

REFINITIV

# DELTA REPORT

## 10-Q

CVBF - CVB FINANCIAL CORP

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

The following comparison report has been automatically generated

TOTAL DELTAS	2910
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 CHANGES	585
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 DELETIONS	1677
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 ADDITIONS	648
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, March 31, 2023 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: 000-10140

CVB FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

California

(State or other jurisdiction of  
Incorporation or organization)

95-3629339

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

701 North Haven Ave., Suite 350

Ontario, California

(Address of principal executive offices)

91764

(Zip Code)

(909) 980-4030

(Registrant's telephone number,  
including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
---------------------	-------------------	---



Common Stock, No Par Value	CVBF	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, accelerated filer, non-accelerated filer or smaller reporting company, or emerging growth company. See definition 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

☐
- Non-accelerated filer

☐
- Emerging growth company

☐
- Accelerated filer

☐
- Smaller reporting 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 ☐

Number of shares of common stock of the registrant: 139,337,894 139,639,680 outstanding as of October 30, 2023 April 30, 2024.

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## PART I – FINANCIAL INFORMATION (UNAUDITED)

### GENERAL

#### **Cautionary Note Regarding Forward-Looking Statements**

Certain statements set forth herein constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “will likely result”, “aims”, “anticipates”, “believes”, “could”, “estimates”, “expects”, “hopes”, “intends”, “may”, “plans”, “projects”, “seeks”, “should”, “will,” “strategy”, “possibility”, and variations of these words and similar expressions help to identify these forward-looking statements, which involve risks and uncertainties that could cause actual



results or performance to differ materially from those projected. These forward-looking statements are based on management's current expectations and beliefs concerning future developments and their potential effects on the Company, including, without limitation, plans, strategies, goals and statements about the Company's outlook regarding revenue and asset growth, financial performance and profitability, capital and liquidity levels, loan and deposit growth and retention, yields and returns, loan diversification and credit management, stockholder value creation, tax rates, the impact of economic developments, and the impact of acquisitions we have made or may make. Such statements involve inherent risks and uncertainties, many of which are difficult to predict and are generally beyond the control of the Company, and there can be no assurance that future developments affecting the Company will be the same as those anticipated by management. The Company cautions readers that a number of important factors in addition to those set forth below could cause actual results to differ materially from those expressed in, or implied or projected by, such forward-looking statements.

General risks and uncertainties include, but are not limited to, the following: the strength of the United States economy in general and the strength of the local economies in which we conduct business; the effects of, and changes in, trade, monetary, and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System; inflation/deflation, interest rate, market, and monetary fluctuations; the effect of acquisitions we have made or may make, including, without limitation, the failure to obtain the necessary regulatory approvals, the failure to achieve the expected revenue growth and/or expense savings from such acquisitions, and/or the failure to effectively integrate an acquisition target, customers and key personnel into our operations; the timely development of competitive new products and services and the acceptance of these products and services by new and existing customers; the impact of changes in financial services policies, laws, and regulations, including those concerning taxes, banking, securities, and insurance, and the application thereof by regulatory bodies; the effectiveness of our risk management framework and quantitative models; changes in the levels of our nonperforming assets and charge-offs; the effect of changes in accounting policies and practices or accounting standards, as may be adopted from time-to-time by bank regulatory agencies, the U.S. Securities and Exchange Commission ("SEC"), the Public Company Accounting Oversight Board, the Financial Accounting Standards Board or other accounting standards setters; possible credit related impairments or declines in the fair value of loans and securities held by us; possible impairment charges to goodwill, including any impairment that may result from increased volatility in our stock price; changes in consumer spending, borrowing, and savings habits; the effects of our lack of a diversified loan portfolio, including the risks of geographic and industry concentrations; periodic fluctuations in commercial or residential real estate prices or values; our ability to attract and retain deposits or to access government or private lending facilities and other sources of liquidity; the possibility that we may reduce or discontinue the payments of dividends on our common stock; changes in the financial performance and/or condition of our borrowers; changes in the competitive environment among financial and bank holding companies and other financial service providers; technological changes in banking and financial services; geopolitical conditions, including acts or threats of terrorism, actions taken by the United States or other governments in response to acts or threats of terrorism, and/or military conflicts, which could impact business and economic conditions in the United States and abroad; catastrophic events or natural disasters, including earthquakes, drought, climate change or extreme weather events that may affect our assets, communications or computer services, customers, employees or third party vendors; public health crises and pandemics, and their effects on the economic and business environments in which we operate, including on our credit quality, business operations and employees, as well as the impact on general economic and financial market conditions; cybersecurity and fraud threats and the cost of



defending against them, including the costs of compliance with potential legislation to combat cybersecurity and fraud threats at a state, national, or global level; our ability to recruit and retain key executives, board members and other employees, and changes in employment laws and regulations; unanticipated regulatory or legal proceedings or outcomes; and our ability to manage the risks involved in the foregoing.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in the Company's 2022 2023 Annual Report on Form 10-K filed with the SEC and available at the SEC's Internet site (<http://www.sec.gov>).

The Company does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements, except as required by law. Any statements about future operating results, such as those concerning accretion and dilution to the Company's earnings or shareholders, are for illustrative purposes only, are not forecasts, and actual results may differ.

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ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CVB FINANCIAL CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands, except share amounts)  
(Unaudited)

	Septe mber 30, 2023	Dece mber 31, 2022	March 31, 2024	December 31, 2023
Assets				
Cash and due from banks	176, \$ 488	158, \$ 236	\$ 131,955	\$ 171,396
Interest-earning balances due from Federal Reserve	64,2 07	45,2 25	817,634	109,889



Total cash and cash equivalents	240,695	203,461	949,589	281,285
Interest-earning balances due from depository institutions	4,108	9,553	12,632	8,216
Investment securities available-for-sale, at fair value (with amortized cost of \$3,526,455 at September 30, 2023, and \$3,755,297 at December 31, 2022)	2,873,163	3,255,211		
Investment securities held-to-maturity (with fair value of \$1,969,318 at September 30, 2023, and \$2,155,587 at December 31, 2022)	2,489,441	2,554,301		
Investment securities available-for-sale, at fair value (with amortized cost of \$3,333,603 at March 31, 2024, and \$3,398,942 at December 31, 2023)			2,837,100	2,956,125
Investment securities held-to-maturity (with fair value of \$2,044,031 at March 31, 2024, and \$2,082,881 at December 31, 2023)			2,454,586	2,464,610
Total investment securities	5,362,604	5,809,512	5,291,686	5,420,735
Investment in stock of Federal Home Loan Bank (FHLB)	18,012	27,627	18,012	18,012
Loans and lease finance receivables	8,877,632	9,079,392	8,770,713	8,904,910
Allowance for credit losses	(88,995)	(85,117)	(82,817)	(86,842)
Net loans and lease finance receivables	8,788,637	8,994,275	8,687,896	8,818,068
Premises and equipment, net	44,561	46,698	43,448	44,709
Bank owned life insurance (BOLI)	259,468	255,528	310,744	308,706
Accrued interest receivable	45,341	46,692	47,891	48,994



	16,7	21,7		
Intangibles	36	42	13,853	15,291
	765,	765,		
Goodwill	822	822	765,822	765,822
	214,	186,		
Income taxes	506	684	180,750	163,968
	142,	108,		
Other assets	525	946	145,823	127,187
	15,9	16,4		
	03,0	76,5		
<b>Total assets</b>	<b>\$ 15</b>	<b>\$ 40</b>	<b>\$ 16,468,146</b>	<b>\$ 16,020,993</b>
<b>Liabilities and Stockholders' Equity</b>				
Liabilities:				
Deposits:				
	7,58	8,16		
	6,64	4,36		
Noninterest-bearing	\$ 9	\$ 4	\$ 7,112,789	\$ 7,206,175
	4,77	4,67		
	2,13	1,88		
Interest-bearing	7	1	4,782,132	4,227,467
	12,3	12,8		
	58,7	36,2		
<b>Total deposits</b>	86	45	11,894,921	11,433,642
	269,	565,		
Customer repurchase agreements	552	431	275,720	271,642
	1,12			
	0,00	995,		
Other borrowings	0	000	1,995,000	2,070,000
	22,1	22,0		
Deferred compensation	30	92	23,082	22,335
Accrued interest payable			45,404	23,268
	181,	109,		
Other liabilities	146	255	147,194	122,134



	13,9	14,5		
	51,6	28,0		
<b>Total liabilities</b>	<u>14</u>	<u>23</u>	<u>14,381,321</u>	<u>13,943,021</u>
<b>Commitments and Contingencies</b>				
<b>Stockholders' Equity</b>				
Common stock, authorized, 225,000,000 shares without par; issued and	1,28	1,30		
outstanding 139,337,699 at September 30, 2023, and	6,46	0,46		
139,818,703 at December 31, 2022	0	6		
Common stock, authorized, 225,000,000 shares without par; issued and outstanding 139,641,884 at March 31, 2024, and			1,288,755	1,288,899
139,344,981 at December 31, 2023				
	1,09	1,00		
	2,07	2,84		
Retained earnings	9	7	1,133,355	1,112,642
	(427,	(354,		
Accumulated other comprehensive loss, net of tax	138)	796)		
Accumulated other comprehensive (loss) income, net of tax			(335,285)	(323,569)
	1,95	1,94		
	1,40	8,51		
<b>Total stockholders' equity</b>	<u>1</u>	<u>7</u>	<u>2,086,825</u>	<u>2,077,972</u>
	15,9	16,4		
	03,0	76,5		
<b>Total liabilities and stockholders' equity</b>	<u>\$ 15</u>	<u>\$ 40</u>	<u>\$ 16,468,146</u>	<u>\$ 16,020,993</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

**CVB FINANCIAL CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME**  
*(Dollars in thousands, except per share amounts)*



(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Interest income:				
<b>Loans and leases, including fees</b>	\$ 113,190	\$ 100,077	\$ 332,574	\$ 282,308
Investment securities:				
Investment securities available-for-sale	22,441	18,543	61,393	48,417
Investment securities held-to-maturity	13,576	12,834	41,272	35,211
<b>Total investment income</b>	36,017	31,377	102,665	83,628
Dividends from FHLB stock	598	258	1,430	902
Interest-earning deposits with other institutions	6,422	3,476	11,583	5,712
<b>Total interest income</b>	156,227	135,188	448,252	372,550
Interest expense:				
Deposits	16,517	1,728	32,647	4,056
Borrowings and customer repurchase agreements	16,339	122	46,971	376
<b>Total interest expense</b>	32,856	1,850	79,618	4,432
Net interest income before provision for credit losses	123,371	133,338	368,634	368,118
Provision for credit losses	2,000	2,000	4,000	8,100
<b>Net interest income after provision for credit losses</b>	121,371	131,338	364,634	360,018
Noninterest income:				
Service charges on deposit accounts	5,062	5,233	15,244	15,625
Trust and investment services	3,246	2,867	9,475	8,651
Bankcard services	354	376	1,221	1,102
BOLI income	1,548	1,987	4,834	3,939
Gain on sale of building, net	—	—	—	2,717
Other	4,099	1,127	9,393	5,490
<b>Total noninterest income</b>	14,309	11,590	40,167	37,524
Noninterest expense:				
Salaries and employee benefits	34,744	33,233	103,539	97,442
Occupancy and equipment	5,618	5,779	16,585	16,917
Professional services	2,117	2,438	6,375	6,788
Computer software expense	3,648	3,243	10,372	10,141



Marketing and promotion	1,628	1,488	4,664	4,584
(Recapture of) provision for unfunded loan commitments	(900)	—	—	—
Amortization of intangible assets	1,567	1,846	5,006	5,842
Acquisition related expenses	—	—	—	6,013
Other	6,636	5,000	17,415	14,409
<b>Total noninterest expense</b>	<u>55,058</u>	<u>53,027</u>	<u>163,956</u>	<u>162,136</u>
Earnings before income taxes	80,622	89,901	240,845	235,406
Income taxes	22,735	25,262	67,918	66,149
<b>Net earnings</b>	<u>\$ 57,887</u>	<u>\$ 64,639</u>	<u>\$ 172,927</u>	<u>\$ 169,257</u>
Other comprehensive income (loss):				
Unrealized (loss) on securities arising during the period, before tax	\$ (133,864)	\$ (194,016)	\$ (127,626)	\$ (538,825)
Less: Income tax benefit related to items of other comprehensive income	41,894	57,358	37,730	159,296
Unrealized gain on derivatives designated as hedging instruments arising during the period	9,708	—	17,554	—
Other comprehensive (loss), net of tax	<u>(82,262)</u>	<u>(136,658)</u>	<u>(72,342)</u>	<u>(379,529)</u>
Comprehensive income (loss)	<u>\$ (24,375)</u>	<u>\$ (72,019)</u>	<u>\$ 100,585</u>	<u>\$ (210,272)</u>
Basic earnings per common share	\$ 0.42	\$ 0.46	\$ 1.24	\$ 1.20
Diluted earnings per common share	\$ 0.42	\$ 0.46	\$ 1.24	\$ 1.20

Three Months Ended			
March 31,			
	2024	2023	
Interest income:			
<b>Loans and leases, including fees</b>	\$ 116,349	\$ 108,394	
Investment securities:			
Investment securities available-for-sale	21,446	19,596	
Investment securities held-to-maturity	13,402	13,956	
<b>Total investment income</b>	<u>34,848</u>	<u>33,552</u>	
Dividends from FHLB stock	419	349	
Interest-earning deposits with other institutions	6,073	491	
<b>Total interest income</b>	<u>157,689</u>	<u>142,786</u>	
Interest expense:			



Deposits	21,366	5,365
Borrowings and customer repurchase agreements	23,862	11,693
<b>Total interest expense</b>	<b>45,228</b>	<b>17,058</b>
Net interest income before provision for credit losses	112,461	125,728
Provision for credit losses	—	1,500
<b>Net interest income after provision for credit losses</b>	<b>112,461</b>	<b>124,228</b>
Noninterest income:		
Service charges on deposit accounts	5,036	5,344
Trust and investment services	3,224	2,914
Bankcard services	385	377
BOLI income	3,593	1,189
Other	1,875	3,378
<b>Total noninterest income</b>	<b>14,113</b>	<b>13,202</b>
Noninterest expense:		
Salaries and employee benefits	36,401	35,247
Occupancy and equipment	5,565	5,450
Professional services	2,255	1,696
Computer software expense	3,525	3,408
Marketing and promotion	1,630	1,715
Provision for unfunded loan commitments	—	500
Amortization of intangible assets	1,438	1,720
Other	8,957	5,145
<b>Total noninterest expense</b>	<b>59,771</b>	<b>54,881</b>
Earnings before income taxes	66,803	82,549
Income taxes	18,204	23,279
<b>Net earnings</b>	<b>\$ 48,599</b>	<b>\$ 59,270</b>
Other comprehensive (loss) income:		
Unrealized (loss) gain on securities arising during the period, before tax	\$ (17,073)	\$ 40,702
Less: Income tax benefit (expense) related to items of other comprehensive income	5,357	(12,033)
Other comprehensive (loss) income, net of tax	(11,716)	28,669
Comprehensive income (loss)	\$ 36,883	\$ 87,939
Basic earnings per common share	\$ 0.35	\$ 0.42



Diluted earnings per common share	\$	0.35	\$	0.42
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See accompanying notes to the unaudited condensed consolidated financial statements.

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**CVB FINANCIAL CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

*(Dollars and shares in thousands)*

*(Unaudited)*

Three Months Ended **September 30, 2023** **March 31, 2024** and **2022 2023**

	Common Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Outstanding				
<b>Balance, July 1, 2023</b>	139,343	\$ 1,284,150	\$ 1,062,093	\$ (344,876)	\$ 2,001,367
Repurchase of common stock	(8)	(135)	—	—	(135)
Exercise of stock options	3	52	—	—	52
Shares issued pursuant to stock-based compensation plan	—	2,393	—	—	2,393
Cash dividends declared on common stock (\$0.20 per share)	—	—	(27,901)	—	(27,901)
Net earnings	—	—	57,887	—	57,887
Other comprehensive loss	—	—	—	(82,262)	(82,262)
<b>Balance, September 30, 2023</b>	<u>139,338</u>	<u>\$ 1,286,460</u>	<u>\$ 1,092,079</u>	<u>\$ (427,138)</u>	<u>\$ 1,951,401</u>
<b>Balance, July 1, 2022</b>	140,026	\$ 1,301,050	\$ 928,000	\$ (246,839)	\$ 1,982,211
Repurchase of common stock	(239)	(5,742)	—	—	(5,742)
Repurchase of common stock, ASR Plan	—	—	—	—	—
Exercise of stock options	18	340	—	—	340



Shares issued pursuant to stock-based compensation plan	—	2,061	—	—	2,061
Cash dividends declared on common stock (\$0.20 per share)	—	—	(27,965)	—	(27,965)
Net earnings	—	—	64,639	—	64,639
Other comprehensive loss	—	—	—	(136,658)	(136,658)
<b>Balance, September 30, 2022</b>	<b>139,805</b>	<b>\$ 1,297,709</b>	<b>\$ 964,674</b>	<b>\$ (383,497)</b>	<b>\$ 1,878,886</b>

#### Nine Months Ended September 30, 2023 and 2022

	Common Shares Outstanding	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance, January 1, 2024</b>	139,345	\$ 1,288,899	\$ 1,112,642	\$ (323,569)	\$ 2,077,972
Repurchase of common stock	(146)	(2,573)	—	—	(2,573)
Exercise of stock options	3	43	—	—	43
Shares issued pursuant to stock-based compensation plan	440	2,386	—	—	2,386
Cash dividends declared on common stock (\$0.20 per share)	—	—	(27,886)	—	(27,886)
Net earnings	—	—	48,599	—	48,599
Other comprehensive loss	—	—	—	(11,716)	(11,716)
<b>Balance, March 31, 2024</b>	<b>139,642</b>	<b>\$ 1,288,755</b>	<b>\$ 1,133,355</b>	<b>\$ (335,285)</b>	<b>\$ 2,086,825</b>



	Comm on Shares Outsta nding	Co mm on Sto ck	Retai ned Earni ngs	Accumulate d Other Comprehen sive Income (Loss)	Tot al						
					1, 9 4						
		1,3 00,			8, 5						
Balance, January 1, 2023	139,819	46	02,		1						
	9	\$ 6	\$ 847	\$ (354,796)	\$ 7	139,819	\$ 1,300,466	\$ 1,002,847	\$ (354,796)	\$ 1,948,517	
					(2 1, 1						
Repurchase of common stock	(927)	(2 1,1 86)	—	—	6)	(918)	(21,036)	—	—	(21,036)	
					1 2 5						
Exercise of stock options	7	12 5	—	—	5	4	72	—	—	72	
Shares issued pursuant to stock-based compensation plan					7, 0 5 5						
	439	7,0 55	—	—	5	397	2,284	—	—	2,284	
Cash dividends declared on common stock (\$0.60 per share)	—	—	(83, 695)	—	5)						
Cash dividends declared on common stock (\$0.20 per share)						—	—	(28,007)	—	(28,007)	



					1					
					7					
					2,					
			172		9					
			,92		2					
Net earnings	—	—	7	—	7	—	—	59,270	—	59,270
					(7					
					2,					
Other					3					
comprehensive					4					
loss	—	—	—	(72,342)	2)					
					1,					
					9					
					5					
			1,2		1,					
Balance,			86,	1,0	4					
September 30,	139,33	46	92,		0					
2023	8	\$ 0	\$ 079	\$ (427,138)	\$ 1					
					2,					
					0					
					8					
			1,2		1,					
			09,	875	5					
Balance, January	135,52	90	,56		0					
1, 2022	6	\$ 3	\$ 8	\$ (3,968)	\$ 3					
					1					
Issuance of					9					
common stock					7,					
for acquisition		19			0					
of Suncrest		7,0			6					
Bank	8,617	69	—	—	9					



					(4
					6,
		(4			2
Repurchase of		6,2			0
common stock	(1,971)	06)	—	—	6)
					(7
					0,
Repurchase of		(7			0
common stock,		0,0			0
ASR Plan	(2,994)	00)	—	—	0)
					1,
					3
Exercise of		1,3			0
stock options	82	05	—	—	5
Shares issued					
pursuant to					
stock-based					5,
					6
compensation		5,6			3
plan	545	38	—	—	8
Cash dividends					(8
declared on					0,
common stock					1
(\$0.57 per			(80,		5
share)	—	—	151)	—	1)
					1
					6
					9,
		169			2
		,25			5
Net earnings	—	—	7	—	7



				(3	
				7	
				9,	
Other				5	
comprehensive				2	
loss	—	—	—	(379,529)	9)
				1,	
				8	
				7	
		1,2		8,	
Balance,		97,	964	8	
September 30,	139,80	70	,67	8	
2022	5	\$ 9	\$ 4	\$ (383,497)	\$ 6
Other					
comprehensive					
income				—	28,669
Balance, March					28,669
31, 2023	139,302	\$ 1,281,786	\$ 1,034,110	\$ (326,127)	\$ 1,989,769

See accompanying notes to the unaudited condensed consolidated financial statements.

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**CVB FINANCIAL CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Dollars in thousands)*  
*(Unaudited)*

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
<b>Cash Flows from Operating Activities</b>				



Interest and dividends received	\$ 458,084	\$ 374,575	\$ 161,187	\$ 148,044
Service charges and other fees received	35,761	32,968	10,560	11,779
Interest paid	(65,233)	(4,131)	(23,092)	(17,239)
Net cash paid to vendors, employees and others	(181,661)	(147,314)	(71,181)	(72,445)
Income taxes	—	(53,252)	—	(19)
Net cash provided by operating activities	246,951	202,846	77,474	70,120
<b>Cash Flows from Investing Activities</b>				
Proceeds of FHLB stock, net	9,615	4,712		
Proceeds (purchases) of FHLB stock, net			—	(11,070)
Net change in interest-earning balances from depository institutions	5,445	28,405	(4,416)	(2,391)
Proceeds from repayment of investment securities available-for-sale	282,663	403,184	82,060	89,465
Proceeds from maturity of investment securities available-for-sale	4	1,226	15,000	3
Purchases of investment securities available-for-sale	(33,737)	(1,142,441)		
Proceeds from repayment and maturity of investment securities held-to-maturity	75,913	119,487	18,446	17,552
Purchases of investment securities held-to-maturity	(2,026)	(622,499)	(11,455)	(2,026)
Net (increase) decrease in equity investments	(60)	1,740	(1,599)	2,680
Net decrease (increase) in loan and lease finance receivables	206,059	(97,801)		
Proceeds from sale of building, net of selling costs	—	8,315		
Net decrease in loan and lease finance receivables			132,281	138,709
Purchase of premises and equipment	(2,880)	(4,057)	(166)	(343)
Proceeds from BOLI death benefit	2,505	8,691	882	—
Cash acquired from acquisition, net of cash paid	—	329,001		
Net cash provided by (used in) investing activities	543,501	(962,037)		
Net cash provided by investing activities			231,033	232,579



Cash Flows from Financing Activities			
Net decrease in other deposits	(488,560)	(253,021)	
Net increase (decrease) in other deposits		182,120	(553,692)
Net increase (decrease) in time deposits	11,101	(33,593)	279,159
Net increase (decrease) in other borrowings	125,000	(2,281)	
Net decrease in customer repurchase agreements	(295,879)	(174,544)	
Net (decrease) increase in other borrowings		(75,000)	410,000
Net increase (decrease) in customer repurchase agreements		4,078	(75,196)
Cash dividends on common stock	(83,819)	(76,478)	(28,030)
Repurchase of common stock	(21,186)	(46,206)	(2,573)
Repurchase of common stock, ASR Plan	—	(70,000)	
Proceeds from exercise of stock options	125	1,305	43
Net cash used in financing activities	(753,218)	(654,818)	
Net increase (decrease) in cash and cash equivalents	37,234	(1,414,009)	
Net cash provided by (used in) financing activities		359,797	(278,626)
Net increase in cash and cash equivalents		668,304	24,073
Cash and cash equivalents, beginning of period	203,461	1,732,548	281,285
Cash and cash equivalents, end of period	\$ 240,695	\$ 318,539	\$ 949,589

See accompanying notes to the unaudited condensed consolidated financial statements.



**CVB FINANCIAL CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
*(Dollars in thousands)*  
*(Unaudited)*

	<b>Nine Months Ended September 30,</b>		<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2024</b>	<b>2023</b>
<b>Reconciliation of Net Earnings to Net Cash Provided by Operating Activities</b>				
Net earnings	\$ 172,927	\$ 169,257	\$ 48,599	\$ 59,270
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Gain on sale of building, net	—	(2,717)		
Increase in BOLI	(4,834)	(3,939)	(3,593)	(1,189)
Net amortization of premiums and discounts on investment securities	13,807	21,794	4,142	4,635
Accretion of discount for acquired loans, net	(2,892)	(6,115)	(1,042)	(1,102)
Provision for credit losses	4,000	8,100	—	1,500
Provision for unfunded loan commitments			—	500
Valuation allowance on other real estate owned			28	—
Stock-based compensation	7,055	5,638	2,386	2,284
Depreciation and amortization, net	13,985	9,426	3,092	4,448
Change in other assets and liabilities	42,903	1,402	23,862	(226)
Total adjustments	74,024	33,589	28,875	10,850
Net cash provided by operating activities	\$ 246,951	\$ 202,846	\$ 77,474	\$ 70,120



Supplemental Disclosure of Non-cash Investing Activities			
Securities purchased and not settled	\$	—	\$ 8,697
Issuance of common stock for acquisition	\$	—	\$ 197,069
Transfer of loans to other real estate owned		\$	675 \$ —

See accompanying notes to the unaudited condensed consolidated financial statements.

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**CVB FINANCIAL CORP. AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*(Unaudited)*

## 1. BUSINESS

The condensed consolidated financial statements include CVB Financial Corp. (referred to herein on an unconsolidated basis as “CVB” and on a consolidated basis as “we”, “our” or the “Company”) and its wholly owned subsidiary: Citizens Business Bank (the “Bank” or “CBB”), after elimination of all intercompany transactions and balances. The Company has one inactive subsidiary, Chino Valley Bancorp.

The Company’s primary operations are related to traditional banking activities. This includes the acceptance of deposits and the lending and investing of money through the operations of the Bank. The Bank also provides trust and investment-related services to customers through its CitizensTrust Division. The Bank’s customers consist primarily of small to mid-sized businesses and individuals located throughout California. As of **September 30, 2023** **March 31, 2024**, the Bank operated 62 banking centers and three trust office locations. The Company is headquartered in the city of Ontario, California.

On January 7, 2022, we completed the acquisition of Suncrest Bank (“Suncrest”) with approximately \$1.4 billion in total assets, acquired at fair value, and seven banking centers. Assets acquired included \$765.9 million of acquired net loans at fair value, \$131.1 million of investment securities, and \$9 million in Bank-Owned Life Insurance (“BOLI”). The acquisition resulted in \$102.1 million of goodwill and \$3.9 million in core deposit premium. Net cash proceeds were used to fund the \$39.6 million in cash paid to the former shareholders of Suncrest as part of the merger consideration. Refer to Note 4 –



**Business Combinations** of the notes to the unaudited condensed consolidated financial statements of this report for additional information.

## 2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements and notes thereto have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") for Form 10-Q and conform to practices within the banking industry and include all of the information and disclosures required by accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting. The accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments), which are necessary for a fair presentation of financial results for the interim periods presented. The results of operations for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results for the full year. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements, accounting policies and financial notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023, filed with the SEC. A summary of the significant accounting policies consistently applied in the preparation of the accompanying unaudited condensed consolidated financial statements follows.

**Reclassification** — Certain amounts in the prior periods' unaudited condensed consolidated financial statements and related footnote disclosures have been reclassified to conform to the current presentation with no impact on previously reported net income or stockholders' equity.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as discussed below, our accounting policies are described in Note 3 – *Summary of Significant Accounting Policies*, of our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 as filed with the SEC ("Form 10-K").

**Use of Estimates in the Preparation of Financial Statements** — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for credit losses. Other significant estimates, which may be subject to change, include fair value determinations and disclosures, impairment of investments, goodwill, loans, as well as valuation of deferred tax assets.



## Adoption of New Accounting Standards <sup>10</sup>

On January 1, 2023, the Company adopted Accounting Standard Update ("ASU") 2022-02 Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings ("TDR") and Vintage Disclosures. This ASU eliminates recognition and measurement guidance for TDRs by creditors in Subtopic 310-40, Receivables-Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty, and to require that an entity disclose current-period gross write-offs by year of origination (i.e. the vintage year) for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments-Credit Losses-Measured at Amortized Cost. For entities that have adopted ASU 2016-13, this ASU is effective for interim and reporting periods beginning after December 15, 2022. The Company adopted this ASU on a prospective basis. Results for reporting periods beginning after January 1, 2023 are presented under ASU 2022-02 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of this ASU did not have a material impact on our consolidated financial statements.

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In March 2023, the FASB issued ASU 2023-02 Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method, which expands the population of investments for which an investor may elect to apply the proportional amortization method. Under this ASU, an investor in a tax equity investment may elect the proportional amortization method for qualifying investments on a tax credit program-by-program basis. To qualify for the proportional amortization method, an investment must meet the criteria previously applicable to Low Income Housing Tax Credit ("LIHTC") investments, as clarified by the ASU. This ASU is effective in the first quarter of 2024. Early adoption is permitted as of an interim period with retrospective application to the beginning of the fiscal year.

The Bank invests in various tax credit partnerships pursuant to Sections 42 and 48 of the Internal Revenue Code of 1986 (the "Code"). The Bank acts as a limited partner in these investments and does not exercise control over the operating or financial policies of the partnerships and as such, is not considered the primary beneficiary of the partnership. Upon entering into new solar tax equity investments in the second quarter of 2023, the Company adopted ASU 2023-02 on a prospective basis and implemented the proportional amortization method of accounting. The proportional amortization method recognizes the amortization of the cost of the investment as a component of income tax expense.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in this update provide temporary, optional guidance to ease the potential burden in accounting for transitioning away from reference rates such as LIBOR. The amendments provide optional expedients and exceptions for applying GAAP to transactions affected by reference rate reform if certain criteria are met.



The amendments primarily include relief related to contract modifications and hedging relationships, as well as providing a one-time election for the sale or transfer of debt securities classified as held-to-maturity. This ASU was effective in June 2023, and it did not have a material impact on our consolidated financial statements. As a result of the phase out of LIBOR, our interest rate swap derivatives and the associated loans that were indexed to LIBOR, have been replaced with one month CME Term SOFR. The Bank will continue to use multiple alternative indices as replacements for LIBOR for newly originated instruments. All remaining financial instruments indexed to LIBOR have been transitioned to a replacement index, as of June 30, 2023.

In March 2022, the FASB issued ASU 2022-01, Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method, was effective in the first quarter of 2023. The amendments in ASU 2022-01 allow non-prepayable financial assets to be included in a closed portfolio hedged using the portfolio layer method. That expanded scope permits an entity to apply the same portfolio hedging method to both prepayable and non-prepayable financial assets, thereby allowing consistent accounting for similar hedges. This ASU expanded the previous single-layer model to allow multiple hedged layers of a single closed portfolio. As a result, an entity can achieve hedge accounting for hedges of a greater proportion of the interest rate risk inherent in the assets included in the closed portfolio, further aligning hedge accounting with risk management strategies. To reflect that expansion, the last-of-layer method is renamed the portfolio layer method. This ASU also clarifies that fair value basis adjustments in an existing portfolio layer method hedge are maintained at the closed portfolio level (Balance Sheet line item level) and are therefore not allocated to individual assets. In June 2023, fair value hedging transactions were executed in which \$1.0 billion notional pay-fixed interest rate swaps were consummated with maturities ranging from four to five years in which the Company pays a weighted average fixed rate of approximately 3.8% and receives daily SOFR. The fair value of these instruments totaled \$24.9 million on September 30, 2023. This pay-fixed interest rate swap is designated as a partial-term fair value hedge using the Portfolio Layer Method, in accordance with ASU 2022-01. Refer to Note 10 – *Derivative Financial Instruments* of the notes to the unaudited condensed consolidated financial statements of this report for additional information.

#### 4. BUSINESS COMBINATIONS

On January 7, 2022, the Company completed the acquisition of Suncrest, headquartered in Visalia, California. The Company acquired all of the assets and assumed all of the liabilities of Suncrest in a stock and cash transaction for \$39.6 million in cash and \$197.1 million in stock. As a result, Suncrest merged with and into the Bank, the principal subsidiary of CVB. The Company believes this transaction serves to further extend and strengthen its geographic presence in California's Central Valley and the Sacramento metro area. At close, Suncrest had seven branch locations and two loan production offices, which re-opened as CBB locations on January 10, 2022. As a result of the consolidation of two branches during the second quarter of 2022, five branch locations remain from this acquisition.

The assets acquired and liabilities assumed have been accounted for under the acquisition method of accounting. The total fair value of assets acquired approximated \$1.38 billion in total assets, including \$329.0 million of cash and cash equivalents, net of cash paid, \$131.1 million of investment securities, \$765.9 million in net loans, \$6.1 million in premises and equipment, \$9.0 million in BOLI, and \$33.7 million in other assets. The purchased credit deteriorated ("PCD") loans were recorded at a fair value of \$224.7 million, which was net of a discount of \$13.1 million including a credit discount of



\$8.6 million. The assets acquired also include a core deposit intangible of \$3.9 million and non-tax deductible goodwill of \$102.1 million. Goodwill from the acquisition represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. The total fair value of liabilities assumed was \$1.19 billion, which included \$512.8 million of noninterest-bearing deposits and \$669.8 million of interest-bearing deposits, and \$6.2 million in other liabilities. The assets and liabilities, both tangible and intangible, were recorded at their estimated fair values as of January 7, 2022. Goodwill is not tax deductible for income tax purposes.

We have included the financial results of the business combination in the condensed consolidated statement of earnings and comprehensive income beginning on the acquisition date. Supplementary pro forma financial information related to the acquisition is not included because the impact to the Company's consolidated statements of income is not material.

For the nine months ended September 30, 2022, the Company incurred non-recurring merger related expenses associated with the Suncrest acquisition of \$6.0 million.

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## 5. INVESTMENT SECURITIES

The amortized cost and estimated fair value of investment securities are summarized below. The fair value of the majority of securities held are available-for-sale securities with fair value based on quoted prices for similar assets in active markets or quoted prices for identical assets in markets that are not active. Estimated fair values were obtained from an independent pricing service based upon market quotes.

September 30, 2023						March 31, 2024				
Amortized Cost	Gross Unrealized Holding Gain	Gross Unrealized Holding Loss	Fair Value	Total		Amortized Cost	Gross Unrealized Holding Gain	Gross Unrealized Holding Loss	Fair Value	Total
(Dollars in thousands)						(Dollars in thousands)				
Investment securities available-for-sale:										
Government agency/GSE										
\$ 26	\$ —	\$ (17)	\$ 9	19%		\$ 32,644	\$ —	\$ (4)	\$ 32,640	1.15%



Mortgage-backed securities	2,925,382			2,925,382							
			(488,759)	2,436,623	84.81%	2,766,695	25	(367,613)	2,399,107	84.56%	
				37,759							
				7,416	13.1%						
			(136,631)	6,785	3%	495,576	—	(116,682)	378,894	13.35%	
CMO/REMIC											
Municipal bonds	26,799			26,799							
		23	(3,009)	23,790	83%	26,480	36	(1,372)	25,144	0.89%	
				1,009							
Other securities	1,119			1,119							
		—	—	1,119	0.04%	1,315	—	—	1,315	0.05%	
Unallocated portfolio layer fair value basis adjustments (1)	24,868		(24,868)	—	0.00%	10,893	—	(10,893)	—	0.00%	
Total available-for-sale securities	3,526,455	\$ 24	\$ 16)	\$ 3,508,368	100.00%	\$ 3,333,603	\$ 61	\$ (496,564)	\$ 2,837,100	100.00%	



Investment securities held-to-maturity:														
					4									
					1									
Government agency/GSE	534,81			0,83	21.4									
	\$ 4	\$ —	\$ (123,981)	\$ 3	8%	\$ 526,752	\$ —	\$ (103,672)	\$ 423,080	21.46%				
					5									
					3									
Mortgage-backed securities	673,413			9,12	27.0									
				(134,290)	3	5%	652,864	—	(109,336)	543,528	26.60%			
					6									
					1									
CMO/REMIC	812,006			7,76	32.6									
				(194,237)	9	2%	798,226	—	(162,528)	635,698	32.52%			
					4									
					0									
Municipal bonds	469,208			1,59	18.8									
				(67,619)	3	5%	465,289	2,223	(37,242)	430,270	18.96%			
Other securities							11,455	—	—	11,455	0.46%			
					1,9									
Total held-to-maturity securities	2,489,44			6,931	10.0									
	\$ 1	\$ 4	\$ (27)	\$ 8	00%	\$ 2,454,586	\$ 2,223	\$ (412,778)	\$ 2,044,031	100.00%				

December 31, 2023



	<b>Amortized Cost</b>	<b>Gross Unrealized Holding Gain</b>	<b>Gross Unrealized Holding Loss</b>	<b>Fair Value</b>	<b>Total Percent</b>
<i>(Dollars in thousands)</i>					
Investment securities available-for-sale:					
Government agency/GSE	\$ 32,229	\$ 24	\$ —	\$ 32,253	1.09 %
Mortgage-backed securities	2,843,744	42	(336,107)	2,507,679	84.83 %
CMO/REMIC	502,234	—	(112,872)	389,362	13.17 %
Municipal bonds	26,477	46	(888)	25,635	0.87 %
Other securities	1,196	—	—	1,196	0.04 %
Unallocated portfolio layer fair value basis adjustments (1)	(6,938)	6,938	—	—	0.00 %
Total available-for-sale securities	<u>\$ 3,398,942</u>	<u>\$ 7,050</u>	<u>\$ (449,867)</u>	<u>\$ 2,956,125</u>	<u>100.00 %</u>
Investment securities held-to-maturity:					
Government agency/GSE	\$ 530,656	\$ —	\$ (97,972)	\$ 432,684	21.53 %
Mortgage-backed securities	663,090	—	(97,436)	565,654	26.90 %
CMO/REMIC	802,892	—	(156,155)	646,737	32.58 %
Municipal bonds	467,972	3,438	(33,604)	437,806	18.99 %
Total held-to-maturity securities	<u>\$ 2,464,610</u>	<u>\$ 3,438</u>	<u>\$ (385,167)</u>	<u>\$ 2,082,881</u>	<u>100.00 %</u>

- (1) Represents the amount of portfolio layer method basis adjustments related to AFS MBS securities hedged in a closed portfolio. Under U.S. GAAP, portfolio layer method basis adjustments are not allocated to individual securities, however the amounts impact the unrealized gain or losses for the individual securities being hedged. Refer to Note 3 and Note 10.9 for additional information.

