount	Fair value derivatives Asset	Liability
Forward sale commitments	$ 87,509	$ 151	$ (288)
Interest rate lock commitments	21,790	411	—
Interest rate swaps	235,521	10,489	(10,492)
Futures	12,200	—	(3)
Options	9,300	132	—
Total derivatives before netting	$ 366,320	$ 11,183	$ (10,783)
Netting adjustment/Cash collateral (1)		(10,119)	195
Carrying value on consolidated balance sheet		$ 1,064	$ (10,588)

(1) Includes net cash collateral received of $11.9 million $11.4 million and $9.9 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

The following table presents gross fair value and net carrying value information for derivative instruments:

(in thousands)
(in thousands)
(in thousands)
At March 31, 2024
At June 30, 2024
At March 31, 2024
At June 30, 2024
At March 31, 2024
At June 30, 2024
Derivative assets
Derivative assets
Derivative assets
Derivative liabilities
Derivative liabilities
Derivative liabilities
At December 31, 2023
At December 31, 2023
At December 31, 2023
Derivative assets
Derivative assets
Derivative assets
Derivative liabilities
Derivative liabilities
Derivative liabilities

(1) Includes net cash collateral received of $11.9 million $11.4 million and $9.9 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

The collateral used under the Company's master netting agreements is typically cash, but securities may be used under agreements with certain counterparties. Receivables related to cash collateral that has been paid to counterparties are included in other assets. Payables related to cash collateral that has been received from counterparties are included in accounts payable and other liabilities. Interest is owed on amounts received from counterparties and we earn interest on cash paid to counterparties. Any securities pledged to counterparties as collateral remain on the consolidated balance sheets. At March 31, 2024 June 30, 2024 and December 31, 2023, the Company had liabilities of $11.9 million $11.6 million and $10.1 million, respectively, in cash collateral received from counterparties and receivables of $44 $125 thousand and $218 thousand, respectively, in cash collateral paid to counterparties.

The following table presents the net gain (loss) recognized on economic hedge derivatives, within the respective line items in the consolidated income statements for the periods indicated:

		Quarter Ended June 30,		Six Months Ended June 30,	
(in thousands)	(in thousands)	2024	2023	2024	2023
(in thousands)					
(in thousands)					

Recognized in noninterest income:	
Recognized in noninterest income:	
Recognized in noninterest income:	
Net gain (loss) on loan origination and sale activities (1)	
Net gain (loss) on loan origination and sale activities (1)	
Net gain (loss) on loan origination and sale activities (1)	
Loan servicing income (loss) (2)	
Loan servicing income (loss) (2)	
Loan servicing income (loss) (2)	
Other (3)	
Other (3)	
Other (3)	

(1) Comprised of forward contracts used as an economic hedge of loans held for sale and interest rate lock commitments ("IRLCs") to customers.

(2) Comprised of futures, US Treasury options and forward contracts used as economic hedges of single family MSRs.

(3) Impact of interest rate swap agreements executed with commercial banking customers and broker dealer counterparties.

The interest income from US Treasury notes securities used for hedging purposes, which is included in interest income on the consolidated income statements, was $0.3 million and $0.5 million for the quarters ended June 30, 2024 and 2023, respectively, and was $0.6 million and $0.9 million for the six months ended June 30, 2024 and 2023, respectively.

The notional amount of open interest rate swap agreements executed with commercial banking customers and broker dealer counterparties at March 31, 2024 June 30, 2024 and December 31, 2023 were $233 million $228 million and $236 million, respectively.

NOTE 6–MORTGAGE BANKING OPERATIONS:

LHFS consisted of the following:

(in thousands)	(in thousands)	At March 31, 2024	At December 31, 2023	(in thousands)	At June 30, 2024	At December 31, 2023
Single family						
Single family						
Single family						
CRE, multifamily and SBA						
Total						

Loans sold consisted of the following for the periods indicated:

		Quarter Ended June 30,		Six Months Ended June 30,	
(in thousands)	(in thousands)	2024	2023	2024	2023
(in thousands)					
(in thousands)					
Single family					
Single family					
Single family					
CRE, multifamily and SBA					
CRE, multifamily and SBA					
CRE, multifamily and SBA					
Total					
Total					
Total					

Gain on loan origination and sale activities, including the effects of derivative risk management instruments, consisted of the following:

		Quarter Ended June 30,		Six Months Ended June 30,	
(in thousands)	(in thousands)	2024	2023	2024	2023
(in thousands)					
(in thousands)					

Single family
Single family
Single family
CRE, multifamily and SBA
CRE, multifamily and SBA
CRE, multifamily and SBA
Total
Total
Total

The Company's portfolio of loans serviced for others is primarily comprised of loans held in U.S. government and agency MBS issued by Fannie Mae, Freddie Mac and Ginnie Mae. The unpaid principal balance of loans serviced for others is as follows:

(in thousands)	(in thousands)	At March 31, 2024	At December 31, 2023	(in thousands)	At June 30, 2024	At December 31, 2023
Single family						
Single family						
Single family						
CRE, multifamily and SBA						
Total						

The following is a summary of changes in the Company's liability for estimated single-family mortgage repurchase losses:

		Quarter Ended June 30,			Six Months Ended June 30,		
(in thousands)	(in thousands)	2024	2023		2024		2023
(in thousands)							
(in thousands)							
Balance, beginning of period							
Balance, beginning of period							
Balance, beginning of period							
Additions, net of adjustments (1)							
Additions, net of adjustments (1)							
Additions, net of adjustments (1)							
Realized (losses) recoveries, net (2)							
Realized (losses) recoveries, net (2)							
Realized (losses) recoveries, net (2)							
Balance, end of period							
Balance, end of period							
Balance, end of period							

(1) Includes additions for new loan sales and changes in estimated probable future repurchase losses on previously sold loans.

(2) Includes principal losses and accrued interest on repurchased loans, "make-whole" settlements, settlements with claimants and certain related expenses.

The Company has agreements with certain investors to advance scheduled principal and interest amounts on delinquent loans. Advances are also made to fund the foreclosure and collection costs of delinquent loans prior to the recovery of reimbursable amounts from investors or borrowers. Advances of $3.1 million $3.4 million and $2.9 million were recorded in other assets as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

When the Company has the unilateral right to repurchase Ginnie Mae pool loans it has previously sold (generally loans that are more than 90 days past due), the Company records the balance of the loans as other assets and other liabilities. At March 31, 2024 June 30, 2024 and December 31, 2023, delinquent or defaulted mortgage loans currently in Ginnie Mae pools that the Company has recognized on its consolidated balance sheets totaled $5.9 million $5.7 million and $5.6 million, respectively.

Revenue from mortgage servicing, including the effects of derivative risk management instruments, consisted of the following:

		Quarter Ended June 30,			Six Months Ended June 30,		
(in thousands)	(in thousands)	2024	2023		2024		2023
(in thousands)							
(in thousands)							

Servicing income, net:
Servicing income, net:
Servicing income, net:
Servicing fees and other
Servicing fees and other
Servicing fees and other
Amortization of single family MSRs (1)
Amortization of single family MSRs (1)
Amortization of single family MSRs (1)
Amortization of multifamily and SBA MSRs
Amortization of multifamily and SBA MSRs
Amortization of multifamily and SBA MSRs
Total
Total
Total
Risk management, single family MSRs:
Risk management, single family MSRs:
Risk management, single family MSRs:
Changes in fair value of MSRs due to assumptions (2)
Changes in fair value of MSRs due to assumptions (2)
Changes in fair value of MSRs due to assumptions (2)
Net gain (loss) from economic hedging (3)
Net gain (loss) from economic hedging (3)
Net gain (loss) from economic hedging (3)
Total
Total
Total
Loan servicing income
Loan servicing income
Loan servicing income

(1) Represents changes due to collection/realization of expected cash flows and curtailments.

(2) Principally reflects changes in model assumptions, including prepayment speed assumptions, which are primarily affected by changes in mortgage interest rates.

(3) The interest income from US Treasury notes securities used for hedging purposes, which is included in interest income on the consolidated income statements, was $0.3 million and $0.4 million $0.5 million for the quarters ended March 31, 2024 June 30, 2024 and 2023, respectively, and was $0.6 million and $0.9 million for the six months ended June 30, 2024 and 2023, respectively.

The changes in single family MSRs measured at fair value are as follows:

	Quarter Ended March 31,				
	Quarter Ended March 31,				
	Quarter Ended March 31,				
(in thousands)					
(in thousands)					
		Quarter Ended June 30,		Six Months Ended June 30,	
(in thousands)	(in thousands)	2024	2023	2024	2023
Beginning balance					
Beginning balance					
Beginning balance					
Additions and amortization:					
Additions and amortization:					
Additions and amortization:					
Originations					
Originations					
Originations					
Purchases					
Purchases					

Purchases

Amortization (1)

Amortization (1)

Amortization (1)

Net additions and amortization

Net additions and amortization

Net additions and amortization

Changes in fair value assumptions (2)

Changes in fair value assumptions (2)

Changes in fair value assumptions (2)

Ending balance

Ending balance

Ending balance

(1) Represents changes due to collection/realization of expected cash flows and curtailments.

(2) Principally reflects changes in model assumptions, including prepayment speed assumptions, which are primarily affected by changes in mortgage interest rates.

Key economic assumptions used in measuring the initial fair value of capitalized single family MSRs were as follows:

Quarter Ended March 31,

Quarter Ended March 31,

Quarter Ended March 31,

(rates per annum) (1)

(rates per annum) (1)

(rates per annum) (1)	Quarter Ended June 30, 2024	Quarter Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Constant prepayment rate ("CPR") (2)	17.46 %	16.70 %	18.28 %	13.78 %
Discount rate	10.45 %	10.99 %	10.33 %	10.44 %

Constant prepayment rate ("CPR") (2)

Constant prepayment rate ("CPR") (2)

Discount rate

Discount rate

(1) Based on a weighted average.

(2) Represents an expected lifetime average CPR used in the model.

For single family MSRs, we use a discounted cash flow valuation technique which utilizes CPRs and discount rates as significant unobservable inputs as noted in the table below:

	At March 31, 2024 Range of Inputs	At March 31, 2024 Average (1)	At December 31, 2023 Range of Inputs	At December 31, 2023 Average (1)	At June 30, 2024 Range of Inputs	At June 30, 2024 Average (1)	At December 31, 2023 Range of Inputs	At December 31, 2023 Average (1)
CPRs (2)	6.20% - 33.00%	6.60 %	6.80% - 32.50%	7.00 %	6.10% - 34.00%	6.58 %	6.80% - 32.50%	7.00 %
Discount Rates	10.00% - 16.00%	10.64 %	10.00% - 17.00%	10.00 %	10.00% - 16.00%	10.72 %	10.00% - 17.00%	10.00 %

CPRs (2)

CPRs (2)

(1) Weighted averages of all the inputs within the range.

(2) Represents the expected lifetime average CPR used in the model.

To compute hypothetical sensitivities of the value of our single family MSRs to immediate adverse changes in key assumptions, we computed the impact of changes to CPRs and in discount rates as outlined below:

(dollars in thousands)		At March 31, 2024 June 30, 2024
Fair value of single family MSR	$	74,056 73,725
Expected weighted-average life (in years)		8.49 8.46
CPR		
Impact on fair value of 25 basis points adverse change in interest rates	$	(621) (648)
Impact on fair value of 50 basis points adverse change in interest rates	$	(1,344) (1,393)
Discount rate		
Impact on fair value of 100 basis points increase	$	(1,952) (2,184)
Impact on fair value of 200 basis points increase	$	(4,627) (4,774)

The changes in multifamily and SBA MSRs measured at the lower of amortized cost or fair value were as follows:

	Quarter Ended March 31,					
	Quarter Ended March 31,					
	Quarter Ended March 31,					
(in thousands)						
(in thousands)						
		Quarter Ended June 30,		Six Months Ended June 30,		
(in thousands)	(in thousands)	2024	2023		2024	2023
Beginning balance						
Beginning balance						
Beginning balance						
Originations						
Originations						
Originations						
Amortization						
Amortization						
Amortization						
Ending balance						
Ending balance						
Ending balance						

Key economic assumptions used in measuring the initial fair value of capitalized multifamily MSRs were as follows:

	Quarter Ended March 31,							
	Quarter Ended March 31,							
	Quarter Ended March 31,							
(rates per annum) (1)								
(rates per annum) (1)								
		Quarter Ended June 30,			Six Months Ended June 30,			
(rates per annum) (1)	(rates per annum) (1)	2024		2023		2024		2023
Discount rate								
Discount rate								
Discount rate	13.00	%	13.00	%	13.00	%	13.00	%
Discount rate								

(1) Based on a weighted average.

For multifamily MSRs, we use a discounted cash flow valuation technique which utilizes CPRs and discount rates as significant unobservable inputs as noted in the table below. Multifamily DUS loans typically contain yield maintenance features that significantly reduce loan prepayments, driving resulting in a CPR of zero. zero for valuation purposes.

	At March 31, 2024	At December 31, 2023
	At June 30, 2024	At December 31, 2023

	Range of Inputs	Average (1)	Range of Inputs	Average (1)		Average (1)		Range of Inputs		Average (1)
	Range of Inputs									
	Range of Inputs									
Discount Rates										
Discount Rates										
Discount Rates	13.00% - 13.00%	13.00 %	13.00% - 13.00%	13.00 %	13.00% - 15.00%		13.00 %		13.00% - 15.00%	13.00 %

(1) Weighted averages of all the inputs within the range.

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NOTE 7–GUARANTEES AND MORTGAGE REPURCHASE LIABILITY:

In the ordinary course of business, the Company sells loans through the Fannie Mae Multifamily Delegated Underwriting and Servicing Program ("DUS"®) that are subject to a credit loss sharing arrangement. The Company services the loans for Fannie Mae and shares in the risk of loss with Fannie Mae under the terms of the DUS contracts. Under the DUS program, the Company and Fannie Mae share losses on a pro rata basis, where the Company is responsible for losses incurred up to one-third of the principal balance on each loan with two-thirds of the loss covered by Fannie Mae. For loans that have been sold through this program, a liability is recorded for this loss sharing arrangement under the accounting guidance for guarantees. At both March 31, 2024 June 30, 2024 and December 31, 2023, the total unpaid principal balance of loans sold under this program was $1.8 billion. The Company's reserve liability related to this arrangement totaled $0.4 million and $0.5 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively. There were no actual losses incurred under this arrangement during the quarters and six months ended March 31, 2024 June 30, 2024 and 2023.

In the ordinary course of business, the Company sells residential mortgage loans to GSEs and other entities. Under the terms of these sales agreements, the Company has made representations and warranties that the loans sold meet certain requirements. The Company may be required to repurchase mortgage loans or indemnify loan purchasers due to defects in the origination process of the loan, such as documentation errors, underwriting errors and judgments, early payment defaults and fraud. The total unpaid principal balance of loans sold on a servicing-retained basis that were subject to the terms and conditions of these representations and warranties totaled $5.2 billion and $5.3 billion as of March 31, 2024 June 30, 2024 and December 31, 2023. , respectively. At March 31, 2024 June 30, 2024 and December 31, 2023, the Company had recorded a mortgage repurchase liability for loans sold on a servicing-retained and servicing-released basis, included in accounts payable and other liabilities on the consolidated balance sheets, of $1.3 million $1.2 million and $1.5 million, respectively.

