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30cvbf:Locationxbrli:purecvbf:Agreementcvbf:Subsidiaryxbrli:sharesiso4217:USDxbrli:sharescvbf:Collateraliso4217:USD Â Â UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D. C. 20549 Â FORM 10-Q (Mark One) ï¸ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 Â For the quarterly period ended June 30, 2024 Â or Â ï¸¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from _____ to _____ Â Â Commission File Number: 000-10140 Â CVB FINANCIAL CORP. (Exact name of registrant as specified in its charter) Â California Â 95-3629339 (State or other jurisdiction ofIncorporation or organization) Â (I.R.S. Employer Identification No.) Â Â Â 701 North Haven Ave., Suite 350 Â Â Ontario, California Â 91764 (Address of principal executive offices) Â (Zip Code) Â Â Â Â (909) 980-4030 Â Â (Registrant's telephone number,including area code)Â Â 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 NasdaqÂ Stock Market, LLC Â 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 ï¸ No ï¸¨ Â 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 (Â§ 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 ï¸ No ï¸¨ Â 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 â€œlarge accelerated filer,â€ â€œaccelerated filer,â€ â€œsmaller reporting company,â€ and â€œemerging growth companyâ€ in Rule 12b-2 of the Exchange Act. (Check one): Â Large accelerated filer ï¸ Â Â Accelerated filer ï¸¨ Non-accelerated filer ï¸¨ Â Â Smaller reporting company ï¸¨ Emerging growth company ï¸¨ Â Â Â Â Â 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 ï¸¨ Â Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ï¸¨ No ï¸ Â Number of shares of common stock of the registrant: 139,682,875 outstanding as of July 31, 2024. Â Â   Â 2 Â PART I â€“ FINANCIAL INFORMATION (UNAUDITED) Â GENERAL Â Cautionary Note Regarding Forward-Looking Statements Â Certain statements set forth herein constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as â€œwill likely resultâ€, â€œaimsâ€, â€œanticipatesâ€, â€œbelievesâ€, â€œcouldâ€, â€œestimatesâ€, â€œexpectsâ€, â€œhopesâ€, â€œintendsâ€, â€œmayâ€, â€œplansâ€, â€œprojectsâ€, â€œseeksâ€, â€œshouldâ€, â€œwill,â€ â€œstrategyâ€, â€œpossibilityâ€, 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 managementâ€™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 Companyâ€™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. Â 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 (â€œSECâ€), 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 compliance with employment laws and regulations; unanticipated regulatory or legal proceedings or outcomes; and our ability to manage the risks involved in the foregoing. Â Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in the Company's 2023 Annual Report on Form 10-K filed with the SEC and available at the SECâ€™s Internet site (http://www.sec.gov). Â 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 Companyâ€™s earnings or shareholders, are for illustrative purposes only, are not forecasts, and actual results may differ. 3 Â ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Â CVB FINANCIAL CORP. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (Dollars in thousands, except share amounts) (Unaudited) Â Â Â June 30, Â Â December 31, Â Â Â 2024 Â Â 2023 Â Assets Â Â Â Â Â Â Cash and due from banks Â $ 174,454 Â Â $ 171,396 Â Interest-earning balances due from Federal Reserve Â Â 669,740 Â Â Â 109,889 Â Total cash and cash equivalents Â Â 844,194 Â Â Â 281,285 Â Interest-earning balances due from depository institutions Â Â 7,345 Â Â Â 8,216 Â Investment securities available-for-sale, at fair value (with amortized cost of Â Â Â $3,247,428Â at June 30, 2024, and $3,398,942Â at December 31, 2023) Â Â 2,745,796 Â Â Â 2,956,125 Â Investment securities held-to-maturity (with fair value of $2,006,090Â at Â Â Â June 30, 2024, and $2,082,881Â at December 31, 2023) Â Â 2,429,886 Â Â Â 2,464,610 Â Total investment securities Â Â 5,175,682 Â Â Â 5,420,735 Â Investment in stock of Federal Home Loan Bank (FHLB) Â Â 18,012 Â Â Â 18,012 Â Loans and lease finance receivables Â Â 8,681,846 Â Â Â 8,904,910 Â Allowance for credit losses Â Â (82,786) Â Â (86,842) Net loans and lease finance receivables Â Â 8,599,060 Â Â Â 8,818,068 Â Premises and equipment, net Â Â 43,232 Â Â Â 44,709 Â Bank owned life insurance (BOLI) Â Â 314,329 Â Â Â 308,706 Â Accrued interest receivable Â Â 49,339 Â Â Â 48,994 Â Intangibles Â Â 12,416 Â Â Â 15,291 Â Goodwill Â Â 765,822 Â Â Â 765,822 Â Income taxes Â Â 180,400 Â Â Â 163,968 Â Other assets Â Â 141,664 Â Â Â 127,187 Â Total assets Â $ 16,151,495 Â Â $ 16,020,993 Â Â Liabilities and Stockholders' Equity Â Â Â Â Â Â Liabilities: Â Â Â Â Â Â Deposits: Â Â Â Â Â Â Noninterest-bearing Â $ 7,090,095 Â Â $ 7,206,175 Â Interest-bearing Â Â 4,700,230 Â Â Â 4,227,467 Â Total deposits Â Â 11,790,325 Â Â Â 11,433,642 Â Customer repurchase agreements Â Â 268,826 Â Â Â 271,642 Â Other borrowings Â Â 1,800,000 Â Â Â 2,070,000 Â Deferred compensation Â Â 23,417 Â Â Â 22,335 Â Accrued interest payable Â Â 34,403 Â Â Â 23,268 Â Other liabilities Â Â 122,097 Â Â Â 122,134 Â Total liabilities Â Â 14,039,068 Â Â Â 13,943,021 Â Â Â Â Â Â Â Commitments and Contingencies Â Â Â Â Â Â Stockholders' Equity Â Â Â Â Â Â Common stock, authorized, 225,000,000Â shares without par; issued andÂ outstanding 139,677,162Â at June 30, 2024, and 139,344,981Â at December 31, 2023 Â Â 1,291,383 Â Â Â 1,288,899 Â Retained earnings Â Â 1,155,372 Â Â Â 1,112,642 Â Accumulated other comprehensive loss, net of tax Â Â (334,328) Â Â (323,569) Total stockholders' equity Â Â 2,112,427 Â Â Â 2,077,972 Â Total liabilities and stockholders' equity Â $ 16,151,495 Â Â $ 16,020,993 Â Â See accompanying notes to the unaudited condensed consolidated financial statements. 4 Â CVB FINANCIAL CORP. