REFINITIV

DELTA REPORT

10-Q

BANC OF CALIFORNIA, INC.

10-Q - MARCH 31, 2023 COMPARED TO 10-Q - SEPTEMBER 30, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	2716
CHANGES	520
DELETIONS	1018
ADDITIONS	1178

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022 March 31, 2023
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 001-35522

BANC OF CALIFORNIA, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or organization)
04-3639825
(IRS Employer Identification No.)
3 MacArthur Place, Santa Ana, California
(Address of principal executive offices)
92707
(Zip Code)
(855) 361-2262
(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	BANC	New York Stock Exchange

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

As of November 4, 2022 May 4, 2023, the registrant had outstanding 59,681,760 57,594,900 shares of voting common stock and 477,321 shares of Class B non-voting common stock.

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BANC OF CALIFORNIA, INC.

FORM 10-Q QUARTERLY REPORT

September 30, 2022 March 31, 2023

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Forward-Looking Statements -

When used in this report and in documents filed with or furnished to the Securities and Exchange Commission (the “SEC”), in press releases or other public stockholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases “believe,” “will,” “should,” “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “plans,” or similar expressions are intended to identify “forward-looking statements” within the meaning of the “Safe-Harbor” provisions of the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on any forward-looking statements. These statements may relate to future financial performance, strategic plans or objectives, revenue, expense or earnings projections, or other financial items of Banc of California, Inc. and its affiliates (“BANC,” the “Company”, “we”, “us” or “our”). By their nature, these statements are subject to numerous uncertainties that could cause actual results to differ materially from those anticipated in the statements.

Factors that could cause actual results to differ materially from the results anticipated or projected include, but are not limited to, the following:

i. changes in general economic conditions, either nationally or in our market areas, including the continuing effects impact of supply chain disruptions, and the COVID-19 pandemic and steps taken by governmental and other authorities to contain, mitigate and combat the pandemic on our business, operations, financial performance and prospects; risk of recession or an economic downturn;

ii. changes in the costs interest rate environment, including the recent and effects anticipated increases in the FRB benchmark rate, which could adversely affect our revenue and expenses, the value of litigation, including legal fees assets and other expenses, settlements obligations, and judgments; the availability and cost of capital and liquidity;

iii. the risk that we will not be successful in the implementation impacts of our capital utilization strategy, new lines of business, new products and services, or other strategic initiatives; continuing inflation;

iv. risks that the Company's merger and acquisition transactions may disrupt current plans and operations and lead to difficulties in customer and employee retention, risks that the costs, fees, expenses and charges related to these transactions could be significantly higher than anticipated and risks that the expected revenues, cost savings, synergies, and other benefits of these transactions might not be realized to the extent anticipated, within the anticipated timetables, or at all and, in the case of our recent acquisition of Deepstack Technologies, LLC ("Deepstack"), reputational risk, regulatory risk and potential adverse reactions of the Company's or Deepstack's customers, supplier, vendors, employees or other business partners;

v. the credit risks of lending activities, which may be affected by deterioration in real estate markets and the financial condition of borrowers, and the operational risk of lending activities, including but not limited to, the effectiveness of our underwriting practices and the risk of fraud, any of which may lead to increased loan delinquencies, losses, and nonperforming assets, in our loan portfolio, and may result in our allowance for credit losses not being adequate and require us to materially increase our credit loss reserves; adequate;

vi. the quality and composition of our securities portfolio;

vii. changes in general economic conditions, either nationally or in our market areas, including any impact of supply chain disruptions, or changes in financial markets, and the risk of recession;

viii. changes in the interest rate environment and levels of general interest rates, including the recent and anticipated increases by the FRB in its benchmark rate, the impacts of inflation, the relative differences between short- and long-term interest rates, deposit interest rates, and their impact on our net interest margin, tangible book value, and the cost of funding sources;

ix. v. fluctuations in the demand for loans, and fluctuations in commercial and residential real estate values in our market area;

x. vi. the quality and composition of our securities portfolio;

vii. our ability to develop and maintain a strong core deposit base or other low cost funding sources necessary to fund our activities; activities particularly in a rising or high interest rate environment;

viii. the rapid withdrawal of a significant amount of demand deposits over a short period of time;

ix. the costs and effects of litigation;

x. risks related to the Company’s acquisitions, including disruption to current plans and operations; difficulties in customer and employee retention; fees, expenses and charges related to these transactions being significantly higher than anticipated; and our inability to achieve expected revenues, cost savings, synergies, and other benefits; and in the case of our recent acquisition of Deepstack Technologies, LLC (Deepstack), reputational risk, regulatory risk and potential adverse reactions of the Company's or Deepstack's customers, suppliers, vendors, employees or other business partners;

xi. results of examinations by regulatory authorities of the Company and the possibility that any such regulatory authority may, among other things, limit our business activities, require us to change our business mix, restrict our ability to invest in certain assets, refrain from issuing an approval or non-objection to certain capital or other actions, increase our allowance for credit losses, result in write-downs of asset values, increase our capital levels, affect restrict our ability or that of our bank subsidiary to borrow funds or maintain or increase deposits, pay dividends, or impose fines, penalties or sanctions, any of which could adversely affect our liquidity and earnings; sanctions;

xii. legislative or regulatory changes that adversely affect our business, including without limitation, changes in tax laws and policies, changes in accounting policies and practices, privacy laws, and changes in regulatory capital or other rules, and the availability of resources to address or respond to such changes; rules;

xiii. our ability to control operating costs and expenses;

xiv. staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our work force and potential associated charges;

xv. the risk that our enterprise risk management framework may not be effective in mitigating risk and reducing the potential for losses;

xvi. xiv. errors in estimates of the fair values of certain of our assets and liabilities, which may result in significant changes in valuation;

xvii. uncertainty regarding the expected discontinuation of the London Interbank Offered Rate (“LIBOR”) and the use of alternative reference rates;

xviii. xv. failures or security breaches with respect to the network, applications, vendors and computer systems on which we depend, including but not limited to, due to cybersecurity threats; threats

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xix. xvi. our ability to attract and retain key members of our senior management team;

xx. increased competitive pressures among financial services companies;

xxi. changes in consumer spending, borrowing and saving habits;

xxii. xvii. the effects of climate change, severe weather events, natural disasters, pandemics, epidemics and other public health crises, acts of war or terrorism, and other external events on our business;

xxiii. xviii. the ability impact of key third-party providers to perform their obligations to us; bank failures or other adverse developments at other banks on general investor sentiment regarding the stability and liquidity of banks;

xxiv. xix. changes in accounting policies the possibility that our recorded goodwill could become impaired, which may have an adverse impact on our earnings and practices, as may be adopted by the financial institution regulatory agencies or the Financial Accounting Standards Board or their application to our business, including additional guidance and interpretation on accounting issues and details of the implementation of new accounting standards;

xxv. continuing impact of the Financial Accounting Standards Board's credit loss accounting standard, referred to as Current Expected Credit Loss, which requires financial institutions to determine periodic estimates of lifetime expected credit losses on loans, and provide for the expected credit losses as allowances for loan losses;

xxvi. share price volatility and reputational risks, related to, among other things, speculative trading and certain traders shorting our common stock and attempting to generate negative publicity about us;

xxvii. our ability to obtain regulatory approvals or non-objection to take various capital actions, including the payment of dividends by us or our bank subsidiary, or repurchases of our common stock; capital; and

xxviii. xx. other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services and the other risks described in this report and from time to time in other documents that we file with or furnish to the SEC, including, without limitation, the risks described under "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021 December 31, 2022.

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PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

BANC OF CALIFORNIA, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Amounts in thousands, except share and per share data)
(Unaudited)

		September 30, 2022	December 31, 2021		March 31, 2023	December 31, 2022
ASSETS	**ASSETS**			**ASSETS**		
Cash and due from banks	Cash and due from banks	$ 69,358	$ 41,729	Cash and due from banks	$ 36,982	$ 47,434
Interest-earning deposits in financial institutions	Interest-earning deposits in financial institutions	186,700	186,394	Interest-earning deposits in financial institutions	973,969	181,462
Total cash and cash equivalents	Total cash and cash equivalents	256,058	228,123	Total cash and cash equivalents	1,010,951	228,896
Securities held-to-maturity, at amortized cost (fair value of $263,352 at September 30, 2022)		328,757	—			
Securities held-to-maturity, at amortized cost (fair value of $272,915 and $262,460 at March 31, 2023 and December 31, 2022)				Securities held-to-maturity, at amortized cost (fair value of $272,915 and $262,460 at March 31, 2023 and December 31, 2022)	328,520	328,641
Securities available-for-sale, at fair value	Securities available-for-sale, at fair value	847,565	1,315,703	Securities available-for-sale, at fair value	958,427	868,297
Loans receivable	Loans receivable	7,289,320	7,251,480	Loans receivable	7,054,380	7,115,038
Allowance for loan losses	Allowance for loan losses	(92,444)	(92,584)	Allowance for loan losses	(84,560)	(85,960)
Loans receivable, net	Loans receivable, net	7,196,876	7,158,896	Loans receivable, net	6,969,820	7,029,078
Federal Home Loan Bank and other bank stock, at cost	Federal Home Loan Bank and other bank stock, at cost	54,428	44,632	Federal Home Loan Bank and other bank stock, at cost	70,334	57,092
Premises and equipment, net	Premises and equipment, net	107,728	112,868	Premises and equipment, net	108,087	107,345
Bank owned life insurance	Bank owned life insurance	126,199	123,720	Bank owned life insurance	128,022	127,122
Operating lease right-of-use assets		30,321	35,442			
Investments in alternative energy partnerships, net		22,401	25,888			
Deferred income taxes, net	Deferred income taxes, net	56,376	50,774	Deferred income taxes, net	54,450	50,518

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Income tax receivable		3,430	7,952			
Goodwill	Goodwill	114,312	94,301	Goodwill	114,312	114,312
Other intangibles	Other intangibles	8,081	6,411	Other intangibles	7,065	7,526
Other assets	Other assets	216,046	189,033	Other assets	288,913	278,189
Total assets	**Total assets**	**$ 9,368,578**	**$ 9,393,743**	**Total assets**	**$ 10,038,901**	**$ 9,197,016**
LIABILITIES AND STOCKHOLDERS' EQUITY	**LIABILITIES AND STOCKHOLDERS' EQUITY**			**LIABILITIES AND STOCKHOLDERS' EQUITY**		
Noninterest-bearing deposits	Noninterest-bearing deposits	$ 2,943,585	$ 2,788,196	Noninterest-bearing deposits	$ 2,506,616	$ 2,809,328
Interest-bearing deposits	Interest-bearing deposits	4,336,800	4,651,239	Interest-bearing deposits	4,445,358	4,311,593
Total deposits	Total deposits	7,280,385	7,439,435	Total deposits	6,951,974	7,120,921
Federal Home Loan Bank advances, net		727,021	476,059			
Other borrowings		10,000	25,000			
Long-term debt, net		274,746	274,386			
Reserve for loss on repurchased loans		3,006	4,348			
Federal Home Loan Bank (FHLB) advances, net and Federal Reserve Bank (FRB) borrowings				Federal Home Loan Bank (FHLB) advances, net and Federal Reserve Bank (FRB) borrowings	1,732,670	727,348
Operating lease liabilities		34,937	40,675			
Long-term debt, net				Long-term debt, net	274,995	274,906
Accrued expenses and other liabilities	Accrued expenses and other liabilities	86,493	68,550	Accrued expenses and other liabilities	120,355	114,223
Total liabilities	Total liabilities	8,416,588	8,328,453	Total liabilities	9,079,994	8,237,398
Commitments and contingent liabilities	Commitments and contingent liabilities			Commitments and contingent liabilities		
Preferred stock		—	94,956			
Common stock, $0.01 par value per share, 446,863,844 shares authorized; 65,159,580 shares issued and 59,679,558 shares outstanding at September 30, 2022; 64,599,170 shares issued and 62,188,206 shares outstanding at December 31, 2021		652	646			
Class B non-voting non-convertible common stock, $0.01 par value per share, 3,136,156 shares authorized; 477,321 shares issued and outstanding at September 30, 2022 and December 31, 2021		5	5			
Common stock, $0.01 par value per share, 446,863,844 shares authorized; 65,272,095 shares issued and 58,237,303 shares outstanding at March 31, 2023; 65,168,380 shares issued and 58,544,534 shares outstanding at December 31, 2022				Common stock, $0.01 par value per share, 446,863,844 shares authorized; 65,272,095 shares issued and 58,237,303 shares outstanding at March 31, 2023; 65,168,380 shares issued and 58,544,534 shares outstanding at December 31, 2022	653	651
Class B non-voting non-convertible common stock, $0.01 par value per share, 3,136,156 shares authorized; 477,321 shares issued and outstanding at March 31, 2023 and December 31, 2022				Class B non-voting non-convertible common stock, $0.01 par value per share, 3,136,156 shares authorized; 477,321 shares issued and outstanding at March 31, 2023 and December 31, 2022	5	5
Additional paid-in capital	Additional paid-in capital	864,806	854,873	Additional paid-in capital	866,306	866,478
Retained earnings	Retained earnings	231,084	147,894	Retained earnings	263,524	248,988
Treasury stock, at cost (5,480,022 and 2,410,964 shares at September 30, 2022 and December 31, 2021)		(96,978)	(40,827)			
Accumulated other comprehensive (loss) income, net		(47,579)	7,743			
Treasury stock, at cost (7,034,792 and 6,623,846 shares at March 31, 2023 and December 31, 2022)				Treasury stock, at cost (7,034,792 and 6,623,846 shares at March 31, 2023 and December 31, 2022)	(121,092)	(115,907)
Accumulated other comprehensive loss, net				Accumulated other comprehensive loss, net	(50,489)	(40,597)
Total stockholders' equity	Total stockholders' equity	951,990	1,065,290	Total stockholders' equity	958,907	959,618

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Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	$	9,368,578	$	9,393,743	Total liabilities and stockholders' equity	$	10,038,901	$ 9,197,016

See accompanying notes to consolidated financial statements (unaudited)

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BANC OF CALIFORNIA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share data)
(Unaudited)

		Three Months Ended			Nine Months Ended September 30,			Three Months Ended		
		September 30, 2022	**June 30, 2022**	**September 30, 2021**	**2022**	**2021**		**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
Interest and dividend income	Interest and dividend income						Interest and dividend income			
Loans, including fees	Loans, including fees	$ 83,699	$ 78,895	$ 63,837	$ 238,828	$ 187,082	Loans, including fees	$ 87,418	$ 88,717	$ 76,234
Securities	Securities	10,189	8,124	7,167	25,622	20,654	Securities	14,909	12,905	7,309
Other interest-earning assets	Other interest-earning assets	2,085	1,399	787	4,210	2,350	Other interest-earning assets	4,592	2,490	726
Total interest and dividend income	Total interest and dividend income	95,973	88,418	71,791	268,660	210,086	Total interest and dividend income	106,919	104,112	84,269
Interest expense	Interest expense						Interest expense			
Deposits	Deposits	8,987	3,180	2,412	13,555	10,241	Deposits	20,527	14,278	1,388
Federal Home Loan Bank advances		3,558	3,114	2,990	9,625	9,046				
FHLB advances and FRB borrowings							FHLB advances and FRB borrowings	9,648	5,528	2,953
Long-term debt and other interest-bearing liabilities		4,020	3,825	3,413	11,332	10,060				
Other interest-bearing liabilities							Other interest-bearing liabilities	3,691	4,089	3,487
Total interest expense	Total interest expense	16,565	10,119	8,815	34,512	29,347	Total interest expense	33,866	23,895	7,828
Net interest income	Net interest income	79,408	78,299	62,976	234,148	180,739	Net interest income	73,053	80,217	76,441
(Reversal of) provision for credit losses		—	—	(1,147)	(31,542)	(4,408)				
Net interest income after (reversal of) provision for credit losses		79,408	78,299	64,123	265,690	185,147				
Provision for (reversal of) credit losses							Provision for (reversal of) credit losses	2,000	—	(31,542)
Net interest income after provision for (reversal of) credit losses							Net interest income after provision for (reversal of) credit losses	71,053	80,217	107,983
Noninterest income	Noninterest income						Noninterest income			
Customer service fees	Customer service fees	2,462	2,578	1,900	7,474	5,648	Customer service fees	1,979	2,066	2,434

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Loan servicing income	Loan servicing income	636	109	170	957	476	Loan servicing income	547	561	212
Income from bank owned life insurance	Income from bank owned life insurance	873	810	715	2,479	2,077	Income from bank owned life insurance	900	923	796
Net gain on sale of securities available-for-sale		—	—	—	16	—				
Net (loss) gain on sale of securities available-for-sale							Net (loss) gain on sale of securities available-for-sale	—	(7,708)	16
Other income		1,710	3,689	2,734	7,851	5,570				
All other income							All other income	4,433	2,731	2,452
Total noninterest income	Total noninterest income	5,681	7,186	5,519	18,777	13,771	Total noninterest income	7,859	(1,427)	5,910
Noninterest expense	Noninterest expense						Noninterest expense			
Salaries and employee benefits	Salaries and employee benefits	27,997	28,264	24,786	85,248	75,547	Salaries and employee benefits	29,656	27,812	28,987
Occupancy and equipment	Occupancy and equipment	8,649	7,876	7,124	24,380	21,597	Occupancy and equipment	5,526	5,740	5,637
Professional fees	Professional fees	4,507	4,107	892	11,521	6,663	Professional fees	4,072	3,193	2,839
Data processing	Data processing	1,699	1,782	1,646	5,309	4,922	Data processing	1,563	1,744	1,828
Regulatory assessments	Regulatory assessments	925	1,021	812	2,721	2,355	Regulatory assessments	1,202	905	775
Loss (gain) on investments in alternative energy partnerships		504	1,043	(1,785)	1,705	1,016				
(Reversal of) provision for loss on repurchased loans		(26)	(490)	(42)	(987)	(273)				
Software and technology							Software and technology	3,274	3,197	2,700
Loss on investments in alternative energy partnerships							Loss on investments in alternative energy partnerships	1,618	608	158
Reversal of loan repurchase reserves							Reversal of loan repurchase reserves	(11)	(17)	(471)
Amortization of other intangibles	Amortization of other intangibles	396	313	282	1,150	846	Amortization of other intangibles	461	555	441
Acquisition, integration and transaction costs		2,080	—	1,000	2,080	2,400				
Other expense	Other expense	4,231	4,696	3,096	13,043	9,733	Other expense	3,878	4,466	3,702
Total noninterest expense	Total noninterest expense	50,962	48,612	37,811	146,170	124,806	Total noninterest expense	51,239	48,203	46,596
Income from operations before income taxes		34,127	36,873	31,831	138,297	74,112				
Income before income taxes							Income before income taxes	27,673	30,587	67,297
Income tax expense	Income tax expense	9,931	10,161	8,661	38,877	17,517	Income tax expense	7,395	9,068	18,785
Net income	**Net income**	**24,196**	**26,712**	**23,170**	**99,420**	**56,595**	**Net income**	**20,278**	**21,519**	**48,512**

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Preferred stock dividends	Preferred stock dividends	—	—	1,727	1,420	6,595	Preferred stock dividends	—	—	1,420
Income allocated to participating securities		—	—	—	—	160				
Impact of preferred stock redemption	Impact of preferred stock redemption	—	—	—	3,747	3,347	Impact of preferred stock redemption	—	—	3,747
Net income available to common stockholders	**Net income available to common stockholders**	**$ 24,196**	**$ 26,712**	**$ 21,443**	**$ 94,253**	**$ 46,493**	**Net income available to common stockholders**	**$ 20,278**	**$ 21,519**	**$ 43,345**
Earnings per common share:	**Earnings per common share:**						**Earnings per common share:**			
Basic	Basic	$ 0.40	$ 0.44	$ 0.42	$ 1.54	$ 0.92	Basic	$ 0.34	$ 0.36	$ 0.69
Diluted	Diluted	$ 0.40	$ 0.43	$ 0.42	$ 1.53	$ 0.91	Diluted	$ 0.34	$ 0.36	$ 0.69
Earnings per class B common share:	**Earnings per class B common share:**						**Earnings per class B common share:**			
Basic	Basic	$ 0.40	$ 0.44	$ 0.42	$ 1.54	$ 0.92	Basic	$ 0.34	$ 0.36	$ 0.69
Diluted	Diluted	$ 0.40	$ 0.44	$ 0.42	$ 1.54	$ 0.92	Diluted	$ 0.34	$ 0.36	$ 0.69

See accompanying notes to consolidated financial statements (unaudited)

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BANC OF CALIFORNIA, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in thousands)
(Unaudited)

		Three Months Ended			**Nine Months Ended September 30,**			**Three Months Ended**		
		September 30, 2022	**June 30, 2022**	**September 30, 2021**	**2022**	**2021**		**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
Net income	Net income	$ 24,196	$ 26,712	$ 23,170	$ 99,420	$ 56,595	Net income	$ 20,278	$ 21,519	$ 48,512
Other comprehensive (loss) income, net of tax:	Other comprehensive (loss) income, net of tax:						Other comprehensive (loss) income, net of tax:			
Unrealized (loss) gain on available-for-sale securities:	Unrealized (loss) gain on available-for-sale securities:						Unrealized (loss) gain on available-for-sale securities:			
Unrealized (loss) gain arising during the period	Unrealized (loss) gain arising during the period	(13,715)	(15,113)	(3,792)	(55,741)	3,202	Unrealized (loss) gain arising during the period	(3,926)	1,484	(26,913)
Reclassification adjustment for gain included in net income		—	—	—	(11)	—				
Reclassification adjustment for loss (gain) included in net income							Reclassification adjustment for loss (gain) included in net income	—	5,315	(11)
Total change in unrealized (loss) gain on available-for-sale securities	Total change in unrealized (loss) gain on available-for-sale securities	(13,715)	(15,113)	(3,792)	(55,752)	3,202	Total change in unrealized (loss) gain on available-for-sale securities	(3,926)	6,799	(26,924)

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Unrealized loss on cash flow hedge:					
Unrealized loss arising during the period					
Amortization of unrealized loss on securities transferred from available-for-sale to held-to-maturity	195	226	—	430	—
Total other comprehensive (loss) income	(13,520)	(14,887)	(3,792)	(55,322)	3,202
Comprehensive income	**$ 10,676**	**$ 11,825**	**$ 19,378**	**$ 44,098**	**$ 59,797**

Unrealized loss on cash flow hedge:			
Unrealized loss arising during the period	(6,146)	—	—
Amortization of unrealized loss on securities transferred from available-for-sale to held-to-maturity	180	183	9
Total other comprehensive (loss) income	(9,892)	6,982	(26,915)
Comprehensive income	**$ 10,386**	**$ 28,501**	**$ 21,597**

See accompanying notes to consolidated financial statements (unaudited)

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BANC OF CALIFORNIA, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Amounts in thousands, except share and per share data)
(Unaudited)

		Common Stock						
	Preferred Stock	**Voting**	**Class B Non-Voting**	**Additional Paid-in Capital**	**Retained Earnings**	**Treasury Stock**	**Accumulated Other Comprehensive Income (Loss)**	**Total Stockholders' Equity**
Three Months Ended September 30, 2022								
Balance at June 30, 2022	**$ —**	**$647**	**$5**	**$ 856,079**	**$210,471**	**$(84,013)**	**$ (34,059)**	**$ 949,130**
Comprehensive income:								
Net income	—	—	—	—	24,196	—	—	24,196
Other comprehensive loss, net	—	—	—	—	—	—	(13,520)	(13,520)
Issuance of common stock	—	5	—	7,195	—	—	—	7,200
Purchase of 740,332 shares of treasury stock	—	—	—	—	—	(12,965)	—	(12,965)
Share-based compensation expense	—	—	—	1,715	—	—	—	1,715
Restricted stock surrendered due to employee tax liability	—	—	—	(183)	—	—	—	(183)
Shares purchased under the Dividend Reinvestment Plan	—	—	—	—	(20)	—	—	(20)
Dividends declared ($0.06 per common share)	—	—	—	—	(3,563)	—	—	(3,563)
Preferred stock dividends	—	—	—	—	—	—	—	—
Balance at September 30, 2022	**$ —**	**$652**	**$5**	**$ 864,806**	**$231,084**	**$(96,978)**	**$ (47,579)**	**$ 951,990**

Class B Non-Voting	**Preferred Stock**	**Common Stock**		**Additional Paid-in Capital**	**Retained Earning**
Three Months Ended March 31, 2023					
Balance at December 31, 2022	**$ —**	**$651**	**$5**	**$ 866,478**	**$248,988**
Comprehensive income:					
Net income	—	—	—	—	20,278
Other comprehensive loss, net	—	—	—	—	—
Issuance of common stock	—	3	—	(3)	—
Purchase of 410,946 shares of treasury stock	—	—	—	—	—
Share-based compensation expense	—	—	—	1,455	—
Restricted stock surrendered due to employee tax liability	—	(1)	—	(1,624)	—
Shares purchased under the Dividend Reinvestment Plan	—	—	—	—	(96

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	Preferred Stock	Voting	Class B Non-Voting	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total						
Dividends declared ($0.10 per common share)									Dividends declared ($0.10 per common share)	—	—	—	—	(5,646
Three Months Ended September 30, 2021														
Balance at June 30, 2021	**$ 94,956**	**$527**	**$5**	**$ 630,654**	**$129,307**	**$(40,827)**	**$ 14,740**	**$ 829,362**						
Balance at March 31, 2023									**Balance at March 31, 2023**	**$ —**	**$653**	**$5**	**$ 866,306**	**$263,524**
Three Months Ended March 31, 2022									*Three Months Ended March 31, 2022*					
Balance at December 31, 2021									**Balance at December 31, 2021**	**$ 94,956**	**$646**	**$5**	**$ 854,873**	**$147,894**
Comprehensive income:									Comprehensive income:					
Net income	—	—	—	—	23,170	—	—	23,170	Net income	—	—	—	—	48,512
Other comprehensive loss, net	—	—	—	—	—	—	(3,792)	(3,792)	Other comprehensive loss, net	—	—	—	—	—
Issuance of common stock	—	—	—	—	—	—	—	—						
Redemption of preferred stock									Redemption of preferred stock	(94,956)	—	—	—	(3,747
Repurchase of 215,550 shares of common stock									Repurchase of 215,550 shares of common stock		—	—	—	—
Share-based compensation expense	—	—	—	1,106	—	—	—	1,106	Share-based compensation expense	—	—	—	1,285	—
Restricted stock surrendered due to employee tax liability	—	—	—	(278)	—	—	—	(278)	Restricted stock surrendered due to employee tax liability	—	—	—	(960)	—
Shares purchased under the Dividend Reinvestment Plan	—	—	—	30	(30)	—	—	—	Shares purchased under the Dividend Reinvestment Plan	—	—	—	—	(30
Dividends declared ($0.06 per common share)	—	—	—	—	(3,038)	—	—	(3,038)	Dividends declared ($0.06 per common share)	—	—	—	—	(3,752
Preferred stock dividends	—	—	—	—	(1,727)	—	—	(1,727)	Preferred stock dividends	—	—	—	—	(1,420
Balance at September 30, 2021	**$ 94,956**	**$527**	**$5**	**$ 631,512**	**$147,682**	**$(40,827)**	**$ 10,948**	**$ 844,803**						
Balance at March 31, 2022									**Balance at March 31, 2022**	**$ —**	**$646**	**$5**	**$ 855,198**	**$187,457**

See accompanying notes to consolidated financial statements (unaudited)

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BANC OF CALIFORNIA, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY, continued
(Amounts in thousands)
(Unaudited)

	Preferred Stock	Common Stock: Voting	Common Stock: Class B Non-Voting	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Nine Months Ended September 30, 2022								
Balance at December 31, 2021	**$ 94,956**	**$ 646**	**$ 5**	**$ 854,873**	**$ 147,894**	**$ (40,827)**	**$ 7,743**	**$ 1,065,290**
Comprehensive income:								
Net income	—	—	—	—	99,420	—	—	99,420
Other comprehensive loss, net	—	—	—	—	—	—	(55,322)	(55,322)
Issuance of common stock	—	6	—	7,194	—	—	—	7,200
Redemption of preferred stock	(94,956)	—	—	—	(3,747)	—	—	(98,703)
Purchase of 3,069,058 shares of treasury stock	—	—	—	—	—	(56,151)	—	(56,151)

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Share-based compensation expense	—	—	—	4,482	—	—	—	4,482
Restricted stock surrendered due to employee tax liability	—	—	—	(1,743)	—	—	—	(1,743)
Shares purchased under the Dividend Reinvestment Plan	—	—	—	—	(80)	—	—	(80)
Dividends declared ($0.18 per common share)	—	—	—	—	(10,983)	—	—	(10,983)
Preferred stock dividends	—	—	—	—	(1,420)	—	—	(1,420)
Balance at September 30, 2022	**$ —**	**$ 652**	**$ 5**	**$ 864,806**	**$ 231,084**	**$ (96,978)**	**$ (47,579)**	**$ 951,990**
Nine Months Ended September 30, 2021								
Balance at December 31, 2020	**$ 184,878**	**$ 522**	**$ 5**	**$ 634,704**	**$ 110,179**	**$ (40,827)**	**$ 7,746**	**$ 897,207**
Comprehensive loss:								
Net loss	—	—	—	—	56,595	—	—	56,595
Other comprehensive income, net	—	—	—	—	—	—	3,202	3,202
Issuance of common stock	—	2	—	(2)	—	—	—	—
Redemption of preferred stock	(89,922)	—	—	—	(3,347)	—	—	(93,269)
Exercise of stock options	—	—	—	300	—	—	—	300
Exercise of stock appreciation rights	—	3	—	(5,375)	—	—	—	(5,372)
Share-based compensation expense	—	—	—	3,988	—	—	—	3,988
Restricted stock surrendered due to employee tax liability	—	—	—	(2,133)	—	—	—	(2,133)
Shares purchased under the Dividend Reinvestment Plan	—	—	—	30	(89)	—	—	(59)
Dividends declared ($0.18 per common share)	—	—	—	—	(9,061)	—	—	(9,061)
Preferred stock dividends	—	—	—	—	(6,595)	—	—	(6,595)
Balance at September 30, 2021	**$ 94,956**	**$ 527**	**$ 5**	**$ 631,512**	**$ 147,682**	**$ (40,827)**	**$ 10,948**	**$ 844,803**

See accompanying notes to consolidated financial statements (unaudited)

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BANC OF CALIFORNIA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

		Nine Months Ended September 30,			**Three Months Ended March 31,**	
		2022	**2021**		**2023**	**2022**
Cash flows from operating activities:	Cash flows from operating activities:			Cash flows from operating activities:		
Net income	Net income	$ 99,420	$ 56,595	Net income	$ 20,278	$ 48,512
Adjustments to reconcile net income to net cash provided by operating activities	Adjustments to reconcile net income to net cash provided by operating activities			Adjustments to reconcile net income to net cash provided by operating activities		
Reversal of provision for credit losses		(31,542)	(4,408)			
Provision for (reversal of) credit losses				Provision for (reversal of) credit losses	2,000	(31,542)
Reversal of provision for loan repurchases		(987)	(273)			
Reversal of loan repurchase reserves				Reversal of loan repurchase reserves	(11)	(471)
Depreciation on premises and equipment	Depreciation on premises and equipment	11,883	11,414	Depreciation on premises and equipment	3,611	3,982
Amortization of other intangibles	Amortization of other intangibles	1,150	846	Amortization of other intangibles	461	441

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Amortization of debt issuance costs	Amortization of debt issuance costs	1,322	1,283	Amortization of debt issuance costs	411	397
Net amortization of premium on securities	Net amortization of premium on securities	834	1,184	Net amortization of premium on securities	46	328
Net amortization (accretion) of deferred loan costs (fees) and purchased premiums (discounts)		520	(1,063)			
Net (accretion) amortization of deferred loan costs (fees) and purchased premiums (discounts)				Net (accretion) amortization of deferred loan costs (fees) and purchased premiums (discounts)	(324)	416
Deferred income tax expense (benefit)		(1,547)	(3,476)			
Deferred income tax (benefit) expense				Deferred income tax (benefit) expense	(727)	3,198
Bank owned life insurance income	Bank owned life insurance income	(2,479)	(2,077)	Bank owned life insurance income	(900)	(796)
Share-based compensation expense	Share-based compensation expense	4,482	3,988	Share-based compensation expense	1,455	1,285
Income from interest rate swaps	Income from interest rate swaps	(224)	(240)	Income from interest rate swaps	23	(102)
Loss on investments in alternative energy partnerships and affordable housing investments	Loss on investments in alternative energy partnerships and affordable housing investments	5,432	4,130	Loss on investments in alternative energy partnerships and affordable housing investments	3,129	1,704
Net gain on sale of securities available-for-sale	Net gain on sale of securities available-for-sale	(16)	—	Net gain on sale of securities available-for-sale	—	(16)
Gain on sale-leaseback of branch	Gain on sale-leaseback of branch	(771)	(841)	Gain on sale-leaseback of branch	—	(771)
Repurchase of mortgage loans	Repurchase of mortgage loans	(1,592)	(1,852)	Repurchase of mortgage loans	(416)	—
Proceeds from sales of and principal collected on loans held-for-sale				Proceeds from sales of and principal collected on loans held-for-sale	323	—
Change in accrued interest receivable and other assets	Change in accrued interest receivable and other assets	29,662	4,910	Change in accrued interest receivable and other assets	(14,988)	(13,566)
Change in accrued interest payable and other liabilities	Change in accrued interest payable and other liabilities	(5,040)	5,579	Change in accrued interest payable and other liabilities	(3,298)	(7,734)
Net cash provided by operating activities	Net cash provided by operating activities	110,507	75,699	Net cash provided by operating activities	11,073	5,265
Cash flows from investing activities:	Cash flows from investing activities:			Cash flows from investing activities:		
Proceeds from sales of securities available-for-sale	Proceeds from sales of securities available-for-sale	17,645	—	Proceeds from sales of securities available-for-sale	—	17,646
Proceeds from maturities and calls of securities available-for-sale		38,500	120,230			

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Purchases of securities available-for-sale	Purchases of securities available-for-sale	(27,500)	(226,813)	Purchases of securities available-for-sale	(101,740)	(5,000)
Proceeds from principal repayments of securities held-to-maturity and available-for-sale	Proceeds from principal repayments of securities held-to-maturity and available-for-sale	32,119	22,499	Proceeds from principal repayments of securities held-to-maturity and available-for-sale	6,415	8,074
Net cash used in acquisitions		(10,332)	—			
Loan originations and principal collections, net	Loan originations and principal collections, net	808,144	281,951	Loan originations and principal collections, net	118,502	195,846
Purchases of loans	Purchases of loans	(814,302)	(615,359)	Purchases of loans	(61,420)	(364,371)
Redemption of Federal Home Loan Bank stock		—	436			
Purchases of Federal Home Loan Bank and other bank stock		(9,796)	(534)			
Redemption of FHLB stock				Redemption of FHLB stock	6,137	—
Purchases of FHLB and other bank stock				Purchases of FHLB and other bank stock	(19,379)	(6,824)
Proceeds from sale of other real estate owned		—	3,618			
Purchase of mortgage servicing rights		(20,441)	—			
Purchases of premises and equipment	Purchases of premises and equipment	(2,556)	(2,256)	Purchases of premises and equipment	(2,630)	(529)
Proceeds from sale-leaseback of branch	Proceeds from sale-leaseback of branch	2,400	3,913	Proceeds from sale-leaseback of branch	—	2,400
Payments of capital lease obligations		—	(103)			
Funding of equity investments	Funding of equity investments	(4,878)	(6,320)	Funding of equity investments	(689)	(2,789)
Decrease in investments in alternative energy partnerships	Decrease in investments in alternative energy partnerships	1,782	1,765	Decrease in investments in alternative energy partnerships	365	574
Net cash provided by (used in) investing activities		10,785	(416,973)			
Net cash used in investing activities				Net cash used in investing activities	(54,439)	(154,973)
Cash flows from financing activities:	Cash flows from financing activities:			Cash flows from financing activities:		
Net (decrease) increase in deposits	Net (decrease) increase in deposits	(159,050)	457,425	Net (decrease) increase in deposits	(168,911)	40,266
Net increase (decrease) in short-term Federal Home Loan Bank advances		50,000	(135,000)			
Net increase in short-term FHLB advances and FRB borrowings				Net increase in short-term FHLB advances and FRB borrowings	905,000	80,000
Proceeds from Federal Home Loan Bank long-term advances		200,000	—			
Proceeds from FHLB long-term advances and FRB borrowings				Proceeds from FHLB long-term advances and FRB borrowings	100,000	—
Net (decrease) increase in other borrowings		(15,000)	100,000			
Net increase in other borrowings				Net increase in other borrowings	—	165,000
Redemption of preferred stock	Redemption of preferred stock	(98,703)	(93,269)	Redemption of preferred stock	—	(98,703)
Purchase of treasury stock	Purchase of treasury stock	(56,151)	—	Purchase of treasury stock	(3,398)	(4,298)

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Proceeds from exercise of stock options	—	300		
Purchase of stock surrendered to pay tax liability	(1,743)	(7,505)	(1,624)	(960)
Dividends paid on preferred stock	(1,727)	(6,595)	—	(1,727)
Dividends paid on common stock	(10,983)	(9,061)	(5,646)	(3,752)
Net cash (used in) provided by financing activities	(93,357)	306,295		
Net cash provided by financing activities			825,421	175,826
Net change in cash and cash equivalents	27,935	(34,979)	782,055	26,118
Cash and cash equivalents at beginning of period	228,123	220,819	228,896	228,123
Cash and cash equivalents at end of period	**$ 256,058**	**$ 185,840**	**$ 1,010,951**	**$ 254,241**
Supplemental cash flow information				
Interest paid on deposits and borrowed funds	28,904	25,133	26,013	4,291
Income taxes paid	14,792	11,975		
Supplemental disclosure of non-cash activities				
Transfer from loans to other real estate owned, net	—	3,253		
Reclassification of securities available-for-sale to held-to-maturity	329,416	—	—	329,416
Equipment acquired under capital leases	—	256		
Operating lease right-of-use assets recognized	1,253	14,172		
Operating lease liabilities recognized	1,253	14,172		
Operating lease right-of-use assets received in exchange for lease liabilities			647	786
Commitments to fund low income housing tax credit investments	12,000	—	—	2,000
Goodwill adjustments for purchase accounting	1,821	—	—	826
Receivable on unsettled securities sales	—	40,500	—	28,500
Due on unsettled securities purchases	—	25,000		

See accompanying notes to consolidated financial statements (unaudited)

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BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(UNAUDITED)*

September 30, 2022 March 31, 2023

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Banc of California, Inc. (collectively, with its consolidated subsidiaries, , a Maryland corporation, was incorporated in March 2002 and serves as the Company, we, us, and our) is a financial holding company under the Bank Holding Company Act of 1956, as amended, headquartered in Santa Ana, California and incorporated under the laws of Maryland. Banc of California, Inc. is subject to regulation by the Board of Governors of the Federal Reserve System ("FRB") and for its wholly-owned wholly owned subsidiary, Banc of California, National Association (the "Bank"), a California-based bank. When we refer to the "parent" or the "holding company", we are referring to Banc of California, Inc., the parent company, on a stand-alone basis. When we refer to "we," "us," "our," or the "Company", we are referring to Banc of California, Inc. and its consolidated subsidiaries including the Bank, collectively. We are regulated as a bank holding company by the FRB and the Bank operates under a national bank charter issued by the Office of the Comptroller of the Currency ("OCC"), the Bank's primary regulator. The Bank is a member of the Federal Home Loan Bank ("FHLB") system, and maintains insurance on deposit accounts with the Federal Deposit Insurance Corporation ("FDIC").

The Bank offers a variety of financial services to meet the banking and financial needs of the communities it serves, with operations conducted through 29 28 full-service branches located throughout Southern California as of September 30, 2022 March 31, 2023.

Basis of Presentation: The accompanying unaudited interim consolidated financial statements have been prepared pursuant to Article 10 of SEC Regulation S-X and other SEC rules and regulations for reporting on the Quarterly Report on Form 10-Q. Accordingly, certain disclosures required by U.S. generally accepted accounting principles ("GAAP") are not included herein. These interim statements should be read in conjunction with the consolidated financial statements and notes included in the Annual Report on Form 10-K for the year ended December 31, 2021 December 31, 2022 filed by us with the SEC. Certain prior period amounts have been reclassified to conform to current period presentation. In the consolidated statement of financial condition, we reclassified loans held for sale to other These reclassifications are immaterial and have no effect on net income, comprehensive income (loss), total assets and in the consolidated statements of operations, we reclassified: (i) the fair value adjustment for loans held-for-sale to other income, (ii) the income or loss from total shareholders' equity investments to other income, and (iii) advertising and promotion to other expense. previously reported.

In the opinion of management of the Company, the accompanying unaudited interim consolidated financial statements reflect all of the adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated financial condition and consolidated results of operations as of the dates and for the periods presented. The results of operations for the three and nine months ended September 30, 2022 March 31, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022 December 31, 2023.

Principles of Consolidation: The accompanying unaudited consolidated financial statements include the accounts of the Company and its consolidated subsidiaries as of September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022 and for the three and nine months ended September 30, 2022 March 31, 2023, December 31, 2022 and 2021. March 31, 2022. Significant intercompany accounts and transactions have been eliminated in consolidation. Unless the context requires otherwise, all references to the Company include its then wholly-owned subsidiaries.

Significant Accounting Policies: The accounting and reporting policies of the Company are based upon GAAP and conform to predominant practices within the banking industry. We have not made any changes in our significant accounting policies from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021 December 31, 2022 filed with the SEC, except for the accounting for securities held-to-maturity and mortgage servicing rights, as those described below.

Securities Held-to-Maturity. Derivative Instruments - Cash Flow Hedge Securities held-to-maturity consist: The Company applies hedge accounting for certain derivative instruments used to manage interest rate risk. A cash flow hedge is a derivative instrument used to manage the variability in future expected cash flows that would otherwise be impacted by movements in interest rates. To quality for hedge accounting, the cash flow hedge must be highly effective at reducing the risk associated with the hedged exposure. The effectiveness of debt securities that the Company has the positive intent hedging relationship is documented at inception and ability to hold to maturity. These securities are recorded is monitored at cost, adjusted for the amortization of premiums or accretion of discounts. Premiums and discounts are amortized or accreted over least quarterly through the life of the security transaction.

A cash flow hedge that is designated as an adjustment to its yield using the interest method. Transfers of debt securities into the held-to-maturity portfolio are accounted for highly effective is carried at fair value. The unrealized gain or loss at the date of transfer is recognized as part of the amortized cost of the transferred security. This amount, along value with the unrealized gain or loss change in fair value included in accumulated the assessment of hedge effectiveness recorded in other comprehensive income (loss) ("AOCI") and subsequently recognized in earnings in the same period that the hedged forecasted transaction affects earnings. At that time, the amount reclassified from AOCI is amortized presented in the same income statement line item in which the hedged transaction is reported (interest income or accreted over expense). If the life of cash flow hedge becomes ineffective, the security as an adjustment change in fair value is reclassified from AOCI to its yield using the interest method. earnings.

Securities held-to-maturity are analyzed Loan Modifications to Borrowers Experiencing Financial Difficulty: Prior to the adoption of ASU 2022-02, we accounted for credit losses the modification to the contractual terms of a loan that resulted in granting a concession to a borrower experiencing financial difficulties as a troubled debt restructuring ("TDR"). Effective January 1, 2023, we adopted ASU 2022-02, which eliminated TDR accounting prospectively for all restructurings occurring on or after January 1, 2023. Loans that were considered a TDR prior to the adoption of ASU 2022-02 will continue to be accounted for under the superseded TDR accounting guidance until the loan is paid off, liquidated, or subsequently modified. Since adoption of ASU 2022-02 on January 1, 2023, we have evaluated all loan modifications under ASC 326, *Financial Instruments - Credit Losses*, which requires the Company 310-20 to determine whether any impairment exists as a modification made to a borrower results in a new loan or is a continuation of the reporting date and, as applicable, whether that impairment is due to credit deterioration. An allowance for credit losses would be established for losses on held-to-maturity debt securities due to credit deterioration and would be recorded as a component of the provision for credit losses. Accrued interest is excluded from our expected credit loss estimates. Held-to-maturity debt securities are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When held-to-maturity debt securities are placed on nonaccrual status, unpaid interest recognized as interest income is reversed.

Mortgage Servicing Rights. Mortgage servicing rights ("MSRs") give the Company the contractual rights to receive service fees in exchange for performing loan servicing functions on behalf of investors who have an ownership interest in the mortgage loan existing loan.