<b>December 31, 2022</b>					
	<b>Amortized Cost</b>	<b>Gross Unrealized Holding Gain</b>	<b>Gross Unrealized Holding Loss</b>	<b>Fair Value</b>	<b>Total Percent</b>
<i>(Dollars in thousands)</i>					
Investment securities available-for-sale:					
Mortgage-backed securities	\$ 3,192,151	\$ 39	\$ (403,049)	\$ 2,789,141	85.68 %
CMO/REMIC	535,269	—	(95,966)	439,303	13.50 %
Municipal bonds	26,797	67	(1,177)	25,687	0.79 %
Other securities	1,080	—	—	1,080	0.03 %



Total available-for-sale securities	\$ 3,755,297	\$ 106	\$ (500,192)	\$ 3,255,211	100.00 %
Investment securities held-to-maturity:					
Government agency/GSE	\$ 548,771	\$ —	\$ (114,343)	\$ 434,428	21.48 %
Mortgage-backed securities	706,796	—	(105,867)	600,929	27.67 %
CMO/REMIC	827,346	—	(131,730)	695,616	32.39 %
Municipal bonds	471,388	913	(47,687)	424,614	18.46 %
Total held-to-maturity securities	\$ 2,554,301	\$ 913	\$ (399,627)	\$ 2,155,587	100.00 %

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	(Dollars in thousands)			
Investment securities available-for-sale:				
Taxable	\$ 22,272	\$ 18,371	\$ 60,887	\$ 47,883
Tax-advantaged	169	172	506	534
Total interest income from available-for-sale securities	22,441	18,543	61,393	48,417
Investment securities held-to-maturity:				
Taxable	11,139	10,845	33,939	29,927
Tax-advantaged	2,437	1,989	7,333	5,284
Total interest income from held-to-maturity securities	13,576	12,834	41,272	35,211
Total interest income from investment securities	\$ 36,017	\$ 31,377	\$ 102,665	\$ 83,628
			Three Months Ended	
			March 31,	
			2024	2023



(Dollars in thousands)			
Investment securities available-for-sale:			
Taxable	\$	21,280	\$ 19,428
Tax-advantaged		166	168
Total interest income from available-for-sale securities		21,446	19,596
Investment securities held-to-maturity:			
Taxable		10,984	11,507
Tax-advantaged		2,418	2,449
Total interest income from held-to-maturity securities		13,402	13,956
Total interest income from investment securities	\$	34,848	\$ 33,552

Approximately 91% of the total investment securities portfolio at September 30, 2023 March 31, 2024 represents securities issued by the U.S. government or U.S. government-sponsored enterprises, with the implied guarantee of payment of principal and interest. The remaining securities are predominately AA or better general-obligation municipal bonds. The allowance for credit losses for held-to-maturity investment securities under the CECL model was zero at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

The following table presents the Company's available-for-sale and held-to-maturity investment securities, by investment category, in an unrealized loss position for which an allowance for credit losses has not been recorded as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

September 30, 2023						March 31, 2024					
Less Than 12 Months		12 Months or Longer		Total		Less Than 12 Months		12 Months or Longer		Total	
Gross	Unrealized	Gross	Unrealized	Gross	Unrealized	Gross	Unrealized	Gross	Unrealized	Gross	Unrealized
Fair Value	Holding Losses	Fair Value	Holding Losses	Fair Value	Holding Losses	Fair Value	Holding Losses	Fair Value	Holding Losses	Fair Value	Holding Losses
(Dollars in thousands)						(Dollars in thousands)					



[illegible]



To													
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le-													
for													
-													
sal													
e	4		2		0								
se	0,		9,		,								
cu	6		5		2								
riti	3		6	(627,	0	(628,							
es	\$ 6	\$ (484)	\$ 8	\$ 964)	\$ 4	\$ 448)	\$ 39,187	\$ (149)	\$ 2,794,439	\$ (485,522)	\$ 2,833,626	\$ (485,671)	
Investm													
ent													
securiti													
es													
held-to-													
maturit													
y:													
G													
ov													
er													
n													
m													
en													
t													
ag			4		1								
en			1		0								
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G			8		8								
S			3	(123,	3	(123,							
E	\$ —	\$ —	\$ 3	\$ 981)	\$ 3	\$ 981)	\$ —	\$ —	\$ 423,080	\$ (103,672)	\$ 423,080	\$ (103,672)	







[illegible]

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	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
			(Dollars in thousands)			
Investment securities available-for-sale:						
Mortgage-backed securities	\$ 1,658,331	\$ (187,842)	\$ 1,129,257	\$ (215,207)	\$ 2,787,588	\$ (403,049)
CMO/REMIC	54,005	(4,796)	385,295	(91,170)	439,300	(95,966)
Municipal bonds	24,507	(1,177)	—	—	24,507	(1,177)
Total available-for-sale securities	<u>\$ 1,736,843</u>	<u>\$ (193,815)</u>	<u>\$ 1,514,552</u>	<u>\$ (306,377)</u>	<u>\$ 3,251,395</u>	<u>\$ (500,192)</u>
Investment securities held-to-maturity:						
Government agency/GSE	179,348	(39,866)	255,080	(74,477)	434,428	(114,343)
Mortgage-backed securities	188,480	(9,042)	412,449	(96,825)	600,929	(105,867)
CMO/REMIC	376,540	(60,598)	319,076	(71,132)	695,616	(131,730)
Municipal bonds	312,702	(35,656)	53,350	(12,031)	366,052	(47,687)
Total held-to-maturity securities	<u>\$ 1,057,070</u>	<u>\$ (145,162)</u>	<u>\$ 1,039,955</u>	<u>\$ (254,465)</u>	<u>\$ 2,097,025</u>	<u>\$ (399,627)</u>

	December 31, 2023					
	Less Than 12 Months		12 Months or Longer		Total	
	Gross		Gross		Gross	
	Unrealized		Unrealized		Unrealized	
	Holding		Holding		Holding	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
	(Dollars in thousands)					
Investment securities available-for-sale:						
Government agency/GSE	\$	—	\$	—	\$	—
Mortgage-backed securities		48		—		—
CMO/REMIC		—		—		—



Municipal bonds	3,286	(17)	18,105	(871)	21,391	(888)
Total available-for-sale securities	\$ 3,334	\$ (17)	\$ 2,913,626	\$ (449,850)	\$ 2,916,960	\$ (449,867)
Investment securities held-to-maturity:						
Government agency/GSE	\$ —	\$ —	\$ 432,684	\$ (97,972)	\$ 432,684	\$ (97,972)
Mortgage-backed securities	—	—	565,655	(97,436)	565,655	(97,436)
CMO/REMIC	—	—	646,737	(156,155)	646,737	(156,155)
Municipal bonds	20,609	(200)	293,467	(33,404)	314,076	(33,604)
Total held-to-maturity securities	\$ 20,609	\$ (200)	\$ 1,938,543	\$ (384,967)	\$ 1,959,152	\$ (385,167)

At September 30, 2023, March 31, 2024 investment securities with carrying values of \$2.16 2.51 billion were pledged to secure various types of deposits, including \$1.34 1.37 billion of public funds. In addition, investment securities with carrying values of \$2.94 2.75 billion were pledged to secure \$433.5 372.3 million for repurchase agreements, \$870 1.88 million billion for outstanding borrowings, \$1.58 446 billion million for unused borrowing capacity and approximately \$52 51 million for other purposes as required or permitted by law.

At December 31, 2022 December 31, 2023, investment securities with carrying values of \$1.56 2.26 billion were pledged to secure various types of deposits, including \$1.13 1.38 billion of public funds. In addition, investment securities with carrying values of \$3.15 3.02 billion were pledged to secure \$652.0 372.5 million for repurchase agreements, \$550 1.8 million billion for outstanding borrowings, \$105 796 million for unused borrowing capacity and approximately \$27 51 million for other purposes as required or permitted by law.

The amortized cost and fair value of debt securities at September 30, 2023 March 31, 2024, by contractual maturity, are shown in the table below. Although mortgage-backed and CMO/REMIC securities have weighted average remaining contractual maturities of approximately 23 years, expected maturities will differ from contractual maturities because borrowers may have the right to prepay such obligations without penalty. Mortgage-backed and CMO/REMIC securities are included in maturity categories based upon estimated average lives which incorporate estimated prepayment speeds.

	September 30, 2023				March 31, 2024			
	Available-for-sale		Held-to-maturity		Available-for-sale		Held-to-maturity	
	Amortize	Fair	Amortize	Fair				
	d Cost	Value	d Cost	Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)				(Dollars in thousands)			
		35,79		11,87				
Due in one year or less	\$ 35,816	\$ 4	\$ 12,414	\$ 4	\$ 36,409	\$ 36,328	\$ 3,565	\$ 3,554
Due after one year		278,3		32,20				
through five years	321,428	10	34,306	6	264,422	241,797	52,525	50,505



Due after five years	2,403,43	1,964,		273,0					
through ten years	2	310	323,267	94	2,519,475	2,164,588	317,491	280,289	
		594,7	2,119,45	1,652,					
Due after ten years	765,779	49	4	144	513,297	394,387	2,081,005	1,709,683	
Total investment	3,526,45	2,873,	2,489,44	1,969,					
securities	\$ 5	\$ 163	\$ 1	\$ 318	\$ 3,333,603	\$ 2,837,100	\$ 2,454,586	\$ 2,044,031	

The investment in FHLB stock is periodically evaluated for impairment based on, among other things, the capital adequacy of the FHLB and its overall financial condition. No impairment losses have been recorded through September 30, 2023 March 31, 2024.

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5. LOANS AND LEASE FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES

The following table provides a summary of total loans and lease finance receivables by type.

			March 31,	December
	September 30,	December 31,	2024	31, 2023
	2023	2022	(Dollars in thousands)	
	(Dollars in thousands)			
Commercial real estate	\$ 6,843,059	\$ 6,884,948	\$ 6,720,538	\$ 6,784,505
Construction	63,022	88,271	58,806	66,734
SBA	283,124	290,908	268,320	270,619
SBA - Paycheck Protection Program (PPP)	3,233	9,087	2,249	2,736
Commercial and industrial	938,064	948,683	963,120	969,895



Dairy & livestock and agribusiness	351,463	433,564	351,624	412,891
Municipal lease finance receivables	75,621	81,126	72,032	73,590
SFR mortgage	268,171	266,024	276,475	269,868
Consumer and other loans	51,875	76,781	57,549	54,072
Total loans, at amortized cost	8,877,632	9,079,392	8,770,713	8,904,910
Less: Allowance for credit losses	(88,995)	(85,117)	(82,817)	(86,842)
Total loans and lease finance receivables, net	\$ 8,788,637	\$ 8,994,275	\$ 8,687,896	\$ 8,818,068

As of September 30, 2023 March 31, 2024, 80.81 80.44% of the Company's total loan portfolio consisted of real estate loans, with commercial real estate loans representing 77.08 76.62% of total loans. The Company's real estate loans and construction loans are secured by real properties primarily located in California. As of September 30, 2023 March 31, 2024, \$509.2 498.2 million, or 7.44 7.41% of the total commercial real estate loans included loans secured by farmland, compared to \$517.8 497.7 million, or 7.52 7.34%, at December 31, 2022 December 31, 2023. The loans secured by farmland included \$133.2 121.4 million for loans secured by dairy & livestock land and \$376.0 376.8 million for loans secured by agricultural land at September 30, 2023 March 31, 2024, compared to \$140.5 122.4 million for loans secured by dairy & livestock land and \$377.3 375.3 million for loans secured by agricultural land at December 31, 2022 December 31, 2023. As of September 30, 2023 March 31, 2024, dairy & livestock and agribusiness loans of \$351.5 351.6 million were comprised of \$301.5 308.5 million for dairy & livestock loans and \$50.0 43.1 million for agribusiness loans, compared to \$433.6 412.9 million were comprised of \$388.5 374.9 million of for dairy & livestock loans and \$45.1 38.0 million of agribusiness loans December 31, 2022 at December 31, 2023.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, loans totaling \$4.35 4.24 billion and \$4.30 4.04 billion, respectively, were pledged to secure the borrowings and available lines of credit from the FHLB and the Federal Reserve Bank.

There were no outstanding loans held-for-sale as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

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## **Credit Quality Indicators**

We monitor credit quality by evaluating various risk attributes and utilize such information in our evaluation of the appropriateness of the allowance for credit losses. Internal credit risk ratings, within our loan risk rating system, are the credit quality indicators that we most closely monitor.

An important element of our approach to credit risk management is our loan risk rating system. The originating officer assigns each loan an initial risk rating, which is reviewed and confirmed or changed, as appropriate, by credit management. Approvals are made based upon the amount of inherent credit risk specific to the transaction and are reviewed for appropriateness by senior line and credit management personnel. Credits are monitored by line and credit management personnel for deterioration or improvement in a borrower's financial condition, which would impact the ability of the borrower to perform under the contract. Risk ratings are adjusted as necessary.

Loans are risk rated into the following categories: Pass, Special Mention, Substandard, Doubtful and Loss. Each of these groups is assessed for the proper amount to be used in determining the adequacy of our allowance for losses. These categories can be described as follows:

**Pass** — These loans, including loans on the Bank's internal watch list, range from minimal credit risk to lower than average, but still acceptable, credit risk. Watch list loans usually require more than normal management attention. Loans on the watch list may involve borrowers with adverse financial trends, higher debt/equity ratios, or weaker liquidity positions, but not to the degree of being considered a defined weakness or problem loan where risk of loss may be apparent.

**Special Mention** — Loans assigned to this category have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects for the asset or the Company's credit position at some future date. Special mention assets are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.

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

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



Loss — Loans classified as loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this asset with insignificant value even though partial recovery may be affected in the future.

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The following table summarizes loans by type and origination year, according to our internal risk ratings and includes gross charge-offs in accordance with ASU 2022-02 effective January 1, 2023, as of the dates presented.

March 31, 2024	Origination Year						Revolving	Revolving	Total
	2024	2023	2022	2021	2020	Prior	loans	loans	
							amortized	converted to	
							cost basis	term loans	
(Dollars in thousands)									
Commercial real estate									
loans:									
Risk Rating:									
Pass	\$ 54,653	\$ 441,596	\$ 1,299,240	\$ 1,120,686	\$ 866,833	\$ 2,457,881	\$ 179,725	\$ 38,940	\$ 6,459,554
Special Mention	678	4,556	3,867	18,616	19,117	121,713	2,366	—	170,913
Substandard	—	669	8,105	2,891	32,952	44,705	749	—	90,071
Doubtful & Loss	—	—	—	—	—	—	—	—	—
Total Commercial real									
estate loans:	\$ 55,331	\$ 446,821	\$ 1,311,212	\$ 1,142,193	\$ 918,902	\$ 2,624,299	\$ 182,840	\$ 38,940	\$ 6,720,538
Current YTD Period:									
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,258	\$ —	\$ —	\$ 2,258
Construction loans:									
Risk Rating:									
Pass	\$ 3	\$ 2,513	\$ 12,277	\$ 22,289	\$ 8,066	\$ —	\$ 11,549	\$ —	\$ 56,697



Special Mention	—	—	—	—	—	—	—	—	—	-
Substandard	—	—	—	2,109	—	—	—	—	—	2,109
Doubtful & Loss	—	—	—	—	—	—	—	—	—	—
<b>Total Construction</b>										
<b>loans:</b>	\$ 3	\$ 2,513	\$ 12,277	\$ 24,398	\$ 8,066	\$ —	\$ 11,549	\$ —	\$ —	\$ 58,806
<b>Current YTD Period:</b>										
<b>Gross charge-offs</b>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>SBA loans:</b>										
Risk Rating:										
Pass	\$ 10,759	\$ 19,621	\$ 47,896	\$ 50,594	\$ 24,417	\$ 102,067	\$ —	\$ —	\$ —	\$ 255,354
Special Mention	—	—	1,616	—	4,767	3,010	—	—	—	9,393
Substandard	—	—	—	—	—	3,573	—	—	—	3,573
Doubtful & Loss	—	—	—	—	—	—	—	—	—	—
<b>Total SBA loans:</b>	\$ 10,759	\$ 19,621	\$ 49,512	\$ 50,594	\$ 29,184	\$ 108,650	\$ —	\$ —	\$ —	\$ 268,320
<b>Current YTD Period:</b>										
<b>Gross charge-offs</b>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 90	\$ —	\$ —	\$ —	\$ 90
<b>SBA - PPP loans:</b>										
Risk Rating:										
Pass	\$ —	\$ —	\$ —	\$ 591	\$ 1,658	\$ —	\$ —	\$ —	\$ —	\$ 2,249
Special Mention	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—	—
Doubtful & Loss	—	—	—	—	—	—	—	—	—	—
<b>Total SBA - PPP loans:</b>	\$ —	\$ —	\$ —	\$ 591	\$ 1,658	\$ —	\$ —	\$ —	\$ —	\$ 2,249
<b>Current YTD Period:</b>										
<b>Gross charge-offs</b>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Commercial and industrial loans:</b>										
Risk Rating:										
Pass	\$ 28,523	\$ 135,426	\$ 136,353	\$ 90,310	\$ 82,495	\$ 151,348	\$ 296,236	\$ 4,688	\$ —	\$ 925,379
Special Mention	—	9,498	1,124	1,595	828	7,989	8,133	5,279	—	34,446
Substandard	—	—	239	—	—	45	2,637	374	—	3,295



Doubtful & Loss	—	—	—	—	—	—	—	—	—
<b>Total Commercial and</b>									
<b>industrial loans:</b>	\$ 28,523	\$ 144,924	\$ 137,716	\$ 91,905	\$ 83,323	\$ 159,382	\$ 307,006	\$ 10,341	\$ 963,120
<b>Current YTD Period:</b>									
<b>Gross charge-offs</b>	\$ —	\$ —	\$ 300	\$ —	\$ —	\$ 1,186	\$ —	\$ 431	\$ 1,917

September 30, 2023	Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2023	2022	2021	2020	2019	Prior			
(Dollars in thousands)									

<b>Commercial real estate</b>									
<b>loans:</b>									
Risk Rating:									
Pass	\$ 373,704	\$ 1,327,377	\$ 1,159,196	\$ 900,512	\$ 508,645	\$ 2,119,797	\$ 160,435	\$ 38,875	\$ 6,588,541
Special Mention	3,256	4,417	16,273	28,896	42,458	77,508	1,911	—	174,719
Substandard	244	8,168	—	22,598	12,769	35,220	800	—	79,799
Doubtful & Loss	—	—	—	—	—	—	—	—	—
<b>Total Commercial real</b>									
<b>estate loans:</b>	\$ 377,204	\$ 1,339,962	\$ 1,175,469	\$ 952,006	\$ 563,872	\$ 2,232,525	\$ 163,146	\$ 38,875	\$ 6,843,059
<b>Current YTD Period:</b>									
<b>Gross charge-offs</b>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Construction loans:</b>									
Risk Rating:									
Pass	\$ 375	\$ 14,984	\$ 24,400	\$ 8,062	\$ —	\$ —	\$ 15,201	\$ —	\$ 63,022
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful & Loss	—	—	—	—	—	—	—	—	—
<b>Total Construction</b>									
<b>loans:</b>	\$ 375	\$ 14,984	\$ 24,400	\$ 8,062	\$ —	\$ —	\$ 15,201	\$ —	\$ 63,022
<b>Current YTD Period:</b>									
<b>Gross charge-offs</b>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>SBA loans:</b>									
Risk Rating:									



Pass	\$	20,163	\$	50,643	\$	53,354	\$	34,387	\$	6,249	\$	110,538	\$	—	\$	—	\$	275,334
Special Mention		—		—		—		—		1,890		2,560		—		—		4,450
Substandard		—		—		—		—		—		3,340		—		—		3,340
Doubtful & Loss		—		—		—		—		—		—		—		—		—
Total SBA loans:	\$	20,163	\$	50,643	\$	53,354	\$	34,387	\$	8,139	\$	116,438	\$	—	\$	—	\$	283,124
Current YTD Period:																		
Gross charge-offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	207	\$	—	\$	—	\$	207
SBA - PPP loans:																		
Risk Rating:																		
Pass	\$	—	\$	—	\$	809	\$	2,424	\$	—	\$	—	\$	—	\$	—	\$	3,233
Special Mention		—		—		—		—		—		—		—		—		—
Substandard		—		—		—		—		—		—		—		—		—
Doubtful & Loss		—		—		—		—		—		—		—		—		—
Total SBA - PPP loans:	\$	—	\$	—	\$	809	\$	2,424	\$	—	\$	—	\$	—	\$	—	\$	3,233
Current YTD Period:																		
Gross charge-offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Commercial and industrial loans:																		
Risk Rating:																		
Pass	\$	116,890	\$	152,983	\$	107,790	\$	93,749	\$	73,760	\$	102,963	\$	248,769	\$	6,218	\$	903,122
Special Mention		7,418		986		1,300		643		4,482		4,110		5,098		5,702		29,739
Substandard		—		273		—		—		89		1,304		2,487		1,050		5,203
Doubtful & Loss		—		—		—		—		—		—		—		—		—
Total Commercial and industrial loans:	\$	124,308	\$	154,242	\$	109,090	\$	94,392	\$	78,331	\$	108,377	\$	256,354	\$	12,970	\$	938,064
16																		
Current YTD Period:																		
Gross charge-offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	16
17																		

										Revolving
										Revolving loans
										loans converted
										to
Origination Year										amortized



September 30, 2023	2023	2022	2021	2020	2019	Prior	cost basis	term loans	Total
(Dollars in thousands)									
<b>Dairy &amp; livestock and agribusiness loans:</b>									
Risk Rating:									
Pass	\$ 247	\$ —	\$ 2,074	\$ 1,054	\$ 120	\$ 205	\$ 280,524	\$ —	\$ 284,224
Special Mention	463	—	—	—	61	—	62,670	1,304	64,498
Substandard	—	—	—	—	—	208	2,498	35	2,741
Doubtful & Loss	—	—	—	—	—	—	—	—	—
<b>Total Dairy &amp; livestock and agribusiness loans:</b>	<b>\$ 710</b>	<b>\$ —</b>	<b>\$ 2,074</b>	<b>\$ 1,054</b>	<b>\$ 181</b>	<b>\$ 413</b>	<b>\$ 345,692</b>	<b>\$ 1,339</b>	<b>\$ 351,463</b>
<b>Current YTD Period:</b>									
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Municipal lease finance receivables loans:</b>									
Risk Rating:									
Pass	\$ —	\$ 5,989	\$ 26,088	\$ 6,188	\$ 4,266	\$ 32,867	\$ —	\$ —	\$ 75,398
Special Mention	—	—	—	—	—	223	—	—	223
Substandard	—	—	—	—	—	—	—	—	—
Doubtful & Loss	—	—	—	—	—	—	—	—	—
<b>Total Municipal lease finance receivables loans:</b>	<b>\$ —</b>	<b>\$ 5,989</b>	<b>\$ 26,088</b>	<b>\$ 6,188</b>	<b>\$ 4,266</b>	<b>\$ 33,090</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 75,621</b>
<b>Current YTD Period:</b>									
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>SFR mortgage loans:</b>									
Risk Rating:									
Pass	\$ 16,831	\$ 61,882	\$ 43,841	\$ 44,529	\$ 28,963	\$ 69,010	\$ —	\$ —	\$ 265,056
Special Mention	750	—	—	924	558	339	—	—	2,571
Substandard	—	—	—	—	—	205	—	339	544
Doubtful & Loss	—	—	—	—	—	—	—	—	—
<b>Total SFR mortgage loans:</b>	<b>\$ 17,581</b>	<b>\$ 61,882</b>	<b>\$ 43,841</b>	<b>\$ 45,453</b>	<b>\$ 29,521</b>	<b>\$ 69,554</b>	<b>\$ —</b>	<b>\$ 339</b>	<b>\$ 268,171</b>



Current YTD Period:	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Gross charge-offs																		
Consumer and other loans:																		
Risk Rating:																		
Pass	\$	2,548	\$	4,763	\$	2,967	\$	830	\$	710	\$	525	\$	36,846	\$	900	\$	50,089
Special Mention		—		—		278		—		—		—		5		884		1,167
Substandard		—		—		—		—		—		11		7		601		619
Doubtful & Loss		—		—		—		—		—		—		—		—		—
Total Consumer and other loans:	\$	2,548	\$	4,763	\$	3,245	\$	830	\$	710	\$	536	\$	36,858	\$	2,385	\$	51,875
Current YTD Period:																		
Gross charge-offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	1	\$	—	\$	—	\$	1
Total Loans, at amortized cost:																		
Risk Rating:																		
Pass	\$	530,758	\$	1,618,621	\$	1,420,519	\$	1,091,735	\$	622,713	\$	2,435,905	\$	741,775	\$	45,993	\$	8,508,019
Special Mention		11,887		5,403		17,851		30,463		49,449		84,740		69,684		7,890		277,367
Substandard		244		8,441		—		22,598		12,858		40,288		5,792		2,025		92,246
Doubtful & Loss		—		—		—		—		—		—		—		—		—
Total Loans at amortized cost:	\$	542,889	\$	1,632,465	\$	1,438,370	\$	1,144,796	\$	685,020	\$	2,560,933	\$	817,251	\$	55,908	\$	8,877,632
Current YTD Period:																		
Gross charge-offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	224	\$	—	\$	—	\$	224

	Origination Year						Revolving loans	Revolving loans converted to term loans	Total
							amortized cost basis		
	2024	2023	2022	2021	2020	Prior			
March 31, 2024									



(Dollars in thousands)

**Dairy & livestock and**

**agribusiness loans:**

Risk Rating:

Pass	\$	—	\$	—	\$	—	\$	685	\$	917	\$	262	\$	266,157	\$	270	\$	268,291
Special Mention		—		432		—		1,335		—		—		79,044		—		80,811
Substandard		—		—		—		—		—		60		2,380		82		2,522
Doubtful & Loss		—		—		—		—		—		—		—		—		—

**Total Dairy & livestock**

**and agribusiness**

<b>loans:</b>	\$	—	\$	432	\$	—	\$	2,020	\$	917	\$	322	\$	347,581	\$	352	\$	351,624
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**Current YTD Period:**

<b>Gross charge-offs</b>	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
--------------------------	----	---	----	---	----	---	----	---	----	---	----	---	----	---	----	---	----	---

**Municipal lease finance**

**receivables loans:**

Risk Rating:

Pass	\$	193	\$	—	\$	5,719	\$	25,803	\$	5,733	\$	34,402	\$	—	\$	—	\$	71,850
Special Mention		—		—		—		—		—		182		—		—		182
Substandard		—		—		—		—		—		—		—		—		—
Doubtful & Loss		—		—		—		—		—		—		—		—		—

**Total Municipal lease**

**finance receivables**

<b>loans:</b>	\$	193	\$	—	\$	5,719	\$	25,803	\$	5,733	\$	34,584	\$	—	\$	—	\$	72,032
---------------	----	-----	----	---	----	-------	----	--------	----	-------	----	--------	----	---	----	---	----	--------

**Current YTD Period:**

<b>Gross charge-offs</b>	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
--------------------------	----	---	----	---	----	---	----	---	----	---	----	---	----	---	----	---	----	---

**SFR mortgage loans:**

Risk Rating:

Pass	\$	11,528	\$	21,229	\$	60,524	\$	43,305	\$	43,832	\$	93,044	\$	—	\$	—	\$	273,462
Special Mention		—		750		—		—		913		438		—		—		2,101
Substandard		—		—		—		—		—		604		—		308		912
Doubtful & Loss		—		—		—		—		—		—		—		—		—

**Total SFR mortgage**

<b>loans:</b>	\$	11,528	\$	21,979	\$	60,524	\$	43,305	\$	44,745	\$	94,086	\$	—	\$	308	\$	276,475
---------------	----	--------	----	--------	----	--------	----	--------	----	--------	----	--------	----	---	----	-----	----	---------



Current YTD Period:	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—		
Gross charge-offs																		
Consumer and other																		
loans:																		
Risk Rating:																		
Pass	\$	1,636	\$	4,037	\$	3,483	\$	2,492	\$	572	\$	1,035	\$	42,049	\$	1,256	\$	56,560
Special Mention		—		—		—		214		—		—		4		173		391
Substandard		—		—		—		—		—		—		—		598		598
Doubtful & Loss		—		—		—		—		—		—		—		—		—
Total Consumer and																		
other loans:	\$	1,636	\$	4,037	\$	3,483	\$	2,706	\$	572	\$	1,035	\$	42,053	\$	2,027	\$	57,549
Current YTD Period:																		
Gross charge-offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	1	\$	1	\$	2
Total Loans, at amortized																		
cost:																		
Risk Rating:																		
Pass	\$	107,295	\$	624,422	\$	1,565,492	\$	1,356,755	\$	23	\$	2,840,039	\$	795,716	\$	45,154	\$	8,369,396
Special Mention		678		15,236		6,607		21,760		25,625		133,332		89,547		5,452		298,237
Substandard		—		669		8,344		5,000		32,952		48,987		5,766		1,362		103,080
Doubtful & Loss		—		—		—		—		—		—		—		—		—
Total Loans at amortized																		
cost:	\$	107,973	\$	640,327	\$	1,580,443	\$	1,383,515	\$	00	\$	3,022,358	\$	891,029	\$	51,968	\$	8,770,713
Current YTD Period:																		
Total gross charge-offs	\$	—	\$	—	\$	300	\$	—	\$	—	\$	3,534	\$	1	\$	432	\$	4,267

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December 31, 2022	Origination Year						Revolving	Revolving	Total
	2022	2021	2020	2019	2018	Prior	loans	loans	
							amortized	converted	to
							cost basis	term loans	Total
(Dollars in thousands)									



<b>Commercial real estate</b>									
<b>loans:</b>									
Risk Rating:									
Pass	\$ 1,363,733	\$ 1,197,290	\$ 957,965	\$ 542,827	\$ 506,613	\$ 1,889,478	\$ 175,373	\$ 39,616	\$ 6,672,895
Special Mention	3,285	12,114	11,284	32,976	21,646	76,290	908	—	158,503
Substandard	—	—	15,624	16,297	94	21,535	—	—	53,550
Doubtful & Loss	—	—	—	—	—	—	—	—	—
<b>Total Commercial real</b>									
<b>estate loans:</b>	<u>\$ 1,367,018</u>	<u>\$ 1,209,404</u>	<u>\$ 984,873</u>	<u>\$ 592,100</u>	<u>\$ 528,353</u>	<u>\$ 1,987,303</u>	<u>\$ 176,281</u>	<u>\$ 39,616</u>	<u>\$ 6,884,948</u>
<b>Construction loans:</b>									
Risk Rating:									
Pass	\$ 17,203	\$ 26,689	\$ 16,578	\$ —	\$ —	\$ —	\$ 22,850	\$ —	\$ 83,320
Special Mention	—	—	—	—	4,951	—	—	—	4,951
Substandard	—	—	—	—	—	—	—	—	—
Doubtful & Loss	—	—	—	—	—	—	—	—	—
<b>Total Construction</b>									
<b>loans:</b>	<u>\$ 17,203</u>	<u>\$ 26,689</u>	<u>\$ 16,578</u>	<u>\$ —</u>	<u>\$ 4,951</u>	<u>\$ —</u>	<u>\$ 22,850</u>	<u>\$ —</u>	<u>\$ 88,271</u>
<b>SBA loans:</b>									
Risk Rating:									
Pass	\$ 60,623	\$ 54,781	\$ 35,243	\$ 7,460	\$ 28,886	\$ 96,473	\$ 1,026	\$ —	\$ 284,492
Special Mention	—	—	—	1,321	1,293	2,065	—	—	4,679
Substandard	—	—	—	—	556	1,181	—	—	1,737
Doubtful & Loss	—	—	—	—	—	—	—	—	—
<b>Total SBA loans:</b>	<u>\$ 60,623</u>	<u>\$ 54,781</u>	<u>\$ 35,243</u>	<u>\$ 8,781</u>	<u>\$ 30,735</u>	<u>\$ 99,719</u>	<u>\$ 1,026</u>	<u>\$ —</u>	<u>\$ 290,908</u>
<b>SBA - PPP loans:</b>									
Risk Rating:									
Pass	\$ —	\$ 5,515	\$ 3,572	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 9,087
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful & Loss	—	—	—	—	—	—	—	—	—
<b>Total SBA - PPP loans:</b>	<u>\$ —</u>	<u>\$ 5,515</u>	<u>\$ 3,572</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,087</u>



**Commercial and****industrial loans:**

Risk Rating:

Pass	\$ 154,765	\$ 135,162	\$ 80,763	\$ 101,192	\$ 42,731	\$ 85,406	\$ 305,589	\$ 7,775	\$ 913,383
Special Mention	3,955	761	459	1,693	462	8	15,156	544	23,038
Substandard	494	—	728	959	5,624	496	3,200	761	12,262
Doubtful & Loss	—	—	—	—	—	—	—	—	—
<b>Total Commercial and industrial loans:</b>	<b>\$ 159,214</b>	<b>\$ 135,923</b>	<b>\$ 81,950</b>	<b>\$ 103,844</b>	<b>\$ 48,817</b>	<b>\$ 85,910</b>	<b>\$ 323,945</b>	<b>\$ 9,080</b>	<b>\$ 948,683</b>

December 31, 2023	Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2023	2022	2021	2020	2019	Prior			
	(Dollars in thousands)								
Commercial real estate loans:									
Risk Rating:									
Pass	\$ 447,991	\$ 1,315,563	\$ 1,133,331	\$ 885,590	\$ 497,541	\$ 2,041,329	\$ 171,223	\$ 38,568	\$ 6,531,136
Special Mention	3,241	3,897	15,868	19,368	43,824	74,673	2,911	—	163,782
Substandard	744	8,127	2,891	33,401	12,986	30,637	801	—	89,587
Doubtful & Loss	—	—	—	—	—	—	—	—	—
Total Commercial real estate loans:	\$ 451,976	\$ 1,327,587	\$ 1,152,090	\$ 938,359	\$ 554,351	\$ 2,146,639	\$ 174,935	\$ 38,568	\$ 6,784,505
Current YTD Period:									
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —



**Construction loans:**

Risk Rating:

Pass	\$	1,274	\$	15,046	\$	22,288	\$	8,058	\$	—	\$	—	\$	17,938	\$	—	\$	64,604
Special Mention		—		—		2,130		—		—		—		—		—		2,130
Substandard		—		—		—		—		—		—		—		—		—
Doubtful & Loss		—		—		—		—		—		—		—		—		—

**Total Construction**

<b>loans:</b>	\$	1,274	\$	15,046	\$	24,418	\$	8,058	\$	—	\$	—	\$	17,938	\$	—	\$	66,734
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**Current YTD Period:**

<b>Gross charge-offs</b>	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
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**SBA loans:**

Risk Rating:

Pass	\$	20,701	\$	48,212	\$	51,038	\$	29,306	\$	6,236	\$	101,856	\$	—	\$	—	\$	257,349
Special Mention		—		1,627		—		4,784		1,132		1,760		—		—		9,303
Substandard		—		—		—		—		749		3,218		—		—		3,967
Doubtful & Loss		—		—		—		—		—		—		—		—		—

**Total SBA loans:**

\$	20,701	\$	49,839	\$	51,038	\$	34,090	\$	8,117	\$	106,834	\$	—	\$	—	\$	270,619
----	--------	----	--------	----	--------	----	--------	----	-------	----	---------	----	---	----	---	----	---------

**Current YTD Period:**

<b>Gross charge-offs</b>	\$	—	\$	—	\$	—	\$	—	\$	—	\$	288	\$	—	\$	—	\$	288
--------------------------	----	---	----	---	----	---	----	---	----	---	----	-----	----	---	----	---	----	-----

**SBA - PPP loans:**

Risk Rating:

Pass	\$	—	\$	—	\$	699	\$	2,037	\$	—	\$	—	\$	—	\$	—	\$	2,736
Special Mention		—		—		—		—		—		—		—		—		—
Substandard		—		—		—		—		—		—		—		—		—
Doubtful & Loss		—		—		—		—		—		—		—		—		—

**Total SBA - PPP loans:**

\$	—	\$	—	\$	699	\$	2,037	\$	—	\$	—	\$	—	\$	—	\$	2,736
----	---	----	---	----	-----	----	-------	----	---	----	---	----	---	----	---	----	-------

**Current YTD Period:**

<b>Gross charge-offs</b>	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
--------------------------	----	---	----	---	----	---	----	---	----	---	----	---	----	---	----	---	----	---

**Commercial and  
industrial loans:**



Risk Rating:																		
Pass	\$	141,080	\$	143,847	\$	100,059	\$	88,743	\$	68,352	\$	94,027	\$	289,539	\$	5,460	\$	931,107
Special Mention		7,829		738		745		552		4,114		3,986		10,529		5,347		33,840
Substandard		—		257		—		—		89		1,296		2,487		819		4,948
Doubtful & Loss		—		—		—		—		—		—		—		—		—
Total Commercial and																		
industrial loans:	\$	148,909	\$	144,842	\$	100,804	\$	89,295	\$	72,555	\$	99,309	\$	302,555	\$	11,626	\$	969,895
Current YTD Period:																		
Gross charge-offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	109	\$	109

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	Origination Year						Revolving loans amortized	Revolving loans converted to	
December 31, 2022	2022	2021	2020	2019	2018	Prior	cost basis	term loans	Total
(Dollars in thousands)									
Dairy & livestock and agribusiness loans:									
Risk Rating:									
Pass	\$ 207	\$ 2,318	\$ 1,515	\$ 187	\$ 69	\$ 628	\$ 400,229	\$ 450	\$ 405,603
Special Mention	—	—	—	599	46	—	17,129	853	18,627
Substandard	1,041	—	40	—	95	113	1,841	6,204	9,334
Doubtful & Loss	—	—	—	—	—	—	—	—	—
Total Dairy & livestock and agribusiness loans:	\$ 1,248	\$ 2,318	\$ 1,555	\$ 786	\$ 210	\$ 741	\$ 419,199	\$ 7,507	\$ 433,564
Municipal lease finance receivables loans:									
Risk Rating:									
Pass	\$ 6,442	\$ 26,858	\$ 6,814	\$ 4,327	\$ 4,948	\$ 31,292	\$ —	\$ —	\$ 80,681
Special Mention	—	—	—	—	—	262	—	—	262
Substandard	—	—	—	—	—	183	—	—	183
Doubtful & Loss	—	—	—	—	—	—	—	—	—



