

REFINITIV

DELTA REPORT

10-Q

WABC - WESTAMERICA BANCORPORATIO

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

The following comparison report has been automatically generated

TOTAL DELTAS 1180

■ CHANGES	258
■ DELETIONS	496
■ ADDITIONS	426

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, 2023** **March 31, 2024**

or

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

For the transition period from _____ to _____.

Commission file number: 001-09383

WESTAMERICA BANCORPORATION

(Exact Name of Registrant as Specified in Its Charter)

CCALIFORNIA ALIFORNIA

94-2156203

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

1108 FIFTH AVENUE, SAN RAFAEL, CCALIFORNIA ALIFORNIA 94901

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code (707) 863-6000

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	WABC	The Nasdaq Stock Market, LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes

No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

Title of Class	Shares outstanding as of October 30, 2023 April 30, 2024
Common Stock, No Par Value	26,649,036 26,678,401

TABLE OF CONTENTS

	Page
Forward Looking Statements	3
PART I - FINANCIAL INFORMATION	4
Item 1 Financial Statements	4
Notes to Unaudited Consolidated Financial Statements	9
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations	29
Item 3 Quantitative and Qualitative Disclosures about Market Risk	57 52
Item 4 Controls and Procedures	57 52
PART II - OTHER INFORMATION	53
Item 1 Legal Proceedings	58 53
Item 1A Risk Factors	58 53
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	58 53
Item 3 Defaults upon Senior Securities	59 53
Item 4 Mine Safety Disclosures	59 53
Item 5 Other Information	59 53
Item 6 Exhibits	59 54
Signatures	60

-2-

FORWARD-LOOKING STATEMENTS

This report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, expenses, future credit quality and performance, the appropriateness of the allowance for credit losses, loan growth or reduction, mitigation of risk in the Company's loan and investment securities portfolios, income or loss, earnings or loss per share, the payment or nonpayment of dividends, stock repurchases, capital structure and other financial items; (ii) statements of plans, objectives and expectations of the Company or its management or board of directors, including those relating to products or services; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as "believes", "anticipates", "expects", "estimates", "intends", "targeted", "projected", "forecast", "continue", "remain", "will", "should", "may" and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

These forward-looking statements are based on the current knowledge and belief of the management ("Management") of Westamerica Bancorporation (the "Company") and include information concerning the Company's possible or assumed future financial condition and results of operations. A number of factors, some of which are beyond the Company's ability to predict or control, could cause future results to differ materially from those contemplated.

These factors include but are not limited to (1) the length and severity of any difficulties in the global, national and California economies and the effects of government efforts to address those difficulties; (2) liquidity levels in capital markets; (3) fluctuations in asset prices values including, but not limited to stocks, bonds, real estate, and commodities; (4) the effect of acquisitions and integration of acquired businesses; (5) economic uncertainty created by riots, civil unrest, terrorist threats and attacks on the United States, the actions taken in response, and the uncertain effect of these events on the local, regional and national economies; (6) changes in the interest rate environment and monetary policy; (7) changes in the regulatory environment; (8) competitive pressure in the banking industry; (9) operational risks including a failure or breach in data processing or security systems or those of third party vendors and other service providers, including as a result of cyber attacks or fraud; (10) volatility of interest rate sensitive loans, deposits and investments, particularly the impact of rising interest rates on the Company's securities portfolio; (11) asset/liability management risks; (12) liquidity risks including the impact of recent adverse developments in the banking industry; (13) the effect of climate change, natural disasters, including earthquakes, hurricanes, fire, flood, drought, and other disasters, on the uninsured value of the Company's assets and of loan collateral, the financial condition of debtors and issuers of investment securities, the economic conditions affecting the Company's market place, and commodities and asset values; (14) changes in the securities markets; (15) the duration and severity of pandemics and governmental and customer responses; (16) inflation and (17) the outcome of contingencies, such as legal proceedings. However, the reader should not consider the above-mentioned factors to be a complete set of all potential risks or uncertainties.

Forward-looking statements speak only as of the date they are made. The Company undertakes no obligation to update any forward-looking statements in this report to reflect circumstances or events that occur after the date forward looking statements are made, except as may be required by law. The reader is directed to [Part II – Item 1A "Risk Factors" of this report and other risk factors discussed elsewhere in the Company's annual report on Form 10-K for the year ended December 31, 2022 and Item 1A of this report December 31, 2023](#), for further discussion of factors which could affect the Company's business and cause actual results to differ materially from those expressed in any forward-looking statement made in this report.

-3-

PART I - FINANCIAL INFORMATION

Item 1 Financial Statements

WESTAMERICA BANCORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

Assets:

Cash and due from banks
Debt securities available for sale
Debt securities held to maturity, net of allowance for credit losses of \$1 at September 30, 2023 and December 31, 2022 (Fair value of \$818,395 at September 30, 2023 and \$873,511 at December 31, 2022)
Loans
Allowance for credit losses on loans
Loans, net of allowance for credit losses on loans
Premises and equipment, net
Identifiable intangibles, net
Goodwill
Other assets
Total Assets

Liabilities:

Noninterest-bearing deposits

Interest-bearing deposits

 Total deposits

Short-term borrowed funds

Other liabilities

 Total Liabilities

Contingencies (Note 10)

Shareholders' Equity:

Common stock (no par value), authorized: 150,000 shares issued and outstanding: 26,649 at September 30, 2023 and 26,913 at December 31, 2022

Deferred compensation

Accumulated other comprehensive loss

Retained earnings

 Total Shareholders' Equity

Total Liabilities and

WESTAMERICA BANCORPORATION

CONSOLIDATED BALANCE SHEETS

(Unaudited)

Assets:

Cash and due from banks

Debt securities available for sale

Debt securities held to maturity, net of allowance for credit losses of \$1 at March 31, 2024 and December 31, 2023 (Fair value of \$829,455 at March 31, 2024 and \$849,562 December 31, 2023)

Loans

Allowance for credit losses on loans

 Loans, net of allowance for credit losses on loans

Premises and equipment, net

Identifiable intangibles, net

Goodwill

Other assets

 Total Assets

Liabilities:

Noninterest-bearing deposits

Interest-bearing deposits

 Total deposits

Bank Term Funding Program borrowings

Securities sold under repurchase agreements

Other liabilities

 Total Liabilities

Contingencies (Note 10)

Shareholders' Equity:

Common stock (no par value), authorized: 150,000 shares issued and outstanding: 26,678 at March 31, 2024 and 26,671 at December 31, 2023

Deferred compensation
 Accumulated other comprehensive loss
 Retained earnings
 Total Shareholders' Equity
Total Liabilities and Shareholders' Equity

See accompanying notes to unaudited consolidated financial statements.

-4-

WESTAMERICA BANCORPORATION
CONSOLIDATED STATEMENTS OF INCOME
 (Unaudited)

WESTAMERICA BANCORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

For the Three Months

Ended September

2023

2022

(In thousands, except per share data)

Interest and Loan Fee Income:

Interest and Fee Income:

Loans	\$ 11,925	\$ 12,208	\$ 12,208
Equity securities	152	127	127
Debt securities available for sale	47,994	39,100	39,100
Debt securities held to maturity	8,848	6,625	6,625
Interest-bearing cash	3,929	2,742	2,742
Total Interest and Loan Fee Income	72,848	60,802	60,802

Total Interest and Fee Income

Interest Expense:

Deposits	1,095	470	470
Short-term borrowed funds	38	17	17
Bank Term Funding Program borrowings	1,133	487	487
Securities sold under repurchase agreements	0	0	0
Total Interest Expense	1,133	487	487
Net Interest and Loan Fee Income	71,715	60,315	60,315

Net Interest and Fee Income

Provision (Reversal of Provision) for Credit Losses	400	-	-
Net Interest and Loan Fee Income After Provision (Reversal of Provision) for Credit Losses	71,315	60,315	60,315

Net Interest and Fee Income After Provision (Reversal of Provision) for Credit Losses

Noninterest Income:

Service charges on deposit accounts	3,705	3,737	3,737
Merchant processing services	2,911	2,925	2,925
Debit card fees	1,717	1,594	1,594
Trust fees	783	810	810

ATM processing fees	640	594
Other service fees	463	463
Financial services commissions	78	79
Life insurance gains	278	923
Securities losses	-	-
Other noninterest income	706	693
Total Noninterest Income	11,281	11,818
Noninterest Expense:		
Salaries and related benefits	11,820	11,311
Occupancy and equipment	5,065	5,064
Outsourced data processing services	2,473	2,434
Limited partnership operating losses	1,440	1,431
Courier service	745	671
Professional fees	401	582
Other noninterest expense	3,706	3,274
Total Noninterest Expense	25,650	24,767
Income Before Income Taxes	56,946	47,366
Provision for income taxes	15,345	12,606
Net Income	\$ 41,601	\$ 34,760
Average Common Shares Outstanding	26,648	26,906
Average Diluted Common Shares Outstanding	26,650	26,916
Per Common Share Data:		
Basic earnings	\$ 1.56	\$ 1.29
Diluted earnings	1.56	1.29
Dividends paid	0.44	0.42

See accompanying notes to unaudited consolidated financial statements.

-5-

WESTAMERICA BANCORPORATION						
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)						
(Unaudited)						
For the Three Months				For the Nine Months		
Ended September 30,				Ended September 30,		
	2023	2022	2023	2023	2022	2022
	(In thousands)					
Net income	\$ 41,601	\$ 34,760	\$ 122,300	\$ 82,690		
Other comprehensive (loss) income:						
Changes in net unrealized losses/gains on debt securities available for sale	(47,797)	(145,907)	(42,030)	(483,359)		
Deferred tax benefit	14,131	43,135	12,426	142,898		
Changes in net unrealized losses/gains on debt securities available for sale, net of tax	(33,666)	(102,772)	(29,604)	(340,461)		
Total comprehensive income (loss)	<u><u>\$ 7,935</u></u>	<u><u>\$ (68,012)</u></u>	<u><u>\$ 92,696</u></u>	<u><u>\$ (257,771)</u></u>		

WESTAMERICA BANCORPORATION						
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)						
(unaudited)						

	For the year ended December 31,	
	2024	
Net income	\$	36
Other comprehensive income (loss):		
Changes in net unrealized losses on debt securities available for sale		(9)
Deferred tax benefit (expense)		2
Changes in net unrealized losses on debt securities available for sale, net of tax		(6)
Total comprehensive income	\$	29

See accompanying notes to unaudited consolidated financial statements.

-6-

WESTAMERICA BANCORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

WESTAMERICA BANCORPORATION
CONSOLIDATED STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

	Accumulated						(In thousands except dividend per share)
	Common		Deferred		Other	Retained	
	Shares	Stock	Compensation		Comprehensive (Loss) Income	Earnings	
	Outstanding						Total
Balance, June 30, 2023	26,648	\$ 471,475	\$ 35	\$ (252,043)	\$ 432,395	\$ 651,862	
Balance, December 31, 2022							
Net income for the period						41,601	41,601
Other comprehensive loss						(33,666)	(33,666)
Other comprehensive income							

Restricted stock activity									
Stock based compensation	-	339							339
Stock awarded to employees	1	13							13
Dividends (\$0.44 per share)							(11,726)		(11,726)
Balance, September 30, 2023	<u>26,649</u>	<u>\$ 471,827</u>	<u>\$ 35</u>	<u>\$ (285,709)</u>	<u>\$ 462,270</u>	<u>\$ 648,423</u>			
Retirement of common stock									
Dividends (\$0.42 per share)									
Balance, March 31, 2023									
Balance, December 31, 2022	26,913	\$ 475,086	\$ 35	\$ (256,105)	\$ 383,094	\$ 602,110			
Balance, December 31, 2023									
Net income for the period							122,300		122,300
Other comprehensive loss							(29,604)		(29,604)
Restricted stock activity	9	508							508
Stock based compensation	-	1,017							1,017
Stock awarded to employees	1	60							60
Retirement of common stock	(274)	(4,844)					(8,903)		(13,747)
Dividends (\$1.28 per share)							(34,221)		(34,221)
Balance, September 30, 2023	<u>26,649</u>	<u>\$ 471,827</u>	<u>\$ 35</u>	<u>\$ (285,709)</u>	<u>\$ 462,270</u>	<u>\$ 648,423</u>			
Balance, June 30, 2022	26,896	\$ 473,520	\$ 35	\$ (188,025)	\$ 331,596	\$ 617,126			
Net income for the period							34,760		34,760
Other comprehensive loss							(102,772)		(102,772)
Exercise of stock options	15	816							816
Stock based compensation	-	339							339
Stock awarded to employees	-	22							22
Dividends (\$0.42 per share)							(11,303)		(11,303)
Balance, September 30, 2022	<u>26,911</u>	<u>\$ 474,697</u>	<u>\$ 35</u>	<u>\$ (290,797)</u>	<u>\$ 355,053</u>	<u>\$ 538,988</u>			
Balance, December 31, 2021	26,866	\$ 471,008	\$ 35	\$ 49,664	\$ 306,395	\$ 827,102			
Net income for the period							82,690		82,690
Other comprehensive loss							(340,461)		(340,461)
Exercise of stock options	39	2,171							2,171
Restricted stock activity	8	492							492
Stock based compensation	-	1,017							1,017
Stock awarded to employees	1	74							74
Retirement of common stock	(3)	(65)					(153)		(218)
Dividends (\$1.26 per share)							(33,879)		(33,879)
Balance, September 30, 2022	<u>26,911</u>	<u>\$ 474,697</u>	<u>\$ 35</u>	<u>\$ (290,797)</u>	<u>\$ 355,053</u>	<u>\$ 538,988</u>			
Dividends (\$0.44 per share)									
Balance, March 31, 2024									

See accompanying notes to unaudited consolidated financial statements.

-7-

WESTAMERICA BANCORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

WESTAMERICA BANCORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

Operating Activities:

Net income \$

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization

Reversal of credit provision for credit losses

Net amortization of deferred loan fees

Depreciation and amortization/accretion

Provision (reversal of provision) for credit losses

Net amortization of deferred net loan fees

Stock option compensation expense

Life insurance gains

Securities losses

Net changes in:

Interest income receivable

Income taxes payable

Deferred tax asset

Other assets

Income taxes payable

Net deferred tax asset

Interest expense payable

Other liabilities

Net Cash Provided by Operating Activities

Investing Activities:

Net repayments of loans

Purchases of debt securities available for sale

Proceeds from sale/maturity/calls of debt securities available for sale

Purchases of debt securities held to maturity

Purchases of Federal Reserve Bank stock

Proceeds from maturity/calls of debt securities available for sale

Proceeds from maturity/calls of debt securities held to maturity

Purchases of Federal Reserve Bank stock

Purchases of premises and equipment

Net Cash Provided by (Used in) Investing Activities

Net Cash Provided by Investing Activities

Financing Activities:

Net change in deposits

Net change in short-term borrowings

Exercise of stock options

Net change in borrowings

Retirement of common stock

Common stock dividends paid

Net Cash Used in Financing Activities

Net Cash Provided by (Used in) Financing Activities	
Net Change In Cash and Due from Banks	
Cash and Due from Banks at Beginning of Period	
Cash and Due from Banks at End of Period	\$
Supplemental Cash Flow Disclosures:	
Supplemental disclosure of non cash activities:	
Supplemental disclosure of noncash activities:	
Right-of-use assets acquired in exchange for operating lease liabilities	\$
Supplemental disclosure of cash flow activities:	
Cash paid for amounts included in operating lease liabilities	
Interest paid for the period	
Income tax payments for the period	

See accompanying notes to unaudited consolidated financial statements.

-8-

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America. Securities and Exchange Commission and follow general practices within the banking industry. The results of operations reflect interim adjustments, all of which are of a normal presentation of the results for the interim periods presented. The interim results for the three and nine months ended **September 30, 2023** **March 31, 2024** are not necessarily indicative. Statements should be read in conjunction with the audited consolidated financial statements and accompanying notes as well as other information included in the Company's Annual Report.

Note 2: Accounting Policies

The most significant accounting policies followed by the Company are presented in Note 1 to the audited consolidated financial statements included in the Company's Annual Report. The disclosures presented in the other financial statement notes and in this discussion, provide information on how significant assets and liabilities are valued in the financial statements. used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, it is reasonably possible conditions could change. Uncertainties and other factors, including those discussed in "Risk Factors" in Part I – Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, **2022**; this report on Form 10-Q. Management continues to evaluate the impacts of the inflation, the Federal Reserve's monetary policy and climate changes on the Company's business. Due to recent **several regional** bank failures. Industrywide concerns developed related to liquidity, deposit outflows and unrealized losses on investment debt securities. These recent events could affect operations. Any one or a combination of such risk factors, or other factors, could materially adversely affect the Company's business, financial condition, results of operations and prospects. Liquidity, and financial performance, as well as the Company's ability to execute near- and long-term business strategies and initiatives, will depend on numerous evolving factors that are not yet predictable. Furthermore, the effects could have a material impact on the Company's results of operations and heighten many of the risk factors discussed in the Company's Annual Report.

Application of accounting principles requires the Company to make certain estimates, assumptions, and judgments that affect the amounts reported in the financial statements and information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates, assumptions, and judgments. Estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Estimates, assumptions and judgments are recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants a writedown or valuation reserve to be established, or when assets and liabilities at fair value inherently results in more financial statement volatility. Fair value is generally determined based on an exit price at which an asset or liability could be sold in a current market. Fair values and the information used to record valuation adjustments for certain assets and liabilities are based either on quoted market prices or are provided by other third-party sources that conform to current presentation.

Debt Securities. Debt securities consist of securities of government sponsored entities, states, counties, municipalities, corporations, agency mortgage-backed securities and collateralized debt obligations. The Company classifies its debt securities in one of three categories: trading, available for sale or held to maturity. Trading securities are bought and held principally for the purpose of realizing gains and losses included in net income. Held to maturity debt securities are those securities which the Company has the ability and intent to hold until maturity. Held to maturity debt securities are measured at fair value, with changes in fair value recorded in other comprehensive income. Securities not included in trading or held to maturity are classified as available for sale debt securities. Available for sale debt securities are measured at fair value, with changes in fair value recorded in accumulated other comprehensive income. Accrued interest is recorded within other assets and reversed against interest income if it is collected.

The Company utilizes third-party sources to value its investment securities; securities individually valued using quoted prices in active markets are classified as Level 1 assets in the similar securities (commonly referred to as "matrix" pricing) are classified as Level 2 assets in the fair value hierarchy. The Company validates the reliability of third-party provided via third-party source. When third-party information is not available, valuation adjustments are estimated in good faith by Management and classified as Level 3 in the fair value hierarchy.

The Company follows the guidance issued by the Board of Governors of the Federal Reserve System, "Investing in Securities without Reliance on Nationally Recognized Statistics" investment security pre-purchase analysis or evaluating investment securities for credit loss. Credit ratings issued by recognized rating agencies are considered in the Company's bonds.

To the extent that debt securities in the held-to-maturity portfolio share common risk characteristics, estimated expected credit losses are calculated in a manner like that used for characteristics, the historical lifetime probability of default and severity of loss in the event of default is derived or obtained from external sources and adjusted for the expected effect on those historical credit losses. Expected credit loss on each security in the held-to-maturity portfolio that does not share common risk characteristics with any of the pools of debt securities is based on the Company's consideration of the history of credit losses, current conditions and reasonable and supportable forecasts, which may indicate that the expectation that nonpooled securities, the Company does not record expected credit losses.

Available for sale debt securities in unrealized loss positions are evaluated for credit related loss at least quarterly. For available for sale debt securities, a decline in fair value due to value is less than the amortized cost basis. Declines in fair value that have not been recorded through an allowance for credit losses, such as declines due to changes in market interest rates or taxes. Although these evaluations involve significant judgment, an unrealized loss in the fair value of a debt security is generally considered to not be related to credit when the fair value is less than the amortized cost basis. There has not been significant deterioration in the financial condition of the issuer, and the Company does not intend to sell nor does it believe it will be required to sell the debt security.