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balances. Purchased mortgage servicing rights are recorded at the purchase price at the time of acquisition, which approximates the fair value of such assets. Subsequent to acquisition, MSRs are accounted for under the amortization method and are then amortized over the period of estimated net servicing income (level yield method) generated from servicing the loans. MSRs are evaluated quarterly for impairment by estimating the fair value of the MSRs and comparing that value to their amortized cost. Impairment, if any, is recognized in a valuation allowance to the extent the fair value is less than the carrying amount of the MSRs. Subsequent increases in the fair value of impaired MSRs are recognized only up to the amount of the previously recognized valuation allowance. The estimated fair value of the MSRs is obtained through independent third party valuations based on an analysis of future cash flows, incorporating key assumptions including discount rates, prepayment speeds and interest rates that we believe are consistent with the assumptions used by other similar market participants in valuing MSRs.

Use of Estimates in the Preparation of Financial Statements: The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the consolidated financial statements and disclosures provided, and actual results could differ. The allowance for credit losses (“ACL”) (which includes the allowance for loan losses (“ALL”) and the reserve for unfunded noncancellable loan commitments), provision for credit losses, loan repurchase reserve, realization of deferred tax assets, the fair value of assets and liabilities acquired in business combinations and related purchase price allocation, the valuation of goodwill and other intangibles, valuation intangible assets, other derivatives, hypothetical liquidation at book value (“HLBV”) of investments in alternative energy partnerships, and the fair value measurement of financial instruments are particularly complex subject to change and require judgment which may such change could have a material effect on the consolidated financial statements.

Recent Recently Adopted Accounting Guidance: In March 2022, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2022-02, *Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures* (“ASU 2022-02”), which addresses areas identified by the FASB as part of its post-implementation review of the credit losses standard (ASU 2016-13) (“ASU 2016-13”) that introduced the current expected credit losses (“CECL”) model. The amendments eliminate the accounting guidance for troubled debt restructurings TDRs by creditors that have adopted the CECL model and enhance enhances the disclosure requirements for loan refinancings and restructurings made with borrowers experiencing financial difficulty. In addition, the amendments require a public business entity to disclose current-period gross write-offs for financing receivables and net investment in leases by year of origination in the vintage disclosures. ASU 2022-02 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted if an entity has We adopted ASU 2016-13. ASU 2022-02 is on January 1, 2023 and the impact of adoption did not expected to have a material effect on our consolidated financial statements.

Business Combinations:

Deepstack Acquisition. Recently Issued Accounting Guidance Not Yet Adopted: On September 15, 2022, we completed In March 2023, the acquisition FASB issued ASU 2023-02, *Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the* assets *Emerging Issues Task Force)*(“ASU 2023-02”), which permits reporting entities to elect to account for their tax equity investments, regardless of Global Payroll Gateway, Inc. the tax credit program from which the income tax credits are received, using the proportional amortization method, which was previously allowed only for low-income housing tax credit (“LIHTC”) investments, if certain conditions are met. ASU 2023-02 is effective for fiscal years beginning after December 15, 2023, and including interim periods within those fiscal years. The amendment must be applied on either a modified retrospective or a retrospective basis, and early adoption is permitted. The Company is currently evaluating the impact of this update on its wholly owned subsidiary, Deepstack Technologies, LLC (collectively, "Deepstack") for $24 million consolidated financial statements and related disclosures, including assessing eligibility to apply the updated guidance to our investments in total consideration. The purchase is alternative energy partnerships currently accounted for as a business combination under U.S. GAAP and assets purchased and liabilities assumed were recorded at their respective acquisition date estimated fair values. During using the measurement period (not to exceed one year from the acquisition date), the fair value of assets acquired and liabilities assumed are subject to adjustment if additional information becomes available to indicate a more accurate or appropriate value for an asset or liability. As the Company is still in the process of reviewing the fair value methodology and assumptions used in the valuation of identifiable intangible assets, the fair values of these intangibles are considered provisional.

Deepstack's results of operations have been included in the Company's results beginning September 15, 2022. Transaction costs related to the acquisition were $2.1 million for the period ended September 30, 2022.

The fair value amounts of identified assets acquired and liabilities assumed as part HLBV method of the Deepstack acquisition are as follows:

Table equity method of Contents accounting.

($ in thousands)	Book Value	Fair Value Adjustments	Fair Value
Assets acquired:			
Cash and cash equivalents	$ 4,068	$ —	$ 4,068
Other intangibles	—	3,800	3,800
Other assets	1,385	—	1,385
Total assets acquired	$ 5,453	$ 3,800	$ 9,253
Liabilities assumed:			
Accounts payable	$ 3,443	$ —	$ 3,443
Total liabilities assumed	3,443	—	3,443
Excess of assets acquired over liabilities assumed	$ 2,010	$ 3,800	$ 5,810
Total consideration			24,000
Goodwill			$ 18,190

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Total consideration of $24 million includes cash consideration paid of $14.4 million, common stock issued of $7.2 million and additional cash consideration of $2.4 million expected to be paid 18 months after the acquisition date.

The acquisition of Deepstack resulted in the recognition of $2.8 million in developed technology and $1.0 million in other intangibles, including trademarks, client relationships and non-compete agreements. Goodwill in the amount of $18.2 million was also recognized and represents the strategic, operational and financial benefits expected from integrating the payment processing solutions and technology of Deepstack into our operations.

Pacific Mercantile Bancorp Acquisition. On October 18, 2021, we completed our merger with Pacific Mercantile Bancorp ("PMB"), pursuant to which PMB merged with and into the Company, with the Company as the surviving corporation. PMB was the bank holding company of the wholly-owned subsidiary Pacific Mercantile Bank, a California state chartered commercial bank headquartered in Costa Mesa, California which operated seven banking offices, including three full service branches, located throughout Southern California.

Under the terms and conditions of the merger, each outstanding share of PMB common stock, aggregating 23,713,417 shares, was converted into the right to receive 0.5 (the "Exchange Ratio") of a share of the Company's common stock. In addition, at the effective time of the merger, the Company paid $3.2 million in cash for all outstanding PMB share-based awards, including outstanding shares subject to unvested restricted stock awards. In the merger, the Company issued 11,856,713 shares of common stock with an estimated fair value of $222.2 million based upon the $18.74 closing price of the Company's common stock on October 18, 2021. Together with the cash consideration, this resulted in an aggregate purchase price of $225.4 million. The operating results of PMB have been included since the date of acquisition and consequently, may impact the comparison of the financial results for the periods presented.

Goodwill in the amount of $59.0 million was recognized and represents the synergies and economies of scale expected from combining the operations of PMB with ours. Refer to Note 2 - *Business Combinations* in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC and Note 5 - *Goodwill and Other Intangibles* for further information.

NOTE 2 – FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair Value Hierarchy

ASC 820-10 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The topic describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

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- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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Assets and Liabilities Measured on a Recurring Basis

Securities Available-for-Sale: The fair values of securities available-for-sale are generally determined by quoted market prices in active markets, if available (Level 1). If quoted market prices are not available, we primarily employ independent pricing services that utilize pricing models to calculate fair value. Such fair value measurements consider observable data such as dealer quotes, market spreads, cash flows, yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and respective terms and conditions for debt instruments (Level 2). We adhere to established processes to monitor the pricing services' assumptions and challenge the valuations that appear unusual or unexpected. Multiple quotes or prices may be obtained in this process and we determine which fair value is most appropriate based on market information and analysis. Quotes obtained through this process are generally non-binding. We follow established procedures to ensure that assets and liabilities are properly classified in the fair value hierarchy. Level 2 securities include SBA loan pool securities, U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities, non-agency residential mortgage-backed securities, non-agency commercial mortgage-backed securities, collateralized loan obligations, and corporate debt securities. When a market is illiquid or there is a lack of transparency around the inputs to valuation, including at least one unobservable input, the securities are classified as Level 3 and reliance is placed upon internally developed models and management's judgment and evaluation for valuation.

Derivative Assets and Liabilities:

Cash Flow Hedge. We have entered into pay-fixed, receive-variable interest rate swap contracts with institutional counterparties to hedge against variability in cash flows attributable to interest rate risk caused by changes in interest rates on our deposits and borrowings. We estimate the fair value of these contracts based on inputs from a third-party pricing model, which incorporates such factors as the Treasury curve, SOFR rates, and the pay rate on the interest rate swaps.The fair value of these derivatives is based on a discounted cash flow approach. Due to the observable nature of the inputs used in deriving the fair value of these derivative contracts, the valuation of interest rate swaps is classified as Level 2.

Interest Rate Swaps. We offer interest rate swap products to certain loan clients to allow them to hedge the risk of rising interest rates on their variable rate loans. We originate a variable rate loan and enter into a variable-to-fixed interest rate swap with the client. We also enter into an offsetting swap with a correspondent bank. These back-to-back

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agreements are intended to offset each other and allow us to originate a variable rate loan while providing a contract for fixed interest payments for the client. The net cash flow for us is equal to the interest income received from a variable rate loan originated with the client plus a fee.

The fair value of these derivatives is based on a discounted cash flow approach. Due to the observable nature of the inputs used in deriving the fair value of these derivative contracts, the valuation of interest rate swaps is classified as Level 2.

Foreign Exchange Contracts.
We offer short-term foreign exchange contracts to customers to purchase and/or sell foreign currencies at set rates in the future. These products allow customers to hedge the foreign exchange rate risk of their deposits and loans denominated in foreign currencies. In conjunction with these products, we also enter into offsetting back-to-back contracts with institutional counterparties to hedge our foreign exchange rate risk. These back-to-back contracts are intended to offset each other and allow us to offer our customers foreign exchange products. The fair value of both of these offsetting asset and liability instruments is based on the change in the underlying foreign exchange rate. We are subject to counterparty risk in the event our customers or institutional counterparties default under these contracts. Given the short-term nature of the contracts, the counterparties' credit risks are considered nominal and typically result in no adjustments to the valuation of the short-term foreign exchange contracts. Due to the observable nature of the inputs used in deriving the fair value of these derivative contracts, the valuation of these contracts is classified as Level 2.

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

			Fair Value Measurement Level					Fair Value Measurement Level		
($ in thousands)	**($ in thousands)**	**Carrying Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**($ in thousands)**	**Carrying Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
September 30, 2022										
March 31, 2023						**March 31, 2023**				
Assets	Assets					Assets				
Securities available-for-sale:	Securities available-for-sale:					Securities available-for-sale:				
SBA loan pools securities	SBA loan pools securities	$ 12,106	$ —	$ 12,106	$ —	SBA loan pools securities	$ 10,279	$ —	$ 10,279	$ —
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	10,696	—	10,696	—	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	84,376	—	84,376	—
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	141,157	—	141,157	—	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	92,751	—	92,751	—

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Non-agency residential mortgage-backed securities	Non-agency residential mortgage-backed securities	41,514	—	41,514	—	Non-agency residential mortgage-backed securities	115,371	—	115,371	—
Collateralized loan obligations	Collateralized loan obligations	472,676	—	472,676	—	Collateralized loan obligations	479,623	—	479,623	—
Corporate debt securities	Corporate debt securities	169,416	—	169,416	—	Corporate debt securities	176,027	—	176,027	—
Derivative assets:	Derivative assets:					Derivative assets:				
Interest rate swaps (1)		2,295	—	2,295	—					
Foreign exchange contracts (1)		382	—	382	—					
Interest rate swaps and foreign exchange contracts(1)						Interest rate swaps and foreign exchange contracts(1)	1,650	—	1,650	—
Liabilities	Liabilities					Liabilities				
Derivative liabilities:	Derivative liabilities:					Derivative liabilities:				
Interest rate swaps (2)		2,251	—	2,251	—					
Cash flow hedges(2)						Cash flow hedges(2)	8,622	—	8,622	—
Interest rate swaps and foreign exchange contracts(2)						Interest rate swaps and foreign exchange contracts(2)	1,632	—	1,632	—
Foreign exchange contracts (2)		377	—	377	—					
December 31, 2021										
December 31, 2022						**December 31, 2022**				
Assets	Assets					Assets				
Securities available-for-sale:	Securities available-for-sale:					Securities available-for-sale:				
SBA loan pools securities	SBA loan pools securities	$ 14,591	$ —	$ 14,591	$ —	SBA loan pools securities	$ 11,187	$ —	$ 11,187	$ —
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	191,969	—	191,969	—	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	40,206	—	40,206	—

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U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	241,541	—	241,541	—	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	93,191	—	93,191	—
Municipal securities	Municipal securities	119,015	—	119,015	—	Municipal securities	—	—	—	—
Non-agency residential mortgage-backed securities	Non-agency residential mortgage-backed securities	56,025	—	56,025	—	Non-agency residential mortgage-backed securities	80,492	—	80,492	—
Collateralized loan obligations	Collateralized loan obligations	518,964	—	518,964	—	Collateralized loan obligations	476,603	—	476,603	—
Corporate debt securities	Corporate debt securities	173,598	—	173,598	—	Corporate debt securities	166,618	—	166,618	—
Derivative assets:	Derivative assets:					Derivative assets:				
Interest rate swaps (1)		3,390	—	3,390	—					
Foreign exchange contracts (1)		175	—	175	—					
Interest rate swaps and foreign exchange contracts(1)						Interest rate swaps and foreign exchange contracts(1)	2,292	—	2,292	—
Liabilities	Liabilities					Liabilities				
Derivative liabilities:	Derivative liabilities:					Derivative liabilities:				
Interest rate swaps (2)		3,594	—	3,594	—					
Foreign exchange contracts (2)		146	—	146	—					
Interest rate swaps and foreign exchange contracts(2)						Interest rate swaps and foreign exchange contracts(2)	2,251	—	2,251	—

(1) *Included in other assets in the consolidated statements of financial condition.*

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

There were no assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and nine months ended September 30, 2022 March 31, 2023 and 2021. 2022.

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Assets and Liabilities Measured on a Non-Recurring Basis

Individually Evaluated Loans: The fair value of individually evaluated loans with specific allocations of the ACL based on collateral values is generally based on derived from recent real estate appraisals and automated valuation models ("AVMs"). These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers for differences between the comparable sales and income data available. Such adjustments are typically deemed significant unobservable inputs used for determining fair value and result in a Level 3 classification.

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

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($ in thousands)	($ in thousands)	Fair Value	Fair Value Measurement Level: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	($ in thousands)	Fair Value	Fair Value Measurement Level: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2022										
March 31, 2023						**March 31, 2023**				
Assets	Assets					Assets				
Collateral dependent loans:										
Single family residential mortgage		$ 3,735	$ —	$ —	$ 3,735					
Individually evaluated loans:						Individually evaluated loans:				
Commercial and industrial	Commercial and industrial	8,646	—	—	8,646	Commercial and industrial	$ 5,002	$ —	$ —	$ 5,002
SBA	SBA	3,922	—	—	3,922	SBA	1,117	—	—	1,117
Other consumer						Other consumer	114	—	—	114
December 31, 2021										
December 31, 2022						**December 31, 2022**				
Assets	Assets					Assets				
Collateral dependent loans:										
Individually evaluated loans:						Individually evaluated loans:				
Single family residential mortgage						Single family residential mortgage	$ 3,600	$ —	$ —	$ 3,600
Commercial and industrial	Commercial and industrial	$ 12,272	$ —	$ —	$ 12,272	Commercial and industrial	7,115	—	—	7,115
SBA	SBA	3,886	—	—	3,886	SBA	3,704	—	—	3,704

The following table presents the gains (losses) recognized on assets measured at fair value on a non-recurring basis for the periods indicated:

($ in thousands)	($ in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	($ in thousands)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Collateral dependent loans:								
Individually evaluated loans:						Individually evaluated loans:		
Single family residential mortgage	Single family residential mortgage	$ 135	$ —	$ (205)	$ (211)	Single family residential mortgage	$ (43)	$ (339)
Commercial and industrial	Commercial and industrial	(441)	—	(1,639)	38	Commercial and industrial	(7,143)	(634)
SBA	SBA	(35)	(1,377)	(207)	(1,886)	SBA	395	26
Other consumer	Other consumer	—	—	(243)	—	Other consumer	(18)	(27)

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Commercial real estate	Commercial real estate	—	2	—	(138)	Commercial real estate	(300)	—	

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Estimated Fair Values of Financial Instruments

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

			Fair Value Measurement Level						Fair Value Measurement Level			
($ in thousands)	($ in thousands)	Carrying Amount	Level 1	Level 2	Level 3	Total	($ in thousands)	Carrying Amount	Level 1	Level 2	Level 3	Tota
September 30, 2022												
March 31, 2023							**March 31, 2023**					
Financial assets	Financial assets						Financial assets					
Cash and cash equivalents	Cash and cash equivalents	$ 256,058	$ 256,058	$ —	$ —	$ 256,058	Cash and cash equivalents	$1,010,951	$1,010,951	$ —	$ —	
Securities held-to-maturity	Securities held-to-maturity	328,757	—	263,352	—	263,352	Securities held-to-maturity	328,520	—	272,915	—	
Securities available-for-sale	Securities available-for-sale	847,565	—	847,565	—	847,565	Securities available-for-sale	958,427	—	958,427	—	
Federal Home Loan Bank and other bank stock	Federal Home Loan Bank and other bank stock	54,428	—	54,428	—	54,428	Federal Home Loan Bank and other bank stock	70,334	—	70,334	—	
Loans receivable, net of allowance for credit losses	Loans receivable, net of allowance for credit losses	7,196,876	—	—	6,701,627	6,701,627	Loans receivable, net of allowance for credit losses	6,969,820	—	—	6,585,663	
Accrued interest receivable	Accrued interest receivable	35,635	35,635	—	—	35,635	Accrued interest receivable	39,850	39,850	—	—	
Derivative assets		2,677	—	2,677	—	2,677						
Interest rate swaps and foreign exchange contracts							Interest rate swaps and foreign exchange contracts	1,650	—	1,650	—	
Financial liabilities							Financial liabilities					
Deposits							Deposits	6,951,974	5,366,984	1,574,301	—	

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Advances from Federal Home Loan Bank and Federal Reserve Bank borrowings							Advances from Federal Home Loan Bank and Federal Reserve Bank borrowings	1,732,670	—	1,708,419	—
Long-term debt							Long-term debt	274,995	—	254,406	—
Cash flow hedges							Cash flow hedges	8,622		8,622	
Interest rate swaps and foreign exchange contracts							Interest rate swaps and foreign exchange contracts	1,632	—	1,632	—
Accrued interest payable							Accrued interest payable	14,446	14,446	—	—
December 31, 2022							**December 31, 2022**				
Financial assets							Financial assets				
Cash and cash equivalents							Cash and cash equivalents	$ 228,896	$ 228,896	$ —	$ —
Securities held-to-maturity							Securities held-to-maturity	328,641	—	262,460	—
Securities available-for-sale							Securities available-for-sale	868,297	—	868,297	—
Federal Home Loan Bank and other bank stock							Federal Home Loan Bank and other bank stock	57,092	—	57,092	—
Loans receivable, net of allowance for credit losses							Loans receivable, net of allowance for credit losses	7,029,078	—	—	6,526,916
Accrued interest receivable							Accrued interest receivable	37,942	37,942	—	—
Interest rate swaps and foreign exchange contracts							Interest rate swaps and foreign exchange contracts	2,292	—	2,292	—
Financial liabilities	Financial liabilities						Financial liabilities				
Deposits	Deposits	7,280,385	6,343,446	924,503	—	7,267,949	Deposits	7,120,921	5,931,500	1,175,857	—

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Advances from Federal Home Loan Bank	Advances from Federal Home Loan Bank	727,021	—	702,890	—	702,890	Advances from Federal Home Loan Bank	727,348	—	699,730	—
Other borrowings		10,000	—	10,025	—	10,025					
Long-term debt	Long-term debt	274,746	—	272,371	—	272,371	Long-term debt	274,906	—	269,673	—
Derivative liabilities		2,628	—	2,628	—	2,628					
Interest rate swaps and foreign exchange contracts							Interest rate swaps and foreign exchange contracts	2,251	—	2,251	—
Accrued interest payable	Accrued interest payable	7,832	7,832	—	—	7,832	Accrued interest payable	7,004	7,004	—	—
December 31, 2021											
Financial assets											
Cash and cash equivalents		$ 228,123	$ 228,123	$ —	$ —	$ 228,123					
Securities available-for-sale		1,315,703	—	1,315,703	—	1,315,703					
Federal Home Loan Bank and other bank stock		44,632	—	44,632	—	44,632					
Loans receivable, net of allowance for credit losses		7,158,896	—	—	7,150,703	7,150,703					
Accrued interest receivable		30,991	30,991	—	—	30,991					
Derivative assets		3,565	—	3,565	—	3,565					
Financial liabilities											
Deposits		7,439,435	6,932,717	506,711	—	7,439,428					
Advances from Federal Home Loan Bank		476,059	—	500,323	—	500,323					
Other borrowings		25,000	—	25,000	—	25,000					
Long-term debt		274,386	—	294,404	—	294,404					
Derivative liabilities		3,740	—	3,740	—	3,740					
Accrued interest payable		3,546	3,546	—	—	3,546					

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NOTE 3 – INVESTMENT SECURITIES

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

($ 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
September 30, 2022										
March 31, 2023							**March 31, 2023**			
Securities held-to-maturity:	Securities held-to-maturity:					Securities held-to-maturity:				

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U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	$ 153,127	$ —	$ (29,178)	$ 123,949	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	$ 152,937	$ —	$ (24,952)	$ 127,985
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	61,426	—	(11,950)	49,476	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	61,380	—	(10,742)	50,638
Municipal securities	Municipal securities	114,204	—	(24,277)	89,927	Municipal securities	114,203	—	(19,911)	94,292
Total securities held-to-maturity	**Total securities held-to-maturity**	**$ 328,757**	**$ —**	**$ (65,405)**	**$ 263,352**	**Total securities held-to-maturity**	**$ 328,520**	**$ —**	**$ (55,605)**	**$ 272,915**
Securities available-for-sale:	Securities available-for-sale:					Securities available-for-sale:				
SBA loan pool securities	SBA loan pool securities	$ 12,156	$ 4	$ (54)	$ 12,106	SBA loan pool securities	$ 10,332	$ —	$ (53)	$ 10,279
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	12,012	—	(1,316)	10,696	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	84,739	—	(363)	84,376
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	151,582	—	(10,425)	141,157	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	97,579	140	(4,968)	92,751
Non-agency residential mortgage-backed securities	Non-agency residential mortgage-backed securities	52,076	—	(10,562)	41,514	Non-agency residential mortgage-backed securities	125,917	93	(10,639)	115,371

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Collateralized loan obligations	Collateralized loan obligations	492,775	—	(20,099)	472,676	Collateralized loan obligations	490,860	—	(11,237)	479,623
Corporate debt securities	Corporate debt securities	177,774	12	(8,370)	169,416	Corporate debt securities	195,789	19	(19,781)	176,027
Total securities available-for-sale	**Total securities available-for-sale**	**$ 898,375**	**$ 16**	**$ (50,826)**	**$ 847,565**	**Total securities available-for-sale**	**$ 1,005,216**	**$ 252**	**$ (47,041)**	**$ 958,427**

December 31, 2021

December 31, 2022	**December 31, 2022**				
Securities held-to-maturity:	Securities held-to-maturity:				
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	$ 153,033	$ —	$ (29,807)	$ 123,226
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	61,404	—	(11,946)	49,458
Municipal securities	Municipal securities	114,204	—	(24,428)	89,776
Total securities held-to-maturity	**Total securities held-to-maturity**	**$ 328,641**	**$ —**	**$ (66,181)**	**$ 262,460**

Securities available-for-sale:	Securities available-for-sale:					Securities available-for-sale:				
SBA loan pool securities	SBA loan pool securities	$ 14,679	$ —	$ (88)	$ 14,591	SBA loan pool securities	$ 11,241	$ —	$ (54)	$ 11,187
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	190,382	2,898	(1,311)	191,969	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	40,431	—	(225)	40,206

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U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	242,458	1,171	(2,088)	241,541	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	99,075	—	(5,884)	93,191
Municipal securities		117,913	2,641	(1,539)	119,015					
Non-agency residential mortgage-backed securities	Non-agency residential mortgage-backed securities	56,014	11	—	56,025	Non-agency residential mortgage-backed securities	90,832	—	(10,340)	80,492
Collateralized loan obligations	Collateralized loan obligations	521,275	—	(2,311)	518,964	Collateralized loan obligations	492,203	—	(15,600)	476,603
Corporate debt securities	Corporate debt securities	162,002	11,603	(7)	173,598	Corporate debt securities	175,781	32	(9,195)	166,618
Total securities available-for-sale	**Total securities available-for-sale**	**$ 1,304,723**	**$ 18,324**	**$ (7,344)**	**$ 1,315,703**	**Total securities available-for-sale**	**$ 909,563**	**$ 32**	**$ (41,298)**	**$ 868,297**

During the first quarter of 2022, certain longer-duration fixed-rate mortgage-backed securities and municipal securities with an amortized cost basis of $346.0 million were transferred from the available-for-sale portfolio to the held-to-maturity portfolio. At the time of the transfer, the securities had an unrealized gross loss of $16.6 million, which is subsequently amortized into interest income as a yield adjustment over the remaining life became part of the securities. The securities' amortized cost basis. This amount, along with the unrealized losses remaining loss included in accumulated other comprehensive income, are also accreted into is subsequently amortized over the life of the security as an adjustment to its yield using the interest income in a consistent manner. method. As a result, there is no impact on the consolidated statements of operations.

At September 30, 2022 March 31, 2023, our investment securities portfolio consisted of agency securities, municipal securities, mortgage-backed securities, collateralized loan obligations, and corporate debt securities. The expected maturities of these types of securities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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There was no allowance for credit losses for debt securities held-to-maturity and available-for sale as of September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022. We do not consider unrealized losses on these securities to be attributable to credit-related factors, as the unrealized losses have occurred as a result of changes in non-credit related factors such as interest rates, market spreads, and market conditions subsequent to purchase.

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Accrued interest receivable on debt securities held-to-maturity and available-for-sale totaled $8.2 million $10.9 million and $4.7 million $9.2 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, and is included within other assets in the accompanying consolidated statements of financial condition.

At September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, there were no holdings of any one issuer, other than U.S. government agency and sponsored enterprises, in an amount greater than 10 percent of our stockholders' equity.

Pledged Securities

Investment securities with carrying values of $123.1 $544.0 million and $8.9 $356.5 million as of September 30, 2022 March 31, 2023 and December 31, 2021 were pledged to the Federal Reserve Discount Window ("FRB Discount Window"). Investments securities with carrying values of $214.6 million and zero as of September 30, 2022 and December 31, 2021 December 31, 2022 were pledged to secure FHLB advances.

advances, FRB borrowings, public deposits and for other deposits as required or permitted by law.

Securities Available-for-Sale

The following table presents proceeds from sales and calls of securities available-for-sale and the associated gross gains and losses realized through earnings upon the sales and calls of securities available-for-sale for the periods indicated:

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($ in thousands)	($ in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	($ in thousands)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Gross realized gains	Gross realized gains	$ —	$ —	$ 209	$ —	Gross realized gains	$ —	$ 209
Gross realized losses	Gross realized losses	—	—	(193)	—	Gross realized losses	—	(193)
Net realized gains on sales and calls	**Net realized gains on sales and calls**	**$ —**	**$ —**	**$ 16**	**$ —**	**Net realized gains on sales and calls**	**$ —**	**$ 16**
Proceeds from sales and calls	**Proceeds from sales and calls**	**$ —**	**$ 20,000**	**$ 56,145**	**$ 120,230**	**Proceeds from sales and calls**	**$ —**	**$ 17,646**

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The following table summarizes the investment securities available-for-sale with unrealized losses by security type and length of time in a continuous, unrealized loss position as of the dates indicated:

($ in thousands)	($ in thousands)	Less Than 12 Months Fair Value	Less Than 12 Months Gross Unrealized Losses	12 Months or Longer Fair Value	12 Months or Longer Gross Unrealized Losses	Total Fair Value	Total Gross Unrealized Losses	($ in thousands)	Less Than 12 Months Fair Value	Less Than 12 Months Gross Unrealized Losses	12 Months or Longer Fair Value	12 Months or Longer Gross Unrealized Losses	Total Fair Value	Total Gross Unrealized Losses
September 30, 2022														
March 31, 2023								**March 31, 2023**						
Securities available-for-sale:	Securities available-for-sale:							Securities available-for-sale:						
SBA loan pool securities	SBA loan pool securities	$ —	$ —	$ 9,474	$ (54)	$ 9,474	$ (54)	SBA loan pool securities	$ —	$ —	$ 8,317	$ (53)	$ 8,317	$ (53)
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	10,696	(1,316)	—	—	10,696	(1,316)	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	84,376	(363)	—	—	84,376	(363)
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	110,864	(4,705)	30,293	(5,720)	141,157	(10,425)	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	26,609	(71)	38,693	(4,897)	65,302	(4,968)
Non-agency residential mortgage-backed securities	Non-agency residential mortgage-backed securities	41,514	(10,562)	—	—	41,514	(10,562)	Non-agency residential mortgage-backed securities	60,712	(999)	41,133	(9,640)	101,845	(10,639)
Collateralized loan obligations	Collateralized loan obligations	233,975	(10,025)	238,702	(10,074)	472,677	(20,099)	Collateralized loan obligations	51,073	(1,012)	428,550	(10,225)	479,623	(11,237)
Corporate debt securities	Corporate debt securities	166,497	(8,370)	—	—	166,497	(8,370)	Corporate debt securities	116,634	(11,655)	39,374	(8,126)	156,008	(19,781)

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Total securities available-for-sale	**Total securities available-for-sale**	**$ 563,546**	**$ (34,978)**	**$ 278,469**	**$ (15,848)**	**$ 842,015**	**$ (50,826)**	**Total securities available-for-sale**	**$ 339,404**	**$ (14,100)**	**$ 556,067**	**$ (32,941)**	**$ 895,471**	**$ (47,041)**
December 31, 2021														
December 31, 2022								**December 31, 2022**						
Securities available-for-sale:	Securities available-for-sale:							Securities available-for-sale:						
SBA loan pool securities	SBA loan pool securities	$ —	$ —	$ 14,591	$ (88)	$ 14,591	$ (88)	SBA loan pool securities	$ 2,260	$ (3)	$ 8,927	$ (51)	$ 11,187	$ (54)
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	67,588	(1,311)	—	—	67,588	(1,311)	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	40,206	(225)	—	—	40,206	(225)
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	85,290	(1,184)	17,754	(904)	103,044	(2,088)	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	76,441	(2,533)	16,750	(3,351)	93,191	(5,884)
Municipal securities		44,748	(919)	10,762	(620)	55,510	(1,539)							
Non-agency residential mortgage-backed securities								Non-agency residential mortgage-backed securities	80,492	(10,340)	—	—	80,492	(10,340)
Collateralized loan obligations	Collateralized loan obligations	81,962	(38)	253,002	(2,273)	334,964	(2,311)	Collateralized loan obligations	235,936	(7,492)	240,667	(8,108)	476,603	(15,600)
Corporate debt securities	Corporate debt securities	4,993	(7)	—	—	4,993	(7)	Corporate debt securities	159,492	(8,374)	4,180	(821)	163,672	(9,195)
Total securities available-for-sale	**Total securities available-for-sale**	**$ 284,581**	**$ (3,459)**	**$ 296,109**	**$ (3,885)**	**$ 580,690**	**$ (7,344)**	**Total securities available-for-sale**	**$ 594,827**	**$ (28,967)**	**$ 270,524**	**$ (12,331)**	**$ 865,351**	**$ (41,298)**

At September 30, 2022 March 31, 2023, our securities available-for-sale portfolio consisted of 82 87 securities, of which 80 securities were in an unrealized loss position. At December 31, 2021 December 31, 2022, our securities available-for-sale portfolio consisted of 119 77 securities, of which 46 76 securities were in an unrealized loss position.

During the three and nine months ended September 30, 2022 March 31, 2023 and 2021, 2022, there was no provision for credit losses related to securities available-for-sale. We monitor our securities portfolio to ensure it has adequate credit support. We support and consider the lowest credit rating for identification of potential credit impairment. As of March 31, 2023, we believe there was no credit impairment for collateralized loan obligations and other securities. The the decline in fair value of our securities since acquisition was attributable to a combination of changes in interest rates and general volatility in the credit market conditions in response to the economic uncertainty caused by many factors, including but not limited to, the global pandemic, rising inflation and conflict between Russia and Ukraine. conditions. We do not currently intend have the current intent to sell any of the securities in an unrealized loss position and further believe, it is more likely than not, that we will not be required to sell these securities before their anticipated recovery. As of September 30, 2022 March 31, 2023, all of our collateralized loan obligations investment securities in an unrealized loss position received an investment grade credit rating.

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The following table presents the amortized cost and fair value of the investment securities portfolio, based on the earlier of contractual maturity dates or next repricing date, as of September 30, 2022 March 31, 2023:

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

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($ in thousands)	($ in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	($ in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Earlier of maturity or next repricing date:	**Earlier of maturity or next repricing date:**					**Earlier of maturity or next repricing date:**				
Within one year	Within one year	$ —	$ —	$ 585,237	$ 564,436	Within one year	$ —	$ —	$ 506,741	$ 495,361
One to five years	One to five years	—	—	173,721	164,704	One to five years	—	—	191,467	171,486
Five to ten years	Five to ten years	28,705	24,157	64,851	56,549	Five to ten years	36,254	31,312	42,363	37,747
Greater than ten years	Greater than ten years	300,052	239,195	74,566	61,876	Greater than ten years	292,266	241,603	264,645	253,833
Total	**Total**	**$ 328,757**	**$ 263,352**	**$ 898,375**	**$ 847,565**	**Total**	**$ 328,520**	**$ 272,915**	**$ 1,005,216**	**$ 958,427**

Contractual maturities may not reflect the actual maturities of the investments. The average lives for mortgage-backed securities and collateralized mortgage obligations will likely will be shorter than their contractual maturities due to prepayments and amortization.

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Securities Held-to-Maturity

The following table presents the fair value and weighted average yields or tax-equivalent yields using amortized cost of the securities held-to-maturity portfolio as of September 30, 2022, based on the earlier of contractual maturity dates or next repricing dates:

	One year or less		**More than One Year through Five Years**		**More than Five Years through Ten Years**		**More than Ten Years**		**Total**	
($ 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**
Securities held-to-maturity:										
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	$ —	— %	$ —	— %	$ 7,960	2.52 %	$ 115,989	2.70 %	$ 123,949	2.69 %
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	—	— %	—	— %	—	— %	49,476	2.64 %	49,476	2.64 %
Municipal securities (1)	—	— %	—	— %	16,197	2.19 %	73,730	2.71 %	89,927	2.62 %
Total securities held-to-maturity	**$ —**	**— %**	**$ —**	**— %**	**$ 24,157**	**2.29 %**	**$ 239,195**	**2.69 %**	**$ 263,352**	**2.65 %**

(1) Computed on a tax-equivalent basis.

The following table presents the fair value and weighted average yields using amortized cost of the securities available-for-sale portfolio as of September 30, 2022 March 31, 2023, based on the earlier of contractual maturity dates or next repricing dates:

		One year or less		**More than One Year through Five Years**		**More than Five Years through Ten Years**		**More than Ten Years**		**Total**			**One year or less**		**More t[h] throug[h]**
($ in thousands)	**($ 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**	**($ in thousands)**	**Fair Value**	**Weighted-Average Yield**	**Fair Value**
Securities available-for-sale:	Securities available-for-sale:											Securities available-for-sale:			

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SBA loan pool securities	SBA loan pool securities	$ 12,106	1.82 %	$ —	— %	$ —	— %	$ —	— %	$ 12,106	1.82 %	SBA loan pool securities	$ 10,279	4.23 %	$ —
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	—	— %	—	— %	10,696	2.23 %	—	— %	10,696	2.23 %	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	—	— %	—
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	79,654	3.16 %	8,138	2.72 %	33,003	1.92 %	20,362	1.83 %	141,157	2.61 %	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	5,459	5.19 %	7,97
Non-agency residential mortgage-backed securities	Non-agency residential mortgage-backed securities	—	— %	—	— %	—	— %	41,514	2.50 %	41,514	2.50 %	Non-agency residential mortgage-backed securities	—	— %	—
Collateralized loan obligations	Collateralized loan obligations	472,676	4.23 %	—	— %	—	— %	—	— %	472,676	4.23 %	Collateralized loan obligations	479,623	6.42 %	—
Corporate debt securities	Corporate debt securities	—	— %	156,566	4.82 %	12,850	5.73 %	—	— %	169,416	4.89 %	Corporate debt securities	—	— %	163,51
Total securities available-for-sale	**Total securities available-for-sale**	**$564,436**	**4.03 %**	**$164,704**	**4.71 %**	**$56,549**	**2.76 %**	**$61,876**	**2.30 %**	**$847,565**	**3.93 %**	**Total securities available-for-sale**	**$495,361**	**6.36 %**	**$171,48**

The following table presents the amortized cost and weighted average yields using amortized cost of the securities held-to-maturity portfolio as of March 31, 2023, based on the earlier of contractual maturity dates or next repricing dates:

	One year or less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total	
($ in thousands)	**Amortized Cost**	**Weighted-Average Yield**	**Amortized Cost**	**Weighted-Average Yield**	**Amortized Cost**	**Weighted-Average Yield**	**Amortized Cost**	**Weighted-Average Yield**	**Amortized Cost**	**Weighted-Average Yield**
Securities held-to-maturity:										
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	$ —	— %	$ —	— %	$ 9,354	2.51 %	$ 143,583	2.70 %	$ 152,937	2.69 %
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	—	— %	—	— %	—	— %	61,380	2.64 %	61,380	2.64 %
Municipal securities	—	— %	—	— %	26,900	2.31 %	87,303	2.71 %	114,203	2.62 %
Total securities held-to-maturity	**$ —**	**— %**	**$ —**	**— %**	**$ 36,254**	**2.36 %**	**$ 292,266**	**2.69 %**	**$ 328,520**	**2.66 %**

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NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

The following table presents the balances in our loan portfolio as of the dates indicated:

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($ in thousands)	($ in thousands)	September 30, 2022	December 31, 2021	($ in thousands)	March 31, 2023	December 31, 2022
Commercial:	Commercial:			Commercial:		
Commercial and industrial(1)	Commercial and industrial(1)	$ 1,993,416	$ 2,668,984	Commercial and industrial(1)	$ 1,787,147	$ 1,845,960
Commercial real estate	Commercial real estate	1,240,927	1,311,105	Commercial real estate	1,302,277	1,259,651
Multifamily	Multifamily	1,698,455	1,361,054	Multifamily	1,678,300	1,689,943
SBA(2)	SBA(2)	85,674	205,548	SBA(2)	65,040	68,137
Construction	Construction	236,495	181,841	Construction	260,167	243,553
Consumer:	Consumer:			Consumer:		
Single family residential mortgage	Single family residential mortgage	1,947,652	1,420,023	Single family residential mortgage	1,877,114	1,920,806
Other consumer	Other consumer	86,701	102,925	Other consumer	84,335	86,988
Total loans	**Total loans**	**$ 7,289,320**	**$ 7,251,480**	**Total loans**	**$ 7,054,380**	**$ 7,115,038**
Allowance for loan losses	Allowance for loan losses	(92,444)	(92,584)	Allowance for loan losses	(84,560)	(85,960)
Loans receivable, net	**Loans receivable, net**	**$ 7,196,876**	**$ 7,158,896**	**Loans receivable, net**	**$ 6,969,820**	**$ 7,029,078**

(1) *Includes warehouse lending balances of $766.4 million $636.7 million and $1.60 billion $602.5 million at September 30, 2022 March 31, 2023 and December 31, 2021.*

(2) *Includes 39 PPP loans totaling $20.0 million at September 30, 2022 and 397 PPP loans totaling $123.1 million at December 31, 2021 December 31, 2022.*

The following table presents the balances of total loans as of the dates indicated:

($ in thousands)	($ in thousands)	September 30, 2022	December 31, 2021	($ in thousands)	March 31, 2023	December 31, 2022
Unpaid principal balance	Unpaid principal balance	$ 7,282,235	$ 7,245,952	Unpaid principal balance	$ 7,047,034	$ 7,107,897
Unamortized net premiums	Unamortized net premiums	18,592	18,005	Unamortized net premiums	17,972	18,319
Unamortized net deferred (fees) costs	Unamortized net deferred (fees) costs	(1,558)	819	Unamortized net deferred (fees) costs	(1,690)	(1,880)
Unamortized SBA PPP fees		—	(831)			
Fair value adjustment(1)	Fair value adjustment(1)	(9,949)	(12,465)	Fair value adjustment(1)	(8,936)	(9,298)
Total loans	**Total loans**	**$ 7,289,320**	**$ 7,251,480**	**Total loans**	**$ 7,054,380**	**$ 7,115,038**

(1) *At September 30, 2022 March 31, 2023, includes $8.5 million $7.7 million related to the acquisition of Pacific Mercantile Bancorp (“PMB Acquisition”), of which $3.9 million related to PCD loans. At December 31, 2022, includes $8.0 million related to the PMB Acquisition, of which $4.4 million related to PCD loans. At December 31, 2021, includes $10.6 million related to the PMB Acquisition, of which $3.9 million $4.1 million related to PCD loans.*

Credit Quality Indicators

We categorize loans into risk categories based on relevant information about the ability of borrowers to repay their debt such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. We perform a historical loss analysis that is combined with a comprehensive loan to value analysis to analyze the associated risks in the current loan portfolio. We analyze loans portfolio and individually and grade each loan for credit risk. This analysis includes all loans delinquent over 60 days and non-homogeneous loans such as commercial and commercial real estate loans. We use the following definitions for credit risk ratings:

Pass: Loans classified as pass risk rated “Pass” are in compliance in all respects with the Bank’s credit policy and regulatory requirements, and do not exhibit any potential or defined weakness as defined under “Special Mention”, “Substandard” or “Doubtful.”

Special Mention: Loans risk rated as special mention “Special Mention” have a potential weakness that deserves management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loans or of our credit position at some future date.

Substandard: Loans risk rated as substandard “Substandard” are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or a weakness that jeopardizes the liquidation of the debt. They are characterized by the distinct possibility that we the Bank will sustain some loss if the deficiencies are not corrected.