<b>Total Municipal lease</b>	\$ 6,442	\$ 26,858	\$ 6,814	\$ 4,327	\$ 4,948	\$ 31,737	\$ —	\$ —	\$ 81,126
<b>finance receivables</b>									
<b>loans:</b>									
<b>SFR mortgage loans:</b>									
Risk Rating:									
Pass	\$ 63,761	\$ 46,748	\$ 45,819	\$ 33,585	\$ 15,836	\$ 58,730	\$ —	\$ —	\$ 264,479
Special Mention	—	—	943	—	—	—	—	—	943
Substandard	—	—	—	—	—	214	—	388	602
Doubtful & Loss	—	—	—	—	—	—	—	—	—
<b>Total SFR mortgage</b>									
<b>loans:</b>	\$ 63,761	\$ 46,748	\$ 46,762	\$ 33,585	\$ 15,836	\$ 58,944	\$ —	\$ 388	\$ 266,024
<b>Consumer and other</b>									
<b>loans:</b>									
Risk Rating:									
Pass	\$ 7,653	\$ 3,722	\$ 1,298	\$ 926	\$ 79	\$ 1,277	\$ 58,578	\$ 1,107	\$ 74,640
Special Mention	—	561	—	—	—	—	590	—	1,151
Substandard	—	—	—	—	—	13	5	972	990
Doubtful & Loss	—	—	—	—	—	—	—	—	—
<b>Total Consumer and</b>									
<b>other loans:</b>	\$ 7,653	\$ 4,283	\$ 1,298	\$ 926	\$ 79	\$ 1,290	\$ 59,173	\$ 2,079	\$ 76,781
<b>Total Loans, at amortized</b>									
<b>cost:</b>									
Risk Rating:									
			1,149,5						
Pass	\$ 1,674,387	\$ 1,499,083	\$ 67	\$ 690,504	\$ 599,162	\$ 2,163,284	\$ 963,645	\$ 48,948	\$ 8,788,580
Special Mention	7,240	13,436	12,686	36,589	28,398	78,625	33,783	1,397	212,154
Substandard	1,535	—	16,392	17,256	6,369	23,735	5,046	8,325	78,658
Doubtful & Loss	—	—	—	—	—	—	—	—	—
<b>Total Loans at amortized</b>			1,178,6						
<b>cost:</b>	\$ 1,683,162	\$ 1,512,519	\$ 45	\$ 744,349	\$ 633,929	\$ 2,265,644	\$ 1,002,474	\$ 58,670	\$ 9,079,392



December 31, 2023	Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2023	2022	2021	2020	2019	Prior			
	(Dollars in thousands)								
Dairy & livestock and agribusiness loans:									
Risk Rating:									
Pass	\$ 296	\$ —	\$ 1,586	\$ 931	\$ 80	\$ 208	\$ 337,525	\$ —	\$ 340,626
Special Mention	448	—	—	—	25	—	69,232	—	69,705
Substandard	—	—	—	—	—	60	2,500	—	2,560
Doubtful & Loss	—	—	—	—	—	—	—	—	—
Total Dairy & livestock and agribusiness loans:									
	\$ 744	\$ —	\$ 1,586	\$ 931	\$ 105	\$ 268	\$ 409,257	\$ —	\$ 412,891
Current YTD Period:									
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Municipal lease finance receivables loans:									
Risk Rating:									
Pass	\$ —	\$ 5,735	\$ 25,803	\$ 5,981	\$ 4,267	\$ 31,622	\$ —	\$ —	\$ 73,408
Special Mention	—	—	—	—	—	182	—	—	182
Substandard	—	—	—	—	—	—	—	—	—
Doubtful & Loss	—	—	—	—	—	—	—	—	—
Total Municipal lease finance receivables loans:									
	\$ —	\$ 5,735	\$ 25,803	\$ 5,981	\$ 4,267	\$ 31,804	\$ —	\$ —	\$ 73,590
Current YTD Period:									
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —



SFR mortgage loans:																		
Risk Rating:																		
Pass	\$	22,248	\$	61,070	\$	43,573	\$	44,076	\$	28,049	\$	67,750	\$	—	\$	—	\$	266,766
Special Mention		789		—		—		918		544		327		—		—		2,578
Substandard		—		—		—		—		—		200		—		324		524
Doubtful & Loss		—		—		—		—		—		—		—		—		—
Total SFR mortgage																		
loans:	\$	23,037	\$	61,070	\$	43,573	\$	44,994	\$	28,593	\$	68,277	\$	—	\$	324	\$	269,868
Current YTD Period:																		
Gross charge-offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Consumer and other																		
loans:																		
Risk Rating:																		
Pass	\$	4,911	\$	4,122	\$	2,707	\$	702	\$	644	\$	486	\$	38,595	\$	871	\$	53,038
Special Mention		—		—		246		—		—		—		4		173		423
Substandard		—		—		—		—		—		12		1		598		611
Doubtful & Loss		—		—		—		—		—		—		—		—		—
Total Consumer and																		
other loans:	\$	4,911	\$	4,122	\$	2,953	\$	702	\$	644	\$	498	\$	38,600	\$	1,642	\$	54,072
Current YTD Period:																		
Gross charge-offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	4	\$	—	\$	4	\$	8
Total Loans, at amortized																		
cost:																		
Risk Rating:																		
Pass	\$	638,501	\$	1,593,595	\$	1,381,084	\$	1,065,424	\$	605,169	\$	2,337,278	\$	854,820	\$	44,899	\$	8,520,770
Special Mention		12,307		6,262		18,989		25,622		49,639		80,928		82,676		5,520		281,943
Substandard		744		8,384		2,891		33,401		13,824		35,423		5,789		1,741		102,197
Doubtful & Loss		—		—		—		—		—		—		—		—		—
Total Loans at amortized																		
cost:	\$	651,552	\$	1,608,241	\$	1,402,964	\$	1,124,447	\$	668,632	\$	2,453,629	\$	943,285	\$	52,160	\$	8,904,910
Current YTD Period:																		
Gross charge-offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	292	\$	—	\$	113	\$	405



## Allowance for Credit Losses ("ACL")

The Company's allowance models calculate reserves over the average life of the loan, which includes the remaining time to maturity, adjusted for estimated prepayments applied as an adjustment to our commercial real estate and commercial and industrial loans. Our allowance for credit losses is based upon lifetime loss rate models developed from an estimation framework that uses historical lifetime loss experiences to derive loss rates at a collective pool level. We measure the expected credit losses on a collective (pooled) basis for those loans that share similar risk characteristics. We have three collective loan pools: Commercial Real Estate, Commercial and Industrial, and Consumer. A substantial portion of the ACL relates to loans within the Commercial Real Estate and Commercial and Industrial methodologies, each evaluated on a collective basis. Our ACL amounts are largely driven by portfolio characteristics, including loss history, and internal risk grading, various risk attributes, and the economic outlook for certain macroeconomic variables. Risk attributes for commercial real

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estate loans include Original Loan to Value ratios ("OLTV"), origination year, loan seasoning, and macroeconomic variables that include Real GDP growth, commercial real estate price index and unemployment rate. Risk attributes for commercial and industrial loans include internal risk ratings, borrower industry sector, loan credit spreads and macroeconomic variables that include unemployment rate and BBB spread. The macroeconomic variables for Consumer include unemployment rate and GDP. The Commercial Real Estate methodology is applied over commercial real estate loans, a portion of construction loans, and a portion of SBA loans (excluding Paycheck Protection Program loans). The Commercial and Industrial methodology is applied over a substantial portion of the Company's commercial and industrial loans, all dairy & livestock and agribusiness loans, municipal lease receivables, as well as the remaining portion of SBA loans (excluding Paycheck Protection Program loans). The Consumer methodology is applied to SFR mortgage loans, consumer loans, as well as the remaining construction loans. In addition to determining the quantitative life of loan loss rate to be applied against the amortized cost basis of the portfolio segments, management reviews current conditions and forecasts to determine whether adjustments are needed to ensure

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that the life of loan loss rates reflect both the current state of the portfolio, and expectations for macroeconomic changes. The Company's ACL estimate incorporates a reasonable and supportable forecast of various macroeconomic variables over the remaining average life of our loans. This forecast incorporates an assumption that each macroeconomic variable will revert to a long-term expectation, starting in years two through three, of the reasonable and supportable forecast



period, with the reversion largely completed within the first five years of the forecast. The economic forecast is based on probability weighted scenarios to address macroeconomic uncertainty. Our methodology for assessing the appropriateness of the allowance is reviewed on a regular basis and considers overall risks in the Bank's loan portfolio. Refer to Note 3 – Summary of Significant Accounting Policies included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 for a more detailed discussion concerning the allowance for credit losses.

The ACL totaled \$89.0 82.8 million at September 30, 2023 March 31, 2024, compared to \$85.1 86.8 million at December 31, 2022 December 31, 2023. The \$3.9 4.0 million increase decrease in the ACL from December 31, 2022 December 31, 2023 to September 30, 2023 March 31, 2024 is comprised of \$4.0 million in provision for credit losses, offset by \$122,000 in net charge-offs. At September 30, 2023 March 31, 2024, the ACL as a percentage of total loans and leases, at amortized cost, was 1.00 0.94%. This compares to 0.94 0.97% at December 31, 2022 December 31, 2023. Our economic forecast continues to be a blend of multiple forecasts produced by Moody's. These U.S. economic forecasts include a baseline forecast, as well as downside forecasts. The baseline forecast continues to represent the largest weighting in our multi-weighted forecast scenario, with the remaining weighting on forecasts that reflect greater downside risks of recession. weighted among multiple forecasts. As of September 30, 2023 March 31, 2024, the resulting weighted forecast assumes resulted in Real GDP will increase by growth declining in the third and fourth quarters of 2024. Real GDP growth is forecasted to be below 2.1 2% for all of 2023 2025, before returning to growth between 2% and 0.3% for 2024 and then grow by 1.1 2.5% in 2026. Commercial real estate values are forecasted to continue their decline until reaching their lowest level in the third quarter 2024. Unemployment is forecasted to rise in 2024, peaking around 6% in the first quarter of 2025. The unemployment rate is forecasted to be 3.8% in 2023, 5.2% in 2024 and 5.7% in 2025 stay elevated through 2026.

Management believes that the ACL was appropriate at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. Due to inflationary pressures, high interest rates, lower commercial real estate values, and geopolitical events, no assurance can be given that economic conditions that adversely affect the Company's service areas or other circumstances will not be reflected in increased provisions for credit losses in the future.

The following tables present the balance and activity related to the allowance for credit losses for held-for-investment loans by type for the periods presented.

Three Months Ended September 30, 2023	Three Months Ended March 31, 2024
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	Ending Balance June 30, 2023	Changes effective as of September 30, 2023	Recoveries	Provision for (Recapture of) Credit Losses	Ending Balance September 30, 2023	Ending Balance December 31, 2023	Charge-offs	Recoveries	Provision for (Recapture of) Credit Losses	Ending Balance March 31, 2024
	(Dollars in thousands)					(Dollars in thousands)				
Commercial real estate	\$ 67,943	\$ —	\$ —	\$ 2,957	\$ 70,900	\$ 69,466	\$ (2,258)	\$ —	\$ 2,237	\$ 69,445
Construction	1,162	—	3	(166)	999	1,277	—	3	16	1,296
SBA	2,656	(26)	48	371	3,049	2,679	(90)	63	(121)	2,531
SBA - PPP	—	—	—	—	—	—	—	—	—	—
Commercial and industrial	9,121	—	—	161	9,282	9,116	(1,917)	176	(2,316)	5,059
Dairy & livestock and agribusiness	4,960	—	3	(1,396)	3,567	3,098	—	—	154	3,252
Municipal lease financ receivables	273	—	—	(27)	246	210	—	—	(16)	194







Nine Months Ended September 30, 2023					
	Ending Balance			Provision for	Ending Balance
	December 31,			(Recapture of)	September 30,
	2022	Charge-offs	Recoveries	Credit Losses	2023
	(Dollars in thousands)				
Commercial real estate	\$ 64,806	\$ —	\$ —	\$ 6,094	\$ 70,900
Construction	1,702	—	9	(712)	999
SBA	2,809	(207)	69	378	3,049
SBA - PPP	—	—	—	—	—
Commercial and industrial	10,206	(16)	14	(922)	9,282
Dairy & livestock and agribusiness	4,400	—	10	(843)	3,567
Municipal lease finance receivables	296	—	—	(50)	246
SFR mortgage	366	—	—	159	525
Consumer and other loans	532	(1)	—	(104)	427
Total allowance for credit losses	\$ 85,117	\$ (224)	\$ 102	\$ 4,000	\$ 88,995

Nine Months Ended September 30, 2022									
	Ending					Provision for		Ending	
	Balance			Initial ACL for	Provision	(Recapture		Balance	
	December	Charge-		PCD Loans at	Recorded at	of) Credit		September	
	31, 2021	offs	Recoveries	Acquisition	Acquisition	Losses		r 30, 2022	
	(Dollars in thousands)								
Commercial real estate	\$ 50,950	\$ —	\$ —	\$ 5,086	\$ 4,127	\$ 4,742	\$	64,905	
Construction	765	—	9	122	58	768		1,722	
SBA	2,668	—	99	62	64	(88)		2,805	
Commercial and industrial	6,669	(66)	456	500	508	(934)		7,133	
Dairy & livestock and agribusiness	3,066	—	383	2,832	149	(1,437)		4,993	



Municipal lease finance receivables	100	—	—	3	26	110	239
SFR mortgage	188	—	—	—	—	116	304
Consumer and other loans	613	(4)	—	—	—	(109)	500
Total allowance for credit losses	\$ 65,019	\$ (70)	\$ 947	\$ 8,605	\$ 4,932	\$ 3,168	\$ 82,601

Three Months Ended March 31, 2023						
	Ending Balance			Provision for		Ending Balance
	December 31,			(Recapture of)		
	2022	Charge-offs	Recoveries	Credit Losses		March 31, 2023
(Dollars in thousands)						
Commercial real estate	\$ 64,806	\$ —	\$ —	\$ 2,311	\$	67,117
Construction	1,702	—	3	(31)		1,674
SBA	2,809	(94)	12	2		2,729
Commercial and industrial	10,206	(16)	14	(1,241)		8,963
Dairy & livestock and agribusiness	4,400	—	4	366		4,770
Municipal lease finance receivables	296	—	—	(13)		283
SFR mortgage	366	—	—	43		409
Consumer and other loans	532	—	—	63		595
Total allowance for credit losses	\$ 85,117	\$ (110)	\$ 33	\$ 1,500	\$	86,540

### Past Due and Nonperforming Loans

We seek to manage asset quality and control credit risk through diversification of the loan portfolio and the application of policies designed to promote sound underwriting and loan monitoring practices. The Bank's Credit Management Division is responsible for monitoring asset quality, establishing credit policies and procedures and enforcing the consistent application of these policies and procedures across the Bank. Reviews of nonperforming, past due loans and larger credits, designed to identify potential charges to the allowance for credit losses, are conducted on an ongoing basis. These reviews consider such factors as the financial strength of borrowers and any guarantors, the value of the applicable collateral, loan loss experience, estimated credit losses, growth in the loan portfolio, prevailing economic conditions and other factors. Refer to Note 3 – *Summary of Significant Accounting Policies*, included in our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**, for additional discussion concerning the Bank's policy for past due and nonperforming loans.

The following table presents the recorded investment in, and the aging of, past due loans (including nonaccrual loans), by type of loans as of the dates presented.



	September 30, 2023						March 31, 2024						
	30-59 Days Past Due	Greater than 60-89 Days Past Due	Greater than 90-120 Days Past Due	Total Loans and Receivables	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Financed	Total Loans and Financing Receivables			
	(Dollars in thousands)						(Dollars in thousands)						
Commercial real estate													
				3,242,471									
Owner occupied	\$92	\$44	\$07	\$3	\$7	\$720	\$2,526	\$—	\$—	\$2,526	\$2,407,593	\$2,410,119	
				4,358,380									
Non-owner occupied	—	—	1	1	8	339	11,295	5,960	10,661	27,916	4,282,503	4,310,419	
Construction													
				53,058									
Speculative (1)	—	—	—	—	8	53,058	—	—	—	—	52,256	52,256	
Non-speculative	—	—	—	—	9,964		—	—	—	—	6,550	6,550	
				1,028,283									
SBA	—	54	6	0	74	4	408	—	54	462	267,858	268,320	
				3,233									
SBA - PPP	—	—	—	—	33	3,233	—	—	—	—	2,249	2,249	



				4,									
				3	93								
Commercial		2,4	1,9	9	3,6	938,06							
and industrial	—	87	11	8	66	4	6	—	2,487	2,493	960,627	963,120	
Dairy &				1	35								
livestock and				3	1,3	351,46							
agribusiness	—	95	36	1	32	3	—	—	—	—	351,624	351,624	
Municipal					75,								
lease finance					62								
receivables	—	—	—	—	1	75,621	—	—	—	—	72,032	72,032	
					26								
SFR					8,1	268,17							
mortgage	—	—	—	—	71	1	—	—	—	—	276,475	276,475	
Consumer					51,								
and other					87								
loans	4	—	—	4	1	51,875	—	—	—	—	57,549	57,549	
Total				9,	8,8								
gross				3	68,								
loans		2,6	6,5	5	27	8,877,							
	\$ 96	\$ 80	\$ 81	\$ 7	\$ 5	\$ 632							
Total													
loans at													
amortized													
cost							\$ 14,235	\$ 5,960	\$ 13,202	\$ 33,397	\$ 8,737,316	\$ 8,770,713	

(1) Speculative construction loans are generally for properties where there is no identified buyer or renter.

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December 31, 2022						
	Greater than				Total Loans	
	30-59 Days	60-89 Days	89 Days	Total Past	Loans Not	and Financing
	Past Due	Past Due	Past Due	Due	Past Due	Receivables
(Dollars in thousands)						
Commercial real estate						



Owner occupied	\$	—	\$	—	\$	2,639	\$	2,639	\$	2,482,471	\$	2,485,110
Non-owner occupied		—		—		—		—		4,399,838		4,399,838
Construction												
Speculative (1)		—		—		—		—		67,436		67,436
Non-speculative		—		—		—		—		20,835		20,835
SBA		374		182		443		999		289,909		290,908
SBA - PPP		—		—		—		—		9,087		9,087
Commercial and industrial		—		—		1,318		1,318		947,365		948,683
Dairy & livestock and agribusiness		—		—		269		269		433,295		433,564
Municipal lease finance receivables		—		—		—		—		81,126		81,126
SFR mortgage		—		388		—		388		265,636		266,024
Consumer and other loans		175		—		33		208		76,573		76,781
Total gross loans	\$	549	\$	570	\$	4,702	\$	5,821	\$	9,073,571	\$	9,079,392

	December 31, 2023						
	30-59 Days		60-89 Days		Greater than 89 Days		Total Loans
	Past Due	Past Due	Past Due	Total Past Due	Loans Not Past Due	and Financing Receivables	
(Dollars in thousands)							
Commercial real estate							
Owner occupied	\$ 300	\$ —	\$ 2,505	\$ 2,805	\$ 2,430,447	\$ 2,433,252	
Non-owner occupied	16	—	531	547	4,350,706	4,351,253	
Construction							
Speculative (1)	—	—	—	—	57,921	57,921	
Non-speculative	—	—	—	—	8,813	8,813	
SBA	—	108	969	1,077	269,542	270,619	
SBA - PPP	—	—	—	—	2,736	2,736	
Commercial and industrial	12	—	4,253	4,265	965,630	969,895	
Dairy & livestock and agribusiness	—	—	—	—	412,891	412,891	
Municipal lease finance receivables	—	—	—	—	73,590	73,590	



SFR mortgage	201	—	—	201	269,667	269,868
Consumer and other loans	18	—	—	18	54,054	54,072
Total loans at amortized cost	\$ 547	\$ 108	\$ 8,258	\$ 8,913	\$ 8,895,997	\$ 8,904,910

(1) Speculative construction loans are generally for properties where there is no identified buyer or renter.

Amortized cost of our finance receivables and loans that are on nonaccrual status, including loans with no allowance are presented as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** by type of loan.

	September 30, 2023			March 31, 2024		
	Total			Loans Past		
	Nonaccrual with No	Nonac	Loans Past Due	Nonaccrual with No	Total	Due Over 89
	Allowance for	crua	Over 89 Days Still	Allowance for	Nonaccrual	Days Still
	Credit Losses	(1)	Accruing	Credit Losses	(1) (3)	Accruing
	(Dollars in thousands)			(Dollars in thousands)		
Commercial real estate						
Owner occupied	\$ 3,107	\$ 3,107	\$ —	\$ —	\$ —	\$ —
Non-owner occupied	548	548	—	10,661	10,661	—
Construction						
Speculative (2)	—	—	—	—	—	—
Non-speculative	—	—	—	—	—	—
SBA	868	1,050	—	54	54	—
SBA - PPP	—	—	—	—	—	—
Commercial and industrial	939	4,672	—	2,727	2,727	—
Dairy & livestock and agribusiness	131	243	—	60	60	—
Municipal lease finance receivables	—	—	—	—	—	—



SFR mortgage	339	339	—	308	308	—
Consumer and other loans	—	4	—	-	-	—
Total gross loans	\$ 5,932	\$ 9,963	\$ —			
Total loans at amortized cost			\$ 13,810	\$ 13,810	\$ —	

- (1) As of **September 30, 2023** March 31, 2024, \$742,000 of nonaccruing loans were current, \$4,000 were 30-59 days past due, \$2.6 million were 60-89 days past due, and \$6.6 million were 90+ days past due.

- (2) Speculative construction loans are generally for properties where there is no identified buyer or renter.

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	December 31, 2022		
	Nonaccrual with No Allowance for Credit Losses	Total Nonaccrual (1) (3)	Loans Past Due Over 89 Days Still Accruing
	(Dollars in thousands)		
Commercial real estate			
Owner occupied	\$ 2,639	\$ 2,639	\$ —
Non-owner occupied	18	18	—
Construction			
Speculative (2)	—	—	—
Non-speculative	—	—	—
SBA	268	443	—
SBA - PPP	—	—	—
Commercial and industrial	771	1,320	—
Dairy & livestock and agribusiness	364	477	—
Municipal lease finance receivables	—	—	—
SFR mortgage	—	—	—
Consumer and other loans	34	33	—



Total gross loans	\$	4,094	\$	4,930	\$	—
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(1) As of December 31, 2022, \$228,000 608,000 of nonaccruing loans were current and \$4.7 13.2 million were 90+ days past due.

(2) Speculative construction loans are generally for properties where there is no identified buyer or renter.

(3) Excludes \$221,000 of There were no guaranteed portion of nonaccrual SBA loans that are in process of collection.

22

	December 31, 2023		
	Nonaccrual with No Allowance for Credit Losses	Total Nonaccrual (1)	Loans Past Due Over 89 Days Still Accruing
	(Dollars in thousands)		
Commercial real estate			
Owner occupied	\$ 2,505	\$ 2,505	\$ —
Non-owner occupied	548	12,935	—
Construction			
Speculative (2)	—	—	—
Non-speculative	—	—	—
SBA	787	969	—
SBA - PPP	—	—	—
Commercial and industrial	908	4,509	—
Dairy & livestock and agribusiness	60	60	—
Municipal lease finance receivables	—	—	—
SFR mortgage	323	324	—
Consumer and other loans	—	—	—
Total loans at amortized cost	\$ 5,131	\$ 21,302	\$ —

- (1) As of December 31, 2023, \$13.0 million of nonaccruing loans were current, \$16,000 were 30-59 days past due, and \$8.3 million were 90+ days past due.
- (2) Speculative construction loans are generally for properties where there is no identified buyer or renter.

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## Collateral Dependent Loans

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 of the collateral. The following table presents the recorded investment in collateral-dependent loans by type of loans as of the **dates** **date** presented.

	September 30, 2023			Number of Loans	March 31, 2024			Number of Loans
	Real Estate	Business Assets	Other		Real Estate	Business Assets	Other	
	(Dollars in thousands)			Dependent on Collateral	(Dollars in thousands)			Dependent on Collateral
Commercial real estate	\$ 3,655	\$ —	\$ —	5	\$ 10,661	\$ —	\$ —	2
Construction	—	—	—	—	—	—	—	—
SBA	830	220	—	5	54	—	—	1
SBA - PPP	—	—	—	—	—	—	—	—
Commercial and industrial	401	3,104	1,167	10	—	2,727	—	2
Dairy & livestock and agribusiness	130	—	13	3	60	—	—	1
Municipal lease finance receivables	—	—	—	—	—	—	—	—
SFR mortgage	339	—	—	1	308	—	—	1
Consumer and other loans	—	—	4	1	—	—	—	—



Total collateral-dependent loans	\$ 5,355	\$ 3,324	\$ 1,284	25	\$ 11,083	\$ 2,727	\$ —	7
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	December 31, 2022				December 31, 2023			
	Real Estate	Business Assets	Other	Number of Loans Dependent on Collateral	Real Estate	Business Assets	Other	Number of Loans Dependent on Collateral
	(Dollars in thousands)				(Dollars in thousands)			
Commercial real estate	\$ 17,935	\$ —	\$ —	4	\$ 15,440	\$ —	\$ —	5
Construction	—	—	—	—	—	—	—	—
SBA	151	292	—	6	749	220	—	4
SBA - PPP	—	—	—	—	—	—	—	—
Commercial and industrial	87	2,774	81	13	392	2,950	1,167	8
Dairy & livestock and agribusiness	269	2,000	208	4	60	—	—	1
Municipal lease finance receivables	—	—	—	—	—	—	—	—
SFR mortgage	—	—	—	—	324	—	—	1
Consumer and other loans	33	—	—	1	—	—	—	—
Total collateral-dependent loans	\$ 18,475	\$ 5,066	\$ 809	28	\$ 16,965	\$ 3,170	\$ 1,167	19



Reserve for Unfunded Loan Commitments

The allowance for off-balance sheet credit exposure relates to commitments to extend credit, letters of credit and undisbursed funds on lines of credit. The Company evaluates credit risk associated with the off-balance sheet loan commitments in the same manner as it evaluates credit risk associated with the loan and lease portfolio. The Bank's ACL methodology produced an allowance of \$8.07.5 million for the off-balance sheet credit exposures as of September 30, 2023 March 31, 2024. There was no provision or recapture of provision for unfunded loan commitments for the nine three months ended September 30, 2023 and September 30, 2022 March 31, 2024, compared to \$500,000 in provision for the three months ended March 31, 2023. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the balance in this reserve was \$8.07.5 million and was included in other liabilities.

Modifications of Loans to Borrowers Experiencing Financial Difficulty

The Company adopted Accounting Standards Update ("ASU") 2022-02, Financial Instruments - Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures ("ASU 2022-02") effective January 1, 2023. January 1, 2023. The amendments in ASU 2022-02 eliminated the recognition and measurement of TDRs and enhanced disclosures for loan modifications to borrowers experiencing financial difficulty.

There were three loans to borrowers experiencing financial difficulty that were modified during the three months ended March 31, 2024 with an amortized cost totaling \$1.3 million as of March 31, 2024, including one dairy & livestock and agribusiness loan of \$962,000 and two commercial and industrial loans totaling \$350,000.

The table below reflects reflect the amortized cost of loans by type made to borrowers experiencing financial difficulty that were modified during as of March 31, 2024 and March 31, 2023, and the three months ended September 30, 2023. financial effect of those modifications.

	Term Extension	
	Amortized Cost Basis	% of Total Class of
	at September 30, 2023	Financing Receivables
	(Dollars in thousands)	
Commercial real estate loans	\$ 1,815	0.02 %



Dairy & livestock and agribusiness		4,799	0.05 %
<b>Total</b>	\$	6,614	

**Combination-Term Extension and Interest**

**Rate Reduction**

		<b>Amortized Cost Basis at September 30,2023</b>	<b>% of Total Class of Financing Receivables</b>
Commercial real estate loans	\$	690	0.01 %
<b>Total</b>	\$	690	

	<b>Term Extension</b>		<b>Combination-Term Extension and Interest Rate Reduction</b>		
	<b>Amortized Cost Basis</b>	<b>% of Total Class of Financing Receivables</b>	<b>Amortized Cost Basis</b>	<b>% of Total Class of Financing Receivables</b>	<b>Total</b>
<b>March 31, 2024</b>					
Commercial real estate loans	\$ 2,466	0.03 %	\$ 686	0.01 %	\$ 3,152
Commercial and industrial	1,644	0.02 %	242	0.00 %	1,886
Dairy & livestock and agribusiness	5,727	0.07 %	—	0.00 %	5,727
<b>Total</b>	<b>\$ 9,837</b>		<b>\$ 928</b>		<b>\$ 10,765</b>
<b>March 31, 2023</b>					
Commercial real estate loans	\$ 1,587	0.02 %	\$ —	—	\$ 1,587
Commercial and industrial	2,250	0.03 %	—	—	2,250
Dairy & livestock and agribusiness	1,999	0.02 %	—	—	1,999
<b>Total</b>	<b>\$ 5,836</b>		<b>\$ —</b>		<b>\$ 5,836</b>

The following table describes the financial effect of the loan modifications made to borrowers experiencing financial difficulty during the three months ended September 30, 2023. 25



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Financial Effect

Term Extension

March 31, 2024

Commercial real estate loans	Added a weighted-average 1.0 1.3 years to the life of loans, which reduced monthly payment amounts for the borrowers.
Commercial and industrial	Added a weighted-average 0.7 years to the life of loans, which reduced monthly payment amounts for the borrowers.
Dairy & livestock and agribusiness	Added a weighted-average 0.5 0.6 years to the life of loans, which reduced monthly payment amounts for the borrowers.

Combination-Term Term Extension  
and Interest Rate Reduction

March 31, 2023

Commercial real estate loans	Added a weighted-average 7.6 1.1 years to the life of loans, which reduced monthly payment amounts for the borrowers; borrowers.
Commercial and industrial	Added a weighted-average 0.8 years to the life of loans, which reduced monthly payment amounts for the borrowers.
Dairy & livestock and agribusiness	Added a weighted-average contractual interest rate from 10% 1.2 years to 7.25%. the life of loans, which reduced monthly payment amounts for the borrowers.



As of September 30, 2023 March 31, 2024, the Company did not have any loans made to borrowers experiencing financial difficulty that were modified during the first nine months quarter of 2023 2024 that subsequently defaulted. Payment default is defined as movement to nonaccrual (nonperforming) status, foreclosure or charge-off, whichever occurs first.

The following table presents the recorded investment in, and the aging of, past due loans at amortized cost (including nonaccrual loans), by type of loans, made to borrowers experiencing financial difficulty that were modified on or after January 1, 2023, the date we adopted ASU 2022-02. as of March 31, 2024.

	Payment Status (amortized cost basis)		
	Current	30-89 Days	90+ Days
		Past Due	Past Due
	(Dollars in thousands)		
Commercial real estate loans	\$ 2,505	\$ —	\$ —
Dairy & livestock and agribusiness	4,799	—	—
<b>Total</b>	<b>\$ 7,304</b>	<b>\$ —</b>	<b>\$ —</b>

	Payment Status (amortized cost basis)		
	Current	30-89 Days	90+ Days
		Past Due	Past Due
	(Dollars in thousands)		
Commercial real estate loans	\$ 3,152	\$ —	\$ —
Commercial and industrial	1,886	—	—
Dairy & livestock and agribusiness	5,727	—	—
<b>Total</b>	<b>\$ 10,765</b>	<b>\$ —</b>	<b>\$ —</b>

6. BORROWINGS



## Customer Repurchase Agreements

The Bank offers a repurchase agreement product to January 1, 2023, loans reported its customers. This product, known as TDRs were considered impaired and charge-off amounts were taken on Citizens Sweep Manager, sells our investment securities overnight to our customers under an individual loan basis, as deemed appropriate. The majority agreement to repurchase them the next day at a price which reflects the market value of restructured loans the use of funds by the Bank for the period concerned. These repurchase agreements are loans for which the terms of repayment have been renegotiated, resulting signed with customers who want to invest their excess deposits, above a pre-determined balance in a reduction demand deposit account, in order to earn interest. As of March 31, 2024, total funds borrowed under these agreements were \$275.7 million with a weighted average interest rate or deferral of principal. Refer 0.41%, compared to Note 3 – \$Summary 271.6 million with a weighted average interest rate of Significant Accounting Policies, included in our Annual Report on Form 10-K for the year ended December 31, 2022 for a more detailed discussion regarding TDRs. 0.29% at December 31, 2023.

## Federal Home Loan Bank Advances and Other Borrowings

As of December 31, 2022 March 31, 2024, there were \$7.8 million of loans classified as a TDR, all of which were performing. TDRs on accrual status are comprised of loans that were accruing interest at the time of restructuring or have demonstrated repayment performance in compliance with the restructured terms for a sustained period and for which the Company anticipates full repayment of both principal and interest. At December 31, 2022, performing TDRs were comprised of four commercial and industrial loans of \$4.8 million, one dairy & livestock and agribusiness loan total borrowings of \$2.0 million, and five SFR mortgage loans billion, consisted of one-year advances from the Federal Reserve's Bank Term Funding Program ("BTFP") at a cost of approximately 4.75%. The BTFP advances include maturities of \$1.0695 million.

The majority of TDRs have no specific allowance allocated as any impairment amount is normally charged off at the time the loan is considered uncollectible. We had million in May and \$no 1.3 allocated allowance to TDRs as billion in January of December 31, 2022 and September 30, 2022. 2025.

As of December 31, 2022 December 31, 2023, total short-term borrowings of \$2.07 billion, consisted of \$1.91 billion of one-year advances from the Federal Reserve's BTFP at a cost of 4.78% and September 30, 2022, there were \$no 160 loans that were modified as a TDR within the previous 12 months that subsequently defaulted during the twelve months ended December 31, 2022 million of short-term FHLB advances, at an average cost of approximately 5.7%. The BTFP advances included maturities of \$695 million in May and the nine months ended September 30, 2022. \$

1.2

## 7. BORROWINGS billion in December of 2024.

Borrowings as of September 30, 2023 At March 31, 2024, consisted loans with a carrying value of \$8704.24 million billion were pledged to secure available lines of credit from the FHLB and the Federal Reserve's Bank Term Funding Program at a weighted average rate of 4.87%. These borrowings can be prepaid without penalty and mature in May and September of 2024. These borrowings replaced higher cost borrowings from the FHLB. Remaining FHLB borrowings at



September 30, 2023 consisted of short-term advances of \$250 million, a decrease from \$800 million at June 30, 2023, with a cost of approximately 5%. These FHLB advances will mature in the fourth quarter of 2023. Reserve Bank.

The Bank has At March 31, 2024 investment securities with carrying values of \$4.7 2.51 billion were pledged to secure various types of deposits, including \$1.37 billion of secured and unused capacity public funds. In addition, investment securities with the FHLB, carrying values of \$1.2 2.75 billion of secured were pledged to secure \$372.3 million for repurchase agreements, \$1.88 billion for outstanding borrowings, \$446 million for unused borrowing capacity at the Fed's discount window or Bank Term Funding Program, more than and approximately \$260 51 million of unpledged AFS securities that could be pledged at the discount window for other purposes as required or the Fed's Bank Term Funding Program and \$300 million of unsecured lines of credit. permitted by law.

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7. EARNINGS PER SHARE RECONCILIATION

Basic earnings per common share are computed by dividing income allocated to common stockholders by the weighted-average number of common shares outstanding during each period. The computation of diluted earnings per common share considers the number of shares issuable upon the assumed exercise of outstanding common stock options. Antidilutive common shares are not included in the calculation of diluted earnings per common share. For the three and nine months ended September 30, 2023 March 31, 2024 and March 31, 2023, shares deemed to be antidilutive, and thus excluded from the computation of earnings per common share, were 1,096,000 1,021,000 and 1,100,000, respectively. For the three and nine months ended September 30, 2022 shares deemed to be antidilutive, and thus excluded from the computation of earnings per common share, were 66,000 and 247,000 348,000, respectively.

The table below shows earnings per common share and diluted earnings per common share, and reconciles the numerator and denominator of both earnings per common share calculations.

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



	2023	2022	2023	2022	2024	2023
	(In thousands, except per share amounts)				(In thousands, except per share amounts)	
<b>Earnings per common share:</b>						
Net earnings	57,8 \$ 87	64,6 \$ 39	172, \$ 927	169, \$ 257	\$ 48,599	\$ 59,270
Less: Net earnings allocated to restricted stock	410	434	1,20 8	1,08 0	324	407
Net earnings allocated to common shareholders	57,4 \$ 77	64,2 \$ 05	171, \$ 719	168, \$ 177	\$ 48,275	\$ 58,863
Weighted average shares outstanding	138, 345	138, 888	138, 361	139, 923	138,429	138,592
Basic earnings per common share	\$ 0.42	\$ 0.46	\$ 1.24	\$ 1.20	\$ 0.35	\$ 0.42
<b>Diluted earnings per common share:</b>						
Net income allocated to common shareholders	57,4 \$ 77	64,2 \$ 05	171, \$ 719	168, \$ 177	\$ 48,275	\$ 58,863
Weighted average shares outstanding	138, 345	138, 888	138, 361	139, 923	138,429	138,592
Incremental shares from assumed exercise of outstanding options	136	459	120	300	174	361
Diluted weighted average shares outstanding	138, 481	139, 347	138, 481	140, 223	138,603	138,953
Diluted earnings per common share	\$ 0.42	\$ 0.46	\$ 1.24	\$ 1.20	\$ 0.35	\$ 0.42

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## 8. FAIR VALUE INFORMATION

### *Fair Value Hierarchy*

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The valuation methodologies for financial assets and liabilities measured at fair value on a recurring and non-recurring basis are described in Note 19 18 — *Fair Value Information*, included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

### *Assets and Liabilities Measured at Fair Value on a Recurring Basis*

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis as of the dates presented.