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME (Dollars in thousands, except per share amounts) (Unaudited) Â Â Â Three Months Ended Â Â Six Months Ended Â Â Â June 30, Â Â June 30, Â Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Interest income: Â Â Â Â Â Â Â Â Â Â Â Â Loans and leases, including fees Â $ 114,200 Â Â $ 110,990 Â Â $ 230,549 Â Â $ 219,384 Â Investment securities: Â Â Â Â Â Â Â Â Â Â Â Â Investment securities available-for-sale Â Â 21,225 Â Â Â 19,356 Â Â Â 42,671 Â Â Â 38,952 Â Investment securities held-to-maturity Â Â 13,445 Â Â Â 13,740 Â Â Â 26,847 Â Â Â 27,696 Â Total investment income Â Â 34,670 Â Â Â 33,096 Â Â Â 69,518 Â Â Â 66,648 Â Dividends from FHLB stock Â Â 377 Â Â Â 483 Â Â Â 796 Â Â Â 832 Â Interest-earning deposits with other institutions Â Â 9,825 Â Â Â 4,670 Â Â Â 15,898 Â Â Â 5,161 Â Total interest income Â Â 159,072 Â Â Â 149,239 Â Â Â 316,761 Â Â Â 292,025 Â Interest expense: Â Â Â Â Â Â Â Â Â Â Â Â Deposits Â Â 25,979 Â Â Â 10,765 Â Â Â 47,345 Â Â Â 16,130 Â Borrowings and customer repurchase agreements Â Â 22,244 Â Â Â 18,939 Â Â Â 46,106 Â Â Â 30,632 Â Total interest expense Â Â 48,223 Â Â Â 29,704 Â Â Â 93,451 Â Â Â 46,762 Â Net interest income before provision for credit losses Â Â 110,849 Â Â Â 119,535 Â Â Â 223,310 Â Â Â 245,263 Â Provision for credit losses Â Â â€” Â Â Â 500 Â Â Â â€” Â Â Â 2,000 Â Net interest income after provision for credit losses Â Â 110,849 Â Â Â 119,035 Â Â Â 223,310 Â Â Â 243,263 Â Noninterest income: Â Â Â Â Â Â Â Â Â Â Â Â Service charges on deposit accounts Â Â 5,117 Â Â Â 4,838 Â Â Â 10,153 Â Â Â 10,182 Â Trust and investment services Â Â 3,428 Â Â Â 3,315 Â Â Â 6,652 Â Â Â 6,229 Â Bankcard services Â Â 370 Â Â Â 490 Â Â Â 755 Â Â Â 867 Â BOLI income Â Â 2,942 Â Â Â 2,097 Â Â Â 6,535 Â Â Â 3,286 Â Other Â Â 2,567 Â Â Â 1,916 Â Â Â 4,442 Â Â Â 5,294 Â Total noninterest income Â Â 14,424 Â Â Â 12,656 Â Â Â 28,537 Â Â Â 25,858 Â Noninterest expense: Â Â Â Â Â Â Â Â Â Â Â Â Salaries and employee benefits Â Â 35,426 Â Â Â 33,548 Â Â Â 71,827 Â Â Â 68,795 Â Occupancy and equipment Â Â 5,772 Â Â Â 5,517 Â Â Â 11,337 Â Â Â 10,967 Â Professional services Â Â 2,726 Â Â Â 2,562 Â Â Â 4,981 Â Â Â 4,258 Â Computer software expense Â Â 3,949 Â Â Â 3,316 Â Â Â 7,474 Â Â Â 6,724 Â Marketing and promotion Â Â 1,956 Â Â Â 1,321 Â Â Â 3,586 Â Â Â 3,036 Â (Recapture of) provision for unfunded loan commitments Â Â (500) Â Â 400 Â Â Â (500) Â Â 900 Â Amortization of intangible assets Â Â 1,437 Â Â Â 1,719 Â Â Â 2,875 Â Â Â 3,439 Â Other Â Â 5,731 Â Â Â 5,634 Â Â Â 14,688 Â Â Â 10,779 Â Total noninterest expense Â Â 56,497 Â Â Â 54,017 Â Â Â 116,268 Â Â Â 108,898 Â Earnings before income taxes Â Â 68,776 Â Â Â 77,674 Â Â Â 135,579 Â Â Â 160,223 Â Income taxes Â Â 18,741 Â Â Â 21,904 Â Â Â 36,945 Â Â Â 45,183 Â Net earnings Â $ 50,035 Â Â $ 55,770 Â Â $ 98,634 Â Â $ 115,040 Â Â Â Â Â Â Â Â Â Â Â Â Â Other comprehensive income (loss): Â Â Â Â Â Â Â Â Â Â Â Â Unrealized gain (loss) on securities arising during the period, before tax Â $ 1,513 Â Â $ (23,335) Â $ (15,560) Â $ 17,367 Â Less: Income tax (expense) benefit related to items of otherÂ Â Â comprehensive income Â Â (556) Â Â 4,586 Â Â Â 4,801 Â Â Â (7,447) Other comprehensive income (loss), net of tax Â Â 957 Â Â Â (18,749) Â Â (10,759) Â Â 9,920 Â Comprehensive income Â $ 50,992 Â Â $ 37,021 Â Â $ 87,875 Â Â $ 124,960 Â Â Â Â Â Â Â Â Â Â Â Â Â Basic earnings per common share Â $ 0.36 Â Â $ 0.40 Â Â $ 0.71 Â Â $ 0.83 Â Diluted earnings per common share Â $ 0.36 Â Â $ 0.40 Â Â $ 0.71 Â Â $ 0.82 Â Â See accompanying notes to the unaudited condensed consolidated financial statements. 5 Â CVB FINANCIAL CORP. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERSâ€™ EQUITY (Dollars and shares in thousands) (Unaudited) Â Three Months Ended June 30, 2024 and 2023 Â Â Common Shares Outstanding Â Â Common Stock Â Â Retained Earnings Â Â Accumulated Other Comprehensive Income (Loss) Â Â Total Â Balance, April 1, 2024 Â 139,642 Â Â $ 1,288,755 Â Â $ 1,133,355 Â Â $ (335,285) Â $ 2,086,825 Â Repurchase of common stock Â (1) Â Â (21) Â Â â€” Â Â Â â€” Â Â Â (21) Exercise of stock options Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Shares issued pursuant to stock-basedÂ Â Â compensation plan Â 36 Â Â Â 2,649 Â Â Â â€” Â Â Â â€” Â Â Â 2,649 Â Cash dividends declared on common stockÂ Â Â ($0.20Â per share) Â â€” Â Â Â â€” Â Â Â (28,018) Â Â â€” Â Â Â (28,018) Net earnings Â â€” Â Â Â â€” Â Â Â 50,035 Â Â Â â€” Â Â Â 50,035 Â Other comprehensive loss Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 957 Â Â Â 957 Â Balance, June 30, 2024 Â 139,677 Â Â $ 1,291,383 Â Â $ 1,155,372 Â Â $ (334,328) Â $ 2,112,427 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Balance, April 1, 2023 Â 139,302 Â Â $ 1,281,786 Â Â $ 1,034,110 Â Â $ (326,127) Â $ 1,989,769 Â Repurchase of common stock Â (1) Â Â (15) Â Â â€” Â Â Â â€” Â Â Â (15) Exercise of stock options Â â€” Â Â Â 1 Â Â Â â€” Â Â Â â€” Â Â Â 1 Â Shares issued pursuant to stock-basedÂ Â Â compensation plan Â 42 Â Â Â 2,378 Â Â Â â€” Â Â Â â€” Â Â Â 2,378 Â Cash dividends declared on common stockÂ Â Â ($0.20Â per share) Â â€” Â Â Â â€” Â Â Â (27,787) Â Â â€” Â Â Â (27,787) Net earnings Â â€” Â Â Â â€” Â Â Â 55,770 Â Â Â â€” Â Â Â 55,770 Â Other comprehensive loss Â â€” Â Â Â â€” Â Â Â â€” Â Â Â (18,749) Â Â (18,749) Balance, June 30, 2023 Â 139,343 Â Â $ 1,284,150 Â Â $ 1,062,093 Â Â $ (344,876) Â $ 2,001,367 Â Â Six Months Ended June 30, 2024 and 2023 Â Â Common Shares Outstanding Â Â Common Stock Â Â Retained Earnings Â Â Accumulated Other Comprehensive Income (Loss) Â Â Total Â Balance, January 1, 2024 Â 139,345 Â Â $ 1,288,899 Â Â $ 1,112,642 Â Â $ (323,569) Â $ 2,077,972 Â Repurchase of common stock Â (147) Â Â (2,594) Â Â â€” Â Â Â â€” Â Â Â (2,594) Exercise of stock options Â 3 Â Â Â 43 Â Â Â â€” Â Â Â â€” Â Â Â 43 Â Shares issued pursuant to stock-basedÂ Â Â compensation plan Â 476 Â Â Â 5,035 Â Â Â â€” Â Â Â â€” Â Â Â 5,035 Â Cash dividends declared on common stockÂ Â Â ($0.40Â per share) Â â€” Â Â Â â€” Â Â Â (55,904) Â Â â€” Â Â Â (55,904) Net earnings Â â€” Â Â Â â€” Â Â Â 98,634 Â Â Â â€” Â Â Â 98,634 Â Other comprehensive loss Â â€” Â Â Â â€” Â Â Â â€” Â Â Â (10,759) Â Â (10,759) Balance, June 30, 2024 Â 139,677 Â Â $ 1,291,383 Â Â $ 