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

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The following table presents the risk categories for total loans by class of loans and origination year as of September 30, 2022 March 31, 2023:

		Term Loans Amortized Cost Basis by Origination Year										Term Loans Amortized Cost Basis by			
($ in thousands)	($ in thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Amortized Cost Basis Converted to Term	Total	($ in thousands)	2023	2022	2021	2020
September 30, 2022															
March 31, 2023											March 31, 2023				
Commercial:	Commercial:										Commercial:				
Commercial and industrial	Commercial and industrial										Commercial and industrial				
Pass	Pass	$213,799	$216,306	$66,038	$56,701	$79,436	$177,540	$1,083,367	$ 7,499	$1,900,686	Pass	$23,951	$248,472	$176,677	$57,802
Special mention	Special mention	—	4,551	28	513	1,104	13,533	13,457	527	33,713	Special mention	—	—	2,930	996
Substandard	Substandard	3,195	951	4,190	11,364	7,565	3,131	27,486	1,135	59,017	Substandard	—	5,531	226	2,646
Doubtful		—	—	—	—	—	—	—	—	—					
Doubtful (1)											Doubtful (1)	3,939	—	—	—
Commercial and industrial	**Commercial and industrial**	**216,994**	**221,808**	**70,256**	**68,578**	**88,105**	**194,204**	**1,124,310**	**9,161**	**1,993,416**	**Commercial and industrial**	**27,890**	**254,003**	**179,833**	**61,444**
Commercial real estate	Commercial real estate										Commercial real estate				
Pass	Pass	286,672	372,760	60,834	113,342	156,635	233,793	1,162	63	1,225,261	Pass	25,592	395,257	357,157	60,289
Special mention	Special mention	—	—	—	—	—	1,757	—	—	1,757	Special mention	—	—	7,780	—
Substandard	Substandard	—	—	—	—	4,131	8,868	910	—	13,909	Substandard	—	—	—	—
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—	Doubtful	—	—	—	—
Commercial real estate	**Commercial real estate**	**286,672**	**372,760**	**60,834**	**113,342**	**160,766**	**244,418**	**2,072**	**63**	**1,240,927**	**Commercial real estate**	**25,592**	**395,257**	**364,937**	**60,289**
Multifamily	Multifamily										Multifamily				
Pass	Pass	601,460	396,785	155,134	253,799	110,372	139,996	3	9,352	1,666,901	Pass	20,051	628,450	392,823	154,137
Special mention	Special mention	—	—	3,000	—	11,118	—	—	—	14,118	Special mention	—	—	—	2,999
Substandard	Substandard	—	—	—	—	—	17,436	—	—	17,436	Substandard	—	—	—	—
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—	Doubtful	—	—	—	—
Multifamily	**Multifamily**	**601,460**	**396,785**	**158,134**	**253,799**	**121,490**	**157,432**	**3**	**9,352**	**1,698,455**	**Multifamily**	**20,051**	**628,450**	**392,823**	**157,136**
SBA	SBA										SBA				
Pass	Pass	10,479	25,948	7,870	2,419	1,240	20,750	604	137	69,447	Pass	—	9,357	14,662	3,615
Special mention	Special mention	—	1	—	3,878	210	558	—	1	4,648	Special mention	—	—	—	—
Substandard	Substandard	—	(1)	329	198	385	9,210	665	793	11,579	Substandard	—	—	—	312
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—	Doubtful	—	—	—	—

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SBA	**SBA**	**10,479**	**25,948**	**8,199**	**6,495**	**1,835**	**30,518**	**1,269**	**931**	**85,674**	**SBA**	**—**	**9,357**	**14,662**	**3,927**

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Construction	Construction										Construction			
Pass	Pass	71,529	89,985	28,997	6,937	13,609	25,438	—	—	236,495	Pass	2,892	90,405	110,96
Special mention	Special mention	—	—	—	—	—	—	—	—	—	Special mention	—	—	—
Substandard	Substandard	—	—	—	—	—	—	—	—	—	Substandard	—	—	—
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—	Doubtful	—	—	—
Construction	**Construction**	**71,529**	**89,985**	**28,997**	**6,937**	**13,609**	**25,438**	**—**	**—**	**236,495**	**Construction**	**2,892**	**90,405**	**110,96**
Consumer:	Consumer:										Consumer:			
Single family residential mortgage	Single family residential mortgage										Single family residential mortgage			
Pass	Pass	637,863	800,100	74,354	48,736	100,450	264,151	5,895	—	1,931,549	Pass	—	616,287	781,99
Special mention	Special mention	626	221	2,175	1,541	897	1,728	—	223	7,411	Special mention	—	4,548	2,23
Substandard	Substandard	—	—	—	—	5,554	3,138	—	—	8,692	Substandard	—	5,262	5,31
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—	Doubtful	—	—	—
Single family residential mortgage	**Single family residential mortgage**	**638,489**	**800,321**	**76,529**	**50,277**	**106,901**	**269,017**	**5,895**	**223**	**1,947,652**	**Single family residential mortgage**	**—**	**626,097**	**789,53**
Other consumer	Other consumer										Other consumer			
Pass	Pass	17,692	17,777	9,578	5,969	3,646	17,770	10,958	2,925	86,315	Pass	7,615	20,894	14,83
Special mention	Special mention	—	—	—	3	—	21	62	56	142	Special mention	—	—	—
Substandard	Substandard	—	—	59	—	70	34	81	—	244	Substandard	—	—	11
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—	Doubtful	—	—	—
Other consumer	**Other consumer**	**17,692**	**17,777**	**9,637**	**5,972**	**3,716**	**17,825**	**11,101**	**2,981**	**86,701**	**Other consumer**	**7,615**	**20,894**	**14,94**
Total loans	**Total loans**	**$1,843,315**	**$1,925,384**	**$412,586**	**$505,400**	**$496,422**	**$938,852**	**$1,144,650**	**$22,711**	**$7,289,320**	**Total loans**	**$84,040**	**$2,024,463**	**$1,867,70**
Total loans	**Total loans**										**Total loans**			
Pass	Pass	$1,839,494	$1,919,661	$402,805	$487,903	$465,388	$879,438	$1,101,989	$19,976	$7,116,654	Pass	$80,101	$2,009,122	$1,849,11
Special mention	Special mention	626	4,773	5,203	5,935	13,329	17,597	13,519	807	61,789	Special mention	—	4,548	12,94
Substandard	Substandard	3,195	950	4,578	11,562	17,705	41,817	29,142	1,928	110,877	Substandard	—	10,793	5,65
Doubtful		—	—	—	—	—	—	—	—	—				
Doubtful (1)											Doubtful (1)	3,939	—	—
Total loans	**Total loans**	**$1,843,315**	**$1,925,384**	**$412,586**	**$505,400**	**$496,422**	**$938,852**	**$1,144,650**	**$22,711**	**$7,289,320**	**Total loans**	**$84,040**	**$2,024,463**	**$1,867,70**

(1) Related to one commercial and industrial loan that was modified and accounted for as a new loan in the first quarter of 2023.

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The following table presents the risk categories for total loans by class of loans and origination year as of December 31, 2021 December 31, 2022:

	Term Loans Amortized Cost Basis by Origination Year	**Term Loans Amortized Cost Basis by**

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($ in thousands)	($ in thousands)	2021	2020	2019	2018	2017	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Amortized Cost Basis Converted to Term	Total	($ in thousands)	2022	2021	2020	2019
December 31, 2021															
December 31, 2022											**December 31, 2022**				
Commercial:	Commercial:										Commercial:				
Commercial and industrial	Commercial and industrial										Commercial and industrial				
Pass	Pass	$254,218	$81,177	$71,950	$78,461	$56,439	$110,490	$1,888,126	$ 9,679	$2,550,540	Pass	$269,367	$170,513	$62,931	$53,001
Special mention	Special mention	1,206	5,971	13,721	835	7,272	9,846	20,460	6,348	65,659	Special mention	—	19,203	1,042	—
Substandard	Substandard	2	241	17,853	11,378	3,374	117	17,429	2,391	52,785	Substandard	3,833	64	3,002	502
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—	Doubtful	—	—	—	4,004
Commercial and industrial	**Commercial and industrial**	**255,426**	**87,389**	**103,524**	**90,674**	**67,085**	**120,453**	**1,926,015**	**18,418**	**2,668,984**	**Commercial and industrial**	**273,200**	**189,780**	**66,975**	**57,507**
Commercial real estate	Commercial real estate										Commercial real estate				
Pass	Pass	465,524	82,759	140,108	192,263	85,755	317,941	8,416	71	1,292,837	Pass	348,298	363,335	60,564	94,772
Special mention	Special mention	—	—	—	1,925	—	2,920	—	—	4,845	Special mention	—	—	—	—
Substandard	Substandard	—	—	506	—	—	9,084	3,833	—	13,423	Substandard	—	—	—	—
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—	Doubtful	—	—	—	—
Commercial real estate	**Commercial real estate**	**465,524**	**82,759**	**140,614**	**194,188**	**85,755**	**329,945**	**12,249**	**71**	**1,311,105**	**Commercial real estate**	**348,298**	**363,335**	**60,564**	**94,772**
Multifamily	Multifamily										Multifamily				
Pass	Pass	410,958	208,396	315,119	157,640	61,457	158,464	4	—	1,312,038	Pass	626,186	390,928	154,636	229,511
Special mention	Special mention	—	1,988	—	11,261	—	33,065	—	—	46,314	Special mention	—	—	2,997	—
Substandard	Substandard	—	—	—	—	—	2,702	—	—	2,702	Substandard	—	—	—	—
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—	Doubtful	—	—	—	—
Multifamily	**Multifamily**	**410,958**	**210,384**	**315,119**	**168,901**	**61,457**	**194,231**	**4**	**—**	**1,361,054**	**Multifamily**	**626,186**	**390,928**	**157,633**	**229,511**
SBA	SBA										SBA				
Pass	Pass	106,749	23,972	8,049	1,957	10,836	28,495	928	143	181,129	Pass	9,421	15,468	4,009	5,899
Special mention	Special mention	—	1,586	3,618	236	—	596	—	4	6,040	Special mention	—	—	—	—
Substandard	Substandard	—	5,888	—	390	3,358	7,245	599	899	18,379	Substandard	—	—	320	339
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—	Doubtful	—	—	—	—
SBA	**SBA**	**106,749**	**31,446**	**11,667**	**2,583**	**14,194**	**36,336**	**1,527**	**1,046**	**205,548**	**SBA**	**9,421**	**15,468**	**4,329**	**6,238**

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Construction	Construction										Construction			
Pass	Pass	67,074	32,995	29,038	17,139	25,485	—	—	—	171,731	Pass	85,430	98,572	27,70
Special mention	Special mention	—	—	—	1,607	—	8,503	—	—	10,110	Special mention	—	—	–
Substandard	Substandard	—	—	—	—	—	—	—	—	—	Substandard	—	—	–
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—	Doubtful	—	—	–
Construction	**Construction**	**67,074**	**32,995**	**29,038**	**18,746**	**25,485**	**8,503**	**—**	**—**	**181,841**	**Construction**	**85,430**	**98,572**	**27,70**

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Consumer:	Consumer:										Consumer:			
Single family residential mortgage	Single family residential mortgage										Single family residential mortgage			
Pass	Pass	713,844	96,339	67,075	140,329	88,123	277,247	12,828	—	1,395,785	Pass	627,213	797,744	72,65
Special mention	Special mention	—	1,644	339	910	692	6,838	—	—	10,423	Special mention	1,716	218	–
Substandard	Substandard	—	—	—	11,005	975	1,601	—	234	13,815	Substandard	3,571	—	2,17
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—	Doubtful	—	—	–
Single family residential mortgage	**Single family residential mortgage**	**713,844**	**97,983**	**67,414**	**152,244**	**89,790**	**285,686**	**12,828**	**234**	**1,420,023**	**Single family residential mortgage**	**632,500**	**797,962**	**74,82**
Other consumer	Other consumer										Other consumer			
Pass	Pass	26,179	13,556	8,891	5,265	9,038	15,951	21,327	2,331	102,538	Pass	23,340	15,986	8,80
Special mention	Special mention	—	—	4	—	—	25	63	—	92	Special mention	—	—	–
Substandard	Substandard	—	61	14	148	46	26	—	—	295	Substandard	—	—	5
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—	Doubtful	—	—	–
Other consumer	**Other consumer**	**26,179**	**13,617**	**8,909**	**5,413**	**9,084**	**16,002**	**21,390**	**2,331**	**102,925**	**Other consumer**	**23,340**	**15,986**	**8,86**
Total loans	**Total loans**	**$2,045,754**	**$556,573**	**$676,285**	**$632,749**	**$352,850**	**$991,156**	**$1,974,013**	**$22,100**	**$7,251,480**	**Total loans**	**$1,998,375**	**$1,872,031**	**$400,89**
Total loans	**Total loans**										**Total loans**			
Pass	Pass	$2,044,546	$539,194	$640,230	$593,054	$337,133	$908,588	$1,931,629	$12,224	$7,006,598	Pass	$1,989,255	$1,852,546	$391,30
Special mention	Special mention	1,206	11,189	17,682	16,774	7,964	61,793	20,523	6,352	143,483	Special mention	1,716	19,421	4,03
Substandard	Substandard	2	6,190	18,373	22,921	7,753	20,775	21,861	3,524	101,399	Substandard	7,404	64	5,54
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—	Doubtful	—	—	–
Total loans	**Total loans**	**$2,045,754**	**$556,573**	**$676,285**	**$632,749**	**$352,850**	**$991,156**	**$1,974,013**	**$22,100**	**$7,251,480**	**Total loans**	**$1,998,375**	**$1,872,031**	**$400,89**

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Past Due Loans

The following table presents the aging of the recorded investment in past due loans, excluding accrued interest receivable (which is not considered to be material), by class of loans as of the dates indicated:

($ in thousands)	**($ in thousands)**	**30 - 59 Days Past Due**	**60 - 89 Days Past Due**	**Greater than 89 Days Past due**	**Total Past Due**	**Current**	**Total**	**($ in thousands)**	**30 - 59 Days Past Due**	**60 - 89 Days Past Due**	**Greater than 89 Days Past due**	**Total Past Due**	**Current**	**Total**
September 30, 2022														
March 31, 2023								**March 31, 2023**						
Commercial:	Commercial:							Commercial:						
Commercial and industrial	Commercial and industrial	2,269	5,670	577	8,516	1,984,900	1,993,416	Commercial and industrial	2,859	1,787	14,864	19,510	1,767,637	1,787,147
Commercial real estate	Commercial real estate	—	—	910	910	1,240,017	1,240,927	Commercial real estate	495	264	—	759	1,301,518	1,302,277
Multifamily	Multifamily	63	—	—	63	1,698,392	1,698,455	Multifamily	1,128	—	—	1,128	1,677,172	1,678,300
SBA	SBA	1,205	128	10,168	11,501	74,173	85,674	SBA	172	—	9,667	9,839	55,201	65,040
Construction	Construction	—	—	—	—	236,495	236,495	Construction	—	—	—	—	260,167	260,167
Consumer:	Consumer:							Consumer:						
Single family residential mortgage	Single family residential mortgage	26,593	2,707	7,107	36,407	1,911,245	1,947,652	Single family residential mortgage	19,057	9,419	12,448	40,924	1,836,190	1,877,114

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Other consumer	Other consumer	59	—	81	140	86,561	86,701	Other consumer	343	57	81	481	83,854	84,335
Total	**Total**	**$ 30,189**	**$ 8,505**	**$ 18,843**	**$ 57,537**	**$ 7,231,783**	**$ 7,289,320**	**Total**	**$ 24,054**	**$ 11,527**	**$ 37,060**	**$ 72,641**	**$ 6,981,739**	**$ 7,054,380**
December 31, 2021														
December 31, 2022								**December 31, 2022**						
Commercial:	Commercial:							Commercial:						
Commercial and industrial	Commercial and industrial	9,342	1,351	9,503	20,196	2,648,788	2,668,984	Commercial and industrial	4,002	481	13,833	18,316	1,827,644	1,845,960
Commercial real estate	Commercial real estate	—	—	—	—	1,311,105	1,311,105	Commercial real estate	311	—	910	1,221	1,258,430	1,259,651
Multifamily	Multifamily	786	—	—	786	1,360,268	1,361,054	Multifamily	—	—	—	—	1,689,943	1,689,943
SBA	SBA	987	2,360	15,941	19,288	186,260	205,548	SBA	287	—	10,299	10,586	57,551	68,137
Construction	Construction	—	—	—	—	181,841	181,841	Construction	—	—	—	—	243,553	243,553
Consumer:	Consumer:							Consumer:						
Single family residential mortgage	Single family residential mortgage	24,867	—	7,076	31,943	1,388,080	1,420,023	Single family residential mortgage	36,338	5,068	19,431	60,837	1,859,969	1,920,806
Other consumer	Other consumer	449	—	89	538	102,387	102,925	Other consumer	163	16	81	260	86,728	86,988
Total	**Total**	**$ 36,431**	**$ 3,711**	**$ 32,609**	**$ 72,751**	**$ 7,178,729**	**$ 7,251,480**	**Total**	**$ 41,101**	**$ 5,565**	**$ 44,554**	**$ 91,220**	**$ 7,023,818**	**$ 7,115,038**

Nonaccrual Loans

The following table presents nonaccrual loans as of the dates indicated:

	September 30, 2022		December 31, 2021	
($ in thousands)	**Total Nonaccrual Loans**	**Nonaccrual Loans with no ACL**	**Total Nonaccrual Loans**	**Nonaccrual Loans with no ACL**
Nonaccrual loans				
Commercial:				
Commercial and industrial	$ 23,155	$ 6,945	$ 28,594	$ 9,137
Commercial real estate	910	910	—	—
SBA	10,414	5,158	16,653	11,443
Consumer:				
Single family residential mortgage	8,010	4,081	7,076	7,076
Other consumer	185	185	235	235
Total nonaccrual loans	**$ 42,674**	**$ 17,279**	**$ 52,558**	**$ 27,891**

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	March 31, 2023		December 31, 2022	
($ in thousands)	**Total Nonaccrual Loans**	**Nonaccrual Loans with no ACL**	**Total Nonaccrual Loans**	**Nonaccrual Loans with no ACL**
Nonaccrual loans				
Commercial:				
Commercial and industrial	$ 21,025	$ 6,431	$ 22,613	$ 10,959
Commercial real estate	868	868	910	910
SBA	9,775	7,952	10,417	5,613
Consumer:				
Single family residential mortgage	24,590	24,590	21,116	17,187
Other consumer	287	172	195	195
Total nonaccrual loans	**$ 56,545**	**$ 40,013**	**$ 55,251**	**$ 34,864**

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At September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, there were no loans that were past due 90 days or more and still accruing.

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Other Real Estate Owned, Net and Loans in Process of Foreclosure

At September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, there was no other real estate owned. At September 30, 2022 March 31, 2023, there were four 4 consumer mortgage loans totaling $4.9 million $5.0 million secured by residential real estate properties for which formal foreclosure proceedings were in process according to local requirements of the applicable jurisdiction. There were no 9 consumer mortgage loans totaling $11.7 million secured by residential real estate properties in foreclosure at December 31, 2021 December 31, 2022.

Allowance for Credit Losses

The ACL methodology uses a nationally recognized, third-party model that includes many assumptions based on historical and peer loss data, current loan portfolio risk profile including risk ratings, and economic forecasts including macroeconomic variables released by the model provider during September 2022. March 2023. The published forecasts consider the FRB's Federal Reserve's monetary policy, labor market constraints, rising inflation higher levels, global oil prices and the military conflict between Russia and Ukraine, changes in real estate values, among other factors.

The ACL also incorporates qualitative factors to account for certain loan portfolio characteristics that are not taken into consideration by the third-party model including underlying strengths and weaknesses in various segments of the loan portfolio. As is the case with all estimates, the ACL is expected to be impacted in future periods by economic volatility, changing economic forecasts, underlying model assumptions, and asset quality metrics, all of which may be better than or worse than current estimates.

The ACL process involves subjective and complex judgments as well as adjustments for numerous factors including those described in the federal banking agencies' joint interagency policy statement on ALL, which include underwriting experience and collateral value changes, among others.

The reserve for unfunded noncancellable loan commitments is established to cover the current expected credit losses for the estimated level of funding of these loan commitments, except for unconditionally cancellable commitments for which no reserve is required under ASC 326. At September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, the reserve for unfunded loan commitments was $6.4 million $4.8 million and $5.6 million $5.3 million, respectively, and was included in accrued expenses and other liabilities on the consolidated statements of financial condition.

The following table presents a summary of activity in the ACL for the periods indicated:

($ in thousands)	Three Months Ended September 30,					
	2022			2021		
	Allowance for Loan Losses	Reserve for Unfunded Loan Commitments	Allowance for Credit Losses	Allowance for Loan Losses	Reserve for Unfunded Loan Commitments	Allowance for Credit Losses
Balance at beginning of period	$ 93,793	$ 5,905	$ 99,698	$ 75,885	$ 3,814	$ 79,699
Charge-offs	(912)	—	(912)	(327)	—	(327)
Recoveries	63	—	63	532	—	532
Net (charge-offs) recoveries	(849)	—	(849)	205	—	205
(Reversal of) provision for credit losses	(500)	500	—	(2,566)	1,419	(1,147)
Balance at end of period	**$ 92,444**	**$ 6,405**	**$ 98,849**	**$ 73,524**	**$ 5,233**	**$ 78,757**

($ in thousands)	Three Months Ended March 31,					
	2023			2022		
	Allowance for Loan Losses	Reserve for Unfunded Loan Commitments	Allowance for Credit Losses	Allowance for Loan Losses	Reserve for Unfunded Loan Commitments	Allowance for Credit Losses
Balance at beginning of period	$ 85,960	$ 5,305	$ 91,265	$ 92,584	$ 5,605	$ 98,189
Charge-offs	(3,949)	—	(3,949)	(231)	—	(231)
Recoveries	49	—	49	32,215	—	32,215
Net (charge-offs) recoveries	(3,900)	—	(3,900)	31,984	—	31,984
Provision for (reversal of) credit losses	2,500	(500)	2,000	(31,342)	(200)	(31,542)
Balance at end of period	**$ 84,560**	**$ 4,805**	**$ 89,365**	**$ 93,226**	**$ 5,405**	**$ 98,631**

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($ in thousands)	Nine Months Ended September 30, 2022 Allowance for Loan Losses		Nine Months Ended September 30, 2022 Reserve for Unfunded Loan Commitments		Nine Months Ended September 30, 2022 Allowance for Credit Losses		2021 Allowance for Loan Losses		2021 Reserve for Unfunded Loan Commitments		2021 Allowance for Credit Losses	
Balance at beginning of period	$	92,584	$	5,605	$	98,189	$	81,030	$	3,183	$	84,213
Charge-offs		(1,637)		—		(1,637)		(1,778)		—		(1,778)
Recoveries		33,839		—		33,839		730		—		730
Net charge-offs		32,202		—		32,202		(1,048)		—		(1,048)
(Reversal of) provision for credit losses		(32,342)		800		(31,542)		(6,458)		2,050		(4,408)
Balance at end of period	**$**	**92,444**	**$**	**6,405**	**$**	**98,849**	**$**	**73,524**	**$**	**5,233**	**$**	**78,757**

During the nine three months ended September 30, 2022 March 31, 2022, total recoveries included $31.3 million related to a recovery from the settlement of a loan previously charged-off in 2019. This recovery resulted in a reversal of provision for credit losses during the same period.

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Accrued interest receivable on loans receivable, net totaled $26.7 million $27.1 million and $25.8 million $28.6 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, and is included within other assets in the accompanying consolidated statements of financial condition. Accrued interest receivable is excluded from the allowance of credit losses.

The following table presents the activity and balance in the ALL as of or for the three and nine months ended September 30, 2022 March 31, 2023:

($ in thousands)	Commercial and Industrial		Commercial Real Estate		Multifamily		SBA		Construction		Single Family Residential Mortgage		Other Consumer		Total	
ALL:																
Three Months Ended September 30, 2022:																
Balance at June 30, 2022	$	41,413	$	15,742	$	15,678	$	3,033	$	4,255	$	12,805	$	867	$	93,793
Charge-offs		(867)		—		—		(45)		—		—		—		(912)
Recoveries		48		3		—		1		—		1		10		63
Net (charge-offs) recoveries		(819)		3		—		(44)		—		1		10		(849)
(Reversal of) provision for credit losses - loans		(1,769)		1,091		275		(29)		1,168		(959)		(277)		(500)
Balance at September 30, 2022	**$**	**38,825**	**$**	**16,836**	**$**	**15,953**	**$**	**2,960**	**$**	**5,423**	**$**	**11,847**	**$**	**600**	**$**	**92,444**
Nine Months Ended September 30, 2022:																
Balance at December 31, 2021	$	33,557	$	21,727	$	17,893	$	3,017	$	5,622	$	9,608	$	1,160	$	92,584
Charge-offs		(1,187)		—		—		(197)		—		(10)		(243)		(1,637)
Recoveries		32,865		3		—		762		—		193		16		33,839
Net recoveries (charge-offs)		31,678		3		—		565		—		183		(227)		32,202
(Reversal of) provision for credit losses - loans		(26,410)		(4,894)		(1,940)		(622)		(199)		2,056		(333)		(32,342)
Balance at September 30, 2022	**$**	**38,825**	**$**	**16,836**	**$**	**15,953**	**$**	**2,960**	**$**	**5,423**	**$**	**11,847**	**$**	**600**	**$**	**92,444**

($ in thousands)	Commercial and Industrial		Commercial Real Estate		Multifamily		SBA		Construction		Single Family Residential Mortgage		Other Consumer		Total	
ALL:																
Three Months Ended March 31, 2023:																
Balance at December 31, 2022	$	34,156	$	15,977	$	14,696	$	2,648	$	5,850	$	12,050	$	583	$	85,960
Charge-offs		(3,261)		(300)		—		—		—		(372)		(16)		(3,949)
Recoveries		17		—		—		24		—		1		7		49
Net (charge-offs) recoveries		(3,244)		(300)		—		24		—		(371)		(9)		(3,900)
Provision for (reversal of) credit losses - loans		1,732		442		342		(575)		575		(198)		182		2,500
Balance at March 31, 2023	**$**	**32,644**	**$**	**16,119**	**$**	**15,038**	**$**	**2,097**	**$**	**6,425**	**$**	**11,481**	**$**	**756**	**$**	**84,560**

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The following table presents the gross charge-offs by class of loans and origination year as of March 31, 2023:

($ in thousands)	Gross Charge-offs 2023	2022	2021	2020	2019	Prior	Total
Three Months Ended March 31, 2023							
Commercial:							
Commercial and industrial	$ —	$ (1,599)	$ (753)	$ —	$ —	$ (909)	$ (3,261)
Commercial real estate	—	—	—	—	—	(300)	(300)
Consumer:							
Single family residential mortgage	—	—	—	(372)	—	—	(372)
Other consumer	—	(16)	—	—	—	—	(16)
Total loans	**$ —**	**$ (1,615)**	**$ (753)**	**$ (372)**	**$ —**	**$ (1,209)**	**$ (3,949)**

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The following table presents the activity and balance in the ALL as of or for the three and nine months ended September 30, 2021 March 31, 2022:

($ in thousands)	($ in thousands)	Commercial and Industrial	Commercial Real Estate	Multifamily	SBA	Construction	Single Family Residential Mortgage	Other Consumer	Total	($ in thousands)	Commercial and Industrial	Commercial Real Estate	Multifamily	SBA	C
ALL:	**ALL:**									**ALL:**					
Three Months Ended September 30, 2021:															
Balance at June 30, 2021		$ 20,156	$ 16,424	$ 21,403	$ 3,696	$ 4,734	$ 9,108	$ 364	$ 75,885						
Three Months Ended March 31, 2022:												***Three Months Ended March 31, 2022:***			
Balance at December 31, 2021												Balance at December 31, 2021	$ 33,557	$ 21,727	$
Charge-offs	Charge-offs	(115)	(138)	—	(74)	—	—	—	(327)	Charge-offs	(182)	—	—	(13)	
Recoveries	Recoveries	484	—	—	1	—	46	1	532	Recoveries	31,417	—	—	758	
Net recoveries (charge-offs)	Net recoveries (charge-offs)	369	(138)	—	(73)	—	46	1	205	Net recoveries (charge-offs)	31,235	—	—	745	
(Reversal of) provision for credit losses - loans	(Reversal of) provision for credit losses - loans	(270)	(269)	(2,678)	1,112	(616)	150	5	(2,566)	loans	(24,825)	(5,237)	(2,556)	(721)	
Balance at September 30, 2021		**$ 20,255**	**$ 16,017**	**$ 18,725**	**$ 4,735**	**$ 4,118**	**$ 9,304**	**$ 370**	**$ 73,524**						
Balance at March 31, 2022												**Balance at March 31, 2022**	**$ 39,967**	**$ 16,490**	**$**
Nine Months Ended September 30, 2021:															
Balance at December 31, 2020		$ 20,608	$ 19,074	$ 22,512	$ 3,145	$ 5,849	$ 9,191	$ 651	$ 81,030						
Charge-offs		(1,180)	(138)	—	(460)	—	—	—	(1,778)						
Recoveries		552	—	—	130	—	46	2	730						
Net (charge-offs) recoveries		(628)	(138)	—	(330)	—	46	2	(1,048)						

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Provision for (reversal of) credit losses - loans	275	(2,919)	(3,787)	1,920	(1,731)	67	(283)	(6,458)
Balance at September 30, 2021	**$ 20,255**	**$ 16,017**	**$ 18,725**	**$ 4,735**	**$ 4,118**	**$ 9,304**	**$ 370**	**$ 73,524**

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Collateral Dependent Loans

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment of the loan is expected to be provided substantially through the operation or sale of the collateral. Collateral dependent loans are evaluated individually and the ALL is determined based on the amount by which amortized costs exceed the estimated fair value of the collateral, adjusted for estimated selling costs.

Collateral dependent loans consisted of the following as of the dates indicated:

	September 30, 2022				
	Real Estate				
($ in thousands)	Commercial	Residential	Business Assets	Automobile	Total
Commercial:					
Commercial and industrial	$ —	$ —	$ 20,367	$ —	$ 20,367
Commercial real estate	910	—	—	—	910
SBA	93	4,605	5,717	—	10,415
Consumer:					
Single family residential mortgage	—	9,331	—	—	9,331
Other consumer	—	81	—	104	185
Total loans	**$ 1,003**	**$ 14,017**	**$ 26,084**	**$ 104**	**$ 41,208**

	March 31, 2023				
	Real Estate				
($ in thousands)	Commercial	Residential	Business Assets	Automobile	Total
Commercial:					
Commercial and industrial	$ —	$ —	$ 13,545	$ —	$ 13,545
Commercial real estate	868	—	—	—	868
SBA	21	4,195	5,559	—	9,775
Consumer:					
Single family residential mortgage	—	25,689	—	—	25,689
Other consumer	—	81	—	207	288
Total loans	**$ 889**	**$ 29,965**	**$ 19,104**	**$ 207**	**$ 50,165**

	December 31, 2021				
	Real Estate				
($ in thousands)	Commercial	Residential	Business Assets	Automobile	Total
Commercial:					
Commercial and industrial	$ 13,518	$ 37	$ 4,776	$ —	$ 18,331
Commercial real estate					
SBA	689	4,458	11,511	—	16,658
Consumer:					
Single family residential mortgage	—	14,012	—	—	14,012
Other consumer	—	—	—	235	235
Total loans	**$ 14,207**	**$ 18,507**	**$ 16,287**	**$ 235**	**$ 49,236**

	December 31, 2022				
	Real Estate				
($ in thousands)	Commercial	Residential	Business Assets	Automobile	Total
Commercial:					
Commercial and industrial	$ —	$ —	$ 18,392	$ —	$ 18,392
Commercial real estate	910	—	—	—	910
SBA	23	4,702	5,691	—	10,416
Consumer:					
Single family residential mortgage	—	21,262	—	—	21,262
Other consumer	—	81	—	113	194
Total loans	**$ 933**	**$ 26,045**	**$ 24,083**	**$ 113**	**$ 51,174**

Troubled Debt Restructurings Loan Modifications to Borrowers Experiencing Financial Difficulty

TDR loans Loans modified for borrowers experiencing financial difficulty consisted of the following as of the dates indicated:

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($ in thousands)	September 30, 2022		December 31, 2021	
Commercial:				
Commercial and industrial	$	24,810	$	5,241
Commercial real estate		4,130		4,243
SBA		529		265
Consumer:				
Single family residential mortgage		1,321		6,935
Total loans	**$**	**30,790**	**$**	**16,684**

($ in thousands)	Commercial and industrial		Single family residential mortgage		Total	
March 31, 2023						
Interest rate reduction:						
Amortized cost basis	$	—	$	1,071	$	1,071
% of total class of loans		— %		0.1 %		— %
Combination - principal reduction and payment delays:						
Amortized cost basis	$	3,939	$	—	$	3,939
% of total class of loans		0.2 %		— %		0.1 %
Total amortized cost basis	$	3,939	$	1,071	$	5,010
Percentage of total loans		0.2 %		0.1 %		0.1 %

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The following table presents the aging of loans modified to borrowers experiencing financial difficulty at March 31, 2023:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total
March 31, 2023						
Commercial:						
Commercial and industrial	$ —	$ —	$ —	$ —	$ 3,939	$ 3,939
Consumer:						
Single family residential mortgage	—	—	—	—	1,071	1,071
	$ —	$ —	$ —	$ —	$ 5,010	$ 5,010

There were no loan modifications made to borrowers experiencing financial difficulty during the quarter ended March 31, 2023 that subsequently defaulted.

Troubled Debt Restructurings (for modifications to borrowers experiencing financial difficulty prior to January 1, 2023)

At March 31, 2023 and December 31, 2022, we had commitments to lend to customers with outstanding 11 and 15 loans that were classified as TDRs, with an aggregate balance of $270 thousand $8.7 million and $63 thousand at September 30, 2022 $16.1 million. During the three months ended March 31, 2023 a $3.9 million commercial and December 31, 2021. industrial loan that was restructured during 2022 was modified and accounted for as a new loan.

Accruing TDRs were $11.3 million $2.6 million and nonaccrual TDRs were $19.5 million $6.1 million at September 30, 2022 March 31, 2023, compared to accruing TDRs of $12.5 million $2.7 million and nonaccrual TDRs of $4.1 million $13.4 million at December 31, 2021 December 31, 2022. The increase in TDRs during the nine months ended September 30, 2022 was due mostly to the modification of two commercial and industrial loan relationships.

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The following table summarizes the pre-modification and post-modification balances of the new TDRs for the periods indicated:

	Three Months Ended	Nine Months Ended

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($ in thousands)	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
September 30, 2022						
Commercial:						
Commercial and industrial(1)	3	$ 7,500	$ 7,500	4	$ 20,340	$ 20,340
SBA	—	—	—	2	833	833
Total	3	$ 7,500	$ 7,500	6	$ 21,173	$ 21,173
September 30, 2021						
Consumer:						
Single family residential mortgage(1)	—	$ —	$ —	1	$ 1,800	$ 1,800
Total	—	$ —	$ —	1	$ 1,800	$ 1,800

(1) Modifications during the three and nine months ended September 30, 2022 and 2021 consisted of extensions of maturity and/or changes to payment schedules.

We consider a TDR to be in payment default once it becomes 30 days or more past due following a modification. During the three and nine months ended September 30, 2022 and 2021, there were no loans that were modified as a TDR during the past 12 months that had subsequent payment defaults.

Purchases, Sales, and Transfers

From time to time, we purchase and sell loans in the secondary market. During the three and nine months ended September 30, 2022 March 31, 2023, we purchased loans aggregating $172.7 million and $814.3 million $61.4 million. During the three and nine months ended September 30, 2021 March 31, 2022, we purchased loans aggregating $249.4 million and $615.4 million $364.4 million.

There were no loans transferred from held for investment to loans held-for-sale and there were no sales of loans for the three and nine months ended September 30, 2022 March 31, 2023 and 2021.

2022.

Non-Traditional Mortgage Loans ("NTM") Loans

NTM loans are included in our SFR mortgage portfolio and are comprised primarily of interest only loans and Green Loans. loans. As of September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, the NTM loans totaled $870.0 million $846.5 million, or 11.9% 12.0% of total loans, and $635.3 million $862.3 million, or 8.8% 12.1% of total loans, respectively. The total NTM portfolio decreased by $15.8 million, or 1.8% during the three months ended March 31, 2023. The decrease was due to principal paydowns and payoffs.

We no longer originate SFR loans, however we have purchased and may continue to purchase pools of loans that include NTM loans such as interest only loans with maturities of up to 40 years and flexible initial repricing dates, ranging from 1 to 10 years, and periodic repricing dates through the life of the loan. Interest only loans are primarily SFR first mortgage loans that generally have a 30 to 40-year term at the time of origination and include payment features that allow interest only payments in initial periods before converting to a fully amortizing loan. At September 30, 2022 and December 31, 2021, interest only loans totaled $863.2 million and $613.3 million. Green Loans are SFR first and second mortgage lines of credit with a linked checking account that allows all types of deposits and withdrawals to be performed. Green Loans are generally interest only for a 15-year term with a balloon payment due at maturity. At September 30, 2022 and December 31, 2021, Green Loans totaled $6.8 million and $21.9 million.

At September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, nonperforming NTM loans totaled zero $7.2 million and $4.0 million $3.0 million.

Non-Traditional Mortgage Performance Indicators

Our risk management policy and credit monitoring include reviewing delinquency, FICO scores, and LTV ratios on the NTM loan portfolio. We also continuously continually monitor market conditions for our geographic lending areas. We have determined that the most significant performance indicators for NTM first lien loans are LTV ratios and for Green Loans are FICO scores. ratios. At September 30, 2022 March 31, 2023, our NTM first lien portfolio had a weighted average LTV of approximately 59% 60%.

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NOTE 5 – GOODWILL AND OTHER INTANGIBLES

Goodwill

Goodwill represents the excess consideration paid for net assets acquired in a business combination over their fair values. At September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, we had goodwill of $114.3 million and $94.3 million.

The following table presents changes in the carrying amount of goodwill for the periods indicated:

	Three Months Ended September 30,	Nine Months Ended September 30,	Three Months Ended March 31,

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($ in thousands)	($ in thousands)	2022	2021	2022	2021	($ in thousands)	2023	2022
Goodwill, beginning of period	Goodwill, beginning of period	$ 95,127	$ 37,144	$ 94,301	$ 37,144	Goodwill, beginning of period	$ 114,312	$ 94,301
Goodwill from business combination		18,190	—	18,190	—			
Goodwill adjustments for purchase accounting	Goodwill adjustments for purchase accounting	995	—	1,821	—	Goodwill adjustments for purchase accounting	—	826
Goodwill, end of period	**Goodwill, end of period**	**$ 114,312**	**$ 37,144**	**$ 114,312**	**$ 37,144**	**Goodwill, end of period**	**$ 114,312**	**$ 95,127**
Accumulated impairment losses at end of period		$ 2,100	$ 2,100	$ 2,100	$ 2,100			

The acquisition of Deepstack in the third quarter of 2022 resulted in the recognition of $18.2 million in goodwill. We also adjusted goodwill as a result of updates to the initial fair value of core deposit intangibles and finalization of income tax returns related to the PMB acquisition during the three and nine months ended September 30, 2022 March 31, 2022. During the measurement period (not to exceed one year from the acquisition date), the fair value of assets acquired and liabilities assumed are subject to adjustment if additional information becomes available to indicate a more accurate or appropriate value for an asset or liability.

We evaluate goodwill for impairment as of October 1 each year, and more frequently if events or circumstances indicate that there may be impairment. We completed our most recent annual goodwill impairment test as of October 1, 2021 October 1, 2022 and determined that no goodwill impairment existed. During For the three and nine months ended September 30, 2022 March 31, 2023, there were no due to the observed market volatility relating to recent events or circumstances that indicated an interim in the banking sector, we analyzed indicators related to potential goodwill impairment. Based on this analysis, we did not identify any impairment test of goodwill was necessary. to goodwill.

Other Intangibles

Other intangibles are comprised of the following at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022:

($ in thousands)	($ in thousands)	September 30, 2022	December 31, 2021	($ in thousands)	March 31, 2023	December 31, 2022
Core deposit intangibles	Core deposit intangibles	$ 4,281	$ 6,411	Core deposit intangibles	$ 3,647	$ 3,932
Developed technology	Developed technology	2,800	—	Developed technology	2,497	2,637
Other intangibles	Other intangibles	1,000	—	Other intangibles	921	957
Total other intangibles	**Total other intangibles**	**$ 8,081**	**$ 6,411**	**Total other intangibles**	**$ 7,065**	**$ 7,526**

Other intangibles are amortized over their estimated useful lives and reviewed for impairment at least quarterly. As of September 30, 2022 March 31, 2023, the weighted average remaining amortization period for core deposit intangibles was approximately 6.8 6.5 years. Amortization periods for developed technology and other intangibles acquired in the Deepstack acquisition Acquisition have useful lives ranging from 3 to 10 years.

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The following table presents changes in the carrying amount of other intangibles for the periods indicated:

		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
($ in thousands)	($ in thousands)	2022	2021	2022	2021	($ in thousands)	2023	2022
Other intangibles:	**Other intangibles:**					**Other intangibles:**		
Balance, beginning of period	Balance, beginning of period	$ 34,978	$ 30,904	$ 35,958	$ 30,904	Balance, beginning of period	$ 38,778	$ 35,958
Other intangibles from business combination		3,800	—	3,800	—			
Purchase accounting adjustments	Purchase accounting adjustments	—	—	(980)	—	Purchase accounting adjustments	—	(980)

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Balance, end of period	**Balance, end of period**	**38,778**	**30,904**	**38,778**	**30,904**	**Balance, end of period**	**38,778**	**34,978**
Accumulated amortization:	**Accumulated amortization:**					**Accumulated amortization:**		
Balance, beginning of period	Balance, beginning of period	30,301	28,835	29,547	28,271	Balance, beginning of period	31,252	29,547
Amortization of other intangibles	Amortization of other intangibles	396	282	1,150	846	Amortization of other intangibles	461	441
Balance, end of period	**Balance, end of period**	**30,697**	**29,117**	**30,697**	**29,117**	**Balance, end of period**	**31,713**	**29,988**
Other intangibles	**Other intangibles**	**$ 8,081**	**$ 1,787**	**$ 8,081**	**$ 1,787**	**Other intangibles**	**$ 7,065**	**$ 4,990**

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The following table presents estimated future amortization expense of other intangibles as of September 30, 2022 March 31, 2023:

($ in thousands)	**($ in thousands)**	**Remainder of 2022**	**2023**	**2024**	**2025**	**2026**	**2027 and After**	**Total**	**($ in thousands)**	**Remainder of 2023**	**2024**	**2025**	**2026**	**2027**	**2028 and After**	**Total**
Estimated future amortization expense	Estimated future amortization expense	$ 526	$ 1,799	$ 1,425	$ 1,110	$ 1,013	$ 2,208	$ 8,081	Estimated future amortization expense	$ 1,338	$ 1,425	$ 1,107	$ 1,013	$ 811	$ 1,371	$ 7,065

NOTE 6 – FEDERAL HOME LOAN BANK ADVANCES, FEDERAL RESERVE BANKING BORROWINGS AND OTHER BORROWINGS

FHLB Federal Home Loan Bank (FHLB) Advances

The following table presents advances from the FHLB as of the dates indicated:

($ in thousands)	**($ in thousands)**	**September 30, 2022**		**December 31, 2021**		**($ in thousands)**	**March 31, 2023**		**December 31, 2022**	
Fixed rate:	Fixed rate:					Fixed rate:				
Outstanding balance (1)	Outstanding balance (1)	$ 611,000		$ 411,000		Outstanding balance (1)	$ 811,000		$ 711,000	
Interest rates ranging from	Interest rates ranging from	0.64	%	0.64	%	Interest rates ranging from	0.64	%	0.64	%
Interest rates ranging to	Interest rates ranging to	3.70	%	3.32	%	Interest rates ranging to	3.70	%	3.70	%
Weighted average interest rate	Weighted average interest rate	2.91	%	2.53	%	Weighted average interest rate	3.04	%	2.97	%
Variable rate:	Variable rate:					Variable rate:				
Outstanding balance	Outstanding balance	$ 120,000		$ 70,000		Outstanding balance	$ 325,000		$ 20,000	
Weighted average interest rate	Weighted average interest rate	3.18	%	0.20	%	Weighted average interest rate	5.11	%	4.59	%

(1) Excludes $4.0 million $3.3 million and $4.9 million $3.7 million of unamortized debt issuance costs at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022.

As of March 31, 2023, FHLB advances included $325.0 million in overnight borrowings with a weighted average interest rate of 5.11% and $811.0 million in term advances with a weighted average life of 3.6 years and a weighted average interest rate of 3.04%.

FHLB advances are collateralized by a blanket lien on all real estate loans. As of March 31, 2023, our secured borrowing capacity with the FHLB totaled $2.37 billion, of which the Bank was eligible to borrow an additional $821.9 million based on qualifying loans with an aggregate unpaid principal balance of $3.50 billion as of that date.

The Bank's investment in capital stock of the FHLB of San Francisco totaled $35.7 million and $22.6 million at March 31, 2023 and December 31, 2022.

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Each advance is payable at its maturity date. Advances paid early are subject to a prepayment penalty. As of September 30, 2022, FHLB advances included $120.0 million in overnight borrowings with a weighted average interest rate of 3.18% and $611.0 million in term advances with a weighted average life of 3.7 years and a weighted average interest rate of 2.91%.

FHLB advances are collateralized by a blanket lien on all real estate loans. As of September 30, 2022, our secured borrowing capacity with the FHLB totaled $2.23 billion, of which the Federal Reserve Bank was eligible to borrow an additional $1.21 billion based on qualifying loans with an aggregate unpaid principal balance of $3.20 billion as of that date. As of September 30, 2022, the Bank also has additional borrowing capacity with the FHLB of $164.0 million, of which the Bank was eligible to borrow an additional $44.0 million based on investment securities pledged with a carrying value of $214.6 million.

The Bank's investment in capital stock of the FHLB of San Francisco totaled $20.2 million and $17.3 million at September 30, 2022 and December 31, 2021.

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FRB (FRB) Borrowings

At September 30, 2022 March 31, 2023, the Bank had borrowing capacity with the Federal Reserve Bank of San Francisco (the "Federal Reserve") of $733.5 million $1.51 billion, including the secured borrowing capacity through the FRB Discount Window, Borrower-in-Custody ("BIC"), and Borrower-in-Custody ("BIC" Bank Term Funding ("BTFP") program. programs. Borrowings under the BIC program are overnight advances with interest chargeable at the discount window ("primary credit") credit borrowing rate. Borrowings under the BTFP, which was established in March 2023, are for periods up to one year in length, with interest rates based on the one-year overnight index swap ("OIS") rate plus a spread of 10 basis points. BTFP borrowings are collateralized by eligible investment securities valued at par and provide an additional source of liquidity leveraging high-quality securities.

At September 30, 2022 March 31, 2023, the Bank has pledged certain qualifying loans with an unpaid principal balance of $975.5 million $1.47 billion and securities with a carrying value of $123.1 million $524.3 million as collateral for these lines of credit. the FRB credit programs.

There were no secured borrowings Borrowings from the Federal Reserve through the FRB Discount Window and no borrowings under the BIC program for the three programs were $600.0 million and nine months ended September 30, 2022 zero at March 31, 2023 and December 31, 2022. There were no borrowings from under the Federal Reserve BTFP at September 30, 2022 and December 31, 2021 March 31, 2023.