If the Company intends to sell a debt security or more likely than not will be required to sell the security before recovery of its amortized cost basis, the debt security is written down to fair value with any incremental loss reported in earnings.

Purchase premiums are amortized to the earliest call date and purchase discounts are amortized to maturity as an adjustment to yield using the effective interest method. Unamortized premiums or discounts are components of gain or loss on sale upon disposition of the related security. Interest and dividend income are recognized when earned. Realized gains and losses from the sale of securities are determined using the specific identification method.

Nonmarketable Equity Securities. Nonmarketable equity securities include securities that are not publicly traded, such as Visa Class B B-1 common stock, and securities acquired or restricted. These restricted securities are accounted for under the cost method and are included in other assets. The Company reviews those assets accounted for under the cost method for the facts and circumstances of each investment, the expectations for the investment's cash flows and capital needs, the viability of its business model and any exit strategy. When the Company recognizes the estimated loss in noninterest income. [See Note 6 to the unaudited consolidated financial statements for additional information related to nonmarketable equity securities.](#)

Loans. Loans are stated at the principal amount outstanding, net of unearned discount and unamortized deferred fees and costs. Interest is accrued daily on the outstanding principal amount. Interest is not accrued on loans that are delinquent with respect to interest or principal, unless they are well secured and in the process of collection, and other loans on which full recovery of principal or interest is in doubt. Nonaccrual status is charged against interest income. In addition, some loans secured by real estate and commercial loans to borrowers experiencing financial difficulties are placed on nonaccrual status. When the ability to fully collect nonaccrual loan principal is in doubt, payments received are applied against the principal balance of the loans on a cost-recovery method. Additional interest payments received after that time are recorded as interest income on a cash basis. Nonaccrual loans are reinstated to accrual status when none of the loan's principal is collectible, the full collectability of both principal and interest, or the loan otherwise becomes well secured and in the process of collection. Certain consumer loans or auto receivables are charged interest at a rate that is reasonable for the risk involved.

Allowance for Credit Losses. The Company extends loans to commercial and consumer customers primarily in Northern and Central California. These lending activities expose the Company to various qualitative risks. All loan segments are exposed to risks inherent in the economy and market conditions. Significant risk characteristics relate to the financial condition of the borrower, the value of collateral for secured loans. Significant risk characteristics related to the commercial real estate segment include the borrowers' business characteristics related to the construction loan segment include the borrowers' performance in successfully developing the real estate into the intended purpose and the value of the residential real estate segment include the borrowers' financial wherewithal to service the mortgages and the value of the property collateralizing the loans. Significant risk characteristics related to the consumer real estate segment include the borrowers' financial wherewithal to service the mortgages and the value of the property collateralizing the loans.

The preparation of the financial statements requires Management to estimate the amount of expected losses over the expected contractual life of the Bank's existing loan portfolio. The contractual life of a loan agreement is the date of origination to the contractual maturity date. In estimating credit losses, Management considers the contractual life of a loan agreement to extend from the date of origination to the contractual maturity date. In estimating credit losses, Management follows a systematic methodology to estimate loss potential in an effective manner. The amount of ultimate losses on the loan portfolio can vary from the estimated amounts. Management follows a systematic methodology to estimate loss potential in an effective manner.

The allowance for credit losses is established through provisions for credit losses charged to income. Losses on loans are charged to the allowance for credit losses when all or a portion of the loans previously charged off are credited to the allowance when realized. The Company's allowance for credit losses is maintained at a level considered adequate to provide for potential losses over a forecast period. These include conditions unique to individual borrowers, as well as overall credit loss experience, the amount of past due, nonperforming and delinquent loans, and other factors.

Loans that share common risk characteristics are segregated into pools based on common characteristics, which is primarily determined by loan, borrower, or collateral type. Historic secured by automobiles, historical loss rates are determined using a vintage methodology, which tracks losses based on period of origination. For commercial, construction, an methodology where losses are tracked over time for all loans included in the pool at the historical measurement date. Historical loss rates are adjusted for factors that are not reflect industry trends which have occurred but have not yet been recognized in past loan charge-off history, estimated losses based on management's reasonable and supportable expectations that impact credit loss expectations that are not reflected in the historical loss rates. Other factors include, but are not limited to, the effectiveness of the Company's loan review : problem loan trends, and concentrations of credit. At the end of the two-year forecast period loss rates revert immediately to the historical loss rates. The results of this analysis are as follows:

Loans that do not share risk characteristics with other loans in the pools are evaluated individually. A loan is considered 'collateral-dependent' when the borrower is experiencing financial difficulty due to operation or sale of the collateral. A credit loss reserve for collateral-dependent loans is established at the difference between the amortized cost basis in the loan and the fair value of the collateral. For loans that are not collateral dependent, a credit loss reserve is established at the difference between the amortized cost basis in the loan and the present value of expected future cash flows. Modification to be made to loans to borrowers experiencing financial difficulty is included in the allowance for credit losses when management determines such modification is likely.

- 11 -

Accrued interest is recorded in other assets and is excluded from the estimation of expected credit loss. Accrued interest is reversed through interest income when amounts are determined to be uncollectible and placed on nonaccrual status or charged off.

Liability for Off-Balance Sheet Credit Exposures. Off-balance sheet credit exposures relate to letters of credit and unfunded loan commitments for commercial, construction and consumer balance sheet credit exposures, which is included within other liabilities on the consolidated statements of financial condition. Increases or reductions to the Company's allowance for credit losses. Management estimates the amount of expected losses by estimating expected usage exposures that are not unconditionally cancellable by the Company and applying the liability for credit losses related to unfunded commitments. No credit loss estimate is reported for off-balance sheet credit exposures that are unconditionally cancellable by the Company prior to the cancellation of the arrangement.

Recently Adopted Accounting Standards

FASB ASU 2022-02, Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures, issued March 2022, eliminates the recognition and disclosures about loan modifications for borrowers experiencing financial difficulty. This ASU also requires enhanced disclosure for loans that have been charged off. The ASU became effective for the Company January 1, 2023. The additional disclosures did not affect the financial results upon adoption.

Recently Issued Accounting Standards

FASB ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, was issued March 2020. The ASU provides operational guidance for derivative contracts, and other transactions affected by the anticipated transition away from LIBOR toward new interest rate benchmarks. For transactions that are modified because loan agreements should be accounted for by prospectively adjusting the effective interest rate and the modification will be considered "minor" so that any existing unamortized modifications of lease agreements should be accounted for as a continuation of the existing agreement with no reassessments of the lease classification and the discount rate or fees not accounted for as separate contracts. ASU 2020-04 also provides numerous optional expedients for derivative accounting. In December 2022, the FASB issued ASU 2022-06, FASB ASU 2022-06 deferred the sunset date of ASU 2020-04 to December 2024. Once elected for a Topic or an Industry Subtopic As of March 31, 2024, all contracts and transactions with rates. The accounting effects of the amendments in this ASU must be transition to alternative reference rates were applied prospectively for all eligible contract modifications for the interest rate and did not expect any have a material impact on its the Company's consolidated financial statements.

FASB ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions, was issued June 2022. The ASU clarifies that an equity security is subject to contractual restrictions that prohibit the sale of an equity security. Additionally, the ASU requires specific disclosures related to equity securities that are subject to contractual restrictions. The disclosure requirements include (1) the nature of the contractual restrictions on the securities reflected in the balance sheet, (2) the nature and remaining duration of the corresponding restrictions, and (3) any circumstances that could cause a lapse in the restrictions during interim periods within those fiscal years, with early adoption permitted. The Company adopted the ASU on January 1, 2024 on a prospective basis. The adoption did not have a material impact on the Company's financial statements.

Recently Issued Accounting Standards

FASB ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, was issued December 14, 2023. The ASU enhances the transparency and decision usefulness of income taxes paid information. The ASU primarily requires additional disclosures as part of the reconciliation of the effective tax rate to statutory tax rate, the amount of income tax paid to federal and state jurisdictions. The ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted, and is to be applied prospectively, with retrospective adjustment to the beginning of the earliest period presented. The ASU on its consolidated financial statements.

FASB ASU 2023-02 07, Investments – Equity Method and Joint Ventures Segment Reporting (Topic 323 280): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method was issued March November 27, 2023. The ASU expands requires disclosure of certain significant segment expenses and other items, the use title and position of the proportional amortization measures of accounting, currently only available to investments segment profit or loss are used in low-income housing tax credit structures, to equity investments in other tax credit structures in any tax credit program where the proportional amortization method is elected. **assessing segment performance**. The ASU is effective for fiscal years beginning after December 15, 2024, and must be adopted by December 15, 2024. The adoption permitted. The Company is currently evaluating the impact of this ASU is not expected to have a material impact on its the Company's consolidated financial statements.

- 12-

Note 3: Investment Securities

An analysis of the amortized cost and fair value by major categories of debt securities available for sale, which are carried at fair value with net unrealized gains (losses) reported on the balance sheet, and debt securities held to maturity, which are carried at amortized cost, before allowance for credit losses of \$1 thousand at September 30, 2023 March 31, 2024 and December 31, 2022. Maturity securities have not been recognized in the Company's financial statements.

	At September 30, 2023			
	Amortized Cost	Gross Gains	Unrealized Gains	Gross Losses
	(In thousands)			
Debt securities available for sale:				
Agency residential mortgage-backed securities ("MBS")	\$ 269,883	\$ -	\$ (30,155)	
Securities of U.S. Government sponsored entities	308,160	-	(28,796)	
Obligations of states and political subdivisions	73,614	4	(3,979)	
Corporate securities	2,134,535	625	(320,736)	
Collateralized loan obligations	1,525,669	702	(23,293)	
Total debt securities available for sale	4,311,861	1,331	(406,959)	
Debt securities held to maturity:				
Agency residential MBS	84,347	9	(8,116)	
Obligations of states and political subdivisions	77,559	4	(1,957)	
Corporate securities	726,951	-	(60,402)	
Total debt securities held to maturity	888,857	13	(70,475)	
Total	\$ 5,200,718	\$ 1,344	\$ (477,434)	
At December 31, 2022				
	Amortized Cost	Gross Gains	Unrealized Gains	Gross Losses
	(In thousands)			
Debt securities available for sale:				
Agency residential MBS	\$ 311,089	\$ 4	\$ (25,045)	
Securities of U.S. Government sponsored entities	306,336	3	(15,486)	
Obligations of states and political subdivisions	84,024	59	(2,079)	
Corporate securities	2,406,566	1,032	(307,643)	
Collateralized loan obligations	1,587,326	527	(14,970)	
Total debt securities available for sale	4,695,341	1,625	(365,223)	
Debt securities held to maturity:				
Agency residential MBS	104,852	13	(7,503)	
Obligations of states and political subdivisions	89,208	73	(538)	
Corporate securities	721,854	-	(34,448)	
Total debt securities held to maturity	915,914	86	(42,489)	
Total	\$ 5,611,255	\$ 1,711	\$ (407,712)	

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- 13 -

The amortized cost and fair value of debt securities by contractual maturity are shown in the following tables at the dates indicated:

		At September 30, 2023			Debt Securities Available for Sale	
		Amortized Cost	Fair Value	Amortized Cost	Debt Securities Available for Sale	
					(In thousands)	
Maturity in years:						
1 year or less		\$ 45,005	\$ 44,479	\$ 17,800		
Over 1 to 5 years		773,732	715,554	273,500		
Over 5 to 10 years		2,667,773	2,362,742	513,100		
Over 10 years		555,468	543,730			
Subtotal		4,041,978	3,666,505	804,500		
MBS		269,883	239,728	84,300		
Collateralized loan obligations						
Agency residential MBS						
Total		\$ 4,311,861	\$ 3,906,233	\$ 888,800		
At December 31, 2022						
		Debt Securities Available for Sale			Debt Securities Available for Sale	
		Amortized Cost	Fair Value	Amortized Cost	Debt Securities Available for Sale	
					(In thousands)	
Maturity in years:						
1 year or less		\$ 251,578	\$ 250,317	\$ 12,600		
Over 1 to 5 years		584,707	554,596	161,600		
Over 5 to 10 years		2,869,559	2,570,159	636,700		
Over 10 years		678,408	670,623			
Subtotal		4,384,252	4,045,695	811,000		
MBS		311,089	286,048	104,800		
Collateralized loan obligations						
Agency residential MBS						
Total		\$ 4,695,341	\$ 4,331,743	\$ 915,900		

Expected amortizing principal payments of collateralized loan obligations can differ from actual cash flows because the securities can be called and paid-off. Expected maturities of collateralized loan obligations are based on the contractual terms of the underlying assets. Investors in collateralized loan obligations have the right to call or prepay obligations with or without call or prepayment penalties. In addition, such factors as prepayments and interest rates may affect the yield on the carrying value of collateralized loan obligations.

An analysis of the gross unrealized losses of the debt securities available for sale portfolio follows:

Debt Securities Available for Sale						
At September 30, 2023						
No. of Investment	Less than 12 months Unrealized	No. of Investment	12 months or longer Unrealized	No. of Investment	Total Unrealized	No. of Investment Unrealized

	Positions	Fair Value	Losses	Positions	Fair Value	Losses	Positions	Fair Value	Losses	Positions	Fair Value	Losses
(\$ in thousands)												
Agency residential	5	\$ 803	\$ (26)	108	\$ 238,914	\$ (30,129)	113	\$ 239,717	\$ (30,155)	2	\$ 626	\$ (5)
MBS												
Securities of U.S. Government sponsored entities	4	16,293	(365)	19	263,071	(28,431)	23	279,364	(28,796)	4	16,487	(189)
Obligations of states and political subdivisions	8	8,887	(227)	51	55,722	(3,752)	59	64,609	(3,979)	3	4,385	(64)
Corporate securities	-	-	-	152	1,799,419	(320,736)	152	1,799,419	(320,736)	-	-	-
Collateralized loan obligations	36	441,715	(12,234)	67	594,769	(11,059)	103	1,036,484	(23,293)	22	257,880	(4,314)
Total	53	\$ 467,698	\$ (12,852)	397	\$ 2,951,895	\$ (394,107)	450	\$ 3,419,593	\$ (406,959)	31	\$ 279,378	\$ (4,572)

- 14 -

An analysis of gross unrecognized losses of the debt securities held to maturity portfolio follows:

Debt Securities Held to Maturity												
At September 30, 2023												
Investment	No. of		Less than 12 months		No. of		12 months or longer		No. of		Total	
	Positions	Fair Value	Unrecognized Losses	Investment	Positions	Fair Value	Unrecognized Losses	Investment	Positions	Fair Value	Unrecognized Losses	Investment
(\$ in thousands)												
Agency residential	5	\$ 3	\$ -	93	\$ 75,493	\$ (8,116)	98	\$ 75,496	\$ (8,116)	-	\$ -	\$ -
MBS												
Obligations of states and political subdivisions	64	40,812	(1,109)	28	27,638	(848)	92	68,450	(1,957)	43	32,547	(393)
Corporate securities	3	25,930	(1,792)	48	640,619	(58,610)	51	666,549	(60,402)	7	58,391	(1,110)
Total	72	\$ 66,745	\$ (2,901)	169	\$ 743,750	\$ (67,574)	241	\$ 810,495	\$ (70,475)	50	\$ 90,938	\$ (1,503)

Based upon the Company's September 30, 2023 March 31, 2024 evaluation, the unrealized losses on debt securities were caused by market conditions for these types of securities bond values generally. Additionally, market rates for non-Treasury bonds are determined by the risk-free interest rate plus a risk premium spread; such spreads for investment grade, bond values. spread. The Company continually monitors interest rate changes, risk premium spread changes, credit rating changes for issuers of bonds owned, collateralized bond changes. All collateralized loan obligations and corporate securities were investment grade rated at September 30, 2023 March 31, 2024.

The Company does not intend to sell any debt securities available for sale with an unrealized loss and has concluded that it is more likely than not that it will not be required

The Company evaluates held to maturity corporate securities individually, monitoring each issuer's financial condition, profitability, cash flows and credit rating agency conclusions. To service debt payments, including throughout and following the 2008-2009 recession. The Company has an expectation that nonpayment of the amortized cost basis continues to be

The fair values of debt securities could decline in the future if interest rates increase, the general economy deteriorates, inflation increases, credit ratings decline, the issuers' financial condition declines, or significant credit losses on debt securities may occur in the future.

As of September 30, 2023, March 31, 2024 and December 31, 2022, 2023, the Company's debt securities pledged to secure public deposits, Federal Reserve Bank Term Funding program agreements had a carrying amount of \$1,962,357 \$1,900,842 thousand and \$1,180,010 \$2,034,706 thousand, respectively.

An analysis of the gross unrealized losses of the debt securities available for sale portfolio follows:

	Debt Securities Available for Sale															
	At December 31, 2022															
	No. of Investment		Less than 12 months		No. of Investment		12 months or longer		No. of Investment		Total		No. of Investment		Less than 12 months	
	Positions	Fair Value	Losses	Unrealized	Positions	Fair Value	Losses	Unrealized	Positions	Fair Value	Losses	Unrealized	Positions	Fair Value	Losses	
(\$ in thousands)																
Agency residential MBS Securities of U.S. Government sponsored entities	107	\$ 279,139	\$ (24,222)		9	\$ 6,110	\$ (823)		116	\$ 285,249	\$ (25,045)		1	\$ 115	\$ (2,222)	
Obligations of states and political subdivisions	56	65,633	(1,902)		8	3,265	(177)		64	68,898	(2,079)		2	2,280	(15,222)	
Corporate securities	133	1,521,294	(170,453)		56	555,727	(137,190)		189	2,077,021	(307,643)		-	-	-	
Collateralized loan obligations	58	518,074	(13,772)		20	192,692	(1,198)		78	710,766	(14,970)		34	428,363	(8,914)	
Total	376	\$ 2,673,207	\$ (225,835)		93	\$ 757,794	\$ (139,388)		469	\$ 3,431,001	\$ (365,223)		39	\$ 440,504	\$ (8,946)	
- 15 -																

An analysis of gross unrecognized losses of the debt securities held to maturity portfolio follows:

	Debt Securities Held to Maturity															
	At December 31, 2022															
	No. of Investment		Less than 12 months		No. of Investment		12 months or longer		No. of Investment		Total		No. of Investment		Less than 12 months	
	Positions	Fair Value	Losses	Unrecognized	Positions	Fair Value	Losses	Unrecognized	Positions	Fair Value	Losses	Unrecognized	Positions	Fair Value	Losses	
(\$ in thousands)																
Agency residential MBS Obligations of states and political subdivisions	97	\$ 95,814	\$ (7,404)		2	\$ 682	\$ (99)		99	\$ 96,496	\$ (7,503)		1	\$ -	\$ -	
Obligations of states and political subdivisions	54	53,536	(538)		-	-	-		54	53,536	(538)		23	18,599	(90)	

Corporate securities	49	672,406	(34,448)	-	-	-	49	672,406	(34,448)	3	26,567	(1,184)
Total	200	\$ 821,756	\$ (42,390)	2	\$ 682	\$ (99)	202	\$ 822,438	\$ (42,489)	27	\$ 45,166	\$ (1,274)

The Company evaluates debt securities on a quarterly basis including changes in security ratings issued by rating agencies, changes in the financial condition of the issuer, collateral delinquency and loss information with respect to the underlying collateral, changes in the levels of subordination for the Company's particular position within the repayment structure. In addition to monitoring credit rating agency evaluations, Management performs its own evaluations regarding the credit worthiness of the issuer or the securitized assets under review.