	Quoted Prices in Active Markets for Identifiable Significant Unobservable Inputs (Level 3)				Quoted Prices in Active Markets for Identical Assets (Level 1)				Significant Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
	Carrying Value at September 30, 2023	Identifiable Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Value at March 31, 2024	Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(Dollars in thousands)												
Description of assets												
Investment securities - AFS:												
Government agency/GSE	\$ 34,109	\$ —	\$ 34,109	\$ —	\$ 32,640		\$ 32,640					
						\$ —		\$ —				
Mortgage-backed securities	2,436,624	—	2,436,624	—	2,399,107		2,399,107					
						—		—				
CMO/REMIC	377,498	—	377,498	—	378,894		378,894					
						—		—				



Municipal bonds	23,813	—	23,813	—	25,144	—	25,144	—
Other securities	1,119	—	1,119	—	1,315	—	1,315	—
Total investment securities - AFS	2,873,163	—	2,873,163	—	2,837,100	—	2,837,100	—
Derivatives not designated as hedging instruments:								
Interest rate swaps	—	—	—	—	38	—	38	—
Derivatives designated as hedging instruments:								
Interest rate swaps	24,868	—	24,868	—				
Fair value hedges: interest rate swaps					10,893	—	10,893	—
Cash flow hedges: interest rate swaps					789	—	789	—
Total assets	2,898,031	\$ 98,031	\$ —	\$ 2,898,031	\$ —	\$ 2,848,820	\$ 2,848,820	\$ —
Description of liability								







**Description of assets**

Investment securities - AFS:

Government agency/GSE	\$	32,253	\$	—	\$	32,253	\$	—
Mortgage-backed securities		2,507,679		—		2,507,679		—
CMO/REMIC		389,362		—		389,362		—
Municipal bonds		25,635		—		25,635		—
Other securities		1,196		—		1,196		—
Total investment securities - AFS		2,956,125		—		2,956,125		—

Derivatives not designated as hedging instruments:

Interest rate swaps		112		—		112		—
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Derivatives designated as hedging instruments:

Interest rate swaps		—		—		—		—
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Total assets	\$	2,956,237	\$	—	\$	2,956,237	\$	—
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**Description of liability**

Derivatives not designated as hedging instruments:

Interest rate swaps	\$	112	\$	—	\$	112	\$	—
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Derivatives designated as hedging instruments:

Interest rate swaps		6,938		—		6,938		—
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Total liabilities	\$	7,050	\$	—	\$	7,050	\$	—
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**Quoted Prices**

	in Active	Significant Other	Significant
	Markets for	Observable	Unobservable
Carrying Value at	Identical Assets	Inputs	Inputs
December 31, 2022	(Level 1)	(Level 2)	(Level 3)

*(Dollars in thousands)***Description of assets**

Investment securities - AFS:

Mortgage-backed securities	\$	2,789,141	\$	—	\$	2,789,141	\$	—
CMO/REMIC		439,303		—		439,303		—



Municipal bonds	25,687	—	25,687	—
Other securities	1,080	—	1,080	—
Total investment securities - AFS	3,255,211	—	3,255,211	—
Derivatives not designated as hedging instruments:				
Interest rate swaps	82	—	82	—
Total assets	\$ 3,255,293	\$ —	\$ 3,255,293	\$ —
<b>Description of liability</b>				
Derivatives not designated as hedging instruments:				
Interest rate swaps	\$ 82	\$ —	\$ 82	\$ —
Total liabilities	\$ 82	\$ —	\$ 82	\$ —
30				

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

We may be required to measure certain assets at fair value on a non-recurring basis in accordance with GAAP. These adjustments to fair value usually result from application of lower of cost or fair value accounting or impairment write-downs of individual assets.

For assets measured at fair value on a non-recurring basis that were held on the balance sheet at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, the following tables provide the level of valuation assumptions used to determine each adjustment and the carrying value of the related assets that had losses during the period.

Carrying Value at September 30, 2023	Quoted Prices			Total Losses
	in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	For the
				Nine Months
				Ended
				September 30, 2023



(Dollars in thousands)

**Description of assets**

Loans:

Commercial real estate	\$	2,813	\$	—	\$	—	\$	2,813	\$	8
Construction		—		—		—		—		—
SBA		209		—		—		209		217
SBA - PPP		—		—		—		—		—
Commercial and industrial		3,575		—		—		3,575		3,100
Dairy & livestock and agribusiness		4,799		—		—		4,799		57
Municipal lease finance receivables		—		—		—		—		—
SFR mortgage		—		—		—		—		—
Consumer and other loans		—		—		—		—		—
Other real estate owned		—		—		—		—		—
Asset held-for-sale		—		—		—		—		—
Total assets	\$	11,396	\$	—	\$	—	\$	11,396	\$	3,382

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Description of assets	Quoted Prices in				Total Losses
	Carrying Value at March 31, 2024	Active Markets	Significant Other	Significant	For the Three
		for Identical	Observable	Unobservable	Months Ended
		Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	March 31, 2024
(Dollars in thousands)					
Loans:					
Commercial real estate	\$ 13,813	\$ —	\$ —	\$ 13,813	\$ 2,258
Construction	—	—	—	—	—
SBA	211	—	—	211	26
SBA - PPP	—	—	—	—	—
Commercial and industrial	4,612	—	—	4,612	16
Dairy & livestock and agribusiness	5,787	—	—	5,787	—



Municipal lease finance receivables	—	—	—	—	—
SFR mortgage	308	—	—	308	—
Consumer and other loans	—	—	—	—	—
Other real estate owned	—	—	—	—	—
Asset held-for-sale	—	—	—	—	—
Total assets	\$ 24,731	\$ —	\$ —	\$ 24,731	\$ 2,300

Quoted Prices in Significant Other Observable Inputs (Level 1) (Level 2) (Level 3) Total Losses For the Year Ended December 31, 2022										
	Carrying Value at December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses For the Year Ended December 31, 2022	Carrying Value at December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses For the Year Ended December 31, 2023
(Dollars in thousands)					(Dollars in thousands)					



Commercial real estate	2,6			2,63	1	\$ 18,678	\$	—	\$	—	\$ 18,678	\$ 2,128
Construction	—	—	—	—	—	—	—	—	—	—	—	—
SB A	32			32	182	995	—	—	995	57		
SB A - PP P	—	—	—	—	2	—	—	—	—	—	—	—
Commercial and industrial	45			45	326	6,092	—	—	6,092	3,510		
Dairy & livestock and agribusiness	11			11	113	4,700	—	—	4,700	27		







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## Fair Value of Financial Instruments

The following disclosure presents estimated fair value of our financial instruments. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to develop the estimates of fair value. Accordingly, the estimates presented below are not necessarily indicative of the amounts the Company may realize in a current market exchange as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

## Assets



	24									
	24	0,	24							
Total cash and cash equivalents	0,6	69	0,6							
	\$ 95	\$ 5	\$ —	\$ —	\$ 95	\$ 949,589	\$ 949,589	\$ —	\$ —	\$ 949,589
Interest-earning balances due from										
depository institutions	4,108		4,108		4,108	12,632	—	12,632	—	12,632
Investment securities available-for-sale	2,873,163		2,873,163		2,873,163	2,837,100	—	2,837,100	—	2,837,100
Investment securities held-to-maturity	2,489,441		1,969,318		1,969,318	2,454,586	—	2,044,031	—	2,044,031
Total loans, net of allowance for credit losses	8,788,637		7,961,394		7,961,394	8,687,896	—	—	8,273,529	8,273,529
Derivatives not designated as hedging instruments:										
Interest rate swaps	—	—	—	—	—	38	—	38	—	38
Derivatives designated as hedging instruments:										
Interest rate swaps	24,868		24,868		24,868					
Fair value hedges: interest rate swaps						10,893	—	10,893	—	10,893



Cash flow hedges: interest rate swaps						789	—	789	—	789
<b>Liabilities</b>										
Deposits:										
	4,7		4,7		4,7					
	72,		66,		66,					
	13		44		44					
Interest-bearing	\$ 7	\$ —	\$ 7	\$ —	\$ 7	\$ 4,782,132	\$ —	\$ 4,777,393	\$ —	\$ 4,777,393
	1,3		1,3		1,3					
	89,		22,		22,					
	55		69		69					
Borrowings	2	—	9	—	9	2,270,720	—	2,204,434	—	2,204,434
Junior subordinated debentures	—	—	—	—	—					
Derivatives not designated as hedging instruments:										
Interest rate swaps	—	—	—	—	—	38	—	38	—	38
Derivatives designated as hedging instruments:										
Fair value hedges: interest rate swaps						—	—	—	—	—
Cash flow hedges: interest rate swaps						—	—	—	—	—

December 31, 2022				
Carrying Amount	Estimated Fair Value			
	Level 1	Level 2	Level 3	Total
(Dollars in thousands)				



**Assets**

Total cash and cash equivalents	\$ 203,461	\$ 203,461	\$ —	\$ —	\$ 203,461
Interest-earning balances due from depository institutions	9,553	—	9,553	—	9,553
Investment securities available-for-sale	3,255,211	—	3,255,211	—	3,255,211
Investment securities held-to-maturity	2,554,301	—	2,155,587	—	2,155,587
Total loans, net of allowance for credit losses	8,994,275	—	—	8,074,952	8,074,952
Derivatives not designated as hedging instruments:					
Interest rate swaps	82	—	82	—	82

**Liabilities**

Deposits:					
Interest-bearing	\$ 4,671,881	\$ —	\$ 4,664,657	\$ —	\$ 4,664,657
Borrowings	1,560,431	—	1,444,659	—	1,444,659
Junior subordinated debentures	—	—	—	—	—
Derivatives not designated as hedging instruments:					
Interest rate swaps	82	—	82	—	82

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	December 31, 2023					
	Carrying Amount	Estimated Fair Value				Total
		Level 1	Level 2	Level 3		
		(Dollars in thousands)				
Assets						
Total cash and cash equivalents	\$ 281,285	\$ 281,285	\$ —	\$ —	\$ 281,285	
Interest-earning balances due from depository institutions	8,216	—	8,216	—	8,216	
Investment securities available-for-sale	2,956,125	—	2,956,125	—	2,956,125	



Investment securities held-to-maturity	2,464,610	—	2,082,881	—	2,082,881
Total loans, net of allowance for credit losses	8,818,068	—	—	8,503,518	8,503,518
Derivatives not designated as hedging instruments:					
Interest rate swaps	112	—	112	—	112
Derivatives designated as hedging instruments:					
Fair value hedges: interest rate swaps	—	—	—	—	—
<b>Liabilities</b>					
Deposits:					
Interest-bearing	\$ 4,227,467	\$ —	\$ 4,222,773	\$ —	\$ 4,222,773
Borrowings	2,341,642	—	2,283,631	—	2,283,631
Derivatives not designated as hedging instruments:					
Interest rate swaps	112	—	112	—	112
Derivatives designated as hedging instruments:					
Fair value hedges: interest rate swaps	6,938	—	6,938	—	6,938

The fair value estimates presented herein are based on pertinent information available to management as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and therefore, current estimates of fair value may differ significantly from the amounts presented above.

## **10.9. DERIVATIVE FINANCIAL INSTRUMENTS**

### ***Derivatives Not Designated as Hedging Instruments***

The Bank is exposed to certain risks relating to its ongoing business operations and utilizes interest rate swap agreements (“swaps”) as part of its asset/liability management strategy to help manage its interest rate risk position. As of **September 30, 2023** **March 31, 2024**, the Bank has entered into **123** **114** interest-rate swap agreements with customers with a notional amount totaling **\$409.8** **\$390.3** million. The Bank then entered into identical offsetting swaps with counterparties. The swap agreements are not designated as hedging instruments. The purpose of entering into offsetting derivatives not designated as a hedging instrument is to provide the Bank a variable-rate loan receivable and to provide the customer the financial effects of a fixed-rate loan without creating significant volatility in the Bank’s earnings.



The structure of the swaps is as follows. The Bank enters into an interest rate swap with its customers in which the Bank pays the customer a variable rate and the customer pays the Bank a fixed rate, therefore allowing customers to convert variable rate loans to fixed rate loans. At the same time, the Bank enters into a swap with a counterparty bank in which the Bank pays the counterparty a fixed rate and the counterparty in return pays the Bank a variable rate. The net effect of the transaction allows the Bank to receive interest on the loan from the customer at a variable rate based on SOFR plus a spread. The changes in the fair value of the swaps primarily offset each other and therefore should not have a significant impact on the Company's results of operations, although the Company does incur credit and counterparty risk with respect to performance on the swap agreements by the Bank's customer and counterparty, respectively. These instruments contain language outlining collateral pledging requirements for each counterparty, in which collateral must be posted if market value exceeds certain agreed upon threshold limits. Cash or securities are pledged as collateral. Our interest rate swap derivatives are subject to a master netting arrangement with our counterparties. **None** **None** of our derivative assets and liabilities are offset in the Company's condensed consolidated balance sheet.

We believe our risk of loss associated with our counterparty borrowers related to interest rate swaps is mitigated as the loans with swaps are underwritten to take into account potential additional exposure, although there can be no assurances in this regard since the performance of our swaps is subject to market and counterparty risk.

### ***Derivatives Designated as Hedging Instruments***

#### **Fair Value Hedges**

To manage interest rate risk on our AFS securities portfolio, we have entered into pay-fixed, receive-floating interest rate swap contracts to hedge against exposure to changes in the fair value of such securities resulting from changes in interest rates. We designate these interest rate swap contracts as fair value hedges that qualify for hedge accounting under ASC 815, Derivatives and Hedging. We elected to account for the fair value hedges using the portfolio layer method in accordance with ASU 2022-01. We record the interest rate swaps in the line items "accrued interest receivable and other assets" and "other liabilities" on our consolidated balance sheet. For qualifying fair value hedges, both the changes in the fair value of the derivative and the portion of the fair value adjustments associated with the portfolio layer attributable to the hedged risk are recognized into earnings as they occur. Derivative amounts impacting earnings are recognized consistent with the classification of the hedged item in the line item "investment securities available for sale" as part of interest income, a component of consolidated net income.



In June 2023, fair value hedging transactions were executed in which \$1.01 billion notional pay-fixed interest rate swaps were consummated with original maturities ranging from four to five years, in which wherein the Company pays a weighted average fixed rate of approximately 3.8% and receives daily SOFR. The fair value of these instruments totaled \$24.910.9 million and were reflected as an asset at September 30, 2023 March 31, 2024.

### **We assess Cash Flow Hedges**

To manage our interest rate risk associated with brokered CDs, FHLB advances or other fixed rate advances for specified periods, the Company enters into interest rate derivative contracts that are designated as qualifying cash flow hedges to hedge effectiveness under ASC 815 on the exposure to variability in expected future cash flows attributable to changes in a quarterly basis to ensure all hedges remain highly effective contractually specified interest rates. During the first quarter of 2024, \$300 million of 3-month term brokered CDs were issued and cash flow hedging transactions were also executed in which \$300 million notional pay-fixed interest rate swaps were consummated with maturities of three years, wherein the Company pays a weighted average fixed rate of approximately 4.2% and receives daily SOFR.

To qualify for hedge accounting, under ASC 815 can be applied. In conjunction with a formal assessment is prepared to determine whether the assessment of effectiveness, we assess the hedged item to ensure it hedging relationship, both at inception and on an ongoing basis, is expected to be outstanding at highly effective in achieving offsetting cash flows attributable to the hedged item's assumed maturity date risk during the term of the hedge if a cash flow hedge. At inception a statistical regression analysis is prepared to determine hedge effectiveness. At each reporting period thereafter, a statistical regression or qualitative analysis is performed to determine hedge effectiveness. If it is determined that hedge effectiveness has not been or will not continue to be highly effective, then hedge accounting ceases and any gain or loss in AOCI is recognized in earnings immediately. The cash flow hedges are recorded at fair value in other assets and other liabilities on the portfolio layer method consolidated balance sheets with changes in fair value recorded in AOCI, net of accounting under ASC 815 can be applied. tax. All related cash flows are reported in the operating activities section of the consolidated statement of cash flows. Amounts recorded to AOCI are reclassified into earnings in the same period in which the hedged asset or liability affects earnings and are presented in the same income statement line item as the earnings effect of the hedged asset or liability.

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### **Balance Sheet Classification of Derivative Financial Instruments**

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the total notional amount, of the Company's swaps was \$409.8 million, and \$425.6 million, respectively. The he location of the asset and liability, and



their respective fair values, are summarized in the tables below.

		September 30, 2023				March 31, 2024					
		Asset Derivatives		Liability Derivatives		Asset Derivatives			Liability Derivatives		
		Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Notional	Balance Sheet Location	Fair Value	Notional	Balance Sheet Location	Fair Value
		(Dollars in thousands)				(Dollars in thousands)					
Derivatives not designated as hedging instruments:	Interest rate swaps	Other assets	\$ —	Other liabilities	\$ —	\$ 390,307	Other assets	\$ 38	\$ 390,307	Other liabilities	\$ 38
	Total		\$ —		\$ —						
	Total derivatives							\$ 38			\$ 38
Derivatives designated as hedging instruments:	Interest rate swaps	Other assets	24,868	Other liabilities	\$ —						
	Fair value hedges: interest rate swaps					\$ 1,000,000	Other assets	\$ 10,893		Other liabilities	\$ —
	Cash flow hedges: interest rate swaps						Other assets	789	\$ 300,000	Other liabilities	—
Total			24,868		\$ —			\$ 11,682			\$ —



		December 31, 2022				December 31, 2023					
		Asset Derivatives		Liability Derivatives		Asset Derivatives			Liability Derivatives		
		Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Notional	Balance Sheet Location	Fair Value	Notional	Balance Sheet Location	Fair Value
		(Dollars in thousands)				(Dollars in thousands)					
Derivatives not designated as hedging instruments:											
Interest rate swaps		Other assets	8 \$ 2	Other liabilities	8 \$ 2	\$ 394,359	Other assets	112 \$ 112	\$ 394,359	Other liabilities	112 \$ 112
Total derivatives			8 \$ 2		8 \$ 2			112 \$ 112			112 \$ 112
Derivatives designated as hedging instruments:											
Fair value hedges:											
interest rate swaps						\$ 1,000,000	Other assets	— \$ —		Other liabilities	6,938 \$ 6,938
Total								— \$ —			6,938 \$ 6,938

### The Effect of Derivative Financial Instruments on the Condensed Consolidated Statements of Earnings

The following table summarizes the effect of derivative financial instruments on the condensed consolidated statements of earnings for the periods presented.



	Location of Gain Recognized in Income on Derivative Instruments	Amount of Gain Recognized in Income on Derivative Instruments				Location of Gain Recognized in Income on Derivative Instruments	Amount of Gain Recognized in Income on Derivative Instruments	
		Three Months Ended September 30,		Nine Months Ended September 30,		Other income	Three Months Ended March 31,	
							2024	2023
							(Dollars in thousands)	
		2023	2022	2023	2022			
Derivatives Not Designated as Hedging Instruments:		(Dollars in thousands)						
Interest rate swaps	Other income	\$ —	\$ —	\$ —	\$ —		\$ —	\$ —
Total		\$ —	\$ —	\$ —	\$ —		\$ —	\$ —

	Location of Gain Recognized in Income on Derivative Instruments	Amount of Gains (Losses) Recognized in Interest Income on Derivative Instruments				OCI Impact on Derivatives-Gains (Losses) recorded in OCI			
		Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023		Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
		2023	2022	2023	2022	2023	2022	2023	2022
Derivatives Designated as Hedging Instruments:		(Dollars in thousands)				(Dollars in thousands)			
Interest rate swaps	Interest income	\$ 3,790	\$ —	\$ 4,236	\$ —	\$ 9,708	\$ —	\$ 17,554	\$ —
Total		\$ 3,790	\$ —	\$ 4,236	\$ —	\$ 9,708	\$ —	\$ 17,554	\$ —



	Location of Gain Recognized in Income on Derivative Instruments	Amount of Gains (Losses) Recognized in Interest Income on Derivative Instruments				OCI Impact on Derivatives-Gains (Losses) recorded in OCI			
		Three Months Ended March		Three Months Ended March		Three Months Ended March			
		31,		31,		31,			
		2024	2023	2024	2023	2024	2023		
		(Dollars in thousands)		(Dollars in thousands)		(Dollars in thousands)			
Derivatives Designated as Hedging Instruments:									
Fair value hedges: interest rate swaps	Interest income	\$	3,687	\$	—	\$	12,869	\$	—
Cash flow hedges: interest rate swaps	Interest expense		178		—		556		—
Total		\$	3,865	\$	—	\$	13,425	\$	—

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## 11.10. OTHER COMPREHENSIVE INCOME

The table below provides a summary of the components of other comprehensive income ("OCI") for the periods presented.

	Three Months Ended September 30,						Three Months Ended March 31,					
	2023			2022			2024			2023		
	Tax			Tax								
	Before-tax	effect	After-tax	Before-tax	effect	After-tax	Before-tax	Tax effect	After-tax	Before-tax	Tax effect	After-tax
	(Dollars in thousands)						(Dollars in thousands)					
Investment securities:												
Net change in fair value recorded in accumulated OCI	(130,768)	38,000	(92,768)	(194,138)	57,386	(136,752)	\$ (35,856)	\$ 10,600	\$ (25,256)	\$ 40,424	\$ (11,951)	\$ 28,473



Amortization of net unrealized losses on securities transferred from available-for-sale to held-to-maturity	(3,096)	3,234	138	95	(28)	67	163	(48)	115	278	(82)	196
Derivatives designated as hedging instruments:												
Fair value hedges:												
Net change in fair value recorded in accumulated OCI							17,831	(4,962)	12,869	—	—	—
Cash flow hedges:												
Net change in fair value recorded in accumulated OCI		(4,137)	9,708	—	—	—	789	(233)	556	—	—	—
	(12,010)	37,866	(82,264)	(19,403)	57,356	(13,666)						
Net change	\$ 25)	\$ 3	\$ 2)	\$ 16)	\$ 8	\$ 58)	\$ (17,073)	\$ 5,357	\$ (11,716)	\$ 40,702	\$ (12,033)	\$ 28,669

	Nine Months Ended September 30,					
	2023			2022		
	Before-tax	Tax effect	After-tax	Before-tax	Tax effect	After-tax
	(Dollars in thousands)					
Investment securities:						
Net change in fair value recorded in accumulated OCI	\$ (128,340)	\$ 37,942	\$ (90,398)	\$ (539,066)	\$ 159,367	\$ (379,699)
Amortization of net unrealized losses on securities transferred from available-for-sale to held-to-maturity	714	(212)	502	242	(72)	170
Derivatives designated as hedging instruments:						
Net change in fair value recorded in accumulated OCI	24,868	(7,314)	17,554	—	—	—
Net change	\$ (102,758)	\$ 30,416	\$ (72,342)	\$ (538,825)	\$ 159,296	\$ (379,529)

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11. BALANCE SHEET OFFSETTING

Assets and liabilities relating to certain financial instruments, including, derivatives and securities sold under repurchase agreements (“repurchase agreements”), may be eligible for offset in the condensed consolidated balance sheets as permitted under accounting guidance. As noted above, our interest rate swap derivatives not designated as hedging instruments are subject to master netting arrangements. These Our interest rate swap derivatives require the Company to pledge investment securities as collateral based on certain risk thresholds. Investment securities that have been pledged by the Company to counterparties continue to be reported in the Company’s condensed consolidated balance sheets unless the Company defaults. We offer a repurchase agreement product to our customers, which include master netting agreements that allow for the netting of collateral positions. This product, known as Citizens Sweep Manager, sells certain of our securities overnight to our customers under an agreement to repurchase them the next day. The repurchase agreements are not offset in the Company’s condensed consolidated balances.

In June 2023, fair value hedging transactions were executed in which \$1.01 billion notional pay-fixed interest rate swaps were consummated with original maturities ranging from four to five years in which, wherein the Company pays a weighted average fixed rate of approximately 3.8% and receives daily SOFR. The fair value of these instruments totaled \$24.910.9 million at September 30, 2023 and were reflected as an asset on March 31, 2024.

During the first quarter of 2024, cash flow hedging transactions were executed in which \$300 million notional pay-fixed interest rate swaps were consummated with maturities of three years, wherein the Company pays a weighted average fixed rate of approximately 4.2% and receives daily SOFR. The fair value of these instruments totaled \$789,000 and were reflected as an asset on March 31, 2024.

Refer to Note 109 – Derivative Financial Instruments of the notes to the unaudited condensed consolidated financial statements of this report for additional information.

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	Gross Amounts Recognized in the Condensed Consolidated Balance Sheets	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Net Amounts Presented in the Condensed Consolidated Balance Sheets	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets	
				Financial Instruments	Collateral Pledged
					Net Amount
			(Dollars in thousands)		
September 30, 2023					
Financial assets:					



Derivatives not designated as hedging instruments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Derivatives designated as hedging instruments	24,868	—	—	24,868	—	24,868
Total	<u>\$ 24,868</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 24,868</u>	<u>\$ —</u>	<u>\$ 24,868</u>

**Financial liabilities:**

Derivatives not designated as hedging instruments	\$ 60,116	\$ (60,116)	\$ —	\$ 60,116	\$ (7,536)	\$ 52,580
Repurchase agreements	269,552	—	269,552	—	382,531	652,083
Total	<u>\$ 329,668</u>	<u>\$ (60,116)</u>	<u>\$ 269,552</u>	<u>\$ 60,116</u>	<u>\$ 374,995</u>	<u>\$ 704,663</u>

**December 31, 2022**

**Financial assets:**

Derivatives not designated as hedging instruments	\$ 82	\$ —	\$ —	\$ 82	\$ —	\$ 82
Total	<u>\$ 82</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 82</u>	<u>\$ —</u>	<u>\$ 82</u>

**Financial liabilities:**

Derivatives not designated as hedging instruments	\$ 53,996	\$ (53,914)	\$ 82	\$ 53,914	\$ (18,258)	\$ 35,738
Repurchase agreements	565,431	—	565,431	—	(634,075)	(68,644)
Total	<u>\$ 619,427</u>	<u>\$ (53,914)</u>	<u>\$ 565,513</u>	<u>\$ 53,914</u>	<u>\$ (652,333)</u>	<u>\$ (32,906)</u>

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Gross Amounts	Gross Amounts	Net Amounts Presented in	Gross Amounts Not Offset in the Condensed Consolidated
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	Recognized in the Condensed Consolidated Balance Sheets	Offset in the Condensed Consolidated Balance Sheets	the Condensed Consolidated Balance Sheets	Balance Sheets		
				Financial Instruments	Collateral Pledged	Net Amount
			(Dollars in thousands)			
March 31, 2024						
Financial assets:						
Derivatives not designated as hedging instruments:						
Interest rate swaps	\$ 38	\$ —	\$ —	\$ 38	\$ —	\$ 38
Derivatives designated as hedging instruments:						
Fair value hedges: interest rate swaps	10,893	—	—	10,893	—	10,893
Cash flow hedges: interest rate swaps	789	—	—	789	—	789
Total	\$ 11,720	\$ —	\$ —	\$ 11,720	\$ —	\$ 11,720
Financial liabilities:						
Derivatives not designated as hedging instruments:						
Interest rate swaps	\$ 47,507	\$ (47,469)	\$ 38	\$ 47,469	\$ (15,827)	\$ 31,680
Derivatives designated as hedging instruments:	—	—	—	—	—	—
Fair value hedges: interest rate swaps	—	—	—	—	—	—
Cash flow hedges: interest rate swaps	—	—	—	—	—	—
Repurchase agreements	275,720	—	275,720	—	360,312	636,032
Total	\$ 323,227	\$ (47,469)	\$ 275,758	\$ 47,469	\$ 344,485	\$ 667,712
December 31, 2023						
Financial assets:						



Derivatives not designated as hedging instruments	\$ 112	\$ —	\$ —	\$ 112	\$ —	\$ 112
Derivatives designated as hedging instruments	—	—	—	—	—	—
Total	<u>\$ 112</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 112</u>	<u>\$ —</u>	<u>\$ 112</u>
<b>Financial liabilities:</b>						
Derivatives not designated as hedging instruments	\$ 42,613	\$ (42,501)	\$ 112	\$ 42,501	\$ (11,659)	\$ 30,954
Derivatives designated as hedging instruments	6,938	—	—	6,938	—	6,938
Repurchase agreements	271,642	—	271,642	—	362,505	634,147
Total	<u>\$ 321,193</u>	<u>\$ (42,501)</u>	<u>\$ 271,754</u>	<u>\$ 49,439</u>	<u>\$ 350,846</u>	<u>\$ 672,039</u>

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## 12. LEASES

The Company's operating leases, where the Company is a lessee, include real estate, such as office space and banking centers. Lease expense for operating leases is recognized on a straight-line basis over the term of the lease and is reflected in the consolidated statement of earnings. Right-of-use ("ROU") assets and lease liabilities are included in other assets and other liabilities, respectively, on the Company's condensed consolidated balance sheet.

While the Company has, as a lessor, certain equipment finance leases, such leases are not material to the Company's consolidated financial statements.

The tables below present the components of lease costs and supplemental information related to leases as of and for the periods presented.

September 30, 2023	December 31, 2022
<i>(Dollars in thousands)</i>	



<b>Lease Assets and Liabilities</b>				
ROU assets		\$	23,025	\$ 22,696
Total lease liabilities			25,199	24,458

	March 31, 2024	December 31, 2023
	<i>(Dollars in thousands)</i>	
<b>Lease Assets and Liabilities</b>		
ROU assets	\$ 20,666	\$ 21,655
Total lease liabilities	23,037	24,056

	<div> <div>Three Months Ended September 30,</div> <div>Nine Months Ended September 30,</div> </div>				<div> <div>Three Months Ended March 31,</div> <div></div> </div>	
	2023	2022	2023	2022	2024	2023
	<i>(Dollars in thousands)</i>				<i>(Dollars in thousands)</i>	
<b>Lease Cost</b>						
Operating lease expense	1,8	1,84	5,5	5,5		
(1)	\$ 32	\$ 6	\$ 13	\$ 41	\$ 1,845	\$ 1,841
Sublease income	—	—	—	—	—	—
Total lease expense	1,8	1,84	5,5	5,5	1,845	1,841
	\$ 32	\$ 6	\$ 13	\$ 41		

(1) Includes short-term leases and variable lease costs, which are immaterial.

<b>Other Information</b>	
Cash paid for amounts included in the measurement of lease liabilities:	



Operating cash outflows from operating leases, net	1,68	1,88	4,95	5,59						
	\$ 2	\$ 2	\$ 1	\$ 3	\$		1,864	\$		1,756

	Septem ber 30, 2023	Decem ber 31, 2022	March 31, 2024	December 31, 2023
<b>Lease Term and Discount Rate</b>				
Weighted average remaining lease term (years)	4.12	4.12	3.84	3.94
Weighted average discount rate	3.43 %	2.80 %	3.58 %	3.48 %

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The Company's lease arrangements that have not yet commenced as of September 30, 2023 March 31, 2024 and the Company's short-term lease costs and variable lease costs, for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 are not material to the consolidated financial statements. The future lease payments required for leases that have initial or remaining non-cancelable lease terms in excess of one year as of September 30, 2023 March 31, 2024, excluding property taxes and insurance, are as follows:

	September 30, 2023
	(Dollars in thousands)
<b>Year:</b>	
2023 (excluding the nine months ended September 30, 2023)	\$ 1,691
2024	7,196
2025	6,578



2026	5,313
2027	3,822
Thereafter	2,613
Total future lease payments	27,213
Less: Imputed interest	(2,014)
Present value of lease liabilities	\$ 25,199
	<b>March 31, 2024</b>
	(Dollars in thousands)
<b>Year:</b>	
2024 (excluding the three months ended March 31, 2024)	\$ 5,490
2025	6,759
2026	5,524
2027	4,040
2028	2,169
Thereafter	825
Total future lease payments	24,807
Less: Imputed interest	(1,770)
Present value of lease liabilities	\$ 23,037

14.13. REVENUE RECOGNITION

The following table presents noninterest income, segregated by revenue streams in-scope and out-of-scope of ASU No. 2014-09 “Revenue from Contracts with Customers (Topic 606)”, Topic 606, for the periods indicated.

	Three Months Ended September 30,				Nine Months Ended September 30,				Three Months Ended March 31,			
	2023		2022		2023		2022		2024		2023	
	(Dollars in thousands)								(Dollars in thousands)			
Noninterest income:												



In-scope of Topic 606:							
Service charges on deposit accounts	5,0 \$ 62	5,2 \$ 33	15, \$ 244	15, \$ 625	\$	5,036 \$	5,344
Trust and investment services	3,2 46	2,8 67	9,4 75	8,6 51		3,224	2,914
Bankcard services			1,2 21	1,1 02		385	377
Gain/(loss) on sale of other investments	2,5 75		2,5 75				
Other	1,5 24	1,1 27	6,8 18	8,2 07	1,875		3,378
Noninterest Income (in-scope of Topic 606)	12, 761	9,6 03	35, 333	33, 585	10,520		12,013
Noninterest Income (out-of-scope of Topic 606)	1,5 48	1,9 87	4,8 34	3,9 39	3,593		1,189
Total noninterest income	14, \$ 309	11, \$ 590	40, \$ 167	37, \$ 524	\$	14,113 \$	13,202

Refer to Note 3 – *Summary of Significant Accounting Policies* and Note 24 23 – *Revenue Recognition*, included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 for a more detailed discussion about noninterest revenue streams that are in-scope of Topic 606.

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

The following discussion provides information about the results of operations, financial condition, liquidity and capital resources of CVB Financial Corp. (referred to herein on an unconsolidated basis as "CVB" and on a consolidated basis as "we," "our" or the "Company") and its wholly owned bank subsidiary, Citizens Business Bank (the "Bank" or "CBB"). This information is intended to facilitate the understanding and assessment of significant changes and trends related to our



financial condition and the results of our operations. This discussion and analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023** and the unaudited condensed consolidated financial statements and accompanying notes presented elsewhere in this report.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the Company's unaudited condensed consolidated financial statements are based upon the Company's unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these unaudited condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and are essential to understanding Management's Discussion and Analysis of Financial Condition and Results of Operations. The following is a summary of the more judgmental and complex accounting estimates and principles. In each area, we have identified the variables we believe are most important in our estimation process. We utilize information available to us to make the necessary estimates to value the related assets and liabilities. Actual performance that differs from our estimates and future changes in the key variables and information could change future valuations and impact the results of operations.

- Allowance for Credit Losses ("ACL")
- Business Combinations
- Valuation and Recoverability of Goodwill

Our significant accounting policies are described in greater detail in our **2022** **2023** Annual Report on Form 10-K in the "Critical Accounting Policies" section of Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 3 – *Summary of Significant Accounting Policies*, included in our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**, which are essential to understanding Management's Discussion and Analysis of Financial Condition and Results of Operations.

**Recently Issued Accounting Pronouncements but Not Adopted as of **September 30, 2023** **March 31, 2024****

Standard	Description	Adoption	
		Timing	Impact on Financial Statements



ASU 2022-03, Fair Value Measurement 2023-09 Income Taxes (Topic 820) 740): Fair Value Measurement of Equity Securities Subject Improvements to Contractual Sale Restrictions. Income Tax Disclosures	On June 30, 2022 December 14, 2023, the FASB issued ASU 2022-03, Fair Value Measurement 2023-09 Income Taxes (Topic 820) 740) - Fair Value Measurement of Equity Securities Subject Improvements to Contractual Sale Restrictions. Income Tax Disclosures. This ASU clarifies that a contractual restriction enhances annual income tax disclosures to address investor requests for more detailed information about tax risks and improved transparency of income tax disclosures. The two primary enhancements disaggregate existing income tax disclosures related to the effective tax rate reconciliation and information on the sale of an equity security is not considered part of the unit of account of the equity security and is not considered in measuring fair value. Further, this ASU clarifies that an entity cannot, recognize and measure a contractual sale restriction as a separate unit of account. Additionally, the amendments require the disclosures for equity securities subject to contractual sale restrictions to include the fair value of equity securities subject to contractual sale restrictions reflected on the balance sheet, the nature and remaining duration of the restrictions and the circumstances that could cause a lapse in the restrictions. income taxes paid disaggregated by jurisdiction. This ASU is effective for interim and annual reporting periods beginning after December 15, 2023; December 15, 2024 and are to be applied on a prospective basis; early adoption is permitted.	1st Quarter 2024 2025	The adoption of this ASU is not expected to have a material impact on our consolidated financial statements.
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OVERVIEW

For the third first quarter of 2023, 2024, we reported net earnings of \$57.9 million \$48.6 million, compared with \$55.8 million \$48.5 million for the second fourth quarter of 2023 and \$64.6 million \$59.3 million for the third first quarter of 2022. 2023. Diluted earnings per share were \$0.42 \$0.35 for the third first quarter, compared to \$0.40 \$0.35 for the prior



quarter and \$0.46 \$0.42 for the same period last year. Pretax pre-provision income grew from \$78.2 million in the second quarter of 2023 to \$82.6 million for the third quarter of 2023, compared to \$91.9 million in the third quarter of 2022. Net income of \$57.9 million \$48.6 million for the third first quarter of 2023 2024 produced an annualized return on average equity ("ROAE") of 11.33% 9.31%, an annualized return on average tangible common equity ("ROATCE") of 18.82% 15.13%, and an annualized return on average assets ("ROAA") of 1.40% 1.21%. Our net interest margin, tax equivalent ("NIM"), was 3.10% for the first quarter of 2024, while our efficiency ratio was 47.22%.

Net interest income was \$123.4 million \$112.5 million for the third first quarter of 2023. 2024. This represented a \$3.8 million \$6.9 million, or 3.21% 5.78%, increase decline from the second fourth quarter of 2023, and a \$10.0 million \$13.3 million, or 7.47% 10.55%, decrease from the third first quarter of 2022. 2023. The \$3.8 million quarter-over-quarter increase decrease in net interest income was primarily due to a nine 16 basis point increase decline in net interest margin. margin driven by approximately \$6 million in higher interest expense associated with time deposits and borrowings. The decline in net interest income compared to the third first quarter of 2022 2023 was due to a \$484.2 million decrease in average earning assets and a 15 35 basis point decrease in net interest margin. margin and a \$158.5 million decline in average earning assets. Interest expense from borrowings increased by approximately \$12 million compared to the first quarter of 2023, as average borrowings grew by \$1.02 billion.

The third Noninterest income was \$14.1 million for the first quarter of 2023 included \$2.0 million in provision 2024, compared with \$19.2 million for credit losses, compared to \$500,000 in provision for credit losses in the second fourth quarter of 2023 and \$2.0 million \$13.2 million for the first quarter of 2023. First quarter income from Bank Owned Life Insurance ("BOLI") decreased by \$4.3 million from the fourth quarter of 2023 and increased by \$2.4 million compared to the first quarter of 2023, primarily due to restructuring and enhancements in BOLI policies in the third fourth quarter of 2022. 2023.

Noninterest expense for the first quarter of 2024 was \$59.8 million, compared to \$65.9 million for the fourth quarter of 2023 and \$54.9 million for the first quarter of 2023. The year-to-date provision \$6.2 million quarter-over-quarter decrease was primarily due to the expense associated with the FDIC special assessment. The first quarter of 2024 reflected an additional accrual of \$2.3 million for credit losses the FDIC special assessment. This is in addition to the \$9.2 million accrued in the fourth quarter of \$4.0 million 2023. The increase in the accrual was the result of an overall increase the FDIC increasing its initial estimate of losses from last year's bank failures by 25%, which was communicated in projected loss rates March of 2024.