The Bank's investment in capital stock of the Federal Reserve totaled $34.2 million $34.5 million and $27.3 million $34.5 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022.

Other Borrowings

The Bank maintained available unsecured federal funds lines with five correspondent banks totaling $210.0 million, with no outstanding borrowings at September 30, 2022 March 31, 2023 and December 31, 2022. The Bank also has the ability to access unsecured overnight borrowings from various financial institutions through the American Financial Exchange platform ("AFX"). The availability of

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such unsecured borrowings fluctuates regularly and are subject to the counterparties discretion and totaled $345.0 million and $445.0 million at March 31, 2023 and $441.0 million at September 30, 2022 and December 31, 2021 December 31, 2022. Borrowings under the AFX totaled zero at March 31, 2023 and $25.0 million at September 30, 2022 and December 31, 2021 December 31, 2022.

In December 2021, 2022, the holding company entered into a renewed its $50.0 million revolving line of credit which with another financial institution. The line of credit matures on December 19, 2022. December 18, 2023 and is subject to certain operational and financial covenants. There were $10.0 million and zero in no borrowings under this line of credit at September 30, 2022 March 31, 2023 and December 31, 2021. At September 30, 2022 December 31, 2022, and we were in compliance with all covenants under our revolving line of credit. covenants.

The Bank also maintained repurchase agreements and had no outstanding securities sold under agreements to repurchase at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022. Availabilities and terms on repurchase agreements are subject to the counterparties' discretion and the pledging of additional investment securities.

NOTE 7 – LONG-TERM DEBT

The following table presents our long-term debt as of the dates indicated:

				September 30, 2022		December 31, 2021					March 31, 2023		December 31, 2022	
($ in thousands)	($ in thousands)	Interest Rate	Maturity Date	Par Value	Unamortized Debt Issuance Cost and Discount	Par Value	Unamortized Debt Issuance Cost and Discount	($ in thousands)	Interest Rate	Maturity Date	Par Value	Unamortized Debt Issuance Cost and Discount	Par Value	Unamortized Debt Issuance Cost and Discount
Senior notes	Senior notes	5.25%	4/15/2025	$ 175,000	$ (816)	$ 175,000	$ (1,014)	Senior notes	5.25%	4/15/2025	$ 175,000	$ (679)	$ 175,000	$ (722)
Subordinated notes (1)	Subordinated notes (1)	4.375%	10/30/2030	85,000	(1,965)	85,000	(2,127)	Subordinated notes (1)	4.375%	10/30/2030	85,000	(1,853)	85,000	(1,899)

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PMB Statutory Trust III, junior subordinated debentures	PMB Statutory Trust III, junior subordinated debentures	Libor + 3.40%	9/26/2032	7,217	—	7,217	—	PMB Statutory Trust III, junior subordinated debentures	LIBOR + 3.40%	9/26/2032	7,217	—	7,217	—
PMB Capital Trust III, junior subordinated debentures	PMB Capital Trust III, junior subordinated debentures	Libor + 2.00%	10/8/2034	10,310	—	10,310	—	PMB Capital Trust III, junior subordinated debentures	LIBOR + 2.00%	10/8/2034	10,310	—	10,310	—
Total	**Total**			**$ 277,527**	**$ (2,781)**	**$ 277,527**	**$ (3,141)**	**Total**			**$ 277,527**	**$ (2,532)**	**$ 277,527**	**$ (2,621)**

(1) The Subordinated Notes bear interest at an initial fixed rate of 4.375% per annum, payable semi-annually in arrears. From and including October 30, 2025 to, but excluding, the maturity date or the date of earlier redemption, the Subordinated Notes bear interest at a floating rate per annum equal to a benchmark rate, which is expected to be 3-Month Term SOFR, plus a spread of 419.5 basis points, payable quarterly in arrears.

At September 30, 2022 March 31, 2023, we were in compliance with all covenants under our long-term debt agreements.

NOTE 8 – INCOME TAXES

For the three and nine months ended September 30, 2022 March 31, 2023, income tax expense was $9.9 million and $38.9 million $7.4 million, resulting in an effective tax rate of 29.1% and 28.1% 26.7%. For the three and nine months ended September 30, 2021 March 31, 2022, income tax expense was $8.7 million and $17.5 million $18.8 million, resulting in an effective tax rate of 27.2% and 23.6% 27.9%. The effective tax rate for the three and nine months ended September 30, 2022 March 31, 2023 and for the three months ended September 30, 2021, 2022, differs from the combined federal

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and state statutory rate for the consolidated company of 28.9% due primarily to various permanent tax differences, tax credits and other discrete tax items that impact our effective tax rate. For the nine months ended September 30, 2021, the effective tax rate differs from the 28.9% combined federal and state statutory rate due primarily to the net tax benefit of $2.5 million from share-based awards, including the exercise of all previously issued outstanding stock appreciation rights in the first quarter of 2021 in addition to the various permanent tax differences, tax credits and other discrete tax items that impact our effective tax rate.

We account for income taxes by recognizing deferred tax assets and liabilities based upon temporary differences between the amounts for financial reporting purposes and the tax basis of our assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. In assessing the realization of deferred tax assets, management will continue to evaluate both positive and negative evidence on a quarterly basis, including considering the four possible sources of future taxable income, such as future reversal of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards, taxable income in prior carryback year(s), and future tax planning strategies. Based on this analysis, management determined, it was more likely than not, that all of the deferred tax assets would be realized; therefore, no valuation allowance was provided against the net deferred tax assets of $56.4 million $54.5 million and $50.8 million $50.5 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022.

ASC 740-10-25 relates to the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC 740-10-25 prescribes a threshold and a measurement process for recognizing in the financial statements a tax position taken or expected to be taken in a tax return and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. We had unrecognized tax benefits of $925 $816 thousand at both September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022. We do not believe that the unrecognized tax benefits will change materially in the next twelve months. As of September 30, 2022 March 31, 2023, the total unrecognized tax benefit that, if recognized, would impact the effective tax rate was $699 $599 thousand.

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At September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, we had no accrued interest or penalties. In the event we are assessed interest and/or penalties by federal or state tax authorities, such amounts will be classified in the consolidated financial statements as income tax expense.

We are subject to U.S. federal income tax as well as income tax in multiple state jurisdictions. We are no longer subject to examination by U.S. federal taxing authorities for years before 2018. 2019. The statute of limitations for the assessment of California franchise taxes has expired for tax years before 2017 2018 (other state income and franchise tax statutes of limitations vary by state).

NOTE 9 – DERIVATIVE INSTRUMENTS

We use derivative instruments and other risk management techniques to reduce our exposure to adverse fluctuations in interest rates and foreign currency exchange rates in accordance with our risk management policies and to for certain loan clients to allow them to hedge the risk of rising interest rates on their variable rate loans.

The Company recognizes all derivatives on the consolidated balance sheet at fair value in other assets and other liabilities. On the date we enter into a derivative contract, the derivative is designated as either a fair value hedge, cash flow hedge, or a hedge designation is not made as it is a customer-related transaction. When a derivative is designated as

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a fair value hedge or cash flow hedge, the Company performs an assessment at inception, and, at least quarterly thereafter, to determine the effectiveness of the derivative in offsetting changes in the fair value or cash flows of the hedged items.

Cash flow hedge

In March 2023, the Company entered into pay-fixed, receive-variable interest-rate swap contracts classified as cash flow hedges with notional amounts aggregating $300.0 million, five year terms and varying maturity dates through 2028. These swap contracts were entered into with institutional counterparties to hedge against variability in cash flows attributable to interest rate risk related to changes in the SOFR benchmark interest rate on a portion of the Company's variable rate deposits and borrowings. The cash flow hedges were deemed highly effective at inception.

The portion of changes in the fair value of the cash flow hedges considered highly effective are recognized in other comprehensive income (loss) until the related cash flows from the hedged item are recognized in earnings.

At March 31, 2023, the fair value of the cash flow hedges represent a liability of $8.6 million, of which $6.1 million (net of tax) was included in accumulated other comprehensive loss on the consolidated statements of financial condition.

Other interest rate swaps and foreign exchange contracts not designated for hedge accounting

During the three and nine months ended September 30, 2022, March 31, 2023 and 2022, changes in fair value of other interest rate swaps on loans and foreign exchange contracts with customers were losses of $24 thousand and gains of $38 thousand and $224 $103 thousand and were included in other income on the consolidated statements of operations. During the three and nine months ended September 30, 2021, changes in fair value of interest rate swaps on loans and foreign exchange contracts were losses of $41 thousand and gains of $240 thousand.

The following table presents the notional amount and fair value of our derivative instruments as of the dates indicated.

		September 30, 2022		December 31, 2021			March 31, 2023		December 31, 2022	
($ in thousands)	($ in thousands)	Notional Amount	Fair Value(1)	Notional Amount	Fair Value(1)	($ in thousands)	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivative assets:	**Derivative assets:**					**Derivative assets:**				
Interest rate swaps on loans	Interest rate swaps on loans	$ 34,199	$ 2,295	$ 58,834	$ 3,390	Interest rate swaps on loans	$ 33,186	$ 1,516	$ 33,694	$ 2,134
Foreign exchange contracts	Foreign exchange contracts	4,629	382	4,725	175	Foreign exchange contracts	5,747	134	5,885	158
Total	**Total**	**$ 38,828**	**$ 2,677**	**$ 63,559**	**$ 3,565**	**Total**	**$ 38,933**	**$ 1,650**	**$ 39,579**	**$ 2,292**
Derivative liabilities:	**Derivative liabilities:**					**Derivative liabilities:**				
Cash flow hedges						Cash flow hedges	$ 300,000	$ 8,622	$ —	$ —
Interest rate swaps on loans	Interest rate swaps on loans	$ 34,199	$ 2,251	$ 58,834	3,594	Interest rate swaps on loans	33,186	1,509	33,694	2,107
Foreign exchange contracts	Foreign exchange contracts	4,629	377	4,725	146	Foreign exchange contracts	5,747	123	5,885	144
Total	**Total**	**$ 38,828**	**$ 2,628**	**$ 63,559**	**$ 3,740**	**Total**	**$ 338,933**	**$ 10,254**	**$ 39,579**	**$ 2,251**

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(1) *The fair value of interest rate swaps on loans and foreign exchange contracts are included in other assets and accrued expenses and other liabilities, respectively, in the accompanying consolidated statements of financial condition.*

We have entered into agreements with counterparty financial institutions, which include master netting agreements that provide for the net settlement of all contracts with a single counterparty in the event of default. We elect, however, to account for all derivatives with counterparty institutions on a gross basis.

NOTE 10 – EMPLOYEE STOCK COMPENSATION

On May 31, 2018, our stockholders approved the Company's 2018 Omnibus Stock Incentive Plan ("2018 Omnibus Plan"). The 2018 Omnibus Plan provides that the maximum number of shares available for awards is 4,417,882. As of September 30, 2022 March 31, 2023, 2,149,934 there were 1,974,066 shares were available for future awards.

Stock-based Compensation Expense

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

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		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
($ in thousands)	($ in thousands)	2022	2021	2022	2021	($ in thousands)	2023	2022
Restricted stock awards and units	Restricted stock awards and units	$ 1,715	$ 1,106	$ 4,482	$ 3,988	Restricted stock awards and units	$ 1,455	$ 1,285
Related tax benefits	Related tax benefits	$ 495	$ 326	$ 1,295	$ 1,175	Related tax benefits	$ 421	$ 371

Total stock-based compensation expense represents the cost of time-based and service-based restricted stock units, performance-based restricted stock units and awards. performance-based restricted stock units with market conditions. At September 30, 2022 March 31, 2023, unrecognized compensation expense related to restricted stock awards and restricted stock units totaled $13.0 million $14.5 million and will be recognized over a weighted average remaining period of 2.8 years.

Restricted Stock Awards and Restricted Stock Units

We have granted restricted stock awards and restricted stock units to certain employees, officers, and directors. The restricted stock awards and units are measured based on grant-date fair value, which generally reflect the closing price of our stock on the date of grant. For awards containing market conditions, we engage a third party to perform a valuation analysis using a Monte Carlo simulation model to determine grant-date fair value. The restricted stock awards and units fully vest after a specified period (generally ranging from one to five years) of continued service from the date of grant plus, in some cases, the satisfaction of performance and/or market conditions. These performance Such targets include conditions relating to our profitability, our total shareholder return (TSR), stock price and regulatory standing. The actual amounts of stock released upon vesting will be determined by the Compensation Committee of our Board of Directors upon the Committee's certification of the satisfaction of the target level of performance. We recognize an income tax deduction in an amount equal to the taxable income reported by the holders of the restricted stock, generally upon vesting or, in the case of restricted stock units, when settled.

The following table presents unvested restricted stock awards and restricted stock units activity for the three and nine months ended September 30, 2022 March 31, 2023:

		Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022			Three Months Ended March 31, 2023	
		Number of Shares	Weighted Average Grant Date Fair Value Per Share	Number of Shares	Weighted Average Grant Date Fair Value Per Share		Number of Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding at beginning of period	Outstanding at beginning of period	1,403,060	$ 14.77	649,010	$ 17.17	Outstanding at beginning of period	1,403,245	$ 14.68
Granted (1)	Granted (1)	29,935	$ 13.88	1,051,117	$ 13.66	Granted (1)	293,805	$ 17.68
Vested (2)	Vested (2)	(29,983)	$ 15.20	(269,302)	$ 16.21	Vested (2)	(231,783)	$ 17.26
Forfeited (3)	Forfeited (3)	(10,919)	$ 18.83	(38,732)	$ 17.72	Forfeited (3)	(14,728)	$ 16.38
Outstanding at end of period	**Outstanding at end of period**	**1,392,093**	**$ 14.71**	**1,392,093**	**$ 14.71**	**Outstanding at end of period**	**1,450,539**	**$ 14.85**

(1) There were 17,759 and 782,451 79,784 performance-based shares/units included in shares granted for the three and nine months ended September 30, 2022 March 31, 2023.

(2) There were 17,657 and 42,440 66,699 performance-based shares/units included in vested shares for the three and nine months ended September 30, 2022 March 31, 2023.

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(3) The number of forfeited shares included aggregate performance-based shares/units of zero and 9,428 11,232 for the three and nine months ended September 30, 2022 March 31, 2023.

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Stock Options

We have issued stock options to certain employees, officers, and directors. Stock options are issued at the closing market price immediately before the grant date and generally have a three to five year vesting period and contractual terms of seven to ten years. We recognize an income tax deduction upon exercise of a stock option to the extent taxable income is recognized by the option holder. In the case of a non-qualified stock option, the option holder recognizes taxable income based on the fair market value of the shares acquired at the time of exercise less the exercise price. There were no stock options granted during the three and nine months ended September 30, 2022. There were no unvested stock options as of September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022. The following tables represents stock option activity for the three and nine months ended September 30, 2022 March 31, 2023:

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022

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($ in thousands, except per share data)	Number of Shares	Weighted-Average Exercise Price Per Share	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contract Term	Aggregate Intrinsic Value
Outstanding at beginning of period	14,904	$ 13.05	14,904	$ 13.05		
Exercised	—	$ —	—	$ —		
Outstanding at end of period	**14,904**	**$ 13.05**	**14,904**	**$ 13.05**	**2.5 years**	**$ 44**
Exercisable at end of period	**14,904**	**$ 13.05**	**14,904**	**$ 13.05**	**2.5 years**	**$ 44**

Stock Appreciation Rights

In the first quarter of 2021, all of our then outstanding stock appreciation rights ("SARs") were fully exercised resulting in the issuance of 305,772 shares of voting common stock. In connection with the exercise of the SARs, we recognized a tax benefit of $2.1 million (refer to Note 8 - *Income Taxes*) during the nine months ended September 30, 2021. There are no further outstanding SARs.

	Three Months Ended March 31, 2023			
($ in thousands, except per share data)	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contract Term	Aggregate Intrinsic Value
Outstanding at beginning of period	14,904	$ 13.05		
Exercised	—	$ —		
Outstanding at end of period	**14,904**	**$ 13.05**	**2.0 years**	**$ (8)**
Exercisable at end of period	**14,904**	**$ 13.05**	**2.0 years**	**$ (8)**

NOTE 11 – STOCKHOLDERS' EQUITY

Preferred Stock

We are authorized to issue 50,000,000 shares of preferred stock with par value of $0.01 per share. Preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference but generally have no voting rights. All of our outstanding shares of preferred stock had a $1,000 per share liquidation preference.

The following table presents our total preference and there were no preferred shares outstanding preferred stock as of the dates indicated:

	September 30, 2022			December 31, 2021		
($ in thousands)	Shares Outstanding	Liquidation Preference	Carrying Value	Shares Outstanding	Liquidation Preference	Carrying Value
Series E						
7.00% non-cumulative perpetual	—	—	—	98,702	98,702	94,956
Total	**—**	**$ —**	**$ —**	**98,702**	**$ 98,702**	**$ 94,956**

since March 2022.

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The following table summarizes redemptions and repurchases of these depositary shares for the periods indicated:

		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
($ in thousands)	($ in thousands)	2022	2021	2022	2021	($ in thousands)	2023	2022
Series D Preferred Stock:								
Depositary shares repurchased		—	—	—	3,730,767			
Preferred Stock retired (shares)		—	—	—	93,269			
Consideration paid		$ —	$ —	$ —	$ 93,269			
Carrying value		—	—	—	89,922			
Impact of preferred stock redemption		$ —	$ —	$ —	$ 3,347			
Series E Preferred Stock:	***Series E Preferred Stock:***					***Series E Preferred Stock:***		

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Depositary shares repurchased	Depositary shares repurchased	—	—	3,948,080	—	Depositary shares repurchased	—	3,948,080
Preferred Stock retired (shares)	Preferred Stock retired (shares)	—	—	98,702	—	Preferred Stock retired (shares)	—	98,702
Consideration paid	Consideration paid	$ —	$ —	$ 98,703	$ —	Consideration paid	$ —	$ 98,703
Carrying value	Carrying value	—	—	94,956	—	Carrying value	—	94,956
Impact of preferred stock redemption	Impact of preferred stock redemption	$ —	$ —	$ 3,747	$ —	Impact of preferred stock redemption	$ —	$ 3,747

During the first quarter of 2022, we redeemed all of our outstanding Series E Depositary Shares, resulting in an after-tax charge of $3.7 million in the accompanying consolidated statements of operations. During the first quarter of 2021, we redeemed all of our outstanding Series D Depositary Shares, resulting in an after-tax charge of $3.3 million in the accompanying consolidated statements of operations.

Stock Common Share Repurchase Program

On March 15, 2022 February 13, 2023, we announced our Board of Directors authorized the repurchase of up to $75 million $35 million of our common stock. The repurchase authorization expires in March 2023. February 2024. Purchases may be made in open-market transactions, in block transactions on or off an exchange, in privately negotiated transactions or by other means as determined by our management and in accordance with the regulations of the SEC. The timing of purchases and the number of shares repurchased under the program will depend on a variety of factors including price, trading volume, corporate and regulatory requirements and market conditions.

During the three months ended September 30, 2022 March 31, 2023, common stock repurchased under the program totaled 740,332 410,946 shares at a weighted average price of $17.49. During the nine months ended September 30, 2022, common stock repurchased under the program totaled 3,069,058 shares at a weighted average price of $18.28. $12.59. As of September 30, 2022 March 31, 2023, the Company had $18.9 million $29.8 million remaining under the current stock repurchase authorization.

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Change in Accumulated Other Comprehensive (Loss) Income ("AOCI")

Our AOCI includes unrealized gain (loss) on securities available-for-sale. available-for-sale and cash flow hedges. Changes to AOCI are presented net of the tax effect as a component of stockholders' equity. Reclassifications from AOCI occur when a security is sold, called or matures and are recorded on the consolidated statements of operations either as a gain or loss. During the quarter three months ended March 31, 2022, we transferred certain debt securities available-for-sale to held-to-maturity. The unrealized loss on such securities at the time of transfer continues to be reported in AOCI and is amortized over the remaining life of the security as a yield adjustment.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges are recorded in AOCI and are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. If a cash flow hedge is terminated or is no longer deemed highly effective, the hedge accounting is ceased and any gain or loss included in AOCI is reclassified into earnings.

The following table presents changes to AOCI for the periods indicated:

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		Three Months Ended September 30,		**Nine Months Ended September 30,**			**Three Months Ended March 31,**	
($ in thousands)	**($ in thousands)**	**2022**	**2021**	**2022**	**2021**	**($ in thousands)**	**2023**	**2022**
Balance at beginning of period	Balance at beginning of period	$ (34,059)	$ 14,740	$ 7,743	$ 7,746	Balance at beginning of period	$ (40,597)	$ 7,743
Unrealized loss on securities available-for-sale:	Unrealized loss on securities available-for-sale:					Unrealized loss on securities available-for-sale:		
Unrealized loss arising during the period	Unrealized loss arising during the period	(19,289)	(5,377)	(78,392)	4,535	Unrealized loss arising during the period	(5,523)	(38,087)
Reclassification adjustment from other comprehensive income	Reclassification adjustment from other comprehensive income	—	—	(16)	—	Reclassification adjustment from other comprehensive income	—	(16)

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Total unrealized loss on securities available-for-sale	Total unrealized loss on securities available-for-sale	(19,289)	(5,377)	(78,408)	4,535	Total unrealized loss on securities available-for-sale	(5,523)	(38,103)
Amortization of unrealized loss of available-for-sale securities transferred to held-to-maturity	Amortization of unrealized loss of available-for-sale securities transferred to held-to-maturity	275	—	608	—	Amortization of unrealized loss of available-for-sale securities transferred to held-to-maturity	253	87
Unrealized loss on cash flow hedges:						Unrealized loss on cash flow hedges:		
Unrealized loss arising during the period						Unrealized loss arising during the period	(8,622)	—
Tax effect of current period changes	Tax effect of current period changes	5,494	1,585	22,478	(1,333)	Tax effect of current period changes	4,000	11,101
Total changes, net of taxes	Total changes, net of taxes	(13,520)	(3,792)	(55,322)	3,202	Total changes, net of taxes	(9,892)	(26,915)
Balance at end of period	**Balance at end of period**	**$ (47,579)**	**$ 10,948**	**$ (47,579)**	**$ 10,948**	**Balance at end of period**	**$ (50,489)**	**$ (19,172)**

NOTE 12 – VARIABLE INTEREST ENTITIES

We hold ownership interests in alternative energy partnerships, and qualified affordable housing partnerships and other CRA investments and have a variable interest in a multifamily securitization trust. We evaluate our interests in these entities to determine whether they meet the definition of a variable interest entity ("VIE") and whether we are required to consolidate these entities. A VIE is consolidated by its primary beneficiary, which is the party that has both (i) the power to direct the activities that most significantly impact the economic performance of the VIE and (ii) a variable interest that could potentially be significant to the VIE. To determine whether or not a variable interest we hold could potentially be significant to the VIE, we consider both qualitative and quantitative factors regarding the nature, size, and form of our involvement with the VIE. We have determined that our interests in these entities meet the definition of variable interests; however none of the VIE's meet the criteria for consolidation.

Unconsolidated VIEs

Multifamily Securitization

During the third quarter of 2019, we transferred $573.5 million of multifamily loans, through a two-step process, to a third-party depositor which placed the multifamily loans into a third-party trust (a VIE) that issued structured pass-through certificates to investors. The transfer of these loans was accounted for as a sale for financial reporting purposes, in accordance with ASC 860. We determined that we are not the primary beneficiary of this VIE as we do not have the power to direct the activities that will have the most significant economic impact on the entity, therefore we do not consolidate the securitization trust. Our continuing involvement in this securitization is limited to customary obligations associated with the securitization of loans, including the obligation to cure, repurchase, or substitute loans in the event of a material breach in representations. Additionally, we have the obligation to guarantee credit losses up to 12% of the aggregate unpaid principal balances at cut-off date of the securitization. This obligation is supported by a $68.8 million letter of credit between the Freddie Mac and the FHLB.

The maximum loss exposure that would be absorbed by us in the event that all of the assets in the securitization trust are deemed worthless is $68.8 million, which represents the aforementioned obligation to guarantee credit losses up to 12%. We believe that the loss exposure on the multifamily securitization is reduced by both loan-to-value ratios of the underlying collateral balances and the overcollateralization that exists within the securitization trust. At September 30, 2022, we have a $2.0 million repurchase reserve related to this VIE.

Alternative Energy Partnerships

We invested in certain alternative energy partnerships (limited liability companies) formed to provide sustainable energy projects that are designed to generate a return primarily through the realization of federal tax credits (energy tax credits). These entities were formed to invest in newly established residential and commercial solar leases and power purchase agreements. As a result of our investments, we have the right to certain investment tax credits and tax depreciation benefits (recognized on the flow through income statement method in accordance with ASC 740), and to a lesser extent, cash flows generated from the installed solar systems leased to individual consumers for a fixed period of time. While our interest in the alternative energy partnerships meets the definition of a VIE in accordance with ASC 810, we have determined that we are not the primary beneficiary because we do not have the power to direct the activities that most significantly impact the economic performance of the entities including operational and credit risk management activities. As we are not the primary beneficiary, we did not consolidate the entities.

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We use the Hypothetical Liquidation at Book Value ("HLBV") HLBV method to account for our investments in alternative energy tax projects partnerships as an equity investment under ASC 970-323-25-17. investment. Under the HLBV method, an equity method investor determines its share of an investee's net earnings by comparing its claim on the

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investee's book value at the beginning and end of the period, assuming the investee were to liquidate all assets at their U.S. GAAP amounts and distribute the resulting cash to creditors and investors under their respective priorities. The difference between the calculated liquidation distribution amounts at the beginning and the end of the reporting period, after adjusting for capital contributions and distributions, is our share of the earnings or losses from the equity investment for the period. To account for the tax credits earned on investments in alternative energy partnerships, we use the flow-through income statement method. Under this method, the tax credits are recognized as a reduction to income tax expense and the initial book-tax differences in the basis of the investments are recognized as additional tax expense in the year they are earned. Investments in alternative energy partnerships totaled $22.4 million $19.4 million and $25.9 million $21.4 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022.

The following table presents information regarding activity in our alternative energy partnerships for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2022**	**2021**	**2022**	**2021**
Cash distribution from investment	$ 626	$ 657	$ 1,782	$ 1,765
(Loss) gain on investments in alternative energy partnerships	(504)	1,785	(1,705)	(1,016)
Tax (benefit) expense recognized from HLBV application	(146)	491	(493)	(280)

	Three Months Ended March 31,	
($ in thousands)	**2023**	**2022**
Return of capital	$ 365	$ 574
Loss on investments in alternative energy partnerships	(1,618)	(158)
Tax benefit recognized from HLBV application	(467)	(46)

There were no fundings of alternative energy partnership or related income tax credits recognized for the three and nine months ended September 30, 2022 March 31, 2023 and 2021. 2022.

The following table represents the carrying value of the associated unconsolidated assets and liabilities and the associated maximum loss exposure for alternative energy partnerships as of the dates indicated:

($ in thousands)	**($ in thousands)**	**September 30, 2022**	**December 31, 2021**	**($ in thousands)**	**March 31, 2023**	**December 31, 2022**
Cash	Cash	$ 4,082	$ 4,227	Cash	$ 4,501	$ 4,110
Equipment, net of depreciation	Equipment, net of depreciation	239,727	246,421	Equipment, net of depreciation	235,522	237,641
Other assets	Other assets	9,841	9,098	Other assets	9,976	9,838
Total unconsolidated assets	**Total unconsolidated assets**	**$ 253,650**	**$ 259,746**	**Total unconsolidated assets**	**$ 249,999**	**$ 251,589**
Total unconsolidated liabilities	**Total unconsolidated liabilities**	**$ 9,020**	**$ 12,129**	**Total unconsolidated liabilities**	**$ 11,600**	**$ 11,679**
Maximum loss exposure	**Maximum loss exposure**	**$ 22,401**	**$ 25,888**	**Maximum loss exposure**	**$ 19,427**	**$ 21,410**

The maximum loss exposure that would be absorbed by us in the event that all of the assets in alternative energy partnerships are deemed worthless is $22.4 million $19.4 million, which is our recorded investment amount at September 30, 2022 March 31, 2023.

We believe that the loss exposure on our investments is reduced considering our return on our investment is provided not only by the cash flows of the underlying client leases and power purchase agreements, but also through the significant tax benefits, including the federal tax credit carryover that resulted from the investments. In addition, our exposure is further limited as the arrangements include a transition manager to support any transition of the solar company sponsor, whose role includes that of the servicer and operation and maintenance provider, in the event the sponsor would be required to be removed from its responsibilities (e.g., bankruptcy, breach of contract, etc.).

Capital Trusts - Trust Preferred Securities

In connection with our merger with PMB, we acquired investments in two grantor trusts. These grantor trusts were originally formed to sell and issue trust preferred securities to institutional investors (Refer to Note 7 - *Long-term Debt*). We are not the primary beneficiary, and consequently, these grantor trusts are not consolidated in the consolidated financial statements. At September 30, 2022 and December 31, 2021, our investment in these grantor trusts, which is included in other assets in the consolidated statements of financial condition, totaled $527 thousand.

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Qualified Affordable Housing Partnerships - Low Income Housing Tax Credits

We invest in limited partnerships that operate qualified affordable housing projects that qualify for low income housing tax credits ("LIHTC"). The returns on these investments are generated primarily through allocated Federal federal tax credits and other tax benefits. In addition, LIHTC investments contribute to our compliance with the Community Reinvestment Act. These limited partnerships are considered to be VIEs, because either (i) they do not have sufficient equity investment at risk or (ii) the limited partners with equity at risk do not have substantive kick-out rights through voting rights or substantive participating rights over the general partner. As a limited partner, we are not the primary beneficiary because the general partner has the ability to direct the activities of the VIEs that most significantly impact their economic performance. As a result, we do not consolidate these partnerships.

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The following table presents information regarding balances in LIHTC investments for the periods indicated:

($ in thousands)	($ in thousands)	September 30, 2022	December 31, 2021	($ in thousands)	March 31, 2023	December 31, 2022
Ending balance(1)	Ending balance(1)	$ 46,944	$ 38,982	Ending balance(1)	$ 44,424	$ 45,726
Aggregate funding commitment	Aggregate funding commitment	72,967	61,278	Aggregate funding commitment	73,176	72,967
Total amount funded	Total amount funded	54,166	51,014	Total amount funded	56,122	55,487
Unfunded commitment	Unfunded commitment	18,801	10,264	Unfunded commitment	17,054	17,480
Maximum loss exposure	Maximum loss exposure	46,944	38,982	Maximum loss exposure	44,424	45,726

(1) Included in other assets in the accompanying Consolidated Statements of Financial Condition.

The following table presents information regarding activity in our LIHTC investments for the periods indicated:

		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
($ in thousands)	($ in thousands)	2022	2021	2022	2021	($ in thousands)	2023	2022
Fundings	Fundings	$ 1,128	$ 3,563	$ 3,152	$ 5,727	Fundings	$ 635	$ 1,105
Proportional amortization recognized	Proportional amortization recognized	1,350	1,051	3,727	3,114	Proportional amortization recognized	1,511	1,546
Income tax credits recognized	Income tax credits recognized	1,298	1,155	3,834	3,466	Income tax credits recognized	1,687	1,373

Other CRA Investments

We invest in other CRA investments that are accounted for using the equity method of accounting or the measurement alternative to fair value for equity investments without a readily determinable fair value. Other CRA investments totaled $87.3 million and $85.0 million at March 31, 2023 and December 31, 2022.

CRA investments that are accounted for under the equity method consist primarily of investments in small business investment companies (SBICs) and limited partnerships which provide affordable housing where our ownership percentage exceeds 3%. Under the equity method of accounting, we record our proportionate share of the profits or losses of the investment entity as an adjustment to the carrying value of the investment and as a component of noninterest income. Equity investments that do not meet the criteria to be accounted for under the equity method and do not have a readily determinable fair value are accounted for at cost under the measurement alternative to fair value with adjustments for impairment and observable price changes as applicable. These investments consist primarily of investments in limited partnerships which provide affordable housing where our partnership percentage is less than 3% and other qualifying investments such as CDFI stock.

Multifamily Securitization

During the third quarter of 2019, we transferred $573.5 million of multifamily loans, through a two-step process, to a third-party depositor which placed the multifamily loans into a third-party trust (a VIE) that issued structured pass-through certificates to investors. The transfer of these loans was accounted for as a sale for financial reporting purposes, in accordance with ASC 860. We determined that we are not the primary beneficiary of this VIE as we do not have the power to direct the activities that will have the most significant economic impact on the entity, therefore we do not consolidate the securitization trust. Our continuing involvement in this securitization is limited to customary obligations associated with the securitization of loans, including the obligation to cure, repurchase, or substitute loans in the event of a material breach in representations. Additionally, we have the obligation to guarantee credit losses up to 12% of the aggregate unpaid principal balances at cut-off date of the securitization. This obligation is supported by a $68.8 million letter of credit between Freddie Mac and the FHLB.

The maximum loss exposure that would be absorbed by us in the event that all of the assets in the securitization trust are deemed worthless is $68.8 million, which represents the aforementioned obligation to guarantee credit losses up to 12%. We believe that the loss exposure on the multifamily securitization is reduced by both loan-to-value ratios of the underlying collateral balances and the overcollateralization that exists within the securitization trust. At March 31, 2023, the remaining unpaid principal balance on the securitization totaled $97.5 million, and we have a $2.0 million repurchase reserve related to this VIE.

Capital Trusts - Trust Preferred Securities

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In connection with our merger with PMB, we acquired investments in two grantor trusts. These grantor trusts were originally formed to sell and issue trust preferred securities to institutional investors (Refer to Note 7 - *Long-term Debt*). We are not the primary beneficiary, and consequently, these grantor trusts are not consolidated in the consolidated financial statements. At March 31, 2023 and December 31, 2022, our investment in these grantor trusts, which is included in other assets in the consolidated statements of financial condition, totaled $527 thousand.

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NOTE 13 – EARNINGS PER COMMON SHARE

The following table presents computations of basic and diluted earnings per common share ("EPS") for the three and nine months ended September 30, 2022 March 31, 2023:

		Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022			Three Months Ended March 31, 2023	
($ in thousands except per share data)	**($ in thousands except per share data)**	**Common Stock**	**Class B Common Stock**	**Common Stock**	**Class B Common Stock**	**($ in thousands except per share data)**	**Common Stock**	**Class B Common Stock**
Net income	Net income	$ 24,004	$ 192	$ 98,646	$ 774	**Net income**	**$ 20,114**	**$ 164**
Less: preferred stock dividends		—	—	(1,409)	(11)			
Less: preferred stock redemption		—	—	(3,718)	(29)			
Net income allocated to common stockholders		**$ 24,004**	**$ 192**	**$ 93,519**	**$ 734**			
Weighted average common shares outstanding	**Weighted average common shares outstanding**	**59,567,082**	**477,321**	**60,846,798**	**477,321**	**Weighted average common shares outstanding**	**58,536,866**	**477,321**
Dilutive effects of restricted shares/units	Dilutive effects of restricted shares/units	444,321	—	331,389	—	Dilutive effects of restricted shares/units	189,559	—
Dilutive effects of stock options	Dilutive effects of stock options	3,736	—	4,392	—	Dilutive effects of stock options	2,873	—
Average shares and dilutive common shares	**Average shares and dilutive common shares**	**60,015,139**	**477,321**	**61,182,579**	**477,321**	**Average shares and dilutive common shares**	**58,729,298**	**477,321**
Basic earnings per common share	**Basic earnings per common share**	**$ 0.40**	**$ 0.40**	**$ 1.54**	**$ 1.54**	**Basic earnings per common share**	**$ 0.34**	**$ 0.34**
Diluted earnings per common share	**Diluted earnings per common share**	**$ 0.40**	**$ 0.40**	**$ 1.53**	**$ 1.54**	**Diluted earnings per common share**	**$ 0.34**	**$ 0.34**

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For the three and nine months ended September 30, 2022 March 31, 2023, there were 157,049 and 3,391 212,956 anti-dilutive restricted shares/units and no anti-dilutive stock options that were excluded from computing diluted earnings per common share.

The following table presents computations of basic and diluted EPS for the three and nine months ended September 30, 2021 March 31, 2022:

		Three Months Ended September 30, 2021		Nine Months Ended September 30, 2021			Three Months Ended March 31, 2022	
($ in thousands except per share data)	**($ in thousands except per share data)**	**Common Stock**	**Class B Common Stock**	**Common Stock**	**Class B Common Stock**	**($ in thousands except per share data)**	**Common Stock**	**Class B Common Stock**
Net income	Net income	$ 22,953	$ 217	$ 56,061	$ 534	Net income	$ 48,142	$ 370
Less: income allocated to participating securities		—	—	(158)	(2)			
Less: preferred stock dividends	Less: preferred stock dividends	(1,711)	(16)	(6,533)	(62)	Less: preferred stock dividends	(1,409)	(11)
Less: preferred stock redemption	Less: preferred stock redemption	—	—	(3,315)	(32)	Less: preferred stock redemption	(3,718)	(29)

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Net income allocated to common stockholders	**Net income allocated to common stockholders**	**$ 21,242**	**$ 201**	**$ 46,055**	**$ 438**	**Net income allocated to common stockholders**	**$ 43,015**	**$ 330**
Weighted average common shares outstanding	**Weighted average common shares outstanding**	**50,239,359**	**477,321**	**50,096,607**	**477,321**	**Weighted average common shares outstanding**	**62,129,129**	**477,321**
Dilutive effects of stock units	Dilutive effects of stock units	188,850	—	242,803	—	Dilutive effects of stock units	294,432	—
Dilutive effects of stock options	Dilutive effects of stock options	3,787	—	5,241	—	Dilutive effects of stock options	5,121	—
Average shares and dilutive common shares	**Average shares and dilutive common shares**	**50,431,996**	**477,321**	**50,344,651**	**477,321**	**Average shares and dilutive common shares**	**62,428,682**	**477,321**
Basic earnings per common share	**Basic earnings per common share**	**$ 0.42**	**$ 0.42**	**$ 0.92**	**$ 0.92**	**Basic earnings per common share**	**$ 0.69**	**$ 0.69**
Diluted earnings per common share	**Diluted earnings per common share**	**$ 0.42**	**$ 0.42**	**$ 0.91**	**$ 0.92**	**Diluted earnings per common share**	**$ 0.69**	**$ 0.69**

For the three and nine months ended September 30, 2021 March 31, 2022, there were 206,035 and 194,615 92,987 anti-dilutive restricted shares/units and no anti-dilutive stock options that were excluded from computing diluted earnings per common share.

During the first quarter of 2021, all of the Company's outstanding stock appreciation rights (SARs) were exercised resulting in the net issuance of 305,772 shares of voting common stock. Prior to this exercise, the SARs were considered participating securities and income was allocated to the respective holder and not part of income (loss) available to common stockholders. After the exercise of all of the Company's outstanding SARs, there are no longer any participating securities outstanding and the net shares issued in settlement of such SARs are included in the computation of average common shares for both basic and diluted earnings per share.

NOTE 14 – LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES

Some financial instruments, such as unfunded loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met prior to their expiration dates. Commitments may expire without being used. Risk of credit loss exists up to the face amount of these instruments. The same credit policies are used to make such commitments as are used for originating loans, including obtaining collateral at exercise of the commitment.

The following table presents the contractual amount of financial instruments with off-balance-sheet risk as of the periods indicated:

	September 30, 2022		**December 31, 2021**	
($ in thousands)	**Fixed Rate**	**Variable Rate**	**Fixed Rate**	**Variable Rate**
Commitments to extend credit	$ 67,786	$ 209,519	$ 37,107	$ 136,921
Unused lines of credit	6,377	2,082,929	6,894	1,699,933
Letters of credit	2,579	7,088	2,553	5,617

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	March 31, 2023		**December 31, 2022**	
($ in thousands)	**Fixed Rate**	**Variable Rate**	**Fixed Rate**	**Variable Rate**
Commitments to extend credit	$ 43,044	$ 183,196	$ 50,193	$ 180,696
Unused lines of credit	46,407	1,545,036	8,392	1,505,122
Letters of credit	1,696	7,457	2,461	7,016

Other Commitments

At September 30, 2022 March 31, 2023, we had unfunded commitments of $18.8 million $17.1 million, $9.4 million $7.7 million, and $12.1 million $9.4 million for LIHTC investments, Small Business Investment Company ("SBIC") investments, and other investments, respectively. At December 31, 2022, we had unfunded commitments of $17.5 million, $8.6 million, and $9.8 million for LIHTC investments, SBIC investments, and other investments, respectively.

NOTE 15 – OTHER ASSETS AND OTHER LIABILITIES

The following table presents the components of other assets as of the dates indicated:

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($ in thousands)		March 31, 2023		December 31, 2022
Accrued interest receivable	$	39,850	$	37,942
Prepaid expenses		9,499		8,068
Derivative instruments(1)		1,650		2,292
Operating lease right-of-use assets		27,502		28,780
Servicing assets		21,718		22,484
Income taxes receivable		133		7,679
Investments:				
CRA and other equity investments(2)		92,637		90,295
Low income housing tax credits (“LIHTC”)(2)		44,424		45,726
Alternative energy partnerships(2)		19,427		21,410
Other assets		32,073		13,513
Total other assets	**$**	**288,913**	**$**	**278,189**

(1) See Note 9 - Derivative Instruments for information regarding derivative instruments

(2) See Note 12 - Variable Interest Entities regarding alternative energy partnerships, LIHTC and other CRA investments

The following table presents the components of accrued expenses and other liabilities as of the dates indicated:

($ in thousands)		March 31, 2023		December 31, 2022
Accrued interest payable	$	14,446	$	7,004
Accounts payable and accrued expenses		32,998		37,560
Derivative liabilities(1)		10,254		2,251
Lease liability		31,640		33,122
Commitments to fund LIHTC(2)		17,054		17,480
Reserve for unfunded noncancellable loan commitments		4,805		5,305
Reserve for loss on repurchased loans		2,846		2,989
Other liabilities		6,312		8,512
Total accrued expenses and other liabilities	**$**	**120,355**	**$**	**114,223**

(1) See Note 9 - Derivative Instruments for information regarding derivative instruments

(2) See Note 14 - Loan Commitments and Other Related Activities regarding commitments to fund LIHTC

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NOTE 15 16 – REVENUE RECOGNITION

The following table presents noninterest income, segregated by revenue streams, in-scope and out-of-scope of Topic 606 - *Revenue From Contracts With Customers*, for the periods indicated:

		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
($ in thousands)	**($ in thousands)**	**2022**	**2021**	**2022**	**2021**	**($ in thousands)**	**2023**	**2022**
Noninterest income	**Noninterest income**					**Noninterest income**		
In scope of Topic 606	*In scope of Topic 606*					*In scope of Topic 606*		
Deposit service fees	Deposit service fees	$ 1,486	$ 913	$ 4,767	$ 2,548	Deposit service fees	$ 1,263	$ 1,654
Debit card fees	Debit card fees	472	451	1,467	1,333	Debit card fees	377	453
Other	Other	240	146	536	327	Other	368	159
Noninterest income (in-scope of Topic 606)	Noninterest income (in-scope of Topic 606)	2,198	1,510	6,770	4,208	Noninterest income (in-scope of Topic 606)	2,008	2,266

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Noninterest income (out-of-scope of Topic 606)	Noninterest income (out-of-scope of Topic 606)	3,483	4,009	12,007	9,563	Noninterest income (out-of-scope of Topic 606)	5,851	3,644
Total noninterest income	**Total noninterest income**	**$ 5,681**	**$ 5,519**	**$ 18,777**	**$ 13,771**	**Total noninterest income**	**$ 7,859**	**$ 5,910**

We do not typically enter into long-term revenue contracts with clients and as of September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, we did not have any significant contract balances within the scope of Topic 606. As of September 30, 2022 March 31, 2023, we did not capitalize any revenue contract acquisition costs.

Sale-leaseback Transactions

In January 2022, we completed a sale-leaseback transaction for $2.4 million and recognized a gain of $771 thousand. In September 2021, we also completed a sale-leaseback transaction in which we sold a branch building for $4.2 million and recognized a gain of $841 thousand. Gains related to sale-leaseback are included in other income in the accompanying consolidated statements of operations.

NOTE 16 17 – RELATED-PARTY TRANSACTIONS

Certain of our executive officers and directors, and their related interests, are customers of, or have had transactions with the Bank in the ordinary course of business, including deposits, loans and other financial services related transactions. From time to time, the Bank may make loans to executive officers and directors, and their related interests, in the ordinary course of business and on substantially the same terms and conditions, including interest rates and collateral, as those of comparable transactions with non-insiders prevailing at the time, in accordance with the Bank's underwriting guidelines, and do not involve more than the normal risk of collectability or present other unfavorable features. As of September 30, 2022 March 31, 2023, no related party loans were categorized as nonaccrual, past due, restructured or potential problem loans.