The following table presents the activity in the allowance for credit losses for debt securities held to maturity:

Allowance for credit losses:

Beginning balance		\$
Provision		
Chargeoffs		
Recoveries		
Total ending balance		\$

Agency mortgage-backed securities were assigned no credit loss allowance due to the perceived backing of government sponsored entities. Municipal securities were evaluated for risk of default factors; Moody's loss upon default factors were applied to the assumed defaulted principal amounts to estimate the amount for credit loss allowance. Corporate securities were evaluated for risk of default factors; Moody's loss upon default factors were applied to the assumed defaulted principal amounts to estimate the amount for credit loss allowance. Corporate securities were evaluated for risk of default factors; Moody's loss upon default factors were applied to the assumed defaulted principal amounts to estimate the amount for credit loss allowance. At September 30, 2023, March 31, 2024, no credit loss allowance was assigned to corporate securities held to maturity.

The following table summarizes the amortized cost of debt securities held to maturity at March 31, 2024, aggregated by credit rating:

	Credit Risk Profile by Credit Rating				
	At March 31, 2024				
	AAA/AA/A	BBB+	Not Rated	Total	
(In thousands)					
Agency residential MBS	\$ 72,556	\$ -	\$ 467	\$ 73,023	
Obligations of states and political subdivisions	65,173	-	180	65,353	
Corporate securities	525,907	204,443	-	730,350	
Total	\$ 663,636	\$ 204,443	\$ 647	\$ 868,726	

There were no debt securities held to maturity on nonaccrual status or past due 30 days or more as of September 30, 2023. March 31, 2024.

- 16 -

The following table provides information about the amount of interest income earned on investment securities which is fully taxable and which is exempt from federal income tax:

	For the Three Months		
	Ended		
	2023	2022	(In thousands)
Taxable	\$ 55,911	\$ 44,461	
Tax-exempt from federal income tax	1,083	1,391	
Tax-exempt from regular federal income tax			
Total interest income from investment securities	\$ 56,994	\$ 45,852	

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Note 4: Loans, Allowance for Credit Losses and Other Real Estate Owned

A summary of the major categories of loans outstanding is shown in the following tables at the dates indicated. indicated:

	At September 30,		At December 31,	
	2023		2022	
	(In thousands)			
Commercial		\$ 135,575	\$ 169,617	
Commercial real estate		494,282	491,107	
Construction		5,043	3,088	
Residential real estate		11,283	13,834	
Consumer installment & other		239,667	280,842	
Total		\$ 885,850	\$ 958,488	
	Allowance for Credit Losses			
	For the Three Months Ended September			
	Commercial	Commercial	Commercial	Residential
	Commercial	Real Estate	Construction	Real Estate
	(In thousands)			
Allowance for credit losses:				
Balance at beginning of period	\$ 4,764	\$ 6,083	\$ 202	\$
(Reversal) provision	(345)	(194)	40	
Chargeoffs	(262)	-	-	
Recoveries	10	15	-	
Total allowance for credit losses	\$ 4,167	\$ 5,904	\$ 242	\$
	At March 31,			
	2024			
	(In thousands)			
Commercial		\$ 125,614	\$	
Commercial real estate		488,479		
Construction		5,064		
Residential real estate		9,697		
Consumer installment & other		215,823		
Total		\$ 844,677	\$	
	Allowance for Credit Losses			
	For the Nine Months Ended September			
	Commercial	Commercial	Commercial	Residential
	Commercial	Real Estate	Construction	Real Estate
	(In thousands)			
Allowance for credit losses:				
Balance at beginning of period	\$ 6,138	\$ 5,888	\$ 150	\$

(Reversal) provision	(3,755)	(29)	92
Chargeoffs	(410)	-	-
Recoveries	2,194	45	-
Total allowance for credit losses	\$ 4,167	\$ 5,904	\$ 242

Allowance for Credit Losses

For the Three Months Ended September

	Commercial	Commercial	Commercial	Res
	Real Estate	Real Estate	Construction	Rea
(in thousands)				
Allowance for credit losses:				
Balance at beginning of period	\$ 6,536	\$ 5,916	\$ 96	\$
(Reversal) provision	(164)	14	32	
Chargeoffs	-	-	-	
Recoveries	72	14	-	
Total allowance for credit losses	\$ 6,444	\$ 5,944	\$ 128	\$

Allowance for Credit Losses

For the Nine Months Ended September

	Commercial	Commercial	Commercial	Res
	Real Estate	Real Estate	Construction	Rea
(in thousands)				
Allowance for credit losses:				
Balance at beginning of period	\$ 6,966	\$ 6,529	\$ 2	\$
(Reversal) provision	(837)	(631)	126	
Chargeoffs	(20)	-	-	
Recoveries	335	46	-	
Total allowance for credit losses	\$ 6,444	\$ 5,944	\$ 128	\$

The following summarizes activity in the allowance for credit losses:

- 17 -

	Commercial	Commercial	Commercial	Res
	Real Estate	Real Estate	Construction	Rea
(in thousands)				
Allowance for credit losses:				
Balance at beginning of period	\$ 4,216	\$ 5,925	\$ 245	\$
(Reversal) provision	(463)	(212)	(3)	
Chargeoffs	-	-	-	
Recoveries	12	45	-	
Total allowance for credit losses	\$ 3,765	\$ 5,758	\$ 242	\$

Allowance for Credit Losses

For the Three Months Ended March

	Commercial	Real Estate	Construction	Re
	(In thousands)			
Allowance for credit losses:				
Balance at beginning of period	\$ 6,138	\$ 5,888	\$ 150	\$
(Reversal) provision	(2,409)	355	50	
Chargeoffs	(148)	-	-	
Recoveries	2,165	15	-	
Total allowance for credit losses	\$ 5,746	\$ 6,258	\$ 200	\$

The Company's customers are primarily small businesses, professionals and consumers. Given the scale of these borrowers, corporate credit rating agencies do not evaluate the loans. The Company's management performs credit evaluations and reports directly to the Audit Committee of the Board of Directors. The Loan Review Department performs independent evaluations of loans and validates management assigned risk grades. Loans judged to carry lower-risk attributes are assigned a "pass" grade, with a minimal likelihood of loss. Loans judged to carry higher-risk attributes are referred for loss recognition, as "substandard," "doubtful," and "loss." The Loan Review Department performs continuous evaluations throughout the year. If the Bank becomes aware of deteriorating conditions in the market or in the industry in which a customer operates, assigned risk grades are re-evaluated promptly. Credit risk grades assigned by management and validated by the Loan Review Department are subject to periodic review by the Audit Committee of the Board of Directors.

- 17 -

The following summarizes the credit risk profile by internally assigned grade:

Credit Risk Profile by Internally Assigned Grade										
At September 30, 2023										
	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment and Other	Total				
(In thousands)										
Grade:										
Pass	\$ 128,392	\$ 482,539	\$ 5,043	\$ 10,943	\$ 236,232	\$ 863,149				
Substandard	7,183	11,743	-	340	863	20,129				
Doubtful	-	-	-	-	1,422	1,422				
Loss	-	-	-	-	1,150	1,150				
Total	\$ 135,575	\$ 494,282	\$ 5,043	\$ 11,283	\$ 239,667	\$ 885,850				

Credit Risk Profile by Internally Assigned Grade										
At December 31, 2022										
	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment and Other	Total				
(In thousands)										
Grade:										
Pass	\$ 169,040	\$ 477,842	\$ 3,088	\$ 13,457	\$ 278,223	\$ 941,650				
Substandard	577	13,265	-	377	1,079	15,298				
Doubtful	-	-	-	-	752	752				
Loss	-	-	-	-	788	788				
Total	\$ 169,617	\$ 491,107	\$ 3,088	\$ 13,834	\$ 280,842	\$ 958,488				

The following tables summarize loans by delinquency and nonaccrual status:

Summary of Loans by Delinquency and Nonaccrual Status										
At September 30, 2023										

	Current and Accruing	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Past Due 90 Days or More and Accruing	Nonaccrual	Total Loans
(In thousands)						
Commercial	\$ 135,477	\$ -	\$ 25	\$ 73	\$ -	\$ 13
Commercial real estate	493,537	443	110	-	192	49
Construction	5,043	-	-	-	-	-
Residential real estate	11,280	-	-	-	3	1
Consumer installment and other	232,558	5,014	1,125	956	14	23
Total	\$ 877,895	\$ 5,457	\$ 1,260	\$ 1,029	\$ 209	\$ 88
Summary of Loans by Delinquency and Nonaccrual Status						
At December 31, 2022						
	Current and Accruing	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Past Due 90 Days or More and Accruing	Nonaccrual	Total Loans
(In thousands)						
Commercial	\$ 169,337	\$ 172	\$ 58	\$ -	\$ 50	\$ -
Commercial real estate	490,354	508	192	-	53	-
Construction	3,088	-	-	-	-	-
Residential real estate	13,430	377	-	-	27	-
Consumer installment and other	273,247	5,101	1,850	628	16	-
Total	\$ 949,456	\$ 6,158	\$ 2,100	\$ 628	\$ 146	\$ -

- 18 -

There was no allowance for credit losses allocated to loans on nonaccrual status as of September 30, 2023 March 31, 2024 or December 31, 2022, 2023. There were no commitments September 30, 2023 March 31, 2024 or December 31, 2022, 2023.

There were no loan modifications made to borrowers experiencing financial difficulty during the nine first months ended quarters September 30, 2023 2024 and September 30, 2022, 2022.

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale 2023 March 31, 2024 included the following: seventeen commercial real estate loans totaling \$8.8 million \$11.4 million secured by real property one commercial loan with a balance consumer installment loans secured by personal property. There were no other collateral dependent loans at September 30, 2023, March 31, 2024. Loans that were considered commercial real estate loans totaling \$8.1 million \$10.9 million secured by real property and \$625 \$377 thousand of indirect consumer installment loans secured by personal property.

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

At September 30, 2023							Line of Credit	
Term Loans Amortized Cost Basis by Origination Year						Total	Amortized	
Prior	2019	2020	2021	2022	2023	Term Loans	Cost Basis	Total
(In thousands)								

Commercial loans by grade:		Commercial loans by grade:											
Pass	\$ 21,499	\$ 5,086	\$ 13,435	\$ 34,779	\$ 23,546	\$ 11,429	\$ 109,774	\$ 18,618	\$ 128,392				
Substandard	12	2,525	-	2,835	-	600	5,972	1,211	7,183				
Doubtful	-	-	-	-	-	-	-	-	-				
Loss	-	-	-	-	-	-	-	-	-				
Total	<u>\$ 21,511</u>	<u>\$ 7,611</u>	<u>\$ 13,435</u>	<u>\$ 37,614</u>	<u>\$ 23,546</u>	<u>\$ 12,029</u>	<u>\$ 115,746</u>	<u>\$ 19,829</u>	<u>\$ 135,575</u>				

Current gross chargeoffs on Current gross chargeoffs on commercial loans: commercial loans:													
Three months ended September 30, 2023	\$ -	\$ -	\$ 3	\$ 135	\$ -	\$ -	\$ 138	\$ 124	\$ 262				
Nine months ended September 30, 2023	-	-	3	135	-	-	138	272	410				
For the three months ended March 31, 2024													

At December 31, 2022																							
													Line of Credit										
Term Loans Amortized Cost Basis by Origination Year													Total										
Prior		2018		2019		2020		2021		2022		Term Loans	Cost Basis										
(in thousands)																							
Commercial loans by grade:																							
Commercial loans by grade:																							
Pass	\$ 23,891	\$ 5,549	\$ 12,557	\$ 17,293	\$ 53,928	\$ 23,966	\$ 137,184	\$ 31,856	\$ 169,040														
Substandard	12	-	-	-	-	-	-	12	565	577													
Doubtful	-	-	-	-	-	-	-	-	-	-													
Loss	-	-	-	-	-	-	-	-	-	-													
Total	<u>\$ 23,903</u>	<u>\$ 5,549</u>	<u>\$ 12,557</u>	<u>\$ 17,293</u>	<u>\$ 53,928</u>	<u>\$ 23,966</u>	<u>\$ 137,196</u>	<u>\$ 32,421</u>	<u>\$ 169,617</u>														
Current gross chargeoffs on commercial loans:																							
For the year ended December 31, 2023																							
At September 30, 2023																							
													Line of Credit										
Term Loans Amortized Cost Basis by Origination Year													Total										
Prior		2019		2020		2021		2022		2023		Term Loans	Cost Basis										
(in thousands)																							

Commercial real estate loans by Commercial real estate loans by grade:	Pass	\$ 183,073	\$ 69,055	\$ 70,037	\$ 69,569	\$ 51,476	\$ 39,329	\$ 482,539	\$ -	\$ 482,539
	Substandard	10,137	815	791	-	-	-	11,743	-	11,743
	Doubtful	-	-	-	-	-	-	-	-	-
	Loss	-	-	-	-	-	-	-	-	-
	Total	\$ 193,210	\$ 69,870	\$ 70,828	\$ 69,569	\$ 51,476	\$ 39,329	\$ 494,282	\$ -	\$ 494,282
Current gross chargeoffs on commercial real estate loans:	Three months ended September 30, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Nine months ended September 30, 2023	-	-	-	-	-	-	-	-	-
	For the three months ended March 31, 2024	-	-	-	-	-	-	-	-	-

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- 19-

At December 31, 2022										
Term Loans Amortized Cost Basis by Origination Year							Line of Credit			
	Prior	2018	2019	2020	2021	2022	Total	Term Loans	Cost Basis	Total
(In thousands)										
Commercial real estate loans by Commercial real estate loans by grade:										
	Pass	\$ 146,588	\$ 58,473	\$ 71,440	\$ 74,016	\$ 71,618	\$ 55,707	\$ 477,842	\$ -	\$ 477,842
	Substandard	8,083	-	2,112	806	-	2,264	13,265	-	13,265
	Doubtful	-	-	-	-	-	-	-	-	-
	Loss	-	-	-	-	-	-	-	-	-
	Total	\$ 154,671	\$ 58,473	\$ 73,552	\$ 74,822	\$ 71,618	\$ 57,971	\$ 491,107	\$ -	\$ 491,107
Current gross chargeoffs on commercial real estate loans:	For the year ended December 31, 2023	-	-	-	-	-	-	-	-	-

At September 30, 2023

												Line of Credit	
Term Loans Amortized Cost Basis by Origination Year												Total	Amortized
		Prior		2019		2020		2021		2022		2023	
(In thousands)													
Residential real estate loans by Residential real estate loans by grade:													
Pass	\$ 10,943	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,943	\$ -
Substandard	340	-	-	-	-	-	-	-	-	-	-	340	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ 11,283</u>	<u>\$ -</u>	<u>\$ 11,283</u>	<u>\$ -</u>									
Current gross chargeoffs on residential real estate loans:													
residential real estate loans:													
Three months ended September 30, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nine months ended September 30, 2023	-	-	-	-	-	-	-	-	-	-	-	-	-
For the three months ended March 31, 2024													

At December 31, 2022

												Line of Credit	
Term Loans Amortized Cost Basis by Origination Year												Total	Amortized
		Prior		2018		2019		2020		2021		2022	
(In thousands)													
Residential real estate loans by Residential real estate loans by grade:													
Pass	\$ 13,457	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,457	\$ -
Substandard	377	-	-	-	-	-	-	-	-	-	-	377	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ 13,834</u>	<u>\$ -</u>	<u>\$ 13,834</u>	<u>\$ -</u>									

Current gross chargeoffs
on residential real estate
loans:

For the year ended
December 31, 2023

At September 30, 2023

Term Loans Amortized Cost Basis by Origination Year							Total	Line of Credit
	Prior	2019	2020	2021	2022	2023	Term Loans	Amortized Cost Basis
(In thousands)								
Construction loans by grade:								
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,043
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,043

Current gross chargeoffs on Current gross chargeoffs on construction loans:
construction loans:

Three months ended September 30, 2023

Nine months ended September 30, 2023

For the three months ended March 31, 2024

At December 31, 2022

Term Loans Amortized Cost Basis by Origination Year							Total
	Prior	2018	2019	2020	2021	2022	Term Loans
(In thousands)							
Construction loans by grade:							
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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At December 31, 2023

										Line of Credit	
Term Loans Amortized Cost Basis by Origination Year										Total	Amortized
Prior	2019	2020	2021	2022	2023		Term Loans			Cost Basis	
(In thousands)											
Construction loans by grade:											
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,063
Substandard	-	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,063
Current gross chargeoffs on construction loans:											
For the year ended December 31, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

- 20 -

The Company considers the delinquency and nonaccrual status of the consumer loan portfolio and its impact on the allowance for credit losses. The following table presents the consumer installment and other loans by delinquency and nonaccrual status:

At September 30, 2023											
Term Loans Amortized Cost Basis by Origination Year										Total	Amortized
Prior	2019	2020	2021	2022	2023		Term Loans			Cost Basis	Total
(In thousands)											
Consumer installment and other loans by delinquency and nonaccrual status:											
Current	\$ 8,841	\$ 14,395	\$ 25,746	\$ 56,758	\$ 77,347	\$ 31,708	\$ 214,795	\$ 17,763	\$ 232,558		
30-59 days past due	235	280	331	2,006	1,736	399	4,987	27	5,014		
60-89 days past due	14	12	114	512	382	84	1,118	7	1,125		
Past due 90 days or more	27	39	76	423	175	172	912	44	956		
Nonaccrual	-	-	-	-	-	-	-	14	14		
Total	\$ 9,117	\$ 14,726	\$ 26,267	\$ 59,699	\$ 79,640	\$ 32,363	\$ 221,812	\$ 17,855	\$ 239,667		
Current gross chargeoffs on consumer installment and other loans:											
installment and other loans:											

Three months ended September 30, 2023	\$ 43	\$ 18	\$ 209	\$ 618	\$ 672	\$ 177	\$ 1,737	\$ 90	\$ 1,827
Nine months ended September 30, 2023	208	135	717	1,529	2,414	177	5,180	199	5,379
For the three months ended March 31, 2024									

At December 31, 2022										Line of Credit
Term Loans Amortized Cost Basis by Origination Year										Total
Prior	2018	2019	2020	2021	2022	Term Loans	Cost Basis	Total		
(In thousands)										
Consumer										
installment and other loans by delinquency and nonaccrual status:										
Current	\$ 6,017	\$ 13,147	\$ 22,330	\$ 35,783	\$ 76,126	\$ 99,414	\$ 252,817	\$ 20,430	\$ 273,247	
30-59 days past due	117	268	572	1,014	1,709	1,359	5,039	62	5,101	
60-89 days past due	42	65	67	275	635	750	1,834	16	1,850	
Past due 90 days or more	3	20	16	61	284	241	625	3	628	
Nonaccrual	-	-	-	-	-	-	-	16	16	
Total	\$ 6,179	\$ 13,500	\$ 22,985	\$ 37,133	\$ 78,754	\$ 101,764	\$ 260,315	\$ 20,527	\$ 280,842	
Current gross chargeoffs on consumer installment and other loans:										
For the year ended December 31, 2023										

There were no loans held for sale at September 30, 2023 March 31, 2024 and December 31, 2022, 2023.

The Company held no other real estate owned (OREO) at September 30, 2023 March 31, 2024 and December 31, 2022, 2023. The amount of At March 31, 2024 and December 31, 2023, real estate properties for which formal foreclosure proceedings were in process was \$0- thousand at September 30, 2023 and December 31, 2022, process.

Note 5: Concentration of Credit Risk

Under the California Financial Code, credit extended to any one person at any one time shall not exceed the following limitations: (a) unsecured credits shall not exceed 15 percent notes, and debentures, or (b) secured and unsecured credits in all shall not exceed 25 percent of the sum of the Bank's shareholders' equity, allowance for loan losses, capital note credit extended to any one entity exceeding these limits. At September 30, 2023, March 31, 2024, the Bank had 26 25 lending relationships each with aggregate amounts of \$5 mill real estate collateral. In addition to real estate loans outstanding as disclosed in Note 4, the Company had loan commitments related to real estate loans of \$31,145 \$30,565 thousand.

December 31, 2022, 2023, respectively. The Company requires collateral on all real estate loans with loan-to-value ratios at origination generally no greater than 75% on commercial real estate loans. As of September 30, 2023, March 31, 2024, the Bank held corporate bonds in 107 issuing entities that exceeded \$5 million for each issuer.