NOTE 8–EARNINGS PER SHARE:

The following table summarizes the calculation of earnings per share:

		Quarter Ended June 30,		Six Months Ended June 30,	
(in thousands, except share and per share data)	(in thousands, except share and per share data)	2024	2023	2024	2023
(in thousands, except share and per share data)					
(in thousands, except share and per share data)					
Net income (loss)					
Net income (loss)					
Net income (loss)					
Weighted average shares:					
Weighted average shares:					
Weighted average shares:					
Basic weighted-average number of common shares outstanding					
Basic weighted-average number of common shares outstanding					
Basic weighted-average number of common shares outstanding					
Dilutive effect of outstanding common stock equivalents					
Dilutive effect of outstanding common stock equivalents					
Dilutive effect of outstanding common stock equivalents					
Diluted weighted-average number of common shares outstanding					
Diluted weighted-average number of common shares outstanding					
Diluted weighted-average number of common shares outstanding					
Net income (loss) per share:					
Net income (loss) per share:					
Net income (loss) per share:					
Basic earnings per share					
Basic earnings per share					
Basic earnings per share					
Diluted earnings per share (1)					

Diluted earnings per share (1)
Diluted earnings per share (1)

(1) Excluded from the computation of diluted earnings per share (due to their antidilutive effect) for the quarters and six months ended March 31, 2024 June 30, 2024 and 2023 were certain unvested RSUs and PSUs. On a weighted average basis 561,610 559,921 and 251,821 248,840 unvested stock units convertible into sharesof common stock were excluded at March 31, 2024 June 30, 2024 and 2023, respectively, because their effect would have been anti-dilutive.

NOTE 9–FAIR VALUE MEASUREMENT:

The term "fair value" is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The Company's approach is to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements.

Fair Value Hierarchy

A three-level valuation hierarchy has been established under ASC 820 for disclosure of fair value measurements. The valuation hierarchy is based on the observability of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument’s categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The levels are defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability for substantially the full term of the financial instrument.
- Level 3 – Unobservable inputs for the asset or liability. These inputs reflect the Company's assumptions of what market participants would use in pricing the asset or liability.

The Company's policy regarding transfers between levels of the fair value hierarchy is that all transfers are assumed to occur at the end of the reporting period.

Estimation of Fair Value

Fair value is based on quoted market prices, when available. In cases where a quoted price for an asset or liability is not available, the Company uses valuation models to estimate fair value. These models incorporate inputs such as forward yield curves, loan prepayment assumptions, expected loss assumptions, market volatilities and pricing spreads utilizing market-based inputs where readily available. The Company believes its valuation methods are appropriate and consistent with those that would be used by other market participants. However, imprecision in estimating unobservable inputs and other factors may result in these fair value measurements not reflecting the amount realized in an actual sale or transfer of the asset or liability in a current market exchange.

The following table summarizes the fair value measurement methodologies, including significant inputs and assumptions and classification of the Company's assets and liabilities valued at fair value on a recurring basis.

Asset/Liability class	Valuation methodology, inputs and assumptions	Classification
Investment securities		
Trading securities	Fair Value is based on quoted prices in an active market.	Level 1 recurring fair value measurement.
Investment securities AFS	Observable market prices of identical or similar securities are used where available.	Level 2 recurring fair value measurement.
	If market prices are not readily available, value is based on discounted cash flows using the following significant inputs: • Expected prepayment speeds • Estimated credit losses • Market liquidity adjustments	Level 3 recurring fair value measurement.
LHFS		
Single family loans, excluding loans transferred from held for investment	Fair value is based on observable market data, including: • Quoted market prices, where available • Dealer quotes for similar loans • Forward sale commitments	Level 2 recurring fair value measurement.
	When not derived from observable market inputs, fair value is based on discounted cash flows, which considers the following inputs: • Benchmark yield curve • Estimated discount spread to the benchmark yield curve • Expected prepayment speeds	Estimated fair value classified as Level 3.
Mortgage servicing rights		
Single family MSRs	For information on how the Company measures the fair value of its single family MSRs, including key economic assumptions and the sensitivity of fair value to changes in those assumptions, see Note 6*, Mortgage Banking Operations*.	Level 3 recurring fair value measurement.
Derivatives		
Futures and Options	Fair value is based on closing exchange prices.	Level 1 recurring fair value measurement.
Forward sale commitments Interest rate swaps	Fair value is based on quoted prices for identical or similar instruments, when available. When quoted prices are not available, fair value is based on internally developed modeling techniques, which require the use of multiple observable market inputs including: • Forward interest rates • Interest rate volatilities	Level 2 recurring fair value measurement.
IRLC	The fair value considers several factors including: • Fair value of the underlying loan based on quoted prices in the secondary market, when available. • Value of servicing • Fall-out factor	Level 3 recurring fair value measurement.

The following tables presents the levels of the fair value hierarchy for the Company's assets and liabilities measured at fair value on a recurring basis:

		At March 31, 2024					At June 30, 2024			
(in thousands)	(in thousands)	Fair Value	Level 1	Level 2	Level 3	(in thousands)	Fair Value	Level 1	Level 2	Level 3
Assets:										
Assets:										
Assets:										
Trading securities - U.S. Treasury securities										
Trading securities - U.S. Treasury securities										
Trading securities - U.S. Treasury securities										
Investment securities AFS										
Mortgage backed securities:										
Mortgage backed securities:										
Mortgage backed securities:										
Residential										
Residential										
Residential										
Commercial										
Collateralized mortgage obligations:										

Residential
Residential
Residential
Commercial
Municipal bonds
Corporate debt securities
U.S. Treasury securities
Agency debentures
Single family LHFS
Single family LHFI
Single family mortgage servicing rights
Derivatives
Forward sale commitments
Forward sale commitments
Forward sale commitments
Options
Interest rate lock commitments
Interest rate swaps
Total assets
Liabilities:
Derivatives
Derivatives
Derivatives
Forward sale commitments
Forward sale commitments
Futures
Futures
Futures
Forward sale commitments
Interest rate lock commitments
Interest rate lock commitments
Interest rate lock commitments
Interest rate swaps
Total liabilities

	At December 31, 2023			
(in thousands)	Fair Value	Level 1	Level 2	Level 3
Assets:				
Trading securities - U.S. Treasury securities	$ 24,698	$ 24,698	$ —	$ —
Investment securities AFS				
Mortgage backed securities:				
Residential	183,798	—	181,938	1,860
Commercial	47,756	—	47,756	—
Collateralized mortgage obligations:				
Residential	439,738	—	439,738	—
Commercial	57,397	—	57,397	—
Municipal bonds	404,874	—	404,874	—
Corporate debt securities	38,547	—	38,547	—
U.S. Treasury securities	20,184	—	20,184	—
Agency debentures	58,905	—	58,905	—
Single family LHFS	12,849	—	12,849	—

Single family LHFI	1,280	—	—	1,280
Single family mortgage servicing rights	74,249	—	—	74,249
Derivatives				
Forward sale commitments	151	—	151	—
Options	132	132	—	
Interest rate lock commitments	411	—	—	411
Interest rate swaps	10,489	—	10,489	—
Total assets	$ 1,375,458	$ 24,830	$ 1,272,828	$ 77,800
Liabilities:				
Derivatives				
Futures	$ 3	$ 3	$ —	$ —
Forward sale commitments	288	—	288	—
Interest rate swaps	10,492	—	10,492	—
Total liabilities	$ 10,783	$ 3	$ 10,780	$ —

There were no transfers between levels of the fair value hierarchy during the quarters and six months ended March 31, 2024 June 30, 2024 and 2023.

Level 3 Recurring Fair Value Measurements

The Company's Level 3 recurring fair value measurements consist of investment securities AFS, single family MSRs, single family LHFI where fair value option was elected, certain single family LHFS and interest rate lock commitments, which are accounted for as derivatives. For information regarding fair value changes and activity for single family MSRs during the quarters and six months ended March 31, 2024 June 30, 2024 and 2023, see Note 6, *Mortgage Banking Operations* of this Quarterly Report on Form 10-Q.

The fair value of IRLCs considers several factors, including the fair value in the secondary market of the underlying loan resulting from the exercise of the commitment, the expected net future cash flows related to the associated servicing of the loan (referred to as the value of servicing) and the probability that the commitment will not be converted into a funded loan (referred to as a fall-out factor). The fair value of IRLCs on LHFS, while based on interest rates observable in the market, is highly dependent on the ultimate closing of the loans. The significance of the fall-out factor to the fair value measurement of an individual IRLC is generally highest at the time that the rate lock is initiated and declines as closing procedures are performed and the underlying loan gets closer to funding. The fall-out factor applied is based on historical experience. The value of servicing is impacted by a variety of factors, including prepayment assumptions, discount rates, delinquency rates, contractually specified servicing fees, servicing costs and underlying portfolio characteristics. Because these inputs are not observable in market trades, the fall-out factor and value of servicing are considered to be Level 3 inputs. The fair value of IRLCs decreases in value upon an increase in the fall-out factor and increases in value upon an increase in the value of servicing. Changes in the fall-out factor and value of servicing do not increase or decrease based on movements in other significant unobservable inputs.

The Company recognizes unrealized gains and losses from the time that an IRLC is initiated until the gain or loss is realized at the time the loan closes, which generally occurs within 30-90 days. For IRLCs that fall out, any unrealized gain or loss is reversed, which generally occurs at the end of the commitment period. The gains and losses recognized on IRLC derivatives generally correlates to volume of single family interest rate lock commitments made during the reporting period (after adjusting for estimated fallout) while the amount of unrealized gains and losses realized at settlement generally correlates to the volume of single family closed loans during the reporting period.

The Company uses the discounted cash flow model to estimate the fair value of certain loans that have been transferred from held for sale to held for investment and single family LHFS when the fair value of the loans is not derived using observable market inputs. The key assumption in the valuation model is the implied spread to benchmark interest rate curve. The implied spread is not directly observable in the market and is derived from third party pricing which is based on market information from comparable loan pools. The fair value estimate of single family loans that have been transferred from held for sale to held for investment are sensitive to changes in the benchmark interest rate which might result in a significantly higher or lower fair value measurement.

The Company transferred certain loans from held for sale to held for investment. These loans were originated as held for sale loans where the Company had elected fair value option. The Company determined these loans to be level 3 recurring assets as the valuation technique included a significant unobservable input. The total amount of held for investment loans where fair value option election was made was $1.3 million at both March 31, 2024 June 30, 2024 and December 31, 2023.

The following information presents significant Level 3 unobservable inputs used to measure fair value of certain assets:

(dollars in thousands)

(dollars in thousands)

(dollars in thousands)	Fair Value	Valuation Technique	Significant Unobservable Input	Low	High	Weighted Average	Fair Value	Valuation Technique	Sig Unob In
March 31, 2024									
March 31, 2024									
March 31, 2024									
June 30, 2024									

June 30, 2024

June 30, 2024

Investment securities AFS

Investment securities AFS

Investment securities AFS		$1,791	Income approach	Income approach	Implied spread to benchmark interest rate curve			2.25%	$1,769	Income approach			Income approach		Implied spread benchmark interest rate cu
Single family LHFI	Single family LHFI	1,285	Income approach	Income approach	Implied spread to benchmark interest rate curve	3.97%	5.36%			4.44%	Single family LHFI	1,286	Income approach		Income approach
Interest rate lock commitments, net	Interest rate lock commitments, net	336	Income approach	Income approach	Fall-out factor	0.07%	30.20%			8.48%	Interest rate lock commitments, net	483	Income approach		Income approach
				Value of servicing			Value of servicing			0.15%			0.93%		0.62%

December 31, 2023

December 31, 2023

December 31, 2023

Investment securities AFS

Investment securities AFS

Investment securities AFS		$1,860	Income approach	Income approach	Implied spread to benchmark interest rate curve			2.25%	$1,860	Income approach			Income approach		Implied spread benchmark inte rate curve
Single family LHFI	Single family LHFI	1,280	Income approach	Income approach	Implied spread to benchmark interest rate curve	3.30%	5.04%			3.94%	Single family LHFI	1,280	Income approach		Income approach
Interest rate lock commitments, net	Interest rate lock commitments, net	411	Income approach	Income approach	Fall-out factor	0.81%	41.64%			10.54%	Interest rate lock commitments, net	411	Income approach		Income approach
				Value of servicing			Value of servicing			0.32%			0.80%		0.57%

We had no LHFS where the fair value was not derived with significant observable inputs at March 31, 2024 June 30, 2024 and December 31, 2023.

The following table presents fair value changes and activity for certain Level 3 assets for the periods indicated:

(in thousands)

(in thousands)

(in thousands)	Beginning balance	Additions	Transfers	Payoffs/Sales	Change in mark to market (1)	Ending balance	Beginning balance	Additions	Transfers	Payoffs/Sales	Change in mark to market (1)	Ending balance
Quarter Ended March 31, 2024												
Quarter Ended March 31, 2024												
Quarter Ended March 31, 2024												
Quarter Ended June 30, 2024												
Quarter Ended June 30, 2024												
Quarter Ended June 30, 2024												
Investment securities AFS												
Investment securities AFS												
Investment securities AFS												

Single family LHFI
Quarter Ended March 31, 2023
Quarter Ended June 30, 2023
Investment securities AFS
Investment securities AFS
Investment securities AFS
Single family LHFI
Six Months Ended June 30, 2024
Investment securities AFS
Investment securities AFS
Investment securities AFS
Single family LHFI
Six Months Ended June 30, 2023
Investment securities AFS
Investment securities AFS
Investment securities AFS
Single family LHFI

(1) Changes in fair value for single LHFI are recorded in other noninterest income on the consolidated income statements.

The following table presents fair value changes and activity for Level 3 interest rate lock commitments:

	Quarter Ended March 31,				
	Quarter Ended March 31,				
	Quarter Ended March 31,				
(in thousands)					
(in thousands)					
		Quarter Ended June 30,		Six Months Ended June 30,	
(in thousands)	(in thousands)	2024	2023	2024	2023
Beginning balance, net					
Beginning balance, net					
Beginning balance, net					
Total realized/unrealized gains (losses)					
Total realized/unrealized gains (losses)					
Total realized/unrealized gains (losses)					
Settlements					
Settlements					
Settlements					
Ending balance, net					
Ending balance, net					
Ending balance, net					

Nonrecurring Fair Value Measurements

Certain assets held by the Company are not included in the tables above, but are measured at fair value on a periodic basis. These assets include certain LHFI and OREO that are carried at the lower of cost or fair value of the underlying collateral, less the estimated costs to sell. The estimated fair values of real estate collateral are generally based on internal evaluations and appraisals of such collateral, which use the market approach and income approach methodologies. We have omitted disclosure related to quantitative inputs given the insignificance of assets measured on a nonrecurring basis.

The fair value of commercial properties is generally based on third-party appraisals that consider recent sales of comparable properties, including their income-generating characteristics, adjusted (generally based on unobservable inputs) to reflect the general assumptions that a market participant would make when analyzing the property for purchase. The Company uses a fair value of collateral technique to apply adjustments to the appraisal value of certain commercial LHFI that are collateralized by real estate.