Transactions with Related Parties

The Company and the Bank have engaged in transactions described below with the Company's current or former directors, executive officers, and beneficial owners of more than five percent of the outstanding shares of the Company's voting common stock and certain persons related to them.

As previously disclosed, the Company's Board of Directors has authorized and directed the Company to provide indemnification, advancement and/or reimbursement for the costs of separate independent counsel retained by any then-current officer or director, in their individual capacity, with respect to matters related to (i) an investigation by the Special Committee of the Company's Board of Directors in late 2016, (ii) a formal order of investigation issued by the SEC on January 4, 2017 (since resolved), and (iii) any civil or administrative proceedings against the Company as well as officers and directors currently or previously associated with the Company (collectively, the "Indemnified Matters").

Indemnification costs were paid or reimbursed by the Company or its insurance carriers on behalf of certain current directors in connection with the Indemnified Matters, in an aggregate amount less than $120 thousand and $244 thousand for each of the three and nine months ended September 30, 2022. Indemnification costs were paid or reimbursed by the Company or its insurance carriers on behalf of certain current directors in connection with the Indemnified Matters in aggregate amounts $244 thousand March 31, 2023 and $400 thousand for the three and nine months ended September 30, 2021. 2022.

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NOTE 17 18 – LITIGATION

From time to time, we are involved as plaintiff or defendant in various legal actions arising in the normal course of business. In accordance with applicable accounting guidance, we establish an accrued liability when those matters present loss contingencies that are both probable and estimable.

While the ultimate liability with respect to legal actions cannot be determined at this time, we believe that damages, if any, and other amounts relating to pending matters are not likely to be material to the consolidated financial statements.

NOTE 18 19 – SUBSEQUENT EVENTS

We have evaluated events from the date of the consolidated financial statements on September 30, 2022 March 31, 2023 through the issuance of these consolidated financial statements included in this Quarterly Report on Form 10-Q.

Subsequent to September 30, 2022 March 31, 2023, we repurchased 1,044,009 652,672 shares of common stock at a weighted average price of $16.58, $11.75, or $17.3 million $7.7 million. Since the announcement of the stock repurchase program on March 15, 2022 February 13, 2023, we have repurchased a total of 4,113,067 1,063,618 shares of common stock at a weighted average price of $17.85 $12.08 per share, or $73.4 million $12.8 million.

There have been no other subsequent events that occurred during such period that would require disclosure in this report or would be required to be recognized in the consolidated financial statements as of September 30, 2022 March 31, 2023.

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

The following is management's discussion and analysis of the major factors that influenced our results of operations and financial condition as of and for the three and nine months ended September 30, 2022 March 31, 2023. This analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2021 December 31, 2022 and with the unaudited consolidated financial statements and notes thereto set forth in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 March 31, 2023.

Executive Overview

We are focused on providing core banking products and services, including customized and innovative banking and lending solutions, designed to cater to the unique needs of California's diverse businesses, entrepreneurs and communities through our 29 28 full service branches in Orange, Los Angeles, California, extending from San Diego and to Santa Barbara Counties. Barbara. Through our over 684 dedicated professionals, we are committed to servicing and building enduring relationships by providing a higher standard of banking. We offer a
variety of financial products and services designed around our target clients in order to serve their the banking and financial needs. needs of our target clients. We also acquired Deepstack Technologies in 2022 to be able to offer full stack payment processing solutions and become further our ability to serve as the hub of the our clients' financial services ecosystem ecosystem.

Economy and Banking Industry Impact

Economic uncertainty and concerns regarding the stability of the U.S. banking system following recent bank failures contributed to a challenging operating environment for our clients. Company in the first quarter of 2023. Additionally, the Federal Reserve continued to raise the short-term federal funds rate, which increased 75 basis points since the start of the year, as inflation persists. As our assets and liabilities are primarily monetary in nature, the effect of changes in interest rates has a significant impact on our performance.

The rising interest rate environment may lead to lower demand for loans, higher credit losses, decreased values for our investment securities, among other negative effects. Additionally, it may create more intense competition for low-cost deposits, potential for deposit outflows as rate-sensitive depositors seek higher yielding products or investment alternatives, and increased deposit rates and borrowing costs. The recent industry events could further accelerate the deposit outflows experienced by most mid-sized banks during the quarter.

While our deposit base has been largely stable since the recent banking industry disruption, we increased our level of overnight borrowings and added short-term brokered deposits to increase our liquidity at March 31, 2023.We continue had primary and secondary liquidity availability of just over $4.0 billion, or 2.2 times our uninsured and uncollateralized deposits, with $1.0 billion of cash at quarter end. While these actions had an impact on our level of profitability and net interest margin in the first quarter, we believe it was prudent from a risk management perspective. The short-term nature of this additional liquidity provides flexibility to make adjustments in our liability mix as market conditions evolve.

Our first quarter of 2023 results show continued progress on the execution of our strategic initiatives to build long-term franchise value while maintaining disciplined expense management. We remained steadfastly focused on credit quality and continued to grow average loans a stable, high quality deposit base by bringing new commercial relationships to the bank. In the past several quarters, we have also taken a proactive approach to reposition our balance sheet, conservatively managed to maintain a strong capital position, and earning assets, improve temporarily increased our deposit mix, liquidity in response to market events at the end of the quarter Through our disciplined approach, we believe that we are well positioned to manage our cost through the current rising rate environment and navigate time of funds, and maintain disciplined expense control. stress in the banking system.

Financial Highlights

For the third first quarter of 2022, 2023, net income and net income available to common stockholders was $24.2 million $20.3 million, or $0.40 $0.34 per diluted common share. This compares to net income of $26.7 million $21.5 million, or $0.36 per diluted common share, for the fourth quarter of 2022 and net income of $48.5 million and net income available to common stockholders of $26.7 million $43.3 million, or $0.43 $0.69 per diluted common share, for the second first quarter of 2022 and net income 2022. The first quarter of $23.2 million and 2022 net income available to common stockholders included a $31.3 million pre-tax recovery from the settlement of $21.4 million a previously charged-off loan and a $3.7 million after-tax charge related to the redemption of Series E Preferred Stock.

On an adjusted basis, net income was $21.7 million for the quarter, or $0.37 per diluted common share, for the first quarter of 2023.(1) This compares to adjusted net income of $26.8 million, or $0.42 $0.45 per diluted common share, for the third quarter of 2021. Net income available to common stockholders includes pre-tax transaction costs of $2.1 million related to the Deepstack acquisition for the third fourth quarter of 2022, which excluded a pre-tax loss on sale of securities of $7.7 million, and $1.0 million related to the PMB acquisition $48.5 million, or $0.75 per diluted common share for the third first quarter of 2021. The operating results of PMB are included from its October 18, 2021 acquisition date, and consequently, may impact the comparison of the financial results for the periods presented. 2022.(1)

Third quarter of 2022
highlights:

- 1Acquisition of Deepstack completed on September 15, 2022
  - *Adjusted diluted EPS of $0.44*
  - Return on average assets of 1.02%
  - Adjusted return on average assets of 1.13%
  - Pre-tax pre-provision return on average assets of 1.44%
  - Adjusted pre-tax pre-provision return on average assets of 1.59%
  - Net interest margin of 3.58%
  - Noninterest-bearing deposits increased $117.0 million or 17% annualized Non-GAAP measures; refer to represent section "Non-GAAP Measures"40% of total quarter end deposits
  - Average cost of total deposits of 0.47%
  - Allowance for credit losses at 1.36% of total loans and 232% of non-performing loans, up from 1.34% and 224% in the prior quarter
  - Repurchased $13.0 million of common stock during the quarter and $73.4 million cumulatively this year through November 4, 2022

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Acquisition of Deepstack Technologies

On September 15, 2022, the Company completed its acquisition of the assets of Deepstack for $24 million in total consideration. Deepstack is a differentiated software-led and e-commerce payments platform that provides clients with payment solutions, including merchant processing, payments acceptance and disbursements, tokenization, virtual accounts, fraud protection tools, chargeback management, and reconciliation and reporting services. Deepstack advances Banc of California's goal to be the hub of the financial services ecosystem for clients while creating another driver of profitable long-term growth and franchise value including:

- Scalable, meaningful fee-based income
- New clients in verticals attractive to Banc of California
- New source of noninterest-bearing deposits

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First quarter of 2023 highlights:

- Diversified core deposit base with noninterest-bearing deposits representing 38% of average deposits and 36% at quarter end. Uninsured and uncollateralized deposits comprised 27% of total deposits.
- Significant available excess liquidity with immediately available on-balance sheet liquidity and unused borrowing capacity of $4.0 billion, including $1.0 billion in cash. Available liquidity was 2.2 times the level of uninsured and uncollateralized deposits.
- Low unrealized losses, with AFS unrealized losses of $46.8 million on securities of $958.4 million, representing 3.8% of CET1 capital. Total AFS and HTM unrealized losses of $102.4 million on total securities of $1.29 billion represented 8.3% of CET1 capital.
- High capital ratios remained well above the regulatory thresholds for "well capitalized" banks, including a 14.22% total risk-based capital ratio, a 11.79% Tier 1 capital ratio, a 11.79% CET1 capital ratio and a 9.65% Tier 1 leverage ratio.
- Stable asset quality as total delinquent loans decreased 20%, or 25 bps, to 1.03% and classified assets also decreased 20%, or 33 bps, to 1.34% from the prior quarter. Total net annualized charge-offs for the quarter were 0.22% of average loans. The Deepstack acquisition is accounted for ACL ratio remained relatively flat at 1.27% of total loans and 158% of nonperforming assets.
- Other performance highlights as a business combination under U.S. GAAP follows:
  - Book value per share of $16.33, up from $16.26
  - Tangible common equity per share of $14.26, up from $14.19(1)
  - Repurchased $5.2 million of common stock through March 31, 2023 and initial estimates $12.8 million total as of May 4, 2023
  - Increased the fair value of identifiable intangible assets and goodwill acquired are reflected quarterly dividend 67% to $0.10 per share
  - Net deposit outflow in the Company's balance sheet as first quarter of September 30, 2022. only 2%

CRITICAL ACCOUNTING ESTIMATES

We follow accounting and reporting policies and procedures that conform, in all material respects, to GAAP and to practices generally applicable to the financial services industry, the most significant of which are described in Note 1 — *Summary of Significant Accounting Policies* of the Notes to Consolidated Financial Statements included in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2021 December 31, 2022 filed with the SEC. The preparation of Consolidated Financial Statements in conformity with GAAP requires management to make judgments and accounting estimates that affect the amounts reported for assets, liabilities, revenues and expenses on the Consolidated Financial Statements and accompanying notes, and amounts disclosed as contingent assets and liabilities. While we base estimates on historical experience, current information and other factors deemed to be relevant, actual results could differ from those estimates.

Accounting estimates are necessary in the application of certain accounting policies and procedures that are particularly susceptible to significant change. Critical accounting policies are defined as those that require the most complex or subjective judgment and are reflective of significant uncertainties, and could potentially result in materially different results under different assumptions and conditions. Management has identified our most critical accounting policies and accounting estimates as: investment securities, allowance for credit losses, business combinations, valuation value of acquired loans, goodwill and deferred income taxes. See Note 1 — *Summary of Significant Accounting Policies* of the Notes to Consolidated Financial Statements (Unaudited) (Unaudited) included in Item 1 for a description of these policies.

Investment Securities. Held-to-maturity debt securities are carried at amortized cost and available-for-sale debt securities are carried at fair value. These securities are analyzed for credit deterioration under ASC 326, which requires the Company to determine whether impairment exists as of the reporting date and whether that impairment is due to credit deterioration. An allowance for credit losses would be established for losses on held-to-maturity and available-for-sale debt securities due to credit losses and would be reported as a component of provision for credit losses.

The valuation of investment securities considers observable data such as dealer quotes, market spreads, cash flows, yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and respective terms and conditions for debt instruments. We employ procedures to monitor the pricing service's assumptions and establish processes to challenge the pricing service's valuations that appear unusual or unexpected. Multiple quotes or prices may be obtained in this process and we determine which fair value is most appropriate based on market information and analysis. Quotes obtained through this process are generally non-binding. We follow established procedures to ensure that assets and liabilities are properly classified in the fair value hierarchy. All securities available-for-sale were classified as Level 2 at September 30, 2022 and December 31, 2021. When a market is illiquid or there is a lack of transparency around the inputs to valuation, including at least one unobservable input, the securities are classified as Level 3 and reliance is placed upon internally developed models and management's judgment and evaluation for valuation. We had no securities available-for-sale classified as Level 3 at September 30, 2022 and December 31, 2021.

The estimates used to determine the fair values of investment securities can be complex and require judgment. These critical estimates are difficult to predict and may result in credit losses in future periods if actual results materially differ from the estimated assumptions utilized in our valuation of these assets.

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Allowance for Credit Losses (“ACL”). The ACL is estimated on a quarterly basis and represents management’s estimate of current expected credit losses (“CECL”) CECL in our loan portfolio. The ACL estimate is based on the accounting standard commonly known as CECL. Under the CECL method, pools of loans with similar risk characteristics are collectively evaluated while loans that no longer share risk characteristics with loan pools are evaluated individually. Collective loss estimates are determined by applying loss factors, designed to estimate current expected credit losses, to amortized cost balances over the remaining life of the collectively evaluated portfolio. The allowance for loan losses includes qualitative adjustments to bring the allowance to the level management believes is appropriate based on factors that have not otherwise been fully accounted for, including those described in the federal banking agencies' joint interagency policy statement on ALL. These factors include, among others, inherent imprecision in forecasting economic variables, including determining the depth and duration of economic cycles and their impact to relevant economic variables; qualitative adjustments based on our evaluation of different forecast scenarios and known recent events impacting relevant economic variables; data factors that address the risk that certain model inputs may not reflect all available information including (i) risk factors that have not been fully addressed in internal risk ratings, (ii) changes
in lending policies and procedures, (iii) changes in the level and quality of experience held by lending management, (iv) imprecision in the risk rating system and (v) limitations in data available for certain loan portfolios. The ACL process also includes challenging and calibrating the model and model results against observed information, trends and events within the loan portfolio, among others. The ACL and provision for credit losses include amounts and changes from both the allowance for loan losses and the reserve for unfunded noncancellable loan commitments.

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Business Combinations. Business combinations are accounted for using the acquisition method of accounting under ASC Topic 805 - *Business Combinations*. Under the acquisition method, the Company measures the identifiable assets acquired, including identifiable intangible assets, and liabilities assumed in a business combination at fair value on acquisition date. Goodwill is generally determined as the excess of the fair value of the consideration transferred, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date.

We allocate the fair value of the purchase consideration to the assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The fair values of other intangibles are determined utilizing information available near the acquisition date based on expectations and assumptions that are deemed reasonable by management. The estimates used to determine the fair values of assets and liabilities acquired in a business combination can be complex and require judgment, as such we typically engage third-party valuation specialists for significant items.

For example, we generally value core deposit intangible assets using a discounted cash flow approach, which require a number of critical estimates that include, but are not limited to, future expected cash flows from depositor relationships, expected "decay" rates, and the determination of discount rates. We used use the multi-period excess earnings method to value developed technology, the foregone cash flow method to value client relationships, and the relief from royalty method to value trademarks. Non-compete agreements are estimated using a with and without scenario where cash flows are projected through the term of the non-compete agreement assuming the agreement is in place and compared to cash flows assuming it is not in place. In valuing these intangibles, we made make forward looking assumptions regarding expected future revenues and expenses to develop the underlying forecasts, applied contributory asset charges, discount rates, useful lives and other estimates. These critical estimates are difficult to predict and may result in impairment charges in future periods if actual results materially differ from the estimated assumptions utilized in our initial valuation of net assets and liabilities acquired.

Goodwill. Goodwill represents the excess purchase price of businesses acquired over the fair value of the identifiable net assets acquired. Goodwill is not subject to amortization and is evaluated for impairment at least annually, normally during the fourth fiscal quarter, or more frequently in the interim if events occur or circumstances change indicating impairment may have occurred. The determination of whether impairment has occurred is based on an assessment of several factors, including, but not limited to, operating results, business plans, economic projections, anticipated future cash flows, and current market data. Any impairment identified as part of this testing is recognized through a charge to noninterest expense.

The assessment of impairment discussed above incorporate inherent uncertainties, including projected operating results and future market conditions, which are often difficult to predict and may result in impairment charges in future periods if actual results materially differ from the estimated assumptions utilized in our forecasts.

Acquired Loans. At acquisition date, loans are evaluated to determine whether they meet the criteria of a purchased credit-deteriorated (“PCD”) PCD loan. PCD loans are loans that in management's judgement judgment have experienced more than insignificant deterioration in credit quality since origination. Factors that indicate a loan may have experienced more than insignificant credit deterioration include delinquency, downgrades in credit rating, non-accrual status, and other negative factors identified by management at the time of initial assessment. PCD loans are initially recorded at fair value, with the resulting non-credit discount or premium being amortized or accreted into interest income using the interest method. In addition to the fair value adjustment, at the date of acquisition, an ACL is established with a corresponding increase to the overall acquired loan balance. This initial ACL is determined using our application of the Company's current expected credit losses methodology. CECL method.

Acquired loans that are not considered PCD loans (“non-PCD loans”) are also recognized at fair value at the acquisition date, with the resulting credit and non-credit discount or premium being amortized or accreted into interest income using the interest method. In addition to the fair value adjustment, at the time of acquisition, the Company establishes we establish an initial ACL for acquired non-PCD loans through a charge to the provision for credit losses. This initial ACL is determined using our application of the Company's current expected credit losses methodology. CECL method.

Subsequent to acquisition date, the ACL for both PCD and non-PCD loans is determined using the same methodology to determine current expected credit losses that is applied to all other loans. loans in our portfolio.

The estimates used to determine the fair values of non-PCD PCD and PCD non-PCD acquired loans can be complex and require significant judgment regarding items such as default rates, timing and amount of future cash flows, prepayment rates and other factors. These critical estimates are difficult to predict and may result in provisions for credit losses in future periods if actual losses materially differ from the estimated assumptions utilized in our initial valuation of acquired loans.

Deferred Taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Deferred tax assets are also recognized for operating loss and tax credit carryforwards. Accounting guidance requires that companies assess whether a valuation allowance should be established against the deferred tax assets based on the consideration of all available evidence using a “more likely than not” standard. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management,

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it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. In assessing the realization of deferred tax assets, management will continue to evaluate both positive and negative evidence on a quarterly basis, including considering the four possible sources of future taxable income, such as future reversal of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards, taxable income in prior carryback year(s), and future tax planning strategies.

Although we believe our assessments of the realizability of deferred income taxes are reasonable, no assurance can be given that their realizability will not be different from that which is reflected in our net deferred tax asset balance.

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

We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. Although we believe our reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made.

Recent Recently Issued Accounting Pronouncements Not Yet Adopted

Our recent accounting pronouncements not yet adopted are described inSee Note 1 to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 and in Note 1 Consolidated Financial Statements (unaudited) included in Part I - *Summary* of *this Quarterly Report on Form 10-Q.*

Significant Accounting Policies.

Non-GAAP Financial Measures

Under Item 10(e) of SEC Regulation S-K, public companies disclosing financial measures in filings with the SEC that are not calculated in accordance with GAAP must also disclose, along with each non-GAAP financial measure, certain additional information, including a presentation of the most directly comparable GAAP financial measure, a reconciliation of the non-GAAP financial measure to the most directly comparable GAAP financial measure, as well as a statement of the reasons why the company's management believes that presentation of the non-GAAP financial measure provides useful information to investors regarding the company's financial condition and results of operations and, to the extent material, a statement of the additional purposes, if any, for which the company's management uses the non-GAAP financial measure.

Tangible assets, tangible equity, tangible common equity, tangible equity to tangible assets, tangible common equity to tangible assets, tangible common equity per common share, return on average tangible common equity, adjusted noninterest income, adjusted noninterest expense, adjusted noninterest income to adjusted total revenue, adjusted noninterest expense to average total assets, pre-tax pre-provision (PTPP) income, adjusted PTPP income, PTPP income (loss) ROAA, adjusted PTPP income ROAA, efficiency ratio, adjusted efficiency ratio, adjusted net income, adjusted net income available to common stockholders, adjusted diluted earnings per share (EPS) and, adjusted return on average assets (ROAA), and adjusted common equity tier 1 (CET 1) capital constitute supplemental financial information determined by methods other than in accordance with GAAP. These non-GAAP measures are used by management in its analysis of the Company's performance.

Tangible assets and tangible equity are calculated by subtracting goodwill and other intangibles intangible assets from total assets and total equity. Tangible common equity is calculated by subtracting preferred stock, as applicable, from tangible equity. Return on average tangible common equity is computed calculated by dividing net income (loss) available to common stockholders, after adjustment for amortization of other intangibles, intangible assets, by average tangible common equity. Banking regulators also exclude goodwill and other intangibles intangible assets from stockholders' equity when assessing the capital adequacy of a financial institution.

PTPP income is calculated by adding net interest income and noninterest income (total revenue) and subtracting noninterest expense. Adjusted PTPP income is calculated by adding net interest income and adjusted noninterest income (adjusted total revenue revenue) and subtracting adjusted noninterest expense. PTPP income ROAA is computed calculated by dividing annualized PTPP income by average assets. Adjusted PTPP income ROAA is computed calculated by dividing annualized adjusted PTPP income by average assets. Efficiency ratio is computed calculated by dividing noninterest expense by total revenue. Adjusted efficiency ratio is computed calculated by dividing adjusted noninterest expense by adjusted total revenue.

Adjusted net income is calculated by adjusting net income for tax-effected noninterest income and noninterest expense adjustments and the tax impact from the exercise of stock appreciation rights for the periods indicated. Adjusted ROAA is computed calculated by dividing annualized adjusted net income by average assets. Adjusted net income available to common stockholders is computed calculated by removing the impact of preferred stock redemptions from adjusted net income. Adjusted diluted

earnings per share is computed calculated by dividing adjusted net income available to common stockholders by the weighted average diluted common shares outstanding.

Common equity tier 1 and the common equity tier 1 ratio are defined by regulatory capital rules. Adjusted CET 1 is calculated by subtracting net unrealized losses on securities from CET 1 capital and provided to reflect management’s assessment of capital impacts from net unrealized losses on securities.

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Management believes the presentation of these non-GAAP financial measures provide adjusting the impact of these items provides useful supplemental information that is essential to a proper understanding of the financial results and operating performance of the Company. This disclosure should not be viewed as a substitute for results determined in accordance with GAAP, nor is it necessarily comparable to non-GAAP performance measures that may be presented by other companies.

The following tables provide reconciliations of the non-GAAP measures with financial measures defined by GAAP.

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(Dollars in thousands, except per share data) (Unaudited)	*(Dollars in thousands, except per share data) (Unaudited)*	**September 30, 2022**	**December 31, 2021**	*(Dollars in thousands, except per share data) (Unaudited)*	**March 31, 2023**	**December 31, 2022**			
Tangible common equity, and tangible common equity to tangible assets ratio	**Tangible common equity, and tangible common equity to tangible assets ratio**			**Tangible common equity, and tangible common equity to tangible assets ratio**					
Total assets	Total assets	$ 9,368,578	$ 9,393,743	Total assets	$ 10,038,901	$ 9,197,016			
Less goodwill	Less goodwill	(114,312)	(94,301)	Less goodwill	(114,312)	(114,312)			
Less other intangibles		(8,081)	(6,411)						
Less other intangible assets							Less other intangible assets	(7,065)	(7,526)
Tangible assets(1)	Tangible assets(1)	$ 9,246,185	$ 9,293,031	Tangible assets(1)	$ 9,917,524	$ 9,075,178			
Total stockholders' equity		$ 951,990	$ 1,065,290						
Less preferred stock		—	(94,956)						
Total common stockholders' equity		$ 951,990	$ 970,334						
Total stockholders' equity	Total stockholders' equity	$ 951,990	$ 1,065,290	Total stockholders' equity	$ 958,907	$ 959,618			
Less goodwill	Less goodwill	(114,312)	(94,301)	Less goodwill	(114,312)	(114,312)			
Less other intangibles		(8,081)	(6,411)						
Tangible equity(1)		829,597	964,578						
Less preferred stock		—	(94,956)						
Less other intangible assets							Less other intangible assets	(7,065)	(7,526)
Tangible common equity(1)	Tangible common equity(1)	$ 829,597	$ 869,622	Tangible common equity(1)	$ 837,530	$ 837,780			
Total stockholders' equity to total assets	Total stockholders' equity to total assets	10.16 %	11.34 %	Total stockholders' equity to total assets	9.55 %	10.43 %			
Tangible equity to tangible assets(1)		8.97 %	10.38 %						
Tangible common equity to tangible assets(1)	Tangible common equity to tangible assets(1)	8.97 %	9.36 %	Tangible common equity to tangible assets(1)	8.44 %	9.23 %			
Common shares outstanding	Common shares outstanding	59,679,558	62,188,206	Common shares outstanding	58,237,303	58,544,534			

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Class B non-voting non-convertible common shares outstanding	Class B non-voting non-convertible common shares outstanding	477,321	477,321	Class B non-voting non-convertible common shares outstanding	477,321	477,321
Total common shares outstanding	Total common shares outstanding	60,156,879	62,665,527	Total common shares outstanding	58,714,624	59,021,855
Book value per common share	Book value per common share	$ 15.83	$ 15.48	Book value per common share	$ 16.33	$ 16.26
Tangible common equity per common share(1)	Tangible common equity per common share(1)	$ 13.79	$ 13.88	Tangible common equity per common share(1)	$ 14.26	$ 14.19

(1) Non-GAAP measure.

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		Three Months Ended			Nine Months Ended September 30,			Three Months Ended		
(Dollars in thousands) (Unaudited)	*(Dollars in thousands) (Unaudited)*	**September 30, 2022**	**June 30, 2022**	**September 30, 2021**	**2022**	**2021**	*(Dollars in thousands) (Unaudited)*	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
Return on tangible common equity	**Return on tangible common equity**						**Return on tangible common equity**			
Average total stockholders' equity	Average total stockholders' equity	$960,806	$969,885	$847,941	$993,208	$850,215	Average total stockholders' equity	$1,004,794	$989,414	$1,049,912
Less average preferred stock	Less average preferred stock	—	—	(94,956)	(25,043)	(118,013)	Less average preferred stock	—	—	(75,965)
Average total common stockholders' equity	Average total common stockholders' equity	960,806	969,885	752,985	968,165	732,202	Average total common stockholders' equity	1,004,794	989,414	973,947
Less average goodwill	Less average goodwill	(98,916)	(95,127)	(37,144)	(96,133)	(37,144)	Less average goodwill	(114,312)	(114,312)	(94,307)
Less average other intangibles	Less average other intangibles	(4,570)	(4,869)	(1,941)	(5,216)	(2,226)	Less average other intangibles	(7,355)	(7,869)	(6,224)
Average tangible common equity(1)	Average tangible common equity(1)	$857,320	$869,889	$713,900	$866,816	$692,832	Average tangible common equity(1)	$ 883,127	$867,233	$ 873,416
Net income available to common stockholders	Net income available to common stockholders	$ 24,196	$ 26,712	$ 21,443	$ 94,253	$ 46,493	Net income available to common stockholders	$ 20,278	$ 21,519	$ 43,345
Add amortization of other intangibles	Add amortization of other intangibles	396	313	282	1,150	846	Add amortization of other intangibles	461	555	441

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Less tax effect on amortization of other intangibles(2)	Less tax effect on amortization of other intangibles(2)	(83)	(66)	(59)	(242)	(178)	Less tax effect on amortization of other intangibles(2)	(136)	(164)	(130)
Net income available to common stockholders(1)	Net income available to common stockholders(1)	$ 24,509	$ 26,959	$ 21,666	$ 95,161	$ 47,161	Net income available to common stockholders(1)	$ 20,603	$ 21,910	$ 43,656
Return on average equity	Return on average equity	9.99 %	11.05 %	10.84 %	13.38 %	8.90 %	Return on average equity	8.18 %	8.63 %	18.74 %
Return on average tangible common equity(1)	Return on average tangible common equity(1)	11.34 %	12.43 %	12.04 %	14.68 %	9.10 %	Return on average tangible common equity(1)	9.46 %	10.02 %	20.27 %

(1) Non-GAAP measure.

(2) Adjustments shown net of a statutory Federal tax rate of 21% 29.6%.

		Three Months Ended			Nine Months Ended September 30,			Three Months Ended		
(Dollars in thousands) (Unaudited)	*(Dollars in thousands) (Unaudited)*	September 30, 2022	June 30, 2022	September 30, 2021	2022	2021	*(Dollars in thousands) (Unaudited)*	March 31, 2023	December 31, 2022	March 31, 2022
Adjusted noninterest expense										
Adjusted noninterest income							**Adjusted noninterest income**			
Total noninterest income							Total noninterest income	$ 7,859	$ (1,427)	$ 5,910
Noninterest income adjustments:							Noninterest income adjustments:			
Net loss (gain) on securities available-for-sale							Net loss (gain) on securities available-for-sale	—	7,708	(16)
Total noninterest income adjustments							Total noninterest income adjustments	—	7,708	(16)
Adjusted noninterest income(1)							Adjusted noninterest income(1)	$ 7,859	$ 6,281	$ 5,894
Adjusted noninterest expense							**Adjusted noninterest expense**			
Total noninterest expense	Total noninterest expense	$ 50,962	$ 48,612	$ 37,811	$ 146,170	$ 124,806	Total noninterest expense	$ 51,239	$ 48,203	$ 46,596
Noninterest expense adjustments:	Noninterest expense adjustments:						Noninterest expense adjustments:			
Professional (fees) recoveries		(1,017)	(455)	2,152	(1,366)	2,715				

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Acquisition, integration and transaction costs	(2,080)	—	(1,000)	(2,080)	(2,400)						
Indemnified legal (fees) recoveries									Indemnified legal (fees) recoveries		
										(380)	869	106
Noninterest expense adjustments before (loss) gain in alternative energy partnership investments	(3,097)	(455)	1,152	(3,446)	315	Noninterest expense adjustments before (loss) gain in alternative energy partnership investments	(380)	869		106		
(Loss) gain in alternative energy partnership investments	(504)	(1,043)	1,785	(1,705)	(1,016)	(Loss) gain in alternative energy partnership investments	(1,618)	(608)		(158)		
Total noninterest expense adjustments	(3,601)	(1,498)	2,937	(5,151)	(701)	Total noninterest expense adjustments	(1,998)	261		(52)		
Adjusted noninterest expense(1)	$ 47,361	$ 47,114	$ 40,748	$ 141,019	$ 124,105	Adjusted noninterest expense(1)	$ 49,241	$ 48,464		$ 46,544		
Average assets	$ 9,408,740	$ 9,342,696	$ 8,141,613	$ 9,381,307	$ 7,944,218	Average assets	$ 9,317,209	$ 9,257,311		$ 9,392,305		
Noninterest expense to average total assets	2.15 %	2.09 %	1.84 %	2.08 %	2.10 %							
Adjusted noninterest expense to average total assets(1)	2.00 %	2.02 %	1.99 %	2.01 %	2.09 %							
Noninterest income to total revenue									Noninterest income to total revenue	9.71 %	(1.81) %	7.18 %
Adjusted noninterest income to adjusted total revenue(1)									Adjusted noninterest income to adjusted total revenue(1)	9.71 %	7.26 %	7.16 %
Noninterest expense to average total assets(2)									Noninterest expense to average total assets(2)	2.23 %	2.07 %	2.01 %
Adjusted noninterest expense to average total assets(1)(2)									Adjusted noninterest expense to average total assets(1)(2)	2.14 %	2.08 %	2.01 %

(1) *Non-GAAP measure.*

(2) *Ratio presented on an annualized basis.*

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Three Months Ended	Nine Months Ended September 30,	Three Months Ended

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(Dollars in thousands) (Unaudited)	(Dollars in thousands) (Unaudited)	September 30, 2022	June 30, 2022	September 30, 2021	2022	2021	(Dollars in thousands) (Unaudited)	March 31, 2023	December 31, 2022		March 31, 2022		
Adjusted pre-tax pre-provision income	**Adjusted pre-tax pre-provision income**						**Adjusted pre-tax pre-provision income**						
Net interest income	Net interest income	$ 79,408	$ 78,299	$ 62,976	$ 234,148	$ 180,739	Net interest income	$ 73,053	$ 80,217		$ 76,441		
Noninterest income	Noninterest income	5,681	7,186	5,519	18,777	13,771	Noninterest income	7,859	(1,427)		5,910		
Total revenue	Total revenue	85,089	85,485	68,495	252,925	194,510	Total revenue	80,912	78,790		82,351		
Noninterest expense	Noninterest expense	50,962	48,612	37,811	146,170	124,806	Noninterest expense	51,239	48,203		46,596		
Pre-tax pre-provision income(1)	Pre-tax pre-provision income(1)	$ 34,127	$ 36,873	$ 30,684	$ 106,755	$ 69,704	Pre-tax pre-provision income(1)	$ 29,673	$ 30,587		$ 35,755		
Total revenue	Total revenue	$ 85,089	$ 85,485	$ 68,495	$ 252,925	$ 194,510	Total revenue	$ 80,912	$ 78,790		$ 82,351		
Total noninterest income adjustments										Total noninterest income adjustments	—	7,708	(16)
Adjusted total revenue(1)										Adjusted total revenue(1)	80,912	86,498	82,335
Noninterest expense	Noninterest expense	50,962	48,612	37,811	146,170	124,806	Noninterest expense	51,239	48,203		46,596		
Total noninterest expense adjustments	Total noninterest expense adjustments	(3,601)	(1,498)	2,937	(5,151)	(701)	Total noninterest expense adjustments	(1,998)	261		(52)		
Adjusted noninterest expense(1)	Adjusted noninterest expense(1)	47,361	47,114	40,748	141,019	124,105	Adjusted noninterest expense(1)	49,241	48,464		46,544		
Adjusted pre-tax pre-provision income(1)	Adjusted pre-tax pre-provision income(1)	$ 37,728	$ 38,371	$ 27,747	$ 111,906	$ 70,405	Adjusted pre-tax pre-provision income(1)	$ 31,671	$ 38,034		$ 35,791		
Average assets	Average assets	$ 9,408,740	$ 9,342,696	$ 8,141,613	$ 9,381,307	$ 7,944,218	Average assets	$ 9,317,209	$ 9,257,311		$ 9,392,305		
Pre-tax pre-provision income ROAA(1) (2)	Pre-tax pre-provision income ROAA(1) (2)	1.44 %	1.58 %	1.50 %	1.52 %	1.17 %	Pre-tax pre-provision income ROAA(1) (2)	1.29 %	1.31 %		1.54 %		
Adjusted pre-tax pre-provision income ROAA(1) (2)	Adjusted pre-tax pre-provision income ROAA(1) (2)	1.59 %	1.65 %	1.35 %	1.59 %	1.18 %	Adjusted pre-tax pre-provision income ROAA(1) (2)	1.38 %	1.63 %		1.55 %		
Efficiency ratio(1) (2)	Efficiency ratio(1) (2)	59.89 %	56.87 %	55.20 %	57.79 %	64.16 %	Efficiency ratio(1) (2)	63.33 %	61.18 %		56.58 %		
Adjusted efficiency ratio(1) (2)	Adjusted efficiency ratio(1) (2)	55.66 %	55.11 %	59.49 %	55.76 %	63.80 %	Adjusted efficiency ratio(1) (2)	60.86 %	56.03 %		56.53 %		

(1) Non-GAAP measure.

	Three Months Ended	Nine Months Ended September 30,

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	September 30, 2022	June 30, 2022	September 30, 2021	2022	2021
Adjusted net income					
Net income(1)	$ 24,196	$ 26,712	$ 23,170	$ 99,420	$ 56,595
Adjustments:					
Noninterest expense adjustments	3,601	1,498	(2,937)	5,151	701
Tax impact of adjustments above(2)	(1,065)	(443)	868	(1,523)	(207)
Tax impact from exercise of stock appreciation rights	—	—	—	—	(2,093)
Adjustments to net income	2,536	1,055	(2,069)	3,628	(1,599)
Adjusted net income(3)	$ 26,732	$ 27,767	$ 21,101	$ 103,048	$ 54,996
Average assets	$ 9,408,740	$ 9,342,696	$ 8,141,613	$ 9,381,307	$ 7,944,218
ROAA	1.02 %	1.15 %	1.13 %	1.42 %	0.95 %
Adjusted ROAA(3)	1.13 %	1.19 %	1.03 %	1.47 %	0.93 %
Adjusted net income available to common stockholders					
Net income available to common stockholders	$ 24,196	$ 26,712	$ 21,443	$ 94,253	$ 46,493
Adjustments to net income	2,536	1,055	(2,069)	3,628	(1,599)
Adjustments for impact of preferred stock redemption	—	—	—	3,747	3,347
Adjusted net income available to common stockholders(3)	$ 26,732	$ 27,767	$ 19,374	$ 101,628	$ 48,241
Average diluted common shares	60,492,460	61,600,615	50,909,317	61,659,900	50,821,972
Diluted EPS	$ 0.40	$ 0.43	$ 0.42	$ 1.53	$ 0.91
Adjusted diluted EPS(3)(4)	$ 0.44	$ 0.45	$ 0.38	$ 1.65	$ 0.95

(2) Ratio presented on an annualized basis.

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	Three Months Ended		
	March 31, 2023	December 31, 2022	March 31, 2022
Adjusted net income			
Net income(1)(2)	$ 20,278	$ 21,519	$ 48,512
Adjustments:			
Noninterest income	—	7,708	(16)
Noninterest expense adjustments	1,998	(261)	52
Tax impact of adjustments above(3)	(591)	(2,202)	(11)
Adjustments to net income	1,407	5,245	25
Adjusted net income(2)(4)	$ 21,685	$ 26,764	$ 48,537
Average assets	$ 9,317,209	$ 9,257,311	$ 9,392,305
ROAA (5)	0.88 %	0.92 %	2.09 %
Adjusted ROAA(4)(5)	0.94 %	1.15 %	2.10 %
Adjusted net income available to common stockholders			
Net income available to common stockholders	$ 20,278	$ 21,519	$ 43,345
Adjustments to net income	1,407	5,245	25
Adjustments for impact of preferred stock redemption	—	—	3,747
Adjusted net income available to common stockholders(4)	$ 21,685	$ 26,764	$ 47,117
Average diluted common shares	59,206,619	59,725,283	62,906,003
Diluted EPS	$ 0.34	$ 0.36	$ 0.69

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Adjusted diluted EPS(4)(6)	$	0.37	$	0.45	$ 0.75

(1) Net income for the nine three months ended September 30, 2022 December 31, 2022 includes a $7.7 million pre-tax loss on sale of securities.

(2) Net income and adjusted net income for the three months ended March 31, 2022 includes a $31.3 million pre-tax reversal of credit losses due to the recovery from the settlement of a previously charged-off loan; there is no similar recovery in any of the other periods presented. The Bank previously recognized a $35.1 million charge-off for this loan during the third quarter of 2019.

(2) (3) Tax impact of adjustments shown at an effective tax rate of 29.6%.

(3) (4) Non-GAAP measure.

(4) (5) Ratio presented on an annualized basis.

(6) Represents adjusted net income available to common stockholders divided by average diluted common shares.

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		March 31, 2023
Adjusted Common Equity Tier 1 (CET 1) capital(1)		
CET 1 capital	$	888,339
Less unrealized loss on AFS securities, net of tax		(33,687)
Less unrealized loss on HTM securities, net of tax		(40,036)
Adjusted CET 1 capital(2)	$	814,616
Unrealized loss on AFS securities, net of tax, to CET 1 capital		3.79 %
Unrealized loss on HTM securities, net of tax, to CET 1 capital		4.51 %
Total unrealized loss on AFS and HTM securities, net of tax, to CET 1 capital		8.30 %
Total risk-weighted assets	$	7,533,336
CET 1 ratio		11.79 %

(1) March 31, 2023 presented to reflect management's assessment of capital impact from net unrealized losses on securities. Tax rate of 28.0% used for calculation purposes.

(2) Non-GAAP measure.

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RESULTS OF OPERATIONS

Net Interest Income

The following table presents interest income, average interest-earning assets, interest expense, average interest-bearing liabilities, and their corresponding yields and costs expressed both in dollars and rates for the three months ended September 30, 2022 March 31, 2023, June 30, 2022 December 31, 2022 and September 30, 2021 March 31, 2022:

		Three Months Ended											
		September 30, 2022			June 30, 2022			September 30, 2021				March 31, 20	
($ in thousands)	($ in thousands)	Average Balance	Interest and Dividends	Yield/Cost	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/Cost	($ in thousands)	Average Balance	Interest and Dividend
Interest-earning assets:	**Interest-earning assets:**										**Interest-earning assets:**		
Total loans(1)(2)	Total loans(1)(2)	$7,313,519	$ 83,699	4.54 %	$7,269,655	$ 78,895	4.35 %	$6,059,330	$ 63,837	4.18 %	Total loans(1)(2)	$6,994,958	$ 87,418
Securities	Securities	1,194,942	10,189	3.38 %	1,216,612	8,124	2.68 %	1,347,317	7,167	2.11 %	Securities	1,297,640	14,909
Other interest-earning assets (3)	Other interest-earning assets (3)	292,819	2,085	2.82 %	295,715	1,399	1.90 %	222,274	787	1.40 %	Other interest-earning assets (3)	389,051	4,592
Total interest-earning assets	Total interest-earning assets	8,801,280	95,973	4.33 %	8,781,982	88,418	4.04 %	7,628,921	71,791	3.73 %	Total interest-earning assets	8,681,649	106,919
Allowance for loan losses	Allowance for loan losses	(93,517)			(94,217)			(76,028)			Allowance for loan losses	(84,267)	
BOLI and noninterest-earning assets (4)	BOLI and noninterest-earning assets (4)	700,977			654,931			588,720			BOLI and noninterest-earning assets (4)	719,827	
Total assets	**Total assets**	**$9,408,740**			**$9,342,696**			**$8,141,613**			**Total assets**	**$9,317,209**	

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Interest-bearing liabilities:	**Interest-bearing liabilities:**										**Interest-bearing liabilities:**		
Interest-bearing checking	Interest-bearing checking	$2,285,071	3,880	0.67 %	$2,363,233	1,457	0.25 %	$2,280,429	632	0.11 %	Interest-bearing checking	$1,951,618	8,514
Savings and money market	Savings and money market	1,536,438	2,236	0.58 %	1,598,663	860	0.22 %	1,583,791	1,350	0.34 %	Savings and money market	1,070,911	2,001
Certificates of deposit	Certificates of deposit	832,506	2,871	1.37 %	631,415	863	0.55 %	571,822	430	0.30 %	Certificates of deposit	1,189,658	10,012
Total interest-bearing deposits	Total interest-bearing deposits	4,654,015	8,987	0.77 %	4,593,311	3,180	0.28 %	4,436,042	2,412	0.22 %	Total interest-bearing deposits	4,212,187	20,527
FHLB advances		482,842	3,558	2.92 %	485,629	3,114	2.57 %	435,984	2,990	2.72 %			
FHLB advances and FRB borrowings											FHLB advances and FRB borrowings	1,067,125	9,648
Other borrowings	Other borrowings	70,431	412	2.32 %	117,688	325	1.11 %	126,352	34	0.11 %	Other borrowings	4,773	57
Long-term debt	Long-term debt	274,665	3,608	5.21 %	274,515	3,500	5.11 %	256,634	3,379	5.22 %	Long-term debt	274,939	3,634
Total interest-bearing liabilities	Total interest-bearing liabilities	5,481,953	16,565	1.20 %	5,471,143	10,119	0.74 %	5,255,012	8,815	0.67 %	Total interest-bearing liabilities	5,559,024	33,866
Noninterest-bearing deposits	Noninterest-bearing deposits	2,855,220			2,804,877			1,939,912			Noninterest-bearing deposits	2,617,973	
Noninterest-bearing liabilities	Noninterest-bearing liabilities	110,761			96,791			98,748			Noninterest-bearing liabilities	135,418	
Total liabilities	Total liabilities	8,447,934			8,372,811			7,293,672			Total liabilities	8,312,415	
Total stockholders' equity	Total stockholders' equity	960,806			969,885			847,941			Total stockholders' equity	1,004,794	
Total liabilities and stockholders' equity	**Total liabilities and stockholders' equity**	**$9,408,740**			**$9,342,696**			**$8,141,613**			**Total liabilities and stockholders' equity**	**$9,317,209**	
Net interest income/spread	**Net interest income/spread**		**$ 79,408**	**3.13 %**		**$ 78,299**	**3.30 %**		**$ 62,976**	**3.06 %**	**Net interest income/spread**		**$ 73,053**
Net interest margin (5)	**Net interest margin (5)**			**3.58 %**			**3.58 %**			**3.28 %**	**Net interest margin (5)**		
Ratio of interest-earning assets to interest-bearing liabilities	**Ratio of interest-earning assets to interest-bearing liabilities**	**161 %**			**161 %**			**145 %**			**Ratio of interest-earning assets to interest-bearing liabilities**	**156 %**	
Total deposits(6)	**Total deposits(6)**	**7,509,235**	**8,987**	**0.47 %**	**7,398,188**	**3,180**	**0.17 %**	**6,375,954**	**2,412**	**0.15 %**	**Total deposits(6)**	**6,830,160**	**20,527**
Total funding (7)	**Total funding (7)**	**8,337,173**	**16,565**	**0.79 %**	**8,276,020**	**10,119**	**0.49 %**	**7,194,924**	**8,815**	**0.49 %**	**Total funding (7)**	**8,176,997**	**33,866**

(1) *Includes average loans held for sale of $4.2 million $4.3 million, $3.6 million $4.4 million and $3.0 million $3.4 million for the three months ended September 30, 2022 March 31, 2023, June 30, 2022 December 31, 2022 and September 30, 2021 March 31, 2022, respectively, which are included in other assets in the accompanying consolidated statements of financial condition.*

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(2) *Total loans are net of deferred fees, related direct costs, premiums and discounts, but exclude the allowance for credit losses. Nonaccrual loans are included in the average balance. Interest income includes net (amortization) accretion of deferred loan (costs) fees and purchased (premiums) discounts of $51 $324 thousand, $(155) 456 thousand and $514 (416) thousand for the three months ended September 30, 2022 March 31, 2023, June 30, 2022 December 31, 2022 and September 30, 2021 March 31, 2022, respectively.*

(3) *Includes average balance of FHLB, FRB and other bank stock at cost and average time deposits with other financial institutions.*

(4) *Includes average balance of bank-owned life insurance of $125.6 million $127.4 million, $124.8 million $126.5 million and $113.4 million $124.0 million for the three months ended September 30, 2022 March 31, 2023, June 30, 2022 December 31, 2022 and September 30, 2021 March 31, 2022, respectively.*

(5) *Annualized net interest income divided by average interest-earning assets.*

(6) *Total deposits is the sum of interest-bearing deposits and noninterest-bearing deposits. The cost of total deposits is calculated as annualized total interest expense on deposits divided by average total deposits.*

(7) *Total funding is the sum of interest-bearing liabilities and noninterest-bearing deposits. The cost of total funding is calculated as annualized total interest expense divided by average total funding.*

Three Months Ended September 30, 2022 March 31, 2023 Compared to Three Months Ended June 30, 2022 December 31, 2022

Net interest income increased $1.1 million decreased $7.2 million to $79.4 million $73.1 million for the third first quarter of 2023 from the fourth quarter of 2022 due to a higher average balances balance and cost of interest-bearing liabilities, partially offset by a higher average balance and yield on interest-earning assets, partially offset by higher average balances and costs on interest-bearing liabilities.