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- 21 -

Note 6: Other Assets and Other Liabilities

Other assets consisted of the following:

	At Se
Cost method equity investments:	
Federal Reserve Bank stock (1)	\$
Other investments	
Total cost method equity investments	
Life insurance cash surrender value	
Net deferred tax asset	
Right-of-use asset	
Limited partnership investments	
Interest receivable	
Prepaid assets	
Other assets	
Total other assets	\$

(1) A bank applying for membership in the Federal Reserve System is required to subscribe to stock in the Federal Reserve Bank (FRB) in its district in a sum equal to six percent of its capital and surplus. The subscription shall be paid to the FRB and the remaining half will be subject to call when deemed necessary by the Board of Governors of the Federal Reserve System.

(1) A bank applying for membership in the Federal Reserve System is required to subscribe to stock in the Federal Reserve Bank (FRB) in its district in a sum equal to six percent of its capital and surplus. The subscription shall be paid to the FRB and the remaining half will be subject to call when deemed necessary by the Board of Governors of the Federal Reserve System.

The Company owns 211 thousand shares of Visa Inc. ("Visa") class B common stock which have transfer restrictions; the carrying value is \$0- thousand. Visa Inc. disclosed a release on October 2, 2023. The conversion rate of class B common stock into class A common stock, which is unrestricted and trades actively on the New York Stock Exchange, was reduced from 1 class B common stock had a closing price of \$230.01 on September 29, 2023, to \$279.08 on March 28, 2024, the last day of stock market trading for the third quarter 2023. 1 class B common stock of Visa Inc.'s Visa's future litigation escrow fundings, the resulting conversion rate to class A common stock, and current and future trading restrictions on the class B common stock Offer Program authorizing Visa to conduct one or more exchange offers that would allow Class B stockholders to exchange portions of their Class B common stock into freely transferable Class C common stock. In connection with the exchange offer, the Company's Class B shares were exchanged into Class B-1 shares. A Class B-1 stockholder can elect to exchange a portion of its Class B-1 shares for Class C common stock. The exchange of Class B-1 shares into Class C common stock requires the stockholder to execute an indemnification agreement with Visa for Visa's related unresolved litigation. At March 28, 2024, the Company owned 211 thousand Visa Class B shares.

The Company invests in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for low-income housing tax credits. At September 30, **\$16,138** thousand of this amount represents outstanding equity capital commitments that are included in other liabilities. At December 31, **2022**, **2023**, these investments represent outstanding equity capital commitments that are included in other liabilities. At September 30, 2023, March 31, 2024, the **\$16,138** thousand of outstanding equity commitments represent the remainder of 2023, \$10,499 thousand in 2024, **\$359** thousand in 2025, **\$59** thousand in 2026, **\$190** thousand in 2027, and **\$548** thousand in 2028 or thereafter.

The amounts recognized in net income for these investments include:

For the Three Months Ended

	2023	
	At September 30,	At December 31,
	2023	2022
(In thousands)		
Investment loss included in pre-tax income	\$ 1,440	\$
Tax credits recognized in provision for income taxes		765
Other liabilities consisted of the following:		
Operating lease liability	\$ 18,593	\$ 15,746
Other liabilities	85,918	49,379
Total other liabilities	<u>\$ 104,511</u>	<u>\$ 65,125</u>

Investment loss included in pre-tax income
Tax credits recognized in provision for income taxes

- 22 -

Other liabilities consisted of the following:

	At
Operating lease liability	\$
Other liabilities	
Total other liabilities	<u>\$</u>

The Company has entered into leases for most branch locations and certain other offices that were classified as operating leases primarily with original terms of five years. Certain Company's option, for one or more additional five year terms. Unexercised extension options are not considered reasonably certain of exercise and have not been included in the leases. The Company did not have any finance leases as of September 30, 2023. March 31, 2024.

As of September 30, 2023, March 31, 2024, the Company's lease liability and right-of-use asset were \$18,593 \$19,975 thousand. The weighted average remaining life of operating lease liabilities were 3.6 3.3 years and 2.78% 3.11%, respectively, at September 30, 2023. March 31, 2024. The Company did not have any material lease incentives, unamortized initial direct costs or costs of early extinguishment of leases as of September 30, 2023. March 31, 2024.

Total lease costs were \$1,633 \$1,678 thousand and \$4,949 \$1,656 thousand in the three and nine months ended September 30, March 31, 2024 and March 31, 2023, respectively, a nine months ended September 30, 2022, total lease costs of \$1,664 thousand and \$4,934 thousand, respectively, were recorded within occupancy and equipment expense. The Company recorded sublease income during the nine three months ended September 30, 2023 March 31, 2024 and September 30, 2022. March 31, 2023.

The following table summarizes the remaining lease payments of operating lease liabilities:

The remainder of 2023

2024

2025

2026

2027

2028

Thereafter

Total minimum lease payments

Less: discount

Present value of lease liability

Note 7: Goodwill and Identifiable Intangible Assets

The Company has recorded goodwill and other identifiable intangibles associated with purchase business combinations. Goodwill is not amortized, but is evaluated for impairment months ended **September 30, 2023** **March 31, 2024** and year ended December 31, **2022**, 2023, as no triggering events occurred during such periods. Identifiable intangibles are amortized and residual values are also periodically reassessed to determine if any amortization period adjustments are indicated. During the **nine** **three** months ended **September 30, 2023** **March 31, 2024** were recorded.

The carrying values of goodwill were:

	At September 30, 2023		At December 31, 2022	
	(In thousands)			
Goodwill		\$ 121,673	\$ 121,673	
Goodwill				

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- 23 -

The gross carrying amount of identifiable intangible assets and accumulated amortization was: were:

	At September 30, 2023				At December 31, 2022			
	Gross		Gross		Gross		Gross	
	Carrying	Accumulated	Carrying	Accumulated	Carrying	Accumulated	Carrying	Accumulated
(In thousands)								
Core deposit intangibles	\$ 56,808	\$ (56,404)	\$ 56,808	\$ (56,225)				
At March 31, 2024								
	Gross		Gross		Gross		Gross	
	Carrying	Accumulated	Carrying	Accumulated	Carrying	Accumulated	Carrying	Accumulated
	Amount	Amortization	Amount	Amortization	Amount	Amortization	Amount	Amortization
(In thousands)								
Core deposit intangibles	\$ 56,808	\$ (56,517)	\$ 56,808	\$ (56,461)				

As of September 30, 2023, March 31, 2024, the current period and estimated future amortization expense for identifiable intangible assets, to be fully amortized in 2025, was:

	Total
	Core
	Deposit
	Intangibles
	(In thousands)
For the nine months ended September 30, 2023 (actual)	\$ 179
The remainder of 2023	57
2024	222
2025	125

	Total
	Core
	Deposit
	Intangibles
	(In thousands)
For the three months ended March 31, 2024 (actual)	\$ 56
The remainder of 2024	166
2025	125

Note 8: Deposits and Borrowed Funds

The following table provides additional detail regarding deposits.

	At Sept
Noninterest-bearing	\$ 2
Interest-bearing:	
Transaction	
Savings	
Time deposits less than \$100 thousand	
Time deposits \$100 thousand through \$250 thousand	
Time deposits more than \$250 thousand	
Total deposits	\$

Demand deposit overdrafts of \$699 \$553 thousand and \$995 \$620 thousand were included as loan balances at September 30, 2023 March 31, 2024 and December 31, 2022, 2023 balances in excess of \$100 thousand was \$26 \$21 thousand and \$91 thousand for the three months ended March 31, 2024 and \$34 thousand in the nine three months ended thousand for the three and nine months ended September 30, 2022, respectively.

The following table provides additional detail regarding short-term borrowed funds. securities sold under repurchase agreements:

	Re
	At Se
Repurchase agreements:	
Collateral securing borrowings:	
Agency residential MBS	\$
Corporate securities	\$
Total collateral carrying value	\$
Total short-term borrowed funds	\$
Securities sold under repurchase agreements	\$

- 24-

At September 30, 2023, March 31, 2024, the Company had uncommitted lines of credit for overnight borrowings from correspondent banks totaling \$100 million. Additionally, million \$663,987 thousand based on the collateral pledged at September 30, 2023, March 31, 2024. There Federal Reserve Bank Term Funding Program borrowings were no on September 30, 2023, March 31, 2024. For the nine months ended September 30, 2023, March 31, 2024, the average balances of the above-mentioned Federal Reserve Bank 2023, March 31, 2024, the Company's estimated unpledged debt securities collateral qualifying for Federal Reserve borrowing totaled \$1,930,927 \$1,995,076 thousand.

Note 9: Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Debt securities available for sale, Company may be required to record at fair value other assets on a nonrecurring basis, such as other real estate owned, loans individually evaluated for credit loss, certain long-term assets, nonrecurring fair value adjustments typically involve the lower-of-cost or fair-value accounting of individual assets.

In accordance with the Fair Value Measurement and Disclosure topic of the FASB Accounting Standards Codification, the Company bases its fair values on the price that would be advantageous market for an asset or liability in an orderly transaction between market participants on the measurement date under current market conditions. A fair value measurement of an asset or liability, including assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset, and the risk of nonperformance.

The Company groups its assets and liabilities measured at fair value into a three-level hierarchy, based on the markets in which the assets and liabilities are traded and the reliability used to measure the fair value of the asset or liability are categorized within different levels of the fair value hierarchy, the asset or liability is categorized in its entirety within the lowest level.

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active exchange markets, such as the New York Stock Exchange. Level 1 includes U.S. Treasury securities. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques. Level 2 includes mutual funds, federal agency securities, mortgage-backed securities, corporate securities, commercial paper, collateralized loan obligations, municipal bonds, and other debt securities.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's best estimate of the fair value of the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The Company relies on independent vendor pricing services to measure fair value for equity securities, debt securities available for sale and debt securities held to maturity. The Company compares vendors' pricing for each of the securities for consistency; significant pricing differences, if any, are evaluated using all available independent quotes with the quoted price. In addition, the Company evaluates debt securities for credit losses on a quarterly basis. As with any valuation technique used to estimate fair value, changes in underlying assumptions may affect these fair value estimates may not be realized in an actual sale of the securities.

The Company regularly reviews the valuation techniques and assumptions used by its vendors and determines which valuation techniques are utilized based on observable market information to determine the placement in the fair value hierarchy as level 1, 2 or 3.

Assets Recorded at Fair Value on a Recurring Basis

The tables below present assets measured at fair value on a recurring basis on the dates indicated.

	At September 30, 2023			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
(In thousands)				
Debt securities available for sale:				
Agency residential MBS	\$ 239,728	\$ -	\$ 239,728	
Securities of U.S. Government sponsored entities	279,364	-	279,364	
Obligations of states and political subdivisions	69,639	-	69,639	
Corporate securities	1,814,424	-	1,814,424	
Collateralized loan obligations	1,503,078	-	1,503,078	
Total debt securities available for sale	<u>\$ 3,906,233</u>	<u>\$ -</u>	<u>\$ 3,906,233</u>	

(1)There were no transfers in to or out of level 3 during the **nine** **three** months ended September 30, 2023. **March 31, 2024.**

	At December 31, 2022			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
(In thousands)				
Debt securities available for sale:				
Agency residential MBS	\$ 286,048	\$ -	\$ 286,048	
Securities of U.S. Government sponsored entities	290,853	-	290,853	
Obligations of states and political subdivisions	82,004	-	82,004	
Corporate securities	2,099,955	-	2,099,955	
Collateralized loan obligations	1,572,883	-	1,572,883	
Total debt securities available for sale	<u>\$ 4,331,743</u>	<u>\$ -</u>	<u>\$ 4,331,743</u>	

(1)There were no transfers in to or out of level 3 during the year ended December 31, **2022**. **2023.**

Assets Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually assets. For assets measured at fair value on a nonrecurring basis that were recorded in the balance sheet at **September 30, 2023** **March 31, 2024** and December 31, **2022**, 2023, the adjustment and the carrying value of the related assets at period end.

At September 30, 2023						
	Carrying Value	Level 1	Level 2	Level 3		
	(In thousands)					
Loans:						
Commercial real estate	\$ 110	\$ -	\$ -	\$ -	\$ 110	
Total assets measured at fair value on a nonrecurring basis	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110</u>	
[The remainder of this page intentionally left blank]						
At March 31, 2024						
	Carrying Value	Level 1	Level 2	Level 3		
	(In thousands)					
Loans:						
Commercial real estate	\$ 14	\$ -	\$ -	\$ -	\$ 14	
Total assets measured at fair value on a nonrecurring basis	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>	
- 26-						
At December 31, 2022						
	Carrying Value	Level 1	Level 2	Level 3		
	(In thousands)					
Loans:						
Commercial real estate	\$ 225	\$ -	\$ -	\$ -	\$ 225	
Total assets measured at fair value on a nonrecurring basis	<u>\$ 225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225</u>	
Level 3 – Valuation is based upon present value of expected future cash flows, independent market prices, estimated liquidation values of loan collateral or appraised value of the costs, generally. The unobservable inputs and qualitative information about the unobservable inputs are not presented as the inputs were not developed by the Company.						
Disclosures about Fair Value of Financial Instruments						
The tables below are a summary of fair value estimates for financial instruments and the level of the fair value hierarchy within which the fair value measurements are categorized, even though assigned do not necessarily represent amounts which ultimately may be realized for assets or paid to settle liabilities. In addition, these values do not give effect to adjustments to quantities. The carrying amounts in the following tables are recorded in the balance sheet under the indicated captions.						
The Company has not included assets and liabilities that are not financial instruments such as goodwill, long-term relationships with deposit, merchant processing and trust customer assets and liabilities. The total estimated fair values do not represent, and should not be construed to represent, the underlying value of the Company.						
At September 30, 2023						

	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Signi Unobs Inp (Lev
Financial Assets:					
Cash and due from banks	\$ 420,550	\$ 420,550	\$ 420,550	\$ -	\$ -
Debt securities held to maturity	888,856	818,395	-	818,395	
Loans	868,106	851,354	-	-	
Financial Liabilities:					
Deposits	\$ 5,699,013	\$ 5,698,126	\$ -	\$ 5,594,472	\$ -
Short-term borrowed funds	115,341	115,341	-	115,341	
Bank Term Funding Program borrowings					
Securities sold under repurchase agreements					
At December 31, 2022					
	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Signi Unobs Inp (Lev
Financial Assets:					
Cash and due from banks	\$ 294,236	\$ 294,236	\$ 294,236	\$ -	\$ -
Debt securities held to maturity	915,913	873,511	-	873,511	
Loans	938,204	905,720	-	-	
Financial Liabilities:					
Deposits	\$ 6,225,290	\$ 6,224,791	\$ -	\$ 6,094,535	\$ -
Short-term borrowed funds	57,792	57,792	-	57,792	
Securities sold under repurchase agreements					

- 27 -

The majority of the Company's standby letters of credit and other commitments to extend credit carry current market interest rates if converted to loans. No premium or discount is applied to these market rates.

- 27 -

Note 10: Commitments and Contingent Liabilities

Loan commitments are agreements to lend to a customer provided there is no violation of any condition established in the agreement. Certain agreements provide the Company the right to unilaterally terminate the commitment, but are not unconditionally cancellable by the Company aggregated \$30,195 \$29,635 thousand at September 30, 2023 March 31, 2024 and \$31,889 \$29,958 thousand at December 31, 2023 March 31, 2024. These commitments are subject to various clauses. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future funding requirements. Unfunded loan commitments were \$201,468 \$212,521 thousand at September 30, 2023 March 31, 2024 and \$202,696 \$206,028 thousand at December 31, 2023 March 31, 2024. Standby letters of credit are primarily issued to support customers' short-term financing requirements and must meet certain performance standards. Standby letters of credit outstanding totaled \$2,106 \$1,756 thousand at September 30, 2023 March 31, 2024 and \$1,948 \$2,044 thousand at December 31, 2022, 2023 September 30, 2023 March 31, 2024 and at December 31, 2022, 2023, respectively. The Company had \$950 \$1,000 thousand in outstanding full recourse guarantees to a third party.

2022, 2023, respectively. At September 30, 2023, March 31, 2024, the Company had a reserve for unfunded commitments of \$201 thousand for the above-mentioned loan commitment. The Company's reserve for unfunded commitments was \$201 thousand at December 31, 2022, 2023. The reserve for unfunded commitments is included in other liabilities.

Due to the nature of its business, the Company is subject to various threatened or filed legal cases. Based on the advice of legal counsel, the Company does not expect such cases. Legal liabilities are accrued when obligations become probable and the amount can be reasonably estimated.

Note 11: Earnings Per Common Share

The table below shows earnings per common share and diluted earnings per common share. Basic earnings per common share are computed by dividing net income by the average number of common shares outstanding during the period. Diluted earnings per common share are computed by dividing net income by the average number of common shares outstanding during the period plus the impact of common stock equivalents.

	For the Year Ended
	2023
Net income applicable to common equity (numerator)	\$ 41
Net income (numerator)	\$ 41
Basic earnings per common share	26
Weighted average number of common shares outstanding - basic (denominator)	26
Basic earnings per common share	\$ 1.58
Diluted earnings per common share	26
Weighted average number of common shares outstanding - basic	26
Add common stock equivalents for options	26
Weighted average number of common shares outstanding - diluted (denominator)	26
Diluted earnings per common share	\$ 1.58

For the three and ninemonths ended September 30, March 31, 2024 and March 31, 2023, options to purchase 964,110 thousand and 991,977 thousand shares of common stock, respectively, were outstanding but not included in the computation of earnings per common share because the option exercise price exceeded the fair value of the stock such that their inclusion would have had an anti-dilutive effect.

For the three and nine months ended September 30, 2022, options to purchase 812 thousand and 809 thousand shares of common stock, respectively, were outstanding but not included in the computation of earnings per common share because the option exercise price exceeded the fair value of the stock such that their inclusion would have had an anti-dilutive effect.

- 28 -

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

WESTAMERICA BANCORPORATION

FINANCIAL SUMMARY

WESTAMERICA BANCORPORATION	FINANCIAL SUMMARY		
	For the Three Months		
	Ended September 30,		
	2023	2022	2021
Net Interest and Loan Fee Income (FTE)(1)	\$ 72,092	\$ 60,780	\$ 58,320
Net Interest and Fee Income (FTE)(1)	(In thousands, except per share data)	(In thousands, except per share data)	(In thousands, except per share data)
Provision (Reversal of Provision) for Credit Losses	400	-	-

Noninterest Income:				
Life Insurance Gains	278		923	
Securities Losses	-		-	
Other Noninterest Income	11,003		10,895	
Total Noninterest Income	11,281		11,818	
Noninterest Income				
Noninterest Expense	25,650		24,767	
Income Before Income Taxes (FTE)(1)	57,323		47,831	
Income Tax Provision (FTE)(1)	15,722		13,071	
Provision for Income Taxes (FTE)(1)				
Net Income	\$ 41,601	\$ 34,760	\$	
Average Common Shares Outstanding	26,648		26,906	
Average Diluted Common Shares Outstanding	26,650		26,916	
Common Shares Outstanding at Period End	26,649		26,911	
Per Common Share:				
Basic Earnings	\$ 1.56	\$ 1.29	\$	
Diluted Earnings	1.56		1.29	
Book Value	24.33		20.03	
Book Value Per Common Share				
Financial Ratios:				
Return on Assets	2.41 %		1.85 %	
Return on Common Equity	18.29 %		17.08 %	
Return On Assets				
Return On Common Equity				
Net Interest Margin (FTE)(1)	4.43 %		3.44 %	
Net Loan Losses to Average Loans	0.50 %		0.44 %	
Net Loan Chargeoffs (Recoveries) to Average Loans				
Efficiency Ratio(2)	30.8 %		34.1 %	
Average Balances:				
Assets	\$ 6,847,691	\$ 7,472,304	\$	
Loans	903,854		989,033	
Investment Securities	5,247,118		5,552,588	
Investment securities				
Deposits	5,722,817		6,495,051	
Shareholders' Equity	902,300		807,428	
Period End Balances:				
Assets	\$ 6,567,288	\$ 7,177,025		
Loans	885,850		979,033	
Investment Securities	4,795,090		5,312,605	
Investment securities				
Deposits	5,699,013		6,495,256	
Shareholders' Equity	648,423		538,988	
Capital Ratios at Period End:				
Total Risk Based Capital	18.60 %		14.67 %	
Tangible Equity to Tangible Assets	8.17 %		5.91 %	

Dividends Paid Per Common Share	\$ 0.44	\$ 0.42	\$
Common Dividend Payout Ratio	28 %	33 %	

The above financial summary has been derived from the Company's unaudited consolidated financial statements. This information should be read in conjunction with those statements. The heading "Financial Ratios" are annualized with the exception of the efficiency ratio.