The Company uses a fair value of collateral technique to apply adjustments to the stated value of certain commercial LHFI that are not collateralized by real estate and to the appraisal value of OREO.

Residential properties are generally based on unadjusted third-party appraisals. Factors considered in determining the fair value include geographic sales trends, the value of comparable surrounding properties as well as the condition of the property.

These adjustments include management assumptions that are based on the type of collateral dependent loan and may increase or decrease an appraised value. Management adjustments vary significantly depending on the location, physical characteristics and income producing potential of each individual property. The quality and volume of market information available at the time of the appraisal can vary from period-to-period and cause significant changes to the nature and magnitude of the unobservable inputs used. Given these variations, changes in these unobservable inputs are generally not a reliable indicator for how fair value will increase or decrease from period to period.

The following table presents assets classified as Level 3 that had changes in their recorded fair value for the periods indicated and what we still held at the end of the respective reporting period:

(in thousands)	Fair Value	Total Gains (Losses)
At or for the Quarter Ended March 31, 2024		
LHFI (1)	$ 423	$ (50)
At or for the Quarter Ended March 31, 2023		
LHFI (1)	$ 3,793	$ (159)

(in thousands)	Fair Value (1)	Total Gains (Losses)
At or for the Quarter Ended June 30, 2024		
LHFI	$ 3,131	$ (2,692)
At or for the Quarter Ended June 30, 2023		
LHFI	4,214	(811)
At or for the Six Months Ended June 30, 2024		
LHFI	3,131	(2,743)
At or for the Six Months Ended June 30, 2023		
LHFI	4,214	(970)

(1) Represents the carrying value of loans for which adjustments are based on the fair value of the collateral.

Fair Value of Financial Instruments

The following presents the carrying value, estimated fair value and the levels of the fair value hierarchy for the Company's financial instruments other than assets and liabilities measured at fair value on a recurring basis:

	At June 30, 2024				
(in thousands)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 218,731	$ 218,731	$ 218,731	$ —	$ —
Investment securities HTM	2,336	2,291	—	2,291	—
LHFI	7,339,023	6,909,608	—	—	6,909,608
LHFS – multifamily and other	7,634	7,654	—	7,654	—
Mortgage servicing rights – multifamily and SBA	27,583	33,148	—	—	33,148
Federal Home Loan Bank stock	77,725	77,725	—	77,725	—
Other assets - GNMA EBO loans	5,747	5,747	—	—	5,747
Liabilities:					
Certificates of deposit	$ 3,197,973	$ 3,185,782	$ —	$ 3,185,782	$ —
Borrowings	1,886,000	1,878,834		1,878,834	
Long-term debt	224,948	174,418	—	174,418	—

(in thousands)	At March 31, 2024 Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 320,327	$ 320,327	$ 320,327	$ —	$ —
Investment securities HTM	2,354	2,305	—	2,305	—
LHFI	7,403,767	6,970,457	—	—	6,970,457
LHFS – multifamily and other	2,079	2,079	—	2,079	—
Mortgage servicing rights – multifamily and SBA	28,863	34,303	—	—	34,303
Federal Home Loan Bank stock	73,722	73,722	—	73,722	—
Other assets - GNMA EBO loans	5,940	5,940	—	—	5,940
Liabilities:					
Certificates of deposit	$ 3,056,518	$ 3,046,367	$ —	$ 3,046,367	$ —
Borrowings	2,094,000	2,089,853		2,089,853	
Long-term debt	224,857	175,314	—	175,314	—

(in thousands)	At December 31, 2023 Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 215,664	$ 215,664	$ 215,664	$ —	$ —
Investment securities HTM	2,371	2,331	—	2,331	—
LHFI	7,381,124	7,002,028	—	—	7,002,028
LHFS – multifamily and other	6,788	6,871	—	6,871	—
Mortgage servicing rights – multifamily and SBA	29,987	35,292	—	—	35,292
Federal Home Loan Bank stock	55,293	55,293	—	55,293	—
Other assets-GNMA EBO loans	5,617	5,617	—	—	5,617
Liabilities:					
Certificates of deposit	$ 3,227,954	$ 3,216,665	$ —	$ 3,216,665	$ —
Borrowings	1,745,000	1,750,023	—	1,750,023	—
Long-term debt	224,766	132,996	—	132,996	—

Fair Value Option

Single family loans held for sale accounted under the fair value option are measured initially at fair value with subsequent changes in fair value recognized in earnings. Gains and losses from such changes in fair value are recognized in net gain on mortgage loan origination and sale activities within noninterest income. The change in fair value of loans held for sale is primarily driven by changes in interest rates subsequent to loan funding and changes in fair value of the related servicing asset, resulting in revaluation adjustments to the recorded fair value. The use of the fair value option allows the change in the fair value of loans to more effectively offset the change in fair value of derivative instruments that are used as economic hedges of loans held for sale.

The following table presents the difference between the aggregate fair value and the aggregate unpaid principal balance of loans held for sale accounted for under the fair value option:

(in thousands)	At March 31, 2024 Fair Value	Aggregate Unpaid Principal Balance	Fair Value Less Aggregated Unpaid Principal Balance	At December 31, 2023 Fair Value	Aggregate Unpaid Principal Balance	Fair Value Less Aggregated Unpaid Principal Balance
Single family LHFS	$ 19,023	$ 18,706	$ 317	$ 12,849	$ 12,583	$ 266

NOTE 10–COMMITMENTS AND CONTINGENCIES:

As of March 31, 2024, HomeStreet was obligated on a $135 million letter of credit to the FHLB which is being used as collateral for public fund deposits.

NOTE 11–SUBSEQUENT EVENTS:

On April 30, 2024, the Company entered into Amendment No. 1 to the previously announced definitive merger agreement with FirstSun Capital Bancorp (“FirstSun”), the holding company of Sunflower Bank, N.A ("Sunflower Bank"), and Dynamis Subsidiary, Inc., whereby, under the merger agreement, as amended, the Company and the Bank will merge with and into FirstSun and Sunflower Bank, respectively (collectively, the "Merger"). Subject to terms and conditions of the merger agreement, as amended, the companies will combine in an all-stock transaction in which HomeStreet shareholders will receive 0.3867 of a share of FirstSun common stock for each share of HomeStreet common stock. The parties to the Merger expect to complete the Merger in late 2024, subject to the satisfaction of closing conditions, including receipt of customary required regulatory approvals, the approval of the merger agreement by HomeStreet shareholders and satisfaction or waiver of other closing conditions.

	At June 30, 2024			At December 31, 2023		
(in thousands)	Fair Value	Aggregate Unpaid Principal Balance	Fair Value Less Aggregated Unpaid Principal Balance	Fair Value	Aggregate Unpaid Principal Balance	Fair Value Less Aggregated Unpaid Principal Balance
Single family LHFS	$ 22,147	$ 21,760	$ 387	$ 12,849	$ 12,583	$ 266

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Consolidated Financial Statements and Notes presented elsewhere in this report and in HomeStreet, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2023 ("2023Annual Report on Form 10-K").

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Reform Act”). Generally, forward-looking statements include the words “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “should,” “will,” and “would” and similar expressions (or the negative of these terms). Forward-looking statements in this Form 10-Q also include statements regarding the expected timing to close the proposed merger of HomeStreet into FirstSun Capital Bancorp (“FirstSun”) and HomeStreet Bank into Sunflower Bank, N.A., a subsidiary of FirstSun (collectively, the “Merger”) and expectations regarding dividend payments in 2024. Such statements involve inherent risks, uncertainties and other factors, many of which are difficult to predict and are generally beyond control of HomeStreet Inc. (the "Company"). Forward-looking statements are based on the Company’s expectations at the time such statements are made and speak only as of the date made they and are not guarantees of future performance. The Company does not assume any obligation or undertake to update any forward-looking statements after the date of this report as a result of new information, future events or developments, except as required by federal securities or other applicable laws, although the Company may do so from time to time. The Company does not endorse any projections regarding future performance that may be made by third parties. For all forward-looking statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Reform Act.

We caution readers that actual results may differ materially from those expressed in or implied by the Company’s forward-looking statements. Rather, more important factors could affect the Company’s future results, including but not limited to the following:(1) our ability to successfully consummate the proposed Merger with FirstSun; (2) the ability of HomeStreet to obtain the necessary approval by shareholders with respect to the Merger; (3) the ability of HomeStreet and FirstSun to obtain required regulatory and governmental approvals of the Merger when expected or at all (and the risk that such approvals may result in the imposition of conditions that could adversely affect the combined company or the expected benefits of the Merger); (4) (3) the failure to satisfy the closing conditions in the definitive Agreement and Plan of Merger (the “Merger Agreement”), dated as of January 16, 2024, as amended on April 30, 2024, by and between HomeStreet and FirstSun, or any unexpected delay in closing the Merger; (5) (4) the ability to achieve expected cost savings, synergies and other financial benefits from the Merger within the expected time frames and costs or difficulties relating to integration matters being greater than expected; (6) (5) the diversion of management time from core banking functions due to Merger-related issues; (7) (6) potential difficulty in maintaining relationships with customers, associates or business partners as a result of the announced Merger; (8) (7) the ability of FirstSun to consummate their investment agreements to obtain the necessary capital to support the Merger; (9) (8) the occurrence of any event, change or circumstance that could give rise to the right of one or both parties to terminate the Merger Agreement; (10) (9) the outcome of any legal proceedings that have been or may be instituted against FirstSun or HomeStreet; (11) (10) changes in the U.S. and global economies, including business disruptions, reductions in employment, inflationary pressures and an increase in business failures, specifically among our customers; (12) (11) changes in the interest rate environment may reduce interest margins; (13) (12) changes in deposit flows, loan demand or real estate values may adversely affect the business of our primary subsidiary, HomeStreet Bank (the “Bank”), through which substantially all of our operations are carried out; (14) (13) there may be increases in competitive pressure among financial institutions or from non-financial institutions; (15) (14) our ability to attract and retain key members of our senior management team; (16) (15) the timing and occurrence or non-occurrence of events may be subject to circumstances beyond our control; (17) (16) our ability to control operating costs and expenses; (18) (17) our credit quality and the effect of credit quality on our credit losses expense and allowance for credit losses; (19) (18) the adequacy of our allowance for credit losses; (20) (19) changes in accounting principles, policies or guidelines may cause our financial condition to be perceived or interpreted differently; (21) (20) legislative or regulatory changes that may adversely affect our business or financial condition, including, without limitation, changes in corporate and/or individual income tax laws and policies, changes in privacy laws, and changes in regulatory capital or other rules, and the availability of resources to address or respond to such changes; (22) (21) general economic conditions, either nationally or locally in some or all areas in which we conduct business, or conditions in the securities markets or banking industry, may be less favorable than what we currently anticipate; (23) (22) challenges our customers may face in meeting current underwriting standards may adversely impact all or a substantial portion of the value of our rate-lock loan activity we recognize; (24) (23) technological changes may be more difficult or expensive than what we anticipate; (25) (24) a failure in or breach of our operational or security systems or information technology infrastructure, or those of our third-party providers and vendors, including due to cyber-attacks; (26) (25) success or consummation of new business initiatives may be more difficult or expensive than what we anticipate; (27) (26) our ability to grow efficiently both organically and through acquisitions and to manage our growth and integration costs; (28) (27) staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our work force and potential associated charges; (29) (28) litigation,
investigations or other matters before regulatory agencies, whether currently existing or commencing in the future, may delay the occurrence or non-occurrence non-occurrence of events longer than what we anticipate; and (30) (29) our ability to obtain regulatory approvals or non-objection to take various capital actions, including the payment of dividends by us or the Bank, or repurchases of our common stock. A discussion of the factors, risks and uncertainties that could affect our financial results, business goals and operational and financial objectives discussed in our 2023 annual report on Form 10-K or in our releases, public statements and/or filings with the Securities and Exchange Commission (“SEC”) is also contained in the “Risk Factors” section of our 2023 Annual Report on Form 10-K. 10-K and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 (the "First Quarter 2024 Report on Form 10-Q"). We strongly recommend readers review those disclosures in conjunction with the discussions herein.

All future written and oral forward-looking statements attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to above. New risks and uncertainties arise from time to time, and factors that the Company currently deems immaterial may become material, and it is impossible for the Company to predict these events or how they may affect the Company.

Critical Accounting Estimates

We have identified two estimates as being critical because they require management to make particularly difficult, subjective, and/or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts would be reported under different conditions or using different assumptions. These policies relate to the allowance for credit losses (“ACL”) and the valuation of single family mortgage servicing rights (“MSRs").

The ACL is calculated based on quantitative and qualitative factors to estimate credit losses over the life of the loan. The inputs used to determine quantitative factors include estimates based on historical experience of probability of default and loss given default. Inputs used to determine qualitative factors include changes in current portfolio characteristics and operating environments such as current and forecasted unemployment rates, capitalization rates used to value properties securing loans, rental rates and single family pricing indexes. Qualitative factors may also include adjustments to address matters not contemplated by the model and assumptions used to determine qualitative factors. Although we believe that our methodology for determining an appropriate level for the ACL adequately addresses the various components that could potentially result in credit losses, the processes and their elements include features that may be susceptible to significant change. Any unfavorable differences between the actual outcome of credit-related events and our estimates could require an additional provision for credit losses. For example, if the projected unemployment rate was downgraded one grade for all periods, the amount of the ACL at March 31, 2024 June 30, 2024 would increase by approximately $8 million. This sensitivity analysis is hypothetical and has been provided only to indicate the potential impact that changes in assumptions may have on the ACL estimate.

The valuation of MSRs is based on various assumptions which are set forth in Note 6–*Mortgage Banking Operations* of the financial statements. Note 6 also provides sensitivity analysis based on the assumptions used. The sensitivity analyses are hypothetical and have been provided to indicate the potential impact that changes in assumptions may have on the estimate of the fair value of MSRs.