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interest-earning assets. The net interest margin remained unchanged at 3.58% decreased 28 basis points to 3.41% for the third first quarter as the average interest-earning assets yield increased 29 20 basis points and the cost of average total funding increased 30 51 basis points while average interest-bearing assets remain relatively unchanged. points.

The yield on average interest-earning assets increased to 4.33% 4.99% for the third first quarter from 4.04% 4.79% for the second fourth quarter mainly due to the mix of interest-earning assets and higher yields on loans, securities and other interest-earning assets. The overall loan yield increased 19 15 basis points to 4.54% 5.07% during the third first quarter compared to the fourth quarter of 2022 as a result of the portfolio mix and the impact of higher market interest rates. rates and changes in portfolio mix. The loan yields include the impact of prepayment penalty fees, the net reversal or recapture of nonaccrual loan interest and accelerated discount accretion on the early payoff of purchased loans; these items increased the overall loan yield by 8 basis points in the first quarter and 6 basis points in the third quarter, compared to 10 fourth quarter. The yield on securities increased 47 basis points to 4.66% due mostly to rate resets in the prior quarter. CLO portfolio and the positive impact of the investment portfolio repositioning during the fourth quarter to sell lower-yielding securities and reinvest the proceeds in higher-yielding securities.

The average cost of funds increased 30 51 basis points to 0.79% 1.68% for the third first quarter from 0.49% 1.17% for the second fourth quarter. This increase was due partially to the conservative strategy to hold extra liquidity toward the end of the quarter due to the operating environment. The increase in the average cost of funds was driven by the higher cost of average interest-bearing liabilities, which increased 46 66 basis points to 1.20% 2.47% for the third first quarter from 0.74% 1.81% for the second fourth quarter. The cost of average interest-bearing deposits increased 49 64 basis points to 0.77% 1.98% for the third first quarter from 0.28% 1.34% for the second fourth quarter while the cost of average FHLB advances and FRB borrowings increased 35 46 basis points to 2.92% 3.67% for the third first quarter from 2.57% 3.21% for the second fourth quarter. These increases The increase in the costs cost of these funding sources was due to the increase in higher cost borrowed funds were mostly a result and the impact of higher market interest rates. rates as the average effective Federal Funds rate increased 86 basis points from 3.65% in the fourth quarter to 4.51% in the first quarter.

Average noninterest-bearing deposits were $50.3 million higher $279.8 million lower in the third first quarter compared to the second fourth quarter, while and average total deposits were $111.0 million higher $303.3 million lower for the linked quarters. quarter. Average noninterest-bearing deposits represented 38% of average total average deposits for both the third first quarter, and compared to 41% for the second fourth quarter. The cost of average total average deposits increased 30 43 basis points to 0.47% 1.22% for the third first quarter. The spot rate of total deposits was 0.56% at

Average FHLB advances, FRB borrowings and other borrowings were $346.6 million higher in the end of first quarter compared to the third quarter. fourth quarter as wholesale funding sources were strategically utilized to further improve liquidity and manage funding costs.

Three Months Ended September 30, 2022 March 31, 2023 Compared to Three Months Ended September 30, 2021 March 31, 2022

Net interest income for the third first quarter of 2022 increased $16.4 million 2023 decreased $3.4 million to $79.4 million $73.1 million compared to $63.0 million $76.4 million for the same 2021 2022 period. Net interest income was positively negatively impacted by higher average interest-earning assets, a higher yield on such assets, balance and improved funding mix, cost of interest-bearing liabilities, partially offset by a higher average interest-bearing liabilities balance and higher funding costs. The 2022 operating results include the impact yield on interest-earning assets.

Table of acquiring PMB in the fourth quarter of 2021. Contents

The net interest margin increased 30 decreased 10 basis points to 3.58% 3.41% for the third first quarter of 2022 2023 as the average interest-earning assets yield increased 60 112 basis points and the average cost of total funding increased 30 129 basis points. The average yield on interest-earning assets increased to 4.33% 4.99% for the third first quarter of 2022 2023 from 3.73% 3.87% for the same 2021 2022 period due to the mix of interest-earning assets and higher yields on securities and other interest-earning assets as a result of driven by higher market interest rates. The average Federal funds rate was 2.18% for the third quarter of 2022 compared to 0.09% for the same 2021 period. Average loans increased decreased by $1.25 billion from ongoing $267.8 million due mostly to reductions in average warehouse lending balances, offset by loan growth including within other loans from the acquisition of PMB. classes. The average yield on loans increased 36 81 basis points to 4.54% 5.07% for the third first quarter of 2022, 2023, compared to 4.18% 4.26% for the

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same 2021 2022 period. The loan yield includes the impact of prepayment penalty fees, the net reversal or recapture of nonaccrual loan interest, and accelerated discount accretion on the early payoff of purchased loans, and accelerated fees from PPP loan forgiveness; loans; these items increased the loan yield by 6 8 basis points in the third first quarter of 2022 2023 compared to 11 12 basis points for same 2021 2022 period.

The average cost of funds increased 30 129 basis points to 0.79% 1.68% for the third first quarter of 2022, 2023, from 0.49% 0.39% for the same 2021 2022 period. This increase was driven by the higher cost of average interest-bearing liabilities impacted by higher market rates. interest rates and the conservative strategy to hold extra liquidity toward the end of first quarter of 2023 due to the operating environment. The average cost of interest-bearing liabilities increased 53 189 basis points to 1.20% 2.47% for the third first quarter of 2022 2023 from 0.67% 0.58% for the same 2021 2022 period, partially offset by an improved changes in funding mix, including higher lower average noninterest-bearing deposits as a result of the PMB acquisition interest-bearing deposit balances and growth from ongoing business development efforts. average other borrowings. Average noninterest-bearing deposits represented 38% of total average deposits for the third first quarter of 2022, compared to 30% for the same 2021 period. 2023 and 2022. The average cost of interest-bearing deposits increased 55 186 basis points to 0.77% 1.98% for the third first quarter of 2022 2023 from 0.22% 0.12% for the same 2021 2022 period while the average cost of total deposits increased 32 114 basis points to 0.47% 1.22% for the third first quarter of 2023, compared to 0.08% for the same 2022 period. The average Federal funds rate was 4.51% for the first quarter of 2022 compared to 0.15% 0.12% for the same 2021 2022 period.

Average FHLB advances, FRB borrowings and other borrowings decreased $9.1 million increased $495.7 million due mostly to lower overnight borrowings, offset by higher term advances. our proactive strategy to increase liquidity in the first quarter of 2023.

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The following table presents interest income, average interest-earning assets, interest expense, average interest-bearing liabilities, and their corresponding yields and costs expressed both in dollars and rates, on a consolidated operations basis, for the nine months ended September 30, 2022 and 2021:

	Nine Months Ended September 30,					
	2022			2021		
($ in thousands)	Average Balance	Interest and Dividends	Yield/Cost	Average Balance	Interest and Dividends	Yield/Cost
Interest-earning assets:						
Total loans (1)(2)	$ 7,282,169	$ 238,828	4.38 %	$ 5,872,604	$ 187,082	4.26 %
Securities	1,234,188	25,622	2.78 %	1,297,636	20,654	2.13 %
Other interest-earning assets (3)	284,725	4,210	1.98 %	272,126	2,350	1.15 %
Total interest-earning assets	8,801,082	268,660	4.08 %	7,442,366	210,086	3.77 %
Allowance for loan losses	(93,454)			(78,729)		
BOLI and noninterest-earning assets (4)	673,679			580,581		
Total assets	**$ 9,381,307**			**$ 7,944,218**		
Interest-bearing liabilities:						
Interest-bearing checking	$ 2,352,067	5,978	0.34 %	$ 2,201,568	2,212	0.13 %
Savings and money market	1,602,280	3,606	0.30 %	1,625,214	5,985	0.49 %
Certificates of deposit	658,576	3,971	0.81 %	641,157	2,044	0.43 %
Total interest-bearing deposits	4,612,923	13,555	0.39 %	4,467,939	10,241	0.31 %
FHLB advances	476,158	9,625	2.70 %	433,532	9,046	2.79 %
Other borrowings	101,369	792	1.04 %	49,914	40	0.11 %
Long-term debt	274,533	10,540	5.13 %	256,497	10,020	5.22 %
Total interest-bearing liabilities	5,464,983	34,512	0.84 %	5,207,882	29,347	0.75 %
Noninterest-bearing deposits	2,818,795			1,788,096		
Noninterest-bearing liabilities	104,321			98,025		
Total liabilities	8,388,099			7,094,003		
Total stockholders’ equity	993,208			850,215		
Total liabilities and stockholders’ equity	**$ 9,381,307**			**$ 7,944,218**		
Net interest income/spread		**$ 234,148**	**3.24 %**		**$ 180,739**	**3.02 %**
Net interest margin (5)			**3.56 %**			**3.25 %**
Ratio of interest-earning assets to interest-bearing liabilities	161 %			143 %		
Total deposits(6)	7,431,718	13,555	0.24 %	6,256,035	10,241	0.22 %
Total funding (7)	8,283,778	34,512	0.56 %	6,995,978	29,347	0.56 %

(1) Includes average loans held for sale of $3.8 million and $2.1 million for the nine months ended September 30, 2022 and 2021, which are included in other assets in the accompanying consolidated statements of financial condition.

(2) Total loans are net of deferred fees, related direct costs, premiums and discounts, but exclude the allowance for credit losses. Nonaccrual loans are included in the average balance. Interest income includes net (amortization) accretion of deferred loan (costs) fees and purchased (premiums) discounts of $(520) thousand and $1.1 million for the nine months ended September 30, 2022 and 2021, respectively, are included in interest income.

(3) Includes average balance of FHLB, FRB and other bank stock at cost and average time deposits with other financial institutions.

(4) Includes average balance of bank-owned life insurance of $124.8 million and $112.7 million for the nine months ended September 30, 2022 and 2021.

(5) Annualized net interest income divided by average interest-earning assets.

(6) Total deposits is the sum of interest-bearing deposits and noninterest-bearing deposits. The cost of total deposits is calculated as annualized total interest expense on deposits divided by average total deposits.

(7) Total funding is the sum of interest-bearing liabilities and noninterest-bearing deposits. The cost of total funding is calculated as annualized total interest expense divided by average total funding.

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Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

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Net interest income increased $53.4 million to $234.1 million for the nine months ended September 30, 2022 due to higher average balances and yield on interest-earning assets, partially offset by higher average balances and costs of interest-bearing liabilities.

The net interest margin increased 31 basis points to 3.56% as the average earning-assets yield increased 31 basis points and the average cost of total funding remained unchanged between periods. The yield on average interest-earning assets increased to 4.08% for the nine months ended September 30, 2022, from 3.77% for 2021 due mostly to the mix of interest-earning assets and higher market interest rates. Average loans represented 83% of average earnings assets in 2022 compared to 79% for the same period in 2021. Average loans increased by $1.41 billion from ongoing loan growth and the impact of the acquisition of PMB in the fourth quarter of 2021. The yield on average loans for the nine months ended September 30, 2022 was 4.38% compared to 4.26% for the same period in 2021. The yield on average investment securities and other interest-earning assets increased 65 basis points and 83 basis points, respectively, for the nine months ended September 30, 2022, compared to the same period in 2021.

The average cost of funds was 0.56% for both the nine months ended September 30, 2022 and 2021 despite a rising rate environment during the current year. The cost of average interest-bearing liabilities increased 9 basis points to 0.84% for the nine months ended September 30, 2022 compared to the same period in 2021 and included an 8 basis points increase in the cost of average interest-bearing deposits to 0.39%. The increase in the cost of average interest-bearing liabilities was offset by the overall improved funding mix, including higher average noninterest-bearing deposits as a result of growth from business development efforts and the impact of the acquisition of PMB.

Average noninterest-bearing deposits represented 38% of total average deposits for the nine months ended September 30, 2022 compared to 29% for the same period in 2021. Average noninterest-bearing deposits were $1.03 billion higher for the nine months ended September 30, 2022 compared to the same period in 2021 while average total deposits were $1.18 billion higher. The average cost of total deposits increased 2 basis points to 0.24% for the nine months ended September 30, 2022 compared to the same period in 2021.

Rate/Volume Analysis

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

	Three Months Ended September 30, 2022 vs. 2021			Nine Months Ended September 30, 2022 vs. 2021		
	Increase (Decrease) Due to		Net Increase	Increase (Decrease) Due to		Net Increase
($ In thousands)	**Volume**	**Rate**	**(Decrease)**	**Volume**	**Rate**	**(Decrease)**
Interest and dividend income:						
Total loans	$ 14,021	$ 5,841	$ 19,862	$ 46,083	$ 5,663	$ 51,746
Securities	(887)	3,909	3,022	(1,052)	6,020	4,968
Other interest-earning assets	309	989	1,298	114	1,746	1,860
Total interest and dividend income	$ 13,443	$ 10,739	$ 24,182	$ 45,145	$ 13,429	$ 58,574
Interest expense:						
Interest-bearing checking	$ 1	$ 3,247	$ 3,248	$ 161	$ 3,605	$ 3,766
Savings and money market	(192)	1,078	886	(918)	(1,461)	(2,379)
Certificates of deposit	277	2,164	2,441	56	1,871	1,927
FHLB advances	335	233	568	869	(290)	579
Other borrowings	(23)	401	378	79	673	752
Long-term debt	234	(5)	229	694	(174)	520
Total interest expense	632	7,118	7,750	941	4,224	5,165
Net interest income	**$ 12,811**	**$ 3,621**	**$ 16,432**	**$ 44,204**	**$ 9,205**	**$ 53,409**

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	Three Months Ended March 31, 2023 vs. March 31, 2022		
	Increase (Decrease) Due to		Net Increase
($ In thousands)	**Volume**	**Rate**	**(Decrease)**
Interest and dividend income:			
Total loans	$ (2,891)	$ 14,075	$ 11,184
Securities	32	7,568	7,600
Other interest-earning assets	477	3,389	3,866
Total interest and dividend income	$ (2,382)	$ 25,032	$ 22,650
Interest expense:			
Interest-bearing checking	$ (147)	$ 8,020	$ 7,873
Savings and money market	(226)	1,717	1,491

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Certificates of deposit	716	9,059	9,775
FHLB advances and FRB borrowings	5,109	1,586	6,695
Other borrowings	(100)	102	2
Long-term debt	7	195	202
Total interest expense	5,359	20,679	26,038
Net interest income	**$ (7,741)**	**$ 4,353**	**$ (3,388)**

Provision for Credit Losses

The provision for credit losses is charged to operations and is adjusted in each period to adjust the allowance for credit losses to the a level required to cover current expected credit losses in our loan portfolio and unfunded commitments. The following table presents the components of our provision for credit losses:

	Three Months Ended			Nine Months Ended September 30,	
($ in thousands)	**September 30, 2022**	**June 30, 2022**	**September 30, 2021**	**2022**	**2021**
(Reversal of) provision for loan losses	$ (500)	$ (500)	$ (2,566)	$ (32,342)	$ (6,458)
Provision for (reversal of) credit losses - unfunded loan commitments	500	500	1,419	800	2,050
Total (reversal of) provision for credit losses	**$ —**	**$ —**	**$ (1,147)**	**$ (31,542)**	**$ (4,408)**

	Three Months Ended		
($ in thousands)	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
Provision for (reversal of) credit losses - loans	$ 2,500	$ 1,100	$ (31,342)
(Reversal of) credit losses - unfunded noncancellable loan commitments	(500)	(1,100)	(200)
Total provision for (reversal of) credit losses	**$ 2,000**	**$ —**	**$ (31,542)**

Three Months Ended September 30, 2022 March 31, 2023 Compared to Three Months Ended June 30, 2022 December 31, 2022

The provision for credit losses was $2.0 million for the first quarter and included a $2.5 million provision for credit losses related to loans, partially offset by a $500 thousand reversal of credit losses related to lower unfunded commitments. There was noprovision for credit losses for both the third quarter fourth quarter. The increase in provision for credit losses was due to an increase in specific reserves and the second quarter as the benefits of the continuing favorable credit quality performance deterioration in the loan portfolio combined with a decrease in total loan balances macroeconomic outlook, partially offset the estimated allowance resulting from by net charge-off activity, changes in the portfolio mix and our reasonable and supportable forecast, primarily related to the economic outlook from the FRB's actions to control inflation.a decrease in total loan balances.

Three Months Ended September 30, 2022 March 31, 2023 Compared to Three Months Ended September 30, 2021 March 31, 2022

There was no The provision for credit losses for the third first quarter of 2022, 2023 was $2.0 million, compared to a reversal of $1.1 million $31.5 million for the same 2021 2022 period. The reversal of credit losses in the third first quarter of 2021 was driven primarily by improvements in the economic forecasts with the rollout of the COVID-19 vaccines and continued improvement in credit metrics of the Bank. This was partially offset by loan growth experienced in the quarter resulting in higher balances.

Nine Months Ended September 30, 2022 Compared 2022 included $31.3 million related to Nine Months Ended September 30, 2021

During the nine months ended September 30, 2022, the provision for credit losses was a reversal of $31.5 million, compared to a reversal of $4.4 million during 2021. The higher reversal of credit losses for the nine months ended September 30, 2022 was due to a $31.3 million recovery from the settlement of a loan previously charged-off in 2019.

See further discussion in *"Allowance for Credit Losses."*

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Noninterest Income

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

		Three Months Ended			Nine Months Ended September 30,			Three Months Ended		
($ in thousands)	**($ in thousands)**	**September 30, 2022**	**June 30, 2022**	**September 30, 2021**	**2022**	**2021**	**($ in thousands)**	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**

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Customer service fees	Customer service fees	$ 2,462	$ 2,578	$ 1,900	$ 7,474	$ 5,648	Customer service fees	$ 1,979	$ 2,066	$ 2,434
Loan servicing income	Loan servicing income	636	109	170	957	476	Loan servicing income	547	561	212
Income from bank owned life insurance	Income from bank owned life insurance	873	810	715	2,479	2,077	Income from bank owned life insurance	900	923	796
Net gain on sale of securities available-for-sale		—	—	—	16	—				
Net (loss) gain on sale of securities available-for-sale							Net (loss) gain on sale of securities available-for-sale	—	(7,708)	16
Other income	Other income	1,710	3,689	2,734	7,851	5,570	Other income	4,433	2,731	2,452
Total noninterest income	**Total noninterest income**	**$ 5,681**	**$ 7,186**	**$ 5,519**	**$ 18,777**	**$ 13,771**	**Total noninterest income**	**$ 7,859**	**$ (1,427)**	**$ 5,910**

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Three Months Ended September 30, 2022 March 31, 2023 Compared to Three Months Ended June 30, 2022 December 31, 2022

Noninterest income decreased $1.5 million increased $9.3 million to $5.7 million $7.9 million for the third first quarter compared due mainly to the prior previous quarter primarily due to lower including a $7.7 million loss on the sale of investment securities, coupled with higher other income of $2.0 million, offset by higher loan servicing income of $527 thousand. $1.7 million. Other income decreased due mostly to lower gains included $1.1 million in recoveries of certain charged-off loans acquired in a previous business combination and higher income from equity investments of $2.1 million, which are recorded based on the most recent information available from the investee and fluctuates based on their underlying performance. The higher loan servicing income related to the purchase of loan servicing rights at the end of the second quarter of 2022, with an underlying loan servicing portfolio of $1.7 billion and a remaining asset value of $22.0 million at September 30, 2022.$750 thousand.

Three Months Ended September 30, 2022 March 31, 2023 Compared to Three Months Ended September 30, 2021 March 31, 2022

Noninterest income for the third first quarter of 2022 2023 increased $162 thousand $1.9 million to $5.7 million $7.9 million compared to the same 2021 period quarter in 2022 due to higher customer service fees other income of $2.0 million and loan servicing income of $335 thousand, partially offset by lower other income. customer service fees of $455 thousand. The $562 thousand increase in customer services fees other income was due mostly to higher deposit activity fees income from equity investments of $602 $1.7 million and the aforementioned $1.1 million in recoveries of certain charged-off loans acquired in a previous business combination, partially offset by lower gain of $771 thousand attributed related to higher average deposit balances and reflected a full sale-leaseback transaction recognized in the first quarter of activity from the acquisition of PMB. 2022. The $466 thousand increase in loan servicing income related was due mostly to the purchase acquisition of loan mortgage servicing rights in the second quarter of 2022. The $1.0 million decrease in other income customer services fees was due mostly mainly to the 2021 period including a $841 thousand gain related to a sale-leaseback transaction; there was no similar income in the third quarter of 2022.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Noninterest income for the nine months ended September 30, 2022 increased $5.0 million to $18.8 million compared to 2021. The increase for most categories are a result of including PMB's operations for a full nine months in 2022 compared to 2021. Customer services fees increased $1.8 million due mostly to higher lower deposit activity fees of $2.4 million $437 thousand attributed to higher lower average deposit balances partially offset by lower loan fees of $657 thousand. Loan servicing income increased $481 thousand due mostly to the acquisition of servicing rights during the second quarter of 2022. Income from bank-owned life insurance increased $402 thousand due to higher average balances. The $2.3 million increase in other income is due mostly to higher income from equity investments of $2.8 million, partially offset by a $773 thousand decrease in the change in fair value of loans held for sale between periods.

Noninterest Expense

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

		Three Months Ended			Nine Months Ended September 30,			Three Months Ended		
($ in thousands)	**($ in thousands)**	**September 30, 2022**	**June 30, 2022**	**September 30, 2021**	**2022**	**2021**	**($ in thousands)**	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
Salaries and employee benefits	Salaries and employee benefits	$ 27,997	$ 28,264	$ 24,786	$ 85,248	$ 75,547	Salaries and employee benefits	$ 29,656	$ 27,812	$ 28,987
Occupancy and equipment	Occupancy and equipment	8,649	7,876	7,124	24,380	21,597	Occupancy and equipment	5,526	5,740	5,637
Professional fees	Professional fees	4,507	4,107	892	11,521	6,663	Professional fees	4,072	3,193	2,839
Data processing	Data processing	1,699	1,782	1,646	5,309	4,922	Data processing	1,563	1,744	1,828
Regulatory assessments	Regulatory assessments	925	1,021	812	2,721	2,355	Regulatory assessments	1,202	905	775

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Reversal of provision for loan repurchases		(26)	(490)	(42)	(987)	(273)				
Software and technology							Software and technology	3,274	3,197	2,700
Reversal of loan repurchase reserves							Reversal of loan repurchase reserves	(11)	(17)	(471)
Amortization of other intangibles	Amortization of other intangibles	396	313	282	1,150	846	Amortization of other intangibles	461	555	441
Acquisition, integration and transaction costs		2,080	—	1,000	2,080	2,400				
Other expense	Other expense	4,231	4,696	3,096	13,043	9,733	Other expense	3,878	4,466	3,702
Noninterest expense before loss (gain) on investments in alternative energy partnerships		**50,458**	**47,569**	**39,596**	**144,465**	**123,790**				
Loss (gain) on investments in alternative energy partnerships		504	1,043	(1,785)	1,705	1,016				
Noninterest expense before loss on investments in alternative energy partnerships							**Noninterest expense before loss on investments in alternative energy partnerships**	**49,621**	**47,595**	**46,438**
Loss on investments in alternative energy partnerships							Loss on investments in alternative energy partnerships	1,618	608	158
Total noninterest expense	**Total noninterest expense**	**$ 50,962**	**$ 48,612**	**$ 37,811**	**$ 146,170**	**$ 124,806**	**Total noninterest expense**	**$ 51,239**	**$ 48,203**	**$ 46,596**

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Three Months Ended September 30, 2022 March 31, 2023 Compared to Three Months Ended June 30, 2022 December 31, 2022

Noninterest expense increased $2.4 million $3.0 million to $51.0 million $51.2 million for the third first quarter compared to the second fourth quarter. The increase was due mostly to (i) acquisition, integration higher salaries and transaction employee benefits of $1.8 million including $1.0 million of severance costs of $2.1 million related to expense management and higher payroll taxes normally incurred during the Deepstack acquisition, first quarter, (ii) higher occupancy and equipment expense of $773 thousand including an early lease termination charge of $285 thousand, (iii) higher professional fees of $400 thousand, due mostly to a $562 thousand increase in indemnified legal fees (net of insurance recoveries), and (iv) lower reversal of provision for loan repurchases of $464 thousand. These increases were offset by lower net loss in alternative energy partnership investments of $539 $1.0 million, (iii) higher professional fees of $879 thousand, due to a $1.2 million increase in indemnified legal fees (net of recoveries) offset by a $370 thousand decrease in other professional fees, and (iv) higher regulatory assessments of $297 thousand as the FDIC increased assessment rates in the first quarter. These increases were partially offset by lower other expenses of $465 thousand. $994 thousand due to ongoing expense management. Professional fees included net indemnified legal expenses of $1.0 million $380 thousand in the third first quarter compared to net indemnified legal expenses recoveries of $455 $869 thousand in the second fourth quarter.

Total operating costs, defined as Adjusted noninterest expense adjusted for certain expense items (refer to section *Non-GAAP Measures*), increased $247 $777 thousand to $47.4 million $49.2 million for the third first quarter compared to $47.1 million $48.5 million for the prior quarter. quarter. This increase is was due mostly to (i) higher occupancy salaries and equipment expense benefits of $773 $1.8 million and regulatory assessments of $297 thousand, and (ii) lower reversal of provision for loan repurchase reserves of $464 thousand, partially offset by a decrease in lower professional fees of $370 thousand, and other expenses of $990 thousand, including lower salary and employee benefits, professional fees and other expenses. $994 thousand.

Three Months Ended September 30, 2022 March 31, 2023 Compared to Three Months Ended September 30, 2021 March 31, 2022

Noninterest expense was $51.0 million increased $4.6 million to $51.2 million for the third first quarter of 2022, an increase of $13.2 million 2023 from $37.8 million $46.6 million for the comparable 2021 2022 period due mostly to including PMB's operations since the date of acquisition. The increase included (i) higher professional fees of $3.6 million, due mostly to net indemnified legal costs of $1.0 million for the third quarter of 2022 compared to net recoveries of $2.2 million during 2021, (ii) higher salaries and employee benefits of $3.2 million due to a higher number of employees, (iii) higher loss on investments in alternative energy partnerships of $2.3 $1.5 million, (iv) (ii) higher occupancy and equipment professional fees of $1.5 million $1.2 million, due mostly to additional facilities, (v) higher acquisition, integration legal fees of $446 thousand and transaction higher net

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indemnified legal costs of $1.1 million, and (vi) higher other expense of $1.1 million. Other expense $380 thousand for the third first quarter of 2021 included a gain on sale of other real estate owned of $365 thousand; there was no sale of other real estate owned for the same period in 2022.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Noninterest expense for the nine months ended September 30, 2022 increased $21.4 million to $146.2 million 2023 compared to 2021. The increase was primarily due to: (i) net recoveries of $106 thousand during 2022, (iii) higher salaries and employee benefits of $9.7 million and occupancy and equipment expense of $2.8 million $669 thousand due to the increases in personnel first quarter of 2023 including $1.0 million of severance costs related to expense management, partially offset by lower headcount, (iv) higher software and facilities from the acquisition technology costs of PMB, (ii) $574 thousand, and (v) higher professional fees regulatory assessments of $4.9 million, due mostly to a $4.3 million increase in indemnified legal fees (net of insurance recoveries), (iii) higher other expense of $3.3 million $427 thousand due to including the operations of PMB since the date of acquisition higher assessment rates and (iv) higher loss in alternative energy partnership investments of $689 thousand. These increases were partially offset by: (i) higher (vi) lower reversal of loan repurchase reserves loss on repurchased loans of $714 thousand and (ii) lower acquisition, integration and transaction costs of $320 $460 thousand.

(1) Non-GAAP measure.

Income Tax Expense

For the three months ended September 30, 2022 March 31, 2023, June 30, 2022 December 31, 2022 and September 30, 2021 March 31, 2022, income tax expense was $9.9 million $7.4 million, $10.2 million $9.1 million, and $8.7 million $18.8 million, resulting in an effective tax rate of 29.1% 26.7%, 27.6% 29.6% and 27.2% 27.9%, respectively. The effective tax rate for the full year 2022 2023 is estimated to be 27% to 28%.

Income tax expense totaled $38.9 million for the nine months ended September 30, 2022, representing an effective tax rate of 28.1%, compared to $17.5 million and an effective tax rate of 23.6% for 2021. The effective tax rate for the nine months ended September 30, 2022 was higher than the comparable 2021 period due mostly to the first quarter of 2021 including a net tax benefit of $2.1 million resulting from the exercise of all previously issued outstanding stock appreciation rights.

For additional information, see Note 8 to Consolidated Financial Statements included in Part I of this Quarterly Report on Form 10-Q.

FINANCIAL CONDITION

Investment Securities

The primary goal of our investment securities portfolio is to provide a relatively stable source of interest income while satisfactorily managing risk, including credit risk, reinvestment risk, liquidity risk, and interest rate risk. Certain investment securities can be pledged as collateral to obtain public deposits or to provide a secondary source of liquidity as collateral in the form of secured borrowings from the FHLB, the FRB, or other financial institutions for FHLB advances, FRB Discount Window capacity, repurchase agreements, and certain public deposits. agreements.

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Investment Securities Available-for-Sale

The following table presents the amortized cost and fair value of the investment securities available for sale available-for-sale portfolio and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income AOCI as of the dates indicated:

		September 30, 2022			December 31, 2021				March 31, 2023			December 31, 2022		
($ in thousands)	**($ in thousands)**	**Amortized Cost**	**Fair Value**	**Unrealized Gain (Loss)**	**Amortized Cost**	**Fair Value**	**Unrealized Gain (Loss)**	**($ in thousands)**	**Amortized Cost**	**Fair Value**	**Unrealized Gain (Loss)**	**Amortized Cost**	**Fair Value**	**Unrealized Gain (Loss)**
Securities available-for-sale:	Securities available-for-sale:							Securities available-for-sale:						
SBA loan pool securities	SBA loan pool securities	$ 12,156	$ 12,106	$ (50)	$ 14,679	$ 14,591	$ (88)	SBA loan pool securities	$ 10,332	$ 10,279	$ (53)	$ 11,241	$ 11,187	$ (54)
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	12,012	10,696	(1,316)	190,382	191,969	1,587	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	84,739	84,376	(363)	40,431	40,206	(225)

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U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	151,582	141,157	(10,425)	242,458	241,541	(917)	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	97,579	92,751	(4,828)	99,075	93,191	(5,884)
Municipal securities		—	—	—	117,913	119,015	1,102							
Non-agency residential mortgage-backed securities	Non-agency residential mortgage-backed securities	52,076	41,514	(10,562)	56,014	56,025	11	Non-agency residential mortgage-backed securities	125,917	115,371	(10,546)	90,832	80,492	(10,340)
Collateralized loan obligations	Collateralized loan obligations	492,775	472,676	(20,099)	521,275	518,964	(2,311)	Collateralized loan obligations	490,860	479,623	(11,237)	492,203	476,603	(15,600)
Corporate debt securities	Corporate debt securities	177,774	169,416	(8,358)	162,002	173,598	11,596	Corporate debt securities	195,789	176,027	(19,762)	175,781	166,618	(9,163)
Total securities available-for-sale	**Total securities available-for-sale**	**$ 898,375**	**$847,565**	**$ (50,810)**	**$1,304,723**	**$1,315,703**	**$ 10,980**	**Total securities available-for-sale**	**$1,005,216**	**$958,427**	**$ (46,789)**	**$ 909,563**	**$868,297**	**$ (41,266)**

Securities available-for-sale were $847.6 million $958.4 million at September 30, 2022 March 31, 2023, a decrease an increase of $468.1 million $90.1 million, or 35.6% 10.4%, from $1.32 billion $868.3 million at December 31, 2021 December 31, 2022. The decrease increase was mainly due to the transfer purchases of certain securities to the held-to-maturity portfolio as described further below, $101.7 million, offset by principal payments of $31.1 million $6.2 million, collateralized loan obligation (CLO) payoffs of $28.5 million, sales of $17.6 million and higher net unrealized net losses of $61.8 million, offset by purchases of $17.5 million $5.5 million.

Net unrealized losses on securities available-for-sale were $50.8 million $46.8 million at September 30, 2022 March 31, 2023, compared to a net unrealized gain of $11.0 million $41.3 million at December 31, 2021 December 31, 2022. The net unrealized gain or loss on securities available-for-sale, net of tax, is reflected in accumulated other comprehensive income (loss). Increases During the first quarter of 2023, wider credit spreads within corporate debt securities, offset by improvement in longer term market interest rates the valuation of CLOs, agency CMOs, and non-agency residential MBS securities resulted in higher net unrealized losses in our securities portfolio and stockholders' equity. As market interest rates increase, bond prices tend to fall and, consequently, the fair value of our securities may also decrease. To this end, we may have further net unrealized losses on our securities classified as available–for-sale, which would negatively affect our total and tangible stockholders' equity. portfolio.

CLOs totaled $472.7 million $479.6 million and $519.0 million $476.6 million and were all AAA and AA rated AA-rated at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022. We perform due diligence and ongoing credit quality review of our CLO holdings, which includes monitoring performance factors such as external credit ratings, collateralization levels, collateral concentration levels, and other performance factors.

We did not record credit impairment for any investment securities for the three and nine months ended September 30, 2022 March 31, 2023 or 2021. 2022.

We monitor our securities portfolio to ensure it has adequate credit support and we consider the lowest credit rating for identification of potential credit impairment. As of September 30, 2022 March 31, 2023, we believe there was no credit impairment and we did the decline in fair value of our securities since acquisition was attributable to a combination of changes in interest rates and general volatility in credit market conditions. We do not have the current intent to sell securities with a fair value below amortized cost at September 30, 2022, in an unrealized loss position and further believe, it is more likely than not, that we will not be required to sell such these securities prior to the recovery of before their amortized cost basis. anticipated recovery. As of September 30, 2022 March 31, 2023, all of our investment securities in an unrealized loss position received an investment grade credit rating. The overall net decreases in fair value during the period were attributable to a combination of changes in interest rates and credit market conditions.

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Investment Securities Held-to-Maturity

Securities held-to-maturity totaled $328.8 million at September 30, 2022 and included $214.6 million in agency securities and $114.2 million in municipal securities. During the first quarter of 2022, we transferred certain longer-duration fixed-rate mortgage-backed securities and municipal securities from the available-for-sale portfolio to the held-to-maturity portfolio to lower the adverse impact rising interest rates may have on the fair value of such securities. At the time of the transfer, the securities had an unrealized gross loss of $16.6 million, which is subsequently amortized into interest income as a yield adjustment over the remaining life of the securities. The unrealized losses remaining in accumulated other comprehensive income are also accreted into interest income in a consistent manner. As a result, there is no impact on the consolidated statements of operations.

The following table presents the amortized cost and fair value of investment securities held-to-maturity as of the dates indicated:

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($ in thousands)	($ in thousands)	September 30, 2022			December 31, 2021			($ in thousands)	March 31, 2023			December 31, 2022		
		Amortized Cost	Fair Value	Unrealized Gain (Loss)	Amortized Cost	Fair Value	Unrealized Gain (Loss)		Amortized Cost	Fair Value	Unrealized Gain (Loss)	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Securities held-to-maturity:	Securities held-to-maturity:							Securities held-to-maturity:						
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	$ 153,127	$ 123,949	$ (29,178)	$ —	$ —	$ —	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	$ 152,937	$ 127,985	$ (24,952)	$ 153,033	$ 123,226	$ (29,807)
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	61,426	49,476	(11,950)	—	—	—	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	61,380	50,638	(10,742)	61,404	49,458	(11,946)
Municipal securities	Municipal securities	114,204	89,927	(24,277)	—	—	—	Municipal securities	114,203	94,292	(19,911)	114,204	89,776	(24,428)
Total securities held-to-maturity	**Total securities held-to-maturity**	**$ 328,757**	**$ 263,352**	**$ (65,405)**	**$ —**	**$ —**	**$ —**	**Total securities held-to-maturity**	**$ 328,520**	**$ 272,915**	**$ (55,605)**	**$ 328,641**	**$ 262,460**	**$ (66,181)**

Securities held-to-maturity totaled $328.5 million at March 31, 2023, compared to $328.6 million at December 31, 2022. At March 31, 2023, securities held-to-maturity included $214.3 million in agency securities and $114.2 million in municipal securities.

During the first quarter of 2022, certain longer-duration fixed-rate mortgage-backed securities and municipal securities with an amortized cost basis of $346.0 million were transferred from the available-for-sale portfolio to the held-to-maturity portfolio. At the time of the transfer, the securities had an unrealized gross loss of $16.6 million, which became part of the securities' amortized cost basis. This amount, along with the unrealized loss included in AOCI, is subsequently amortized over the life of the security as an adjustment to its yield using the interest method. As a result, there is no impact on the consolidated statements of operations.

Net unrealized losses on securities held-to-maturity were $55.6 million at March 31, 2023, compared to $66.2 million, at December 31, 2022. For both periods, net unrealized losses included $15.5 million and $15.8 million related to the unamortized portion of the unrealized losses from the transfer of certain fixed-rate mortgage-backed securities and municipal securities from the available-for-sale portfolio to the held-to-maturity portfolio.

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The following table presents the fair values and weighted average yields or tax-equivalent yields using amortized cost of the securities held-to-maturity portfolio as of September 30, 2022, based on the earlier of contractual maturity dates or next repricing dates:

($ in thousands)	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total	
	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
Securities held-to-maturity:										
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	$ —	— %	$ —	— %	$ 7,960	2.52 %	$ 115,989	2.70 %	$ 123,949	2.69 %

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U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	—	— %	—	— %	—	— %	49,476	2.64 %	49,476	2.64 %
Municipal securities (1)	—	— %	—	— %	16,197	2.19 %	73,730	2.71 %	89,927	2.62 %
Total securities held-to-maturity	**$ —**	**— %**	**$ —**	**— %**	**$ 24,157**	**2.29 %**	**$ 239,195**	**2.69 %**	**$ 263,352**	**2.65 %**

(1) Computed on a tax-equivalent basis.

The following table presents the fair values and weighted average yields using amortized cost of the securities available-for-sale portfolio as of September 30, 2022 March 31, 2023, based on the earlier of contractual maturity dates or next repricing dates:

		One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total			One Year or Less		More than One Year through Five Years
($ in thousands)	**($ 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**	**($ in thousands)**	**Fair Value**	**Weighted Average Yield**	**Fair Value**
Securities available-for-sale:	Securities available-for-sale:											Securities available-for-sale:			
SBA loan pools securities	SBA loan pools securities	$ 12,106	1.82 %	$ —	— %	$ —	— %	$ —	— %	$ 12,106	1.82 %	SBA loan pools securities	$ 10,279	4.23 %	$ —
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	—	— %	—	— %	10,696	2.23 %	—	— %	10,696	2.23 %	U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	—	— %	—
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	79,654	3.16 %	8,138	2.72 %	33,003	1.92 %	20,362	1.83 %	141,157	2.61 %	U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	5,459	5.19 %	7,972
Non-agency residential mortgage-backed securities	Non-agency residential mortgage-backed securities	—	— %	—	— %	—	— %	41,514	2.50 %	41,514	2.50 %	Non-agency residential mortgage-backed securities	—	— %	—
Collateralized loan obligations	Collateralized loan obligations	472,676	4.23 %	—	— %	—	— %	—	— %	472,676	4.23 %	Collateralized loan obligations	479,623	6.42 %	—
Corporate debt securities	Corporate debt securities	—	— %	156,566	4.82 %	12,850	5.73 %	—	— %	169,416	4.89 %	Corporate debt securities	—	— %	163,514
Total securities available-for-sale	**Total securities available-for-sale**	**$564,436**	**4.03 %**	**$164,704**	**4.71 %**	**$56,549**	**2.76 %**	**$61,876**	**2.30 %**	**$847,565**	**3.93 %**	**Total securities available-for-sale**	**$495,361**	**6.36 %**	**$171,486**

The following table presents the amortized cost and weighted average yields using amortized cost of the securities held-to-maturity portfolio as of March 31, 2023, based on the earlier of contractual maturity dates or next repricing dates:

	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total	
($ in thousands)	**Amortized Cost**	**Weighted Average Yield**	**Amortized Cost**	**Weighted Average Yield**	**Amortized Cost**	**Weighted Average Yield**	**Amortized Cost**	**Weighted Average Yield**	**Amortized Cost**	**Weighted Average Yield**

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Securities held-to-maturity:										
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	$	—	— %	$	—	— %	$	9,354	2.51 %	$	143,583	2.70 %	$	152,937	2.69 %
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations		—	— %		—	— %		—	— %		61,380	2.64 %		61,380	2.64 %
Municipal securities		—	— %		—	— %		26,900	2.31 %		87,303	2.71 %		114,203	2.62 %
Total securities held-to-maturity	**$**	**—**	**— %**	**$**	**—**	**— %**	**$**	**36,254**	**2.36 %**	**$**	**292,266**	**2.69 %**	**$**	**328,520**	**2.66 %**

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Loans Receivable, Net

The following table presents the composition of our loan and lease portfolio as of the dates indicated:

($ in thousands)	($ in thousands)	September 30, 2022	December 31, 2021	Amount Change	Percentage Change	($ in thousands)	March 31, 2023	December 31, 2022	Amount Change	Percentage Change
Commercial:	Commercial:					Commercial:				
Commercial and industrial(1)	Commercial and industrial(1)	$ 1,993,416	$ 2,668,984	$ (675,568)	(25.3) %	Commercial and industrial(1)	$ 1,787,147	$ 1,845,960	$ (58,813)	(3.2) %
Commercial real estate	Commercial real estate	1,240,927	1,311,105	(70,178)	(5.4) %	Commercial real estate	1,302,277	1,259,651	42,626	3.4 %
Multifamily	Multifamily	1,698,455	1,361,054	337,401	24.8 %	Multifamily	1,678,300	1,689,943	(11,643)	(0.7) %
SBA(2)	SBA(2)	85,674	205,548	(119,874)	(58.3) %	SBA(2)	65,040	68,137	(3,097)	(4.5) %
Construction	Construction	236,495	181,841	54,654	30.1 %	Construction	260,167	243,553	16,614	6.8 %
Total commercial loans	Total commercial loans	5,254,967	5,728,532	(473,565)	(8.3) %	Total commercial loans	5,092,931	5,107,244	(14,313)	(0.3) %
Consumer:	Consumer:					Consumer:				
Single family residential mortgage	Single family residential mortgage	1,947,652	1,420,023	527,629	37.2 %	Single family residential mortgage	1,877,114	1,920,806	(43,692)	(2.3) %
Other consumer	Other consumer	86,701	102,925	(16,224)	(15.8) %	Other consumer	84,335	86,988	(2,653)	(3.0) %
Total consumer loans	Total consumer loans	2,034,353	1,522,948	511,405	33.6 %	Total consumer loans	1,961,449	2,007,794	(46,345)	(2.3) %
Total loans(3) (2)	**Total loans(3) (2)**	**7,289,320**	**7,251,480**	**37,840**	**0.5 %**	**Total loans(3) (2)**	**7,054,380**	**7,115,038**	**(60,658)**	**(0.9) %**
Allowance for loan losses	Allowance for loan losses	(92,444)	(92,584)	140	(0.2) %	Allowance for loan losses	(84,560)	(85,960)	1,400	(1.6) %
Total loans receivable, net	**Total loans receivable, net**	**$ 7,196,876**	**$ 7,158,896**	**$ 37,980**	**0.5 %**	**Total loans receivable, net**	**$ 6,969,820**	**$ 7,029,078**	**$ (59,258)**	**(0.8) %**

(1) *Includes warehouse lending balances of $766.4 million $636.7 million and $1.60 billion $602.5 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022.*

(2) *Includes 39 PPP loans totaling $20.0 million, net of unamortized loan fees totaling $4 thousand at September 30, 2022 and 397 PPP loans totaling $123.1 million, net of unamortized loan fees totaling $772 thousand at December 31, 2021.*

(3) *Total loans include net deferred loan origination costs (fees), purchased premiums (discounts), and fair value allocations of premiums (discounts) totaling $7.3 million and $7.1 million at March 31, 2023 and $5.5 million at September 30, 2022 and December 31, 2021 December 31, 2022.*

Gross Total loans increased $37.8 million to $7.3 billion ended the first quarter of 2023 at $7.05 billion, down $60.7 million from December 31, 2021 due to loan fundings $7.12 billion at December 31, 2022, comprised of $3.0 billion a $14.3 million decrease in our commercial portfolio and a $46.3 million in our consumer portfolio.