(1) Yields on securities and certain loans have been adjusted upward to a "fully taxable equivalent" ("FTE") basis in order to reflect the effect of income which is exempt from taxation.

(2) The efficiency ratio is defined as noninterest expense divided by total revenue (net interest income on an FTE basis and noninterest income).

-29-

Financial Overview

Westamerica Bancorporation and subsidiaries (collectively, the "Company") reported net income of \$41.6 million \$36.4 million or **\$1.56** \$1.37 diluted earnings per common share ("EPS") net income of \$34.8 million \$40.5 million or **\$1.29** \$1.51 EPS for the **third** first quarter of 2022. The Company reported net income of \$122.3 million 2023 and \$39.5 million or **\$4.58** \$4.58 EPS 2023. First quarter 2023 results included a **\$1.2 million** \$1.6 million reversal of provision for credit losses, net of a \$400 thousand provision for credit losses in the third quarter 2023. The Company reported net income of \$82.7 million or \$3.07 which increased EPS for the nine months ended September 30, 2023, to \$10.00 EPS. The Company reported net income of \$923 thousand life insurance gain in the third quarter 2022. The Company reported net income of \$82.7 million or \$3.07 which increased EPS for the nine months ended September 30, 2023, to \$10.00 EPS. The Company reported net income of \$923 thousand life insurance gain, \$0.04.

Management continues to evaluate the impacts of inflation, the Federal Reserve's monetary policy and climate changes on the Company's business and its customers. Recently, there have been significant market volatility and uncertainty, including the banking system's challenges and the impact of interest rate increases. The Company's results of operations, cash flow liquidity, and financial performance, as well as the Company's ability to execute near- and long-term business strategies and initiatives, are uncertain and cannot be reasonably predicted.

The Company presents its net interest margin and net interest income on a fully taxable equivalent ("FTE") basis using the current statutory federal tax rate. Management believes that securities portfolios contain municipal loans and securities that are federally tax exempt. The Company's tax exempt loans and securities composition may not be similar to that of other companies and securities on the net interest margin and net interest income for comparability with other banks. the Company presents its net interest margin and net interest income on an FTE basis.

The Company's significant accounting policies (see Note 1, "Summary of Significant Accounting Policies," to Financial Statements in the Company's 2022 Form 10-K and Note 10 to understanding the Company's results of operations and financial condition. The Company adopted the following new accounting guidance:

FASB ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions, was issued June 2022. The ASU clarifies the accounting for equity securities that are subject to contractual restrictions that prohibit the sale of an equity security. Additionally, the ASU requires specific disclosures related to equity securities that are subject to contractual restrictions. The ASU requires entities to (1) reflect the restrictions on equity securities in the balance sheet, (2) the nature and remaining duration of the corresponding restrictions, and (3) any circumstances that could cause a lapse in the restrictions and interperiod periods within those fiscal years, with early adoption permitted. The Company adopted the ASU on January 1, 2024 on a prospective basis. The adoption did not have a material impact on the Company's financial position, results of operations, or cash flows.

Net Income

Following is a summary of the components of net income for the periods indicated:

	For the Three Months			F
	Ended September 30,			
	2023	2022	2023	
Net interest and loan fee income (FTE)	\$ 72,092	\$ 60,780	\$ 2	(In thousands, except per share data)
Provision (Reversal of provision) for credit losses	400	-		
Noninterest income	11,281	11,818		
Noninterest expense	25,650	24,767		
Income before taxes (FTE)	57,323	47,831		1
Income tax provision (FTE)	15,722	13,071		
Net income	\$ 41,601	\$ 34,760	\$ 1	
Average diluted common shares	26,650	26,916		
Diluted earnings per common share	\$ 1.56	\$ 1.29	\$	
Average total assets	\$ 6,847,691	\$ 7,472,304	\$ 6,9	
Net income to average total assets (annualized)	2.41 %	1.85 %		
Net income to average common shareholders' equity (annualized)	18.29 %	17.08 %		

Net income for the third quarter 2023 increased \$6.8 million compared with the third quarter 2022. Net interest and loan fee income (FTI) compared with the third quarter 2022 due to higher yield on interest-earning assets, partially offset by lower average balances of interest-earning assets, and higher rate on Funding Program borrowings, partially offset by higher yield on interest-earning assets. The Company provided a \$400 thousand provision for credit losses in the third quarter of 2022, based on ("CECL") model and Management's estimate of credit losses over the remaining life of its loans and debt securities compared with the third quarter 2022 primarily due to lower gains on life insurance. Third quarter 2023 noninterest expense increased \$883 thousand compared with the third quarter 2022, insurance assessments for all insured depository institutions. The tax rate (FTE) was 27.4% for the third quarter 2023 and 27.3% for the third quarter 2022.

Net income for the nine months ended September 30, 2023 increased \$39.6 million compared with the nine months ended September 30, 2022. Net interest and loan fee income (FT) with nine months ended September 30, 2022 due to higher yield on interest-earning assets and higher average balances of investment debt securities, partially offset by lower average liabilities. loans. The Company recorded a \$1.2 million \$1.6 million reversal of provision for credit losses in the nine months ended September 30, 2023, reflecting first quarter of 2023 2024 noninterest income decreased compared with the first quarter 2023 primarily due to lower income from merchant processing services fee and lower recoveries of interest decreased compared with the first quarter 2023 primarily due to lower occupancy and equipment expenses, partially offset by higher salaries and benefits. The tax rate (FTE) was 26. Net income for the first quarter 2024 decreased \$3.1 million compared with the fourth quarter 2023. Net interest and loan fee income (FTE) decreased \$3.6 million in the first quarter interest-earning assets, higher rate on savings and interest-bearing transaction deposit accounts and Bank Term Funding Program borrowings. The Company recorded a \$300 thousand CECL model and Management's estimate of credit losses over the remaining life of its loans. The Company provided no provision for credit losses in the nine months ended September over the remaining life of its loans and debt securities held to maturity. Noninterest income for the nine months ended September 30, 2023 first quarter 2024 decreased \$2.1 million compared with the first quarter 2023 due to lower income from merchant processing services and debit card fees. Debit card fees in the nine months ended September 30, 2022 fourth quarter 2023 include life insurance recognition of an annual volume-based incentive. Noninterest expense in for the nine months ended September 30, 2023 first quarter 2024 increased \$3.4 million compared with the fourth quarter 2023 primarily due to seasonally higher payroll taxes, annual merit increases in salaries and benefits, occupancy assessments costs for all insured depository institutions. Lower professional fees partially offset the increases in noninterest expense in the nine months ended September 30, 2023 27.2% 26.9% for the nine months ended September 30, 2023 first quarter 2024 and 26.8% 28.5% for the nine months ended September 30, 2022.

[fourth quarter 2023. The remainder of this page intentionally left blank] fourth quarter 2023 includes a \$492 thousand increase to reconcile the 2022

Net Interest and Loan Fee Income (FTE)

Following is a summary of the components of net interest and loan fee income (FTE) for the periods indicated:

	For the Three Months			For the Nine Months	
	Ended September 30,			Ended September 30,	
	2023	2022	2023	2022	
	(\$ in thousands)			(\$ in thousands)	
Interest and loan fee income	\$ 72,848	\$ 60,802	\$ 200,902	\$ 161,580	\$ 200,902
Interest expense					
FTE adjustment	377	465	1,133	487	1,133
Interest expense					
Net interest and loan fee income (FTE)	\$ 72,092	\$ 60,780	\$ 200,769	\$ 161,503	\$ 200,769
Average earning assets	\$ 6,438,411	\$ 7,041,313	\$ 6,500,000	\$ 7,041,313	\$ 6,500,000
Net interest margin (FTE) (annualized)	4.43 %	3.44 %	3.43 %	3.44 %	3.43 %

Net interest and loan fee income (FTE) increased \$11.3 million decreased \$3.5 million in the third first quarter 2023 2024 compared with the third first quarter 2022 2023 due to higher average balances of interest-earning assets (down \$603 million) and \$546 million, higher rate on savings and interest-bearing liabilities transaction deposit accounts (up 0.09% 0.25%) and offset by higher yield on interest-earning assets (up 0.29%).

Net interest and loan fee income (FTE) increased \$59.3 million decreased \$3.6 million in the nine months ended September 30, 2023 first quarter 2024 compared with nine months earning assets (up 1.43%) and higher average balances of investment debt securities (up \$214 million), partially offset by lower average balances of loans interest-earning assets (higher rate on savings and interest-bearing liabilities transaction deposit accounts (up 0.04% 0.08%). and an increase in Bank Term Funding Program borrowings (up \$63 million).

The annualized net interest margin (FTE) was 4.43% 4.30% in the third first quarter 2024, 4.18% in the first quarter 2023 and 4.32% 4.41% in the nine months ended September 30, 2023 compared with nine months of 2022. 2023.

The Company's annualized funding costs were 0.07% 0.20% in the third first quarter 2023 compared with 2024, 0.03% in the third first quarter 2022, 2023 and 0.04% 0.11% in the nine months ended September 30, 2022, fourth quarter 2023. Noninterest bearing deposits represented 47% of average deposits in the nine months ended September 30, 2023 and 47% in the nine months ended September 30, 2022, fourth quarter 2023. Average balances of time deposits in the nine months ended September 30, 2023 first quarter 2024 declined \$20 million \$33 million from the nine months ended September 30, 2022, fourth quarter 2023. Average balances of savings deposits accounted for 97.9% of average total deposits in the nine months ended September 30, 2023 compared with 97.8% 98.2% of average total deposits in the first quarter 2023.

[The remainder of 2022. The customer deposits and shareholders' equity fully funded the Company's interest earning assets for the nine months ended September 30, 2023 and correspondent banks. this page intentionally left blank]

Net Interest Margin (FTE)

The following summarizes the components of the Company's net interest margin (FTE) for the periods indicated (percentages are annualized.)

	For the Three Months	
	2023	2022
Yield on earning assets (FTE)	4.50 %	4.43 %
Rate paid on interest-bearing liabilities	0.14 %	0.13 %
Net interest spread (FTE)	4.36 %	4.30 %
Impact of noninterest-bearing demand deposits	0.07 %	0.04 %

Net interest margin (FTE)	4.43 %
-32-	====
	For the Three Months Ended
	March 31,
	2024
Yield on earning assets (FTE)	4.50 %
Rate paid on interest-bearing liabilities	0.41 %
Net interest spread (FTE)	4.09 %
Impact of noninterest-bearing funds	0.21 %
Net interest margin (FTE)	4.30 %

The increase in Company's yield on earning assets during the first quarter 2024 increased compared with the first quarter 2023 but decreased compared with the fourth quarter 2023. collateralized loan obligations (CLOs), held in debt securities available for sale portfolio, and interest-bearing cash. The CLOs have interest coupons that change once every three months and yields of CLOs for the three months ended September 30, 2023 March 31, 2024 was \$1,531 million \$1,461 million yielding 7.16% and \$1,554 million yielding 6.77%. yields of CLOs for the three months ended September 30, 2022 was \$1,601 million March 31, 2023 and December 31, 2023 were \$1,577 million yielding 4.00% 6.34% and \$1,522.727%, respectively. The interest-bearing cash yield changes by the amount of change in the overnight federal funds rate on the effective date declared by the FOMC. The nine three months ended September 30, 2023 March 31, 2024 were \$287 million \$167 million yielding 5.35% and \$208 million yielding 5.06%, respectively. 5.40%. The average balance months ended September 30, 2022 March 31, 2023 and December 31, 2023 were \$500 million \$171 million yielding 2.15% 4.56% and \$832 million \$195 million yielding 0.83% 5.40%. commercial loans and lines of credit, consumer lines of credit and adjustable rate residential real estate loans, which are included in "other taxable loans" in the following "Summary of the rate paid on interest-bearing liabilities increased in the first quarter 2024 compared with the first quarter and fourth quarter 2023 primarily due to competitive pricing.

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-33-

Summary of Average Balances, Yields/Rates and Interest Differential

The following tables present information regarding the consolidated average assets, liabilities and shareholders' equity, the amounts of interest income earned from average interest-bearing assets and the amounts of interest expense incurred on average interest-bearing liabilities and the resulting rates. Average loan balances include nonperforming loans. Interest income includes the reversal of previously accrued loans on nonaccrual status only to the extent cash payments have been received and applied as interest income, and accretion of purchased loan discounts. Yields, rates and interest rates are adjusted upward to reflect the effect of income exempt from federal income taxation at the federal statutory tax rate of 21 percent.

Distribution of Assets, Liabilities & Shareholders' Equity and Yields, Rates & Interest Margin

	For the Three Months Ended <i>Sept. 30</i>		
	<i>Average</i>	<i>Income</i>	<i>Interest</i>
	<i>Balance</i>	<i>Expense</i>	
			<i>(\$ in thousands)</i>
Assets			
<i>Investment securities:</i>			
<i>Taxable</i>	\$ 5,093,715	\$	
<i>Tax-exempt (1)</i>	153,403		
<i>Total investments (1)</i>	5,247,118		
<i>Loans:</i>			

Taxable		860,371	
Tax-exempt (1)		43,483	
Total loans (1)		903,854	
Total interest-bearing cash		287,439	
Total interest-earning assets (1)		6,438,411	
Other assets		409,280	
Total assets	\$	<u>6,847,691</u>	
<i>Liabilities and shareholders' equity</i>			
Noninterest-bearing demand	\$	2,721,358	\$
Savings and interest-bearing transaction		2,891,477	
Time less than \$100,000		66,909	
Time \$100,000 or more		43,073	
Total interest-bearing deposits		3,001,459	
Short-term borrowed funds		117,173	
Bank term funding program borrowings			
Securities sold under repurchase agreements			
Total interest-bearing liabilities		3,118,632	
Other liabilities		105,401	
Shareholders' equity		902,300	
Total liabilities and shareholders' equity	\$	<u>6,847,691</u>	
Net interest spread (1) (2)	\$		
Net interest and fee income and interest margin (1) (3)	\$		

(1) Amounts calculated on an FTE basis using the current statutory federal tax rate.

(2) Net interest spread represents the average yield earned on interest-earning assets less the average rate incurred on interest-bearing liabilities.

(3) Net interest margin is computed by calculating the difference between interest income and expense, divided by the average balance of interest-earning assets. The net interest margin is based on the average balance of interest-bearing demand deposits.

-34-

Distribution of Assets, Liabilities & Shareholders' Equity and Yields, Rates & Interest Margin

		For the Three Months Ended September 30
		Interest Income Expense (\$ in thousands)
	Average Balance	
Assets		
<i>Investment securities:</i>		
Taxable	\$	5,356,955
Tax-exempt (1)		195,633
Total investments (1)		5,552,588
<i>Loans:</i>		
Taxable		943,293
Tax-exempt (1)		45,740
Total loans (1)		989,033
Total interest-bearing cash		499,692
Total Interest-earning assets (1)		7,041,313

Other assets		430,991	
Total assets	\$	7,472,304	
Liabilities and shareholders' equity			
Noninterest-bearing demand	\$	3,058,662	\$
Savings and interest-bearing transaction		3,297,585	
Time less than \$100,000		76,790	
Time \$100,000 or more		62,014	
Total interest-bearing deposits		3,436,389	
Short-term borrowed funds		83,694	
Securities sold under repurchase agreements			
Total interest-bearing liabilities		3,520,083	
Other liabilities		86,131	
Shareholders' equity		807,428	
Total liabilities and shareholders' equity	\$	7,472,304	
Net interest spread (1) (2)	\$		
Net interest and fee income and interest margin (1) (3)	\$		

(1) Amounts calculated on an FTE basis using the current statutory federal tax rate.

(2) Net interest spread represents the average yield earned on interest-earning assets less the average rate incurred on interest-bearing liabilities.

(3) Net interest margin is computed by calculating the difference between interest income and expense, divided by the average balance of interest-earning assets. The net interest margin is based on the average balance of interest-bearing demand deposits.

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-35-

Distribution of Assets, Liabilities & Shareholders' Equity and Yields, Rates & Interest Margin

For the Nine Month

		Average	
		Balance	
Assets			
<i>Investment securities:</i>			
Taxable	\$	5,223,319	\$
Tax-exempt (1)		162,667	
Total investments (1)		5,385,986	
<i>Loans:</i>			
Taxable		880,711	
Tax-exempt (1)		44,640	
Total loans (1)		925,351	
Total interest-bearing cash		208,111	
Total interest-earning assets (1)		6,519,448	
<i>Other assets</i>			
Total assets	\$	6,940,897	

<i>Liabilities and shareholders' equity</i>			
Noninterest-bearing demand	\$ 2,774,282	\$ 2,774,282	
Savings and interest-bearing transaction	2,964,442		
Time less than \$100,000	69,301		
Time \$100,000 or more	51,481		
Total interest-bearing deposits	3,085,224		
Short-term borrowed funds	97,510		
Total interest-bearing liabilities	3,182,734		
Other liabilities	104,141		
Shareholders' equity	879,740		
Total liabilities and shareholders' equity	\$ 6,940,897		
Net interest spread (1) (2)			
Net interest and fee income and interest margin (1) (3)	\$		
		For the Three Month	
	Average		
	Balance		
	(\\$)		
<i>Assets</i>			
<i>Investment securities:</i>			
Taxable	\$ 5,036,689	\$ 5,036,689	
Tax-exempt (1)	145,868		
Total investments (1)	5,182,557		
<i>Loans:</i>			
Taxable	831,292		
Tax-exempt (1)	42,343		
Total loans (1)	873,635		
Total interest-bearing cash	194,951		
Total Interest-earning assets (1)	6,251,143		
<i>Other assets</i>			
Total assets	\$ 6,665,040		
<i>Liabilities and shareholders' equity</i>			
Noninterest-bearing demand	\$ 2,672,170	\$ 2,672,170	
Savings and interest-bearing transaction	2,799,667		
Time less than \$100,000	63,474		
Time \$100,000 or more	37,970		
Total interest-bearing deposits	2,901,111		
Securities sold under repurchase agreements	64,927		
Total interest-bearing liabilities	2,966,038		
Other liabilities	88,094		
Shareholders' equity	938,738		
Total liabilities and shareholders' equity	\$ 6,665,040		
Net interest spread (1) (2)			
Net interest and fee income and interest margin (1) (3)	\$		

(1) Amounts calculated on an FTE basis using the current statutory federal tax rate.

(2) Net interest spread represents the average yield earned on interest-earning assets less the average rate incurred on interest-bearing liabilities.

(3) Net interest margin is computed by calculating the difference between interest income and expense, divided by the average balance of interest-earning assets. The net interest margin is expressed as a percentage of interest-earning assets.