At March 31, 2024, total assets of \$16.47 billion increased by \$447.2 million, or 2.79%, from 0.94% total assets of \$16.02 billion at the end December 31, 2023. Interest-earning assets of 2022 to 1.00% \$14.91 billion at September 30, 2023 March 31, 2024, increased by \$448.9 million, or 3.10%, when compared with \$14.46 billion at December 31, 2023. The increase in projected loss rates continues interest-earning assets was primarily due to be driven primarily a \$707.7 million increase in interest-earning balances due from the Federal Reserve, offset by a deteriorating economic forecast that assumes modest recession \$129.0 million decrease in early 2024 with modest overall GDP growth through 2025, as well as lower commercial real estate values investment securities, and an a \$134.2 million decrease in total loans.



Total investment securities were \$5.29 billion at March 31, 2024, a decrease of \$129.0 million, or 2.38%, from \$5.42 billion at December 31, 2023. At March 31, 2024, investment securities held-to-maturity (“HTM”) totaled \$2.45 billion, a decrease of \$10.0 million, or 0.41%, from December 31, 2023. At March 31, 2024, investment securities available-for-sale (“AFS”) totaled \$2.84 billion, inclusive of a pre-tax net unrealized loss of \$485.6 million. AFS securities decreased by \$119.0 million, or 4.03%, from \$2.96 billion at December 31, 2023. Pre-tax unrealized loss grew by \$35.9 million from December 31, 2023. Our tax equivalent yield on investments was 2.64% for the quarter ended March 31, 2024, compared to 2.71% for the fourth quarter of 2023 and 2.37% for the first quarter of 2023. The 27 basis point increase in the rate yield on investment securities from the prior year was impacted by the positive spread generated from fair-value hedging of unemployment. Our forecast reflects GDP growth certain AFS securities, in which the Company receives daily SOFR and pays a weighted average fixed cost of 2.1% for all of 2023, 0.3% in 2024 and 1.1% in 2025. Unemployment is forecasted to be approximately 3.8% in 2023, 5.2% in 2024 and 5.7% in 2025.

In June 2023, fair value hedging transactions were executed in which \$1 billion notional pay-fixed interest rate swaps were consummated with maturities ranging from four to five years, wherein the Company pays a weighted average fixed rate of approximately 3.8% and receives daily SOFR. The fair value of these instruments totaled \$24.9 million on September 30, 2023 \$10.9 million and were reflected as an asset at March 31, 2024. These instruments generated interest income of \$3.8 million \$3.7 million for the third quarter of 2023, compared to \$446,000 for the second quarter of 2023. ended March 31, 2024. Refer to Note 109 – Derivative Financial Instruments of the notes to the unaudited condensed consolidated financial statements of this report for additional information.

At September 30, 2023, total assets of \$15.90 billion decreased by \$573.5 million, or 3.48%, from total assets of \$16.48 billion at December 31, 2022. Interest-earning assets of \$14.33 billion at September 30, 2023 decreased by \$644.7 million, or 4.31%, when compared with \$14.97 billion at December 31, 2022. The decrease in interest-earning assets was primarily due to a \$446.9 million decrease in investment securities and a \$201.8 million decrease in total loans.

Total investment securities were \$5.36 billion at September 30, 2023, a decrease of \$446.9 million, or 7.69%, from \$5.81 billion at December 31, 2022, primarily due to repayments and maturities. At September 30, 2023, investment securities held-to-maturity (“HTM”) totaled \$2.49 billion, a decrease of \$64.9 million, or 2.54%, from December 31, 2022. At September 30, 2023, investment securities available-for-sale (“AFS”) totaled \$2.87 billion, inclusive of a pre-tax net unrealized loss of \$628.4 million. AFS securities decreased by \$382.0 million, or 11.74%, from \$3.26 billion December 31, 2022. Our tax equivalent yield on investments was 2.64% for the quarter ended September 30, 2023, compared to 2.37% for the second quarter of 2023 and 2.12% for the third quarter of 2022.



Total loans and leases, at amortized cost, of \$8.88 billion \$8.77 billion at September 30, 2023 March 31, 2024, decreased by \$201.8 million \$134.2 million, or 2.22% 1.51%, from December 31, 2022. After adjusting for seasonality of dairy & livestock loans, our core loans declined by \$114.8 million, or 1.32%, from December 31, 2022 December 31, 2023. The \$201.8 million decrease quarter-over-quarter decline in total loans included decreases of \$87.0 million in dairy & livestock loans, \$41.9 million \$64.0 million in commercial real estate loans, \$25.2 million \$61.3 million in dairy & livestock and agribusiness loans, \$7.9 million in construction loans, \$10.6 million \$6.8 million in commercial and industrial loans, \$7.8 million partially offset by an increase of \$6.6 million in SBA loans, \$5.9 million in PPP loans, and \$24.9 million in consumer and other SFR mortgage loans. Commercial and industrial line utilization was 27% at September 30, 2023, compared to 33% at the end of 2022. The decline in dairy & and livestock loans primarily relates to the seasonal peak in line utilization at the end of every calendar year, demonstrated by a decline in utilization from 78% 80% at December 31, 2022 the end of 2023 to 73% 75% at September 30, 2023 March 31, 2024. Our yield on loans was 5.07% 5.30% for the quarter ended September 30, 2023 March 31, 2024, compared to 5.01% 5.18% for the second fourth quarter of 2023 and 4.56% 4.90% for the third quarter of 2022. Loan yields, excluding the impact of PPP loans and discount accretion from acquired loans, increased from 4.42% in the third quarter of 2022 to 5.02% in the third first quarter of 2023. This 60 40 basis point increase in our core loan yields year-over-year was the result of recent increases in interest rates, highlighted by the 525 basis point increase in the Fed Funds rate since the end of the first quarter of 2022.

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The allowance for credit losses totaled \$89.0 million \$82.8 million at September 30, 2023 March 31, 2024, compared to \$85.1 million \$86.8 million at December 31, 2022 December 31, 2023. The \$4.0 million There was no provision for credit losses in the first nine months quarter of 2023 2024. The decline in the allowance was due to \$4 million of net charge-offs in the result first quarter of an overall increase 2024, primarily due to two borrowers in projected which specific loan loss reserves were previously established in 2023. Projected loss rates from 0.94% at the end of 2022 to 1.00% at September 30, 2023. The increase in projected loss rates continues continue to be driven primarily by a deteriorating economic forecast that assumes modest changes to various macroeconomic variables such as Real GDP growth through 2024, as well as lower commercial real estate values and an increase in the rate of unemployment.

Since March of 2022 to September March of 2023, 2024, the Federal Reserve has increased the Federal Funds rate by 525 basis points to the target range of 5.25% to 5.50%. In comparison to the rising Federal Funds rate, our average cost of deposits has increased from 5 three basis points for the third first quarter of 2022 to 52 74 basis points for the third first quarter of 2023, 2024. The change in market interest rates that has resulted from the Federal Reserve's monetary policies has impacted the availability of higher interest rates on short-term alternatives to deposits, such as money market mutual funds and treasury notes. These higher yielding alternatives, as well as overall inflationary increases on spending, have impacted our deposit levels over the last year. two years.

Noninterest-bearing deposits were \$7.11 billion at March 31, 2024, a decrease of \$7.59 billion at September 30, 2023, decreased \$577.7 million \$93.4 million, or 7.08% 1.30%, when compared to \$8.16 billion \$7.21 billion at December



31, 2022 December 31, 2023 and a decrease of \$731.5 million, or 9.33%, when compared to \$7.84 billion at March 31, 2023. At September 30, 2023 March 31, 2024, noninterest-bearing deposits were 61.39% 59.80% of total deposits, compared to 63.60% 63.03% at December 31, 2022. Higher interest rates that have resulted from the Federal Reserve's significant increase in the federal funds rate over the last year have continued to impact deposit levels, including approximately \$720 million of funds on deposit December 31, 2023 and 63.92% at the end of 2022 that were transferred from the Bank's balance sheet by customers to be invested by Citizens Trust in higher yielding instruments such as United States treasury notes or bonds. March 31, 2023.

Interest-bearing deposits were \$4.77 billion \$4.78 billion at September 30, 2023 March 31, 2024, an increase of \$100.3 million \$554.7 million, or 2.15% 13.12%, when compared to \$4.67 billion \$4.23 billion at December 31, 2022 December 31, 2023 and an increase of \$354.6 million, or 8.01%, when compared to \$4.43 billion at March 31, 2023. The increase in deposits included \$300 million in new brokered deposits at March 31, 2024. These deposits, which mature every 90 days, were combined with cash flow hedges which resulted in a fixed rate of approximately 4.2%. Customer repurchase agreements totaled \$269.6 million \$275.7 million at September 30, 2023 March 31, 2024, compared to \$565.4 million \$271.6 million at December 31, 2022 December 31, 2023 and \$490.2 million at March 31, 2023. Our average cost of total deposits including customer repurchase agreements was 0.51% 0.73% for the first quarter ended September 30, 2023, of 2024, compared to 0.35% 0.61% for the fourth quarter ended June 30, 2023 of 2023 and 0.05% 0.17% for the third first quarter of 2022. 2023.

At September 30, 2023 March 31, 2024, total short-term borrowings, of \$1.12 billion consisted of \$870 million approximately \$2.0 billion of one-year advances from the Federal Reserve's Bank Term Funding Program ("BTFP"), at a cost of 4.87% and \$250 million of short-term Federal Home Loan Bank ("FHLB") advances, at an weighted average cost of approximately 5% 4.75%. Borrowings decreased \$375 million from the end The BTFP advances include maturities of the second quarter \$695 million in May and \$1.3 billion in January of 2023 to the end of the third quarter of 2023, as cash balances were drawn down by \$378 million over the same time period. We continued to shrink our investment portfolio resulting in a decline of \$446.9 million from December 31, 2022. Short-term borrowings increased \$125 million from \$995.0 million at December 31, 2022. We had \$1.32 billion in average short-term borrowings at a cost of 4.84% for the third quarter of 2023, compared to \$1.53 billion in the second quarter of 2023 at a cost of 4.90%. These short-term borrowings and an increase in the cost of deposits and customer repurchase agreements from 35 basis points in the second quarter of 2023 to 51 basis points in the third quarter of 2023, increased our cost of funds by nine basis points to 0.92% for the third quarter of 2023. 2025.

The Company's total equity was \$1.95 billion \$2.09 billion at September 30, 2023 March 31, 2024. This represented an overall increase of \$2.9 million \$8.9 million from total equity of \$1.95 billion \$2.08 billion at December 31, 2022 December 31, 2023. Increases to equity included \$172.9 million \$48.6 million in net earnings, that were partially offset by a \$72.3 million \$27.9 million in cash dividends and an \$11.7 million decrease in other comprehensive income. At income from the end tax effected impact of the second quarter net decline in market value of 2023, we entered into pay-fixed rate swaps to mitigate the risks of rising interest rates on our AFS available-for-sale securities portfolio. This resulted in a fair value remeasurement of this swap derivative at September 30, 2023, resulting in an after tax and increase in other comprehensive income value of \$17.6 million. Decreases from December 31, 2022 included \$83.7 million in cash dividends, pay fixed swaps. We engaged in no stock repurchases during the second and third quarters of 2023, compared



to the first quarter of 2023, when we repurchased, under our 10b5-1 stock repurchase plan, 791,800 shares of common stock, at an average repurchase price of \$23.43, totaling \$18.5 million. This 10b5-1 plan expired on March 2, 2023 and no new plan has been put in place since that time. 2024. Our tangible book value per share at September 30, 2023 March 31, 2024 was \$8.39. \$9.36.

Our capital ratios under the revised capital framework referred to as Basel III remain well-above regulatory requirements. As of September 30, 2023 March 31, 2024, the Company's Tier 1 leverage capital ratio was 10.00% 10.46%, common equity Tier 1 ratio was 14.38% 14.95%, Tier 1 risk-based capital ratio was 14.38% 14.95%, and total risk-based capital ratio was 15.25% 15.77%. Refer to our *Analysis of Financial Condition – Capital Resources*.

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## ANALYSIS OF THE RESULTS OF OPERATIONS

### Financial Performance

	Three Months Ended		Variance	
	September 30,	June 30,		
	2023	2023	\$	%
	(Dollars in thousands, except per share amounts)			
Net interest income	\$ 123,371	\$ 119,535	\$ 3,836	3.21 %
Provision for credit losses	(2,000)	(500)	(1,500)	-300.00 %
Noninterest income	14,309	12,656	1,653	13.06 %
Noninterest expense	(55,058)	(54,017)	(1,041)	-1.93 %
Income taxes	(22,735)	(21,904)	(831)	-3.79 %
Net earnings	<u>\$ 57,887</u>	<u>\$ 55,770</u>	<u>\$ 2,117</u>	3.80 %
Earnings per common share:				
Basic	\$ 0.42	\$ 0.40	\$ 0.02	
Diluted	\$ 0.42	\$ 0.40	\$ 0.02	
Return on average assets	1.40 %	1.36 %	0.04 %	



Return on average shareholders' equity	11.33 %	11.03 %	0.30 %
Efficiency ratio	39.99 %	40.86 %	-0.87 %
Noninterest expense to average assets	1.33 %	1.32 %	0.01 %
<b>Three Months Ended</b>			
	<b>September 30,</b>		<b>Variance</b>
	<b>2023</b>	<b>2022</b>	<b>\$            %</b>
<i>(Dollars in thousands, except per share amounts)</i>			
Net interest income	\$ 123,371	\$ 133,338	\$ (9,967) -7.47 %
Provision for credit losses	(2,000)	(2,000)	— 0.00 %
Noninterest income	14,309	11,590	2,719 23.46 %
Noninterest expense	(55,058)	(53,027)	(2,031) -3.83 %
Income taxes	(22,735)	(25,262)	2,527 10.00 %
Net earnings	<u>\$ 57,887</u>	<u>\$ 64,639</u>	<u>\$ (6,752)</u> -10.45 %
Earnings per common share:			
Basic	\$ 0.42	\$ 0.46	\$ (0.04)
Diluted	\$ 0.42	\$ 0.46	\$ (0.04)
Return on average assets	1.40 %	1.52 %	-0.12 %
Return on average shareholders' equity	11.33 %	12.72 %	-1.39 %
Efficiency ratio	39.99 %	36.59 %	3.40 %
Noninterest expense to average assets	1.33 %	1.25 %	0.08 %

	<b>Nine Months Ended</b>				<b>Three Months Ended</b>			
	<b>September 30,</b>		<b>Variance</b>		<b>March 31,</b>		<b>Variance</b>	
	<b>2023</b>	<b>2022</b>	<b>\$</b>	<b>%</b>	<b>2024</b>	<b>2023</b>	<b>\$</b>	<b>%</b>
<i>(Dollars in thousands, except per share amounts)</i>					<i>(Dollars in thousands, except per share amounts)</i>			
Net interest income	\$ 368,634	\$ 368,118	\$ 516	0.1 %	\$ 112,461	\$ 125,728	\$ (13,267)	-10.55 %
Provision for credit losses	(4,000)	(8,100)	4,100	50.62 %				
(Provision for) recapture of credit losses					—	(1,500)	1,500	100.00 %
Noninterest income	40,167	37,524	2,643	7.04 %	14,113	13,202	911	6.90 %



Noninterest expense	(163,956)	(162,136)	(1,820)	-1.1%	(59,771)	(54,881)	(4,890)	-8.91%
Income taxes	(67,918)	(66,149)	(1,769)	-2.6%	(18,204)	(23,279)	5,075	21.80%
Net earnings	\$ 172,927	\$ 169,257	\$ 3,670	2.1%	\$ 48,599	\$ 59,270	\$ (10,671)	-18.00%
Earnings per common share:								
Basic	\$ 1.24	\$ 1.20	\$ 0.04		\$ 0.35	\$ 0.42	\$ (0.07)	
Diluted	\$ 1.24	\$ 1.20	\$ 0.04		\$ 0.35	\$ 0.42	\$ (0.07)	
Return on average assets	1.41%	1.32%	0.09%		1.21%	1.47%	-0.26%	
Return on average shareholders' equity	11.50%	10.69%	0.81%		9.31%	12.15%	-2.84%	
Efficiency ratio	40.11%	39.97%	0.14%		47.22%	39.50%	7.72%	
Noninterest expense to average assets	1.34%	1.27%	0.07%		1.48%	1.36%	0.12%	

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	Three Months Ended		Variance	
	March 31,	December 31,		
	2024	2023	\$	%
(Dollars in thousands, except per share amounts)				
Net interest income	\$ 112,461	\$ 119,356	\$ (6,895)	-5.78%
(Provision for) recapture of credit losses	—	2,000	(2,000)	100.00%
Noninterest income	14,113	19,163	(5,050)	-26.35%
Noninterest expense	(59,771)	(65,930)	6,159	9.34%
Income taxes	(18,204)	(26,081)	7,877	30.20%
Net earnings	\$ 48,599	\$ 48,508	\$ 91	0.19%
Earnings per common share:				
Basic	\$ 0.35	\$ 0.40	\$ (0.05)	



Diluted	\$	0.35	\$	0.40	\$	(0.05)
Return on average assets		1.21 %		1.36 %		-0.15 %
Return on average shareholders' equity		9.31 %		11.03 %		-1.72 %
Efficiency ratio		47.22 %		40.86 %		6.36 %
Noninterest expense to average assets		1.48 %		1.32 %		0.16 %

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### Return on Average Tangible Common Equity Reconciliation (Non-GAAP)

The return on average tangible common equity is a non-GAAP disclosure. The Company uses certain non-GAAP financial measures to provide supplemental information regarding the Company's performance. The following is a reconciliation of net income, adjusted for tax-effected amortization of intangibles, to net income computed in accordance with GAAP; a reconciliation of average tangible common equity to the Company's average stockholders' equity computed in accordance with GAAP; as well as a calculation of return on average tangible common equity.

	Nine Months					Three Months Ended		
	Three Months Ended		Ended			Three Months Ended		
	Septe mber 30, 2023	June 30, 2023	Septe mber 30, 2022	Septe mber 30, 2023	Septe mber 30, 2022	March 31, 2024	December 31, 2023	March 31, 2023
	(Dollars in thousands)					(Dollars in thousands)		
	55,							
	57,8	77	64,6	172,	169,			
Net Income	\$ 87	\$ 0	\$ 39	\$ 927	\$ 257	\$ 48,599	\$ 48,508	\$ 59,270
Add: Amortization of intangible assets	1,56	1,7	1,84	5,00	5,84	1,438	1,446	1,720
	7	19	6	6	2			
Less: Tax effect of amortization of intangible assets (1)	(463)	(8)	(546)	(80)	(1,727)			



Less: Tax effect of amortization of intangible assets [1]						(425)	(427)	(508)
Tangible net income	58,9	98	65,9	176,	173,			
	\$ 91	\$ 1	\$ 39	\$ 453	\$ 372	\$ 49,612	\$ 49,527	\$ 60,482
Average stockholders' equity	2,02	27,	2,01	2,01	2,11			
	7,03	70	6,19	1,17	6,16			
	\$ 0	\$ 8	\$ 8	\$ 2	\$ 4	\$ 2,098,868	\$ 1,994,150	\$ 1,978,244
Less: Average goodwill	(765	5,8	(765	(765	(763			
	,822)	22)	,822)	,822)	,578)	(765,822)	(765,822)	(765,822)
Less: Average intangible assets	(17,	,29	(24,	(19,	(26,			
	526)	8)	396)	256)	308)	(14,585)	(15,993)	(20,983)
Average tangible common equity	1,24	42,	1,22	1,22	1,32			
	3,68	58	5,98	6,09	6,27			
	\$ 2	\$ 8	\$ 0	\$ 4	\$ 8	\$ 1,318,461	\$ 1,212,335	\$ 1,191,439
Return on average equity, annualized	11.3	11.	12.7	11.5	10.6			
	3 %	03 %	2 %	0 %	9 %	9.31 %	9.65 %	12.15 %
Return on average tangible common equity, annualized	18.8	18.	21.3	19.2	17.4			
	2 %	39 %	4 %	4 %	8 %	15.13 %	16.21 %	20.59 %

(1) Tax effected at respective statutory rates.

## Net Interest Income

The principal component of our earnings is net interest income, which is the difference between the interest and fees earned on loans investments and interest earning cash investments (interest-earning assets) and the interest paid on deposits and borrowed funds (interest-bearing liabilities). Net interest margin is net interest income as a percentage of average interest-earning assets for the period. The level of interest rates and the volume and mix of interest-earning assets



and interest-bearing liabilities impact net interest income and net interest margin. The net interest spread is the yield on average interest-earning assets minus the cost of average interest-bearing liabilities. Net interest margin and net interest spread are included on a tax equivalent (TE) basis by adjusting interest income utilizing the federal statutory tax rates of 21% in effect for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023. Our net interest income, interest spread, and net interest margin are sensitive to general business and economic conditions. These conditions include short-term and long-term interest rates, inflation, monetary policy, supply, and the strength of the global, international, national and state economies, in general, and more specifically, the local economies in which we conduct business. Our ability to manage net interest income during changing interest rate environments will have a significant impact on our overall performance. We manage net interest income through affecting changes in the mix of interest-earning assets as well as the mix of interest-bearing liabilities, changes in the level of interest-bearing liabilities in proportion to interest-earning assets, and in the growth and maturity of earning assets, and derivative financial instruments. assets. See Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations – Asset/Liability and Market Risk Management – Interest Rate Sensitivity Management included herein.

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The tables below present the interest rate spread, net interest margin and the composition of average interest-earning assets and average interest-bearing liabilities by category for the periods indicated, including the changes in average balance, composition, and average yield/rate between these respective periods.

	Three Months Ended September 30,						Three Months Ended March 31,					
	2023			2022			2024			2023		
INTEREST-EARNING ASSETS	Average	Yield/		Average	Yield/		Average	Yield/		Average	Yield/	
	Balance	Interest	Rate	Balance	Interest	Rate	Balance	Interest	Rate	Balance	Interest	Rate
	(Dollars in thousands)						(Dollars in thousands)					
Investment securities												
(1)												



Available-for-sale securities:													
	3,01	22,	2.	3,55	18,	2.							
	5,61	27	9	0,60	37	0							
Taxable	\$ 4	\$ 2	5 %	\$ 2	\$ 1	8 %	\$ 2,874,642	\$ 21,280	2.96 %	\$ 3,190,462	\$ 19,428	2.44 %	
			3.			3.							
Tax-	25,3	16	1	26,0	17	1							
advantaged	51	9	9 %	47	2	6 %	25,455	166	3.13 %	25,681	168	3.13 %	
Held-to-maturity securities:													
	2,12	11,	2.	2,13	10,	2.							
	1,57	13	1	6,75	84	0							
Taxable	1	9	0 %	0	5	4 %	2,080,985	10,984	2.11 %	2,163,847	11,507	2.13 %	
			3.			3.							
Tax-	380,	2,4	1	320,	1,9	0							
advantaged	054	37	0 %	297	89	5 %	376,626	2,418	3.11 %	382,738	2,449	3.10 %	
			1										
			1.			5.							
Investment in FHLB stock	21,5	59	0	18,0	25	6							
	60	8	0 %	12	8	8 %	18,012	419	9.36 %	28,868	349	4.90 %	
Interest-earning deposits with other institutions			5.			2.							
	473,	6,4	3	633,	3,4	1							
	391	22	8 %	152	76	8 %	444,101	6,073	5.50 %	47,934	491	4.15 %	
	8,86	11	5.	8,69	10	4.							
	2,46	3,1	0	9,30	0,0	5							
Loans (2)	2	90	7 %	3	77	6 %	8,824,579	116,349	5.30 %	8,963,323	108,394	4.90 %	
	14,9	15	4.	15,3	13	3.							
Total interest-earning assets	00,0	6,2	1	84,1	5,1	5							
	03	27	8 %	63	88	1 %	14,644,400	157,689	4.34 %	14,802,853	142,786	3.91 %	
	1,53			1,48									
Total noninterest-earning assets	3,57			7,72									
	5			5			1,561,013			1,510,283			
	16,4			16,8									
	33,5			71,8									
Total assets	\$ 78			\$ 88			\$ 16,205,413			\$ 16,313,136			



INTEREST-BEARING LIABILITIES												
	4,45	15,	1.	4,84		0.						
	9,96	67	3	9,17	1,7	1						
Savings deposits (3)	\$ 7	\$ 0	9 %	\$ 7	\$ 25	4 %	\$ 4,007,124	\$ 18,529	1.86 %	\$ 4,335,951	\$ 5,247	0.49 %
			1.			0.						
	309,	84	0	357,		0						
Time deposits	930	7	8 %	210	3	0 %	447,011	2,837	2.55 %	285,296	118	0.17 %
	4,76	16,	1.	5,20		0.						
Total interest-bearing deposits	9,89	51	3	6,38	1,7	1						
	7	7	7 %	7	28	3 %	4,454,135	21,366	1.93 %	4,621,247	5,365	0.47 %
FHLB advances, other borrowings, and customer repurchase agreements	1,65	16,	3.			0.						
	8,90	33	9	515,	12	0						
	7	9	1 %	143	2	9 %	2,301,250	23,862	4.17 %	1,522,455	11,693	3.11 %
	6,42	32,	2.	5,72		0.						
Interest-bearing liabilities	8,80	85	0	1,53	1,8	1						
	4	6	3 %	0	50	3 %	6,755,385	45,228	2.69 %	6,143,702	17,058	1.13 %
	7,81			9,00								
Noninterest-bearing deposits	3,12			9,96								
	0			2			7,182,718			8,092,704		
	164,			124,								
Other liabilities	624			198			168,442			98,486		
	2,02			2,01								
	7,03			6,19								
Stockholders' equity	0			8			2,098,868			1,978,244		
	16,4			16,8								
Total liabilities and stockholders' equity	33,5			71,8								
	\$ 78			\$ 88			\$ 16,205,413			\$ 16,313,136		
		12			13							
		3,3			3,3							
Net interest income	\$ 71			\$ 38			\$ 112,461			\$ 125,728		



	2.	3.		
Net interest spread	1	3		
- tax equivalent	5 %	8 %	1.65 %	2.78 %
	3.	3.		
	2	4		
Net interest margin	9 %	5 %	3.08 %	3.43 %
	3.	3.		
Net interest margin	3	4		
- tax equivalent	1 %	6 %	3.10 %	3.45 %

- (1) Includes tax equivalent (TE) adjustments utilizing federal statutory rates of 21% in effect for the three months ended September 30, 2023, March 31, 2024 and 2022, March 31, 2023. The non TE rates for total investment securities were 2.60% and 2.09% 2.33% for the three months ended September 30, 2023, March 31, 2024 and 2022, March 31, 2023, respectively.
- (2) Includes loan fees of \$763,000 million \$706,000 and \$1.7 million \$781,000 for the three months ended September 30, 2023, March 31, 2024 and 2022, March 31, 2023, respectively. Prepayment penalty fees of \$373,000 \$630,000 and \$1.7 million \$583,000 are included in interest income the three months ended September 30, 2023, March 31, 2024 and 2022, March 31, 2023, respectively.
- (3) Includes interest-bearing demand and money market accounts.

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	Nine Months Ended September 30,					
	2023			2022		
	Average	Yield/		Average	Yield/	
	Balance	Interest	Rate	Balance	Interest	Rate
(Dollars in thousands)						
INTEREST-EARNING ASSETS						
Investment securities (1)						
Available-for-sale securities:						
Taxable	\$ 3,113,643	\$ 60,887	2.61 %	\$ 3,592,033	\$ 47,883	1.81 %
Tax-advantaged	25,726	506	3.14 %	27,950	534	3.05 %
Held-to-maturity securities:						
Taxable	2,143,195	33,939	2.11 %	2,059,798	29,927	1.95 %
Tax-advantaged	381,604	7,333	3.10 %	292,552	5,284	2.94 %
Investment in FHLB stock	27,460	1,430	6.96 %	18,315	902	6.58 %
Interest-earning deposits with other institutions	293,203	11,583	5.28 %	1,030,806	5,712	0.74 %
Loans (2)	8,905,697	332,574	4.99 %	8,612,166	282,308	4.38 %
Total interest-earning assets	14,890,528	448,252	4.04 %	15,633,620	372,550	3.21 %
Total noninterest-earning assets	1,522,286			1,452,100		



Total assets	<u>\$ 16,412,814</u>			<u>\$ 17,085,720</u>		
INTEREST-BEARING LIABILITIES						
Savings deposits (3)	\$ 4,327,906	\$ 31,268	0.97 %	\$ 4,939,005	\$ 3,914	0.11 %
Time deposits	296,942	1,379	0.62 %	366,783	142	0.05 %
Total interest-bearing deposits	4,624,848	32,647	0.94 %	5,305,788	4,056	0.10 %
FHLB advances, other borrowings, and customer						
repurchase agreements	1,734,999	46,971	3.62 %	591,641	376	0.08 %
Interest-bearing liabilities	6,359,847	79,618	1.67 %	5,897,429	4,432	0.10 %
Noninterest-bearing deposits	7,908,749			8,885,637		
Other liabilities	133,046			186,490		
Stockholders' equity	2,011,172			2,116,164		
Total liabilities and stockholders' equity	<u>\$ 16,412,814</u>			<u>\$ 17,085,720</u>		
Net interest income		<u>\$ 368,634</u>			<u>\$ 368,118</u>	
Net interest spread - tax equivalent			2.36 %			3.11 %
Net interest margin			3.31 %			3.16 %
Net interest margin - tax equivalent			3.32 %			3.17 %
(1)	Includes tax equivalent (TE) adjustments utilizing federal statutory rates of 21% in effect for the nine months ended September 30, 2023 and 2022. The non TE rates were 2.42% and 1.89% for the nine months ended September 30, 2023 and 2022 respectively.					
(2)	Includes loan fees of \$2.4 million and \$7.1 million for nine months ended September 30, 2023 and 2022, respectively. Prepayment penalty fee \$1.6 million and \$6.3 million are included in interest income for the nine months ended September 30, 2023 and 2022, respectively.					
(3)	Includes interest-bearing demand and money market accounts.					

The following table presents a comparison of interest income and interest expense resulting from changes in the volumes and rates on average interest-earning assets and average interest-bearing liabilities for the periods indicated. Changes in interest income or expense attributable to volume changes are calculated by multiplying the change in volume by the initial average interest rate. The change in interest income or expense attributable to changes in interest rates is calculated by multiplying the change in interest rate by the initial volume. The changes attributable to interest rate and volume changes are calculated by multiplying the change in rate times the change in volume and reflect an adjustment for the number of days as appropriate.



## Rate and Volume Analysis for Changes in Interest Income, Interest Expense and Net Interest Income

	Comparison of Three Months Ended September 30, 2023 Compared to 2022				Comparison of Three Months Ended March 31, 2024 Compared to 2023			
	Increase (Decrease) Due to				Increase (Decrease) Due to			
	Volume	Rate	Volume	Total	Volume	Rate	Volume	Total
	(Dollars in thousands)				(Dollars in thousands)			
Interest income:								
Available-for-sale securities:								
Taxable investment securities	\$ (2,739)	\$ 7,790	\$ (1,150)	\$ 3,901	\$ (1,913)	\$ 4,192	\$ (427)	\$ 1,852
Tax-advantaged investment securities	(5)	2	—	(3)	(1)	(1)	—	(2)
Held-to-maturity securities:								
Taxable investment securities	(45)	343	(4)	294	(438)	(85)	—	(523)
Tax-advantaged investment securities	413	32	3	448	(38)	8	(1)	(31)
Investment in FHLB stock	51	242	47	340	(132)	320	(118)	70
Interest-earning deposits with other institutions	(877)	5,113	(1,290)	2,946	4,092	160	1,330	5,582
Loans	1,877	11,031	205	13,113	(1,691)	8,898	748	7,955
Total interest income	(1,325)	24,553	(2,189)	21,039	(121)	13,492	1,532	14,903



Interest expense:								
Savings deposits	(13) 8	15, 312	(1,2) 29	13,9 45	(401)	14,759	(1,076)	13,282
Time deposits	—	973	(129)	844	67	1,692	960	2,719
FHLB advances, other borrowings, and customer repurchase agreements	271	4,9 52	10,9 94	16,2 17	6,031	3,996	2,142	12,169
Total interest expense	133	21, 237	9,63 6	31,0 06	5,697	20,447	2,026	28,170
Net interest income	\$(1,4) 58	\$3,3 16	\$(11, 825)	\$(9,9) 67	\$(5,818)	\$(6,955)	\$(494)	\$(13,267)

Comparison of Nine Months Ended September 30, 2023 Compared to 2022				
Increase (Decrease) Due to				
	Volume	Rate	Rate/ Volume	Total
	(Dollars in thousands)			
Interest income:				
Available-for-sale securities:				
Taxable investment securities	\$ (7,393)	\$ 27,991	\$ (7,594)	\$ 13,004
Tax-advantaged investment securities	(57)	21	8	(28)
Held-to-maturity securities:				
Taxable investment securities	1,837	3,359	(1,184)	4,012
Tax-advantaged investment securities	2,243	371	(565)	2,049
Investment in FHLB stock	602	69	(143)	528
Interest-earning deposits with other institutions	(5,465)	46,808	(35,472)	5,871
Loans	12,864	52,549	(15,147)	50,266
Total interest income	4,631	131,168	(60,097)	75,702
Interest expense:				
Savings deposits	(647)	42,475	(14,474)	27,354
Time deposits	(36)	2,088	(815)	1,237



FHLB advances, other borrowings, and customer repurchase agreements	971	20,912	24,712	46,595
Total interest expense	288	65,475	9,423	75,186
Net interest income	\$ 4,343	\$ 65,693	\$ (69,520)	\$ 516

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### Third First Quarter of 2023 2024 Compared to the Third First Quarter of 2022 2023

Net interest income, before provision for credit losses, of \$123.4 million \$112.5 million for the third first quarter of 2023 2024 decreased by \$10.0 million \$13.3 million, or 7.47% 10.55%, from the third first quarter of 2022. 2023. The decline in net interest income compared to the third first quarter of 2022 2023 was primarily due to a \$484.2 million decrease \$158.5 million decline in average earning assets and a 15 35 basis point decrease in the net interest margin. The decline in net interest margin was the result of an 82 basis point increase in funding costs, which was partially offset by a 43 basis point increase in the earning asset yield. The increase in funding costs includes interest expense from borrowings, which increased by approximately \$12 million compared to the first quarter of 2023, as average borrowings grew by \$1.02 billion.

Total interest income was \$156.2 million for of \$157.7 million grew by \$14.9 million, or 10.44%, when compared to the third first quarter of 2023, which was \$21.0 million, or 15.56%, higher than the same period of 2022. 2023. This increase was primarily due to a 67 43 basis point expansion of the yield on earning assets, which offset a \$484.2 million \$158.5 million decline in average interest-earning assets. Average loan balances declined by \$138.7 million. Loan yields grew from 4.90% for the first quarter of 2023 to 5.30% for the first quarter of 2024. Likewise, the yield on investment securities increased by 27 basis points from the prior year. Compared to the first quarter of 2023, the average balance of investment securities decreased by \$405.0 million, while the average amount of funds held at the Federal Reserve increased by \$396.5 million.

Total interest income and fees on loans for the third first quarter of 2023 2024 was \$113.2 million \$116.3 million, an increase of \$13.1 million \$8.0 million, or 13.10% 7.34%, from the third first quarter of 2022. 2023. This increase in income was primarily due to higher loan yields, which grew from 4.90% in the first quarter of 2023 to 5.30% in the first quarter of 2024. Loan yields grew year-over-year, as rising interest rates contributed to an increase in yields on loans indexed to the Prime rate or other short-term indexes, as well as higher rates from 4.56% for the third quarter of 2022 to 5.07% for the third quarter of 2023, while average loans also grew by \$163.2 million. newly originated loans.

Interest income from investment securities was \$36.0 million \$34.8 million, an increase of \$4.6 million \$1.3 million, or 14.79% 3.86%, from the third first quarter of 2022. 2023. The increase was driven by a result of a 52 basis point increase in security yields, offset by investment securities declining on average by \$491.1 million. The 52 27 basis point increase in the yield on investment securities, from the prior year quarter was primarily due compared to 2023. The increase in yield includes the positive spread generated from carry on the pay-fixed swaps, in which the Company receives daily SOFR and pays a weighted average fixed cost of approximately 3.8%. Average funds on deposit at the Federal Reserve also declined by \$157.8 million.



In June 2023, fair value hedging transactions were executed in which \$1.0 billion notional pay-fixed interest rate swaps were consummated with maturities ranging from four to five years in which hedges during the Company pays a weighted average fixed rate of approximately 3.8% and receives daily SOFR. The third first quarter of 2023 included approximately \$3.8 million 2024, which resulted in \$3.7 million of interest income associated with these interest rate swaps. Refer to Note 10 – *Derivative Financial Instruments* Excluding the impact of these swaps, interest income on investment securities would have declined by \$2.4 million, as average investment securities declined by \$405.0 million when compared with the notes to the unaudited condensed consolidated financial statements first quarter of this report for additional information. 2023.

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Interest expense of \$32.9 million \$45.2 million for the third first quarter of 2023 2024, increased \$31.0 million \$28.2 million, compared to the third first quarter of 2022. 2023. Total cost of funds of 0.92% 1.31% for the third first quarter of 2023 2024 increased from 0.05% 0.49% for the year ago quarter. This 87 82 basis point increase in cost of funds was the result of a 124 146 basis point increase in the cost of interest-bearing deposits and an average cost of 4.84% 4.76% on \$1.32 billion \$1.99 billion of short-term average borrowings for the third first quarter of 2024, compared with 4.81% on \$971.7 million of borrowings for the first quarter of 2023. On average, Average noninterest-bearing deposits were 62.09% 61.72% of total deposits for the third first quarter of 2023, 2024, compared to 63.38% for the third quarter of 2022.

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#### *Nine Months of 2023 Compared to Nine Months of 2022*

Net interest income, before provision for credit losses, was \$368.6 million for the nine months ended September 30, 2023, an increase of \$516,000, or 0.14%, compared to \$368.1 million for the same period of 2022. Interest-earning assets decreased on average by \$743.1 million, or 4.75%, from \$15.63 billion for the nine months ended September 30, 2022 to \$14.89 billion for the same period in the current year. Our net interest margin (TE) was 3.32% 63.65% for the first nine months of 2023, compared to 3.17% for the same period of 2022.