1,155,372 Â Â $ (334,328) Â $ 2,112,427 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Balance, January 1, 2023 Â 139,819 Â Â $ 1,300,466 Â Â $ 1,002,847 Â Â $ (354,796) Â $ 1,948,517 Â Repurchase of common stock Â (919) Â Â (21,051) Â Â â€” Â Â Â â€” Â Â Â (21,051) Exercise of stock options Â 4 Â Â Â 73 Â Â Â â€” Â Â Â â€” Â Â Â 73 Â Shares issued pursuant to stock-based compensation plan Â 439 Â Â Â 4,662 Â Â Â â€” Â Â Â â€” Â Â Â 4,662 Â Cash dividends declared on common stockÂ Â Â ($0.40Â per share) Â â€” Â Â Â â€” Â Â Â (55,794) Â Â â€” Â Â Â (55,794) Net earnings Â â€” Â Â Â â€” Â Â Â 115,040 Â Â Â â€” Â Â Â 115,040 Â Other comprehensive loss Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 9,920 Â Â Â 9,920 Â Balance, June 30, 2023 Â 139,343 Â Â $ 1,284,150 Â Â $ 1,062,093 Â Â $ (344,876) Â $ 2,001,367 Â Â See accompanying notes to the unaudited condensed consolidated financial statements. 6 Â CVB FINANCIAL CORP. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Dollars in thousands) (Unaudited) Â Â Six Months Ended Â Â June 30, Â Â 2024 Â Â 2023 Â Cash Flows from Operating Activities Â Â Â Â Â Interest and dividends received $ 321,569 Â Â $ 297,842 Â Service charges and other fees received Â 22,099 Â Â Â 22,551 Â Interest paid Â (82,316) Â Â (41,600) Net cash paid to vendors, employees and others Â (114,270) Â Â (116,630) Income taxes Â (43,462) Â Â (60) Net cash provided by operating activities Â 103,620 Â Â Â 162,103 Â Cash Flows from Investing Activities Â Â Â Â Â Purchases of FHLB stock, net Â â€” Â Â Â (1,857) Net change in interest-earning balances from depository institutions Â 871 Â Â Â (20,925) Proceeds from repayment of investment securities available-for-sale Â 170,306 Â Â Â 186,106 Â Proceeds from maturity of investment securities available-for-sale Â 48,007 Â Â Â 3 Â Purchases of investment securities available-for-sale Â (33,435) Â Â â€” Â Proceeds from repayment and maturity of investment securities held-to-maturity Â 40,110 Â Â Â 45,833 Â Purchases of investment securities held-to-maturity Â (11,455) Â Â (2,026) Net increase in equity investments Â (2,813) Â Â (775) Net decrease in loan and lease finance receivables Â 222,728 Â Â Â 176,027 Â Purchase of premises and equipment Â (1,946) Â Â (2,349) Proceeds from BOLI death benefit Â 1,559 Â Â Â 1,466 Â Net cash provided by investing activities Â 433,931 Â Â Â 381,502 Â Cash Flows from Financing Activities Â Â Â Â Â Net decrease in other deposits Â (21,902) Â Â (460,134) Net increase in time deposits Â 378,585 Â Â Â 21,410 Â Net (decrease) increase in other borrowings Â (270,000) Â Â 500,000 Â Net decrease in customer repurchase agreements Â

(2,816) Â Â (113,058) Cash dividends on common stock Â (55,958) Â Â (55,951) Repurchase of common stock Â (2,594) Â Â (21,051) Proceeds from exercise of stock options Â 43 Â Â Â 73 Â Net cash provided by (used in) financing activities Â 25,358 Â Â Â (128,711) Net increase in cash and cash equivalents Â 562,909 Â Â Â 414,894 Â Â Â Â Â Â Cash and cash equivalents, beginning of period Â 281,285 Â Â Â 203,461 Â Cash and cash equivalents, end of period $ 844,194 Â Â $ 618,355 Â Â See accompanying notes to the unaudited condensed consolidated financial statements. Â 7 Â CVB FINANCIAL CORP. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued) (Dollars in thousands) (Unaudited) Â Â Six Months Ended Â Â June 30, Â Â 2024 Â Â 2023 Â Reconciliation of Net Earnings to Net Cash Provided by Operating Activities Â Â Â Â Â Net earnings $ 98,634 Â Â $ 115,040 Â Adjustments to reconcile net earnings to net cash provided by operating activities: Â Â Â Â Â Increase in BOLI Â (6,535) Â Â (3,286) Net amortization of premiums and discounts on investment securities Â 8,372 Â Â Â 9,376 Â Accretion of discount for acquired loans, net Â (1,793) Â Â (2,035) Provision for credit losses Â â€" Â Â Â 2,000 Â (Recapture of) provision for unfunded loan commitments Â (500) Â Â 900 Â Valuation allowance on other real estate owned Â 28 Â Â Â â€" Â Stock-based compensation Â 5,035 Â Â Â 4,662 Â Depreciation and amortization, net Â 3,955 Â Â Â 8,335 Â Change in other assets and liabilities Â (3,576) Â Â 27,111 Â Total adjustments Â 4,986 Â Â Â 47,063 Â Net cash provided by operating activities $ 103,620 Â Â $ 162,103 Â Â Â Â Â Â Supplemental Disclosure of Non-cash Investing Activities Â Â Â Â Â Transfer of loans to other real estate owned $ 675 Â Â $ â€" Â Â See accompanying notes to the unaudited condensed consolidated financial statements. 8 Â CVB FINANCIAL CORP. AND SUBSIDIARIES NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) Â Â 1. BUSINESSÂ The condensed consolidated financial statements include CVB Financial Corp. (referred to herein on an unconsolidated basis as â€œCVBâ€ and on a consolidated basis as â€œweâ€, â€œourâ€ or the â€œCompanyâ€) and its wholly owned subsidiary: Citizens Business Bank (the â€œBankâ€ or â€œCBBâ€), after elimination of all intercompany transactions and balances. The Company has one inactive subsidiary, Chino Valley Bancorp. Â The Companyâ€™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 Bankâ€™s customers consist primarily of small to mid-sized businesses and individuals located throughout California. As of June 30, 2024, the Bank operated 62 banking centers and three trust office locations. The Company is headquartered in the city of Ontario, California. Â 2. BASIS OF PRESENTATIONÂ 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 (â€œSECâ€) 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 (â€œGAAPâ€) 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 six months ended June 30, 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 Companyâ€™s Annual Report on Form 10-K for the fiscal year ended 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.Â Reclassification â€" Certain amounts in the prior periodsâ€™ 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 stockholdersâ€™ equity. Â 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESÂ Except as discussed below, our accounting policies are described in Note 3 â€" 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, 2023 as filed with the SEC (â€œForm 10-Kâ€).