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-36-

Distribution of Assets, Liabilities & Shareholders' Equity and Yields, Rates & Interest Margin

For the Nine Month

	Average	Balance	(\$)
Assets			
<i>Investment securities:</i>			
Taxable	\$ 4,951,926	\$	
Tax-exempt (1)	220,077		
Total investments (1)	5,172,003		
<i>Loans:</i>			
Taxable	962,556		
Tax-exempt (1)	46,758		
Total loans (1)	1,009,314		
<i>Total interest-bearing cash</i>	832,310		
Total Interest-earning assets (1)	7,013,627		
<i>Other assets</i>	419,513		
Total assets	\$ 7,433,140		
 <i>Liabilities and shareholders' equity</i>			
Noninterest-bearing demand	\$ 3,020,892	\$	
Savings and interest-bearing transaction	3,275,781		
Time less than \$100,000	77,952		
Time \$100,000 or more	63,318		
Total interest-bearing deposits	3,417,051		
Short-term borrowed funds	121,310		
Total interest-bearing liabilities	3,538,361		
Other liabilities	83,196		
Shareholders' equity	790,691		
Total liabilities and shareholders' equity	\$ 7,433,140		

Net interest spread (1) (2)

Net interest and fee income and interest margin (1) (3)

(1) Amounts calculated on an FTE basis using the current statutory federal tax rate.

(3) Net interest margin is computed by calculating the difference between interest income and expense, divided by the average balance of interest-earning assets. The net interest margin is expressed as a percentage of assets.

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-37-

Summary of Changes in Interest Income and Expense due to Changes in Average Asset & Liability Balances and Yields Earned & Rates Paid

The following tables set forth a summary of the changes in interest income and interest expense due to changes in average assets and liability balances (volume) and changes in average yields/rates. The changes due to volume or yields/rates have been allocated in proportion to the respective volume and yield/rate components.

Summary of Changes in Interest Income and Expense

	For the Three Months Ended	Compared to	For the Three Months Ended
	Volume	Yield/Rate	(In thousands)
(Decrease) increase in interest and loan fee income:			
<i>Investment securities:</i>			
Taxable	\$ (2,185)	\$	
Tax-exempt (1)	(381)		
Total investments (1)	(2,566)		
<i>Loans:</i>			
Taxable	(1,043)		
Tax-exempt (1)	(21)		
Total loans (1)	(1,064)		
Total interest-bearing cash			
Total (decrease) increase in interest and loan fee income (1)	(4,795)		
(Decrease) increase in interest expense:			
<i>Deposits:</i>			
Savings and interest-bearing transaction	(47)		
Time less than \$100,000	(6)		
Time \$100,000 or more	(12)		
Total interest-bearing deposits	(65)		
<i>Short-term borrowed funds</i>			
Total (decrease) increase in interest expense	(58)		
<i>Bank term funding program borrowings</i>			
<i>Securities sold under repurchase agreements</i>			
Total increase in interest expense	(4,737)	\$	
(Decrease) increase in net interest and loan fee income (1)	\$ (4,737)	\$	

(1) Amounts calculated on an FTE basis using the current statutory federal tax rate.

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-38- -37-

Summary of Changes in Interest Income and Expense

	For the Nine Months Ended	Compared to	For the Nine Months Ended
	Volume	Yield/Rate	(In thousands)
(Decrease) increase in interest and loan fee income:			
<i>Investment securities:</i>			
Taxable	\$ (2,185)	\$	
Tax-exempt (1)	(381)		
Total investments (1)	(2,566)		
<i>Loans:</i>			
Taxable	(1,043)		
Tax-exempt (1)	(21)		
Total loans (1)	(1,064)		
Total interest-bearing cash			
Total (decrease) increase in interest and loan fee income (1)	(4,795)	\$	
(Decrease) increase in interest expense:			
<i>Deposits:</i>			
Savings and interest-bearing transaction	(47)		
Time less than \$100,000	(6)		
Time \$100,000 or more	(12)		
Total interest-bearing deposits	(65)		
<i>Short-term borrowed funds</i>			
Total (decrease) increase in interest expense	(58)		
<i>Bank term funding program borrowings</i>			
<i>Securities sold under repurchase agreements</i>			
Total increase in interest expense	(4,737)	\$	
(Decrease) increase in net interest and loan fee income (1)	\$ (4,737)	\$	

	Volume	Yield/Ra		
	(In thousands)			
<i>Increase (decrease) in interest and loan fee income:</i>				
<i>(Decrease) increase in interest and loan fee income:</i>				
<i>Investment securities:</i>				
<i>Taxable</i>	\$ 5,770	\$		
<i>Tax-exempt (1)</i>	(1,513)			
<i>Total investments (1)</i>	4,257			
<i>Loans:</i>				
<i>Taxable</i>	(3,097)			
<i>Tax-exempt (1)</i>	(61)			
<i>Total loans (1)</i>	(3,158)			
<i>Total interest-bearing cash</i>	(3,917)			
<i>Total (decrease) increase in interest and loan fee income (1)</i>	(2,818)			
<i>Total decrease in interest and loan fee income (1)</i>				
<i>(Decrease) increase in interest expense:</i>				
<i>Deposits:</i>				
<i>Savings and interest-bearing transaction</i>	(108)			
<i>Time less than \$100,000</i>	(14)			
<i>Time \$100,000 or more</i>	(22)			
<i>Total interest-bearing deposits</i>	(144)			
<i>Short-term borrowed funds</i>	(13)			
<i>Total (decrease) increase in interest expense</i>	(157)			
<i>(Decrease) increase in net interest and loan fee income (1)</i>	\$ (2,661)	\$		
<i>Bank term funding program borrowings</i>				
<i>Securities sold under repurchase agreements</i>				
<i>Total increase in interest expense</i>				
<i>Decrease in net interest and loan fee income (1)</i>				

(1) Amounts calculated on an FTE basis using the current statutory federal tax rate.

Provision for Credit Losses

The Company manages credit risk by enforcing conservative underwriting and administration procedures and aggressively pursuing collection efforts with debtors experiencing financial risk in the loan portfolio and debt securities held to maturity portfolio during each of the periods presented.

The Company provided ~~\$400~~ \$300 thousand provision for credit losses in the ~~third~~ *first* quarter of 2023, 2024, based on the results of the CECL model and Management's estimate of credit losses over the remaining period to maturity. The Company recorded a \$1.2 million reversal of provision for credit losses in the nine months ended September 30, 2023 which reflected a \$2.2 million recovery on provision for credit losses in the ~~third~~ *fourth* quarter of 2022 and nine months ended September 30, 2022, 2023, based on Management's estimate of credit losses over the remaining period to maturity. The Company provided ~~\$400~~ \$300 thousand provision for credit losses in the ~~first~~ quarter of 2023 as a result of a \$2.2 million recovery on a previously charged off loan. For further information regarding credit risk and "Allowance for Credit Losses" sections of this Report.

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-39-38-

Noninterest Income

The following table summarizes the components of noninterest income for the periods indicated.

For the Three Months

	Ended September			
	2023		2022	
	(In thousands)			
Service charges on deposit accounts	\$	3,705	\$	3,737
Merchant processing services		2,911		2,925
Debit card fees		1,717		1,594
Trust fees		783		810
ATM processing fees		640		594
Other service fees		463		463
Financial services commissions		78		79
Life insurance gains		278		923
Securities losses		-		-
Other noninterest income		706		693
Total	\$	11,281	\$	11,818

Third First quarter 2023 2024 noninterest income decreased \$537 \$452 thousand compared with the third first quarter 2022 2023. Merchant processing services fee income decreased gains on life insurance. Debit card fees increased processing volumes. Other noninterest income decreased in the third first quarter 2023 2024 compared with the third first quarter 2022. Noninterest income for the nine months ended September 30, 2023 decreased \$2.1 million compared with the nine months ended September 30, 2022 primarily due to lower gains 30, 2022 included a \$1.2 million reconciling payment from a payments network. Merchant processing service fees decreased in the nine months ended September 30, 2023 compared with the nine transaction volumes and increased lower-margin transactions. Service charges on deposit accounts decreased in the nine months ended September 30, 2023 compared with the nine deposit accounts. ATM processing fee income increased in the nine months ended September 30, 2023 compared with the nine months ended September 30, 2022 and partially offset income in the nine months ended September 30, 2023 included higher recoveries of interest and fees on previously charged off loans loans.

Noninterest income for the first quarter 2024 decreased \$895 thousand compared with nine months ended September 30, 2022. the fourth quarter 2023. Debit card fees declined from annual volume-based incentive in the fourth quarter 2023. Merchant processing services fees declined from the fourth quarter 2023 to the first quarter 2024 due to reduced processing

Noninterest Expense

The following table summarizes the components of noninterest expense for the periods indicated.

	For the Three Months		For the Nine Months	
	Ended September 30,			
	2023	2022	2023	2022
(In thousands)				
Salaries and related benefits	\$ 11,820	\$ 11,311	\$ 35,715	\$ 34,643
Occupancy and equipment	5,065	5,064	15,562	14,666
Outsourced data processing services	2,473	2,434	7,405	7,294
Limited partnership operating losses	1,440	1,431	4,314	4,293
Professional fees	401	582	1,362	2,054
Courier service	745	671	1,971	1,914
Other noninterest expense	3,706	3,274	11,370	9,407
Total	\$ 25,650	\$ 24,767	\$ 77,699	\$ 74,271

-40-

	For the Three Months Ended	
	March 31,	
	2024	2023
(In thousands)		
Salaries and related benefits	\$ 12,586	\$ 12,067

Occupancy and equipment	5,040	5,485	4,958
Outsourced data processing services	2,536	2,444	2,441
Limited partnership operating losses	1,440	1,434	1,440
Professional fees	402	476	389
Courier service	649	615	681
Other noninterest expense	3,446	3,689	3,452
Total	\$ 26,099	\$ 26,210	\$ 25,517

Third First quarter 2023 2024 noninterest expense increased \$883 decreased \$111 thousand compared with the third first quarter 2022. 2023. Occupancy and equipment expense decreased in repair and maintenance. Salaries and benefits increased in the third first quarter 2023 2024 compared with the third first quarter 2022 2023 primarily due to increased employees. Other noninterest expense increased in the third quarter 2023 compared with third quarter 2022 primarily due to higher FDIC insurance assessments for all insured deposits with the third quarter 2022 primarily due to lower legal fees.

Noninterest expense in for the nine months ended September 30, 2023 first quarter 2024 increased \$3.4 million \$582 thousand compared with the nine months ended September 30, ended September 30, 2023 compared with fourth quarter 2023 to the nine months ended September 30, 2022 first quarter 2024 primarily due to increased staff, seasonally higher paid employees. Occupancy and equipment expenses increased in the nine months ended September 30, 2023 compared with the nine months ended September 30, 2022 primarily due to nine months ended September 30, 2023 compared with the nine months ended September 30, 2022 primarily due to higher FDIC insurance assessments for all insured deposit cards. Professional fees decreased in the nine months ended September 30, 2023 compared with the nine months ended September 30, 2022 primarily due to lower legal fees.

-39-

Provision for Income Tax

The Company's income tax provision (FTE) was \$13.4 million for the first quarter 2024 compared with \$15.0 million for the first quarter 2023 and \$15.7 million for the third fourth quarter 2022 compared with \$13.1 million for the third quarter 2022 and \$30.3 million for the nine months ended September 30, 2022. The representing effective tax rates (FTE) were 27.4% for the first quarter 2024 (FTE) was higher than the third first quarter 2023 and 27.2% for the nine months ended September 30, 2023 compared with 27.3% for first quarter 2024 primarily due to a \$492 thousand reduction to the nine months ended September 30, 2022, filed 2022 tax returns.

Investment Securities Portfolio

The Company maintains an investment securities portfolio consisting of securities issued by U.S. Government sponsored entities, state and political subdivisions, corporations, collateralized no marketable equity securities at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Management manages the investment securities portfolio in response to anticipated changes in interest rates, and changes in deposit and loan volumes. The carrying value of the portfolio at September 30, 2023 March 31, 2024 and \$5.2 billion \$4.9 billion at December 31, 2022 December 31, 2023. The following table lists debt securities in the Company's portfolio by type as of the dates of the reserve for expected credit losses of \$1 thousand at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. Debt securities available for sale are listed at their fair value.

	At September 30, 2023		At December 31, 2023	
	Carrying Value	As a percent of total investment securities	Carrying Value	
(\$ in thousands)				
Securities of U.S. Government sponsored entities	\$ 279,364	6%	\$ 290,853	
Agency residential mortgage-backed securities ("MBS")	324,075	7%	390,900	
Obligations of states and political subdivisions	147,198	3%	171,212	
Corporate securities	2,541,375	53%	2,821,809	
Collateralized loan obligations	1,503,078	31%	1,572,883	
Total	\$ 4,795,090	100%	\$ 5,247,657	
Debt securities available for sale	\$ 3,906,233		\$ 4,331,743	
Debt securities held to maturity	888,857		915,914	
Total	\$ 4,795,090		\$ 5,247,657	

Management continually evaluates the Company's investment securities portfolio in response to established asset/liability management objectives, changing market conditions the Company is exposed. These evaluations may cause Management to change the level of funds the Company deploys into investment securities and change the composition of the Co

-41-

At September 30, 2023 March 31, 2024, substantially all of the Company's investment securities were investment grade as rated by one or more major rating agency. agencies. In ac evaluations regarding the credit worthiness of the issuer or the securitized assets underlying asset-backed securities. The Company's procedures for evaluating investments in se Federal Reserve System, "Investing in Securities without Reliance on Nationally Recognized Statistical Rating Agencies" (SR 12-15) and other regulatory guidance.

[The following table summarizes the amortized cost remainder of debt securities held to maturity at September 30, 2023, aggregated by credit rating.

	Credit Risk Profile by Credit Rating				
	At September 30, 2023				
	AAA/AA/A	BBB+	Not Rated	Total	
(In thousands)					
Agency residential MBS	\$ 83,863	\$ -	\$ 484	\$ 84,347	
Obligations of states and political subdivisions	77,379	-	180	77,559	
Corporate securities	505,421	221,530	-	726,951	
Total	\$ 666,663	\$ 221,530	\$ 664	\$ 888,857	

-40-

The Company had corporate securities as shown below at the dates indicated:

	Corporate securities		
	At September 30, 2023		At December 31, 2023
	Amortized Cost	Fair Value	Amortized Cost
(In thousands)			
Debt securities available for sale	\$ 2,134,535	\$ 1,814,424	\$ 2,406,566
Debt securities held to maturity	726,951	666,549	721,854
Total corporate securities	\$ 2,861,486	\$ 2,480,973	\$ 3,128,420

The following table summarizes total corporate securities by credit rating:

	At September 30, 2023	
	As a percentage of total corporate securities	
	Fair value	corpor
\$		
AAA	-	
AA+	-	
AA	-	
AA-	68,324	
A+	235,646	
A	362,091	
A-	784,259	
BBB+	707,790	
BBB	322,863	
BBB-	-	
Total corporate securities	\$ 2,480,973	

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	At March 31, 2024	
	As a percent of total corporate securities	
	Fair value	securities
AA-	\$ 71,874	
A+	242,122	
A	354,383	
A-	830,945	
BBB+	641,486	
BBB	436,514	
Total corporate securities	\$ 2,577,324	

The following table summarizes total corporate securities by the industry sector in which the issuing companies operate:

	At September 30, 2023		At December 31, 2023	
	Fair value	As a percent of total corporate securities	Fair value	
(\$ in thousands)				
Financial	\$ 1,436,503	58 %	\$ 1,539,361	
Utilities	262,148	11 %	285,016	
Industrial	202,117	8 %	237,554	
Consumer, Non-cyclical	160,735	6 %	173,736	
Communications	151,816	6 %	162,270	
Basic Materials	97,123	4 %	98,072	
Energy	65,891	3 %	86,431	
Technology	60,665	2 %	101,255	
Consumer, Cyclical	43,975	2 %	103,666	
Total corporate securities	\$ 2,480,973	100 %	\$ 2,787,361	

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The following table summarizes total corporate securities by the location of the issuers' headquarters; all the bonds corporate securities are denominated in United States dollars:

	At September 30, 2023		At December 31, 2023	
	Fair value	As a percent of total corporate securities	Fair value	
(\$ in thousands)				
United States of America	\$ 1,720,693	69 %	\$ 1,997,328	
Canada	184,151	7 %	192,475	
Japan				
United Kingdom	157,270	6 %	171,819	
Japan	153,681	6 %	161,804	
Switzerland	89,717	4 %	86,396	
France	87,227	4 %	87,781	

Netherlands	32,647	1 %	33,216
Australia	23,580	1 %	23,870
Belgium	19,820	1 %	20,243
Germany	12,187	1 %	12,429
Total corporate securities	\$ 2,480,973	100%	\$ 2,787,361

The following table summarizes the above corporate securities with issuer's headquarters located outside of the United States of America by the industry sector in which the issuer is engaged, as of September 30, 2023, in thousands of United States dollars:

	At September 30, 2023	
	As a percent of total foreign corporate securities	
	Fair value	
Financial	\$ 665,173	
Energy	30,174	
Basic materials	23,580	
Consumer, Non-cyclical	19,820	
Consumer, Cyclical	12,187	
Utilities	9,346	
Total foreign corporate securities	\$ 760,280	

-43-

	At March 31, 2024	
	As a percent of total foreign corporate securities	
	Fair value	
Financial	\$ 693,150	
Energy	31,968	
Basic materials	24,455	
Consumer, Non-cyclical	19,814	
Consumer, Cyclical	12,930	
Utilities	9,685	
Total foreign corporate securities	\$ 792,002	

The Company's \$1.5 billion \$1.4 billion (fair value) in collateralized loan obligations at September 30, 2023 March 31, 2024, consist of investments in 143 136 issues that are within the following table summarizes total collateralized loan obligations by credit rating:

	Amount	Credit Rating
AAA	\$ 1,490,000	
AA	\$ 1,000	
Total	\$ 1,490,000	

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-42-

The Company's \$1.6 billion \$1.5 billion (fair value) in collateralized loan obligations at December 31, 2022 December 31, 2023, consist of investments in 169 142 issues that are within the following table summarizes total collateralized loan obligations by credit rating:

	At December 31, 2022		
	Amortized	Fair	
	Cost	Value	
(In thousands)			
AAA	\$ 559,239	\$ 553,673	
AA	1,028,087	1,019,210	
Total	\$ 1,587,326	\$ 1,572,883	

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-44-

The following tables summarize the total general obligation and revenue bonds issued by states and political subdivisions held in the Company's investment securities portfolio by municipality or agency operates.

At September 30, 2023, the Company's investment securities portfolios included securities issued by 129 state and local government municipalities and agencies located within 31 states (value) represented by two general obligation bonds.

	At September 30, 2023		
	Amortized	Fair	
	Cost	Value	
(In thousands)			
Obligations of states and political subdivisions:			
General obligation bonds:			
California	\$ 23,806	\$ 23,191	
Washington	11,362	10,989	
Texas	8,162	7,777	
Massachusetts	8,123	7,752	
Michigan	7,067	6,763	
Minnesota	6,626	6,468	
Other (21 states)	53,353	50,543	
Total general obligation bonds	\$ 118,499	\$ 113,483	
Revenue bonds:			
California	\$ 10,425	\$ 10,043	
Kentucky	5,059	4,972	
Virginia	3,659	3,487	
Colorado	3,156	3,085	
Washington	2,070	2,041	
Utah	1,930	1,922	
Other (7 states)	6,375	6,212	
Total revenue bonds	\$ 32,674	\$ 31,762	
Total obligations of states and political subdivisions	\$ 151,173	\$ 145,245	

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-45-

At December 31, 2022, the Company's investment securities portfolios included securities issued by 142 state and local government municipalities and agencies located within 32 states (value) represented by three general obligation bonds.