Summary Financial Data

	Quarter Ended			Six Months Ended June 30,	
(in thousands, except per share data and FTE data)	(in thousands, except per share data and FTE data)	June 30, 2024	March 31, 2024	2024	2023
(in thousands, except per share data and FTE data)					
(in thousands, except per share data and FTE data)					
Select Income Statement data:					
Select Income Statement data:					
Select Income Statement data:					
Net interest income					
Net interest income					
Net interest income					
Provision for credit losses					
Provision for credit losses					
Provision for credit losses					
Noninterest income					
Noninterest income					
Noninterest income					
Noninterest expense					
Noninterest expense					
Noninterest expense					
Income (loss) before income taxes					
Income (loss) before income taxes					
Income (loss) before income taxes					
Net income (loss)					
Net income (loss)					
Net income (loss)					
Net income (loss) per fully diluted share					
Net income (loss) per fully diluted share					
Net income (loss) per fully diluted share					
Core net income (loss): (1)					
Core net income (loss): (1)					
Core net income (loss): (1)					
Total					
Total					

Total					
Core net income (loss) per fully diluted share					
Core net income (loss) per fully diluted share					
Core net income (loss) per fully diluted share					
Select Performance Ratios:					
Select Performance Ratios:					
Select Performance Ratios:					
Return on average equity - annualized					
Return on average equity - annualized					
Return on average equity - annualized		(4.8) %	(5.6) %	(5.2) %	(9.2) %
Return on average tangible equity - annualized (1)	Return on average tangible equity - annualized (1)	(3.0) %	(3.8) %	(3.4) %	3.5 %
Return on average tangible equity - annualized (1)					
Return on average tangible equity - annualized (1)					
Return on average assets - annualized					
Return on average assets - annualized					
Return on average assets - annualized					
Net income (loss)					
Net income (loss)					
Net income (loss)		(0.27) %	(0.32) %	(0.29) %	(0.56) %
Core (1)	Core (1)	(0.19) %	(0.23) %	(0.21) %	0.17 %
Core (1)					
Core (1)					
Efficiency ratio (1)					
Efficiency ratio (1)					
Efficiency ratio (1)	Efficiency ratio (1)	111.9 %	118.0 %	114.9 %	90.3 %
Net interest margin	Net interest margin	1.37 %	1.44 %	1.40 %	2.08 %
Net interest margin					
Net interest margin					
Other data					
Other data					
Other data					
Full time equivalent employees					
Full time equivalent employees					
Full time equivalent employees					

(1) Core net income (loss), core net income (loss) per fully diluted share, return on average tangible equity, core return on average assets and the efficiency ratio are non-GAAP financial measures. measures. For a reconciliation of these measures to the nearest comparable GAAP financial measure or the computation of the measure see "Non-GAAP Financial Measures" elsewhere in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

		As of			As of	
(in thousands, except share and per share data)	(in thousands, except share and per share data)	March 31, 2024	December 31, 2023	(in thousands, except share and per share data)	June 30, 2024	December 31, 2023
Selected Balance Sheet Data						
Selected Balance Sheet Data						
Selected Balance Sheet Data						
Loans held for sale						
Loans held for sale						
Loans held for sale						
Loans held for investment, net						
ACL						
Investment securities						
Total assets						
Deposits						
Borrowings						

Long-term debt										
Total shareholders' equity										
Other data:										
Book value per share										
Book value per share										
Book value per share										
Tangible book value per share (1)										
Total equity to total assets	Total equity to total assets	5.6	%	5.7	%	Total equity to total assets	5.6	%	5.7	%
Tangible common equity to tangible assets (1)	Tangible common equity to tangible assets (1)	5.5	%	5.6	%	Tangible common equity to tangible assets (1)	5.5	%	5.6	%
Shares outstanding at end of period										
Loans to deposit ratio (Bank)	Loans to deposit ratio (Bank)	114.3	%	109.4	%	Loans to deposit ratio (Bank)	112.6	%	109.4	%
Credit Quality:										
Credit Quality:										
Credit Quality:										
ACL to total loans (2)										
ACL to total loans (2)										
ACL to total loans (2)		0.54	%	0.55	%		0.55	%	0.55	%
ACL to nonaccrual loans	ACL to nonaccrual loans	80.2	%	103.9	%	ACL to nonaccrual loans	109.3	%	103.9	%
Nonaccrual loans to total loans	Nonaccrual loans to total loans	0.66	%	0.53	%	Nonaccrual loans to total loans	0.49	%	0.53	%
Nonperforming assets to total assets	Nonperforming assets to total assets	0.56	%	0.45	%	Nonperforming assets to total assets	0.42	%	0.45	%
Nonperforming assets										
Regulatory Capital Ratios:										
Bank										
Bank										
Bank										
Tier 1 leverage										
Tier 1 leverage										
Tier 1 leverage		8.34	%	8.50	%		8.44	%	8.50	%
Total risk-based capital	Total risk-based capital	13.34	%	13.49	%	Total risk-based capital	13.29	%	13.49	%
Common equity Tier 1 capital	Common equity Tier 1 capital	12.67	%	12.79	%	Common equity Tier 1 capital	12.62	%	12.79	%
Company										
Tier 1 leverage										
Tier 1 leverage										
Tier 1 leverage		6.90	%	7.04	%		6.98	%	7.04	%
Total risk-based capital	Total risk-based capital	12.70	%	12.84	%	Total risk-based capital	12.67	%	12.84	%
Common equity Tier 1 capital	Common equity Tier 1 capital	9.55	%	9.66	%	Common equity Tier 1 capital	9.49	%	9.66	%

(1) Tangible book value per share and tangible common equity to tangible assets are non-GAAP financial measures. For a reconciliation of this measure to the nearest comparable GAAP financial measure, see “Non-GAAP Financial Measures” elsewhere in this Management’s Discussion and Analysis of Financial Condition and Results of Operations.

(2) This ratio excludes balances insured by the FHA or guaranteed by the VA or SBA.

Current Developments

Proposed Merger Transaction

On January 16, 2024, the Company entered into a definitive merger agreement (as amended on April 30, 2024, the “merger agreement”) with FirstSun, the holding company of Sunflower Bank and Dynamis Subsidiary, Inc., whereby under the merger agreement, the Company and the Bank will merge with and into FirstSun and Sunflower Bank, respectively. The merger agreement was amended approved by HomeStreet’s shareholders at a meeting held on April 30, 2024, and subject June 18, 2024. Subject to the terms and conditions of the merger agreement, the companies will combine in an all-stock transaction in which HomeStreet shareholders will receive 0.3867 of a share of FirstSun common stock for each share of HomeStreet common stock. The parties to the Merger expect to complete the Merger in late 2024, subject to the satisfaction of closing conditions, including receipt of customary required regulatory approvals the approval of the merger agreement by HomeStreet shareholders and satisfaction or waiver of other closing conditions.

Economic and Market Conditions

Our financial results have been adversely impacted by the historically significant increase in short-term interest rates by the Federal Reserve during 2022 and 2023. This dramatic increase in rates resulted in significant reductions in loan demand, particularly in single family mortgage. Accordingly, our gain on loan sales activities declined significantly and are expected to remain at low levels in 2024. Additionally, our interest sensitive deposits declined as customers moved funds to higher yielding products both at our Bank and at other financial institutions and brokerage firms. We have taken a number of steps to reduce the pressure on our funding base, including: (i) significantly reducing our level of loan originations; and (ii) introducing promotional priced deposit products which allow us to attract and retain deposits without repricing our existing interest-bearing deposit base. Inflationary pressures have adversely impacted our operations by increasing our costs, primarily compensation costs which we expect to be higher in 2024.

Due to the impacts of the significant increases in short term rates by the Federal Reserve in 2023, and as a result of our actions taken to address the impact of these increases, we expect the balance of our loans held for investment to stay relatively stable during 2024 and our net interest margin to be lower in 2024 as compared to 2023.

Management's Overview of the First Second Quarter 2024 Financial Performance

First*Second Quarter of 2024 Compared to the Fourth First Quarter of 2023*2024

General: Our net loss and loss before income taxes were $(6.2) million and $(8.0) million, respectively, in the second quarter of 2024, as compared to $(7.5) million and $(10.6) million, respectively, in the first quarter of 2024, as compared to $(3.4) million and $(4.0) million, respectively, in the fourth quarter of 2023. 2024. The $6.5 million increase $2.6 million decrease in loss before income taxes was due to lower net interest income, lower higher noninterest income and an increase a decrease in noninterest expense which was partially offset by a lower provision for credit losses. net interest income.

Income Taxes: The income tax benefit realized in the first quarter of 2024 resulted in an effective tax rate of 29.0% 22.1% for the second quarter of 2024 as compared to an effective tax rate of 14.8% in the fourth quarter of 2023. Our effective tax rate 29.0% in the first quarter of 2024 was higher than our statutory rate of 24.6% due to the impact of tax advantaged investments which creates a higher benefit due to our loss. Our effective tax rate of 14.8% in the fourth quarter of 2023 was significantly impacted by the goodwill impairment charge taken in 2023, a portion of which was 2024. Certain merger related expenses are not deductible for tax purposes, the effect recognition of which was partially offset by benefits of resulted in a lower effective tax advantaged investments. rate in the second quarter.

Net Interest Income: The following tables set forth, for the periods indicated, information regarding (i) the total dollar amount of interest income from interest-earning assets and the resultant average yields on those assets; (ii) the total dollar amount of interest expense and the average rate of interest on our interest-bearing liabilities; (iii) net interest income; (iv) net interest rate spread; and (v) net interest margin:

		Quarter Ended												
		March 31, 2024					December 31, 2023					June 30, 2024		
(in thousands)		Average Balance	Interest		Average Yield/Cost		Average Balance	Interest		Average Yield/Cost				
(dollars in thousands)		Average Balance	Interest		Average Yield/Cost		Average Balance	Interest		Average Yield/Cost				
Assets:														
Assets:														
Assets:														
Interest-earning assets:														
Interest-earning assets:														
Interest-earning assets:														
Loans (1)														
Loans (1)														
Loans (1)		$7,460,650	$	$ 86,427	4.60	4.60 %	$7,465,375	$	$87,193	4.60	4.60 %		$ 7,454,945	$
Investment securities (1)	Investment securities (1)	1,239,093	11,627	11,627	3.75	3.75 %	1,278,344	12,591	12,591	3.94	3.94 %	Investment securities (1)	1,164,144	
FHLB Stock, Fed Funds and other	FHLB Stock, Fed Funds and other	388,462	5,571	5,571	5.76	5.76 %	179,619	2,603	2,603	5.72	5.72 %	FHLB Stock, Fed Funds and other	239,344	
Total interest-earning assets	Total interest-earning assets	9,088,205	103,625	103,625	4.54	4.54 %	8,923,338	102,387	102,387	4.52	4.52 %	Total interest-earning assets	8,858,433	
Noninterest-earning assets														
Total assets														
Total assets														
Total assets														
Liabilities and shareholders' equity:														
Liabilities and shareholders' equity:														
Liabilities and shareholders' equity:														
Interest-bearing deposits: (2)														
Interest-bearing deposits: (2)														

Interest-bearing deposits: (2)													
Demand deposits													
Demand deposits													
Demand deposits		$ 324,210	$	$ 170	0.21	0.21 %	$ 341,697	$	$ 185	0.22	0.22 %	$ 315,942	$
Money market and savings	Money market and savings	1,840,023	7,380	7,380	1.60	1.60 %	1,981,308	7,797	7,797	1.55	1.55 %	Money market and savings	1,781,427
Certificates of deposit	Certificates of deposit	3,068,404	35,057	35,057	4.60	4.60 %	2,864,237	31,335	31,335	4.34	4.34 %	Certificates of deposit	3,024,915
Total	Total	5,232,637	42,607	42,607	3.27	3.27 %	5,187,242	39,317	39,317	3.00	3.00 %	Total	5,122,284
Borrowings:													
Borrowings													
Borrowings													
Borrowings		2,074,527	24,676	24,676	4.73	4.73 %	1,975,536	23,845	23,845	4.74	4.74 %	2,025,415	
Long-term debt	Long-term debt	224,812	3,107	3,107	5.51	5.51 %	224,722	3,128	3,128	5.52	5.52 %	Long-term debt	224,903
Total interest-bearing liabilities	Total interest-bearing liabilities	7,531,976	70,390	70,390	3.74	3.74 %	7,387,500	66,290	66,290	3.55	3.55 %	Total interest-bearing liabilities	7,372,602
Noninterest-bearing liabilities:													
Demand deposits (2)													
Demand deposits (2)													
Demand deposits (2)													
Other liabilities													
Other liabilities													
Other liabilities													
Total liabilities													
Total liabilities													
Total liabilities													
Shareholders' equity													
Shareholders' equity													
Shareholders' equity													
Total liabilities and shareholders' equity													
Total liabilities and shareholders' equity													
Total liabilities and shareholders' equity													
Net interest income													
Net interest income													
Net interest income													
Net interest rate spread													
Net interest rate spread													
Net interest rate spread						0.80 %							
Net interest margin	Net interest margin					1.44 %							

(1) Includes taxable-equivalent adjustments primarily related to tax-exempt income on certain loans and securities of $1.1 million for both quarters ended March 31, 2024 June 30, 2024 and December 31, 2023 March 31, 2024. The estimated federal statutory tax rate was 21% for the periods presented.

(2) Cost of all deposits, including noninterest-bearing demand deposits was 2.61% 2.73% and 2.39% 2.61% for the quarters ended March 31, 2024 June 30, 2024 and December 31, 2023 March 31, 2024, respectively.

Our net interest income in the first second quarter of 2024 was $2.8 $2.5 million lower than the fourth first quarter of 2023 2024 due to a decrease in our net interest margin from 1.59% 1.44% to 1.44% 1.37%. The decrease in our net interest margin was due to a 19 13 basis point increase in the cost of interest-bearing liabilities which was due primarily to a 22 12 basis point increase in the cost of deposits. The increase in the rates paid on deposits was due to the migration of noninterest-bearing and lower cost interest-bearing accounts to higher cost certificates of deposit and money market accounts.

Provision for Credit Losses: There was no provision for credit losses recognized during either the second quarter of 2024 or the first quarter of 2024 as compared to a $0.4 million provision in the fourth quarter of 2023. These low levels of provisions for credit losses reflect 2024. This reflects the stable balance of our loan portfolio, a minimal level of identified credit issues in our loan portfolio and the lack of significant expected credit issues arising in future periods.

Noninterest Income consisted of the following:

(in thousands)
(in thousands)
(in thousands)
Noninterest income
Noninterest income
Noninterest income
Gain on loan origination and sale activities (1)
Gain on loan origination and sale activities (1)
Gain on loan origination and sale activities (1)
Single family
Single family
Single family
CRE, multifamily and SBA
CRE, multifamily and SBA
CRE, multifamily and SBA
Loan servicing income
Loan servicing income
Loan servicing income
Deposit fees
Deposit fees
Deposit fees
Other
Other
Other
Total noninterest income
Total noninterest income
Total noninterest income

(1) May include loans originated as held for investment.

Loan servicing income, a component of noninterest income, consisted of the following:

(in thousands)
(in thousands)
(in thousands)
Single family servicing income, net
Single family servicing income, net
Single family servicing income, net
Servicing fees and other
Servicing fees and other
Servicing fees and other
Changes - amortization (1)
Changes - amortization (1)
Changes - amortization (1)
Net
Net
Net
Risk management, single family MSRs:
Risk management, single family MSRs:
Risk management, single family MSRs:
Changes in fair value due to assumptions (2)

Changes in fair value due to assumptions (2)

Changes in fair value due to assumptions (2)

Net gain (loss) from economic hedging (3)

Net gain (loss) from economic hedging (3)

Net gain (loss) from economic hedging (3)

Subtotal

Subtotal

Subtotal

Single Family servicing income

Single Family servicing income

Single Family servicing income

Commercial loan servicing income:

Commercial loan servicing income:

Commercial loan servicing income:

Servicing fees and other

Servicing fees and other

Servicing fees and other

Amortization of capitalized MSRs

Amortization of capitalized MSRs

Amortization of capitalized MSRs

Total

Total

Total

Total loan servicing income

Total loan servicing income

Total loan servicing income

(1) Represents changes due to collection/realization of expected cash flows and curtailments.

(2) Principally reflects changes in model assumptions, including prepayment speed assumptions, which are primarily affected by changes in mortgage interest rates.

(3) The interest income from US Treasury notes securities used for hedging purposes, which is included in interest income on the consolidated income statements, was $0.3 million for both the quarters ended March 31, 2024 June 30, 2024 and December 31, 2023 March 31, 2024.