Interest income for the nine months ended September 30, 2023, was \$448.2 million, which represented a \$75.7 million, or 20.32%, increase when compared to the same period of 2022. Compared to the first nine months of 2022, average interest-earning assets decreased by \$743.1 million and the yield on interest-earning assets increased by 83 basis points. The \$743.1 million year-over-year decrease in earning assets resulted from a \$736.1 million decrease in average earning balances due from the Federal Reserve and a decline of \$308.2 million in average investment securities, offset by \$293.5 million of growth in average loans. The 83 basis point increase in the earning asset yield over the first nine months of 2022 resulted from a 61 basis point increase in loan yields, from 4.38% for the first nine months of 2022 to



4.99% for the same period of 2023, as well as a change in the mix of earning assets. Average loans as a percentage of earning assets grew from 55.09% for the first nine months of 2022 to 59.81% for the first nine months of 2023. Average investments as a percentage of earning assets decreased to 38.04% for the first nine months of 2023 from 38.20% for the same period of 2022. The tax-equivalent yield on investment securities was 2.46% for the nine months ended September 30, 2023, compared to 1.92% for the same period of 2022.

Total interest income and fees on loans for the first nine months of 2023 of \$332.6 million increased \$50.3 million, or 17.81%, when compared to the same period of 2022. This increase in income was partly due to growth in average loans of \$293.5 million. Discount accretion on acquired loans decreased by \$3.2 million and interest and fee income from PPP loans declined by \$5.2 million compared to the same period of 2022. After excluding discount accretion and the impact from PPP loans, our core loan yields grew by 70 basis points compared to the first nine months of 2022. Core loan yields grew year-over-year, as rising interest rates contributed to an increase in yields from 4.38% for the first nine months of 2022 to 4.99% for the same period **quarter** of 2023.

Interest income from investment securities of \$102.7 million for the nine months ended September 30, 2023, increased \$19.0 million from \$83.6 million for the first nine months of 2022. This increase was driven by a 54 basis point increase in the yield on securities, compared to the first nine months of 2022. This 54 basis point increase in the yield on investment securities from the prior year period was primarily due to the positive spread generated from the pay-fixed swaps we entered into at the end of the second quarter of 2023. Average investment securities declined from the first nine months of 2022 by \$308.2 million.

At the end of the second quarter of 2023, we entered into pay-fixed rate swaps to mitigate the risks of rising interest rates on our AFS securities portfolio. The nine months ended September 30, 2023 included approximately \$4.2 million of interest income associated with these interest rate swaps.

Interest expense of \$79.6 million for the nine months ended September 30, 2023, increased by \$75.2 million from the same period of 2022. The average rate paid on interest-bearing liabilities increased by 157 basis points, to 1.67% for the first nine months of 2023, from 0.10% for the same period of 2022. Likewise, the rate on interest-bearing deposits for the first nine months of 2023 increased by 84 basis points from the same period in 2022. Average interest-bearing deposits declined by \$680.9 million when compared to the first nine months of 2022. Total cost of funds for the first nine months of 2023 was 0.75%, compared with 0.04% for the same period of 2022. This 75 basis point increase in cost of funds was the result of the increase in the cost of interest-bearing deposits and the addition of \$1.27 billion of short-term borrowings, on average, for the nine months ended September 30, 2023, at an average cost of 4.86%. Average noninterest-bearing deposits represented 63.10% of our total deposits for the nine months ended September 30, 2023, compared to 62.61% for the same period of 2022.

### ***Provision for (Recapture of) Credit Losses***

The provision for (recapture of) credit losses is a charge to earnings to maintain the allowance for credit losses at a level consistent with management's assessment of expected lifetime losses in the loan portfolio as of the balance sheet



date.

The third quarter of 2023 included \$2.0 million in provision for credit losses in the first quarter of 2024, compared to \$2.0 million in provision in the third first quarter of 2022. The year-to-date provision for credit losses of \$4.0 million was 2023. Projected loss rates were 0.94% at March 31, 2024, compared to 0.97% at March 31, 2023. Excluding specific reserves associated with nonperforming or substandard loans, the result of an overall increase in projected loss rates on performing loans increased from 0.94% to 0.91% at the end of 2022 to 1.00% at September 30, 2023. The modest increase in these projected loss rates continues to be driven primarily by a deteriorating economic forecast that assumes modest changes to various macroeconomic variables such as Real GDP growth, through 2024, as well as lower commercial real estate values and an increase in the rate of unemployment. Refer to the discussion of "Allowance for Credit Losses" in Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations contained herein for discussion concerning observed changes in the credit quality of various components of our loan portfolio as well as changes and refinements to our methodology.

For the nine months ended September 30, 2023, we recorded \$4.0 million in provision for credit losses, and experienced credit charge-offs of \$224,000 and total recoveries of \$102,000, resulting in net charge-offs of \$122,000. For the nine months ended September 30, 2022, we recorded \$8.1 million in provision for credit losses, and experienced credit charge-offs of \$70,000 and total recoveries of \$947,000, resulting in net recoveries of \$877,000. Refer to the discussion of "Allowance for Credit Losses" in Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations contained herein for discussion concerning observed changes in the credit quality of various components of our loan portfolio as well as changes and refinements to our methodology.

No assurance can be given that economic conditions which affect the Company's service areas or other circumstances will or will not be reflected in future changes in the level of our allowance for credit losses and the resulting provision or recapture of provision for credit losses. The process to estimate the allowance for credit losses requires considerable judgment and our economic forecasts may continue to vary due to the uncertainty of the future impact that from the pandemic, recent rise in interest rates, geopolitical events in Europe, and overall supply chain issues may global inflation will have on future interest rates, unemployment, the overall economy and resulting impact on our business and customers. See "Allowance for Credit Losses" under *Analysis of Financial Condition* herein.

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## Noninterest Income



Noninterest income includes income derived from financial services offered to our customers, such as CitizensTrust, BankCard merchant processing and card services, international banking, and other business services. Also included in noninterest income are service charges and fees, primarily from deposit accounts, gains (net of losses) from the disposition of investment securities, loans, other real estate owned, and fixed assets, and other revenues not included as interest on earning assets.

The following table sets forth the various components of noninterest income for the periods presented.

	Three Months Ended				Nine Months Ended				Three Months Ended			
	September 30,		Variance		September 30,		Variance		March 31,		Variance	
	2023	2022	\$	%	2023	2022	\$	%	2024	2023	\$	%
	(Dollars in thousands)								(Dollars in thousands)			
Noninterest income:												
Service charges on deposit accounts	5,066	5,020	\$ 37	0.7 %	15,042	15,066	\$ (24)	-0.2 %	5,036	5,344	\$ (308)	-5.76 %
Trust and investment services	2,466	2,487	\$ (21)	-0.8 %	7,515	7,514	\$ 1	0.0 %	3,224	2,914	310	10.64 %
Bankcard services	354	357	\$ (3)	-0.8 %	1,021	1,018	\$ 3	0.3 %	385	377	8	2.12 %



				-										
				2	4		2							
	1,	1,		2	,	3,	2							
	5	9	(4	.	8	9	8	.						
BOLI	4	8	3	0	3	3	9	7						
income	8	7	9)	9%	4	9	5	2%	3,593	1,189	2,404	202.19%		
Swap					6		6							
fee					3		3							
income	—	—	—	—	2	—	2	—						
Gain/(los														
s) on					2		2							
sale of	2,		2,		,		,							
other	5		5		5		5							
investme	7		7		7		7							
nts	5	—	5	—	5	—	5	—						
							(	-						
				3	6		2	2						
	1,	1,		5	,	8,	,	4						
	5	1	3	.	1	2	0	.						
	2	2	9	2	8	0	2	6						
Other	4	7	7	3%	6	7	1)	3%	1,875	3,378	(1,503)	-44.49%		
					4									
Total	1	1		2	0	3	2							
nonint	4,	1,	2,	3	,	7,	,	7						
erest	3	5	7	.	1	5	6	.						
incom	0	9	1	4	6	2	4	0						
e	\$ 9	\$ 0	\$ 9	6%	\$ 7	\$ 4	\$ 3	4%	\$ 14,113	\$ 13,202	\$ 911	6.90%		

**Third First Quarter of 2023 2024 Compared to the Third First Quarter of 2022 2023**

**Noninterest** The \$911,000 increase in noninterest income was \$14.3 million for included a \$2.4 million increase in BOLI income primarily due to the third restructuring and enhancements in our BOLI policies completed in the fourth quarter of 2023. CRA investment income declined by approximately \$800,000, due to both changes in the net asset value of certain equity investments, and a recapture of an impairment charge in the first quarter of 2023 compared with \$11.6 million for of \$500,000 as a result of the third quarter payoff of 2022, a CRA investment that was previously identified as impaired. The third first quarter of 2023 also included approximately \$2.6 million \$550,000 in gain interest rate swap related fees resulting from an equity fund distribution related the conversion to a CRA investment, partially offset by a \$222,000 decrease in CRA



investment income due SOFR of all of our previously originated interest rate swaps indexed to underlying asset valuation declines. Compared to the third quarter of 2022, BOLI income decreased \$439,000. LIBOR.

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Trust and Investment Services represents our CitizensTrust group. The CitizensTrust group is made up of wealth management and investment services. They provide a variety of services, which include asset management, financial planning, estate planning, retirement planning, private and corporate trustee services, and probate services. Investment Services provides self-directed brokerage, 401(k) plans, mutual funds, insurance and other non-insured investment products. At September 30, 2023 March 31, 2024, CitizensTrust had approximately \$3.92 billion \$4.3 billion in assets under management and administration, including \$2.67 billion \$3.09 billion in assets under management. CitizensTrust generated fees of \$3.2 million for the third first quarter of 2023, 2024, compared to \$2.9 million for the same period first quarter of 2022. 2023. We have experienced growth in managed assets from the transition of customer deposits that are now being managed by CitizensTrust in various liquidity strategies. The increase in fees in 2024 included both the impact on market values of changes in equity and fixed income markets but also increased flows of funds from customers, including liquidity management of funds formerly on deposit with the Bank.

The Bank's investment in BOLI includes life insurance policies generally acquired through acquisitions and or the purchase of life insurance by the Bank on a select group of employees to fund deferred compensation plans. The Bank is the owner and beneficiary of these policies. BOLI is recorded as an asset at its cash surrender value. Increases in the cash value of these policies, as well as insurance proceeds received, are recorded in noninterest income and are not subject to income tax, as long as they are held for the life of the covered parties. The increase in BOLI income decreased \$439,000 compared was primarily due to the third restructuring and enhancements in our BOLI policies in the fourth quarter of 2022 due to both the death benefits received in the third 2023. The first quarter of 2022, offset by higher returns for the underlying investments in separate fund life insurance policies used to fund deferred compensation plans. The third quarter of 2022 2024 also included \$1.8 million \$531,000 in death benefits that exceeded the asset value on certain policies, compared with no death benefits for the first quarter of certain policy values, which was offset by a \$1.0 million decline in the market value of separate account life insurance policies that are used to fund our deferred compensation liabilities. 2023.

The Bank also enters into interest rate swap agreements with our customers to manage our interest rate risk and enters into identical offsetting swaps with a counterparty. The changes in the fair value of these non-hedged swaps primarily offset each other resulting in swap fee income. Generally speaking, our volume of back-to-back interest rate swaps is impacted by the level and shape of the yield curve and the Bank's management of interest rate risk. There were no executed swap agreements related to new loan originations for the third quarter of 2023 and the third quarter of 2022. Refer to Note 10 – Derivative Financial Instruments of the notes to the unaudited condensed consolidated financial statements of this report for additional information.

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### Nine Months of 2023 Compared to Nine Months of 2022

The first nine months of 2023 included approximately \$2.6 million of income from an equity fund distribution related to a CRA investment. The \$895,000 increase in BOLI income was primarily due to higher returns for the underlying investments in separate fund life insurance policies used to fund deferred compensation plans and the \$806,000 in death benefits received in 2023 compared to the \$1.8 million in death benefits received in 2022. The remaining LIBOR indexed swaps that were not converted to term SOFR in the first quarter of 2023 were converted during the second quarter of 2023, generating fee income of approximately \$100,000. The nine months ended September 30, 2022 included \$2.7 million in net gains from the sale of properties associated with banking centers. Trust and investment fees grew by \$824,000 or 9.52% due to increased assets under management.

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### Noninterest Expense

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

	Three Months Ended				Nine Months Ended				Three Months Ended			
	September 30,		Variance		September 30,		Variance		March 31,		Variance	
	2023	2022	\$	%	2023	2022	\$	%	2024	2023	\$	%
	(Dollars in thousands)				(Dollars in thousands)				(Dollars in thousands)			
Noninterest expense:												
					1							
	3	3			0	9						
	4,	3,	1,	4	3,	7,	6,	6				
Salaries and	7	2	5	.	5	4	0	.				
employee	4	3	1	5	3	4	9	2				
benefits	\$ 4	\$ 3	\$ 1	5%	\$ 9	\$ 2	\$ 7	6%	\$ 36,401	\$ 35,247	\$ 1,154	3.27%



Occupancy				-	1	1		-					
	4,	4,		3	3,	3,		0					
	7	9	(1	.	9	9		.					
	3	2	9	9	1	5	(4	3					
	0	6	6)	8%	5	7	2)	0%	4,570	4,594	(24)	-0.52 %	
Equipment					4	2,	2,	9					
	8	8		.	6	9	(2	.					
	8	5	3	1	7	6	9	8					
	8	3	5	0%	0	0	0)	0%	995	856	139	16.24 %	
Professional services				-									
				1				-					
	2,	2,		3	6,	6,		6					
	1	4	(3	.	3	7	(4	.					
	1	3	2	1	7	8	1	0					
	7	8	1)	7%	5	8	3)	8%	2,255	1,696	559	32.96 %	
Computer software expense				1	1	1							
	3,	3,		2	0,	0,		2					
	6	2	4	.	3	1	2	.					
	4	4	0	4	7	4	3	2					
	8	3	5	9%	2	1	1	8%	3,525	3,408	117	3.43 %	
Marketing and promotion	1,	1,		9	4,	4,		1					
	6	4	1	.	6	5		.					
	2	8	4	4	6	8	8	7					
	8	8	0	1%	4	4	0	5%	1,630	1,715	(85)	-4.96 %	
Amortization of intangible assets				-				-					
				1				1					
	1,	1,		5	5,	5,		4					
	5	8	(2	.	0	8	(8	.					
	6	4	7	1	0	4	3	3					
	7	6	9)	1%	6	2	6)	1%	1,438	1,720	(282)	-16.40 %	
Telecommunications expense				-									
				1				-					
				3	1,	1,		7					
	4	5		.	5	6	(1	.					
	9	7	(8	8	1	4	2	7					
	6	6	0)	9%	8	6	8)	8%	493	503	(10)	-1.99 %	



				5			5						
	2,	1,		9	6,	4,	2,	5					
	1	3	8	.	4	1	2	.					
Regulatory	8	6	1	4	1	3	8	1					
assessments	1	8	3	3%	7	6	1	5%	4,445	2,072	2,373	114.53%	
				3	1,	1,		3					
	5	4		.	5	4		.					
	0	8	1	7	1	6	4	2					
Insurance	4	6	8	0%	5	8	7	0%	507	505	2	0.40%	
				6				1					
				0				0					
	3	2	1	.	8	7		.					
Loan	6	2	3	3	4	6	7	3					
expense	4	7	7	5%	5	6	9	1%	286	299	(13)	-4.35%	
								1					
								0					
								0					
								.					
OREO								0					
expense	—	—	—	—	—	(3)	3	0%	30	—	30	—	
(Recapture													
of) provision													
for													
unfunded	(9		(9										
loan	0		0										
commitments	0)	—	0)	—	—	—	—	—					
Provision for													
unfunded													
loan													
commitments									—	500	(500)	(100.00)%	
								-					
								1					
				5		1,		8					
	3	3		.	8	0	(2	.					
Directors'	6	4	1	5	7	7	0	7					
expenses	1	2	9	6%	0	1	1)	7%	328	289	39	13.49%	



				1									
				2				7					
	2	2		.	7	7		.					
Stationery	8	5	3	0	7	1	5	9					
and supplies	0	0	0	0%	3	6	7	6%	229	286	(57)	-19.93%	
								-					
								1					
								0					
						6,	(6	0					
Acquisition						0	,0	.					
related						1	1	0					
expenses	—	—	—	—	—	3	3)	0%					
								1					
	2,	1,		9	5,	4,		8					
	4	7	6	.	4	6	8	.					
	5	5	9	9	7	0	6	8					
Other	0	1	9	2%	7	9	8	3%	2,639	1,191	1,448	121.58%	
						1	1						
	5	5			6	6							
	5,	3,	2,	3	3,	2,	1,	1					
Total	0	0	0	.	9	1	8	.					
noninterest	5	2	3	8	5	3	2	1					
t expense	\$ 8	\$ 7	\$ 1	3%	\$ 6	\$ 6	\$ 0	2%	\$ 59,771	\$ 54,881	\$ 4,890	8.91%	
Noninterest													
expense to	1.	1.			1.	1.							
average	3	2			3	2							
assets	3%	5%			4%	7%			1.48%	1.36%			
	3	3			4	3							
	9.	6.			0.	9.							
Efficiency	9	5			1	9							
ratio (1)	9%	9%			1%	7%			47.22%	39.50%			

(1) Noninterest expense divided by net interest income before provision for credit losses plus noninterest income.

Our ability to control noninterest expenses in relation to asset growth can be measured in terms of total noninterest expenses as a percentage of average assets. Noninterest expense as a percentage of average assets was 1.33% 1.48% for both the first quarter of 2024, compared to 1.36% and the first quarter of 2023. This ratio was negatively impacted by an



additional accrual of \$2.3 million for the third FDIC special assessment in the first quarter of 2023, compared to 1.25% for the third quarter of 2022. 2024.

Our ability to control noninterest expenses in relation to the level of total revenue (net interest income before provision for credit losses plus noninterest income) can be measured by the efficiency ratio and indicates the percentage of net revenue that is used to cover expenses. The efficiency ratio was 39.99% for the third first quarter of 2023, 2024 was 47.22%, compared to 36.59% 39.50% for the third first quarter of 2022, 2023. The increase in the efficiency ratio for the first quarter of 2024 was primarily due to increased regulatory assessment expense, including the FDIC special assessment, and inflationary pressures on staff related expenses.

#### *Third First Quarter of 2023 2024 Compared to the Third First Quarter of 2022*

Noninterest expense for the third quarter of 2023 was \$55.0 million, compared to \$53.0 million for the third quarter of 2022. The \$2.0 million increase in noninterest expense year-over-year included an increase of \$1.5 million in salaries and employee benefits and an increase in regulatory assessments of approximately \$800,000. The increase in salary and benefit expense included a 3.5% or approximately \$840,000 increase in salary expense, combined with an \$800,000 decline in the contra expense for deferred origination costs.

#### *Nine Months of 2023 Compared to Nine Months of 2022*

Noninterest expense of \$164.0 million \$59.8 million for the first nine months quarter of 2023 2024 was \$1.8 million \$4.9 million, or 8.91%, higher than the prior year period, first quarter of 2023. The first quarter of 2024 reflected an additional accrual of \$2.3 million for the FDIC special assessment resulting from a 25% increase in the FDIC's initial loss estimate, which was \$9.2 million as reflected in the fourth quarter of 2023. Year-over-year increases expense growth included \$6.1 million increased staff related expenses of \$1.2 million, or 3.27%. Professional services also increased \$559,000 year-over-year, including a \$430,000 increase in salaries and employee benefits primarily legal expense. The increase in other expense year-over-year was due to inflationary pressures on salary and benefits and a \$2.3 million higher data processing costs, an increase in regulatory assessments, offset by a \$6.0 million decrease deferred compensation expense and various expense accruals. There was no provision or recapture of provision for unfunded loan commitments in acquisition expense. As a percentage the first quarter of average assets, noninterest expense was 1.34% for the nine months ended September 30, 2023, 2024, compared to 1.27% for the same period of 2022. If acquisition expense is excluded, noninterest expense as a percentage of average assets was 1.22% \$500,000 in provision for the first nine months quarter of 2022. For the nine months ended September 30, 2023, the efficiency ratio was 40.11%, compared to 39.97% for the same period of 2022. Excluding acquisition expense, the efficiency ratio was 38.49% for the nine months ended September 30, 2022. 2023.

## **Income Taxes**



The Company's effective tax rate for the three and nine months ended September 30, 2023 March 31, 2024 was 28.20% 27.25%, compared to 28.10% 28.20% for the three and nine months ended September 30, 2022 March 31, 2023, respectively. Our estimated annual effective tax rate also varies depending upon the level of tax-advantaged income from municipal securities and BOLI, as well as available tax credits.

The Company's effective tax rates are below the nominal combined Federal and State tax rate primarily as a result of tax-advantaged income from certain municipal security investments, municipal loans and leases and BOLI, as well as available tax credits for each period.

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## ANALYSIS OF FINANCIAL CONDITION

Total assets of \$15.90 billion \$16.47 billion at September 30, 2023 decreased March 31, 2024 increased by \$573.5 million \$447.2 million, or 3.48% 2.79%, from total assets of \$16.48 billion \$16.02 billion at December 31, 2022 December 31, 2023. Interest-earning assets of \$14.33 billion \$14.91 billion at September 30, 2023 decreased March 31, 2024, increased by \$644.7 million \$448.9 million, or 4.31% 3.10%, when compared with \$14.97 billion \$14.46 billion at December 31, 2022 December 31, 2023. The decrease increase in interest-earning assets was primarily due to a \$446.9 million \$707.7 million increase in interest-earning balances due from the Federal Reserve, offset by a \$129.0 million decrease in investment securities, and a \$205.6 million \$134.2 million decrease in net total loans.

Total liabilities were \$13.95 billion \$14.38 billion at September 30, 2023 March 31, 2024, a decrease an increase of \$576.4 million \$438.3 million, or 3.97% 3.14%, from total liabilities of \$14.53 billion \$13.94 billion at December 31, 2022 December 31, 2023. Total The increase of \$461.3 million in total deposits declined by \$477.5 million, or 3.72%. Higher interest rates at March 31, 2024 included the addition of \$300 million in brokered deposits that have resulted from were added between the Federal Reserve's significant increase in the federal funds rate over the last year have continued to impact deposit levels, including \$720 million of funds on deposit at end February and the end of 2022 that transferred March. These deposits, which mature every 90 days, were combined with cash flow hedges which resulted in a fixed rate of approximately 4.2%. Borrowings decreased by \$75.0 million from the Bank's balance sheet by customers to CitizensTrust for investment in higher yielding securities such as treasury notes, including \$170 million that were transferred in the current quarter. Short-term borrowings increased by \$125.0 million from December 31, 2022 December 31, 2023. As of September 30, 2023 At March 31, 2024, total short-term borrowings consisted of \$870 million \$2.0 billion of



one-year advances from the Federal Reserve's Bank Term Funding Program, at a cost of 4.87% and \$250 million of short-term Federal Home Loan Bank advances, at an average cost of approximately 5% 4.75%. The BTFP advances include maturities of \$695 million in May and \$1.3 billion in January of 2025.

Total equity increased \$2.9 million \$8.9 million to \$1.95 \$2.09 billion at September 30, 2023 March 31, 2024, compared to total equity of \$1.95 billion \$2.08 billion at December 31, 2022 December 31, 2023. Increases to equity included \$172.9 million \$48.6 million in net earnings, that were partially offset by a \$72.3 million \$27.9 million in cash dividends and an \$11.7 million decrease in other comprehensive income. At the end of the second quarter of 2023, we entered into pay-fixed rate swaps to mitigate the risks of rising interest rates. This resulted in a fair value remeasurement of this swap derivative at September 30, 2023, resulting in an after tax increase in other comprehensive income of \$17.6 million, resulting in an increase in other comprehensive income. Decreases from December 31, 2022 included \$83.7 million in cash dividends. We engaged in no stock repurchases during the second and third quarters of 2023, compared to the first quarter of 2023, when we repurchased 791,800 shares of common stock, at an average repurchase price of \$23.43, totaling \$18.5 million. The Company's 10b5-1 stock repurchase plan expired on March 2, 2023 and no new plan has been put in place since that time. 2024.

## Investment Securities

The Company maintains a portfolio of investment securities to provide interest income and to serve as a source of liquidity for its ongoing operations. We continued to shrink our investment portfolio. At September 30, 2023 March 31, 2024, total investment securities were \$5.36 billion \$5.29 billion. This represented a decrease of \$446.9 million \$129.0 million, or 7.69% 2.38%, from \$5.81 billion \$5.42 billion at December 31, 2022 December 31, 2023. The overall decrease in investment securities was primarily due to a \$382 million \$119.0 million decline in our AFS securities. At September 30, 2023 March 31, 2024, our AFS investment securities totaled \$2.87 billion \$2.84 billion, inclusive of a pre-tax net unrealized loss of \$628.4 million \$485.6 million, compared to \$449.8 million at December 31, 2023. The \$36 million decrease in fair value of our AFS securities was partially offset by an \$18 million increase in the fair value of our derivatives that hedge the change in value of our AFS portfolio. The after-tax unrealized loss reported in AOCI on our AFS investment securities at March 31, 2024 was \$442.6 million \$335.8 million. The changes in the net unrealized holding loss resulted primarily from fluctuations in market interest rates. At September 30, 2023 March 31, 2024, total HTM investment securities of \$2.49 billion declined by approximately \$65 million from December 31, 2022 HTM totaled \$2.45 billion. For the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, repayments/maturities of investment securities totaled \$358.6 million \$115.5 million and \$523.9 million \$107.0 million, respectively. The Company purchased \$11.5 million of HTM securities during the first quarter of 2024. There were no purchases of investment securities in the first quarter of 2023 as cashflows generated from the portfolio were not reinvested during the first quarter. There were no investment securities sold during the third first quarter of 2023 2024 and 2022, 2023.



The tables below set forth our investment securities AFS and HTM portfolio by type for the dates presented.

	September 30, 2023					March 31, 2024				
	Amortized Cost	Gross Unrealized Holding Gain	Gross Unrealized Holding Loss	Fair Value	Total Percentage	Amortized Cost	Gross Unrealized Holding Gain	Gross Unrealized Holding Loss	Fair Value	Total Percentage
	(Dollars in thousands)					(Dollars in thousands)				
Investment securities available-for-sale:										
Government agency/GSE	34,126	\$ —	\$ (17)	\$ 9	19%	\$ 32,644	\$ —	\$ (4)	\$ 32,640	1.15%
Mortgage-backed securities	2,925,382	1	(488,759)	2,436,623	84.1%	2,766,695	25	(367,613)	2,399,107	84.56%
CMO/REMIC	51,416	—	(136,663)	7,449	13.1%	495,576	—	(116,682)	378,894	13.35%



				2						
				3,						
	26			8						
Municipal	,7			1	0.					
bonds	99	23	(3,009)	3	83 %	26,480	36	(1,372)	25,144	0.89 %
				1,						
	1,			1						
Other	11			1	0.					
securities	9	—	—	9	04 %	1,315	—	—	1,315	0.05 %
Unallocated										
portfolio										
layer fair										
value basis	24									
adjustments	,8		(24,86		0.					
(1)	68	—	8)	—	00 %	10,893	—	(10,893)	—	0.00 %
				2,						
Total				8						
availabl	3,			7						
e-for-	52			3,						
sale	6,			1	10					
securitie	45		(653,3	6	0.					
s	\$ 5	\$ 24	\$ 16)	\$ 3	00 %	\$ 3,333,603	\$ 61	\$ (496,564)	\$ 2,837,100	100.00 %
Investment										
securities										
held-to-										
maturity:										
				4						
				1						
Governme	53			0,						
nt	4,			8	21					
agency/G	81		(123,9	3	.4					
SE	\$ 4	\$ —	\$ 81)	\$ 3	8 %	\$ 526,752	\$ —	\$ (103,672)	\$ 423,080	21.46 %



				5						
				3						
	67			9,						
Mortgage-	3,			1	27					
backed	41		(134,2	2	.0					
securities	3	—	90)	3	5%	652,864	—	(109,336)	543,528	26.60%
				6						
				1						
	81			7,						
	2,			7	32					
CMO/REM	00		(194,2	6	.6					
IC	6	—	37)	9	2%	798,226	—	(162,528)	635,698	32.52%
				4						
				0						
	46			1,						
	9,			5	18					
Municipal	20		(67,61	9	.8					
bonds	8	4	9)	3	5%	465,289	2,223	(37,242)	430,270	18.96%
Other										
securities						11,455	—	—	11,455	0.46%
				1,						
				9						
Total	2,			6						
held-to-	48			9,						
maturity	9,			3	10					
securitie	44		(520,1	1	0.					
s	\$ 1	\$ 4	\$ 27)	\$ 8	00%	\$ 2,454,586	\$ 2,223	\$ (412,778)	\$ 2,044,031	100.00%

December 31, 2022					December 31, 2023				
Am	Gross	Gross	Fai	Tot					
orti	Unreal	Unreali	r	al					
zed	ized	zed	Val	Per					
Cos	Holdin	Holdin		ce	Amortized	Gross	Gross		Total
t	g Gain	g Loss	ue	nt	Cost	Unrealized	Unrealized	Fair Value	Percent
(Dollars in thousands)					(Dollars in thousands)				



Investment securities available-for-sale:										
Government agency/GSE										
						\$ 32,229	\$ 24	\$ —	\$ 32,253	1.09 %
				2,7						
				3,19						
Mortgage-backed securities	2,15			1,4	85.6					
	\$ 1	\$ 39	\$ 049)	\$ 1	8 %	2,843,744	42	(336,107)	2,507,679	84.83 %
				4						
				3						
	53			9,3	13					
CMO/REMIC	26			(95,90	.5					
	9	—	66)	3	0 %	502,234	—	(112,872)	389,362	13.17 %
				2						
				5,6						
Municipal bonds	26,7			(1,178	0.					
	97	67	7)	7	79 %	26,477	46	(888)	25,635	0.87 %
				1,0						
Other securities	1,08			8	0.					
	0	—	—	0	03 %	1,196	—	—	1,196	0.04 %
Unallocated portfolio layer fair value basis adjustments										
(1)						(6,938)	6,938	—	—	0.00 %



Investment securities held-to-maturity:															
						4									
						3									
	54					4,									
	8,					4	21								
Government agency/GSE	77			(114,	2	.4									
\$ 1 \$ — \$ 343) \$ 8 8%	\$ 530,656	\$ —	\$ (97,972)	\$ 432,684	21.53 %										
						6									
						0									
	70					0,									
Mortgage-backed securities	6,79			(105,	9	27									
	6	—		867)	2	.6									
						9	7%	663,090	—	(97,436)	565,654	26.90 %			
						6									
						9									
	82					5,									
	7,					6	32								
CMO/REMIC	34			(131,	1	.3									
	6	—		730)	6	9%	802,892	—	(156,155)	646,737	32.58 %				
						4									
						2									
	47					4,									
	1,					6	18								
Municipal bonds	38			(47,6	1	.4									
	8	913		87)	4	6%	467,972	3,438	(33,604)	437,806	18.99 %				







Investment securities available-for-sale:												
Government securities/GSE	3	4	1	0	3	(17)	\$32,640	(4)	—	—	32,640	(4)
Mortgage-backed securities	2	4	3	5	9	(488,759)	22	—	2,397,803	(367,613)	2,397,825	(367,613)
CMO/REMIC	3	7	7	4	9	(136,663)	—	—	378,893	(116,682)	378,893	(116,682)
Municipal bonds	5,699	6,964	8	2,557	6,964	(3,009)	6,525	(145)	17,743	(1,227)	24,268	(1,372)











Total household - material security scores

	2016	2015	2014	2013	2012	2011
Operating income	\$ 6,271	\$ 2,000	\$ 8,000	\$ 127	\$ 46,060	\$ (649)
Interest income	1,892,303	(412,129)	1,938,363	(412,778)		
Other income						
Income before income taxes	\$ 1,938,363	\$ (412,778)	\$ 1,938,363	\$ (412,778)	\$ 46,060	\$ (649)
Income taxes	(412,778)					
Income after income taxes	\$ 1,525,585	\$ (412,778)	\$ 1,938,363	\$ (412,778)	\$ 46,060	\$ (649)
Income per share						
Basic	\$ 1,525,585	\$ (412,778)	\$ 1,938,363	\$ (412,778)	\$ 46,060	\$ (649)
Diluted	\$ 1,525,585	\$ (412,778)	\$ 1,938,363	\$ (412,778)	\$ 46,060	\$ (649)

December 31, 2022			December 31, 2023		
Less					
Than 12	12 Months		Less Than 12		
Months	or Longer	Total	Months	12 Months or Longer	Total



	Gross Unrealized Fair Value						Gross Unrealized Fair Value					
	Fair Value	Holding Losses	Fair Value	Holding Losses	Fair Value	Holding Losses	Fair Value	Holding Losses	Fair Value	Holding Losses	Fair Value	Holding Losses
	(Dollars in thousands)						(Dollars in thousands)					
Investment securities available-for-sale:												
Government agency/GSE							\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	1		2									
	,		,									
	6	1,	7									
	5	1	8									
	8	2	7									
	,	(1	9,	,	(4							
Mortgage-backed securities	3	87	2	(21	5	03						
	3	,8	5	5,2	8	,0						
	\$1	\$ 42)	\$ 7	\$ 07)	\$8	\$ 49)	48	—	2,506,162	(336,107)	2,506,210	(336,107)
					4							
	5		3		3							
	4		8		9							
	,		5,	,	(9							
	0	(4,	2		3	5,						
CMO/REMIC	0	79	9	(91,	0	96						
	5	6)	5	170)	0	6)	—	—	389,359	(112,872)	389,359	(112,872)



	2				2								
	4				4								
	,				,								
	5	(1,			5	(1,							
Municipal	0	17			0	17							
bonds	7	7)	—	—	7	7)	3,286	(17)	18,105	(871)	21,391	(888)	
	1				3								
	,				,								
	7		1,		2								
	3		5		5								
	6		1		1								
Total	,	(1	4,		,	(5							
available-	8	93	5	(30	3	00							
for-sale	4	,8	5	6,3	9	,1							
securities	\$3	\$ 15)	\$ 2	\$ 77)	\$5	\$ 92)	\$ 3,334	\$ (17)	\$ 2,913,626	\$ (449,850)	\$ 2,916,960	\$ (449,867)	
Investment													
securities													
held-to-													
maturity:													
	1				4								
	7		2		3								
	9		5		4								
	,	(3	5,		,	(1							
	3	9,	0		4	14							
Government	4	86	8	(74,	2	,3							
agency/GSE	8	6)	0	477)	8	43)	\$ —	\$ —	\$ 432,684	\$ (97,972)	\$ 432,684	\$ (97,972)	
	1				6								
	8		4		0								
	8		1		0								
	,		2,		,	(1							
Mortgage-	4	(9,	4		9	05							
backed	8	04	4	(96,	2	,8							
securities	0	2)	9	825)	9	67)	—	—	565,655	(97,436)	565,655	(97,436)	



CMO/REMIC	3				6							
	7		3		9							
	6		1		5							
	,	(6	9,		,	(1						
	5	0,	0		6	31						
	4	59	7	(71,	1	,7						
	0	8)	6	132)	6	30)	—	—	646,737	(156,155)	646,737	(156,155)
Municipal bonds	3				3							
	1				6							
	2		5		6							
	,	(3	3,		,	(4						
	7	5,	3		0	7,						
	0	65	5	(12,	5	68						
	2	6)	0	031)	2	7)	20,609	(200)	293,467	(33,404)	314,076	(33,604)
Total held-to-maturity securities	1				2							
	,				,							
	0		1,		0							
	5		0		9							
	7		3		7							
	,	(1	9,		,	(3						
	0	45	9	(25	0	99						
s	7	,1	5	4,4	2	,6						
	\$0	\$ 62)	\$ 5	\$ 65)	\$ 5	\$ 27)	\$ 20,609	\$ (200)	\$ 1,938,543	\$ (384,967)	\$ 1,959,152	\$ (385,167)

Once it is determined that a credit loss has occurred, an allowance for credit losses is established on our available-for-sale and held-to-maturity securities. Management determined that credit losses did not exist for securities in an unrealized loss position as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**.

Refer to Note **54** – *Investment Securities* of the notes to the unaudited condensed consolidated financial statements of this report for additional information on our investment securities portfolio.

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## Loans



Total loans and leases, at amortized cost, of \$8.88 billion \$8.77 billion at September 30, 2023 March 31, 2024 decreased by \$201.8 million \$134.2 million, or 2.22% 1.51%, from December 31, 2022. After adjusting for seasonality of dairy & livestock loans, our core loans declined by \$114.8 million, or 1.32%, from December 31, 2022 December 31, 2023. The \$201.8 million decrease in total loans quarter-over-quarter included decreases of \$87.0 million in dairy & livestock loans, \$41.9 million \$64.0 million in commercial real estate loans, \$25.2 million \$61.3 million in dairy & livestock and agribusiness loans, \$7.9 million in construction loans, \$10.6 million \$6.8 million in commercial and industrial loans, \$7.8 million and, partially offset by an increase of \$6.6 million in SBA loans, \$5.9 million in PPP loans, and \$24.9 million in consumer and other SFR mortgage loans. Commercial and industrial line utilization was 27% at September 30, 2023, compared to 33% at the end of 2022. The decline in dairy & and livestock loans primarily relates to the seasonal peak in line utilization at the end of every calendar year, demonstrated by a decline in the utilization rate from 78% 80% at December 31, 2022 the end of 2023 to 73% 75% at September 30, 2023 March 31, 2024.

The following table presents our loan portfolio by type as of the dates presented.