During the three months ended March 31, 2023, including single-family residential purchases the decrease in our commercial portfolio included (i) a $58.8 million decrease commercial and industrial loans, comprised of $814.3 million, a $93.0 million decrease in non-warehouse loans offset partially offset by a decrease $34.2 million increase in warehouse lending balances, of $836.1 million, PPP (ii) an $11.6 million decrease in multifamily loans payoffs of $103.1 million driven by payoff activity, and other paydown and

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payoff activity. During the first quarter of 2022, $150.1 million of owner-occupied (iii) a $3.1 million decrease in SBA loans, partially offset by (iv) a $42.6 million increase in commercial real estate loans acquired and (v) a $16.6 million increase in construction loan balances. The decrease in our consumer portfolio was due mostly to a $43.7 million decrease in single-family residential (SFR) loans.

Loan fundings of $398.9 million in the PMB acquisition first quarter included net warehouse advances of $34.2 million, offset by other loan paydowns and payoffs of $453.9 million.

Loan concentrations were moved well-diversified between products and industries. In particular, at March 31, 2023, the CRE portfolio of $1.30 billion had balances related to the other commercial office loans of $359.8 million. This was comprised of general office of $273.7 million with a weighted average LTV of 54% and industrial category from the commercial real estate category. SBA loans decreased by $119.9 million due mostly from the SBA processing forgiveness requests. At September 30, 2022, SBA loans included $20.0 million debt service coverage ratio of PPP loans, compared to $123.1 million at December 31, 2021.

Total commercial loans, excluding warehouse lending, increased $362.6 million, or 6.6% on an annualized basis during the nine months ended September 30, 2022.

We continue to focus the real estate loan portfolio toward relationship-based multifamily, bridge, light infill construction, 1.6x and commercial real estate loans. As medical office of September 30, 2022, loans secured by residential real estate (single-family, multifamily, single-family construction, warehouse lending credit facilities) represent approximately 64%$86.1 million with a weighted average LTV of our total loans outstanding.

58% and debt service coverage ratio of 1.7x.

Credit Quality Indicators

We categorize loans into risk categories based on relevant information about the ability of borrowers to repay their debt such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. We perform a historical loss analysis that is combined with a comprehensive loan to value analysis to analyze the associated risks in the current loan portfolio. We analyze loans portfolio and individually and grade each loan for credit risk. This analysis includes all loans delinquent over 60 days and non-homogeneous loans such as commercial and commercial real estate loans.

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The following table presents the risk categories for total loans by class of loans as of September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022:

($ in thousands)	($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total	($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
September 30, 2022												
March 31, 2023								March 31, 2023				
Commercial:	Commercial:						Commercial:					
Commercial and industrial	Commercial and industrial	$ 1,900,686	$ 33,713	$ 59,017	$ —	$ 1,993,416	Commercial and industrial	$ 1,728,776	$ 17,619	$ 36,813	$ 3,939	$ 1,787,147
Commercial real estate	Commercial real estate	1,225,261	1,757	13,909	—	1,240,927	Commercial real estate	1,291,705	7,780	2,792	—	1,302,277
Multifamily	Multifamily	1,666,901	14,118	17,436	—	1,698,455	Multifamily	1,649,269	14,018	15,013	—	1,678,300
SBA	SBA	69,447	4,648	11,579	—	85,674	SBA	53,479	999	10,562	—	65,040
Construction	Construction	236,495	—	—	—	236,495	Construction	260,167	—	—	—	260,167
Consumer:	Consumer:						Consumer:					
Single family residential mortgage	Single family residential mortgage	1,931,549	7,411	8,692	—	1,947,652	Single family residential mortgage	1,840,511	11,338	25,265	—	1,877,114
Other consumer	Other consumer	86,315	142	244	—	86,701	Other consumer	83,872	119	344	—	84,335
Total	Total	$ 7,116,654	$ 61,789	$ 110,877	$ —	$ 7,289,320	Total	$ 6,907,779	$ 51,873	$ 90,789	$ 3,939	$ 7,054,380

($ in thousands)	($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total	($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2021												
December 31, 2022								December 31, 2022				
Commercial:	Commercial:						Commercial:					
Commercial and industrial	Commercial and industrial	$ 2,550,540	$ 65,659	$ 52,785	$ —	$ 2,668,984	Commercial and industrial	$ 1,749,284	$ 49,399	$ 43,273	$ 4,004	$ 1,845,960
Commercial real estate	Commercial real estate	1,292,837	4,845	13,423	—	1,311,105	Commercial real estate	1,248,196	1,745	9,710	—	1,259,651

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Multifamily	Multifamily	1,312,038	46,314	2,702	—	1,361,054	Multifamily	1,658,521	2,997	28,425	—	1,689,943
SBA	SBA	181,129	6,040	18,379	—	205,548	SBA	55,789	800	11,548	—	68,137
Construction	Construction	171,731	10,110	—	—	181,841	Construction	243,553	—	—	—	243,553
Consumer:	Consumer:						Consumer:					
Single family residential mortgage	Single family residential mortgage	1,395,785	10,423	13,815	—	1,420,023	Single family residential mortgage	1,889,911	9,101	21,794	—	1,920,806
Other consumer	Other consumer	102,538	92	295	—	102,925	Other consumer	86,599	138	251	—	86,988
Total	**Total**	**$ 7,006,598**	**$ 143,483**	**$ 101,399**	**$ —**	**$ 7,251,480**	**Total**	**$ 6,931,853**	**$ 64,180**	**$ 115,001**	**$ 4,004**	**$ 7,115,038**

Loans During the three months ended March 31, 2023, total criticized and classified assets decreased $36.6 million to $146.6 million at March 31, 2023 from decreases in all categories as described below.

Total classified assets, consisting of loans risk rated substandard, doubtful and loss, decreased $24.3 million to $94.7 million at March 31, 2023. The decrease was due mostly to upgrades of $14.5 million and payoffs, paydowns and other reductions aggregating $38.8 million, partially offset by downgrades of $29.0 million. At March 31, 2023 and December 31, 2022 loans risk rated doubtful related to one commercial and industrial relationship.

Total criticized assets, consisting of loans risk rated special mention, decreased $81.7 million $12.3 million to $61.8 million $51.9 million at September 30, 2022 March 31, 2023 compared to $143.5 million $64.2 million at December 31, 2021 December 31, 2022 due mostly to activity within commercial upgrades of $30.9 million and industrial payoffs, paydowns and multifamily loans. Special mention payoffs totaled $40.7 million and there was a net migration out of special mention of $41.9 million. Loans risk rated substandard increased $9.5 million to $110.9 million at September 30, 2022 compared to $101.4 million at December 31, 2021 due mostly to additions of $52.7 million other reductions aggregating $6.6 million, partially offset by payoffs downgrades of $28.4 million $14.2 million and upgrades from substandard loans of $12.3 million $11.0 million. There were no loans risk rated doubtful at September 30, 2022 and December 31, 2021.

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The C&I industry concentrations in dollars and as a percentage of total outstanding C&I loan balances are summarized below:

	September 30, 2022	
($ in thousands)	**Amount**	**% of Portfolio**
C&I Portfolio by Industry		
Finance and Insurance - Warehouse Lending	$ 766,362	38 %
Real Estate and Rental Leasing	190,308	10 %
Finance and Insurance - Other	124,676	6 %
Manufacturing	119,448	6 %
Healthcare	98,319	5 %
Television / Motion Pictures	70,803	4 %
Arts, Entertainment & Recreation	70,134	4 %
Gas Stations	59,712	3 %
Other Retail Trade	58,817	3 %
Construction	46,430	2 %
Wholesale Trade	41,913	2 %
Professional Services	41,262	2 %
Management of Companies and Enterprises	36,383	2 %
Educational Services	35,877	2 %
Food Services	31,247	2 %
Transportation	20,013	1 %
Accommodations	8,822	— %
Other	172,890	9 %
Total	**$ 1,993,416**	**100 %**

Non-Traditional Mortgage Portfolio ("NTM")

NTM loans are included in our SFR mortgage portfolio and are comprised of interest only loans and Green Loans. While we no longer originate SFR loans, we have and may continue to purchase pools of loans that include NTM loans with maturities of up to 40 years and flexible initial repricing dates, ranging from 1 to 10 years, and periodic repricing

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dates through the life of the loan.

As of September 30, 2022 and December 31, 2021, the NTM loans totaled $870.0 million, or 11.9% of total loans, and $635.3 million, or 8.8% of total loans, respectively. Interest only loans are primarily SFR first mortgage loans that generally have a 30 to 40-year term at the time of origination and include payment features that allow interest only payments in initial periods before converting to a fully amortizing loan. At September 30, 2022 and December 31, 2021, interest only loans totaled $863.2 million and $613.3 million. Green Loans are SFR first and second mortgage lines of credit with a linked checking account that allows all types of deposits and withdrawals to be performed. Green Loans are generally interest only for a 15-year term with a balloon payment due at maturity. At September 30, 2022 and December 31, 2021, Green Loans totaled $6.8 million and $21.9 million.

The total NTM portfolio increased by $234.8 million, or 37.0% during the nine months ended September 30, 2022. The increase was due to loan purchases, offset by principal paydowns and payoffs.

At September 30, 2022 and December 31, 2021, nonperforming NTM loans totaled zero and $4.0 million.

Non-Traditional Mortgage Performance Indicators

Our risk management policy and credit monitoring include reviewing delinquency, FICO scores, and LTV ratios on the NTM loan portfolio. We also continually monitor market conditions for our geographic lending areas. We have determined that the most significant performance indicators for NTM first lien loans are LTV ratios and for Green Loans are FICO scores. At September 30, 2022, our NTM first lien portfolio had a weighted average LTV of approximately 59%.

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Nonperforming Assets

The following table presents a summary of total nonperforming assets, excluding loans held-for-sale, as of the dates indicated:

($ in thousands)	**September 30, 2022**	**December 31, 2021**	**Amount Change**	**Percentage Change**
Loans past due 90 days or more still on accrual	$ —	$ —	$ —	— %
Nonaccrual loans	42,674	52,558	(9,884)	(18.8)%
Total nonperforming loans	42,674	52,558	(9,884)	(18.8)%
Other real estate owned	—	—	—	— %
Total nonperforming assets	**$ 42,674**	**$ 52,558**	**$ (9,884)**	**(18.8)%**
Performing restructured loans (1)	$ 11,252	$ 12,538	$ (1,286)	(10.3)%
Nonaccrual loans to total loans	0.59 %	0.72 %		
Nonperforming loans to total loans	0.59 %	0.72 %		
Total nonperforming assets to total assets	0.46 %	0.56 %		
ALL to nonperforming loans	216.63 %	176.16 %		
ACL to nonperforming loans	231.64 %	186.82 %		

(1) Excluded from nonperforming loans

($ in thousands)	***March 31, 2023***	***December 31, 2022***	***Amount Change***	***Percentage Change***
Loans past due 90 days or more still on accrual	*$ —*	*$ —*	*$ —*	*— %*
Nonaccrual loans	*56,545*	*55,251*	*1,294*	*2.3 %*
Total nonperforming loans	*56,545*	*55,251*	*1,294*	*2.3 %*
Other real estate owned	*—*	*—*	*—*	*— %*
Total nonperforming assets	***$ 56,545***	***$ 55,251***	***$ 1,294***	***2.3 %***
Nonaccrual loans to total loans	*0.80 %*	*0.78 %*		
Nonperforming loans to total loans	*0.80 %*	*0.78 %*		
Total nonperforming assets to total assets	*0.56 %*	*0.60 %*		
ALL to nonperforming loans	*149.54 %*	*155.58 %*		
ACL to nonperforming loans	*158.04 %*	*165.18 %*		

Loans are generally placed on nonaccrual status when they become 90 days past due, unless management believes the loan is well secured and in the process of collection. Past due loans may or may not be adequately collateralized, but collection efforts are continuously pursued. Loans may be restructured by management when a borrower experiences changes to their financial condition, causing an inability to meet the original repayment terms, and where we believe the borrower will eventually overcome those circumstances and repay the loan in full.

Additional interest income of approximately $818 $933 thousand and $2.2 million would have been recorded during the three and nine months ended September 30, 2022 March 31, 2023, had these loans been paid in accordance with their original terms throughout the periods indicated.

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Non-performing loans decreased $9.9 million increased $1.3 million to $42.7 million $56.5 million as of September 30, 2022 March 31, 2023, of which $17.9 million $8.8 million, or 42% 16%, relates related to loans in a current payment status. The decrease increase was due mostly to $20.4 million additions of $16.2 million, partially offset by $13.8 million in payoffs, paydowns, and charge-offs, and $6.7 million $1.1 million in loans returning to accrual status, offset by additions of $17.2 million. status. Of the $17.2 million $16.2 million of loans placed on non-accrual status, $9.1 million, $8.6 million related to SFR loans.

Modifications to Borrowers Experiencing Financial Difficulty (effective January 1, 2023 upon adoption of ASU 2022-02)

During the three months ended March 31, 2023, we had 2 loan modifications made to borrowers experiencing financial difficulty, with an aggregate balance of $5.0 million, of which one commercial and industrial loan of $3.9 million was previously classified as a TDR. At March 31, 2023, both loans were current.

Troubled Debt Restructurings

Loans that we modify or restructure where the debtor is (for modifications to borrowers experiencing financial difficulties difficulty prior to January 1, 2023)

At March 31, 2023 and makes a concession to the borrower in a below-market change in the stated interest rate, a reduction in the loan balance or accrued interest, an extension of the maturity date, or a note split with principal forgiveness are classified as troubled debt restructurings ("TDRs"). TDRs are loans modified for the purpose of alleviating temporary impairments to the borrower's financial condition. A workout plan between a borrower and us is designed to provide a bridge for the cash flow shortfalls in the near term. If the borrower works through the near term issues, in most cases, the original contractual terms of the loan will be reinstated.

At each September 30, 2022 and December 31, 2021 December 31, 2022, we had 21 11 and 18 15 loans classified as TDRs, with an aggregate balance of $30.8 million $8.7 million and $16.7 million $16.1 million. When a loan becomes a TDR, we cease accruing interest, and classify it as nonaccrual until the borrower demonstrates that the loan is again performing. The increase decrease in TDRs during the nine three months ended September 30, 2022 March 31, 2023 was due mostly to the modification of two aforementioned $3.9 million commercial and industrial loan relationships acquired that was restructured during 2022 was modified and accounted for as a new loan in the PMB acquisition. first quarter of 2023, and a$3.4 million paydown of a commercial and industrial loan.

At September 30, 2022 Accruing TDRs were $2.6 million and nonaccrual TDRs were $6.1 million at March 31, 2023, compared to accruing TDRs of the 21 loans classified as $2.7 million and nonaccrual TDRs 10 loans totaling $11.3 million were making payments according to their modified terms and were less than 90 days delinquent under the modified terms and, as such, were on accruing status. At December 31, 2021, of the 18 loans classified as TDRs, 11 loans totaling $12.5 million were making payments according to their modified terms and were less than 90 days delinquent under the modified terms and, as such, were on accruing status. $13.4 million at December 31, 2022.

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Allowance for Credit Losses (ACL)

The ACL methodology uses a nationally recognized, third-party model that includes many assumptions based on historical and peer loss data, current loan portfolio risk profile including risk ratings, and economic forecasts including MEVs released by the model provider during September 2022. The published forecasts consider the FRB's monetary policy, labor market constraints, rising inflation, higher oil prices and the military conflict between Russia and Ukraine, among other factors.

The ACL also incorporates qualitative factors to account for certain loan portfolio characteristics that are not taken into consideration by the third-party model including underlying strengths and weaknesses in various segments of the loan portfolio. As is the case with all estimates, the ACL is expected to be impacted in future periods by economic volatility, changing economic forecasts, underlying model assumptions, and asset quality metrics, all of which may be better than or worse than current estimates.

The ACL process involves subjective and complex judgments as well as adjustments for numerous factors including those described in the federal banking agencies' joint interagency policy statement on ALL, which include underwriting experience and collateral value changes, among others.

The ACL, which includes the reserve for unfunded loan commitments, totaled $98.8 million $89.4 million, or 1.36% 1.27% of total loans, at September 30, 2022 March 31, 2023, compared to $98.2 million $91.3 million, or 1.35% 1.28% of total loans, at December 31, 2021 December 31, 2022. The $660 thousand increase $1.9 million decrease in the ACL was due primarily to: (i) net charge-offs of $3.9 million, of which $3.2 million related to higher specific reserves of $657 thousand. During the nine months ended September 30, 2022, commercial and industrial loans, and (ii) $3.2 million from lower loan balances and changes in portfolio mix and improved credit quality, (iii) $500 thousand lower RUC from lower unfunded commitments, partially offset by (iv) new specific reserves totaling $3.2 million, and (v) a $2.5 million increase in addition general reserves due mainly to net recoveries the impact of $860 thousand, offset the reserves needed due to growth. The $31.3 million recovery deterioration in the first quarter of 2022 from the settlement of a loan previously charged-off in 2019 also resulted in a reversal of provision for credit losses and therefore had no net impact on the ACL. macroeconomic outlook. The ACL coverage of non-performing loans was 232% 158% at September 30, 2022 March 31, 2023 compared to 187% 165% at December 31, 2021 December 31, 2022.

The reserve for unfunded loan commitments was established to cover the current expected credit losses for the estimated level of funding of these loan commitments, except for unconditionally cancellable commitments for which no reserve is required.

The following table provides a summary of components of the allowance for credit losses and related ratios as of the dates indicated:

($ in thousands)	September 30, 2022	December 31, 2021
Allowance for credit losses:		
Allowance for loan losses (ALL)	$ 92,444	$ 92,584
Reserve for unfunded loan commitments	6,405	5,605
Total allowance for credit losses (ACL)	$ 98,849	$ 98,189
ALL to total loans	1.27 %	1.28 %
ACL to total loans	1.36 %	1.35 %
ACL to total loans, excluding PPP loans	1.36 %	1.38 %

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($ in thousands)	March 31, 2023		December 31, 2022	
Allowance for credit losses:				
Allowance for loan losses (ALL)	$	84,560	$	85,960
Reserve for unfunded loan commitments		4,805		5,305
Total allowance for credit losses (ACL)	$	89,365	$	91,265
ALL to total loans		1.20 %		1.21 %
ACL to total loans		1.27 %		1.28 %

The following tables provide summaries of activity in the allowance for credit losses for the periods indicated:

($ in thousands)	Three Months Ended September 30,					
	2022			2021		
	Allowance for Loan Losses	Reserve for Unfunded Loan Commitments	Allowance for Credit Losses	Allowance for Loan Losses	Reserve for Unfunded Loan Commitments	Allowance for Credit Losses
Balance at beginning of period	$ 93,793	$ 5,905	$ 99,698	$ 75,885	$ 3,814	$ 79,699
Loans charged off	(912)	—	(912)	(327)	—	(327)
Recoveries of loans previously charged off	63	—	63	532	—	532
Net (charge-offs) recoveries	(849)	—	(849)	205	—	205
(Reversal of) provision for credit losses	(500)	500	—	(2,566)	1,419	(1,147)
Balance at end of period	**$ 92,444**	**$ 6,405**	**$ 98,849**	**$ 73,524**	**$ 5,233**	**$ 78,757**

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($ in thousands)	($ in thousands)	Nine Months Ended September 30,					
		2022			2021		
		Allowance for Loan Losses	Reserve for Unfunded Loan Commitments	Allowance for Credit Losses	Allowance for Loan Losses	Reserve for Unfunded Loan Commitments	Allowance for Credit Losses
Balance at beginning of period	Balance at beginning of period	$ 92,584	$ 5,605	$ 98,189	$ 81,030	$ 3,183	$ 84,213
Loans charged off	Loans charged off	(1,637)	—	(1,637)	(1,778)	—	(1,778)
Recoveries of loans previously charged off	Recoveries of loans previously charged off	33,839	—	33,839	730	—	730
Net recoveries (charge-offs)		32,202	—	32,202	(1,048)	—	(1,048)
Net (charge-offs) recoveries							

($ in thousands)	Three Months Ended March 31,					
	2023			2022		
	Allowance for Loan Losses	Reserve for Unfunded Loan Commitments	Allowance for Credit Losses	Allowance for Loan Losses	Reserve for Unfunded Loan Commitments	Allowar for Credi Losse
Balance at beginning of period	$ 85,960	$ 5,305	$ 91,265	$ 92,584	$ 5,605	$ 98,1
Loans charged off	(3,949)	—	(3,949)	(231)	—	(2
Recoveries of loans previously charged off	49	—	49	32,215	—	32,2
Net (charge-offs) recoveries			(3,900)	—	(3,900)	31,9

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(Reversal of) provision for credit losses	(Reversal of) provision for credit losses	(32,342)	800	(31,542)	(6,458)	2,050	(4,408)	(Reversal of) provision for credit losses	2,500	(500)	2,000	(31,342)	(200)	(31,5
Balance at end of period	**Balance at end of period**	**$ 92,444**	**$ 6,405**	**$ 98,849**	**$ 73,524**	**$ 5,233**	**$ 78,757**	**Balance at end of period**	**$ 84,560**	**$ 4,805**	**$ 89,365**	**$ 93,226**	**$ 5,405**	**$ 98,6**

The following table presents a summary of net (charge-offs) recoveries and the annualized ratio of net charge-offs to average loans by loan class for the periods indicated:

		Three Months Ended September 30,							**Three Months Ended March 31,**					
($ in thousands)	**($ in thousands)**	**2022**			**2021**			**($ in thousands)**	**2023**			**2022**		
		Net (Charge-offs) Recoveries	**Average Loans**	**Annualized (Charge-off) Recovery Ratio**	**Net (Charge-offs) Recoveries**	**Average Loans**	**Annualized (Charge-off) Recovery Ratio**		**Net (Charge-offs) Recoveries**	**Average Loans**	**Annualized (Charge-off) Recovery Ratio**	**Net (Charge-offs) Recoveries**	**Average Loans**	**Annualize Recovery Ratio**
Commercial:	Commercial:							Commercial:						
Commercial and industrial	Commercial and industrial	$ (819)	$2,101,671	(0.15) %	$ 369	$2,147,163	0.07 %	Commercial and industrial	$ (3,244)	$1,733,055	(0.15) %	$ 31,235	$2,632,387	4.75 %
Commercial real estate	Commercial real estate	3	1,263,520	— %	(138)	916,548	(0.06) %	Commercial real estate	(300)	1,297,498	(0.09) %	—	1,322,949	— %
Multifamily	Multifamily	—	1,644,458	— %	—	1,325,892	— %	Multifamily	—	1,689,938	— %	—	1,339,067	— %
SBA	SBA	(44)	49,840	(0.35) %	(73)	175,209	(0.17) %	SBA	24	32,244	0.30 %	745	116,154	2.57 %
Construction	Construction	—	234,794	— %	—	137,522	— %	Construction	—	255,344	— %	—	188,795	— %
Consumer:	Consumer:							Consumer:						
Single family residential mortgage	Single family residential mortgage	1	1,927,694	— %	46	1,331,876	0.01 %	Single family residential mortgage	(371)	1,897,763	(0.08) %	28	1,562,478	0.01 %
Other consumer	Other consumer	10	87,335	0.05 %	1	22,164	0.02 %	Other consumer	(9)	84,786	(0.04) %	(24)	97,516	(0.10) %
Total loans	**Total loans**	**$ (849)**	**$7,309,312**	**(0.05) %**	**$ 205**	**$6,056,374**	**0.01 %**	**Total loans**	**$ (3,900)**	**$6,990,628**	**(0.22) %**	**$ 31,984**	**$7,259,346**	**1.76 %**

Net charge-offs were $849 thousand $3.9 million during the third first quarter of 2022, 2023, compared to net recoveries of $205 thousand $32.0 million during the comparable 2021 2022 period. The increase Net charge-offs in net charge-offs between periods was the first quarter of 2023 were mainly due to net charge-offs within the commercial and industrial portfolio.

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	Nine Months Ended September 30,					
($ in thousands)	**2022**			**2021**		
	Net (Charge-offs) Recoveries	**Average Loans**	**Annualized (Charge-off) Recovery Ratio**	**Net (Charge-offs) Recoveries**	**Average Loans**	**Annualized (Charge-off) Recovery Ratio**
Commercial:						
Commercial and industrial	$ 31,678	$ 2,395,169	1.76 %	$ (628)	$ 1,994,424	(0.04)%
Commercial real estate	3	1,266,418	— %	(138)	888,066	(0.02)%
Multifamily	—	1,481,355	— %	—	1,294,015	— %
SBA	565	78,497	0.96 %	(330)	238,738	(0.18)%
Construction	—	214,375	— %	—	156,781	— %
Consumer:						

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Single family residential mortgage	183	1,749,968	0.01 %	46	1,273,624	— %
Other consumer	(227)	92,633	(0.33)%	2	24,832	0.01 %
Total loans	$ 32,202	$ 7,278,415	0.59 %	$ (1,048)	$ 5,870,480	(0.02)%

Net recoveries were $32.2 million during the nine months ended September 30, 2022, compared to net charge-offs of $1.0 million during the comparable 2021 period. The increase in portfolio, and net recoveries between periods was mainly due in the first quarter of 2022 included $31.3 million related to a $31.3 million recovery from the settlement of a loan previously charged-off in 2019.

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The following table provides presents a summary of the allocation of the allowance for loan losses by loan category as well as loans receivable for each category as of the dates indicated:

		September 30, 2022			December 31, 2021				March 31, 2023			December 31, 2022		
($ in thousands)	($ in thousands)	Allowance for Loan Losses	Loans Receivable	% of Loans in Category to Total Loans	Allowance for Loan Losses	Loans Receivable	% of Loans in Category to Total Loans	($ in thousands)	Allowance for Loan Losses	Loans Receivable	% of Loans in Category to Total Loans	Allowance for Loan Losses	Loans Receivable	% of Loans in Category to Total Loans
Commercial:	Commercial:							Commercial:						
Commercial and industrial	Commercial and industrial	$ 38,825	$1,993,416	27.4 %	$ 33,557	$2,668,984	36.8 %	Commercial and industrial	$ 32,644	$1,787,147	25.3 %	$ 34,156	$1,845,960	25.9 %
Commercial real estate	Commercial real estate	16,836	1,240,927	17.0 %	21,727	1,311,105	18.1 %	Commercial real estate	16,119	1,302,277	18.5 %	15,977	1,259,651	17.7 %
Multifamily	Multifamily	15,953	1,698,455	23.3 %	17,893	1,361,054	18.8 %	Multifamily	15,038	1,678,300	23.8 %	14,696	1,689,943	23.8 %
SBA	SBA	2,960	85,674	1.2 %	3,017	205,548	2.8 %	SBA	2,097	65,040	0.9 %	2,648	68,137	1.0 %
Construction	Construction	5,423	236,495	3.2 %	5,622	181,841	2.5 %	Construction	6,425	260,167	3.7 %	5,850	243,553	3.4 %
Consumer:	Consumer:							Consumer:						
Single family residential mortgage	Single family residential mortgage	11,847	1,947,652	26.7 %	9,608	1,420,023	19.6 %	Single family residential mortgage	11,481	1,877,114	26.6 %	12,050	1,920,806	27.0 %
Other consumer	Other consumer	600	86,701	1.2 %	1,160	102,925	1.4 %	Other consumer	756	84,335	1.2 %	583	86,988	1.2 %
Total	**Total**	**$ 92,444**	**$7,289,320**	**100.0 %**	**$ 92,584**	**$7,251,480**	**100.0 %**	**Total**	**$ 84,560**	**$7,054,380**	**100.0 %**	**$ 85,960**	**$7,115,038**	**100.0 %**

Servicing Rights

We have retained servicing rights from certain sales of SFR mortgage loans and SBA loans. We also loans and purchased mortgage servicing rights from unrelated third parties. Purchased mortgage servicing rights are recorded at the purchase price at the time of acquisition, which approximates the fair value. Subsequent to acquisition, we account for these servicing rights using the amortization method. We utilize a subservicer to service all of the loans underlying the purchased mortgage servicing rights. Loans underlying retained and purchased servicing rights are not included in our consolidated statements of financial condition.

Mortgage servicing rights totaled $23.3 million $21.7 million and $1.3 million $22.5 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, which are included in other assets in the accompanying consolidated balance sheets. We purchased $22.8 million $22.7 million of SFR mortgage servicing rights, with underlying mortgage balances of $1.73 billion, during the second quarter of 2022. The At March 31, 2023, the carrying value of these purchased servicing rights was $20.7 million and the unpaid principal balance of the loans underlying these purchased servicing rights is approximately $1.70 billion at September 30, 2022 and these loans are not included in our consolidated statements of financial condition.

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was $1.66 billion.

During the three and nine months ended September 30, 2022, March 31, 2023 and 2022, we recognized loan servicing income of $636 $547 thousand and $957 $212 thousand. During the three and nine months ended September 30, 2021, we recognized loan servicing income of $170 thousand and $476 thousand.

Alternative Energy Partnerships

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We invest in certain alternative energy partnerships (limited liability companies) formed to provide sustainable energy projects that are designed to generate a return primarily through the realization of federal tax credits (energy tax credits) and other tax benefits. The investment helps These investments help promote the development of renewable energy sources and help lower the cost of housing for residents by lowering homeowners' monthly utility costs.

As our respective investments in these entities are more than minor, we have significant influence, but not control, over the investee's activities that most significantly impact its economic performance. As a result, we are required to apply the equity method of accounting, which generally prescribes applying the percentage ownership interest to the investee's GAAP net income in order to determine the investor's earnings or losses in a given period. However, because the liquidation rights, tax credit allocations and other benefits to investors can change upon the occurrence of specified events, application of the equity method based on the underlying ownership percentages would not accurately represent our investment. As a result, we apply the Hypothetical Liquidation at Book Value ("HLBV") method of the equity method of accounting.

The HLBV method is a balance sheet approach whereby a calculation is prepared at each balance sheet date to estimate the amount that we would receive if the equity investment entity were to liquidate all of its assets (as valued in accordance with GAAP) and distribute that cash to the investors based on the contractually defined liquidation priorities. The difference between the calculated liquidation distribution amounts at the beginning and the end of the reporting period, after adjusting for capital contributions and distributions, is our share of the earnings or losses from the equity investment for the period.

The following table presents the activity related to our investment in alternative energy partnerships for the three and nine months ended September 30, 2022 March 31, 2023 and 2021: 2022:

		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
($ in thousands)	**($ in thousands)**	**2022**	**2021**	**2022**	**2021**	**($ in thousands)**	**2023**	**2022**
Balance at beginning of period	Balance at beginning of period	$ 23,531	$ 24,068	$ 25,888	$ 27,977	Balance at beginning of period	$ 21,410	$ 25,888
Cash distribution from investments		(626)	(657)	(1,782)	(1,765)			
Return of capital						Return of capital	(365)	(574)
Gain (loss) on investments using HLBV method	Gain (loss) on investments using HLBV method	(504)	1,785	(1,705)	(1,016)	Gain (loss) on investments using HLBV method	(1,618)	(158)
Balance at end of period	**Balance at end of period**	**$ 22,401**	**$ 25,196**	**$ 22,401**	**$ 25,196**	**Balance at end of period**	**$ 19,427**	**$ 25,156**
Unfunded equity commitments at end of period	**Unfunded equity commitments at end of period**	$ —	$ —	$ —	$ —	**Unfunded equity commitments at end of period**	$ —	$ —

Our most recent investment in alternative energy partnerships totaling $3.6 million occurred in March 2020.

During the three months ended September 30, 2022 March 31, 2023 and 2021, 2022, we did not fund into our alternative energy partnerships but received a return of capital of $365 thousand and $574 thousand.

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During the three months ended March 31, 2023 and 2022, we recognized net losses on investment of $504 thousand $1.6 million and net gains of $1.8 million. During the nine months ended September 30, 2022 and 2021, we recognized net losses on investment of $1.7 million and $1.0 million, respectively. $158 thousand. From an income tax benefits perspective, we recognized no investment tax credits during these periods; however, we recorded income tax (benefit) expense benefits related to these investments of $(146) $467 thousand and $491 $46 thousand for the three months ended September 30, 2022 March 31, 2023 and 2021 and $(493) thousand and $(280) thousand for the nine months ended September 30, 2022 and 2021. 2022.

For additional information, see Note 12 to Consolidated Financial Statements (unaudited) included in Part I of this Quarterly Report on Form 10-Q.

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Deposits

The following table shows the composition of deposits by type as of the dates indicated:

		September 30, 2022		December 31, 2021				March 31, 2023		December 31, 2022		
($ in thousands)	**($ in thousands)**	**Amount**	**% of Total Deposits**	**Amount**	**% of Total Deposits**	**Amount Change**	**($ in thousands)**	**Amount**	**% of Total Deposits**	**Amount**	**% of Total Deposits**	**Amount Change**
Noninterest-bearing deposits	Noninterest-bearing deposits	$ 2,943,585	40.4 %	$ 2,788,196	37.5 %	$ 155,389	Noninterest-bearing deposits	$ 2,506,616	36.1 %	$ 2,809,328	39.5 %	$ (302,712)

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Interest-bearing demand deposits	Interest-bearing demand deposits	1,921,816	26.4 %	2,393,386	32.2 %	(471,570)	Interest-bearing demand deposits	1,862,003	26.8 %	1,947,247	27.3 %	(85,244)
Savings and money market accounts	Savings and money market accounts	1,478,045	20.2 %	1,751,135	23.5 %	(273,090)	Savings and money market accounts	998,365	14.3 %	1,174,925	16.5 %	(176,560)
Certificates of deposit of $250,000 or less	Certificates of deposit of $250,000 or less	536,861	7.4 %	285,768	3.8 %	251,093	Certificates of deposit of $250,000 or less	1,178,786	17.0 %	793,040	11.1 %	385,746
Certificates of deposit of more than $250,000	Certificates of deposit of more than $250,000	400,078	5.5 %	220,950	3.0 %	179,128	Certificates of deposit of more than $250,000	406,204	5.8 %	396,381	5.6 %	9,823
Total deposits	**Total deposits**	**$ 7,280,385**	**100.0 %**	**$ 7,439,435**	**100.0 %**	**$ (159,050)**	**Total deposits**	**$ 6,951,974**	**100.0 %**	**$ 7,120,921**	**100.0 %**	**$ (168,947)**

Total deposits were $7.3 billion $6.95 billion at September 30, 2022 March 31, 2023, a decrease of $159.1 million $168.9 million, or 2.1% 2.4%, from $7.4 billion $7.12 billion at December 31, 2021 December 31, 2022 due mostly to lower interest-bearing demand deposits noninterest-bearing checking balances of $471.6 million and $302.7 million, lower savings and money market balances of $273.1 million $176.6 million and lower interest-bearing demand deposits of $85.2 million, partially offset by higher certificates of deposits of $430.2 million $395.6 million. We continue to focus on growing granular relationship-based deposits and noninterest-bearing checking balances strategically replacing short-term wholesale funding as we actively manage our funding costs. We also executed a $300 million cash flow hedge during the first quarter of $155.4 million. 2023 to further manage our interest rate risk and reduce our exposure to higher funding costs resulting from higher interest rates. Noninterest-bearing deposits totaled $2.94 billion $2.51 billion and represented 40.4% 36% of total deposits at September 30, 2022 March 31, 2023 compared to $2.79 billion $2.81 billion and 37.5% 39% at December 31, 2021 December 31, 2022.

Insured deposits of $4.77 billion and collateralized deposits of $314.6 million represented 73% of total deposits at March 31, 2023, compared to insured deposits of $3.93 billion and collateralized deposits of $341.6 million which represented 60% of total deposits at December 31, 2022.

Brokered deposits were $332.4 million $1.01 billion and $10.0 million $614.9 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022. During the nine three months ended September 30, 2022 March 31, 2023, certain higher-costing we added short-term brokered deposits were strategically replaced with longer term fixed rate advances and other wholesale certificates of deposit. to increase our liquidity due to the current operating environment.

The following table presents the scheduled maturities of certificates of deposit as of September 30, 2022 March 31, 2023:

($ in thousands)	($ in thousands)	Three Months or Less	Over Three Months Through Six Months	Over Six Months Through Twelve Months	Over One Year	Total	($ in thousands)	Three Months or Less	Over Three Months Through Six Months	Over Six Months Through Twelve Months	Over One Year	Total
Certificates of deposit of $250,000 or less	Certificates of deposit of $250,000 or less	$ 182,878	$ 44,398	$ 130,955	$ 178,630	$ 536,861	Certificates of deposit of $250,000 or less	$ 543,007	$ 236,277	$ 277,078	$ 122,424	$ 1,178,786
Certificates of deposit of more than $250,000	Certificates of deposit of more than $250,000	203,039	147,897	17,531	31,611	400,078	Certificates of deposit of more than $250,000	138,621	184,075	41,128	42,380	406,204
Total certificates of deposit	**Total certificates of deposit**	**$ 385,917**	**$ 192,295**	**$ 148,486**	**$ 210,241**	**$ 936,939**	**Total certificates of deposit**	**$ 681,628**	**$ 420,352**	**$ 318,206**	**$ 164,804**	**$ 1,584,990**

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Borrowings

We have various available lines of credit. These include the ability to borrow funds from time to time on a long-term, short-term, or overnight basis from the FHLB, the FRB, or other financial institutions. The following table presents our borrowings as of the dates indicated:

	March 31, 2023			December 31, 2022
($ in thousands)	**Weighted Average Interest Rate**	**Weighted Average Maturity (years)**	**Outstanding Balance**	**Outstanding Balance**
FHLB advances:				

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Overnight advances	5.11%	0.01	$ 325,000	$ 20,000
Term advances	2.91%	3.25	611,000	611,000
Term advances (putable)	3.44%	4.75	200,000	100,000
Unamortized costs			(3,330)	(3,652)
Total FHLB advances	**3.63%**	**2.59**	**$ 1,132,670**	**$ 727,348**
FRB borrowings:				
Overnight advances	5.00%	0.01	$ 600,000	$ —

In light of current volatility, we proactively performed liquidity-enhancing measures, including additional advances from FHLB and draws on available FRB facilities, during the first quarter of 2023.

FHLB Advances. We utilize FHLB advances to leverage our capital base, to provide funds for lending and investing activities, as a source of liquidity, and to enhance interest rate risk management.

During the nine months ended September 30, 2022, FHLB advances increased $251.0 million, or 52.7%, to $727.0 million, net of unamortized debt issuance costs of $4.0 million, as of September 30, 2022, due to an increase in overnight borrowings of $50.0 million and term advances of $200.0 million.

At September 30, 2022, FHLB advances included $120.0 million in overnight borrowings and $611.0 million in term advances with a weighted average life of 3.7 years and weighted average interest rate of 2.91%.

FHLB advances are collateralized by a blanket lien on all real estate loans. Our At March 31, 2023, our secured borrowing capacity with the FHLB totaled $2.23 billion $2.37 billion, of which the Bank was eligible to borrow an additional $1.21 billion at September 30, 2022 $821.9 million based on qualifying loans with an aggregate unpaid principal balance of $3.20 billion $3.50 billion as of that date.

As of September 30, 2022 March 31, 2023, the Bank also has additional borrowing capacity with the FHLB advances increased $405.3 million, or 55.7%, to $1.13 billion mainly due to an increase in overnight borrowings of $164.0 million, $305.0 million and term advances of which the Bank was eligible to borrow an additional $44.0 million based on investment securities pledged with a carrying value of $214.6 million $100.0 million.

FRB Borrowings. We maintain additional borrowing availabilities from the FRB Discount Window and BIC program.

At September 30, 2022 March 31, 2023, the Bank had borrowing capacity with the Federal Reserve Bank of San Francisco (the “Federal Reserve”) of $733.5 million $1.51 billion, including the secured borrowing capacity through the FRB Discount Window, Borrower-in-Custody (“BIC”), and Borrower-in-Custody ("BIC" Bank Term Funding (“BTFP”) program. Borrowings under the BIC program programs. The FRB credit programs are overnight advances collateralized by certain qualifying loans with interest chargeable at the discount window (“primary credit”) borrowing rate. an unpaid principal balance of $1.47 billion and securities with a carrying value of $524.3 million.

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There were no secured borrowings from We utilized available capacity in the FRB Discount Window and BIC programs through $600.0 million in overnight borrowings, but did not utilize the BTFP and there was no borrowings outstanding borrowing under the BIC this program for the three and nine months ended September 30, 2022. There were no borrowings from the Federal Reserve at September 30, 2022 and December 31, 2021 March 31, 2023.

Other Borrowings. The Bank maintains available unsecured federal funds lines with five correspondent banks totaling $210.0 million, with no outstanding borrowings at September 30, 2022 March 31, 2023.

The Bank also has the ability to perform unsecured overnight borrowing from various financial institutions through AFX. The availability of such unsecured borrowings fluctuates regularly, is subject to the counterparties discretion and totaled $345.0 million and $445.0 million at March 31, 2023 and $441.0 million at September 30, 2022 and December 31, 2021 December 31, 2022. Borrowings under the AFX totaled zero at March 31, 2023 and $25.0 million at September 30, 2022 and December 31, 2021 December 31, 2022.

The In addition, the holding company maintains a $50.0 million revolving line of credit, which matures on December 19, 2022. We have the option to select paying interest using either (i) Prime Rate or (ii) LIBOR + 1.75%. The with no borrowings under this line of credit is also subject to an unused commitment fee of 0.40% per annum. Borrowings under the line of credit totaled $10.0 million at March 31, 2023 and zero at September 30, 2022 and December 31, 2021. The line of credit is subject to certain operational and financial covenants and we were in compliance with these covenants at September 30, 2022 December 31, 2022.

The Bank also maintained repurchase agreements and had no outstanding securities sold under agreements to repurchase at September 30, 2022 and December 31, 2021. Availabilities and terms on repurchase agreements are subject to the counterparties' discretion and the pledging of additional investment securities.

For additional information, see Note 6 - *Federal Home Loan Bank Advances, Federal Reserve Bank Borrowings and Other Borrowings* of the Notes to Consolidated Financial Statements (unaudited) included in Part I of this Quarterly Report on Form 10-Q.