Noninterest income in the second quarter of 2024 increased from the first quarter of 2024 decreased from the fourth quarter of 2023 primarily due to higher levels of $2.6 million more income realized in the fourth second quarter of 2023 2024 from our investments in small business investment companies. companies and $0.7 million more gain on loan sales and originations related to seasonal increases in single family mortgage originations.

Noninterest Expense consisted of the following:

	Quarter Ended	
(in thousands)	June 30, 2024	March 31, 2024
Noninterest expense		
Compensation and benefits	$ 27,616	$ 28,011
Information services	7,580	7,342
Occupancy	5,130	5,434
General, administrative and other	10,605	11,377
Total noninterest expense	$ 50,931	$ 52,164

	Quarter Ended	
(in thousands)	March 31, 2024	December 31, 2023
Noninterest expense		
Compensation and benefits	$ 28,011	$ 27,033
Information services	7,342	7,694
Occupancy	5,434	5,407
General, administrative and other	11,377	9,377

Total noninterest expense	$ 52,164	$ 49,511

The increase 2.4% decrease in noninterest expenses in the first second quarter of 2024, as compared to the fourth first quarter of 2023 was primarily due to seasonally higher compensation costs and a $1.1 million increase in merger related expenses. 2024, reflects the Company's emphasis on reducing operating expenses where possible.

First Quarter of 2024 Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, First Quarter of 2023

General: Our net income (loss) and income (loss) before income taxes were $(7.5) $(13.7) million and $(10.6) $(18.6) million, respectively, in the first quarter of 2024, six months ended June 30, 2024, as compared to $5.1 million $(26.4) million and $6.5 million, $(30.1) million, respectively, in the first quarter of 2023. six months ended June 30, 2023. Our core net income (loss) and core income (loss) before income taxes in the first quarter of 2024, six months ended June 30, 2024, which excludes the impact of merger related expenses and goodwill impairment charges, was $(5.5) $(9.8) million and $(8.0) $(13.5) million, as compared to $5.1 million $8.2 million and $6.5 million $9.7 million, respectively, in the first quarter of 2023. six months ended June 30, 2023(1). The $14.4 million $23.2 million decrease in core income before taxes was primarily due to lower net interest income, partially offset by an increase in noninterest income and a lower provision for credit losses. decrease in noninterest expenses.

Income Taxes: The income tax benefit realized in the first quarter of 2024 six months ended June 30, 2024 resulted in an effective tax rate of 29.0% 26.0% which was higher than our statutory rate of 24.6% due to the impact of tax advantaged investments which creates a higher benefit to our loss. Our effective tax rate in the first quarter six months ended June 30, 2023 of 2023 12.5% was significantly impacted by the goodwill impairment charge, a portion of 22.0% was lower than the statutory rate due which is not deductible for tax purposes.

(1) Core net income (loss) and core income (loss) before income taxes are non-GAAP financial measures. For a discussion of these measures and a reconciliation to the benefits most comparable GAAP measure, please see "Non-GAAP Financial Measures" at the end of tax advantaged investments. this Item 2.

Net Interest Income: The following tables set forth, for the periods indicated, information regarding (i) the total dollar amount of interest income from interest-earning assets and the resultant average yields on those assets; (ii) the total dollar amount of interest expense and the average rate of interest on our interest-bearing liabilities; (iii) net interest income; (iv) net interest rate spread; and (v) net interest margin:

		Quarter Ended March 31,												Six Months	
		2024						2023						2024	
(in thousands)		Average Balance	Interest		Average Yield/Cost			Average Balance	Interest		Average Yield/Cost				
(dollars in thousands)		Average Balance	Interest		Average Yield/Cost			Average Balance	Interest		Average Yield/Cost				
Assets:															
Assets:															
Assets:															
Interest-earning assets:															
Interest-earning assets:															
Interest-earning assets:															
Loans (1)															
Loans (1)															
Loans (1)		$7,460,650	$	$ 86,427	4.60	4.60	%	$7,471,456	$	$ 82,790	4.44	4.44	%	$ 7,457,798	$
Investment securities (1)	Investment securities (1)	1,239,093	11,627	11,627	3.75	3.75	%	1,452,137	13,733	13,733	3.78	3.78	%	Investment securities (1)	1,201,618
FHLB Stock, Fed Funds and other	FHLB Stock, Fed Funds and other	388,462	5,571	5,571	5.76	5.76	%	126,891	1,750	1,750	5.59	5.59	%	FHLB Stock, Fed Funds and other	313,903
Total interest-earning assets	Total interest-earning assets	9,088,205	103,625	103,625	4.54	4.54	%	9,050,484	98,273	98,273	4.35	4.35	%	Total interest-earning assets	8,973,319
Noninterest-earning assets															
Total assets															
Total assets															
Total assets															
Interest-bearing liabilities:															
Interest-bearing liabilities:															
Interest-bearing liabilities:															

Interest-bearing deposits: (2)													
Interest-bearing deposits: (2)													
Interest-bearing deposits: (2)													
Demand deposits													
Demand deposits													
Demand deposits	$ 324,210	$	$ 170	0.21	0.21 %	$ 430,268	$	$ 299	0.28	0.28 %	$ 320,076	$	
Money market and savings	Money market and savings	1,840,023	7,380	7,380	1.60	1.60 %	2,555,512	7,353	7,353	1.16	1.16 %	Money market and savings	1,810,725
Certificates of deposit	Certificates of deposit	3,068,404	35,057	35,057	4.60	4.60 %	2,715,921	21,718	21,718	3.24	3.24 %	Certificates of deposit	3,046,659
Total	Total	5,232,637	42,607	42,607	3.27	3.27 %	5,701,701	29,370	29,370	2.09	2.09 %	Total	5,177,460
Borrowings:													
Borrowings													
Borrowings													
Borrowings		2,074,527	24,676	24,676	4.73	4.73 %	1,342,347	15,340	15,340	4.57	4.57 %		2,049,971
Long-term debt	Long-term debt	224,812	3,107	3,107	5.51	5.51 %	224,435	2,965	2,965	5.28	5.28 %	Long-term debt	224,858
Total interest-bearing liabilities	Total interest-bearing liabilities	7,531,976	70,390	70,390	3.74	3.74 %	7,268,483	47,675	47,675	2.64	2.64 %	Total interest-bearing liabilities	7,452,289
Noninterest-bearing liabilities:													
Demand deposits (2)													
Demand deposits (2)													
Demand deposits (2)													
Other liabilities													
Other liabilities													
Other liabilities													
Total liabilities													
Total liabilities													
Total liabilities													
Shareholders' equity													
Shareholders' equity													
Shareholders' equity													
Total liabilities and shareholders' equity													
Total liabilities and shareholders' equity													
Total liabilities and shareholders' equity													
Net interest income													
Net interest income													
Net interest income													
Net interest spread													
Net interest spread													
Net interest spread						0.80 %							
Net interest margin	Net interest margin					1.44 %							

(1) Includes taxable-equivalent adjustments primarily related to tax-exempt income on certain loans and securities of $1.1 million $2.2 million and $1.2 million $2.4 million for the quarters six months ended March 31, 2024 June 30, 2024 and 2023, respectively. The estimated federal statutory tax rate was 21% for the periods presented.

(2) Cost of deposits including noninterest-bearing deposits, was 2.61% 2.67% and 1.65% 1.83% for the quarters six months ended March 31, 2024 June 30, 2024 and 2023, respectively.

Net interest income in the first quarter of 2024 six months ended June 30, 2024 decreased $17.2 million $31.0 million as compared to the first quarter of 2023 six months ended June 30, 2023 due primarily to a decrease in our net interest margin. Our net interest margin decreased from 2.23% 2.08% in the first quarter of 2023 six months ended June 30, 2023 to 1.44% 1.40% in the first quarter of 2024 six months ended June 30, 2024 due to a 110 94 basis point increase in the rates paid on interest-bearing liabilities which was partially offset by a 19 16 basis point increase in the yield on interest earning assets. Yields on interest-earning assets increased as yields on adjustable rate loans increased due to increases in the indexes on which their pricing is based. The increase in the rates paid on our interest-bearing liabilities was due to an increase in the proportion of higher cost borrowings and a decrease in the proportion of noninterest-bearing deposits to the total balance of interest-bearing liabilities and higher deposit costs and higher borrowing costs. The increases in the rates paid on deposits were due to increases in market interest rates over the prior year and the migration of noninterest-bearing and lower cost interest-bearing accounts to higher cost certificates of deposit and money market accounts.

Provision for Credit Losses: There was no provision for credit losses recognized during the first quarter of 2024 six months ended June 30, 2024 as compared to a $0.6 million $0.2 million provision in the first quarter of 2023. six months ended June 30, 2023. These low levels of provisions for credit losses reflect the stable balance of our loan portfolio, a minimal level of identified credit issues in our loan portfolio and the lack of significant expected credit issues arising in future periods.

Noninterest Income consisted of the following:

(in thousands)
(in thousands)
(in thousands)
Noninterest income
Noninterest income
Noninterest income
Gain on loan origination and sale activities (1)
Gain on loan origination and sale activities (1)
Gain on loan origination and sale activities (1)
Single family
Single family
Single family
CRE, multifamily and SBA
CRE, multifamily and SBA
CRE, multifamily and SBA
Loan servicing income
Loan servicing income
Loan servicing income
Deposit fees
Deposit fees
Deposit fees
Other
Other
Other
Total noninterest income
Total noninterest income
Total noninterest income

(1) May include loans originated as held for investment.

Noninterest income in the six months ended June 30, 2024 increased from the six months ended June 30, 2023 primarily due to higher levels of income realized from our investments in small business investment companies in the first six months of 2024.

Loan servicing income, a component of noninterest income, consisted of the following:

		Quarter Ended March 31,			Six Months Ended June 30,			
(in thousands)	(in thousands)	2024		2023	(in thousands)	2024		2023
Single family servicing income, net								
Single family servicing income, net								
Single family servicing income, net								
Servicing fees and other								
Servicing fees and other								
Servicing fees and other								
Changes - amortization (1)								
Net								
Risk management, single family MSRs:								
Changes in fair value due to assumptions (2)								

Changes in fair value due to assumptions (2)
Changes in fair value due to assumptions (2)
Net gain (loss) from economic hedging (3)
Subtotal
Single Family servicing income
Commercial loan servicing income:
Commercial loan servicing income:
Commercial loan servicing income:
Servicing fees and other
Servicing fees and other
Servicing fees and other
Amortization of capitalized MSRs
Total
Total loan servicing income

(1) Represents changes due to collection/realization of expected cash flows and curtailments.

(2) Principally reflects changes in model assumptions, including prepayment speed assumptions, which are primarily affected by changes in mortgage interest rates.

(3) The interest income from US Treasury notes securities used for hedging purposes, which is included in interest income on the consolidated income statements, was $0.3 million $0.6 million and $0.4 million $0.9 million for the quarters six months ended March 31, 2024 June 30, 2024 and 2023, respectively.

Noninterest Expense consisted of the following:

(in thousands)
(in thousands)
(in thousands)
Noninterest expense
Noninterest expense
Noninterest expense
Compensation and benefits
Compensation and benefits
Compensation and benefits
Information services
Information services
Information services
Occupancy
Occupancy
Occupancy
General, administrative and other
General, administrative and other
General, administrative and other
Goodwill impairment charge
Goodwill impairment charge
Goodwill impairment charge
Total noninterest expense
Total noninterest expense
Total noninterest expense

The $0.3 million $40.2 million decrease in noninterest expenses in the first quarter of 2024 six months ended June 30, 2024 as compared to the first quarter of 2023 six months ended June 30, 2023 was primarily due to a $39.9 million goodwill impairment in the six months ended June 30, 2023, lower compensation and benefit costs and lower general and administrative costs, partially offset by higher general, administrative and other costs. $5.0 million of merger related expenses recognized in 2024. The decrease in compensation and benefit costs was primarily due to lower staffing levels, which was partially offset by wage increases given in the first quarter of 2024. six months ended June 30, 2024. FTEs decreased from 920 at 915 in the quarter six months ended March 31, 2023 compared June 30, 2023 to 858 at 849 in the quarter six months ended March 31, 2024 June 30, 2024. The increase in lower general administrative and other costs was primarily due to $2.6 million included reductions in merger related costs. consulting fees and marketing costs which reflected the Company's emphasis on reducing operating expenses where possible.

Financial Condition

During the first quarter of 2024, six months ended June 30, 2024, our total assets increased $63 million decreased $126 million due primarily to a $105 million increase $118 million decrease in cash, investment securities as we are not purchasing new investment securities to replace principal paydowns in our portfolio. During the six months ended June 30, 2024, total liabilities decreased $108 million due to a decrease in deposits partially offset by a decrease in investment securities. During the first quarter of 2024 total liabilities increased $74 million due to an increase in borrowings, partially offset by a decrease in deposits. borrowings. The $272 million $231 million decrease in deposits was primarily due to a $297 $269 million decrease in brokered certificates of deposit. The $349 million $141 million of additional borrowings were used to replace maturing brokered deposits and increase our on-balance sheet cash balances. deposits.

Credit Risk Management

During the first second quarter of 2024, our ratios of nonperforming assets to total assets and total loans delinquent over 30 days, including nonaccrual loans, increased but remained at decreased from their previously low levels. As of March 31, 2024 June 30, 2024, our ratio of nonperforming assets to total assets was decreased to 0.42% from 0.56%, at March 31, 2024 while our ratio of total loans delinquent over 30 days, including nonaccrual loans, to total loans was decreased to 0.66% from 0.82% at March 31, 2024.

Management considers the current level of the ACL to be appropriate to cover estimated lifetime losses within our LHFI portfolio. The following table presents the ACL by product type:

		At March 31, 2024			At December 31, 2023			At June 30, 2024				At December 31, 2023		
(in thousands)		Amount	Rate (1)		Amount	Rate (1)								
(dollars in thousands)		Amount	Rate (1)		Amount	Rate (1)								
CRE														
CRE														
CRE														
Non-owner occupied CRE														
Non-owner occupied CRE														
Non-owner occupied CRE		$ 2,131	0.34	0.34 %	$ 2,610	0.41	0.41 %		$ 1,777	0.29	0.29 %	$ 2,610	0.41	0.41 %
Multifamily	Multifamily	18,947	0.48	0.48 %	13,093	0.33	0.33 %	Multifamily	17,070	0.43	0.43 %	13,093	0.33	0.33 %
Construction/land development														
Multifamily construction														
Multifamily construction														
Multifamily construction		1,621	0.84	0.84 %	3,983	2.37	2.37 %		1,971	1.03	1.03 %	3,983	2.37	2.37 %
CRE construction	CRE construction	188	1.02	1.02 %	189	1.02	1.02 %	CRE construction	35	0.53	0.53 %	189	1.02	1.02 %
Single family construction	Single family construction	5,578	2.00	2.00 %	7,365	2.69	2.69 %	Single family construction	5,445	2.03	2.03 %	7,365	2.69	2.69 %
Single family construction to permanent	Single family construction to permanent	435	0.51	0.51 %	672	0.64	0.64 %	Single family construction to permanent	300	0.47	0.47 %	672	0.64	0.64 %
Total	Total	28,900	0.56	0.56 %	27,912	0.54	0.54 %	Total	26,598	0.52	0.52 %	27,912	0.54	0.54 %
Commercial and industrial loans														
Owner occupied CRE														
Owner occupied CRE														
Owner occupied CRE		836	0.22	0.22 %	899	0.23	0.23 %		731	0.20	0.20 %	899	0.23	0.23 %
Commercial business	Commercial business	2,646	0.69	0.69 %	2,950	0.83	0.83 %	Commercial business	5,595	1.49	1.49 %	2,950	0.83	0.83 %
Total	Total	3,482	0.46	0.46 %	3,849	0.52	0.52 %	Total	6,326	0.85	0.85 %	3,849	0.52	0.52 %
Consumer loans														
Single family														
Single family														
Single family		4,273	0.40	0.40 %	5,287	0.51	0.51 %		3,844	0.36	0.36 %	5,287	0.51	0.51 %

Home equity and other	Home equity and other	3,022	0.78	0.78 %	3,452	0.90	0.90 %	Home equity and other	2,973	0.74	0.74 %	3,452	0.90	0.90 %
Total	Total	7,295	0.51	0.51 %	8,739	0.61	0.61 %	Total	6,817	0.47	0.47 %	8,739	0.61	0.61 %
Total ACL	Total ACL	$ 39,677	0.54	0.54 %	$ 40,500	0.55	0.55 %	Total ACL	$ 39,741	0.55	0.55 %	$ 40,500	0.55	0.55 %

(1) The ACL rate is calculated excluding balances related to loans that are insured by the FHA or guaranteed by the VA or SBA.