#### Distribution of Loan Portfolio by Type

			March 31, 2024	December 31, 2023
	September 30, 2023	December 31, 2022	(Dollars in thousands)	
	(Dollars in thousands)			
Commercial real estate	\$ 6,843,059	\$ 6,884,948	\$ 6,720,538	\$ 6,784,505
Construction	63,022	88,271	58,806	66,734
SBA	283,124	290,908	268,320	270,619
SBA - Paycheck Protection Program (PPP)	3,233	9,087	2,249	2,736
Commercial and industrial	938,064	948,683	963,120	969,895
Dairy & livestock and agribusiness	351,463	433,564	351,624	412,891
Municipal lease finance receivables	75,621	81,126	72,032	73,590
SFR mortgage	268,171	266,024	276,475	269,868
Consumer and other loans	51,875	76,781	57,549	54,072
Total loans, at amortized cost	8,877,632	9,079,392	8,770,713	8,904,910
Less: Allowance for credit losses	(88,995)	(85,117)	(82,817)	(86,842)
Total loans and lease finance receivables, net	\$ 8,788,637	\$ 8,994,275	\$ 8,687,896	\$ 8,818,068

As of September 30, 2023 March 31, 2024, \$509.2 million \$498.2 million, or 7.44% 7.41% of the total commercial real estate loans included loans secured by farmland, compared to \$517.8 million \$497.7 million, or 7.52% 7.34%, at December



31, 2022 December 31, 2023. The loans secured by farmland included \$133.2 million \$121.4 million for loans secured by dairy & livestock land and \$376.0 million for loans \$376.8 million secured by agricultural land at September 30, 2023 March 31, 2024, compared to \$140.5 million \$122.4 million for loans secured by dairy & livestock land and \$377.3 million \$375.3 million for loans secured by agricultural land at December 31, 2022 December 31, 2023. As of September 30, 2023 March 31, 2024, dairy & livestock and agribusiness loans of \$351.5 million \$351.6 million were comprised of \$301.5 million \$308.5 million for dairy & livestock loans and \$50.0 million \$43.1 million for agribusiness loans, compared to \$433.6 million \$412.9 million were comprised of \$388.5 million of \$374.9 million for dairy & livestock loans and \$45.1 million of \$38.0 million for agribusiness loans December 31, 2022 at December 31, 2023.

Real estate loans are loans secured by conforming trust deeds on real property, including property under construction, land development, commercial property and single-family and multi-family residences. Our real estate loans are comprised of industrial, office, retail, medical, single family residences, multi-family residences, and farmland. Consumer loans include installment loans to consumers as well as home equity loans, auto and equipment leases and other loans secured by junior liens on real property. Municipal lease finance receivables are leases to municipalities. Dairy & livestock and agribusiness loans are loans to finance the operating needs of wholesale dairy farm operations, cattle feeders, livestock raisers and farmers.

As of September 30, 2023 March 31, 2024, the Company had \$205.9 million \$197.5 million of total SBA 504 loans. SBA 504 loans include term loans to finance capital expenditures and for the purchase of commercial real estate. Initially the Bank provides two separate loans to the borrower representing a first and second lien on the collateral. The loan with the first lien is typically at a 50% advance to the acquisition costs and the second lien loan provides the financing for 40% of the acquisition costs with the borrower's down payment of 10% of the acquisition costs. The Bank retains the first lien loan for its term and sells the second lien loan to the SBA subordinated debenture program. A majority of the Bank's 504 loans are granted for the purpose of commercial real estate acquisition. As of September 30, 2023 March 31, 2024, the Company had \$77.2 million \$70.8 million of total SBA 7(a) loans that include a guarantee of payment from the SBA (typically 75% of the loan amount, but up to 90% in certain cases) in the event of default. The SBA 7(a) loans include revolving lines of credit (SBA Express) and term loans of up to ten (10) years to finance long-term working capital requirements, capital expenditures, and/or for the purchase or refinance of commercial real estate.

As of September 30, 2023, March 31, 2024, the Company had \$63.0 million \$58.8 million in construction loans. This represented 0.71% represents 0.67% of total gross loans held-for-investment. Although our construction loans are located throughout our market footprint, the majority of construction loans consist of commercial land development and construction projects throughout California. There were no nonperforming construction loans at September 30, 2023 March 31, 2024.



Our loan portfolio is geographically disbursed throughout our marketplace. The following is the breakdown of our total held-for-investment and commercial real estate loans, by region as of September 30, 2023 March 31, 2024.

	September 30, 2023				March 31, 2024			
	Commercial Real Estate				Commercial Real Estate			
	Total Loans		Estate Loans		Total Loans		Estate Loans	
	(Dollars in thousands)				(Dollars in thousands)			
Los Angeles County	3,298,	37.	2,398,	35.				
	\$ 588	2 %	\$ 206	1 %	\$ 3,204,076	36.5 %	\$ 2,349,745	35.0 %
Central Valley and Sacramento	2,131,	24.	1,708,	25.				
	675	0 %	303	0 %	2,076,644	23.7 %	1,664,015	24.8 %
Orange County	1,123,	12.	703,97	10.				
	168	7 %	1	3 %	1,154,124	13.2 %	679,001	10.1 %
Inland Empire	999,13	11.	891,78	13.				
	2	2 %	7	0 %	1,002,479	11.4 %	883,428	13.1 %
Central Coast	471,61		395,57					
	2	5.3 %	5	5.8 %	478,068	5.4 %	389,610	5.8 %
San Diego	336,65		338,11					
	1	3.8 %	0	4.9 %	336,174	3.8 %	339,372	5.1 %
Other California	154,57							
	4	1.7 %	90,674	1.3 %	153,797	1.8 %	97,015	1.4 %
Out of State	362,23		316,43					
	2	4.1 %	3	4.6 %	365,351	4.2 %	318,352	4.7 %
	8,877,	100	6,843,	100				
	\$ 632	.0 %	\$ 059	.0 %	\$ 8,770,713	100.0 %	\$ 6,720,538	100.0 %

The table below breaks down our commercial real estate portfolio.

September 30, 2023	March 31, 2024
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	Loan	Perc	Percent	Average			Percent	
	Balance	ent	Owner-Occupied (1)	Loan Balance	Loan Balance	Percent	Owner-Occupied (1)	Average Loan Balance
	(Dollars in thousands)				(Dollars in thousands)			
Commercial real estate:								
Industrial	2,283,2	33.						
	\$ 25	4 %	49.1 %	\$ 1,625	\$ 2,257,765	33.6 %	49.1 %	\$ 1,621
Office	1,141,1	16.						
	49	7 %	24.3 %	1,691	1,099,264	16.4 %	24.5 %	1,702
Retail	957,91	14.						
	7	0 %	11.5 %	1,701	928,888	13.8 %	11.3 %	1,686
Multi-family	834,08	12.						
	2	2 %	0.2 %	1,604	835,289	12.4 %	0.2 %	1,594
Secured by farmland (2)	509,24							
	3	7.4 %	99.0 %	1,553	498,171	7.4 %	98.9 %	1,496
Medical	314,84							
	7	4.6 %	33.5 %	1,528	307,167	4.6 %	32.8 %	1,477
Other (3)	802,59	11.						
	6	7 %	43.9 %	1,592	793,994	11.8 %	41.7 %	1,620
Total commercial real estate	6,843,0	100						
	\$ 59	.0 %	36.1 %	\$ 1,629	\$ 6,720,538	100.0 %	35.9 %	\$ 1,621

(1) Represents percentage of reported owner-occupied at origination in each real estate loan category.

(2) The loans secured by farmland included \$133.2 million \$121.4 million for loans secured by dairy & livestock land and \$376.0 million \$376.8 million for loans secured by agricultural land at September 30, 2023 March 31, 2024.

(3) Other loans consist of a variety of loan types, none of which exceeds exceeded 2.0% of total commercial real estate loans at September 30, 2023 March 31, 2024.

## Nonperforming Assets

The following table provides information on nonperforming assets as of the dates presented.

September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
(Dollars in thousands)		(Dollars in thousands)	



Nonaccrual loans	\$ 9,963	\$ 4,930	\$ 13,810	\$ 21,302
Loans past due 90 days or more and still accruing interest	—	—	—	—
Nonperforming modified loans / troubled debt restructured loans (TDRs)	—	—		
Nonperforming modified loans to borrowers experiencing financial difficulty			—	—
<b>Total nonperforming loans</b>	<b>9,963</b>	<b>4,930</b>	<b>13,810</b>	<b>21,302</b>
OREO, net	—	—	647	—
<b>Total nonperforming assets</b>	<b>\$ 9,963</b>	<b>\$ 4,930</b>	<b>\$ 14,457</b>	<b>\$ 21,302</b>
<b>Modified loans / Performing TDRs</b>	<b>\$ 7,304</b>	<b>\$ 7,817</b>		
Modified loans to borrowers experiencing financial difficulty			\$ 10,765	\$ 9,460
Total nonperforming loans and performing modified loans/TDRs	\$ 17,267	\$ 12,747		
Total nonperforming loans and performing modified loans to borrowers experiencing financial difficulty			\$ 24,575	\$ 30,762
Percentage of nonperforming loans and performing modified loans/TDRs to total loans, at amortized cost	0.19 %	0.14 %		
Percentage of nonperforming loans and performing modified loans to borrowers experiencing financial difficulty to total loans, at amortized cost			0.28 %	0.35 %
Percentage of nonperforming assets to total loans, at amortized cost, and OREO	0.11 %	0.05 %	0.16 %	0.24 %
Percentage of nonperforming assets to total assets	0.06 %	0.03 %	0.09 %	0.13 %



**Modifications of Loans to Borrowers Experiencing Financial Difficulty**

The Company adopted Accounting Standards Update (“ASU”) 2022-02, Financial Instruments - Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures (“ASU 2022-02”) effective January 1, 2023. The amendments in ASU 2022-02 eliminated the recognition and measurement of TDRs and enhanced disclosures for loan modifications to borrowers experiencing financial difficulty.

There were three loans to borrowers experiencing financial difficulty that were modified during the three months ended March 31, 2024 with an amortized cost totaling \$1.3 million as of March 31, 2024, including one dairy & livestock and agribusiness loan of \$962,000 and two commercial and industrial loans totaling \$350,000.

The table below reflects the amortized cost of loans by type made to borrowers experiencing financial difficulty that were modified during as of March 31, 2024 and March 31, 2023, and the three months ended September 30, 2023. financial effect of those modifications.

	Term Extension	
	Amortized Cost Basis	% of Total Class of
	at September 30,2023	Financing Receivables
	(Dollars in thousands)	
Commercial real estate loans	\$ 1,815	0.02 %
Dairy & livestock and agribusiness	4,799	0.05 %
Total	\$ 6,614	

	Combination-Term Extension and Interest	
	Rate Reduction	
	Amortized Cost Basis	% of Total Class of
	at September 30,2023	Financing Receivables
Commercial real estate loans	\$ 690	0.01 %
Total	\$ 690	

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Combination-Term Extension	
Term Extension	and Interest Rate Reduction



	Amortized Cost Basis	% of Total Class of Financing Receivables	Amortized Cost Basis	% of Total Class of Financing Receivables	Total
<b>March 31, 2024</b>					
Commercial real estate loans	\$ 2,466	0.03 %	\$ 686	0.01 %	\$ 3,152
Commercial and industrial	1,644	0.02 %	242	0.00 %	1,886
Dairy & livestock and agribusiness	5,727	0.07 %	—	0.00 %	5,727
<b>Total</b>	<b>\$ 9,837</b>		<b>\$ 928</b>		<b>\$ 10,765</b>
<b>March 31, 2023</b>					
Commercial real estate loans	\$ 1,587	0.02 %	\$ —	—	\$ 1,587
Commercial and industrial	2,250	0.03 %	—	—	2,250
Dairy & livestock and agribusiness	1,999	0.02 %	—	—	1,999
<b>Total</b>	<b>\$ 5,836</b>		<b>\$ —</b>		<b>\$ 5,836</b>

The following table describes the financial effect of the loan modifications made to borrowers experiencing financial difficulty during the three months ended **September 30, 2023** **March 31, 2024**.

Loan Type	Financial Effect
	Term Extension
<b>March 31, 2024</b>	
Commercial real estate loans	Added a weighted-average <b>1.0</b> <b>1.3</b> years to the life of loans, which reduced monthly payment amounts for the borrowers.
Commercial and industrial	Added a weighted-average 0.7 years to the life of loans, which reduced monthly payment amounts for the borrowers.



Dairy & livestock and agribusiness	Added a weighted-average 0.5 0.6 years to the life of loans, which reduced monthly payment amounts for the borrowers.
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Combination-Term Term Extension

and Interest Rate Reduction

March 31, 2023

Commercial real estate loans	Added a weighted-average 7.6 1.1 years to the life of loans, which reduced monthly payment amounts for the borrowers; borrowers.
Commercial and industrial	Added a weighted-average 0.8 years to the life of loans, which reduced monthly payment amounts for the borrowers.
Dairy & livestock and agribusiness	Added a weighted-average contractual interest rate from 10% 1.2 years to 7.25%. the life of loans, which reduced monthly payment amounts for the borrowers.

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As of September 30, 2023 March 31, 2024 and March 31, 2023, the Company did not have any loans made to borrowers experiencing financial difficulty that were modified during the third first quarter of 2024 and 2023 that subsequently defaulted. Payment default is defined as movement to nonaccrual (nonperforming) status, foreclosure or charge-off, whichever occurs first.

The following table presents the recorded investment in, and the aging of, past due loans at amortized cost (including nonaccrual loans), by type of loans, made to borrowers experiencing financial difficulty that were modified on or after January 1, 2023, the date we adopted ASU 2022-02. as of March 31, 2024.

Payment Status (amortized cost basis)
---------------------------------------



	Current	30-89 Days Past Due	90+ Days Past Due
		(Dollars in thousands)	
Commercial real estate loans	\$ 2,505	\$ —	\$ —
Dairy & livestock and agribusiness	4,799	—	—
<b>Total</b>	<b>\$ 7,304</b>	<b>\$ —</b>	<b>\$ —</b>

#### **Troubled Debt Restructurings (“TDRs”)**

Prior to January 1, 2023, loans reported as TDRs were considered impaired and charge-off amounts were taken on an individual loan basis, as deemed appropriate. The majority of restructured loans are loans for which the terms of repayment have been renegotiated, resulting in a reduction in interest rate or deferral of principal. Refer to Note 3 – Summary of Significant Accounting Policies, included in our Annual Report on Form 10-K for the year ended December 31, 2022 for a more detailed discussion regarding TDRs.

Total TDRs \$7.8 million at December 31, 2022. At December 31, 2022, all of our TDRs were performing and accruing interest as restructured loans. Our performing TDRs were generally provided a modification of loan repayment terms in response to borrower financial difficulties. The performing restructured loans represent the only loans accruing interest at each respective reporting date. A performing restructured loan is categorized as such if we believe that it is reasonably assured of repayment and is performing in accordance with the modified terms.

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The following table provides a summary of TDRs as of the dates presented.

	December 31, 2022	
	Balance	Number of Loans
	(Dollars in thousands)	
Performing TDRs:		
Commercial real estate	\$ —	—
Construction	—	—
SBA	—	—
Commercial and industrial	4,826	4
Dairy & livestock and agribusiness	2,000	1
SFR mortgage	991	5
Consumer and other	—	—
<b>Total performing TDRs</b>	<b>\$ 7,817</b>	<b>10</b>
Nonperforming TDRs:		
Commercial real estate	\$ —	—



Construction	—	—
SBA	—	—
Commercial and industrial	—	—
Dairy & livestock and agribusiness	—	—
SFR mortgage	—	—
Consumer and other	—	—
Total nonperforming TDRs	\$ —	—
Total TDRs	\$ 7,817	10

	Payment Status (amortized cost basis)		
	Current	30-89 Days Past Due	90+ Days Past Due
		(Dollars in thousands)	
Commercial real estate loans	\$ 3,152	\$ —	\$ —
Commercial and industrial	1,886	—	—
Dairy & livestock and agribusiness	5,727	—	—
<b>Total</b>	<b>\$ 10,765</b>	<b>\$ —</b>	<b>\$ —</b>

At September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023, there was no ACL allocated to modified loans to borrowers experiencing financial difficulty under the ASU 2022-02 or under TDRs, respectively. Impairment amounts identified are typically charged off against the allowance at the time the loan is considered uncollectible. There were no charge-offs on modified loans to borrowers experiencing financial difficulty or TDRs for the nine months ended September 30, 2023, March 31, 2024 and 2022.

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2023.

### Nonperforming Assets and Delinquencies

The table below provides trends in our nonperforming assets and delinquencies as of the dates presented.

	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
(Dollars in thousands)					
<b>Nonperforming loans:</b>					
Commercial real estate	\$ 3,655	\$ 3,159	\$ 2,634	\$ 2,657	\$ 6,705



Construction	—	—	—	—	—
SBA	1,050	629	702	443	1,065
SBA - PPP	—	—	—	—	—
Commercial and industrial	4,672	2,039	2,049	1,320	1,308
Dairy & livestock and agribusiness	243	273	406	477	1,007
SFR mortgage	339	354	384	—	—
Consumer and other loans	4	—	—	33	32
		(			
		1			
<b>Total</b>	<b>\$ 9,963</b>	<b>) \$ 6,454</b>	<b>\$ 6,175</b>	<b>\$ 4,930</b>	<b>\$ 10,117</b>
<b>% of Total loans</b>	<b>0.11 %</b>	<b>0.07 %</b>	<b>0.07 %</b>	<b>0.05 %</b>	<b>0.12 %</b>
<b>Past due 30-89 days (accruing):</b>					
Commercial real estate	\$ 136	\$ 532	\$ 425	\$ —	\$ —
Construction	—	—	—	—	—
SBA	—	—	575	556	—
Commercial and industrial	—	—	—	—	—
Dairy & livestock and agribusiness	—	555	183	—	—
SFR mortgage	—	—	—	388	—
Consumer and other loans	—	—	—	175	—
<b>Total</b>	<b>\$ 136</b>	<b>\$ 1,087</b>	<b>\$ 1,183</b>	<b>\$ 1,119</b>	<b>\$ —</b>
<b>% of Total loans</b>	<b>0.00 %</b>	<b>0.01 %</b>	<b>0.01 %</b>	<b>0.01 %</b>	<b>0.00 %</b>
<b>OREO:</b>					
Commercial real estate	\$ —	\$ —	\$ —	\$ —	\$ —
SBA	—	—	—	—	—
SFR mortgage	—	—	—	—	—
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Total nonperforming, past due, and OREO</b>	<b>\$ 10,099</b>	<b>\$ 7,541</b>	<b>\$ 7,358</b>	<b>\$ 6,049</b>	<b>\$ 10,117</b>
<b>% of Total loans</b>	<b>0.11 %</b>	<b>0.08 %</b>	<b>0.08 %</b>	<b>0.07 %</b>	<b>0.12 %</b>
<b>Classified Loans</b>	<b>\$ 92,246</b>	<b>\$ 77,834</b>	<b>\$ 66,977</b>	<b>\$ 78,658</b>	<b>\$ 63,651</b>
	<b>March 31,</b>	<b>December 31,</b>	<b>September 30,</b>	<b>June 30,</b>	<b>March 31,</b>
	<b>2024</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>



(Dollars in thousands)

**Nonperforming loans:**

Commercial real estate	\$ 10,661	\$ 15,440	\$ 3,655	\$ 3,159	\$ 2,634
Construction	—	—	—	—	—
SBA	54	969	1,050	629	702
Commercial and industrial	2,727	4,509	4,672	2,039	2,049
Dairy & livestock and agribusiness	60	60	243	273	406
SFR mortgage	308	324	339	354	384
Consumer and other loans	—	—	4	—	—
<b>Total</b>	<b>\$ 13,810</b>	<b>\$ 21,302</b>	<b>\$ 9,963</b>	<b>(1) \$ 6,454</b>	<b>\$ 6,175</b>
<b>% of Total loans</b>	<b>0.16 %</b>	<b>0.24 %</b>	<b>0.11 %</b>	<b>0.07 %</b>	<b>0.07 %</b>

**Past due 30-89 days:**

Commercial real estate	\$ 19,781	\$ 300	\$ 136	\$ 532	\$ 425
Construction	—	—	—	—	—
SBA	408	108	—	—	575
Commercial and industrial	6	12	—	—	—
Dairy & livestock and agribusiness	—	—	—	555	183
SFR mortgage	—	201	—	—	—
Consumer and other loans	—	18	—	—	—
<b>Total</b>	<b>\$ 20,195</b>	<b>\$ 639</b>	<b>\$ 136</b>	<b>\$ 1,087</b>	<b>\$ 1,183</b>
<b>% of Total loans</b>	<b>0.23 %</b>	<b>0.01 %</b>	<b>0.00 %</b>	<b>0.01 %</b>	<b>0.01 %</b>

**OREO:**

Commercial real estate	\$ —	\$ —	\$ —	\$ —	\$ —
SBA	—	—	—	—	—
Commercial and industrial	647	—	—	—	—
SFR mortgage	—	—	—	—	—
<b>Total</b>	<b>\$ 647</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Total nonperforming, past due, and OREO</b>	<b>\$ 34,652</b>	<b>\$ 21,941</b>	<b>\$ 10,099</b>	<b>\$ 7,541</b>	<b>\$ 7,358</b>
<b>% of Total loans</b>	<b>0.40 %</b>	<b>0.25 %</b>	<b>0.11 %</b>	<b>0.08 %</b>	<b>0.08 %</b>
<b>Classified Loans</b>	<b>\$ 103,080</b>	<b>\$ 102,197</b>	<b>\$ 92,246</b>	<b>\$ 77,834</b>	<b>\$ 66,977</b>

(1) Includes \$2.6 million of nonaccrual loans past due 30-89 days at September 30, 2023.



Nonperforming loans, defined as nonaccrual loans, nonperforming modified/TDR loans and loans past due 90 days or more and still accruing interest, were \$10.0 million \$13.8 million at September 30, 2023 March 31, 2024, or 0.11% 0.16% of total loans. This compares to nonperforming loans of \$4.9 million \$21.3 million, or 0.05% 0.24% of total loans, at December 31, 2022 December 31, 2023 and \$10.1 million \$6.2 million, or 0.12% 0.07% of total loans, at September 30, 2022 March 31, 2023. The \$5.0 million increase \$7.5 million decrease in nonperforming loans from December 31, 2022 December 31, 2023 was primarily due to an increase the payoff of \$3.4 million in commercial and industrial loans and \$1.0 million in two nonperforming commercial real estate loans. loans totaling \$2.5 million, a \$2.3 million charge-off of one nonperforming commercial real estate loan, and the charge-off of one nonperforming commercial industrial loan totaling \$1.1 million.

Classified loans are loans that are graded "substandard" or worse. Classified loans of \$92.2 million increased \$14.4 million \$883,000 quarter-over-quarter, primarily due to a \$24.4 million increase increases of \$2.1 million in classified construction loans and \$484,000 commercial real estate loans, partially offset by an \$11.4 million decrease a \$1.7 million decline in classified dairy & livestock loans. commercial and industrial loans primarily due the charge-off of one nonperforming commercial and industrial loan.

At September 30, 2023 March 31, 2024, December 31, 2022, we had one OREO property totaling \$647,000. At December 31, 2023 and September 30, 2022 March 31, 2023, we had no OREO properties. There were no additions to OREO properties for the nine months ended September 30, 2023.

### **Allowance for Credit Losses**

The allowance for credit losses totaled \$89.0 million \$82.8 million as of September 30, 2023 March 31, 2024, compared to \$85.1 million \$86.8 million as of December 31, 2022 December 31, 2023 and \$82.6 million \$86.5 million as of September 30, 2022 March 31, 2023. Our allowance for credit losses at September 30, 2023 March 31, 2024 was 1.00% 0.94% of total loans. This compares to 0.94% 0.98% and 0.94% 0.97% at December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023, respectively. The ACL decrease in our allowance for credit losses from December 31, 2023 was increased by \$3.9 million for due to net charge-offs of \$4.0 million reflected in the first nine month quarter of 2023, including \$4.0 million 2024, primarily due to two borrowers in which we previously established specific loan loss reserves in 2023. Our allowance for credit losses that is established on a collective pool basis for



performing loans grew from \$80.9 million at December 31, 2023 to \$82.8 million at March 31, 2024. The changes in our allowance over the last few quarters have been primarily due to changes in our economic forecast, as well as reserves established on specific loans. There was no provision for credit losses. The ACL increased losses recorded in the first quarter of 2024, as the \$1.9 million increase in the allowance for those loans evaluated on a collective pooled basis, was offset by \$17.6 million for the nine months net impact from the \$5.9 million reduction in specific reserves and the \$4 million of net charge-offs. For the quarter ended September 30, 2022 March 31, 2023, including \$8.6 million for the acquired Suncrest PCD loans and \$8.1 million we recorded \$1.5 million in provision for credit losses. Net charge-offs were \$122,000 \$77,000 for the nine months quarter ended September 30, 2023, which compares to \$877,000 in net recoveries for the same period of 2022. March 31, 2023.

The allowance for credit losses as of September 30, 2022 March 31, 2024 is based upon lifetime loss rate models developed from an estimation framework that uses historical lifetime loss experiences to derive loss rates at a collective pool level. We measure the expected credit losses on a collective (pooled) basis for those loans that share similar risk characteristics. We have three collective loan pools: Commercial Real Estate, Commercial and Industrial, and Consumer. Our ACL amounts are largely driven by portfolio characteristics, including loss history and various risk attributes, and the economic outlook for certain macroeconomic variables. The allowance for credit loss is sensitive to both changes in these portfolio characteristics and the forecast of macroeconomic variables. Risk attributes for commercial real estate loans include Original Loan to Value ratios ("OLTV"), origination year, loan seasoning, and macroeconomic variables that include Real GDP growth, commercial real estate price index and unemployment rate. Risk attributes for commercial and industrial loans include internal risk ratings, borrower industry sector, loan credit spreads and macroeconomic variables that include unemployment rate and BBB spread. The macroeconomic variables for Consumer include unemployment rate and GDP. The Commercial Real Estate methodology is applied over commercial real estate loans, a portion of construction loans, and a portion of SBA loans (excluding Paycheck Protection Program loans). loans. The Commercial and Industrial methodology is applied over a substantial portion of the Company's commercial and industrial loans, all dairy & livestock and agribusiness loans, municipal lease receivables, as well as the remaining portion of Small Business Administration (SBA) loans (excluding Paycheck Protection Program loans). The Consumer methodology is applied to SFR mortgage loans, consumer loans, as well as the remaining construction loans. In addition to determining the quantitative life of loan loss rate to be applied against the portfolio segments, management reviews current conditions and forecasts to determine whether adjustments are needed to ensure that the life of loan loss rates reflect both the current state of the portfolio, and expectations for macroeconomic changes.

Our economic forecast continues to be a blend of multiple forecasts produced by Moody's. The baseline forecast continues to represent the largest weighting in our multi-weighted forecast scenario, with downside risks weighted among multiple forecasts which individually reflect various degrees of an economic recession in 2024 and early 2025. The resulting economic forecast reflects a modest decline in GDP in the first half of 2024, but a more significant decrease in Commercial Real Estate values that persists through all of 2025 and unemployment rising through 2025. forecasts. As of September 30, 2023 March 31, 2024, the resulting weighted forecast assumes GDP will increase by 2.1% resulted in 2023, followed by a modest recession at the beginning of 2024 and full year Real GDP growth of just 0.3% for all declining in the third and fourth quarters of 2024. Real GDP then grows at 1.1% growth is forecasted to be below 2% for 2025, before returning to growth between 2% and 2.5% in 2026. Commercial real estate values are forecasted to continue their decline



until reaching their lowest level in the third quarter 2024. Unemployment is forecasted to rise in 2024, peaking around 6% in the first quarter of 2025. The unemployment rate is forecasted to be 3.8% in 2023 and 5.2% in 2024, with peak unemployment of 5.7% in 2025. As there is continued uncertainty around the assumptions that impact our economic forecast, no assurance can be given that economic conditions that adversely affect the Company's service areas and customers will not be reflected in an increased allowance for credit losses in future periods. stay elevated through 2026.

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The table below presents a summary of charge-offs and recoveries by type, the provision for credit losses on loans, and the resulting allowance for credit losses for the periods presented.

	As of and For the Nine Months Ended September 30,		As of and For the Three Months Ended March 31,	
	2023	2022	2024	2023
	(Dollars in thousands)		(Dollars in thousands)	
Allowance for credit losses at beginning of period	\$ 85,117	\$ 65,019	\$ 86,842	\$ 85,117
Charge-offs:				
Commercial real estate	—	—	(2,258)	—
Construction	—	—	—	—
SBA	(207)	—	(90)	(94)
Commercial and industrial	(16)	(66)	(1,917)	(16)
Dairy & livestock and agribusiness	—	—	—	—
SFR mortgage	—	—	—	—
Consumer and other loans	(1)	(4)	(2)	—
Total charge-offs	(224)	(70)	(4,267)	(110)
Recoveries:				
Commercial real estate	—	—	—	—
Construction	9	9	3	3
SBA	69	99	63	12



Commercial and industrial	14	456	176	14
Dairy & livestock and agribusiness	10	383	—	4
SFR mortgage	—	—	—	—
Consumer and other loans	—	—	—	—
Total recoveries	102	947	242	33
Net (charge-offs) recoveries	(122)	877	(4,025)	(77)
Initial ACL for PCD loans at acquisition	—	8,605		
Provision recorded at acquisition	—	4,932		
Provision for credit losses	4,000	3,168		
Provision for (recapture of) credit losses			—	1,500
Allowance for credit losses at end of period	\$ 88,995	\$ 82,601	\$ 82,817	\$ 86,540
Summary of reserve for unfunded loan commitments:				
Reserve for unfunded loan commitments at beginning of period	\$ 8,000	\$ 8,000	\$ 7,500	\$ 8,000
Provision for unfunded loan commitments	—	—	—	500
Reserve for unfunded loan commitments at end of period	\$ 8,000	\$ 8,000	\$ 7,500	\$ 8,500
Reserve for unfunded loan commitments to total unfunded loan commitments	0.43%	0.43%	0.40%	0.46%
	8,877,63	8,774,13		
Amount of total loans at end of period (1)	\$ 2	\$ 6	\$ 8,770,713	\$ 8,942,489
	8,905,69	8,612,16		
Average total loans outstanding (1)	\$ 7	\$ 6	\$ 8,824,579	\$ 8,963,323
Net (charge-offs) recoveries to average total loans	-0.001%	0.010%		
Net (charge-offs) recoveries to total loans at end of period	-0.001%	0.010%		
Net (charge-offs) to average total loans			-0.05%	0.00%
Net (charge-offs) to total loans at end of period			-0.05%	0.00%
Allowance for credit losses to average total loans	1.00%	0.96%	0.94%	0.97%



Allowance for credit losses to total loans at end of period	1.00 %	0.94 %	0.94 %	0.97 %
Net (charge-offs) recoveries to allowance for credit losses	-0.14 %	1.06 %		
Net (charge-offs) recoveries to provision for credit losses	-3.05 %	10.83 %		
Net (charge-offs) to allowance for credit losses			-4.86 %	-0.09 %
Net (charge-offs) to provision for credit losses			0.00 %	-5.13 %

(1) Net of deferred loan origination fees, costs and discounts (amortized cost).

The Bank's ACL methodology also produced an allowance of \$8.0 million \$7.5 million for our off-balance sheet credit exposures as of September 30, 2023 March 31, 2024, compared to \$8.0 million with \$7.5 million and \$8.5 million as of December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2023, respectively. The year-over-year decrease included a \$500,000 recapture of provision for unfunded loan commitments in the fourth quarter of 2023 and \$500,000 in provision in first quarter of 2023.

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While we believe that the allowance at September 30, 2023 March 31, 2024 was appropriate to absorb losses from known or inherent risks in the portfolio, no assurance can be given that future economic conditions, interest rate fluctuations, conditions of our borrowers (including fraudulent activity), or natural disasters, which adversely affect our service areas or other

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circumstances or conditions, including those defined above, will not be reflected in increased provisions for credit losses in the future.

Changes in economic and business conditions could have an impact on our market area and on our loan portfolio. We continually monitor these conditions in determining our estimates of needed reserves. However, we cannot predict the extent to which the deterioration in general economic conditions, real estate values, changes in general rates of interest and changes in the financial conditions or business of a borrower may adversely affect a specific borrower's ability to pay or the value of our collateral. See "Risk Management – Credit Risk Management" contained in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.



## Deposits

The primary source of funds to support earning assets (loans and investments) is the generation of deposits.

Total deposits were \$12.36 billion \$11.89 billion at September 30, 2023 March 31, 2024. This represented a decrease an increase of \$477.5 million \$461.3 million, or 3.72% 4.03%, over from total deposits of \$12.84 billion \$11.43 billion at December 31, 2022 December 31, 2023. The increase in total deposits at March 31, 2024 included \$300 million in brokered deposits.

The composition of deposits is summarized as of the dates presented in the table below.

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
	Balance	Percent	Balance	Percent	Balance	Percent	Balance	Percent
	(Dollars in thousands)				(Dollars in thousands)			
Noninterest-bearing deposits	\$ 7,586,649	61.39 %	\$ 8,164,364	63.60 %	\$ 7,112,789	59.80 %	\$ 7,206,175	63.03 %
Interest-bearing deposits								
Investment checking	560,223	4.53 %	723,870	5.64 %	545,066	4.58 %	552,408	4.83 %
Money market	3,414,862	27.63 %	3,070,674	23.92 %	3,106,539	26.12 %	2,821,344	24.67 %
Savings	491,325	3.98 %	582,711	4.54 %	454,973	3.82 %	457,320	4.00 %
Time deposits	305,727	2.47 %	294,626	2.30 %	675,554	5.68 %	396,395	3.47 %
Total Deposits	\$ 12,358,786	100.00 %	\$ 12,836,245	100.00 %	\$ 11,894,921	100.00 %	\$ 11,433,642	100.00 %

The amount of noninterest-bearing deposits in relation to total deposits is an integral element in our strategy of seeking to achieve a low cost of funds. Noninterest-bearing Average noninterest-bearing deposits totaled \$7.59 billion at September 30, 2023, representing \$7.18 billion for the first quarter of 2024, a decrease of \$577.7 million \$268.1 million, or 7.08% 3.60%, from noninterest-bearing deposits of \$8.16 billion at December 31, 2022. Noninterest-bearing \$7.45 billion for the fourth quarter of 2023. Average noninterest-bearing deposits represented 61.39% were 61.72% of total average



deposits at September 30, 2022, for the first quarter of 2024, compared to 63.60% 61.30% for the fourth quarter of total deposits at December 31, 2022 and over the last five quarters have been consistently greater than 61%. 2023.

Savings Interest-bearing non-maturity deposits, which include savings, interest-bearing demand, and money market accounts, totaled \$4.47 billion \$4.11 billion at September 30, 2023 March 31, 2024, representing an increase of \$89.2 million \$275.5 million, or 2.04% 7.19%, from savings deposits of \$4.38 billion \$3.83 billion at December 31, 2022 December 31, 2023.

Time deposits totaled \$305.7 million \$675.6 million at September 30, 2023 March 31, 2024, representing an increase of \$11.1 million \$279.2 million, or 3.77% 70.42%, from total time deposits of \$294.6 million for December 31, 2022 \$396.4 million at December 31, 2023. This increase included \$300 million in brokered deposits.

During the first quarter of 2024, \$300 million of brokered deposits were issued and cash flow hedging transactions were simultaneously executed in which \$300 million notional pay-fixed interest rate swaps were consummated with maturities of three years, wherein the Company pays a weighted average fixed rate of approximately 4.2% and receives daily SOFR. We entered into these interest rate derivative contracts that are designated as qualifying cash flow hedges to hedge the exposure to variability in expected future cash flows attributable to changes in a contractually specified interest rate. The fair value of these instruments totaled \$789,000 and were reflected as an asset at March 31, 2024.

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Our deposits are 100% primarily relationship based core and include deposits and customer repurchase agreements ("repos"). We had zero brokered deposits at For the end of the third first quarter of 2023 with 75% 2024, 74% of our deposits consisting consist of business deposits and 25% consisting 26% consist of consumer deposits, primarily the owners and employees of our business customers. The largest percentage of our deposits, 39%, are analyzed business accounts, which represent customer operating accounts that generally utilize a wide array of treasury management products. As most of our business customers need to operate with more than \$250,000 in their operating account, we have a significant percentage of deposits that are uninsured. As of March 31, 2024, 45% of our total deposits and customer repos were uncollateralized and uninsured.

Our customer deposit relationships represent a diverse set of industries. The industry classification with the largest concentration is manufacturing, construction, which represents 11% 7% of our deposits. Overall, there are 15 16 different industry classifications that represent 2% or more of our deposits as of September 30, 2023 March 31, 2024. Our depositors have typically banked with us for many years. As of September 30, 2023 March 31, 2024, 46% 44% of our



deposit relationships have banked with us more than 10 years and 77% 76% of our deposit relationships have been with us for three or more years.

Average total deposits for the first quarter decreased by approximately \$517 million compared to the fourth quarter of 2023, while average borrowings grew by \$407 million. The decline in average deposits was primarily due to deposit outflows at the end of 2023 related to estate planning for the Bank's largest deposit customer. Our average noninterest-bearing deposits continued to be greater than 61% of our average total deposits for the first quarter of 2024.

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The unprecedented increase in short-term interest rates impacted our deposit levels. Total Our cost of deposits and customer repos were \$12.63 billion at September 30, 2023, a \$221.6 million, or 1.72%, decrease from June 30, 2023. At was 74 basis points on average for the end of third first quarter of 2023, deposits and customer repos were \$773.3 million lower than 2024, which compares to 62 basis points for the end of 2022. This decline includes the impact of \$720 million in customer deposits that were moved by customers into Citizens Trust, where these funds were invested in higher yielding liquid assets such as United States treasury notes or bonds. The velocity of deposits moving to CitizensTrust continued to moderate in the third quarter of 2023, with approximately \$170 million transferred off balance sheet in the quarter, compared to \$180 million in the second fourth quarter of 2023 and \$370 million in 17 basis points for the first quarter of 2023. From the first quarter of 2022 through the first quarter of 2024, our cost of deposits has increased by 71 basis points, representing a deposit beta of 14%, compared to the 525 basis point increase in the Fed Funds rate during the Federal Reserve's tightening cycle.

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## **Borrowings**

We offer a repurchase agreement product to our customers. This product, known as Citizens Sweep Manager, sells our investment securities overnight to our customers under an agreement to repurchase them the next day at a price that reflects the market value of the use of these funds by the Bank for the period concerned. These repurchase agreements are signed with customers who want to invest their excess deposits, above a pre-determined balance in a demand deposit account, in order to earn interest. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, total funds borrowed under these agreements were \$269.6 million \$275.7 million and \$565.4 million \$271.6 million,



respectively, with a weighted average interest rate of 0.29% 0.38% for the third first quarter of 2023 and 0.10% 2024, compared to 0.27% for the fourth quarter of 2022. 2023 and 0.12 for the first quarter of 2023.

As a result of declining deposit balances, we borrowed on average \$1.32 billion during the third quarter had borrowings of 2023. As of September 30, 2023, total short-term borrowings, consisted of \$870.0 million of one-year advances \$2.0 billion from the Federal Reserve's Reserve's Bank Term Funding Program during the first quarter of 2024. Borrowings from the Bank Term Funding Program at the end of the first quarter included \$695 million of advances that mature in May of this year and \$1.3 billion of advances that mature in January of 2025. Our BTFP borrowings had a cost weighted average borrowing rate of 4.87%, approximately 4.75%.