Â Use of Estimates in the Preparation of Financial Statements â€" 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. Â Â Â 9Â Â 4. INVESTMENT SECURITIESÂ The amortized cost and estimated fair value of investment securities are summarized below. 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. Â Â June 30, 2024 Â Â Amortized Cost Â Â Gross Unrealized Holding Gain Â Â Gross Unrealized Holding Loss Â Â Fair Value Â Â Total Percent Â Â (Dollars in thousands) Â Investment securities available-for-sale: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE $ 33,496 Â Â $ â€" Â Â $ (19) Â $ 33,477 Â Â Â 1.22 % Mortgage-backed securities Â 2,682,003 Â Â Â 7 Â Â Â (365,935) Â Â 2,316,075 Â Â Â 84.35 % CMO/REMIC Â 490,390 Â Â Â â€" Â Â Â (119,899) Â Â 370,491 Â Â Â 13.49 % Municipal bonds Â 26,484 Â Â Â 27 Â Â Â (2,085) Â Â 24,426 Â Â Â 0.89 % Other securities Â 1,327 Â Â Â â€" Â Â Â â€" Â Â Â 1,327 Â Â Â 0.05 % Unallocated portfolio layer fair value basis adjustments (1) Â 13,728 Â Â Â â€" Â Â Â (13,728) Â Â â€" Â Â Â 0.00 % Total available-for-sale securities $ 3,247,428 Â Â $ 34 Â Â $ (501,666) Â $ 2,745,796 Â Â Â 100.00 % Investment securities held-to-maturity: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE $ 522,678 Â Â $ â€" Â Â $ (105,876) Â $ 416,802 Â Â Â 21.51 % Mortgage-backed securities Â 639,889 Â Â Â â€" Â Â Â (111,532) Â Â 528,356 Â Â Â 26.34 % CMO/REMIC Â 793,753 Â Â Â â€" Â Â Â (167,006) Â Â 626,747 Â Â Â 32.67 % Municipal bonds Â 462,111 Â Â Â 1,477 Â Â Â (40,858) Â Â 422,730 Â Â Â 19.02 % Other securities (2) Â 11,455 Â Â Â â€" Â Â Â â€" Â Â Â 11,455 Â Â Â 0.46 % Total held-to-maturity securities $ 2,429,886 Â Â $ 1,477 Â Â $ (425,272) Â $ 2,006,090 Â Â Â 100.00 % Â (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 gains or losses for the individual securities being hedged. Refer to Note 3 and Note 9 for additional information.(2)Represents Commercial Property Assessed Clean Energy ("C-PACE") bonds.Â Â December 31, 2023 Â Â Amortized Cost Â Â Gross Unrealized Holding Gain Â Â Gross Unrealized Holding Loss Â Â Fair Value Â Â Total Percent Â Â (Dollars in thousands) Â Investment securities available-for-sale: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE $ 32,229 Â Â $ 24 Â Â $ â€" Â Â $ 32,253 Â Â Â 1.09 % Mortgage-backed securities Â 2,843,744 Â Â Â 42 Â Â Â (336,107) Â Â 2,507,679 Â Â Â 84.83 % CMO/REMIC Â 502,234 Â Â Â â€" Â Â Â (112,872) Â Â 389,362 Â Â Â 13.17 % Municipal bonds Â 26,477 Â Â Â 46 Â Â Â (888) Â Â 25,635 Â Â Â 0.87 % Other securities Â 1,196 Â Â Â â€" Â Â Â â€" Â Â Â 1,196 Â Â Â 0.04 % Unallocated portfolio layer fair value basis adjustments (1) Â (6,938) Â Â 6,938 Â Â Â â€" Â Â Â â€" Â Â Â 0.00 % Total available-for-sale securities $ 3,398,942 Â Â $ 7,050 Â Â $ (449,867) Â $ 2,956,125 Â Â Â 100.00 % Investment securities held-to-maturity: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE $ 530,656 Â Â $ â€" Â Â $ (97,972) Â $ 432,684 Â Â Â 21.53 % Mortgage-backed securities Â 663,090 Â Â Â â€" Â Â Â (97,436) Â Â 565,654 Â Â Â 26.90 % CMO/REMIC Â 802,892 Â Â Â â€" Â Â Â (156,155) Â Â 646,737 Â Â Â 32.58 % Municipal bonds Â 467,972 Â Â Â 3,438 Â Â Â (33,604) Â Â 437,806 Â Â Â 18.99 % Total held-to-maturity securities $ 2,464,610 Â Â $ 3,438 Â Â $ (385,167) Â $ 2,082,881 Â Â Â 100.00 % Â 10Â Â 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.Â Â Three Months Ended Â Â Six Months Ended Â Â June 30, Â Â June 30, Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Â (Dollars in thousands) Â Investment securities available-for-sale: Â Â Â Â Â Â Â Â Â Â Â Taxable $ 21,057 Â Â $ 19,187 Â Â $ 42,337 Â Â $ 38,615 Â Tax-advantaged Â 168 Â Â Â 169 Â Â Â 334 Â Â Â 337 Â Total interest income from available-for-sale securities Â 21,225 Â Â Â 19,356 Â Â Â 42,671 Â Â Â 38,952 Â Investment securities held-to-maturity: Â Â Â Â Â Â Â Â Â Â Â Taxable Â 11,050 Â Â Â 11,293 Â Â Â 22,034 Â Â Â 22,800 Â Tax-advantaged Â 2,395 Â Â Â 2,447 Â Â Â 4,813 Â Â Â 4,896 Â Total interest income from held-to-maturity securities Â 13,445 Â Â Â 13,740 Â Â Â 26,847 Â Â Â 27,696 Â Total interest income from investment securities $ 34,670 Â Â $ 33,096 Â Â $ 69,518 Â Â $ 66,648 Â Â Approximately 90% of the total investment securities portfolio at June 30, 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 June 30, 2024 and December 31, 2023.Â The following table presents the Companyâ€™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 June 30, 2024 and December 31, 2023.Â Â June 30, 2024 Â Â Less Than 12 Months Â Â 12 Months or Longer Â Â Total Â Â Fair Value Â Â Gross Unrealized Holding Losses Â Â Fair Value Â Â Gross Unrealized Holding Losses Â Â Fair Value Â Â Gross Unrealized Holding Losses Â Â (Dollars in thousands) Â Investment securities available-for-sale: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE $ 28,599 Â Â $ (19) Â $ â€" Â Â $ â€" Â Â $ 28,599 Â Â $ (19) Mortgage-backed securities Â 248 Â Â Â (1) Â Â 2,314,832 Â Â Â (365,934) Â Â 2,315,080 Â Â Â (365,935) CMO/REMIC Â 1 Â Â Â (0) Â Â 370,490 Â Â Â (119,899) Â Â 370,491 Â Â Â (119,899) Municipal bonds Â 3,188 Â Â Â (183) Â Â 20,362 Â Â Â (1,902) Â Â 23,550 Â Â Â (2,085) Total available-for-sale securities $ 32,036 Â Â $ (203) Â $ 2,705,684 Â Â $ (487,735) Â $ 2,737,720 Â Â $ (487,938) Investment securities held-to-maturity: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE $ â€" Â Â $ â€" Â Â $ 416,802 Â Â $ (105,876) Â $ 416,802 Â Â $ (105,876) Mortgage-backed securities Â â€" Â Â Â â€" Â Â Â 528,357 Â Â Â (111,532) Â Â 528,357 Â Â Â (111,532) CMO/REMIC Â â€" Â Â Â â€" Â Â Â 626,747 Â Â Â (167,006) Â Â 626,747 Â Â Â (167,006) Municipal bonds Â 45,913 Â Â Â (737) Â Â 300,985 Â Â Â (40,121) Â Â 346,898 Â Â Â (40,858) Total held-to-maturity securities $ 45,913 Â Â $ (737) Â $ 1,872,891 Â Â $ (424,535) Â $ 1,918,804 Â Â $ (425,272) Â 11Â Â Â Â December 31, 2023 Â Â Less Than 12 Months Â Â 12 Months or Longer Â Â Total Â Â Fair Value Â Â Gross Unrealized Holding Losses Â Â Fair Value Â Â Gross Unrealized