	At December 31, 2022		
	Amortized	Fair	
	Cost	Value	
(In thousands)			
Obligations of states and political subdivisions:			
General obligation bonds:			

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California	\$ 34,621	\$ 34,252
Washington	11,445	11,332
Texas	8,561	8,405
Massachusetts	8,214	8,073
Michigan	7,126	7,017
Other (23 states)	63,818	62,679
Total general obligation bonds	\$ 133,785	\$ 131,758

Revenue bonds:

California	\$ 13,917	\$ 13,620
Kentucky	7,605	7,556
Virginia	3,684	3,618
Colorado	3,155	3,124
Washington	2,070	2,068
Other (8 states)	9,016	9,003
Total revenue bonds	\$ 39,447	\$ 38,989
<i>Total obligations of states and political subdivisions</i>	\$ 173,232	\$ 170,747

At September 30, 2023 and December 31, 2022, the revenue bonds in the Company's investment securities portfolios were issued by state and local government municipalities and school facilities, and general public and economic improvements. The revenue bonds were payable from 11 revenue sources at September 30, 2023 and December 31, 2022. The results are summarized in the following tables.

At September 30, 2023			
	Amortized	Fair	
	Cost	Value	

(In thousands)

Revenue bonds by revenue source:

Water	\$ 5,023	\$ 4,956
Sewer	4,853	4,698
Lease (appropriation)	4,554	4,469
Special Assessment	3,695	3,359
Lease (renewal)	3,044	2,972
Lease (abatement)	2,863	2,843
Sales tax	2,185	2,150
Lease (non-terminable)	1,930	1,898
Appropriations	1,982	1,880
Other (2 sources)	2,545	2,537
Total revenue bonds by revenue source	\$ 32,674	\$ 31,762

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-46-

At December 31, 2022			
	Amortized	Fair	
	Cost	Value	

(In thousands)

Revenue bonds by revenue source:

Water	\$ 6,105	\$ 6,115
Lease (renewal)	5,590	5,536
Sewer	5,523	5,480
Lease (appropriation)	4,556	4,518
Special Assessment	4,080	3,788

Lease (abatement)	3,702	3,694
Sales tax	3,185	3,187
Other (4 sources)	6,706	6,671
Total revenue bonds by revenue source	\$ 39,447	\$ 38,989

<i>At December 31, 2023</i>			
	<i>Amortized</i>	<i>Fair</i>	
	<i>Cost</i>	<i>Value</i>	
<i>(In thousands)</i>			
AAA	\$ 536,185	\$ 532,729	
AA	965,063	951,868	
Total	\$ 1,501,248	\$ 1,484,597	

See Note 3 to the unaudited consolidated financial statements for additional information related to the investment securities.

Loan Portfolio Credit Risk

The Company extends loans to commercial and consumer customers which expose the Company to the risk that the borrowers will default, causing loss. The Company's lending risks inherent in the economy and market conditions. Significant risk characteristics related to the commercial loan segment include the borrowers' business performance and characteristics related to the commercial real estate segment include the borrowers' business performance and the value of properties collateralizing the loans. Significant risk performance in successfully developing the real estate into the intended purpose and the value of the property collateralizing the loans. Significant risk characteristics related to the the mortgages and the value of the property collateralizing the loans. Significant risk characteristics related to the consumer loan segment include the financial condition of the borrow

The preparation of the financial statements requires Management to estimate the amount of expected losses in the loan portfolio and establish an allowance for credit losses. The credit losses through the Company's earnings. In estimating credit losses, Management must exercise judgment in evaluating information deemed relevant, such as financial information on nonperforming and classified loans, recommendations of regulatory authorities, prevailing economic conditions and other information. The amount of ultimate losses on the loan methodology to estimate loss potential in an effort to reduce the differences between estimated and actual losses.

The Company closely monitors the markets in which it conducts its lending operations and follows a strategy to control exposure to loans with high credit risk. The Bank's underwriting: Management believes this segregation of duties avoids inherent conflicts of combining business development and loan approval functions. In measuring and managing

- The Bank maintains a Loan Review Department which reports directly to the audit committee of the Board of Directors. The Loan Review Department performs Management, using grading standards employed by bank regulatory agencies. Those loans judged to carry higher risk attributes are referred to as "classified loans" collection.
- The Bank maintains two loan administration offices whose sole responsibility is to manage and collect classified loans.

Classified loans with higher levels of credit risk are further designated as "nonaccrual loans." Management places classified loans on nonaccrual status when full collection of con accrued on loans placed on nonaccrual status is reversed as a charge against interest income. The Company does not accrue interest income on loans following placement on nona the carrying amount of the loan unless the carrying amount is well secured by loan collateral. "Nonperforming assets" include nonaccrual loans, loans 90 or more days past due and Estate Owned".

-47- -43-

Nonperforming Loans

<i>At September 30,</i>		
	<i>2023</i>	<i>2022</i>

Nonperforming nonaccrual loans	\$ 205	\$
Performing nonaccrual loans	4	
Total nonaccrual loans	209	
Accruing loans 90 or more days past due	1,029	
Total nonperforming loans	\$ 1,238	\$

At September 30, 2023 March 31, 2024, nonaccrual loans consisted of four three loans with an average a commercial real estate loan of a carrying value of \$52 \$766 thousand. Its col

Management believes the overall credit quality of the loan portfolio is reasonably stable; however, classified and nonperforming assets could fluctuate from period to period. The interest rate environment, economic conditions, pandemics, and collateral values or factors particular to the borrower. No assurance can be given that additional increases in nonaccr

Allowance for Credit Losses

The following table summarizes allowance for credit losses at the dates indicated:

Allowance for credit losses on loans	\$	
Allowance for credit losses on held to maturity debt securities		
Total allowance for credit losses	\$	
Allowance for unfunded credit commitments	\$	

Allowance for Credit Losses on Debt Securities Held to Maturity

Management segmented debt securities held to maturity, selected methods to estimate losses for each segment, and measured a loss estimate. Agency mortgage-backed securities sponsored entities. Corporate securities held to maturity were individually evaluated for expected credit loss by evaluating the issuer's financial condition, profitability, cash flows performance and ability to service debt payments, including throughout and following the 2008-2009 recession. The Company has an expectation that nonpayment of the amortized loss allowance was assigned to corporate securities held to maturity based on evaluation of each individual issuer's historical financial performance throughout full business cycles remaining term to maturity using Moody's risk of default factors; Moody's loss upon default factors were applied to the assumed defaulted principal amounts to estimate the amount of loss at maturity was \$1 thousand related to municipal securities at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, reflecting the expected credit losses.

Allowance for Credit Losses on Loans

The Company's allowance for credit losses on loans represents Management's estimate of forecasted credit losses in the loan portfolio based on the current expected credit loss in the carrying value of loans. As described above, payments received on nonaccrual loans may be applied against the principal balance of the loans until such time as full collection of the loans.

-48- 44-

The preparation of the financial statements requires Management to estimate the amount of expected losses over the expected contractual life of the Bank's existing loan portfolio at maturity date, and the Company considers the contractual life of a loan agreement to extend from the date of origination to the contractual maturity date. In estimating credit losses, relevant. The amount of ultimate losses on the loan portfolio can vary from the estimated amounts. Management follows a systematic methodology to estimate loss potential in an effective manner.

The allowance for credit losses is established through provisions for credit losses charged to income. Losses on loans are charged to the allowance for credit losses when all or a portion of loans previously charged off are credited to the allowance when realized. The Company's allowance for credit losses is maintained at a level considered adequate to provide for potential losses over a forecast period. These include conditions unique to individual borrowers, as well as overall credit loss experience, the amount of past due, nonperforming and delinquent loans, collateral values, and other factors.

Loans that share common risk characteristics are segregated into pools based on common characteristics, which is primarily determined by loan, borrower, or collateral type. Historically, loans secured by automobiles, historical loss rates are determined using a vintage methodology, which tracks losses based on period of origination. For commercial, construction, and industrial loans, historical loss rates are determined using a vintage methodology, which tracks losses based on period of origination. For commercial, construction, and industrial loans, historical loss rates are determined using a vintage methodology, which tracks losses based on period of origination.

methodology where losses are tracked over time for all loans included in the pool at the historical measurement date. Historical loss rates are adjusted for factors that are not reflected in industry trends which have occurred but have not yet been recognized in past loan charge-off history, estimated losses based on management's reasonable and supportable expectations that impact credit loss expectations that are not reflected in the historical loss rates. Other factors include, but are not limited to, the effectiveness of the Company's loan review process, problem loan trends, and concentrations of credit. At the end of the two-year forecast period loss rates revert immediately to the historical loss rates. The results of this analysis are as follows:

Loans that do not share risk characteristics with other loans in the pools are evaluated individually. A loan is considered 'collateral-dependent' when the borrower is experiencing financial difficulty or sale of the collateral. A credit loss reserve for collateral-dependent loans is established at the difference between the amortized cost basis in the loan and the fair value of the collateral. For loans that are not collateral dependent, a credit loss reserve is established at the difference between the amortized cost basis in the loan and the present value of expected future cash flows. Any modification to be made to loans to borrowers experiencing financial difficulty is included in the allowance for credit losses when management determines such modification is likely.

Accrued interest is recorded in other assets and is excluded from the estimation of expected credit loss. Accrued interest is reversed through interest income when amounts are determined to be placed on nonaccrual status or charged off.

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-49-
-45-

The following table summarizes the allowance for credit losses, chargeoffs and recoveries for the periods indicated.

	For the Three Months Ended September 30		(\$ in thousands)	
	2023	2022		
Analysis of the allowance for credit losses				
Balance, beginning of period	\$ 18,480	\$ 22,313		
Provision (reversal of provision) for credit losses	400	-		
Loans charged off				
Commercial	(262)	-		
Consumer installment and other	(1,827)	(1,917)		
Total chargeoffs	<u>(2,089)</u>	<u>(1,917)</u>		
Recoveries of loans previously charged off				
Commercial	10	72		
Commercial real estate	15	14		
Consumer installment and other	928	736		
Total recoveries	<u>953</u>	<u>822</u>		
Net loan losses	(1,136)	(1,095)		
Balance, end of period	<u>\$ 17,744</u>	<u>\$ 21,218</u>		
Net loan losses as a percentage of average total loans (annualized)	0.50 %	0.44 %		

	At September 30,	
	2023	(\$ in thousands)
Loans	\$ 885,850	\$ 848,950
Nonaccrual loans	209	145
Allowance for credit losses as a percentage of loans	2.00 %	1.73 %
Nonaccrual loans as a percentage of loans	0.02 %	0.02 %
Allowance for credit losses to nonaccrual loans	8489.95 %	10,000.00 %

March 31,

2024

Analysis of the Allowance for Credit Losses on Loans

Balance, beginning of period	\$	16,867	\$
Provision (Reversal of provision) for credit losses		300	
Loans charged off:			
Commercial		-	
Commercial real estate		-	
Consumer installment and other		(2,003)	
Total chargeoffs		(2,003)	
Recoveries of loans previously charged off:			
Commercial		12	
Commercial real estate		45	
Consumer installment and other		658	
Total recoveries		715	
Net (chargeoffs) recoveries		(1,288)	
Balance, end of period	\$	15,879	\$

Net chargeoffs (recoveries) as a percentage of average total loans (annualized) 0.61 %

Selected financial data: (At the dates indicated)

	At March 31,	
	2024	2023
Loans	\$ 844,677	\$
Nonaccrual loans	958	
Allowance for credit losses as a percentage of loans	1.88 %	
Nonaccrual loans as a percentage of loans	0.11 %	
Allowance for credit losses to nonaccrual loans	1657.52 %	

The following table summarizes net (chargeoffs) recoveries and the ratio of net charge-offs (recoveries) to average loans for the periods indicated:

For the Three Months Ended

September 30, 2023

	As a Percentage					
	Net (Chargeoffs)		Average		of Net Chargeoffs	
	Recoveries	Balances	Loan	(Recoveries)	to Average Loans	Net I
(\$ in thousands)						
Commercial	\$ (252)	\$ 146,478		0.17 %	\$	
Commercial real estate	15	493,072		- %		
Construction	-	4,953		- %		
Residential real estate	-	11,703		- %		
Consumer and other installment	(899)	247,648		0.36 %		
Total	\$ (1,136)	\$ 903,854		0.13 %	\$	

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For the Three Months Ended						For the Nine Months Ended						For the Three Months Ended							
September 30, 2022												2024							
Net (chargeoffs)	As a percentage of Net chargeoffs		As a percentage of Net chargeoffs		Net (chargeoffs)	As a percentage of Net chargeoffs		As a percentage of Net chargeoffs		Net (chargeoffs)	As a percentage of Net chargeoffs		As a percentage of Net chargeoffs		Net (chargeoffs)	As a percentage of Net chargeoffs			
	Average	Loan	(recoveries)	Average		Loan	(recoveries)	Average	Loan		Recoveries	Balances	to Average loans	Recoveries	Balances	to Average loans	Recoveries	Balances	
(\$ in thousands)																			
Commercial	\$ 72	\$ 187,941	(0.04)%	\$ 315	\$ 198,950	(0.16)%	\$ 12	\$ 128,358	(0.01)%	\$ 1	\$ (1,095)	\$ 989,033	0.11 %	\$ (2,296)	\$ 1,009,314	0.23 %	\$ (1,288)	\$ 853,553	0.15 %
Commercial real estate	14	494,717	- %	46	508,812	(0.01)%	45	488,989	(0.01%)										
Construction	-	2,384	- %	-	1,256	- %	-	5,064	- %										
Residential real estate	-	15,144	- %	-	16,157	- %	-	9,831	- %										
Consumer and other installment	(1,181)	288,847	0.41 %	(2,657)	284,139	0.94 %	(1,345)	221,311	0.61 %										
Total	\$ (1,095)	\$ 989,033	0.11 %	\$ (2,296)	\$ 1,009,314	0.23 %	\$ (1,288)	\$ 853,553	0.15 %										

The Company's allowance for credit losses on loans is maintained at a level considered adequate to provide for expected losses based on historical loss rates adjusted for current individual borrowers, as well as overall loan loss experience, the amount of past due, nonperforming and classified loans, recommendations of regulatory authorities, prevailing and Loans that share common risk characteristics are segregated into pools based on common characteristics, which are primarily determined by loan, borrower, or collateral type characteristics with other loans in the pools are evaluated individually. See Note 2 to the unaudited consolidated financial statements for additional information. [information related to a](#)

Allowance for Credit Losses							
For the Three Months Ended September 30, 2022							
	Commercial		Real Estate		Construction		Residential
	Commercial	Real Estate	Construction	Residential	(In thousands)		
<i>Allowance for credit losses:</i>							
Balance at beginning of period	\$ 4,764	\$ 6,083	\$ 202	\$ 40			
(Reversal) provision	(345)	(194)	-	-			
Chargeoffs	(262)	-	-	-			
Recoveries	10	15	-	-			
Total allowance for credit losses	\$ 4,167	\$ 5,904	\$ 242	\$ 46-			

The following summarizes activity in the allowance for credit losses:

Allowance for Credit Losses							
For the Nine Months Ended September 30, 2022							
	Commercial		Real Estate		Construction		Residential
	Commercial	Real Estate	Construction	Residential	(In thousands)		
<i>Allowance for credit losses:</i>							
Balance at beginning of period	\$ 4,764	\$ 6,083	\$ 202	\$ 40			
(Reversal) provision	(345)	(194)	-	-			
Chargeoffs	(262)	-	-	-			
Recoveries	10	15	-	-			
Total allowance for credit losses	\$ 4,167	\$ 5,904	\$ 242	\$ 46-			

							(In thousands)
<i>Allowance for credit losses:</i>							
Balance at beginning of period	\$ 6,138		\$ 5,888		\$ 150		\$
(Reversal) provision	(3,755)		(29)		92		
Chargeoffs	(410)		-		-		
Recoveries	2,194		45		-		
Total allowance for credit losses	<u>\$ 4,167</u>		<u>\$ 5,904</u>		<u>\$ 242</u>		<u>\$</u>

Allowance for Credit Losses

For the Three Months Ended March 31, 2024

	Commercial	Commercial	Residential	
	Real Estate	Construction	Real Estate	(In thousands)
<i>Allowance for credit losses:</i>				
Balance at beginning of period	\$ 4,216	\$ 5,925	\$ 245	\$
(Reversal) provision	(463)	(212)	(3)	
Chargeoffs	-	-	-	
Recoveries	12	45	-	
Total allowance for credit losses	<u>\$ 3,765</u>	<u>\$ 5,758</u>	<u>\$ 242</u>	<u>\$</u>

Management considers the **\$17.7 million** **\$15.9 million** allowance for credit losses on loans to be adequate as a reserve against current expected credit losses in the loan portfolio as of March 31, 2024.

See Note 4 to the unaudited consolidated financial statements for additional information related to the loan portfolio, loan portfolio credit risk, allowance for credit losses on loans, and the Company's credit risk management practices.

Climate-Related Financial Risk

Climate change presents risk to the Company, our critical vendors and our customers. Our risk management practices incorporate the challenges brought about by climate change, including physical risks such as flooding and windstorms, and by chronic physical risks such as rising sea levels, sustained higher temperatures, drought, and increased transition risks such as market demand, and policy and law changes.

None of the Company's physical locations are located near sea level, and only a limited number of branches are located in flood zones. Our principal electricity supplier reports to the U.S. Environmental Protection Agency's Climate Change Science Program's methodology. Our principal information technology vendor's goal is to achieve 100 percent carbon neutrality for Scope 1 and 2 greenhouse gas emissions by 2025. The Company maintains and regularly tests disaster recovery plans, which include redundant operational locations and power sources. The Company's operations do not use a significant amount of water or energy.

-51-

The Company monitors the climate risks of our loan customers. Borrowers with real estate loan collateral located in flood zones must carry flood insurance under the loans' terms. The Company also monitors the climate risks of agricultural borrowers; Management continuously monitors these customers' access to adequate water sources as well as their ability to sustain low crop yields and volatile crop prices. The Company monitors the climate risks of automobile loans; changes in consumer demand, or governmental laws or policies, regarding gasoline, electric and hybrid vehicles are not considered to be material risks to the Company.

The Company considers climate risk in its underwriting of corporate bonds, and avoids purchasing bonds of issuers, which, in Management's judgement, have elevated climate risk.

While the Company follows risk management practices related to climate risk, the Company may experience financial losses due to climate risk despite these precautions.

Asset/Liability and Market Risk Management

Asset/liability management involves the evaluation, monitoring and management of interest rate risk, market risk, liquidity and funding. The fundamental objective of the Company is to maintain a diversified portfolio of assets and liabilities, while maintaining adequate liquidity and a conservative level of interest rate risk.

Interest Rate Risk

Interest rate risk is a significant market risk affecting the Company. Many factors affect the Company's exposure to interest rates, such as general economic and financial conditions, of financial instruments. Financial instruments may mature or re-price at different times. Financial instruments may re-price at the same time but by different amounts. Short-term and long-term interest rates may move in opposite directions, which may result in significant losses for the Company.

amount of cash flows of various financial instruments may change as interest rates change. In addition, the changing levels of interest rates may have an impact on bond portfolio value for various deposit products.

-47-

The Company's earnings are affected not only by general economic conditions, but also by the monetary and fiscal policies of the United States government and its agencies, particularly the demand for loans and growth of deposits and the level of interest rates earned on loans and investment securities and paid for deposits and other borrowings. The nature and impact of these factors on the Company's earnings are difficult to predict.

Management attempts to manage interest rate risk while enhancing the net interest margin and net interest income. At times, depending on expected increases or decreases in market interest rates, Management may adjust the Company's interest rate risk position. The Company's results of operations and net portfolio values remain subject to intermediate, and short-term interest rates.

Management monitors the Company's interest rate risk using a purchased simulation model, which is periodically assessed using supervisory guidance issued by the Board of Directors and Management. Management measures its exposure to interest rate risk using a dynamic composition simulation and static simulation. Within the dynamic composition simulation, financial instruments are reclassified given the assumed change in market interest rates. Within the static simulation, cash flows are assumed redeployed into like financial instruments at prevailing interest rates assuming various levels of change in market interest rates.

The Company's asset and liability position was generally "asset sensitive" at September 30, 2023 March 31, 2024, based on the interest rate assumptions applied to the simulation model. In the static simulation, an assumed decline in interest rates is expected to result in an increase in interest expense resulting from application of assumed interest rate changes. However, in the dynamic simulation, an assumed decline in interest rates is expected to result in an increase in net interest income as asset yields remain stable and deposit costs rise as the Bank negotiates deposit rates.