Long-term Debt

The following table presents our long-term debt as of the dates indicated:

			September 30, 2022		December 31, 2021	
($ in thousands)	**Interest Rate**	**Maturity Date**	**Par Value**	**Unamortized Debt Issuance Cost and Discount**	**Par Value**	**Unamortized Debt Issuance Cost and Discount**
Senior notes	5.25%	4/15/2025	$ 175,000	$ (816)	$ 175,000	$ (1,014)

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Subordinated notes	4.375%	10/30/2030	85,000	(1,965)	85,000	(2,127)
PMB Statutory Trust III, junior subordinated debentures	Libor + 3.40%	9/26/2032	7,217	—	7,217	—
PMB Capital Trust III, junior subordinated debentures	Libor + 2.00%	10/8/2034	10,310	—	10,310	—
Total			**$ 277,527**	**$ (2,781)**	**$ 277,527**	**$ (3,141)**

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			March 31, 2023		December 31, 2022	
($ in thousands)	**Interest Rate**	**Maturity Date**	**Par Value**	**Unamortized Debt Issuance Cost and Discount**	**Par Value**	**Unamortized Debt Issuance Cost and Discount**
Senior notes	5.25%	4/15/2025	$ 175,000	$ (679)	$ 175,000	$ (722)
Subordinated notes (1)	4.375%	10/30/2030	85,000	(1,853)	85,000	(1,899)
PMB Statutory Trust III, junior subordinated debentures	LIBOR + 3.40%	9/26/2032	7,217	—	7,217	—
PMB Capital Trust III, junior subordinated debentures	LIBOR + 2.00%	10/8/2034	10,310	—	10,310	—
Total			**$ 277,527**	**$ (2,532)**	**$ 277,527**	**$ (2,621)**

(1) The Subordinated Notes bear interest at an initial fixed rate of 4.375% per annum, payable semi-annually in arrears. From and including October 30, 2025 to, but excluding, the maturity date or the date of earlier redemption, the Subordinated Notes bear interest at a floating rate per annum equal to a benchmark rate, which is expected to be 3-Month Term SOFR, plus a spread of 419.5 basis points, payable quarterly in arrears.

At September 30, 2022 March 31, 2023, we were in compliance with all covenants under our long-term debt agreements.

Liquidity Management

We are required to maintain sufficient liquidity to ensure a safe and sound operation. Liquidity may increase or decrease depending upon availability of funds and comparative yields on investments in relation to the return on loans. Historically, we have maintained liquid assets above levels believed to be adequate to meet the requirements of normal operations, including both expected and unexpected cash flow needs such as funding loan commitments, potential deposit outflows and dividend payments. Cash flow projections are regularly reviewed and updated to ensure that adequate liquidity is maintained. We also monitor our liquidity requirements in light of rising interest rate trends, changes in the economy and scheduled maturity and interest rate sensitivity of our investment and loan portfolio and deposits.

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Banc of California, N.A.

Primary Sources of Liquidity: The Bank's liquidity, represented by cash and cash equivalents and securities available-for-sale, is a product of its operating, investing, and financing activities. The Bank's primary sources of funds are deposits, payments and maturities of outstanding loans and investment securities; sales of loans, investment securities, and other short-term investments; and funds provided from operations. While scheduled payments and maturity maturities of loans, investment securities and other short-term investments are relatively predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition.

At March 31, 2023, we had primary liquidity of $1.73 billion, including total cash and cash equivalents of $1.01 billion and unpledged securities available-for-sale of $724.2 million. Our cash increased $782.1 million from December 31, 2022 as we deployed a conservative strategy to hold extra liquidity due to the current operating environment.

Secondary Sources of Liquidity: The Bank also generates cash through secured and unsecured secondary sources of funds. The Bank maintains pre-established secured lines of credit with the FHLB and the FRB as secondary sources of liquidity to provide funds for lending and investment activities and to enhance interest rate risk and liquidity risk management. At September 30, 2022 March 31, 2023, we had available unused secured borrowing capacities of $1.21 billion $821.9 million from the FHLB and $733.5 million $913.9 million through the FRB Discount Window, BIC and BIC BTFP programs. At September 30, 2022 and December 31, 2021, FHLB advances totaled $727.0 million and $476.1 million, net of unamortized debt issuance costs of $4.0 million and $4.9 million. At September 30, 2022, the Bank had pledged certain qualifying loans with an unpaid principal balance of $3.20 billion and securities with a carrying value of $214.6 million.

Borrowings under the BIC program are overnight advances with interest chargeable at the discount window ("primary credit") borrowing rate. There were no borrowings under the FRB's Discount Window and BIC programs at September 30, 2022 and December 31, 2021. At September 30, 2022, the Bank had pledged certain qualifying loans with an unpaid principal balance of $975.5 million and securities with a carrying value of $123.1 million as collateral for these FRB programs. The Bank may also utilize securities sold under repurchase agreements to leverage its capital base and while it maintains repurchase agreements, there were none outstanding at September 30, 2022 and December 31, 2021. Availabilities and terms on repurchase agreements are subject to the counterparties' discretion and would require the Bank to pledge additional investment securities. The Bank had unpledged securities available-for-sale of $819.3 million at September 30, 2022.

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In addition, the Bank has additional sources of secondary liquidity through pre-established unsecured fed federal funds lines with correspondent banks and pre-approved unsecured overnight borrowing lines with various financial institutions through the AFX platform and its ability totaling $555.0 million at March 31, 2023. These facilities are subject to obtain brokered deposits. At September 30, 2022 counterparty discretion.

As of March 31, 2023, the Bank Company had $210.0 million high levels of liquidity available with total cash and cash equivalents of $1.01 billion, unpledged securities available-for-sale of $724.2 million, and unused borrowing capacity of $2.29 billion, resulting in pre-established unsecured federal funds lines total primary and secondary liquidity available of credit with correspondent banks. There were no borrowings with these correspondent banks at September 30, 2022 $4.03 billion. This was 2.2 times total uninsured and December 31, 2021. The availability uncollateralized deposits of unsecured borrowings through the AFX platform fluctuates regularly and is subject to the counterparties' discretion and totaled $445.0 million at September 30, 2022 $1.87 billion. Borrowings under the AFX platform totaled zero and $25.0 million at September 30, 2022 and December 31, 2021. The brokered deposits outstanding at September 30, 2022 and December 31, 2021 totaled $332.4 million and $10.0 million.

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Banc of California, Inc.

Primary Sources of Liquidity: The primary sources of funds for Banc of California, Inc., on a stand-alone holding company basis, are dividends and intercompany tax payments from the Bank, outside borrowing, and its ability to raise capital and issue debt securities. Dividends from the Bank are largely dependent upon the Bank's earnings and are subject to restrictions under certain regulations that limit its ability to transfer funds to the holding company. OCC regulations impose various restrictions on the ability of a bank to make capital distributions, which include dividends, stock redemptions or repurchases, and certain other items. Generally, a well-capitalized bank may make capital distributions during any calendar year equal to up to 100 percent of year-to-date net income plus retained net income for the two preceding years without prior OCC approval. However, any dividend paid by the Bank would be limited by the need to maintain its well-capitalized status plus the capital buffer in order to avoid additional dividend restrictions (Refer to *Capital - Dividend Restrictions* below for additional information). Currently, the Bank does not have sufficient dividend-paying capacity to declare and pay such dividends to the holding company without obtaining prior approval from the OCC under the applicable regulations. During the nine three months ended September 30, 2022 March 31, 2023, the Bank paid $91.0 $20.0 million of dividends to Banc of California, Inc. At September 30, 2022 March 31, 2023, Banc of California, Inc. had $23.1 million $35.8 million in cash, all of which was on deposit at the Bank.

Secondary Sources of Liquidity: In December 2021, addition, the holding company entered into has a $50.0 million revolving line of credit. The line of credit matures on December 19, 2022. We have the option to pay interest using either (i) Prime Rate or (ii) LIBOR + 1.75%. The line of credit is also subject to an unused commitment fee of 0.40% per annum. At September 30, 2022, and there were $10.0 million in no borrowings under this line of credit. credit at March 31, 2023 and December 31, 2022, and we were in compliance with all covenants.

On March 15, 2022 February 13, 2023, we announced that our Board of Directors authorized the repurchase of up to $75 million $35 million of our common stock. The repurchase authorization expires in March 2023. February 2024. Purchases may be made in open-market transactions, in block transactions on or off an exchange, in privately negotiated transactions or by other means as determined by our management and in accordance with the regulations of the SEC. The timing of purchases and the number of shares repurchased under the program will depend on a variety of factors including price, trading volume, corporate and regulatory requirements and market conditions.

During the three months ended September 30, 2022 March 31, 2023, common stock repurchased under the program totaled 740,332 410,946 shares at a weighted average price of $17.49. During the nine months ended September 30, 2022, common stock repurchased under the program totaled 3,069,058 shares at a weighted average price of $18.28. $12.59. As of September 30, 2022 March 31, 2023, the Company had $18.9 million $29.8 million remaining under the current stock repurchase authorization.

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On March 15, 2022 we redeemed all outstanding Series E Preferred Stock, and the corresponding depositary shares, each representing a 1/40th interest in a share of the Series E Preferred Stock. The redemption price for the Series E Preferred Stock was $1,000 per share (equivalent to $25 per Series E Depositary Share). Upon redemption, the Series E Preferred Stock and the Series E Depositary Shares were no longer outstanding and all rights with respect to such stock and depositary shares ceased and terminated, except the right to payment of the redemption price. Also upon redemption, the Series E Depositary Shares were delisted from trading on the New York Stock Exchange. The $3.7 million difference between the consideration paid and the $95.0 million aggregate carrying value of the Series E Preferred Stock was reclassified to retained earnings and resulted in a decrease to net income allocated to common stockholders

On a consolidated basis, cash and cash equivalents totaled $256.1 million, or 2.7% of total assets at September 30, 2022. This compared to $228.1 million, or 2.4% of total assets, at December 31, 2021. The $27.9 million increase was due mainly to (i) net income of $99.4 million generated during the year, (ii) a $235.0 million increase in FHLB advances and other borrowings, and (iii) net investment securities inflows of $60.8 million from repayments, net of securities purchases, offset by (iv) a $159.1 million decrease in deposits, (v) net loan outflows of $6.2 million from originations net of repayments and loan purchases, (vi) the redemption of Series E Preferred Stock of $98.7 million, (vii) payments of common and preferred dividends of $12.7 million, (viii) net cash used to acquire Deepstack of $10.3 million, and (viii) repurchases of common stock of $56.2 million.

We believe that our liquidity sources are stable and are adequate to meet our day-to-day cash flow requirements as of September 30, 2022.

Commitments and Contractual Obligations

The following table presents our commitments and contractual obligations as of September 30, 2022 March 31, 2023:

	Commitments and Contractual Obligations	Commitments and Contractual Obligations

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($ in thousands)	($ in thousands)	Total Amount Committed	Within One Year	More Than One Year Through Three Years	More Than Three Years Through Five Years	Over Five Years	($ in thousands)	Total Amount Committed	Within One Year	More Than One Year Through Three Years	More Than Three Years Through Five Years	Over Five Years
Commitments to extend credit	Commitments to extend credit	$ 277,305	$ 19,960	$ 174,037	$ 34,444	$ 48,864	Commitments to extend credit	$ 226,240	$ 19,938	$ 145,390	$ 34,054	$ 26,858
Unused lines of credit	Unused lines of credit	2,089,306	1,778,491	203,832	76,771	30,212	Unused lines of credit	1,591,443	1,191,283	269,822	103,862	26,476
Standby letters of credit	Standby letters of credit	9,667	8,771	—	896	—	Standby letters of credit	9,153	6,257	2,896	—	—
Total commitments	**Total commitments**	**$ 2,376,278**	**$ 1,807,222**	**$ 377,869**	**$ 112,111**	**$ 79,076**	**Total commitments**	**$ 1,826,836**	**$ 1,217,478**	**$ 418,108**	**$ 137,916**	**$ 53,334**
FHLB advances		$ 731,000	$ 120,000	$ 291,000	$ 320,000	$ —						
FHLB advances and FRB borrowings							FHLB advances and FRB borrowings	$ 1,736,000	$ 925,000	$ 291,000	$ 520,000	$ —
Other borrowings		10,000	10,000	—	—	—						
Long-term debt	Long-term debt	277,527	—	175,000	—	102,527	Long-term debt	277,527	—	175,000	—	102,527
Operating and capital lease obligations	Operating and capital lease obligations	35,870	8,486	15,328	8,789	3,267	Operating and capital lease obligations	32,823	8,501	14,345	7,235	2,742
Certificates of deposit	Certificates of deposit	936,939	726,698	207,301	2,940	—	Certificates of deposit	1,584,990	1,420,186	162,676	2,128	—
Total contractual obligations	**Total contractual obligations**	**$ 1,991,336**	**$ 865,184**	**$ 688,629**	**$ 331,729**	**$ 105,794**	**Total contractual obligations**	**$ 3,631,340**	**$ 2,353,687**	**$ 643,021**	**$ 529,363**	**$ 105,269**

At September 30, 2022 March 31, 2023, we had unfunded commitments of $18.8 million $17.1 million, $9.4 million $7.7 million, and $12.1 million $9.4 million for LIHTC investments, SBIC investments, and other investments, respectively.

Capital

In order to maintain adequate levels of capital, we continuously assess projected sources and uses of capital to support projected asset growth, operating needs and credit risk. We consider, among other things, earnings generated from operations and access to capital from financial markets. In addition, we perform capital stress tests on an annual basis to assess the impact of adverse changes in the economy on our capital base. During the first half of 2022, increases Increases in market interest rates resulted in higher net unrealized losses in our securities portfolio and stockholders' equity. As market interest rates increase, bond prices tend to fall and, consequently, the fair value of our securities may also decrease. To this end, we may have further net unrealized losses on our securities classified as available–for-sale, which would negatively affect our total and tangible stockholders' equity.

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Regulatory Capital

The Company and the Bank are subject to the regulatory capital adequacy guidelines that are established by the federal Federal banking regulators. Inclusive of Under the capital relevant rules and including the required conservation buffer, the common equity Tier 1 capital, Tier 1 risk-based capital and total risk-based capital ratio minimums are 7.0%, 8.5% and 10.5%, respectively.

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The following table presents the regulatory capital amounts and ratios for the Company and the Bank as of dates indicated:

			Minimum Capital Requirements		Minimum Required to Be Well-Capitalized Under Prompt Corrective Action Provisions	
($ in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**

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September 30, 2022													
Banc of California, Inc.													
									Banc of California, Inc.	**Banc of California, NA**	**Minimum Capital Requirements**	**Well-Capitalized Requirements (Bank)**	**Capital Conservation Buffer Requirements**
March 31, 2023								**March 31, 2023**					
Total risk-based capital	Total risk-based capital	$ 1,076,881	13.86 %	$ 621,640	8.00 %	N/A	N/A	Total risk-based capital	14.22 %	15.93 %	8.00 %	10.00 %	10.50 %
Tier 1 risk-based capital	Tier 1 risk-based capital	887,899	11.43 %	466,230	6.00 %	N/A	N/A	Tier 1 risk-based capital	11.79 %	14.83 %	6.00 %	8.00 %	8.50 %
Common equity tier 1 capital	Common equity tier 1 capital	887,899	11.43 %	349,673	4.50 %	N/A	N/A	Common equity tier 1 capital	11.79 %	14.83 %	4.50 %	6.50 %	7.00 %
Tier 1 leverage	Tier 1 leverage	887,899	9.52 %	373,127	4.00 %	N/A	N/A	Tier 1 leverage	9.65 %	12.14 %	4.00 %	5.00 %	N/A
Banc of California, NA													
December 31, 2022								**December 31, 2022**					
Total risk-based capital	Total risk-based capital	$ 1,218,318	15.70 %	$ 620,972	8.00 %	$ 776,215	10.00 %	Total risk-based capital	14.21 %	16.02 %	8.00 %	10.00 %	10.50 %
Tier 1 risk-based capital	Tier 1 risk-based capital	1,129,898	14.56 %	465,729	6.00 %	620,972	8.00 %	Tier 1 risk-based capital	11.80 %	14.94 %	6.00 %	8.00 %	8.50 %
Common equity tier 1 capital	Common equity tier 1 capital	1,129,898	14.56 %	349,297	4.50 %	504,539	6.50 %	Common equity tier 1 capital	11.80 %	14.94 %	4.50 %	6.50 %	7.00 %
Tier 1 leverage	Tier 1 leverage	1,129,898	12.12 %	372,965	4.00 %	466,206	5.00 %	Tier 1 leverage	9.70 %	12.25 %	4.00 %	5.00 %	N/A
December 31, 2021													
Banc of California, Inc.													
Total risk-based capital		$ 1,140,480	14.98 %	$ 609,062	8.00 %	N/A	N/A						
Tier 1 risk-based capital		955,747	12.55 %	456,796	6.00 %	N/A	N/A						
Common equity tier 1 capital		860,841	11.31 %	342,597	4.50 %	N/A	N/A						
Tier 1 leverage		955,747	10.37 %	368,610	4.00 %	N/A	N/A						
Banc of California, NA													
Total risk-based capital		$ 1,195,050	15.71 %	$ 608,740	8.00 %	$ 760,925	10.00 %						
Tier 1 risk-based capital		1,110,767	14.60 %	456,555	6.00 %	608,740	8.00 %						
Common equity tier 1 capital		1,110,767	14.60 %	342,416	4.50 %	494,601	6.50 %						
Tier 1 leverage		1,110,767	12.06 %	368,306	4.00 %	460,382	5.00 %						

Dividend Restrictions

Payment of dividends by the Company are subject to guidance provided by the Federal Reserve. That guidance provides that bank holding companies that plan to pay dividends that exceed net earnings for a given period should first consult with the Federal Reserve. To the extent future quarterly dividends exceed quarterly net earnings, payment of dividends in respect of the Company's common stock will be subject to prior consultation and non-objection from the Federal Reserve.

Our principal source of funds for dividend payments is dividends received from the Bank. Federal banking laws and regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, in the case of the Bank, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above. Accordingly, any dividend granted by the Bank would be limited by the need to maintain its well capitalized status plus the capital buffer in order to avoid additional dividend restrictions. As described above, any near

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term dividend by the Bank will require OCC approval. During the three and nine months ended September 30, 2022 March 31, 2023, the Bank paid $25.0 million and $91.0 $20.0 million in dividends to Banc of California, Inc.

During the three and nine months ended September 30, 2022 March 31, 2023, we declared and paid dividends on our common stock of $0.06 and $0.18 $0.10 per share totaling $3.6 million and $11.0 million $5.6 million. In addition, prior to the redemption of our preferred stock, we paid $1.7 million in related dividends during the first quarter of 2022.

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Risk When Interest Rates Change. The rates of interest we earn on assets and pay on liabilities generally are established contractually for a period of time. Market interest rates change over time. Accordingly, our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our assets and liabilities.

The risk associated with changes in interest rates and our ability to adapt to these changes is known as interest rate risk and is our most significant market risk.

How We Measure Our Risk of Interest Rate Changes. As part of our attempt to manage our exposure to changes in interest rates and comply with applicable regulations, we have established asset/liability committees to monitor our interest rate risk. In monitoring interest rate risk we continually analyze and manage assets and liabilities based on their payment streams and interest rates, the timing of their maturities and/or prepayments, and their sensitivity to actual or potential changes in market interest rates.

We maintain both a management asset/liability committee (“Management ALCO”), comprised of select members of senior management, and a joint asset/liability committee of the Boards of Directors of the Company and the Bank (“Board ALCO”, together with Management ALCO, “ALCOs”). In order to manage the risk of potential adverse effects of material and prolonged or volatile changes in interest rates on our results of operations, we have adopted asset/liability management policies to align maturities and repricing terms of interest-earning assets to interest-bearing liabilities. The asset/liability management policies establish guidelines for the volume and mix of assets and funding sources taking into account relative costs and

spreads, interest rate sensitivity and liquidity needs, while management monitors adherence to those guidelines with oversight by the ALCOs. The objectives are to manage assets and funding sources to produce results that are consistent with liquidity, capital adequacy, growth, risk, and profitability goals. The ALCOs meet no less than quarterly to review, among other things, economic conditions and interest rate outlook, current and projected liquidity needs and capital position, anticipated changes in the volume and mix of assets and liabilities and interest rate risk exposure limits versus current projections pursuant to our net present economic value of equity analysis.

In order to manage our assets and liabilities and achieve the desired liquidity, credit quality, interest rate risk, profitability and capital targets, we evaluate various strategies including:

- Originating and purchasing adjustable rate mortgage Complementing our current loan origination platform through strategic acquisitions of whole loans,
- Selling longer duration fixed or hybrid mortgage loans, Strategically managing multiple warehouse relationships,
- Originating shorter-term consumer loans,
- Managing the level of investments and duration of investment securities,
- Managing our deposits to establish stable deposit relationships, and
- Using FHLB advances and/or certain derivatives such as swaps as hedges to align maturities and repricing terms, and
- Managing the percentage of fixed rate loans in our portfolio. terms.

At times, depending on the level of general interest rates, the relationship between long- and short-term interest rates, market conditions and competitive factors, the ALCOs may decide to increase our interest rate risk position within the asset/liability tolerance set forth by our Board of Directors.

As part of its procedures, the ALCOs regularly review interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and market our economic value of portfolio equity, which is defined as the net present value of an institution’s existing assets, liabilities and off-balance sheet instruments, and evaluating such impacts against the maximum potential changes in net interest income and market value of portfolio equity.

Interest Rate Sensitivity of Economic Value of Equity and Net Interest Income

Interest rate risk results from our banking activities and is the primary market risk for us. Interest rate risk is caused by the following factors:

- Repricing risk - timing differences in the repricing and maturity of interest-earning assets and interest-bearing liabilities;
- Option risk - changes in the expected maturities of assets and liabilities, such as borrowers’ ability to prepay loans and depositors’ ability to redeem certificates of deposit before maturity;
- Yield curve risk - changes in the yield curve where interest rates increase or decrease in a nonparallel fashion; and
- Basis risk - changes in spread relationships between different yield curves, such as U.S. Treasuries, U.S. Prime Rate, SOFR and London Interbank Offered Rate.

Since our earnings are primarily dependent on our ability to generate net interest income, we focus on actively monitoring and managing the effects of adverse changes in interest rates on our net interest income. Management of our interest rate risk is overseen by the Board ALCO. Board ALCO, which delegates the day to day management of interest rate risk to the Management ALCO. Management ALCO ensures that the Bank is following the appropriate and current regulatory guidance in the formulation and implementation of our interest rate risk program. Board ALCO reviews the results of our interest rate risk modeling quarterly to ensure that we have appropriately measured our interest rate risk, mitigated our exposures appropriately

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and any residual risk is acceptable. In addition to our annual review of our asset liability management policy, our Board of Directors periodically reviews the interest rate risk policy limits.

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

Our interest rate risk exposure is measured and monitored through various risk management tools, including a simulation model that performs interest rate sensitivity analysis under multiple scenarios. The simulation model is based on the actual maturities and re-pricing characteristics of the Bank's interest-rate sensitive assets and liabilities. The simulated interest rate scenarios include an instantaneous parallel shift in the yield curve ("Rate Shock"). We then evaluate the simulation results using two approaches: Net Interest Income at Risk ("NII at Risk"), and Economic Value of Equity ("EVE"). Under NII at Risk, the impact on net interest income from changes in interest rates on interest-earning assets and interest-bearing liabilities is modeled utilizing various assumptions for assets, liabilities, and derivatives.

EVE measures the period end present value of assets minus the present value of liabilities. Asset liability management uses this value to measure the changes in the economic value of the Company under various interest rate scenarios. In some ways, the economic value approach provides a broader scope than net income volatility approach since it captures all anticipated cash flows.

The balance sheet is considered "asset sensitive" when an increase in short-term interest rates is expected to expand our net interest margin, as rates earned on our interest-earning assets reprice higher at a pace faster than rates paid on our interest-bearing liabilities. Conversely, the balance sheet is considered "liability sensitive" when an increase in short-term interest rates

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is expected to compress our net interest margin, as rates paid on our interest-bearing liabilities reprice higher at a pace faster than rates earned on our interest-earning assets.

At September 30, 2022 March 31, 2023, our interest rate risk profile reflects a "neutral" position, a shift from an "asset sensitive" position. position as of December 31, 2022. The shift was primarily due to the increase in short-term fundings that were added to increase our on-balance sheet liquidity in response to market events at the end of the quarter. Given the uncertainty of the magnitude, timing and direction of future interest rate movements, as well as the shape of the yield curve, actual results may vary materially from those predicted by our model.

The following table presents the projected change in the Company's economic value of equity at September 30, 2022 March 31, 2023 and net interest income over the next twelve months, that would occur upon an immediate change in interest rates, based on independent analysis, but without giving effect to any steps that management might take to counteract that change:

		Change in Interest Rates in Basis Points (bps) (1)							Change in Interest Rates in Basis Points (bps) (1)					
		Economic Value of Equity			Net Interest Income				Economic Value of Equity			Net Interest Income		
($ in thousands)	($ in thousands)	Amount	Amount Change	Percentage Change	Amount	Amount Change	Percentage Change	($ in thousands)	Amount	Amount Change	Percentage Change	Amount	Amount Change	Percentage Change
September 30, 2022														
March 31, 2023								March 31, 2023						
+200 bps	+200 bps	$ 1,772,075	$ 27,038	1.5 %	$ 349,999	$ 12,316	3.6 %	+200 bps	$ 1,555,862	$ 5,009	0.3 %	$ 306,990	$ 1,664	0.5 %
+100 bps	+100 bps	1,755,262	10,225	0.6 %	343,782	6,099	1.8 %	+100 bps	1,561,461	10,608	0.7 %	306,300	974	0.3 %
0 bps	0 bps	1,745,037			337,683			0 bps	1,550,853			305,326		
-100 bps	-100 bps	1,692,534	(52,503)	(3.0) %	327,249	(10,434)	(3.1) %	-100 bps	1,518,231	(32,622)	(2.1) %	301,635	(3,691)	(1.2) %
-200 bps	-200 bps	1,613,524	(131,513)	(7.5) %	313,558	(24,125)	(7.1) %	-200 bps	1,452,739	(98,114)	(6.3) %	295,615	(9,711)	(3.2) %

(1) *Assumes an instantaneous uniform change in interest rates at all maturities and no rate shock has a rate lower than zero percent.*

We believe we are well positioned to benefit from the current cycle of rising interest rates. Due to the transformation of the franchise to our relationship-based banking model since 2019, with higher relative percentages of noninterest-bearing deposits and variable rate commercial loans, our we believe we are positioned for the current interest rate environment with a neutral balance sheet. Our one year gap ratio, which compares the percentage of earning assets that are scheduled to mature or reprice within one year to the percentage of rate sensitive term liabilities that are scheduled to mature or reprice within one year, has increased since December 31, 2019. At September 30, 2022, our one year gap ratio stood was 14% at 24% March 31, 2023. While this is only one measure of asset sensitivity, we expect to see some expansion in our net interest margin as short-term rates increase.

As with any method of measuring interest rate risk, certain shortcomings are inherent in the method of analysis presented in the foregoing table. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable rate mortgage loans, have features which restrict changes in interest

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rates on a short-term basis and over the life of the asset. Further, if interest rates change, expected rates of prepayments on loans and early withdrawals from certificates of deposit could deviate significantly from those assumed in calculating the table.

Interest rate risk is the most significant market risk affecting us. Other types of market risk, such as foreign currency exchange risk and commodity price risk, do not directly impact us in the normal course of our business activities and operations.

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ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Act) as of September 30, 2022 March 31, 2023 was carried out under the supervision and with the participation of the Company’s Principal Executive Officer, Principal Financial Officer and other members of the Company’s senior management. The Company’s Principal Executive Officer and Principal Financial Officer concluded that, as of September 30, 2022 March 31, 2023, the Company’s disclosure controls and procedures were effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the Act is: (i) accumulated and communicated to the Company’s management (including the Principal Executive Officer and Principal Financial Officer) to allow timely decisions regarding required disclosure; and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

There were no changes in the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) under the Act) that occurred during the three months ended September 30, 2022 March 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

The Company does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent all errors and fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within

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the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of a control. The design of any control procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

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PART II — OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

From time to time we are involved as plaintiff or defendant in various legal actions arising in the normal course of business. The outcome of such legal actions and the timing of ultimate resolution are inherently difficult to predict. In the opinion of management, based upon information currently available to us, any resulting liability, in addition to amounts already accrued, and taking into consideration insurance which may be applicable, would not have a material adverse effect on the Company’s financial statements or operations.

ITEM 1A - RISK FACTORS

There have been no material changes to the risk factors that appeared under Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021 December 31, 2022.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

		Purchase of Equity Securities by the Issuer					Purchase of Equity Securities by the Issuer			
($ in thousands, except per share data)	**($ in thousands, except per share data)**	**Total Number of Shares**	**Average Price Paid Per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans**	**Approximate Dollar Value of Shares That May Yet be Purchased Under the Plan**	**($ in thousands, except per share data)**	**Total Number of Shares**	**Average Price Paid Per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans**	**Approximate Dollar Value of Shares That May Yet be Purchased Under the Plan**
Common Stock:	**Common Stock:**					**Common Stock:**				
From July 1, 2022 to July 31, 2022		485,252	$ 18.07	485,252	$ 23,091					
From August 1, 2022 to August 31, 2022		5,350	$ 18.03	—	$ 23,091					
From September 1, 2022 to September 30, 2022		260,097	$ 16.40	255,080	$ 18,911					

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From January 1, 2023 to January 31, 2023						From January 1, 2023 to January 31, 2023	100	$	15.93	—	$	—
From February 1, 2023 to February 28, 2023						From February 1, 2023 to February 28, 2023	700	$	17.88	—	$	35,000
From March 1, 2023 to March 31, 2023						From March 1, 2023 to March 31, 2023	508,232	$	13.35	410,946	$	29,827
Total	**Total**	**750,699**	**$**	**17.50**	**740,332**	**Total**	**509,032**	**$**	**13.36**	**410,946**		

During the three and nine months ended September 30, 2022 March 31, 2023, purchases of shares of common stock related to shares purchased under our stock repurchase program and shares surrendered by employees in order to pay employee tax liabilities associated with vested awards under our employee stock benefit plans.

On March 15, 2022 February 13, 2023, we announced a repurchase program of up to $75 million $35 million of our common stock. The repurchase authorization expires in March 2023. February 2024. Purchases may be made in open-market transactions, in block transactions on or off an exchange, in privately negotiated transactions, or by other means as determined by our management and in accordance with the regulations of the SEC. The timing of purchases and the number of shares repurchased under the program will depend on a variety of factors including price, trading volume, corporate and regulatory requirements and market conditions.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable

ITEM 5 - OTHER INFORMATION

None

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ITEM 6 - EXHIBITS

3.1	Second Articles of Restatement of the charter of the Registrant (Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on June 5, 2018 and incorporated herein by reference.)
3.2	Fifth Amended and Restated Bylaws of the Registrant (Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on June 30, 2017 and incorporated herein by reference.)
10.0	Separation Agreement and General Release, dated as of April 11, 2023, by and among, the Registrant, Banc of California, N.A. and Lynn Hopkins.
31.1	Rule 13a-14(a) Certification (Principal Executive Officer)
31.2	Rule 13a-14(a) Certification (Principal Financial Officer)
32.0	Rule 13a-14(b) and 18 U.S.C. 1350 Certification
101.0	The following financial statements and footnotes from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 March 31, 2023 formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Financial Condition; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Income (Loss); Income; (iv) Consolidated Statements of Stockholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) the Notes to Consolidated Financial Statements. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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SIGNATURES

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

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BANC OF CALIFORNIA, INC.

Date:	November 7, 2022 May 8, 2023		/s/ Jared Wolff
			Jared Wolff President/ President and Chief Executive Officer *(Principal Executive Officer)*
Date:	November 7, 2022 May 8, 2023		/s/ Lynn M. HopkinsRaymond Rindone
			Lynn M. HopkinsRaymond Rindone Executive Vice President/ President, Interim Chief Financial Officer and Chief Accounting Officer *(Principal Financial Officer and Principal Accounting Officer)*

November
7, 2022

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Exhibit 10.0

CONFIDENTIAL

SEPARATION AGREEMENT AND GENERAL RELEASE

Banc of California, Inc., a Maryland corporation (the "Company"), Banc of California, N.A., a national banking association (the "Bank," and together with the Company, "Employer") and Lynn Hopkins ("Executive") (collectively the "Parties") enter into this Separation Agreement and General Release (this "General Release") on the following terms:

WHEREAS, Executive was employed by Employer pursuant to an employment agreement entered into by and between Executive and Employer dated as of November 13, 2019 (the "Employment Agreement"). Capitalized terms used but not defined herein shall have the meaning set forth in the Employment Agreement; and
WHEREAS, the Date of Termination of Executive's employment with Employer is March 31, 2023, and Executive acknowledges that regardless of signing this General Release, she has received her final paycheck for all wages earned through the Date of Termination, except for any payments which, pursuant to the terms of the Employment Agreement, are not yet due to be paid;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained in this General Release, the Parties agree as follows:

1. Subject to Executive's compliance with her promises and agreements contained in this General Release and the Employment Agreement (including, but not limited to, Sections 8(f), 8(g), and 9-12) and provided Executive does not revoke this General Release, Employer shall provide Executive with an amount equal to the Severance Amount as set forth in Section 8(b) of the Employment Agreement, plus a Monthly COBRA Supplement. The Monthly COBRA Supplement is an amount equal to the premium required to maintain Executive's medical, dental and vision insurance benefits at the same level of coverage as of the Date of Termination, provided that such benefits may be adjusted from time to time by Employer to the same extent and on the same terms as such benefits are provided to other members of the ELG. For the avoidance of doubt, the COBRA Supplement shall not include life, disability, Armada Care or other insurance benefits that may be offered by Employer before or after the Date of Termination. In order to receive the Monthly COBRA Supplement, Executive must complete all applications or other paperwork necessary to obtain COBRA continuation coverage. Upon successful initiation of COBRA continuation coverage, Employer shall pay the required premium directly to Employer's group health provider on Employee's behalf. Employer shall pay the Monthly COBRA Supplement until the earlier of (a) December 31, 2023, or (b) the date on which Executive obtains other employment which includes group health coverage as a benefit of employment. Executive shall promptly notify Employer if she obtains employment which includes group health coverage as a benefit of employment, and the start date of such employment.

2. In consideration of the payments and benefits to which Executive is entitled under this General Release, Executive for herself, her heirs, administrators, representatives, executors, successors, and assigns (collectively "Releasors") does hereby irrevocably and unconditionally release, acquit and forever discharge the Company, the Bank, and their respective parents, subsidiaries, affiliates and divisions (the "Affiliated Entities") and their respective predecessors and successors and their respective, current and former, trustees, officers, directors, partners, shareholders, agents, employees, attorneys, consultants, independent contractors, and representatives, including, without limitation, all persons acting by, through, under, or in concert with any of them (collectively, "Releasees"), and each of them from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, remedies, actions, causes of action, suits, rights, demands, costs, losses, debts, and expenses (including attorneys' fees and costs) of any nature whatsoever, known or unknown, whether in law or equity and whether arising under federal, state, or local law ("Claims"), including without limitation, Claims for personal injury; Claims for breach of any implied or express contract or covenant; Claims for promissory estoppel; Claims for failure to pay wages, benefits, vacation pay, severance pay, attorneys' fees, or any compensation of any sort; Claims for failure to grant equity or allow equity to vest; Claims for wrongful termination, public policy violations, defamation, interference with contract or prospective economic

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advantage, invasion of privacy, fraud, misrepresentation, emotional distress, breach of fiduciary duty, breach of the duty of loyalty or other common law or tort causes of action; Claims of harassment, retaliation or discrimination based upon race, color, sex, national origin, ancestry, age, disability, handicap, medical condition, religion, marital status, or any other protected class or status under federal, state, or local law; Claims arising under or relating to employment, employment contracts, unlawful effort to prevent employment, or unfair or unlawful business practices, including without limitation all claims arising under Title VII of the Civil Rights Act of 1964 ("Title VII"); the Civil Rights Act of 1991; the Civil Rights Acts of 1866 and/or 1871, 42 U.S.C. Section 1981; the Americans With Disabilities Act of 1990 ("ADA"), 42 U.S.C § 12101 *et seq.*; the Age Discrimination in Employment Act ("ADEA"), 29 U.S.C. § 621 *et seq.*, the Older Workers Benefits Protection Act ("OWBPA"); the Family Medical Leave Act, 29 U.S.C. § 2601 *et seq.*; the California Labor Code; the California Fair Employment and Housing Act ("FEHA"), Cal. Gov. Code § 12900 *et seq.*; the Occupational Safety and Health Act ("OSHA"), 29 U.S.C. § 651 *et seq.* or any other health/safety laws, statutes or regulations; the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. § 1001 *et seq.*; the Internal Revenue Code; the California Family Rights Act ("CFRA"), Cal. Gov. Code § 12945 *et seq.*; including any amendments to or regulations promulgated under these statutes and including the similar laws of any other states, any state human rights act, or any other applicable federal, state or local employment statute, law or ordinance, which Executive and the Releasors had, now have, or may have in the future against each or any of the Releasees from the beginning of the world until and including the Execution Date (collectively, "Released Claims").

3. OWBPA; Meaning of Signing This General Release. Executive expressly acknowledges and agrees that (a) Executive has carefully read this General Release and fully understands what it means, including the fact that she is waiving her rights under ADEA; (b) Executive has been advised in writing to consult an independent attorney of Executive's choice before signing this General Release; (c) Executive has been given twenty-one (21) calendar days to consider this General Release, or, in the case of a group termination as set forth in 29 U.S.C. § 626(f)(1)(F)(ii), forty-five (45) days; (d) in the case of a group termination as set forth in 29 U.S.C. § 626(f)(1)(F)(ii), Executive has been provided the information required by 29 U.S.C. § 626(f)(1)(H); (e) Executive has agreed to this General Release knowingly and voluntarily of Executive's own free will; (f) in consideration of Executive's promises contained in this General Release, she is receiving consideration beyond that to which she is otherwise entitled, including, without limitation, the Severance Benefits; (g) Executive may revoke Executive's waiver and release of Claims under the ADEA within seven (7) calendar days after the Execution Date by sending a written Notice of Revocation to the address of Employer as set forth in Section 24 of the Employment Agreement; and (h) except for Executive's waiver and release of Claims under the ADEA, which shall not become effective or enforceable as to any Party until the date upon which the revocation period has expired without revocation by Executive, this General Release shall become effective on the Execution Date. Executive understands and agrees that modifications or amendments to this General Release will not restart the twenty-one (21) or forty-five (45) day consideration period, as applicable, set forth in this Section 3. For avoidance of doubt, if Executive revokes her waiver and release of Claims under the ADEA pursuant to this Section, Employer will not provide any of the Severance Benefits.

4. Notwithstanding anything else to the contrary in this General Release, this General Release shall not affect: the obligations of the Company set forth in the Employment Agreement or the indemnification agreement or other obligations that, in each case with respect to such other obligations, by their terms, are to be performed after the Execution Date (defined below), including, without limitation, Executive's rights to any vested benefits, vested pension rights or vested rights to equity); any obligations of the Bank to repay any bank deposits; obligations to indemnify Executive respecting acts or omissions in connection with Executive's service as a director, officer or employee of the Affiliated Entities; obligations with respect to insurance coverage under any of the Affiliated Entities' (or any of their respective successors) directors' and officers' liability insurance policies; or any right Executive may have to obtain contribution in the event of the entry of judgment against Executive as a result of any act or failure to act for which both Executive and any of the Affiliated Entities are jointly responsible.

5. Executive represents that, except for anonymous whistleblower complaints filed with the SEC or other similar regulatory agencies, the Releasors have not initiated, filed, or caused to be filed any Released Claims against any of the Releasees. Executive further agrees not to initiate, file, cause to be filed, or otherwise pursue any Released Claims, either as an individual on her own behalf, or as a representative, member or shareholder in a class, collective or derivative action and further agrees not to encourage any

person, including any current or former employee of the Releasees, to file any kind of Claim against the Releasees. Executive, however, retains the right to challenge the validity of the waiver of Executive's Claims under the ADEA set forth in Sections 2 and 3 of this General Release.

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6. Executive further acknowledges that she may hereafter discover claims or facts in addition to or different than those that she now knows or believes to exist with respect to the subject matter of this General Release and that, if known or suspected at the time of entering into this General Release, may have materially affected this General Release and Executive's decision to enter into it. Nevertheless, Executive hereby waives any right, claim or cause of action that might arise as a result of such different or additional claims or facts and Executive expressly waives any and all rights and benefits confirmed upon her by the provisions of California Civil Code Section 1542, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

Executive further expressly waives any rights she may have under Section 1542, as well as under any other statute or common law principles of similar effect in any other jurisdiction determined by a court of competent jurisdiction to apply.

7. This General Release shall be construed, enforced and interpreted in accordance with and governed by the laws of the State of California, without reference to its principles of conflict of laws.

8. The Parties intend for the provisions of this General Release to be enforced to the fullest extent permissible under all applicable laws and public policies. They also intend that unenforceability or the modification to conform with those laws or public policies of any provision of this General Release shall not render unenforceable or impair the remainder of this General Release. Accordingly, if any provision shall be determined to be invalid or unenforceable either in whole or in part, this General Release shall be deemed amended to delete or modify as necessary the invalid or unenforceable provisions to alter the balance of this General Release in order to render the same valid and enforceable.

9. This General Release may not be orally cancelled, changed, modified or amended, and no cancellation, change, modification or amendment shall be effective or binding, unless in writing and signed by both parties to this General Release.

10. In the event of the breach or a threatened breach by Executive of any of the provisions of this General Release, the Releasees would suffer irreparable harm, and in addition and supplementary to other rights and remedies existing in its favor, the Releasees shall be entitled to specific performance and/or injunctive or other equitable relief from a court of competent jurisdiction in order to enforce or prevent any violations of the provisions hereof without posting a bond or other security.

11. Notwithstanding anything to the contrary in this General Release, Executive understands that nothing in this General Release is intended to prohibit Executive and Executive is not prohibited from reporting possible violations of law to, filing charges with, making disclosures protected under the whistleblower provisions of U.S. federal law or regulation, or participating in investigations of U.S. federal law or regulation by the U.S. Securities and Exchange Commission, National Labor Relations Board, Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, the U.S. Department of Justice, the U.S. Congress, any U.S. agency Inspector General or any self-regulatory agencies such as the SEC or federal, state or local governmental agencies (collectively, "Government Agencies," and each a "Government Agency"). Accordingly, Executive does not need the prior authorization of Employer to make any such reports or disclosures or otherwise communicate with Government Agencies and is not required to notify Employer that she has engaged in any such communications or made any such reports or disclosures. Executive agrees, however, to waive any right to receive any monetary award resulting from such a report, charge, disclosure, investigation or proceeding, except that Executive may receive and fully retain any award from a whistleblower award program administered by a Government Agency. In addition, Executive is hereby notified that 18 U.S.C. § 1833(b) states as follows:

"An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that-(A) is made-(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal."

Accordingly, notwithstanding anything to the contrary in this General Release, Executive understands that she has the right to disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. Executive understands that she also has the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Executive understands and acknowledges that nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b).

Executive, the Company and the Bank have executed this General Release on April 11, 2023 (the "Execution Date").

BANC OF CALIFORNIA, INC.

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By: /s/ Ido Dotan
Name: Ido Dotan
Title: Chief Administrative Officer of the Company and the Bank

BANC OF CALIFORNIA, N.A.

By: /s/ Alex Kweskin
Name: Alex Kweskin
Title: EVP, Chief Human Resources Officer

EXECUTIVE

By: /s/ Lynn Hopkins
Lynn Hopkins

Exhibit 31.1

CERTIFICATIONS

I, Jared Wolff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Banc of California, Inc.;

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

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

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

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

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

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2022 May 8, 2023

/s/ Jared Wolff
Jared Wolff
President/ President and Chief Executive Officer
(Principal Executive Officer)

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Exhibit 31.2

CERTIFICATIONS

I, Lynn M. Hopkins, Raymond Rindone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Banc of California, Inc.;

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

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

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

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

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

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2022 May 8, 2023

/s/ Lynn M. Hopkins Raymond Rindone

Lynn M. Hopkins Raymond Rindone

Executive Vice President/ President, Interim Chief Financial Officer and Chief Accounting Officer

(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.0

SECTION 1350 CERTIFICATION

Each of the undersigned hereby certifies in his or her capacity as an officer of Banc of California, Inc. ("the Company") that this Quarterly Report of the Company on Form 10-Q for the quarter ended September 30, 2022 March 31, 2023 fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the financial statements included in such report.

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Date:	November 7, 2022 May 8, 2023	/s/ Jared Wolff
		Jared Wolff
		President/ President and Chief Executive Officer *(Principal Executive Officer)*
Date:	November 7, 2022 May 8, 2023	/s/ Lynn M. Hopkins Raymond Rindone
		Lynn M. Hopkins Raymond Rindone
		Executive Vice President/ President, Interim Chief Financial Officer and Chief Accounting Officer *(Principal Financial Officer and Principal Accounting Officer)*

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