Holding Losses Â Â Fair Value Â Â Gross Unrealized Holding Losses Â Â (Dollars in thousands) Â Investment securities available-for-sale: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Mortgage-backed securities Â 48 Â Â Â â€" Â Â Â 2,506,162 Â Â Â (336,107) Â Â 2,506,210 Â Â Â (336,107) CMO/REMIC Â â€" Â Â Â â€" Â Â Â 389,359 Â Â Â (112,872) Â Â 389,359 Â Â Â (112,872) Municipal bonds Â 3,286 Â Â Â (17) Â Â 18,105 Â Â Â (871) Â Â 21,391 Â Â Â (888) Total available-for-sale securities $ 3,334 Â Â $ (17) Â $ 2,913,626 Â Â $ (449,850) Â $ 2,916,960 Â Â $ (449,867) Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Investment securities held-to-maturity: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE $ â€" Â Â $ â€" Â Â $ 432,684 Â Â $ (97,972) Â $ 432,684 Â Â $ (97,972) Mortgage-backed securities Â â€" Â Â Â â€" Â Â Â 565,655 Â Â Â (97,436) Â Â 565,655 Â Â Â (97,436) CMO/REMIC Â â€" Â Â Â â€" Â Â Â 646,737 Â Â Â (156,155) Â Â 646,737 Â Â Â (156,155) Municipal bonds Â 20,609 Â Â Â (200) Â Â 293,467 Â Â Â (33,404) Â Â 314,076 Â Â Â (33,604) Total held-to-maturity securities $ 20,609 Â Â $ (200) Â $ 1,938,543 Â Â $ (384,967) Â $ 1,959,152 Â Â $ (385,167) Â At June 30, 2024, investment securities with carrying values of $2.52 billion were pledged to secure various types of deposits, including $1.41 billion of public funds. In addition, investment securities with carrying values of $2.18 billion were pledged to secure $363.3 million for repurchase agreements, $1.35 billion for outstanding borrowings, $427.4 million for unused borrowing capacity and approximately $46 million for other purposes as required or permitted by law.Â At December 31, 2023, investment securities with carrying values of $2.26 billion were pledged to secure various types of deposits, including $1.38 billion of public funds. In addition, investment securities with carrying values of $3.02 billion were pledged to secure $372.5 million for repurchase agreements, $1.8 billion for outstanding borrowings, $796 million for unused borrowing capacity and approximately $51 million for other purposes as required or permitted by law.Â The amortized cost and fair value of debt securities at June 30, 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.Â Â June 30, 2024 Â Â Available-for-sale Â Â Held-to-maturity Â Â Amortized Cost Â Â Fair Value Â Â Amortized Cost Â Â Fair Value Â Â Â Â Â Â (Dollars in thousands) Â Â Â Â Due in one year or less $ 43,972 Â Â $ 43,677 Â Â $ 10,613 Â Â $ 10,341 Â Due after one year through five years Â 240,902 Â Â Â 216,478 Â Â Â 48,043 Â Â Â 45,765 Â Due after five years through ten years Â 2,470,052 Â Â Â 2,114,826 Â Â Â 323,158 Â Â Â 280,962 Â Due after ten years Â 492,502 Â Â Â 370,815 Â Â Â 2,048,072 Â Â Â 1,669,022 Â Total investment securities $ 3,247,428 Â Â $ 2,745,796 Â Â $ 2,429,886 Â Â $ 2,006,090 Â Â Â Â Â 12Â Â 5. LOANS AND LEASE FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSESÂ The following table provides a summary of total loans and lease finance receivables by type.Â Â June 30, 2024 Â Â December 31, 2023 Â Â (Dollars in thousands) Â Â Â Â Â Â Â Commercial real estate $ 6,664,925 Â Â $ 6,784,505 Â Construction Â 52,227 Â Â Â 66,734 Â SBA Â 267,938 Â Â Â 270,619 Â SBA - Paycheck Protection Program (PPP) Â 1,757 Â Â Â 2,736 Â Commercial and industrial Â 956,184 Â Â Â 969,895 Â Dairy & livestock and agribusiness Â 350,562 Â Â Â 412,891 Â Municipal lease finance receivables Â 70,889 Â Â Â 73,590 Â SFR mortgage Â 267,593 Â Â Â 269,868 Â Consumer and other loans Â 49,771 Â Â Â 54,072 Â Total loans, at amortized cost Â 8,681,846 Â Â Â 8,904,910 Â Less: Allowance for credit losses Â (82,786) Â Â (86,842) Â Total loans and lease finance receivables, net $ 8,599,060 Â Â $ 8,818,068 Â Â As of June 30, 2024, 80.45% of the Companyâ€™s total loan portfolio consisted of real estate loans, with commercial real estate loans representing 76.77% of total loans. The Companyâ€™s real estate loans and construction loans are secured by real properties primarily located in California. As of June 30, 2024, $480.1 million, or 7.20% of the total commercial real estate loans included loans secured by farmland, compared to $497.7 million, or 7.34%, at December 31, 2023. The loans secured by farmland included $120.0 million for loans secured by dairy & livestock land and $360.1 million for loans secured by agricultural land at June 30, 2024, compared to $122.4 million for loans secured by dairy & livestock land and $375.3 million for loans secured by agricultural land at December 31, 2023. As of June 30, 2024, dairy & livestock and agribusiness loans of $350.6 million were comprised of $304.1 million of dairy & livestock loans and $46.5 million of agribusiness loans, compared to $412.9 million comprised of $374.9 million of dairy & livestock loans and $38.0 million of agribusiness loans December 31, 2023. Â At June 30, 2024 and December 31, 2023, loans with a carrying value totaling $4.45 billion and $4.04 billion, respectively, were pledged to secure available lines of credit from the FHLB and the Federal Reserve Bank. Â There were no outstanding loans held-for-sale as of June 30, 2024 and December 31, 2023. Â Â 13Â Â Credit Quality IndicatorsÂ 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 borrowerâ€™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 â€” These loans, including loans on the Bankâ€™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 â€” Loans assigned to this category have potential weaknesses that deserve managementâ€™s close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects for the asset or the Companyâ€™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 â€” 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 â€” 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 â€” 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. Â 14Â Â The following table summarizes loans by type and origination year, according to our internal risk ratings as of the dates presented. Â Origination Year Â Â Revolving loans amortized Â Â Revolving loans converted to Â Â Â Â