-52-

At September 30, 2023 March 31, 2024, Management's most recent measurements of estimated changes in net interest income were:

Dynamic simulation (balance sheet composition changes):

Assumed change in interest rates over 1 year	-2.00 %	-1.00 %	0.00 %
First year change in net interest income	-1.1 %	+1.4 %	-0.8 %

Dynamic simulation (balance sheet composition changes):

Assumed change in interest rates over 1 year

First year change in net interest income

Static simulation (balance sheet composition unchanged):

Assumed immediate change in interest rates	-2.00 %	-1.00 %	0.00 %
First year change in net interest income	-12.0 %	-5.4 %	0.0 %

Simulation estimates depend on, and will change with, the size and mix of the actual and projected composition of financial instruments at the time of each simulation. Assumptions and circumstances may occur. In addition, the simulation does not take into account any future actions Management may undertake to mitigate the impact of interest rate changes, loan prepayments, and other factors.

The Company does not currently engage in trading activities or use derivative instruments to manage interest rate risk, even though such activities may be permitted with the approval of the Board of Directors.

Market Risk - Equity Markets

Equity price risk can affect the Company. Preferred or common stock holdings, as permitted by banking regulations, can fluctuate in value. Changes in value of preferred or common stock holdings can affect the Company's earnings.

Fluctuations in the Company's common stock price can impact the Company's financial results in several ways. First, the Company has at times repurchased and retired its common stock, which reduces the number of shares outstanding. Second, the Company's common stock price impacts the number of dilutive equivalent shares used to compute earnings per share. The price of the Company's common stock can motivate holders of options to purchase Company common stock through the exercise of such options thereby increasing the number of shares outstanding and potentially increasing the Company's earnings per share. The Company's common stock price is also used to compute expense and tax deductions associated with share based compensation. The price of the Company's common stock price fluctuates with changes in and the volatility of the Company's common stock price.

-48-

Market Risk - Other

Market values of loan collateral can directly impact the level of loan chargeoffs and the provision for credit losses. The financial condition and liquidity of debtors issuing bonds and notes can impact the Company's credit quality of the Company's investment securities portfolio requiring the Company to establish or increase reserves for expected credit losses. Other types of market risk, such as interest rate risk, are discussed above.

Company's business activities.

Liquidity and Funding

The objective of liquidity management is to manage cash flow and liquidity reserves so that they are adequate to fund the Bank's operations and meet obligations and other commitments through the selection of asset and liability maturity mixes that it believes best meet its needs. The Bank's liquidity position is enhanced by its ability to raise additional funds as needed through the sale of debt securities available for sale.

In recent years, the Bank's deposit base has provided the majority of the Bank's funding requirements. This relatively stable and low-cost source of funds, along with shareholders' equity, ended **September 30, 2023** **March 31, 2024** and 97% in the year ended December 31, 2022, December 31, 2023, respectively. The stability of the Bank's funding from customer deposits is very high priority in maintaining this confidence through conservative credit risk and capital management practices and by maintaining an appropriate level of liquidity.

Total deposits were **\$5,699 million** **\$5,355 million** at **September 30, 2023** **March 31, 2024** and **\$6,225 million** **\$5,474 million** at **December 31, 2022** **December 31, 2023**. Total time deposits were **\$97 million** at **December 31, 2022** **December 31, 2023**. The Company has no foreign time deposits. The standard FDIC deposit insurance amount is \$250,000 per depositor. Estimated federally uninsured deposits and time deposits were **\$2,671 million** **\$2,491 million** and **\$12 million** **\$4 million**, respectively. Estimated federally uninsured time deposits include debt securities as collateral.

-53-

Banking industry deposits, including for Westamerica Bank, grew rapidly in 2020 and 2021 due to the injection of fiscal stimulus into the United States economy, including Paycheck Protection Program funds and aggregate bank deposits. Subsequently, inflation rose considerably while employment conditions remained strong. In 2022 and 2023, the Federal Reserve's monetary policy included increasing and keeping the federal funds rate to a range of 5.25% to 5.50% and net reductions of Treasury securities and agency mortgage-backed securities, which reduce are subject to both the fiscal policies of the United States government and monetary policies of the Federal Reserve; the 2023 decline in Westamerica Bank deposits is was influenced by the IRS ("IRS") declared every county in which Westamerica Bank operates as Natural Disaster Areas due to 2022-2023 winter storms; the IRS and California Franchise Tax Board extended the filing deadline for 2023 tax returns to November 16, 2023. Westamerica Bank management expects Management believes this deferment of tax payment deadlines will impact impacted deposit totals in the fourth quarter. Deposits declined \$119,342 thousand from December 31, 2023 to March 31, 2024 due to competitive pricing of current market rates.

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-49-

The following table shows the time remaining to maturity of the Company's estimated federally uninsured time deposits with a balance greater than \$250,000 per depositor.

Three months or less

Over three through six months

Over six through twelve months

Over twelve months

Total

Liquidity is further provided by assets such as balances held at the Federal Reserve Bank, investment securities, and amortizing loans. At **September 30, 2023** **March 31, 2024**, the Company expects to receive **\$257,000** **\$303,000** thousand in principal payments from its debt securities. If additional operations require borrowing purposes; at **September 30, 2023** **March 31, 2024**, the Company's debt securities which qualify as collateral for borrowing totaled **\$3,810,723** **\$3,820,309** thousand. In the event of a default by certain depository customers; at **September 30, 2023** **March 31, 2024**, the Company had pledged **\$680,735** **\$697,846** thousand in debt securities for depository customers. In the event of a default by the Federal Reserve Bank; at **September 30, 2023** **March 31, 2024**, the Company had pledged **\$964,139** **\$863,987** thousand in debt securities at the Federal Reserve. The Company's average borrowings from the Federal Reserve Bank and other correspondent banks were \$62,582 thousand and \$0- thousand, respectively, and at **September 30, 2023** **December 31, 2023**, the Company's estimated unpledged collateral under the Federal Reserve Bank borrowing programs. The Federal Reserve's Bank Term Funding Program ceased making new loans on March 11, 2024. Debt securities eligible as collateral under the program were \$200,000 thousand and \$0- thousand, respectively. At **September 30, 2023** **December 31, 2023**, the Company's estimated unpledged collateral under the Federal Reserve Bank borrowing programs. The Federal Reserve's Bank Term Funding Program ceased making new loans on March 11, 2024. Debt securities eligible as collateral under the program were \$200,000 thousand and \$0- thousand, respectively.

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-54-

Debt Securities Eligible as Collateral:

Corporate Securities

Collateralized Loan Obligations rated AAA

Obligations of States and Political Subdivisions

Agency Mortgage Backed Securities

Securities of U.S. Government Sponsored Entities

Securities of U.S. Government Sponsored Entities (Par Value)

Total Debt Securities Eligible as Collateral

Debt Securities Pledged as Collateral:

Deposits by Public Entities

Short-term Borrowed Funds (Deposit Sweep)

Other

Total Debt Securities Pledged as Collateral

Debt Securities Pledged at the Federal Reserve Bank

Estimated Debt Securities Available to Pledge

Liquidity risk can result from the mismatching of asset and liability cash flows, or from disruptions in the financial markets. The Bank performs liquidity stress tests on a periodic basis to evaluate its ability to withstand significant adverse conditions. The stress test scenario assumes outflows of funds increase beyond expected levels. Measurement of such heightened outflows considers the composition of the Bank's deposit base, including any concentrations of lending commitments. The composition of the Bank's deposits is considered including the broad industry and geographic diversification in the Bank's market area. The Bank evaluates highly liquid assets include cash and amounts due from other banks from daily transaction settlements, reduced by branch cash needs and any Federal Reserve Bank reserve requirements. Based on the results of the most recent liquidity stress test, Management is satisfied with the liquidity condition of the Bank. However, no assurance can be given the Bank will not experience significant outflows of funds.

-50-

Management continually monitors the Bank's cash levels. Loan demand from credit worthy borrowers will be dictated by economic and competitive conditions. The Bank aggressively solicits time deposits, which are the least sensitive to changes in interest rates. The growth of these deposit balances is subject to heightened competition, the success of the Bank's sales efforts and management's ability to manage the balance sheet. The Bank does not aggressively solicit higher-costing time deposits. Changes in interest rates, most notably rising interest rates or increased consumer spending, could impact cash flows and deposit growth. Any deposit growth may be used to fund loans or purchase investment securities. However, due to possible volatility in economic conditions, deposit growth is not certain. Shareholder dividends are expected to continue subject to the Board's discretion and continuing evaluation of capital levels, earnings, asset quality and other factors.

Westamerica Bancorporation ("Parent Company") is a separate entity apart from the Bank and must provide for its own liquidity. In addition to its operating expenses, the Parent Company must pay interest and principal on any outstanding debt. The Parent Company currently has had no debt. **As of March 31, 2024, Substantially all of the Parent Company's revenues are obtained from the Bank.**

The Bank's dividends paid to the Parent Company, proceeds from the exercise of stock options, and Parent Company cash balances provided adequate cash for the Parent Company to end the year ended **September 30, 2023** **March 31, 2024** and **\$45 million** **\$46 million** in the year ended **December 31, 2022** **December 31, 2023** and retire common stock in the amounts of **\$1 million**. Payment of dividends to the Parent Company by the Bank is limited under California and Federal laws. The Company believes these regulatory dividend restrictions will not have a material impact on the Company's cash balance. The Parent Company's cash balance was **\$126 million** **\$178 million** at **September 30, 2023** **March 31, 2024** and **\$99 million** **\$155 million** at **December 31, 2022** **December 31, 2023**.

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-55-

Capital Resources

The Company has historically generated high levels of earnings, which provide a means of accumulating capital. The Company's net income as a percentage of average sharehold months ended September 30, 2023 first quarter 2024 and 15.2% 18.1% for the year ended December 31, 2022 December 31, 2023. The Company also raises capital as employees e million \$950 thousand in the year ended December 31, 2022 December 31, 2023.

The Company paid common dividends totaling \$34 million in the nine months ended September 30, 2023 \$12 million in the nine months ended March 31, 2024 and \$45 million \$46 million in the year ended December 31, 2022. The Company's earnings have historically exceeded dividends paid to shareholders. The amount of earnings in excess of dividends paid is used to maintain appropriate levels of shareholders' equity. In the absence of profitable growth opportunities, the Company has at times repurchased and retired its common stock as another method of returning value to shareholders. The Company repurchased 3 thousand shares valued at \$14 million in the nine months ended September 30, 2023 and 3 thousand shares valued at \$218 thousand in the year ended December 31, 2022.

The Company's primary capital resource is shareholders' equity, which was \$648 million \$792 million at September 30, 2023 March 31, 2024 compared with \$602 million \$773 million assets was 9.9% 12.25% at September 30, 2023 March 31, 2024 and 8.7% 12.14% at December 31, 2022 December 31, 2023.

The Company performs capital stress tests on a periodic basis to evaluate the sustainability of its capital. Under the stress testing, the Company assumes various scenarios of devaluations. The Company measures the impact of these scenarios on its earnings and capital. Based on the results of the most recent stress tests, Management is satisfied with given the Bank or Company will not experience a period of reduced earnings or a reduction in capital from unanticipated events and circumstances.

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-51-

Capital to Risk-Adjusted Assets

The capital ratios for the Company and the Bank under current regulatory capital standards are presented in the tables below, on the dates indicated. For Common Equity Tier I Capital adequacy purposes include a 2.5% "capital conservation buffer."

	At September 30, 2023		Capital Adequacy	Required for
	Company	Bank	Purposes	
Common Equity Tier I Capital	18.20%	14.57%	7.00%	
Tier I Capital	18.20%	14.57%	8.50%	
Total Capital	18.60%	15.12%	10.50%	
Leverage Ratio	12.08%	9.63%	4.00%	

-56-

	At December 31, 2022		Capital Adequacy	Required for
	Company	Bank	Purposes	
Common Equity Tier I Capital	15.22%	12.37%	7.00%	
Tier I Capital	15.22%	12.37%	8.50%	
Total Capital	15.64%	12.93%	10.50%	
Leverage Ratio	10.18%	8.26%	4.00%	

The Company and the Bank routinely project capital levels by analyzing forecasted earnings, credit quality, shareholder dividends, asset volumes, share repurchase activity, stock options and other factors. The Company and the Bank expects to maintain regulatory capital levels in excess of the minimum required to be considered well-capitalized under the prompt corrective action framework. The Company expects to maintain these levels through 2024, given that changes in capital management plans will not occur.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company does not currently engage in trading activities or use derivative instruments to control interest rate risk, even though such activities may be permitted with the approval of the Board of Directors.

Credit risk and interest rate risk are the most significant market risks affecting the Company, and equity price risk can also affect the Company's financial results. These risks are "Asset/Liability and Market Risk Management." Other types of market risk, such as foreign currency exchange risk and commodity price risk, are not significant in the normal course of business.

Operational risk is the risk to current or projected financial condition and resilience arising from inadequate or failed internal processes or systems, people (including human errors and breaches in data security). Operational risk can also include the risk of loss due to failures by third parties with which the Company does business.

During the second quarter 2023, the Company was notified that there may have been a compromise of a specific set of files processed by a third party vendor that could have affected the Company's systems and the Company does not use the software that may have been compromised. The Company has implemented data security safeguards with its third party vendors designed to protect sensitive information. The Company has notified the affected customers as required by law. As of September 30, 2023, to the Company's knowledge, there is no indication that any information has been subject to misuse as a result of this incident.

Item 4. Controls and Procedures

The Company's principal executive officer and principal financial officer have evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) of the Exchange Act, as of September 30, 2023. The evaluation was completed on March 31, 2024.

-52-

Based upon their evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that the Company's periodic reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported as and when required and that such information is communicated to the Company's management to allow for timely decisions regarding required disclosures. The evaluation did not identify any change in the Company's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

-57-

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Due to the nature of its business, the Company is subject to various threatened or filed legal cases. Neither the Company nor any of its subsidiaries is a party to any material pending legal proceeding, other than ordinary routine legal proceedings arising in the ordinary course of the Company's business. Based on the advice of legal counsel, the Company does not expect any material legal liabilities to result from these proceedings. Legal liabilities are accrued when obligations become probable and the amount can be reasonably estimated.

Item 1A. Risk Factors

The Company's Annual Report on Form 10-K for the year ended December 31, 2022 includes detailed disclosure about the risks faced by the Company's business, including the risk factors described in the Company's Annual Report on Form 10-K.

Recent negative developments affecting the banking industry, such as bank failures, may have a material adverse effect on the Company.

The banking industry continued to experience significant volatility with recent multiple bank failures. Industrywide concerns have developed related to liquidity, deposit outflows and the safety of the banking system. While the Company cannot predict with certainty whether or how these developments may affect the banking industry, the Company faces the risks of increased FDIC deposit insurance premium expenses; increased costs to attract and retain depositors and investors, any of which could, adversely affect the trading price of the Company's common stock or its ability to effectively fund its operations. Any one or a combination of these factors could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company could realize losses if it were required to sell securities in its held-to-maturity securities portfolio to meet liquidity needs.

As a result of increases in interest rates over the last year, the market value of previously issued government and other debt securities has declined significantly, resulting in unrealized losses. While the Company does not currently expect or intend to sell these securities, if the Company were required to sell such securities to meet liquidity needs, it may incur losses, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

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

(a) None

(b) None

(c) Issuer Purchases of Equity Securities

The table below sets forth the information with respect to purchases made by or on behalf of Westamerica Bancorporation or any "affiliated purchaser", as defined in Rule 10b-18(a)(1), during the quarter ended September 30, 2023. No shares were repurchased during the period from January 1, 2024 through March 31, 2024.

Period	(a) Total Number of Shares Purchased	(b) Average Price per Share
July 1 through July 31	-	\$
August 1 through August 31	-	
September 1 through September 30	-	
<i>Total</i>	<hr/>	<hr/>
	<hr/>	\$

The Company repurchases may repurchase shares of its common stock in the open market on a discretionary basis from time to time to optimize the Company's use of equity capital, the impact of issuing new shares under equity incentive stock option plans, and other ongoing requirements. The Company's most recent repurchase plan was approved on July 28, 2016, currently.

No shares were repurchased during the period from July 1, 2023 through September 30, 2023. A share repurchase program was approved by the Board of Directors on July 28, 2023, authorizing the purchase of up to 1,000,000 shares of common stock from time to time prior to September 1, 2023. A replacement program was approved by the Board of Directors on July 27, 2023 authorizing the purchase of up to 1,000,000 shares of common stock from time to time prior to September 1, 2024.

-58-

Item 3. Defaults upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b5-1 Trading Plans

During the quarter ended September 30, 2023, March 31, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan, arrangement or understanding with respect to the Company's securities, other than the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" as defined in Item 408 of Regulation S-K.

- 53 -

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
<u>Exhibit 31.1</u>	<u>Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)</u>
<u>Exhibit 31.2</u>	<u>Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)</u>
<u>Exhibit 32.1</u>	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
<u>Exhibit 32.2</u>	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
Exhibit 101.INS	XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL content.
Exhibit 101.SCH	Inline XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document

Exhibit 101.LAB *Inline XBRL Taxonomy Extension Label Linkbase Document*

Exhibit 101.PRE *Inline XBRL Taxonomy Extension Presentation Linkbase Document*

Exhibit 104. *The Cover page of Westamerica Bancorporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, formatted in Inline XBRL.*

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-59--54-

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.

WESTAMERICA BANCORPORATION

(Registrant)

/s/ John "Robert" Thorson

John "Robert" Thorson

Senior Vice President and Chief Financial Officer

/s/ John "Robert" Thorson

John "Robert" Thorson

Senior Vice President and Chief Financial Officer

(Principal Financial and Chief Accounting Officer)

Date: November 8, 2023

Date: May 9, 2024

-60--55-

EXHIBIT 31.1

CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David L. Payne certify that:

1. I have reviewed this report on Form 10-Q of Westamerica Bancorporation;

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, in light of the time 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) 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 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 that the financial statements are presented fairly 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 control 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 reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors an 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 operations; 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.

/s/ David L. Payne

/s/ David L. Payne

David L. Payne

Chairman, President and Chief Executive Officer

Date: November 8, 2023

David L. Payne

Chairman, President and Chief Executive Officer

Date: May 9, 2024

EXHIBIT 31.2

CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John "Robert" Thorson certify that:

1. I have reviewed this report on Form 10-Q of Westamerica Bancorporation;

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, in light of the requirements of the Sarbanes-Oxley Act, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of the end of 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 the end of the period covered by this report;

4. The registrant's other certifying officer(s) 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 is made available 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 concerning the accuracy and completeness of the 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 control 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 reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors an 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 internal control over financial reporting.

(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.

/s/ John "Robert" Thorson

/s/ John "Robert" Thorson

John "Robert" Thorson

Senior Vice President and Chief Financial Officer

Date: November 8, 2023

John "Robert" Thorson

Senior Vice President and Chief Financial Officer

Date: May 9, 2024

EXHIBIT 32.1

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

In connection with the Quarterly Report of Westamerica Bancorporation (the Company) on Form 10-Q for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission, I, John "Robert" Thorson, Chairman, President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ David L. Payne

/s/ David L. Payne

David L. Payne

Chairman, President and Chief Executive Officer

Date: November 8, 2023

David L. Payne

Chairman, President and Chief Executive Officer

Date: May 9, 2024

EXHIBIT 32.2

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

In connection with the Quarterly Report of Westamerica Bancorporation (the Company) on Form 10-Q for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission, I, John "Robert" Thorson, Chairman, President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ John "Robert" Thorson

John "Robert" Thorson

Senior Vice President and Chief Financial Officer

Date: November 8, 2023

/s/ John "Robert" Thorson

John "Robert" Thorson

Senior Vice President and Chief Financial Officer

Date: May 9, 2024

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