Liquidity and Sources of Funds

Liquidity risk management is primarily intended to ensure we are able to maintain sources of cash to adequately fund operations and meet our obligations, including demands from depositors, draws on lines of credit and paying any creditors, on a timely and cost-effective basis, in various market conditions. Our liquidity profile is influenced by changes in market conditions, the composition of the balance sheet and risk tolerance levels. The Company has established liquidity guidelines and operating plans that detail the sources and uses of cash and liquidity.

The Company's primary sources of liquidity include deposits, loan payments and investment securities payments, both principal and interest, borrowings, and proceeds from the sale of loans and investment securities. Borrowings include advances from the FHLB, federal funds purchased, borrowings from the Bank Term Funding Program and borrowings from other financial institutions. Additionally, the Company may sell stock or issue long-term debt to raise funds. While scheduled principal repayments on loans and investment securities are a relatively predictable source of funds, deposit inflows and outflows and prepayments of loans and investment securities are greatly influenced by interest rates, economic conditions and competition.

The Company's contractual cash flow obligations include the maturity of certificates of deposit, short-term and long-term borrowings, interest on certificates of deposit and borrowings, operating leases and fees for information technology related services and professional services. Obligations for certificates of deposit and short-term borrowings are typically satisfied through the renewal of these instruments or the generation of new deposits or use of available short-term borrowings. Interest payments and obligations related to leases and services are typically met by cash generated from our operations. The Company has $65 million of Senior Notes which mature in 2026 which it expects to pay off from available cash or from the issuance of new debt.

At March 31, 2024 June 30, 2024 and December 31, 2023, the Bank had available borrowing capacity of $1.6 billion $1.7 billion and $2.1 billion, respectively, from the FHLB, and $853 million $717 million and $710 million, respectively, from the FRBSF and $1.1 billion, in both periods, under borrowing lines established with other financial institutions.

Cash Flows

For the quarter six months ended March 31, 2024 June 30, 2024, cash and cash equivalents increased by $105 million $3 million compared to an increase of $304 million $100 million during the quarter six months ended March 31, 2023 June 30, 2023. As excess liquidity can reduce the Company's earnings and returns, the Company manages its cash positions to minimize the level of excess liquidity and does not attempt to maximize the level of cash and cash equivalents. The following discussion highlights the major activities and transactions that affected our cash flows during these periods.

Cash flows from operating activities

The Company's operating assets and liabilities are used to support our lending activities, including the origination and sale of mortgage loans. For the quarter six months ended March 31, 2024 June 30, 2024, net cash of $7.8 million $30 million was used in operating activities, as cash generated from operations was offset by cash used to fund LHFS in excess of proceeds from the sale of loans and increases in other assets. For the quarter six months ended March 31, 2023 June 30, 2023, net cash of $52 million $31 million was used in operating activities, primarily from cash proceeds from the purchase of trading securities, and cash used to fund LHFS exceeding proceeds from the sale of loans. loans and increases in other assets.

Cash flows from investing activities

The Company's investing activities primarily include AFS investment securities and loans originated as held for investment. For the quarter six months ended March 31, 2024 June 30, 2024, net cash of $36 million $123 million was provided by investing activities primarily from principal repayments on AFS securities and by LHFI principal repayments, net of originations, partially offset by the origination of LHFI net of principal repayments and net FHLB stock purchases. For the quarter six months ended March 31, 2023 June 30, 2023, net cash of $269 million $343 million was provided by investing activities primarily from net cash acquired from an acquisition, principal repayments on AFS securities and LHFI principal repayments in excess of originations, partially offset by the origination of LHFI net of principal repayments and the purchase of AFS investment securities and net FHLB stock purchases.

Cash flows from financing activities

The Company's financing activities are primarily related to deposits and net proceeds from borrowings. For the quarter six months ended March 31, 2024 June 30, 2024, net cash of $76 million $90 million was provided by used in financing activities, primarily due to a decrease in deposits, partially offset by an increase in short-term and long-term borrowings, partially offset by decreases in deposits. borrowings. For the quarter six months ended March 31, 2023 June 30, 2023, net cash of $87 million $211 million was provided by used in financing activities, primarily due to an increase in short-term and long-term borrowings partially offset by a decrease in deposits and dividends paid on our common stock. stock, partially offset by an increase in borrowings.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to financial instruments that carry off-balance sheet risk. These financial instruments (which include commitments to originate loans and commitments to purchase loans) include potential credit risk in excess of the amount recognized in the accompanying consolidated financial statements. These transactions are designed to (1) meet the financial needs of our customers, (2) manage our credit, market or liquidity risks, (3) diversify our funding sources and/or (4) optimize capital.

These commitments include the following:

(in thousands)	(in thousands)	At March 31, 2024	At December 31, 2023	(in thousands)	At June 30, 2024	At December 31, 2023
Unused consumer portfolio lines						
Unused consumer portfolio lines						
Unused consumer portfolio lines						
Commercial portfolio lines (1)						
Commitments to fund loans						
Total						

(1) Within the commercial portfolio, undistributed construction loan proceeds, where the Company has an obligation to advance funds for construction progress payments were $414 million $375 million and $403 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

Capital Resources and Dividend Policy

The capital rules applicable to United States based bank holding companies and federally insured depository institutions ("Capital Rules") require the Company (on a consolidated basis) and the Bank (on a stand-alone basis) to meet specific capital adequacy requirements that, for the most part, involve quantitative measures, primarily in terms of the ratios of their capital to their assets, liabilities, and certain off-balance sheet items, calculated under regulatory accounting practices. In addition, prompt corrective action regulations place a federally insured depository institution, such as the Bank, into one of five capital categories on the basis of its capital ratios: (i) well capitalized; (ii) adequately capitalized; (iii) undercapitalized; (iv) significantly undercapitalized; or (v) critically undercapitalized. A depository institution's primary federal regulatory agency may determine that, based on certain qualitative assessments, the depository institution should be assigned to a lower capital category than the one indicated by its capital ratios. At each successive lower capital category, a depository institution is subject to greater operating restrictions and increased regulatory supervision by its federal bank regulatory agency.

The following table sets forth the capital and capital ratios of HomeStreet Inc. (on a consolidated basis) and HomeStreet Bank as compared to the respective regulatory requirements applicable to them:

		At March 31, 2024							At June 30, 2024					
		Actual		Actual		For Minimum Capital Adequacy Purposes		To Be Categorized As "Well Capitalized"			Actual			
(dollars in thousands)	(dollars in thousands)	Amount	Ratio		Amount	Ratio		Amount	Ratio	(dollars in thousands)	Amount	Ratio		Amount
HomeStreet, Inc.														
HomeStreet, Inc.														
HomeStreet, Inc.														
Tier 1 leverage capital (to average assets)														
Tier 1 leverage capital (to average assets)														
Tier 1 leverage capital (to average assets)		$669,490	6.90	6.90 %	$388,113	4.0	4.0 %	NA		$ 662,261	6.98	6.98	%	$379,450
Common equity Tier 1 capital (to risk-weighted assets)	Common equity Tier 1 capital (to risk-weighted assets)	609,490	9.55	9.55 %	287,337	4.5	4.5 %	NA	Common equity Tier 1 capital (to risk-weighted assets)	602,261	9.49	9.49	%	285,455
Tier 1 risk-based capital (to risk-weighted assets)	Tier 1 risk-based capital (to risk-weighted assets)	669,490	10.48	10.48 %	383,116	6.0	6.0 %	NA	Tier 1 risk-based capital (to risk-weighted assets)	662,261	10.44	10.44	%	380,606

Total risk-based capital (to risk-weighted assets)	Total risk-based capital (to risk-weighted assets)	810,910	12.70	12.70 %	510,822	8.0	8.0 %			NA	Total risk-based capital (to risk-weighted assets)	803,543	12.67	12.67 %	507,475
HomeStreet Bank															
Tier 1 leverage capital (to average assets) Tier 1 leverage capital (to average assets) Tier 1 leverage capital (to average assets)		$808,549	8.34	8.34 %	$387,900	4.0	4.0 %	$ 484,875	5.0	5.0 %		$800,121	8.44	8.44 %	
Common equity Tier 1 capital (to risk-weighted assets)	Common equity Tier 1 capital (to risk-weighted assets)	808,549	12.67	12.67 %	287,224	4.5	4.5 %	414,880	6.5	6.5 %	Common equity Tier 1 capital (to risk-weighted assets)	800,121	12.62	12.62 %	
Tier 1 risk-based capital (to risk-weighted assets)	Tier 1 risk-based capital (to risk-weighted assets)	808,549	12.67	12.67 %	382,966	6.0	6.0 %	510,621	8.0	8.0 %	Tier 1 risk-based capital (to risk-weighted assets)	800,121	12.62	12.62 %	
Total risk-based capital (to risk-weighted assets)	Total risk-based capital (to risk-weighted assets)	851,564	13.34	13.34 %	510,621	8.0	8.0 %	638,276	10.0	10.0 %	Total risk-based capital (to risk-weighted assets)	842,952	13.29	13.29 %	

	At December 31, 2023					
	Actual		For Minimum Capital Adequacy Purposes		To Be Categorized As "Well Capitalized"	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
HomeStreet, Inc.						
Tier 1 leverage capital (to average assets)	$ 675,440	7.04 %	$ 383,696	4.0 %	NA	NA
Common equity Tier 1 capital (to risk-weighted assets)	615,440	9.66 %	286,709	4.5 %	NA	NA
Tier 1 risk-based capital (to risk-weighted assets)	675,440	10.60 %	382,279	6.0 %	NA	NA
Total risk-based capital (to risk-weighted assets)	818,075	12.84 %	509,705	8.0 %	NA	NA
HomeStreet Bank						
Tier 1 leverage capital (to average assets)	$ 814,719	8.50 %	$ 383,482	4.0 %	$ 479,352	5.0 %
Common equity Tier 1 capital (to risk-weighted assets)	814,719	12.79 %	286,569	4.5 %	413,933	6.5 %
Tier 1 risk-based capital (to risk-weighted assets)	814,719	12.79 %	382,092	6.0 %	509,456	8.0 %
Total risk-based capital (to risk-weighted assets)	858,992	13.49 %	509,456	8.0 %	636,820	10.0 %

As of the dates set forth in the above table, the Company exceeded the minimum required capital ratios applicable to it and the Bank's capital ratios exceeded the minimums necessary to qualify as a well-capitalized depository institution under the prompt corrective action regulations. In addition to the minimum capital ratios, both HomeStreet Inc. and HomeStreet Bank are required to maintain a capital conservation buffer consisting of additional Common Equity Tier 1 Capital of more than 2.5% above the required minimum levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses. The required ratios for capital adequacy set forth in the above table do not include the Capital Rules' additional capital conservation buffer, though both the Company and Bank maintained capital ratios necessary to satisfy the capital conservation buffer requirements as of the dates indicated. At March 31, 2024 June 30, 2024, capital conservation buffers for the Company and the Bank were 4.48% 4.44% and 5.34% 5.29%, respectively.

The Company did not declare a cash dividend in the quarter and currently does not plan to pay any quarterly dividends in 2024. The amount and declaration of future cash dividends are subject to approval by our Board of Directors and certain statutory requirements and regulatory restrictions.

We had no material commitments for capital expenditures as of March 31, 2024 June 30, 2024.

Non-GAAP Financial Measures

To supplement our unaudited condensed consolidated financial statements presented in accordance with GAAP, we use certain use certain non-GAAP measures of financial performance. In this Form 10-Q, we use the following non-GAAP measures: (i) tangible common equity and tangible assets as we believe this information is consistent with the treatment by bank regulatory agencies, which exclude intangible assets from the calculation of capital ratios; (ii) core income and effective tax rate on core income before taxes, which excludes goodwill impairment charges and merger related expenses and the related tax impact as we believe this measure is a better comparison to be used for projecting future results and (iii) an efficiency ratio which is the ratio of noninterest expense to the sum of net interest income and noninterest income, excluding certain items of income or expense and excluding taxes incurred and payable to the state of Washington as such taxes are not classified as income taxes and we believe including them in noninterest expense impacts the comparability of our results to those companies whose operations are in states where assessed taxes on business are classified as income taxes.

These supplemental performance measures may vary from, and may not be comparable to, similarly titled measures provided by other companies in our industry. Non-GAAP financial measures are not in accordance with, or an alternative for, GAAP. Generally, a non-GAAP financial measure is a numerical measure of a company's performance that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. A non-GAAP financial measure may also be a financial metric that is not required by GAAP or other applicable requirements.

We believe that these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by providing additional information used by management that is not otherwise required by GAAP or other applicable requirements. Our management uses, and believes that investors benefit from referring to, these non-GAAP financial measures in assessing our operating results and when planning, forecasting and analyzing future periods. These non-GAAP financial measures also facilitate a comparison of our performance to prior periods. We believe these measures are frequently used by securities analysts, investors and other parties in the evaluation of companies in our industry. These non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, financial measures prepared in accordance with GAAP. In the information below, we have provided reconciliations of, where applicable, the most comparable GAAP financial measures to the non-GAAP measures used in this quarterly report, or a calculation of the non-GAAP financial measure.