June 30, 2024 2024 Â Â 2023 Â Â 2022 Â Â 2021 Â Â 2020 Â Â Prior Â Â cost basis Â Â term loans Â Â Total Â Â (Dollars in thousands) Â Commercial real estateÂ Â loans: Â Risk Rating: Â Pass $ 129,875 Â Â $ 439,124 Â Â $ 1,273,312 Â Â $ 1,102,354 Â Â $ 840,945 Â Â $ 2,347,375 Â Â $ 181,405 Â Â $ 38,646 Â Â $ 6,353,036 Â Special Mention Â 9,500 Â Â Â 4,530 Â Â Â 17,874 Â Â Â 20,089 Â Â Â 38,870 Â Â Â 121,598 Â Â Â 1,828 Â Â Â â€” Â Â Â 214,289 Â Substandard Â â€” Â Â Â 837 Â Â Â 9,267 Â Â Â 6,249 Â Â Â 26,095 Â Â Â 53,438 Â Â Â 1,714 Â Â Â â€” Â Â Â 97,600 Â Doubtful & Loss Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total Commercial realÂ Â estate loans: $ 139,375 Â Â $ 444,491 Â Â $ 1,300,453 Â Â $ 1,128,692 Â Â $ 905,910 Â Â $ 2,522,411 Â Â $ 184,947 Â Â $ 38,646 Â Â $ 6,664,925 Â Current YTD Period:Â Â Gross charge-offs $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ 2,258 Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ 2,258 Â Construction loans: Â Risk Rating: Â Pass $ 1,601 Â Â $ 2,956 Â Â $ 15,222 Â Â $ 22,301 Â Â $ 8,078 Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ 50,158 Â Special Mention Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Substandard Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 2,069 Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 2,069 Â Doubtful & Loss Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total ConstructionÂ Â loans: $ 1,601 Â Â $ 2,956 Â Â $ 15,222 Â Â $ 24,370 Â Â $ 8,078 Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ 52,227 Â Current YTD Period:Â Â Gross charge-offs $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â SBA loans: Â Risk Rating: Â Pass $ 17,018 Â Â $ 18,160 Â Â $ 47,462 Â Â $ 50,152 Â Â $ 24,211 Â Â $ 97,627 Â Â $ â€” Â Â $ â€” Â Â $ 254,630 Â Special Mention Â â€” Â Â Â â€” Â Â Â 1,606 Â Â Â â€” Â Â Â 4,752 Â Â Â 2,907 Â Â Â â€” Â Â Â â€” Â Â Â 9,265 Â Substandard Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 4,043 Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 4,043 Â Doubtful & Loss Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total SBA loans: $ 17,018 Â Â $ 18,160 Â Â $ 49,068 Â Â $ 50,152 Â Â $ 28,963 Â Â $ 104,577 Â Â $ â€” Â Â $ â€” Â Â $ 267,938 Â Current YTD Period:Â Â Gross charge-offs $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ 139 Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ 139 Â SBA - PPP loans: Â Risk Rating: Â Pass $ â€” Â Â $ â€” Â Â $ â€” Â Â $ 478 Â Â $ 1,279 Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ 1,757 Â Special Mention Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Substandard Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Doubtful & Loss Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total SBA - PPP loans: $ â€” Â Â $ â€” Â Â $ â€” Â Â $ 478 Â Â $ 1,279 Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ 1,757 Â Current YTD Period:Â Â Gross charge-offs $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Commercial andÂ Â industrial loans: Â Risk Rating: Â Pass $ 52,068 Â Â $ 126,396 Â Â $ 127,154 Â Â $ 77,749 Â Â $ 76,560 Â Â $ 141,745 Â Â $ 314,046 Â Â $ 5,625 Â Â $ 921,343 Â Special Mention Â 703 Â Â Â 7,431 Â Â Â 1,105 Â Â Â 2,721 Â Â Â 602 Â Â Â 2,620 Â Â Â 8,104 Â Â Â 6,877 Â Â Â 30,163 Â Substandard Â â€” Â Â Â 1,479 Â Â Â 275 Â Â Â â€” Â Â Â â€” Â Â Â 24 Â Â Â 2,487 Â Â Â 413 Â Â Â 4,678 Â Doubtful & Loss Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total Commercial andÂ Â industrial loans: $ 52,771 Â Â $ 135,306 Â Â $ 128,534 Â Â $ 80,470 Â Â $ 77,162 Â Â $ 144,389 Â Â $ 324,637 Â Â $ 12,915 Â Â $ 956,184 Â Current YTD Period:Â Â Gross charge-offs $ â€” Â Â $ â€” Â Â $ 300 Â Â $ â€” Â Â $ â€” Â Â $ 1,186 Â Â $ â€” Â Â $ 431 Â Â $ 1,917 Â Â 15Â Â Â Origination Year Â Â Revolving loans amortized Â Â Revolving loans converted to Â Â Â Â June 30, 2024 2024 Â Â 2023 Â Â 2022 Â Â 2021 Â Â 2020 Â Â Prior Â Â cost basis Â Â term loans Â Â Total Â Â (Dollars in thousands) Â Dairy & livestock andÂ Â agribusiness loans: Â Risk Rating: Â Pass $ 225 Â Â $ â€” Â Â $ â€” Â Â $ 640 Â Â $ 903 Â Â $ 216 Â Â $ 240,963 Â Â $ â€” Â Â $ 242,947 Â Special Mention Â â€” Â Â Â 417 Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 92,042 Â Â Â â€” Â Â Â 92,459 Â Substandard Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 60 Â Â Â 12,442 Â Â Â 2,654 Â Â Â 15,156 Â Doubtful & Loss Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total Dairy & livestockÂ Â and agribusinessÂ Â loans: $ 225 Â Â $ 417 Â Â $ â€” Â Â $ 640 Â Â $ 903 Â Â $ 276 Â Â $ 345,447 Â Â $ 2,654 Â Â $ 350,562 Â Current YTD Period:Â Â Gross charge-offs $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Municipal lease financeÂ Â receivables loans: Â Risk Rating: Â Pass $ 792 Â Â $ â€” Â Â $ 5,374 Â Â $ 25,661 Â Â $ 5,604 Â Â $ 33,317 Â Â $ â€” Â Â $ â€” Â Â $ 70,748 Â Special Mention Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 141 Â Â Â â€” Â Â Â â€” Â Â Â 141 Â Substandard Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Doubtful & Loss Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total Municipal leaseÂ Â finance receivablesÂ Â loans: $ 792 Â Â $ â€” Â Â $ 5,374 Â Â $ 25,661 Â Â $ 5,604 Â Â $ 33,458 Â Â $ â€” Â Â $ â€” Â Â $ 70,889 Â Current YTD Period:Â Â Gross charge-offs $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â SFR mortgage loans: Â Risk Rating: Â Pass $ 12,199 Â Â $ 20,499 Â Â $ 60,288 Â Â $ 42,662 Â Â $ 39,738 Â Â $ 89,239 Â Â $ â€” Â Â $ â€” Â Â $ 264,625 Â Special Mention Â â€” Â Â Â 747 Â Â Â â€” Â Â Â â€” Â Â Â 909 Â Â Â 429 Â Â Â â€” Â Â Â 299 Â Â Â 2,384 Â Substandard Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 584 Â Â Â â€” Â Â Â â€” Â Â Â 584 Â Doubtful & Loss Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total SFR mortgageÂ Â loans: $ 12,199 Â Â $ 21,246 Â Â $ 60,288 Â Â $ 42,662 Â Â $ 40,647 Â Â $ 90,252 Â Â $ â€” Â Â $ 299 Â Â $ 267,593 Â Current YTD Period:Â Â Gross charge-offs $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Consumer and otherÂ Â loans: Â Risk Rating: Â Pass $ 2,588 Â Â $ 3,735 Â Â $ 2,835 Â Â $ 2,283 Â Â $ 461 Â Â $ 928 