As of March of 2024, BTFP was no longer available for new borrowings. We anticipate that the BTFP borrowings will be repaid through a combination of existing cash, future principal and interest payments from our security portfolio, core deposit growth, and additional wholesale funding sources which replaced higher cost borrowings from may consist of new borrowing sources such as the FHLB and \$250 million and/or additional brokered deposits. As of short-term March 31, 2024, the Bank had unused borrowing capacity at the FHLB advances, at an average cost of approximately 5% \$4.81 billion. These FHLB advances will mature in the fourth quarter of November 2023.

At September 30, 2023 March 31, 2024, loans with a carrying value of \$4.35 billion \$4.24 billion were pledged to secure available lines of credit from the FHLB and the Federal Reserve Bank.

At September 30, 2023, March 31, 2024 investment securities with carrying value values of \$2.16 billion \$2.51 billion were pledged to secure various types of deposits, including \$1.34 billion \$1.37 billion of public funds. In addition, investment securities with carrying values of \$2.94 billion \$2.75 billion were pledged to secure \$433.5 million \$372.3 million for repurchase agreements, \$870 million \$1.88 billion for outstanding borrowings, \$1.58 billion \$446 million for unused borrowing capacity and approximately \$52 million \$51 million for other purposes as required or permitted by law.

### Aggregate Contractual Obligations

The following table summarizes the aggregate contractual obligations as of September 30, 2023 March 31, 2024.

Maturity by Period					Maturity by Period				
Total	Less Than One Year	Throu gh Three Years	Throu gh Five Years	Over Five Years	Total	Less Than One Year	One Year Through Three Years	Four Years Through Five Years	Over Five Years
	(Dollars in thousands)					(Dollars in thousands)			



	12,358,78	12,34	12,7							
Deposits (1)	\$ 6	\$ 2,695	\$ 14	\$ 3,106	\$ 271	\$ 11,894,921	\$ 11,880,259	\$ 12,166	\$ 2,217	\$ 279
Customer repurchase agreements (1)	269,552	269,52	—	—	—	275,720	275,720	—	—	—
Other borrowings	1,120,000	1,120,000	—	—	—	1,995,000	1,995,000	—	—	—
Deferred compensation	22,130	574	1,152	1,150	19,254	23,082	575	1,152	1,150	20,205
Operating leases	27,213	7,210	12,339	6,763	901	24,807	7,193	11,737	5,208	669
Equity investments	22,995	18,385	4,297	42	271	24,197	16,782	6,735	205	475
	13,820,67	13,75	30,5	11,06	20,6					
Total	\$ 6	\$ 8,416	\$ 02	\$ 1	\$ 97	\$ 14,237,727	\$ 14,175,529	\$ 31,790	\$ 8,780	\$ 21,628

(1) Amounts exclude accrued interest.

Deposits represent noninterest-bearing, money market, savings, NOW, certificates of deposits, brokered and all other deposits held by the Bank.

Customer repurchase agreements represent excess amounts swept from customer demand deposit accounts, which mature the following business day and are collateralized by investment securities. These amounts are due to customers.

Deferred compensation represents the amounts that are due to former employees based on salary continuation agreements as a result of acquisitions and amounts due to current and retired employees under our deferred compensation plans.



Operating leases represent the total minimum lease payments due under non-cancelable operating leases. Refer to Note 13.12 – Leases of the notes to the Company's unaudited condensed consolidated financial statements for a more detailed discussion about leases.

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## Off-Balance Sheet Arrangements

The following table summarizes the off-balance sheet items at September 30, 2023 March 31, 2024.

	Total	Maturity by Period				Total	Maturity by Period			
		Less Than One Year	One Year Through Three Years	Four Years Through Five Years	After Five Years		Less Than One Year	One Year Through Three Years	Four Years Through Five Years	After Five Years
		(Dollars in thousands)					(Dollars in thousands)			
Commitment to extend credit:	41									
Commercial real estate	6,239	77,465	166,022	146,265	26,487	\$ 446,496	\$ 97,096	\$ 179,539	\$ 139,060	\$ 30,801
	28,76	25,43			3,32					
Construction	7	9	—	—	8	24,929	22,926	—	—	2,003
SBA	97	—	—	—	97	386	64	—	—	322
SBA - PPP	—	—	—	—	—					
Commercial and industrial	989,37	769,221	197,848		19,913	1,029,607	750,394	257,136	1,661	20,416



Dairy & livestock and agribusiness (1)	23	0,6	132,3	98,29	37	42	5	—	—	203,074	131,015	72,059	—	—			
Municipal lease finance receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—			
SFR Mortgage	6,5	39	4,163	—	—	6	2,37	6,120	4,163	—	—	1,957	—	—			
Consumer and other loans	12	7,1	13,46	—	—	104,	89	2	5,886	3,527	314	123,704	16,718	7,308	2,477	97,201	
Total commitment to extend credit	1,7	99,	20	1,022,	468,0	152,5	156,	5	092	51	47	515	1,834,316	1,022,376	516,042	143,198	152,700
Obligations under letters of credit	56,	32	32,54	23,76	3	2	3	—	18	55,432	34,091	21,123	200	18	—	—	
	1,8	55,	52	1,054,	491,8	152,5	156,										
Total	\$ 8	\$ 634	\$ 14	\$ 47	\$ 533	\$ 1,889,748	\$ 1,056,467	\$ 537,165	\$ 143,398	\$ 152,718							

(1) Total commitments to extend credit to agribusiness were \$28.2 million \$34.8 million at September 30, 2023 March 31, 2024.

As of September 30, 2023 March 31, 2024, we had commitments to extend credit of approximately \$1.8 billion \$1.83 billion, and obligations under letters of credit of \$56.3 million \$55.4 million. Commitments to extend credit are agreements to lend to customers, provided there is no violation of any material condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Commitments are generally variable rate, and many of these commitments are expected to expire without being drawn upon. As such, the total commitment amounts do not necessarily represent future cash requirements. We use the same credit underwriting policies in granting or accepting such commitments or contingent obligations as we do for on-balance sheet instruments, which consist of evaluating customers' creditworthiness individually. As of September 30, 2023 March 31, 2024 and December 31, 2022, 2023, the balance in this reserve was \$8.0 million \$7.5 million and \$8.5 million, respectively, and was included in other liabilities. There was no provision or recapture of provision for unfunded commitments for the first quarter



of 2024, compared to \$500,000 in recapture of provision in the fourth quarter of 2023 and a \$500,000 provision in the first quarter of 2023.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the financial performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing or purchase arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. When deemed necessary, we hold appropriate collateral supporting those commitments.

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## Capital Resources

Our primary source of capital has been the retention of operating earnings and issuance of common stock in connection with periodic acquisitions. In order to ensure adequate levels of capital, we conduct an ongoing assessment of projected sources, needs and uses of capital in conjunction with projected increases in assets and the level of risk. As part of this ongoing assessment, the Board of Directors reviews the various components of our capital plan and capital stress testing.

Total equity increased \$2.9 million \$8.9 million, or 0.15% 0.43%, to \$1.95 billion \$2.09 billion at September 30, 2023 March 31, 2024, compared to total equity of \$1.95 billion \$2.08 billion at December 31, 2022 December 31, 2023. Increases to equity included \$172.9 million \$48.6 million in net earnings, that were partially offset by a \$72.3 million \$27.9 million in cash dividends and an \$11.7 million decrease in other comprehensive income. At the end of the second quarter of 2023, we entered into pay-fixed rate swaps to mitigate the risks of rising interest rates. This resulted in a fair value remeasurement of this swap derivative, resulting in an after tax increase in other comprehensive income of \$17.6 million at September 30, 2023. Decreases from December 31, 2022 included \$83.7 million in cash dividends. We engaged in no stock repurchases during the second and third quarters first quarter of 2023, 2024, compared to the first quarter of 2023, when we repurchased 791,800 shares of common stock, at an average repurchase price of \$23.43, totaling \$18.5 million. Our tangible book value per share at June 30, 2023 March 31, 2024 was \$8.39 \$9.36.

During the third first quarter of 2023, 2024, the Board of Directors of CVB declared quarterly cash dividends totaling \$0.20 per share. Dividends are payable at the discretion of the Board of Directors and there can be no assurance that the Board of Directors will continue to pay dividends at the same rate, or at all, in the future. CVB's ability to pay cash dividends to its shareholders is subject to restrictions under federal and California law, including restrictions imposed by the Federal Reserve, and covenants set forth in various agreements we are a party to.



On February 1, 2022, we announced that our Board of Directors authorized a share repurchase plan to repurchase up to 10,000,000 shares of the Company's common stock ("2022 Repurchase Program"), including by means of (i) an initial \$70 million dollar Accelerated Share Repurchase, or ASR Plan, and (ii) one or more Rule 10b5-1 plans or other appropriate buy-back arrangements, including open market purchases and private transactions. We completed the execution of the \$70 million accelerated stock repurchase program in the second quarter of 2022, and retired a total of 2,993,551 shares of common stock at an average price of \$23.38. During the nine month period ended September 30, 2022 we also repurchased, under our 10b5-1 stock repurchase plan, 1,914,590 shares of common stock, at an average repurchase price of \$23.43, totaling \$44.9 million. During the first quarter of 2023, we repurchased 791,800 shares at an average price of \$23.43. We engaged in no stock repurchases during the second first quarter of 2023. This 10b5-1 plan expired on March 2, 2023 and no new plan has been put in place since that time. 2024.

The Bank and the Company are required to meet risk-based capital standards under the revised capital framework referred to as Basel III set by their respective regulatory authorities. The risk-based capital standards require the achievement of a minimum total risk-based capital ratio of 8.0%, a Tier 1 risk-based capital ratio of 6.0% and a common equity Tier 1 ("CET1") capital ratio of 4.5%. In addition, the regulatory authorities require the highest rated institutions to maintain a minimum leverage ratio of 4.0%. To be considered "well-capitalized" for bank regulatory purposes, the Bank and the Company are required to have a CET1 capital ratio equal to or greater than 6.5%, a Tier 1 risk-based capital ratio equal to or greater than 8.0%, a total risk-based capital ratio equal to or greater than 10.0% and a Tier 1 leverage ratio equal to or greater than 5.0%. At September 30, 2023 March 31, 2024, the Bank and the Company exceeded the minimum risk-based capital ratios and leverage ratios required to be considered "well-capitalized" for regulatory purposes. For further information about capital requirements and our capital ratios, see "Item 1. Business – Capital Adequacy Requirements" as described in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. At September 30, 2023, the Bank and the Company exceeded the minimum risk-based capital ratios and leverage ratios, under the revised capital framework referred to as Basel III, required to be considered "well-capitalized" for regulatory purposes. We did not elect to phase in the impact of CECL on regulatory capital, as allowed under the interim final rule of the FDIC and other U.S. banking agencies.

The table below presents the Company's and the Bank's risk-based and leverage capital ratios for the periods presented.

<div> <div> Septe mber 30, 2023 </div> <div> Dece mber 31, 2022 </div> </div>	<div> <div>March 31, 2024</div> <div>December 31, 2023</div> </div>
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rat	50	7.00	0	8	5	5	9														
io	%	%	%	%	%	%	%	%	4.50%	7.00%	6.50%	14.95%	14.81%	14.65%	14.49%						
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ca					8		4	3													
pit					.	14	.	13	.												
al	6.		0	.3	2	.5	3														
rat	00	8.50	0	8	5	5	9														
io	%	%	%	%	%	%	%	%	6.00%	8.50%	8.00%	14.95%	14.81%	14.65%	14.49%						



To														
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d			1		1		1							
ca			0		5		4							
pit			.	15	.	14	.							
al	8.		0	.2	1	.3	2							
rat	00	10.5	0	5	2	7	2							
io	%	0%	%	%	%	%	%	8.00%	10.50%	10.00%	15.77%	15.63%	15.50%	15.34%

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ASSET/LIABILITY AND MARKET RISK MANAGEMENT

Liquidity and Cash Flow

The objective of liquidity management is to ensure that funds are available in a timely manner to meet our financial obligations when they come due without incurring unnecessary cost or risk, or causing a disruption to our normal operating activities. This includes the ability to manage unplanned decreases or changes in funding sources, accommodating loan demand and growth, funding investments, repurchasing securities, paying creditors as necessary, and other operating or capital needs.

We regularly assess the amount and likelihood of projected funding requirements through a review of factors such as historical deposit volatility and funding patterns, present and forecasted market and economic conditions, individual customer funding needs, as well as current and planned business activities. Management has an Asset/Liability Committee that meets monthly. This committee analyzes the cash flows from loans, investments, deposits and borrowings, as well as the input assumptions and results from various models. In addition, the Company has a Balance Sheet Management Committee of the Board of Directors that meets at least quarterly to review the Company's balance sheet and liquidity position. This committee provides oversight to the balance sheet and liquidity management process and recommends



policy guidelines for the approval of our Board of Directors, and courses of action to address our actual and projected liquidity needs.

In general, our liquidity is managed daily by controlling the level of liquid assets as well as the use of funds provided by the cash flow from the investment portfolio, loan demand, deposit fluctuations, and borrowings. Our definition of liquid assets includes cash and cash equivalents in excess of minimum levels needed to fulfill normal business operations, short-term investment securities, and other anticipated near term cash flows from investments. In addition to on balance sheet liquidity, we have significant off-balance sheet sources of liquidity. To meet unexpected demands, lines of credit are maintained with correspondent banks, the Federal Home Loan Bank and the Federal Reserve, although availability under these lines of credit are subject to certain conditions. The Bank has available lines of credit totaling approximately \$5.8 billion, of which \$3.5 billion is secured by pledged loans and another \$2 billion is secured by investment securities. In addition to having more than \$200 million \$900 million of cash on the balance sheet at September 30, 2023 March 31, 2023, we had substantial sources of off-balance sheet liquidity. These sources of available liquidity include \$4.7 billion \$4.8 billion of secured and unused capacity with the Federal Home Loan Bank, \$1.2 billion \$741 million of secured unused borrowing capacity at the Fed's discount window, or Bank Term Funding Program, more than \$260 million \$18 million of unpledged AFS securities that could be pledged at the discount window or the Fed's Bank Term Funding Program and \$300 million of unsecured lines of credit. In addition to these borrowing sources, the Bank has not utilized any capacity to utilize additional brokered deposits as of September 30, 2023 March 31, 2024. We can also obtain additional liquidity from deposit growth by utilizing state and national wholesale markets.

Our primary sources and uses of funds for the Company are deposits, customer repurchase agreements and loans, borrowings. Total deposits and customer repos of \$12.63 billion \$12.17 billion at September 30, 2023 decreased \$773.3 million March 31, 2024 increased \$465.4 million, or 5.77% 3.98%, over total deposits and customer repos of \$13.40 billion \$11.71 billion at December 31, 2022 December 31, 2023. As a result of declining deposit balances, we borrowed on average \$1.32 billion during the third quarter of 2023. We had no brokered deposits throughout the quarter. As of September 30, 2023 March 31, 2024, total short-term borrowings, consisted of \$870 million \$2.0 billion of one-year advances from the Federal Reserve's Bank Term Funding Program, at a cost of 4.87%, which replaced higher cost borrowings from the FHLB, and \$250 million of short-term FHLB advances, at an average cost of approximately 5% 4.75%. These FHLB The BTFP advances will mature include maturities of \$695 million in the fourth quarter May and \$1.3 billion in January of 2023. 2025. Our deposit levels and cost of deposits may fluctuate from period-to-period due to a variety of factors, including the stability of our deposit base, prevailing interest rates, and market conditions. At September 30, 2023 March 31, 2024, our deposits and customer repurchase agreements that are neither collateralized nor insured were approximately \$6.5 billion. \$5.4 billion, or 45% of our total deposits and customer repos.

In addition to Additional sources of liquidity include cash on deposit at the increase in short-term borrowing during the first nine months of 2023, we Federal Reserve, which exceeded \$900 million at March 31, 2024, and principal and interest payments from our investment portfolio. We shrank our investment portfolio by not reinvesting the approximately \$350 million of cashflows generated by our investments during the first nine months quarter of 2023. 2024. Our total investment



portfolio declined by \$447 million \$129.0 million from December 31, 2022 December 31, 2023 to \$5.36 billion \$5.29 billion as of September 30, 2023 March 31, 2024. The decrease was primarily due to a \$382 million \$119 million decline in AFS securities. AFS securities totaled \$2.87 billion dollars \$2.84 billion at the end of the third quarter, March 31, 2024, inclusive of a pre-tax net unrealized loss of \$628 million \$485.6. Pre-tax unrealized loss grew by \$35.9 million from December 31, 2023. Market risk, is partly managed by \$1 billion notional pay fixed swaps hedging the fair value of the AFS portfolio. The \$35.9 million decrease in fair value of our AFS securities was partially offset by an \$18 million increase in the fair value of our derivatives that hedge the change in value of our AFS portfolio.

CVB is a holding company separate and apart from the Bank that must provide for its own liquidity and must service its own obligations. Substantially all of CVB's revenues are obtained from dividends declared and paid by the Bank to CVB. There are statutory and regulatory provisions that could limit the ability of the Bank to pay dividends to CVB. In addition, our regulators could limit the ability of the Bank or CVB to pay dividends or make other distributions.

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Below is a summary of our average cash position and statement of cash flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023. For further details see our "Condensed Consolidated Statements of Cash Flows (Unaudited)" under Part I, Item 1 of this report.

#### Consolidated Summary of Cash Flows

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
	(Dollars in thousands)		(Dollars in thousands)	
Average cash and cash equivalents	\$ 462,132	\$ 1,205,065	\$ 595,470	\$ 212,079
Percentage of total average assets	2.82 %	7.05 %	3.67 %	1.30 %
Net cash provided by operating activities	\$ 246,951	\$ 202,846	\$ 77,474	\$ 70,120
Net cash provided by (used in) investing activities	543,501	(962,037)		
Net cash used in financing activities	(753,218)	(654,818)		
Net increase (decrease) in cash and cash equivalents	\$ 37,234	\$ (1,414,009)		



Net cash provided by investing activities	231,033	232,579
Net cash provided by (used in) financing activities	359,797	(278,626)
Net increase in cash and cash equivalents	<u>\$ 668,304</u>	<u>\$ 24,073</u>

Average cash and cash equivalents decreased increased by \$742.9 million \$383.4 million, or 61.65% 180.78%, to \$462.1 million \$595.5 million for the nine three months ended September 30, 2023 March 31, 2024, compared to \$1.21 billion \$212.1 million for the same period of 2022. 2023.

At September 30, 2023 March 31, 2024, cash and cash equivalents totaled \$240.7 million \$949.6 million. This represented a decrease an increase of \$77.8 million \$722.1 million, or 24.44% 317.34%, from \$318.5 million \$227.5 million at September 30, 2022 March 31, 2023. Our cash on deposit at the Federal Reserve grew by more than \$700 million when compared to March 31, 2023. This growth in cash was partly attributable to the issuance of \$300 million in brokered deposits. These deposits, which mature every 90 days, were combined with cash flow hedges which resulted in a fixed rate of approximately 4.2%.

### ***Interest Rate Sensitivity Management***

During periods of changing interest rates, the ability to re-price interest-earning assets and interest-bearing liabilities can influence net interest income, the net interest margin, and consequently, our earnings. Interest rate risk is managed by attempting to control the spread between rates earned on interest-earning assets and the rates paid on interest-bearing liabilities within the constraints imposed by market competition in our service area. The primary goal of interest rate risk management is to control exposure to interest rate risk, within policy limits approved by the Board of Directors. These limits and guidelines reflect our risk appetite for interest rate risk over both short-term and long-term horizons. We measure these risks and their impact by identifying and quantifying exposures through the use of sophisticated simulation and valuation models, which, as described in additional detail below, are employed by management to understand net interest income (NII) at risk and economic value of equity (EVE) at risk. Net interest income at risk sensitivity captures asset and liability repricing mismatches and is considered a shorter term measure, while EVE sensitivity captures mismatches within the period end balance sheets through the financial instruments' respective maturities or estimated durations and is considered a longer term measure.

One of the primary methods that we use to quantify and manage interest rate risk is simulation analysis, which we use to model NII from the Company's balance sheet under various interest rate scenarios. We use simulation analysis to project rate sensitive income under many scenarios. The analyses may include rapid and gradual ramping of interest rates, rate shocks, basis risk analysis, and yield curve scenarios. Specific balance sheet management strategies are also analyzed to determine their impact on NII and EVE. Key assumptions in the simulation analysis relate to the behavior of interest rates and pricing spreads, the changes in product balances, and the behavior of loan and deposit clients in different rate environments. This analysis incorporates several assumptions, the most material of which relate to the re-



pricing characteristics and balance fluctuations of deposits with indeterminate or non-contractual maturities, and prepayment of loans and securities.

Our interest rate risk policy measures the sensitivity of our net interest income over both a one-year and two-year cumulative time horizon.

The simulation model estimates the impact of changing interest rates on interest income from all interest-earning assets and interest expense paid on all interest-bearing liabilities reflected on our balance sheet. This sensitivity analysis is compared to policy limits, which specify a maximum tolerance level for net interest income exposure over a one and two year

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horizon assuming no balance sheet growth, given a 200 basis point upward and a 200 basis point downward shift in interest rates depending on the level of current market rates. The simulation model uses a parallel yield curve shift that

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ramps rates up or down on a pro rata basis over 12-months and measures the resulting net interest income sensitivity over both the 12-month and 24-month time horizons.

The following depicts the Company's net interest income sensitivity analysis for the periods presented below, when rates are ramped up 200bps or ramped down 200bps over a 12-month time horizon.

Estimated Net Interest Income Sensitivity (1)					
Interest Rate Scenario	September 30, 2023		Interest Rate Scenario	December 31, 2022	
	12-month	24-month Period		12-month	24-month Period
	Period	(Cumulative)		Period	(Cumulative)
+ 200 basis points	3.15%	5.01%	+ 200 basis points	2.32%	4.96%
- 200 basis points	-3.06%	-5.65%	- 200 basis points	-2.28%	-6.83%
Estimated Net Interest Income Sensitivity (1)					
March 31, 2024			December 31, 2023		



Interest Rate Scenario	12-month Period	24-month Period (Cumulative)	Interest Rate Scenario	12-month Period	24-month Period (Cumulative)
+ 200 basis points	3.93%	3.97%	+ 200 basis points	3.96%	4.56%
- 200 basis points	-4.69%	-5.90%	- 200 basis points	-3.97%	-5.21%

(1) Percentage change from base scenario.

Based on our current simulation models, we believe that the interest rate risk profile of the balance sheet is modestly asset sensitive over both a one-year and a two-year horizon. The estimated sensitivity does not necessarily represent a forecast and the results may not be indicative of actual changes to our net interest income. These estimates are based upon a number of assumptions including: the nature and timing of interest rate levels including yield curve shape, re-pricing characteristics and balance fluctuations of deposits with indeterminate or non-contractual maturities, prepayments on loans and securities, pricing strategies on loans and deposits, and replacement of asset and liability cash flows. While the assumptions used are based on current economic and local market conditions, there is no assurance as to the predictive nature of these conditions including how customer preferences or competitor influences might change.

We also perform valuation analysis, which incorporates all cash flows over the estimated remaining life of all material balance sheet and derivative positions. The valuation of the balance sheet, at a point in time, is defined as the discounted present value of all asset cash flows and derivative cash flows minus the discounted present value of all liability cash flows, the net of which is referred to as EVE. The sensitivity of EVE to changes in the level of interest rates is a measure of the longer-term re-pricing risk and options risk embedded in the balance sheet. EVE uses instantaneous changes in rates, as shown in the table below. Assumptions about the timing and variability of balance sheet cash flows are critical in the EVE analysis. Particularly important are the assumptions driving prepayments and the expected duration and pricing of the indeterminate deposit portfolios. EVE sensitivity is reported in both upward and downward rate shocks. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the EVE profile indicates a decline in net balance sheet value due to instantaneous downward changes in rates. From December 31, 2023 to March 31, 2024, our EVE sensitivity to rising rates compared changed from a minimal decline in value to an increase resulting from an increase a modest gain in rates. value due to increased cash balances. Our overall sensitivity of EVE to changes in interest rates is modest, with the exception of more meaningful reductions in value if rates were to immediately decline by 300 or 400 basis points.

### ***Economic Value of Equity Sensitivity***

Instantaneous Rate Change	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
400 bp decrease in interest rates	-17.0%	N/A	-17.0%	-13.9%



300 bp decrease in interest rates	-8.5%	N/A	-11.6%	-9.3%
200 bp decrease in interest rates	-5.1%	-12.8%	-7.2%	-4.7%
100 bp decrease in interest rates	-1.6%	-4.4%	-3.2%	-1.6%
100 bp increase in interest rates	-0.2%	1.2%	-0.1%	-0.4%
200 bp increase in interest rates	0.4%	2.2%	1.2%	-0.3%
300 bp increase in interest rates	1.0%	3.8%	2.0%	-1.0%
400 bp increase in interest rates	1.4%	5.3%	2.7%	-2.2%

As EVE measures the discounted present value of cash flows over the estimated lives of instruments, the change in EVE does not directly correlate to the degree that earnings would be impacted over a shorter time horizon (i.e., the current year). Further, EVE does not take into account factors such as future balance sheet growth, changes in asset and liability mix, changes in yield curve relationships, and changing product spreads that could mitigate the adverse impact of changes in interest rates.

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### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss from adverse changes in the market prices and interest rates. Our market risk arises primarily from interest rate risk inherent in our lending and deposit taking activities. We do not currently have futures, forwards, or option contracts. As a result of the phase out of LIBOR, our interest rate swap derivatives and the associated loans that were indexed to LIBOR, have been replaced with one month CME Term SOFR. All remaining financial instruments indexed to LIBOR have been transitioned to a replacement index, as of June 30, 2023. For further quantitative and qualitative disclosures about market risks in our portfolio, see “Asset/Liability Management and Interest Rate Sensitivity Management” included in Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of



Operations" presented elsewhere in this report. This analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**. Our analysis of market risk and market-sensitive financial information contains forward-looking statements and is subject to the disclosure at the beginning of Part I regarding such forward-looking information.

#### ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures under the supervision and with the participation of the Chief Executive Officer, the Chief Financial Officer and other senior management of the Company. Based on the foregoing, the Company's Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

During the quarter ended **September 30, 2023** **March 31, 2024**, there have been no changes in our internal controls over financial reporting that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

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## PART II – OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

The Company and its subsidiaries are parties to various lawsuits and threatened lawsuits in the **ordinary and non-ordinary** course of business. From time to time, such lawsuits and threatened lawsuits may include, but are not limited to, actions involving securities litigation, employment matters, wage-hour and labor law claims, consumer claims, regulatory compliance claims, data privacy **claims**, lender liability claims, **bankruptcy and fraudulent transfer** **bankruptcy-related** claims and negligence claims, some of which may be styled as "class action" or **other** representative cases. Some of these lawsuits may be similar in nature to other lawsuits pending against the Company's competitors.

For lawsuits where the Company has determined that a loss is both probable and reasonably estimable, a liability representing the best estimate of the Company's financial exposure based on known facts has been recorded in accordance with FASB guidance over loss contingencies (ASC 450). However, as a result of inherent uncertainties in



judicial decision-making interpretation and application of a myriad of laws and regulations applicable to the Company's business, and the unique, complex factual and legal issues presented in any given lawsuit, the Company often cannot determine the probability of loss or estimate the amount of damages which a plaintiff might successfully prove if the Company were found to be liable. For lawsuits or threatened lawsuits where a claim has been asserted or the Company has determined that it is probable that a claim will be asserted, and there is a reasonable possibility that the outcome will be unfavorable, the Company will disclose the existence of the loss contingency, even if the Company is not able to make an estimate of the possible loss or range of possible loss with respect to the action or potential action in question, unless the Company believes that the nature, potential magnitude or potential timing (if known) of the loss contingency is not reasonably likely to be material to the Company's liquidity, consolidated financial position, and/or results of operations.

Our accruals and disclosures for loss contingencies are reviewed quarterly and adjusted as additional information becomes available. We disclose a loss contingency and/or the amount accrued if we believe it is reasonably likely to be material or if we believe such disclosure is necessary for our financial statements to not be misleading. If we determine that an exposure to loss exists in excess of an amount previously accrued or disclosed, we assess whether there is at least a reasonable possibility that a loss, or additional loss, may have been incurred, and we adjust our accruals and disclosures accordingly.

We do not presently believe that the ultimate resolution of any lawsuits currently pending against the Company will have a material adverse effect on the Company's results of operations, financial condition, or cash flows. The outcome of litigation and other legal and regulatory matters is inherently uncertain, however, and it is possible that one or more of the legal matters currently pending or threatened against the Company could have a material adverse effect on our results of operations, financial condition or cash flows.

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## ITEM 1A. RISK FACTORS

Except as discussed below there have been no material changes to the risk factors as previously disclosed in Item 1A. to Part I of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. The materiality of any risks and uncertainties identified in our Forward Looking Statements contained in this report together with those previously disclosed in our current the Form 10-K and any subsequent Form 10-Q or those that are presently unforeseen could result in significant adverse effects on our financial condition, results of operations and cash flows. See Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report on Form 10-Q.



Recent negative developments affecting the banking industry could adversely impact our liquidity.

The recent high-profile bank failures have generated significant market volatility among publicly traded bank holding companies and, in particular, regional community banks like CBB. These market developments have negatively impacted customer confidence in the safety and soundness of smaller regional and community banks. As a result, customers may choose to maintain deposits with larger more systematically important financial institutions or invest in higher yielding and higher-rated short-term fixed income securities, all of which could materially adversely impact CBB's liquidity, loan funding capacity, net interest margin, capital and results of operations. While CBB currently has access to substantial borrowing capacity from the Federal Reserve Bank, the Federal Home Loan Bank and credit facilities established with larger banks, there can be no assurance that customer confidence in regional banks and the banking system more broadly will be fully restored or that potential liquidity concerns will recede or that such access will continue unimpaired. 70

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***Rising interest rates have decreased the market value of the Company's available for sale and held-to-maturity securities and loan portfolios, and the Company would realize losses if it were required to sell such securities or loans to meet liquidity needs.***

As a result of inflationary pressures and the resulting rapid increases in interest rates initiated by the Federal Reserve over the last year, the mark-to-market values of previously issued government and other fixed income securities have declined significantly. These securities make up a majority of the securities portfolios of most banks in the U.S., including the Company's, resulting in unrealized losses embedded in the available-for-sale and held-to-maturity portion of U.S. banks' securities and loan portfolios. While the Company does not currently intend to sell these securities or loans, if the Company were required to sell such securities or loans to meet liquidity needs, it could incur losses, which could impair the Company's capital, financial condition, and results of operations, thereby negatively impacting our profitability. While the Company has taken actions to maximize its funding sources, there is no guarantee that such actions will be successful or sufficient in the event of sudden liquidity needs. Furthermore, while the Federal Reserve Board has announced a Bank Term Funding Program available to eligible depository institutions secured by U.S. treasuries, agency debt and mortgage-backed securities, and other qualifying assets as collateral at par, to mitigate the risk of potential losses on the sale of such instruments, there is no guarantee that this program or the Company's other borrowing facilities will be effective in addressing the Company's liquidity needs as they arise.

***If the goodwill that we recorded in connection with business acquisitions becomes impaired, it could require charges to earnings, which would have a negative impact on our financial condition and results of operations.***



Goodwill resulting from business combinations represents the excess of the purchase price over the fair value of the net assets of the businesses we acquired. Goodwill has an indefinite useful life and is not amortized, however, it is tested for impairment at least annually, or more frequently, if events and circumstances exist that indicate that the carrying value of the asset might be impaired, including as a result of a decline in our stock price and market capitalization below our stated book value. We determine impairment by comparing the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. Estimates of fair value are determined based on a complex model using, among other things, discounted cash flows, the fair value of our Company as determined by our stock price, and peer company comparisons. Adverse events in the banking sector have caused market volatility and declines in the stock market prices for many community and regional banks, including the Company's, resulting in a recent decline in the Company's market capitalization. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Any such adjustments are reflected in our results of operations in the periods in which they become known. There can be no assurance that our future evaluations of goodwill will not result in findings of impairment and related write-downs, which may have a material adverse effect on our financial condition and results of operations.

***Any enhanced regulatory examination scrutiny or new regulatory requirements arising from the recent events in the banking industry could increase the Company's expenses and affect the Company's operations and acquisition opportunities.***

Recent events in the banking industry could result in increased regulatory scrutiny in the course of routine examinations and otherwise, and new regulations directed towards regional banks, designed to address the recent negative developments in the banking industry, could increase the Company's costs of doing business, lead to an increased risk of regulatory oversight actions or restrictions, result in decreased regulatory support for merger and acquisition activity, and reduce our profitability. Among other things, there may be an increased focus by both regulators and investors on deposit composition, levels of uninsured deposits, embedded interest rate risk on bank balance sheets, and bank risk management programs generally. As a primarily commercial bank, CBB has a relatively higher percentage of uninsured deposits compared to larger national banks or smaller community banks with a stronger focus on retail deposits. As a result, CBB could face increased scrutiny or be viewed as higher risk by regulators and the investor community.

***Changes in economic, market and political conditions can adversely affect our operating results and financial condition.***

We are subject to macroeconomic and interest rate risk due to domestic and global economic instability that has resulted in higher inflation than the United States has experienced in more than 40 years and resulted in increases to prevailing interest rates. The Federal Reserve's Open Market Committee ("FOMC") raised the target range for the federal funds rate to 5.25% to 5.50% in September 2023, resulting in a cumulative increase of 5.25% from March of 2022. These recent increases in prevailing interest rates and the expectation that interest rates may stay high or increase further for the near term are likely to impact both our customers and many aspects of our business. Higher interest rates will not only impact the interest we receive on loans and investment securities and the amount of interest we pay our depositors, but



could also impact our ability to grow loans and deposits. Rising interest rates, higher commodity prices, and an overall slowdown in economic growth could also impact the fair value of our assets and adversely impact our asset quality.

**The occurrence of fraudulent activity, breaches or failures of information security controls or cybersecurity-related incidents to either our information systems or information systems provided by third party vendors could have a material adverse effect on our business, financial condition and results of operations.**

As a financial institution, we are susceptible to fraudulent activity, information security breaches and other cybersecurity-related incidents and attacks that may be committed against us, our customers or our key vendors and business partners, which in turn may result in financial losses or increased costs to us, our customers, or our key vendors and business partners, disclosure or misuse of our information or our customer information, theft or misappropriation of assets (including bank or customer funds), privacy breaches against us or our customers, litigation, regulatory enforcement actions, and damage to our reputation. The U.S. government has warned financial institutions of the potential increase in the frequency and severity of malicious cyber-attacks and other activities involving critical infrastructure, specifically including the financial sector, and has encouraged the banking sector to enhance cyber-defenses, and these risks have increased in connection with the current conflict in Europe initiated by Russia against Ukraine. While CBB has taken measures to protect its own and customer funds and confidential information against cyber-attacks, as well as other malicious activities, there can be no assurance that such measures will be successful in thwarting such attacks and activities.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On February 1, 2022, we announced that our Board of Directors authorized approved a share repurchase plan program to repurchase up to 10,000,000 shares of the Company's CVB common stock in the open market or in privately negotiated transactions, at times and at prices considered appropriate by us, depending upon prevailing market conditions and other corporate and legal considerations ("2022 Repurchase Program"). We did not repurchase any shares of our common stock during the quarter ended September 30, 2023 March 31, 2024. As of September 30, 2023 March 31, 2024, an aggregate of 4,300,059 shares remained available for repurchase under our 2022 Repurchase Program. The only shares repurchased during the third first quarter of 2023 2024 were shares repurchased pursuant to net settlement by employees in satisfaction of income tax withholding obligations incurred through the vesting of Company stock awards.

None of the Company's directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended September 30, 2023.

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of	Maximum Number of
			Shares Purchased as Part of Publicly Announced Plans or Programs	
July 1 - 31, 2023	441	\$ 15.20	—	4,300,059
August 1 - 31, 2023	2,146	\$ 17.47	—	4,300,059
September 1 - 30, 2023	5,397	\$ 16.83	—	4,300,059



Total	7,984	\$ 16.91	—	4,300,059
Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares Available for Repurchase Under the Plans or Programs
January 1 - 31, 2024	59,970	\$ 18.00	—	4,300,059
February 1 - 29, 2024	18,923	\$ 17.47	—	4,300,059
March 1 - 31, 2024	66,826	\$ 17.40	—	4,300,059
Total	145,719	\$ 17.66	—	4,300,059

(1) Shares repurchased pursuant to net settlement by employees in satisfaction of income tax withholding obligations incurred through the vesting of Company stock awards.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS

Exhibit No.	Description of Exhibits
3.1	<a href="#">Second Amended and Restated Bylaws of CVB Financial Corp. dated September 20, 2023</a> (1)



31.1	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a> *
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a> *
32.1	<a href="#">Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a> **
32.2	<a href="#">Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a> **
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation With Embedded Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document Documents
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, has been formatted in Inline XBRL.

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\* Filed herewith

\*\* Furnished herewith

(1) Incorporated herein by reference to Exhibit 3.1 of the Company's Form 8-K filed with the Securities and Exchange Commission on September 21, 2023.

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## SIGNATURES

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

CVB FINANCIAL CORP.  
(Registrant)



Date: November 9, 2023 May 9, 2024

/s/ E. Allen Nicholson

E. Allen Nicholson

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

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## Exhibit 31.1

### CERTIFICATION

I, David A. Brager, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CVB Financial Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its



consolidated subsidiaries, is made known to us by others within those entities, particularly during the period which this report is being prepared;

- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023 2024

By: /s/ David A. Brager

David A. Brager

President and Chief Executive Officer

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## Exhibit 31.2

### CERTIFICATION



I, E. Allen Nicholson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CVB Financial Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.



Date: November May 9, 2023 2024

By: /s/ E. Allen Nicholson  
E. Allen Nicholson  
Chief Financial Officer

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**Exhibit 32.1**

**CERTIFICATION**

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 CVB Financial Corp. (the "Company") on Form 10-Q for the period ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Brager, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge 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.

Date: November May 9, 2023 2024

By: /s/ David A. Brager  
David A. Brager  
President and Chief Executive Officer



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## Exhibit 32.2

### CERTIFICATION

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 CVB Financial Corp. (the "Company") on Form 10-Q for the period ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, E. Allen Nicholson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge 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.

Date: **November** **May** 9, **2023** **2024**

By: /s/ E. Allen Nicholson  
E. Allen Nicholson  
Chief Financial Officer



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