Reconciliations of non-GAAP results of operations to the nearest comparable GAAP measures:

		For the Quarter Ended				For the Quarter Ended		Six Months Ended June 30,	
(in thousands, except ratio, rate and share data)	(in thousands, except ratio, rate and share data)	March 31, 2024	December 31, 2023	March 31, 2023	(in thousands, except ratio, rate and share data)	June 30, 2024	March 31, 2024	2024	2023
Core net income (loss)									
Core net income (loss)									
Core net income (loss)									
Net income (loss)									
Net income (loss)									
Net income (loss)									
Adjustments (tax effected)									
Merger related expenses									
Merger related expenses									
Merger related expenses									
Total									
Total									
Goodwill impairment									
Total									
Core net income (loss) per fully diluted share									
Fully diluted shares									
Fully diluted shares									
Fully diluted shares									
Computed amount									
Return on average tangible equity (annualized)									
Return on average tangible equity (annualized)									
Return on average tangible equity (annualized)									
Average shareholders' equity									

Average shareholders' equity									
Average shareholders' equity									
Less: Average goodwill and other intangibles									
Average tangible equity									
Core net income (loss) (per above)									
Core net income (loss) (per above)									
Core net income (loss) (per above)									
Adjustments (tax effected)									
Amortization on core deposit intangibles									
Amortization on core deposit intangibles									
Amortization on core deposit intangibles									
Tangible income (loss) applicable to shareholders									
Ratio	Ratio	(3.8) %	(1.3) %	4.1 %	Ratio	(3.0) %	(3.8) %	(3.4) %	3.5 %
Efficiency ratio									
Efficiency ratio									
Efficiency ratio									
Noninterest expense									
Noninterest expense									
Noninterest expense									
Total									
Total									
Total									
Adjustments:									
Merger related expenses									
Merger related expenses									
Merger related expenses									
State of Washington taxes									
State of Washington taxes									
Goodwill impairment									
State of Washington taxes									
Adjusted total									
Total revenues									
Total revenues									
Total revenues									
Net interest income									
Net interest income									
Net interest income									
Noninterest income									
Total									
Total									
Total									
Ratio									
Ratio									
Ratio		118.0 %	105.9 %	87.2 %		111.9 %	118.0 %	114.9 %	90.3 %
Return on Average assets (annualized) - Core									
Return on Average assets (annualized) - Core									
Return on Average assets (annualized) - Core									
Average Assets									
Average Assets									
Average Assets									
Core net income (loss) - per above									

Ratio	Ratio	(0.23) %	(0.10) %	0.22 %	Ratio	(0.19) %	(0.23) %	(0.21) %	0.17 %
Effective tax rate used in computations above									
Effective tax rate used in computations above									
Effective tax rate used in computations above		22.0 %	22.0 %	22.0 %					
Effective tax rate used in computations above (1)									
Effective tax rate used in computations above (1)									
Effective tax rate used in computations above (1)		22.0 %	22.0 %			22.0 %	22.0 %		

(1) Effective tax rate indicated is used for all adjustment except the goodwill impairment charge as a portion of this charge was not deductible for tax purposes. Instead, a computed effective rate of 13.1% was used for the goodwill impairment charge.

(in thousands, except ratio, rate and share data)
(in thousands, except ratio, rate and share data)
(in thousands, except ratio, rate and share data)

Tangible book value per share
Tangible book value per share
Tangible book value per share
Shareholders' equity
Shareholders' equity
Shareholders' equity
Less: intangible assets
Less: intangible assets
Less: intangible assets
Tangible shareholder's equity
Tangible shareholder's equity
Tangible shareholder's equity
Common shares outstanding
Common shares outstanding
Common shares outstanding
Computed amount
Computed amount
Computed amount
Tangible common equity to tangible assets
Tangible common equity to tangible assets
Tangible common equity to tangible assets
Tangible shareholder's equity (per above)
Tangible shareholder's equity (per above)
Tangible shareholder's equity (per above)
Tangible assets
Tangible assets
Tangible assets
Total assets
Total assets
Total assets
Less: intangible assets
Less: intangible assets
Less: intangible assets
Net
Net
Net
Ratio
Ratio
Ratio

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Management

Market risk is defined as the sensitivity of income, fair value measurements and capital to changes in interest rates, foreign currency exchange rates, commodity prices and other relevant market rates or prices. The primary market risks that we are exposed to are price and interest rate risks. Price risk is defined as the risk to current or anticipated earnings or capital arising from changes in the value of either assets or liabilities that are entered into as part of distributing or managing risk. Interest rate risk is defined as risk to current or anticipated earnings or capital arising from movements in interest rates.

For the Company, price and interest rate risks arise from the financial instruments and positions we hold. This includes loans, MSRs, investment securities, deposits, borrowings, long-term debt and derivative financial instruments. Due to the nature of our current operations, we are not subject to foreign currency exchange or commodity price risk. Our real estate loan portfolio is subject to risks associated with the local economies of our various markets, in particular, the regional economy of the western United States, including Hawaii.

The spread between the yield on interest-earning assets and the cost of interest-bearing liabilities and the relative dollar amounts of these assets and liabilities are the principal items affecting net interest income. Changes in net interest rates (interest rate risk) are influenced to a significant degree by the repricing characteristics of assets and liabilities (timing risk), the relationship between various rates (basis risk), customer options (option risk) and changes in the shape of the yield curve (time-sensitive risk). We manage the available-for-sale investment securities portfolio while maintaining a balance between risk and return. The Company's funding strategy is to grow deposits while we efficiently supplement using wholesale borrowings.

We estimate the sensitivity of our net interest income to changes in market interest rates using an interest rate simulation model that includes assumptions related to the level of balance sheet growth, deposit repricing characteristics and the rate of prepayments for multiple interest rate change scenarios. Interest rate sensitivity depends on certain repricing characteristics in our interest-earnings assets and interest-bearing liabilities, including the maturity structure of assets and liabilities and their repricing characteristics during the periods of changes in market interest rates. Effective interest rate risk management seeks to ensure both assets and liabilities respond to changes in interest rates within an acceptable timeframe, minimizing the impact of interest rate changes on net interest income and capital. Interest rate sensitivity is measured as the difference between the volume of assets and liabilities, at a point in time, which are subject to repricing at various time horizons, known as interest rate sensitivity gaps.

The following table presents sensitivity gaps for these different intervals:

		At March 31, 2024									At June 30, 2024								
(in thousands)	(in thousands)	3 Mos. or Less	More Than 3 Mos. to 6 Mos.	More Than 6 Mos. to 12 Mos.	More Than 12 Mos. to 3 Yrs.	More Than 3 Yrs. to 5 Yrs.	More Than 5 to 15 Yrs.	More Than 15 Yrs.	Non-Rate-Sensitive	Total	(in thousands)	3 Mos. or Less	More Than 3 Mos. to 6 Mos.	More Than 6 Mos. to 12 Mos.	More Than 12 Mos. to 3 Yrs.	More Than 3 Yrs. to 5 Yrs.	More Than 5 to 15 Yrs.	More Than 15 Yrs.	Non-Rate-Sensitiv
Interest-earning assets:																			
Interest-earning assets:																			
Interest-earning assets:																			
Cash & cash equivalents																			
Cash & cash equivalents																			
Cash & cash equivalents																			
FHLB Stock																			
Investment securities (1)																			
LHFS																			
LHFI (1)																			
Total																			
Non-interest-earning assets																			
Total assets																			
Interest-bearing liabilities:																			
Demand deposit accounts (2)																			
Demand deposit accounts (2)																			
Demand deposit accounts (2)																			
Savings accounts (2)																			
Money market accounts (2)																			
Certificates of deposit																			
FHLB advances																			

FHLB advances

FHLB advances

FRB borrowings

Long-term debt (3)

Total

Non-interest bearing liabilities

Shareholders' Equity

Shareholders' Equity

Shareholders' Equity

Total liabilities and shareholders' equity

Interest sensitivity gap

Cumulative interest sensitivity gap

Cumulative interest sensitivity gap

Cumulative interest sensitivity gap

Total

Total

Total

As a % of total assets

As a % of total assets

As a % of total assets

As a % of cumulative interest-bearing liabilities

As a % of cumulative interest-bearing liabilities

As a % of cumulative interest-bearing liabilities

(1) Based on contractual maturities, repricing dates and forecasted principal payments assuming normal amortization and, where applicable, prepayments.

(2) Assumes 100% of interest-bearing non-maturity deposits are subject to repricing in three months or less.

(3) Based on contractual maturity.

As of March 31, 2024 June 30, 2024, the Company is considered liability-sensitive as exhibited by the gap table. To reduce our net interest income sensitivity the Company has taken actions to extend the duration of its liabilities, both through increased levels of term certificates of deposit and the utilization of fixed-rate term borrowings.

Changes in the mix of interest-earning assets or interest-bearing liabilities can either increase or decrease the net interest margin, without affecting interest rate sensitivity. In addition, the interest rate spread between an earning asset and its funding liability can vary significantly, while the timing of repricing for both the asset and the liability remains the same, thereby impacting net interest income. This characteristic is referred to as basis risk. Varying interest rate environments can create unexpected changes in prepayment levels of assets and liabilities that are not reflected in the interest rate sensitivity analysis. These prepayments may have a significant impact on our net interest margin. Because of these factors, an interest sensitivity gap analysis may not provide an accurate assessment of our actual exposure to changes in interest rates.

The estimated impact on our net interest income over a time horizon of one year and the change in net portfolio value as of March 31, 2024 June 30, 2024 and December 31, 2023 are provided in the table below. For the scenarios shown, the interest rate simulation assumes an instantaneous and sustained shift in market interest rates and no change in the composition or size of the balance sheet.

		At March 31, 2024		At December 31, 2023				At June 30, 2024		At December 31, 2023
		Percentage Change						Percentage Change		
Change in Interest Rates (basis points) (1)	Change in Interest Rates (basis points) (1)	Net Interest Income (2)	Net Portfolio Value (3)	Net Interest Income (2)	Change in Interest Rates (basis points) (1)	Net Portfolio Value (3)	Change in Interest Rates (basis points) (1)	Net Interest Income (2)	Net Portfolio Value (3)	Net Interest Income (2)

+300									
+300									
+300		(16.5)%	(25.1)%	(15.4)%	(23.8)%		(20.4) %	(25.0) %	(15.
+200	+200	(10.1)%	(14.7)%	(9.4)%	(13.9)%	+200	(12.1)%	(14.7)%	
+100	+100	(4.5)%	(6.2)%	(4.2)%	(5.9)%	+100	(5.9)%	(6.3)%	
-100	-100	3.8 %	2.6 %	3.5 %	1.9 %	-100	5.1 %	2.8 %	
-200	-200	7.2 %	1.6 %	6.6 %	1.0 %	-200	9.9 %	1.8 %	
-300	-300	11.0 %	(3.0)%	10.9 %	(6.7)%	-300	14.7 %	(2.8)%	

(1) For purposes of our model, we assume interest rates will not go below zero. This "floor" limits the effect of a potential negative interest rate shock in a low rate environment.

(2) This percentage change represents the impact to net interest income for a one-year period, assuming there is no change in the structure of the balance sheet.

(3) This percentage change represents the impact to the net present value of equity, assuming there is no change in the structure of the balance sheet.

The changes in interest rate sensitivity between December 31, 2023 and March 31, 2024 June 30, 2024 reflected the impact of higher market interest rates, a flat to inverted yield curve and changes to overall balance sheet composition. Some of the assumptions made in the simulation model may not materialize and unanticipated events and circumstances will occur. In addition, the simulation model does not take into account any future actions that we could undertake to mitigate an adverse impact due to changes in interest rates from those expected, in the actual level of market interest rates or competitive influences on our deposits.

Current Banking Environment

Industry events, including bank failures, have led to uncertainty and concerns regarding the liquidity positions of the banking sector. These failures underscore the importance of maintaining access to diverse sources of funding. Market conditions and external factors may unpredictably impact the competitive landscape for deposits in the banking industry. Additionally, the higher interest rate environment has increased competition for liquidity and the premium at which liquidity is available to meet funding needs. Reliance on secondary funding sources could increase the Company's overall cost of funding and reduce net interest income. As of March 31, 2024 June 30, 2024, the Company had available contingent liquidity of $5.1 billion $4.9 billion which is equal to 78% 75% of its total deposits and the level of uninsured deposits was 8% of total deposits. The Company believes it has sufficient liquidity to meet its current needs.

ITEM 4 CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation, with the participation of our management and under the supervision of our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined under Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2024 June 30, 2024.

Changes in Internal Control over Financial Reporting

As required by Rule 13a-15(d), our management, including our Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any changes occurred during the quarter ended March 31, 2024 June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

PART II - OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

Because the nature of our business involves, among other things, the collection of numerous accounts, the validity of liens and compliance with various state and federal laws, we are subject to various legal proceedings in the ordinary course of our business related to foreclosures, bankruptcies, condemnation and quiet title actions and alleged statutory and regulatory violations. We are also subject to legal proceedings in the ordinary course of business related to employment and other consumer matters. We do not expect that these proceedings, either individually or taken as a whole, will have a material adverse effect on our business, financial position or our results of operations. There are currently no matters that, in the opinion of management, would have a material adverse effect on our consolidated balance sheet, results of operations or liquidity, or for which there would be a reasonable possibility of such a loss based on information known at this time.

On April 11, 2024, a putative shareholder of the Company filed a complaint related to the pending Merger transaction in the U.S. District Court for the Southern District of New York (the “Complaint”). The action is captioned as Marsha Ederer v. HomeStreet, Inc. et al., No. 24-cv-02748. The Complaint named as defendants the Company and the Company’s Board of Directors. The Complaint alleges, among other things, that the proxy statement/prospectus filed with the SEC on March 8, 2024 in connection with the Merger was materially incomplete and misleading. This, according to the Complaint, violated Section 14(a) of the Exchange Act of 1934, as amended (the “Exchange Act”), and Rule 14a-9 promulgated thereunder and Section 20(a) of the Exchange Act. The Complaint seeks, among other things: (i) an injunction enjoining the Merger, (ii) rescission or rescissory damages in the event the Merger contemplated by the Merger Agreement is consummated, (iii) direction that defendants cause a revised proxy statement/prospectus to be disseminated, (iv) costs of the action, including plaintiffs’ attorneys’ fees and experts’ fees, and (v) other relief the court may deem just and proper. The Complaint remains pending, but no defendant in the case has been served, and the plaintiff has taken no steps to pursue the litigation.

Additional lawsuits arising out of the Merger may be filed in the future. There can be no assurance that any of the defendants will be successful in the outcome of any pending or any potential future lawsuits. HomeStreet believes that the Complaint is without merit and intends to defend vigorously against the Complaint.

ITEM 1A RISK FACTORS

Refer to Item 1A of Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2023 and the Company's Quarterly Report for the quarter ended March 31, 2024 for a discussion of factors that could materially and adversely affect our business, financial condition, liquidity, results of operations and capital position. There have been no material changes in our risk factors from those described in our 2023 Annual Report on Form 10-K other than the updates to the risk factor set forth below.

Regulatory approvals may not be received, have taken longer than expected, or may impose conditions that are not presently anticipated or that could have an adverse effect and First Quarter 2024 Report on the combined company following the Merger.

Before the Merger may be completed, various consents, approvals, waiver or non-objections must be obtained from state and federal governmental authorities, including the Federal Reserve Board, the Texas Department of Banking and the Director of the State of Washington Department of Financial Institutions. Satisfying the requirements of these governmental authorities have delayed and may further delay the completion of the Merger, or one or more of these approvals may not be obtained at all. In addition, these governmental authorities may include conditions or restrictions on the completion of the Merger, or require changes to the terms of the Merger. Under the Merger Agreement, the parties are not obligated to complete the Merger should any required regulatory approval contain any condition or restriction that would reasonably be expected to have a "material adverse effect" (as defined in the Merger Agreement) on the surviving entity in the Merger and its subsidiaries, taken as a whole, after giving effect to the Merger and the related merger of HomeStreet Bank into a wholly owned subsidiary of FirstSun.