Â Â $ 34,841 Â Â $ 1,141 Â Â $ 48,812 Â Special Mention Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 184 Â Â Â â€” Â Â Â â€” Â Â Â 4 Â Â Â 173 Â Â Â 361 Â Substandard Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 598 Â Â Â 598 Â Doubtful & Loss Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total Consumer andÂ Â other loans: $ 2,588 Â Â $ 3,735 Â Â $ 2,835 Â Â $ 2,467 Â Â $ 461 Â Â $ 928 Â Â $ 34,845 Â Â $ 1,912 Â Â $ 49,771 Â Current YTD Period:Â Â Gross charge-offs $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ 1 Â Â $ 3 Â Â $ 4 Â Total Loans, at amortized cost: Â Risk Rating: Â Pass $ 216,366 Â Â $ 610,870 Â Â $ 1,531,647 Â Â $ 1,324,280 Â Â $ 997,779 Â Â $ 2,710,447 Â Â $ 771,255 Â Â $ 45,412 Â Â $ 8,208,056 Â Special Mention Â 10,203 Â Â Â 13,125 Â Â Â 20,585 Â Â Â 22,994 Â Â Â 45,133 Â Â Â 127,695 Â Â Â 101,978 Â Â Â 7,349 Â Â Â 349,062 Â Substandard Â â€” Â Â Â 2,316 Â Â Â 9,542 Â Â Â 8,318 Â Â Â 26,095 Â Â Â 58,149 Â Â Â 16,643 Â Â Â 3,665 Â Â Â 124,728 Â Doubtful & Loss Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total Loans at amortized cost: $ 226,569 Â Â $ 626,311 Â Â $ 1,561,774 Â Â $ 1,355,592 Â Â $ 1,069,007 Â Â $ 2,896,291 Â Â $ 889,876 Â Â $ 56,426 Â Â $ 8,681,846 Â Current YTD Period:Â Â Total gross charge-offs $ â€” Â Â $ â€” Â Â $ 300 Â Â $ â€” Â Â $ â€” Â Â $ 3,583 Â Â $ 1 Â Â $ 434 Â Â $ 4,318 Â

Â 16Â Â Â Â Origination Year Â Â Revolving loans amortized Â Â Revolving loans converted to Â Â Â Â December 31, 2023 2023 Â Â 2022 Â Â 2021 Â Â 2020 Â Â 2019 Â Â Prior Â Â cost basis Â Â term loans Â Â Total Â Â (Dollars in thousands) Â Commercial real estateÂ Â Â loans: Â Risk Rating: Â Pass $ 447,991 Â Â $ 1,315,563 Â Â $ 1,133,331 Â Â $ 885,590 Â Â $ 497,541 Â Â $ 2,041,329 Â Â $ 171,223 Â Â $ 38,568 Â Â $ 6,531,136 Â Special Mention Â 3,241 Â Â Â 3,897 Â Â Â 15,868 Â Â Â 19,368 Â Â Â 43,824 Â Â Â 74,673 Â Â Â 2,911 Â Â Â â€" Â Â Â 163,782 Â Substandard Â 744 Â Â Â 8,127 Â Â Â 2,891 Â Â Â 33,401 Â Â Â 12,986 Â Â Â 30,637 Â Â Â 801 Â Â Â â€" Â Â Â 89,587 Â Doubtful & Loss Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Total Commercial realÂ Â Â estate loans: $ 451,976 Â Â $ 1,327,587 Â Â $ 1,152,090 Â Â $ 938,359 Â Â $ 554,351 Â Â $ 2,146,639 Â Â $ 174,935 Â Â $ 38,568 Â Â $ 6,784,505 Â Current YTD Period:Â Â Gross charge-offs $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Construction loans: Â Risk Rating: Â Pass $ 1,274 Â Â $ 15,046 Â Â $ 22,288 Â Â $ 8,058 Â Â $ â€" Â Â $ â€" Â Â $ 17,938 Â Â $ â€" Â Â $ 64,604 Â Special Mention Â â€" Â Â Â â€" Â Â Â 2,130 Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 2,130 Â Substandard Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Doubtful & Loss Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Total ConstructionÂ Â Â loans: $ 1,274 Â Â $ 15,046 Â Â $ 24,418 Â Â $ 8,058 Â Â $ â€" Â Â $ â€" Â Â $ 17,938 Â Â $ â€" Â Â $ 66,734 Â Current YTD Period:Â Â Gross charge-offs $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â SBA loans: Â Risk Rating: Â Pass $ 20,701 Â Â $ 48,212 Â Â $ 51,038 Â Â $ 29,306 Â Â $ 6,236 Â Â $ 101,856 Â Â $ â€" Â Â $ â€" Â Â $ 257,349 Â Special Mention Â â€" Â Â Â 1,627 Â Â Â â€" Â Â Â 4,784 Â Â Â 1,132 Â Â Â 1,760 Â Â Â â€" Â Â Â â€" Â Â Â 9,303 Â Substandard Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 749 Â Â Â 3,218 Â Â Â â€" Â Â Â â€" Â Â Â 3,967 Â Doubtful & Loss Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Total SBA loans: $ 20,701 Â Â $ 49,839 Â Â $ 51,038 Â Â $ 34,090 Â Â $ 8,117 Â Â $ 106,834 Â Â $ â€" Â Â $ â€" Â Â $ 270,619 Â Current YTD Period:Â Â Gross charge-offs $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ 288 Â Â $ â€" Â Â $ â€" Â Â $ 288 Â SBA - PPP loans: Â Risk Rating: Â Pass $ â€" Â Â $ â€" Â Â $ 699 Â Â $ 2,037 Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ 2,736 Â Special Mention Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Substandard Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Doubtful & Loss Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Total SBA - PPP loans: $ â€" Â Â $ â€" Â Â $ 699 Â Â $ 2,037 Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ 2,736 Â Current YTD Period:Â Â Gross charge-offs $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Commercial andÂ Â Â industrial loans: Â Risk Rating: Â Pass $ 141,080 Â Â $ 143,847 Â Â $ 100,059 Â Â $ 88,743 Â Â $ 68,352 Â Â $ 94,027 Â Â $ 289,539 Â Â $ 5,460 Â Â $ 931,107 Â Special Mention Â 7,829 Â Â Â 738 Â Â Â 745 Â Â Â 552 Â Â Â 4,114 Â Â Â 3,986 Â Â Â 10,529 Â Â Â 5,347 Â Â Â 33,840 Â Substandard Â â€" Â Â Â 257 Â Â Â â€" Â Â Â â€" Â Â Â 89 Â Â Â 1,296 Â Â Â 2,487 Â Â Â 819 Â Â Â 4,948 Â Doubtful & Loss Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Total Commercial andÂ Â Â industrial loans: $ 148,909 Â Â $ 144,842 Â Â $ 100,804 Â Â $ 89,295 Â Â $ 72,555 Â Â $ 99,309 Â Â $ 302,555 Â Â $ 11,626 Â Â $ 969,895 Â Â 17Â Â Â Â Origination Year Â Â Revolving loans amortized Â Â Revolving loans converted to Â Â Â Â December 31, 2023 2023 Â Â 2022 Â Â 2021 Â Â 2020 Â Â 2019 Â Â Prior Â Â cost basis Â Â term loans Â Â Total Â Â (Dollars in thousands) Â Dairy & livestock andÂ Â Â agribusiness loans: Â Risk Rating: Â Pass $ 296 Â Â $ â€" Â Â $ 1,586 Â Â $ 931 Â Â $ 80 Â Â $ 208 Â Â $ 337,525 Â Â $ â€" Â Â $ 340,626 Â Special Mention Â 448 Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 25 Â Â Â â€" Â Â Â 69,232 Â Â Â â€" Â Â Â 69,705 Â Substandard Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 60 Â Â Â 2,500 Â Â Â â€" Â Â Â 2,560 Â Doubtful & Loss Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Total Dairy & livestockÂ Â Â and agribusinessÂ Â Â loans: $ 744 Â Â $ â€" Â Â $ 1,586 Â Â $ 931 Â Â $ 105 Â Â $ 268 Â Â $ 409,257 Â Â $ â€" Â Â $ 412,891 Â Current YTD Period:Â Â Gross charge-offs $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Municipal lease financeÂ Â Â receivables loans: Â Risk Rating: Â Pass $ â€" Â Â $ 5,735 Â Â $ 25,803 Â Â $ 5,981 Â Â $ 4,267 Â Â $ 31,622 Â Â $ â€" Â Â $ â€" Â Â $ 73,408 Â Special Mention Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 182 Â Â Â â€" Â