Because the market price of FirstSun common stock will fluctuate, the Company's shareholders cannot be certain of the market value of the Merger consideration they will receive.

In the Merger, each share of Company common stock that is issued and outstanding immediately prior to the effective time of the Merger (except for certain excluded shares) will be converted into 0.3867 of a share of FirstSun common stock. This exchange ratio is fixed and will not be adjusted for changes in the market price of either FirstSun common stock or Company common stock. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in FirstSun's and the Company's businesses, operations and prospects, volatility in the prices of securities in global financial markets, including market prices for the common stock of other banking companies, and changes in laws and regulations, many of which are beyond FirstSun's and the Company's control. The value that the Company's shareholders will receive upon the closing of the Merger will depend on the market price of FirstSun common stock at the closing of the Merger, which is currently traded only on the OTC Bulletin Board but is expected to be approved for listing on the Nasdaq Stock Market prior to the effective time of the Merger. Accordingly, at the time of the shareholder meeting of the Company to vote on the Merger Agreement, shareholders may not know the market value of the consideration that they will receive upon completion of the Merger.

Issuance of shares of FirstSun common stock in connection with the Merger may adversely affect the market price of FirstSun common stock.

In connection with the payment of the merger consideration, FirstSun will issue shares of FirstSun common stock to the Company's shareholders. In addition, FirstSun will issue up to approximately 4.8 million shares of its common stock to certain investors in exchange for up to $155 million concurrently with the closing of the Merger. The issuance of these new shares of FirstSun common stock may result in fluctuations in the market price of FirstSun common stock, including a stock price decrease.

In connection with the Merger, FirstSun will assume the Company's outstanding debt obligations under its indentures and issue subordinated debt, and the combined company's level of indebtedness following the completion of the Merger could adversely affect the combined company's ability to raise additional capital and to meet its obligations under its existing indebtedness.

In connection with the Merger, FirstSun will assume the Company's outstanding debt obligations under the Company's indentures. In addition, FirstSun is expected to issue prior to or as of the closing of the Merger at least $48.5 million of subordinated debt. FirstSun's existing debt, together with any future incurrence of additional indebtedness, and the assumption of the Company's outstanding indebtedness and issuance of subordinated debt in connection with the Merger, could have important consequences for the combined company's creditors and the combined company's stockholders. For example, it could:

- limit the combined company's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- restrict the combined company from making strategic acquisitions or cause the combined company to make non-strategic divestitures;
- restrict the combined company from paying dividends to its stockholders;
- increase the combined company's vulnerability to general economic and industry conditions; and
- require a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on the combined company's indebtedness, thereby reducing the combined company's ability to use cash flows to fund its operations, capital expenditures and future business opportunities.Form 10-Q.

The Merger Agreement limits the Company's ability to pursue alternatives to the Merger and may discourage other companies from trying to acquire the Company.

The Merger Agreement contains "no shop" covenants that restrict each of FirstSun's and the Company's ability to, directly or indirectly, among other things, initiate, solicit, knowingly encourage or knowingly facilitate, inquiries or proposals with respect to, or, subject to certain exceptions generally related to the exercise of fiduciary duties by FirstSun's and the Company's respective board of directors, engage in any negotiations concerning, or provide any confidential or non-public information or data relating to, any acquisition proposal. These provisions, which include a $10 million termination fee payable by the Company under certain circumstances (which may be reduced to $2.6 million if the Company or FirstSun terminates the Merger Agreement after the Company receives a competing proposal that constitutes a superior proposal under the Merger Agreement prior to 11:59 p.m.

New York time on May 30, 2024), may discourage a potential third-party acquirer that might have an interest in acquiring all or a significant part of the Company from considering or proposing that acquisition.

Holders of Company common stock will have reduced ownership and voting interest in the combined company after the consummation of the Merger and have less influence over management and the policies of the combined company.

Shareholders of FirstSun and the Company currently have the right to vote in the election of the board of directors and on other matters affecting FirstSun and the Company, respectively. Assuming the Merger is completed, each Company shareholder (subject to certain exceptions) will become a holder of common stock of the combined company, together with existing FirstSun stockholders. The Company shareholders will then own approximately 19% of the combined company (after taking into account up to approximately 4.8 million shares to be issued to such equity investors concurrently with the closing of the Merger). Because of this, the Company's shareholders in the aggregate will have less influence on the management and policies of the combined company than they now have on the management and policies of the Company.

Shareholder litigation could prevent or delay the completion of the Merger or otherwise negatively impact the business and operations of FirstSun and the Company.

On April 11, 2024, a putative shareholder of the Company filed a complaint against the Company and the Company's Board of Directors in the U.S. District Court for the Southern District of New York (the "Complaint"), alleging, among other things, that the proxy statement/prospectus filed with the SEC on March 8, 2024 in connection with the Merger was materially incomplete and misleading. The Complaint seeks remedies, including an injunction enjoining the Merger and rescission or rescissory damages in the event the Merger contemplated by the Merger Agreement is consummated. Additional lawsuits may be filed in the future.

One of the conditions to the closing is that there must be no order, injunction or decree issued by any court or governmental entity of competent jurisdiction or other legal restraint preventing the consummation of the Merger or any of the other transactions contemplated by the Merger Agreement. If any plaintiff were successful in obtaining an injunction prohibiting FirstSun or the Company from completing the Merger or any of the other transactions contemplated by the Merger Agreement, then such injunction may delay or prevent the effectiveness of the Merger and could result in significant costs to FirstSun or the Company, including any cost associated with the indemnification of directors and officers of each company. FirstSun and the Company may incur additional costs in connection with the defense or settlement of any stockholder or shareholder lawsuits filed in connection with the Merger. Such litigation could have an adverse effect on the financial condition and results of operations of FirstSun and the Company and could prevent or delay the completion of the Merger.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Sales of Unregistered Securities

There were no sales of unregistered securities during the first second quarter of 2024.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 OTHER INFORMATION

During the quarter ended March 31, 2024 June 30, 2024, none of our directors or officers informed us of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408.

Change in Control Agreement Amendments

On August 5, 2024, the Company and the Bank entered into an amendment to the change in control agreements ("CIC Amendments") that they previously entered into with John M. Michel, Chief Financial Officer of the Company, and William D. Endresen, Executive Vice President, Commercial Real Estate and Commercial Capital President of the Bank, which are included as an exhibit to their employment agreements. The amendments provide that in the event of a qualifying termination, which incurs in connection with a change in control, each executive will receive, in addition to his previously provided for severance benefits, a cash payment in an amount equal to 18 months of the cost of health coverage in which the executive and his eligible dependents were enrolled at the time of the change in control, subject to the executive executing a release of claims agreement in favor of the Company and the Bank.

The foregoing is a summary of the material terms of the CIC Amendments, does not purport to be complete and is qualified in its entirety by reference to the full text of the CIC Amendments, which are attached as Exhibits 10.24 and 10.25 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

ITEM 6 EXHIBITS

EXHIBIT INDEX

Exhibit Number	Description
2.1 10.24	Second Amendment to Executive Employment Agreement, and Plan of Merger, dated as of January 16, 2024, by and among between HomeStreet, Inc., FirstSun Capital Bancorp HomeStreet Bank, and Dynamis Subsidiary, Inc. (incorporated by reference to Exhibit 2.1 to HomeSt William D. Endresen, dated August r 5eet, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2024) , 2024
2.2 10.25	First Amendment No. 1 to the Amended and Restated Executive Employment Agreement, and Plan of Merger, dated as of April 30,2024, by and among between HomeStreet, Inc., FirstSun Capital Bancorp HomeStreet Bank, and Dynamis Subsidiary, Inc. (incorporated by reference to Exhibit 2.1 to HomeStreet, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 30, 2024) John M. Michel, dated August 5, 2024
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32 (1)	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Furnished herewith.
101 INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Label Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Definitions Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(1) This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section. Such exhibit shall not be deemed incorporated into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Seattle, State of Washington, on May 8, 2024 August 6, 2024.

HomeStreet, Inc.

By: /s/ Mark K. Mason
Mark K. Mason
President and Chief Executive Officer
(Principal Executive Officer)

HomeStreet, Inc.

By: /s/ John M. Michel
John M. Michel
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

FIRST AMENDMENT TO EXECUTIVE CHANGE IN CONTROL AGREEMENT

This document (the "***First Amendment***") amends the Executive Change in Control Agreement dated August 4, 2022 (the "***CIC Agreement***") between John M. Michel ("***Executive***") and HomeStreet, Inc. and HomeStreet Bank (collectively "***the Company***" or “Employer”). Any capitalized terms used in this First Amendment and not otherwise defined herein shall have the meaning set forth in the CIC Agreement. The parties agree as follows:

1. **<u>Amendment to Section Titled "Change in Control Benefit.</u>"** The parties amend the CIC Agreement by striking the section titled "Change in Control Benefit" of the CIC Agreement in its entirety and replacing it with the following:

    If within 12 months following a Change in Control or 90 days prior to a Change in Control, Employee resigns for Good Reason or Employee's employment is terminated by the Company for any reason except for Cause, Employer shall pay Employee as severance pay, a lump sum cash payment equal to (a) twenty four (24) months base salary, plus (b) an amount equal to two times his last annual bonus paid or his Target Incentive Compensation for the current year, whichever is greater, plus (c) an amount equal to eighteen (18) months of the cost of the health coverage in which Employee and his eligible dependents were enrolled at the time of the Change in Control (based on COBRA premium rates for such coverage, irrespective of eligibility for COBRA) (the "Change in Control Payment"). In addition, all of Employee's unvested equity grants will vest immediately and remain exercisable consistent with any such grant or applicable plan. The Change in Control Payment is conditioned upon Employee executing a release agreement in favor of the Company and the Bank at the time of termination of his employment. Payment shall be made in a lump sum on the earlier of the 90 days following the Employee's termination of employment or March 15 of the year following the year in which the termination occurred, provided that Employee has executed and submitted a general release of claims and the statutory period during which the Employee is entitled to revoke the release of claims has expired before the payment date; provided, further, to the extent required to avoid any additional tax or penalties under Section 409A of the Internal Revenue Code, if the period for Employee to execute any required release and the Company's obligation to pay any amount straddles two calendar years, the payment will be made in the later calendar year. The Change in Control Payment will be subject to the Bank's collection of applicable federal income and employment withholding taxes.

2. **<u>No Other Modification</u>**. Except as provided herein, the provisions of the CIC Agreement shall remain in full force and effect following the adoption of this First Amendment and this First Amendment shall not constitute a modification or waiver of any provision of the CIC Agreement except as provided herein.

3. **<u>Effectiveness</u>**. This First Amendment shall be effective on the date it is signed by both Executive and HomeStreet.

[Signature Page Follows]

HOMESTREET, INC.
HOMESTREET BANK

<u>/s/ Godfrey Evans</u>
Godfrey B. Evans, *EVP, General Counsel,*
& Corporate Secretary

Date Signed: <u>August 5, 2024</u>

EXECUTIVE

<u>/s/ John Michel</u>
John M. Michel, *EVP, Chief Financial Officer*

Date Signed: <u>August 5, 2024</u>

FIRST AMENDMENT TO EXECUTIVE CHANGE IN CONTROL AGREEMENT

This document (the "***Second Amendment***") amends the Executive Change in Control Agreement dated February 25, 2021 (the "***CIC Agreement***") between William D. Endresen ("***Executive***") and HomeStreet, Inc. and HomeStreet Bank (collectively "***the Company***" or “Employer”). Any capitalized terms used in this Second Amendment and not otherwise defined herein shall have the meaning set forth in the CIC Agreement. The parties agree as follows:

1. **Amendment to Section Titled "Change in Control Benefit.”** The parties amend the CIC Agreement by striking the section titled “Change in Control Benefit” of the CIC Agreement in its entirety and replacing it with the following:

   If within 12 months following a Change in Control or 90 days prior to a Change in Control, Employee resigns for Good Reason or Employee’s employment is terminated by the Company for any reason except for Cause, Employer shall pay Employee as severance pay, a lump sum cash payment equal to (a) twenty four (24) months base salary, plus (b) an amount equal to two times his last annual bonus paid or his Target Incentive Compensation for the current year, whichever is greater, plus (c) an amount equal to eighteen (18) months of the cost of the health coverage in which Employee and his eligible dependents were enrolled at the time of the Change in Control (based on COBRA premium rates for such coverage, irrespective of eligibility for COBRA) (the “Change in Control Payment”). In addition, all of Employee’s unvested equity grants will vest immediately and remain exercisable consistent with any such grant or applicable plan. The Change in Control Payment is conditioned upon Employee executing a release agreement in favor of the Company and the Bank at the time of termination of his employment. Payment shall be made in a lump sum on the earlier of the 90 days following the Employee’s termination of employment or March 15 of the year following the year in which the termination occurred, provided that Employee has executed and submitted a general release of claims and the statutory period during which the Employee is entitled to revoke the release of claims has expired before the payment date; provided, further, to the extent required to avoid any additional tax or penalties under Section 409A of the Internal Revenue Code, if the period for Employee to execute any required release and the Company’s obligation to pay any amount straddles two calendar years, the payment will be made in the later calendar year. The Change in Control Payment will be subject to the Bank’s collection of applicable federal income and employment withholding taxes.

2. **No Other Modification**. Except as provided herein, the provisions of the CIC Agreement shall remain in full force and effect following the adoption of this Second Amendment and this Second Amendment shall not constitute a modification or waiver of any provision of the CIC Agreement except as provided herein.

3. **Effectiveness**. This Second Amendment shall be effective on the date it is signed by both Executive and HomeStreet.

[Signature Page Follows]

HOMESTREET, INC.
HOMESTREET BANK

/s/ Godfrey Evans
Godfrey B. Evans, *EVP, General Counsel,*
& Corporate Secretary

Date Signed: August 5, 2024

EXECUTIVE

/s/ William D. Endresen
William D. Endresen*, EVP, Commercial Real Estate and Commercial Capital President*

Date Signed: August 5, 2024

CERTIFICATIONS

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark K. Mason, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 June 30, 2024 of HomeStreet, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we 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 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 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.

Dated:	May 8, August 6, 2024	By:	/s/ Mark K. Mason
			Mark K. Mason
			President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John M. Michel, certify that:

1. I have reviewed this Quarterly Report on Form10-Q for the quarter ended March 31, 2024 June 30, 2024 of HomeStreet, Inc.;

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

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

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

Dated:	May 8, August 6, 2024	By:	/s/ John M. Michel
			John M. Michel
			Executive Vice President, Chief Financial Officer (Principal Financial Officer and Accounting Officer)

EXHIBIT 32

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Mark K. Mason, the Chief Executive Officer of HomeStreet, Inc. (the "**Company**"), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 June 30, 2024 (the "**Report**") of the Company fully complies with the requirements of Section 13(a) or 15(d) 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.

Dated: May 8, August 6, 2024

By: /s/ Mark K. Mason
Mark K. Mason
President and Chief Executive Officer

CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, John M. Michel, the Chief Financial Officer of HomeStreet, Inc. (the "**Company**"), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 June 30, 2024 (the "**Report**") of the Company fully complies with the requirements of Section 13(a) or 15(d) 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.

Dated: May 8, August 6, 2024

By: /s/ John M. Michel
John M. Michel
Executive Vice President, Chief Financial Officer (Principal Financial Officer and Accounting Officer)

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