Â Â â€" Â Â Â 182 Â Substandard Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Doubtful & Loss Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Total Municipal leaseÂ Â Â finance receivablesÂ Â Â loans: $ â€" Â Â $ 5,735 Â Â $ 25,803 Â Â $ 5,981 Â Â $ 4,267 Â Â $ 31,804 Â Â $ â€" Â Â $ â€" Â Â $ 73,590 Â Current YTD Period:Â Â Gross charge-offs $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â SFR mortgage loans: Â Risk Rating: Â Pass $ 22,248 Â Â $ 61,070 Â Â $ 43,573 Â Â $ 44,076 Â Â $ 28,049 Â Â $ 67,750 Â Â $ â€" Â Â $ â€" Â Â $ 266,766 Â Special Mention Â 789 Â Â Â â€" Â Â Â â€" Â Â Â 918 Â Â Â 544 Â Â Â 327 Â Â Â â€" Â Â Â â€" Â Â Â 2,578 Â Substandard Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 200 Â Â Â â€" Â Â Â 324 Â Â Â 524 Â Doubtful & Loss Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Total SFR mortgageÂ Â Â loans: $ 23,037 Â Â $ 61,070 Â Â $ 43,573 Â Â $ 44,994 Â Â $ 28,593 Â Â $ 68,277 Â Â $ â€" Â Â $ 324 Â Â $ 269,868 Â Current YTD Period:Â Â Gross charge-offs $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Consumer and otherÂ Â Â loans: Â Risk Rating: Â Pass $ 4,911 Â Â $ 4,122 Â Â $ 2,707 Â Â $ 702 Â Â $ 644 Â Â $ 486 Â Â $ 38,595 Â Â $ 871 Â Â $ 53,038 Â Special Mention Â â€" Â Â Â â€" Â Â Â 246 Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 4 Â Â Â 173 Â Â Â 423 Â Substandard Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 12 Â Â Â 1 Â Â Â 598 Â Â Â 611 Â Doubtful & Loss Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Total Consumer andÂ Â Â other loans: $ 4,911 Â Â $ 4,122 Â Â $ 2,953 Â Â $ 702 Â Â $ 644 Â Â $ 498 Â Â $ 38,600 Â Â $ 1,642 Â Â $ 54,072 Â Current YTD Period:Â Â Gross charge-offs $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ 4 Â Â $ â€" Â Â $ 4 Â Â $ 8 Â Total Loans, at amortized cost: Â Risk Rating: Â Pass $ 638,501 Â Â $ 1,593,595 Â Â $ 1,381,084 Â Â $ 1,065,424 Â Â $ 605,169 Â Â $ 2,337,278 Â Â $ 854,820 Â Â $ 44,899 Â Â $ 8,520,770 Â Special Mention Â 12,307 Â Â Â 6,262 Â Â Â 18,989 Â Â Â 25,622 Â Â Â 49,639 Â Â Â 80,928 Â Â Â 82,676 Â Â Â 5,520 Â Â Â 281,943 Â Substandard Â 744 Â Â Â 8,384 Â Â Â 2,891 Â Â Â 33,401 Â Â Â 13,824 Â Â Â 35,423 Â Â Â 5,789 Â Â Â 1,741 Â Â Â 102,197 Â Doubtful & Loss Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Total Loans at amortized cost: $ 651,552 Â Â $ 1,608,241 Â Â $ 1,402,964 Â Â $ 1,124,447 Â Â $ 668,632 Â Â $ 2,453,629 Â Â $ 943,285 Â Â $ 52,160 Â Â $ 8,904,910 Â Â Allowance for Credit Losses ("ACL")Â 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, internal risk grading, various risk attributes, and the economic outlook for certain macroeconomic variables. Risk attributes for commercial real estate loans include Original Loan to Value ratios ("OLTV"), origination year, loan seasoning, and macroeconomic variables 18Â Â 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. The Commercial and Industrial methodology is applied over a substantial portion of the Companyâ€™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 that the life of loan loss rates reflect both the current state of the portfolio, and expectations for macroeconomic changes. The Companyâ€™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 Bankâ€™s loan portfolio. Refer to Note 3 â€" Summary of significant Accounting Policies included in our Annual Report on Form 10-K for the year ended December 31, 2023 for a more detailed discussion concerning the allowance for credit losses.Â The ACL totaled $82.8 million at June 30, 2024, compared to $86.8 million at December 31, 2023. The $4.0 million decrease in the ACL from December 31, 2023 to June 30, 2024 was comprised of $4.0 million in net charge-offs. At June 30, 2024, the ACL as a percentage of total loans and leases, at amortized cost, was 0.95%. This compares to 0.98% at December 31, 2023. The majority of the net charge-offs in 2024 were related to loans in which specific loan loss reserves had been established prior to December 31, 2023. Our economic forecast continues to be a blend of multiple forecasts produced by Moodyâ€™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 downside risks weighted among multiple forecasts. As of June 30, 2024, the resulting weighted forecast resulted in Real GDP declining slightly in the second half of 2024 and continuing to be negative in the first quarter of 2025. GDP growth is forecasted to be less than 1% for all of 2025, before rebounding to 1.9% in 2026, and then returning to higher growth of 2.78% in 2027. The unemployment rate is forecasted to increase, with unemployment averaging 6% for all of 2025. The unemployment rate is forecasted to stay elevated until late 2027.Â Management believes that the ACL was appropriate at June 30, 2024 and 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 Companyâ€™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. Â Â Three Months Ended June 30, 2024 Â Â Ending Balance March 31, 2024 Â Â Charge-offs Â Â Recoveries Â Â Provision for (Recapture of) Credit Losses Â Â Ending Balance June 30, 2024 Â Â (Dollars in thousands) Â Commercial real estate $ 69,445 Â Â $ â€" Â Â $ â€" Â Â $ (40) Â $ 69,405 Â Construction Â 1,296 Â Â Â â€" Â Â Â 2 Â Â Â (510) Â Â 788 Â SBA Â 2,531 Â Â Â (49) Â Â 18 Â Â Â (4) Â Â 2,496 Â Commercial and industrial Â 5,059 Â Â Â â€" Â Â Â â€" Â Â Â 44 Â Â Â 5,103 Â Dairy & livestock and agribusiness Â 3,252 Â Â Â â€" Â Â Â â€" Â Â Â 523 Â Â Â 3,775 Â Municipal lease finance receivables Â 194 Â Â Â â€" Â Â Â â€" Â Â Â (8) Â Â 186 Â SFR mortgage Â 483 Â Â Â â€" Â Â Â â€" Â Â Â 15 Â Â Â 498 Â Consumer and other loans Â 557 Â Â Â (2) Â Â â€" Â Â Â (20) Â Â 535 Â Total allowance for credit losses $ 82,817 Â Â $ (51) Â $ 20

Â Â $ â€” Â Â $ 82,786 Â Â 19Â Â Â Â Three Months Ended June 30, 2023 Â Â Ending Balance March 31, 2023 Â Â Charge-offs Â Â Recoveries Â Â Provision for (Recapture of) Credit Losses Â Â Ending Balance June 30, 2023 Â Â (Dollars in thousands) Â Commercial real estate $ 67,117 Â Â $ â€” Â Â $ â€” Â Â $ 826 Â Â $ 67,943 Â Construction Â 1,674 Â Â Â â€” Â Â Â 3 Â Â Â (515) Â Â 1,162 Â SBA Â 2,729 Â Â Â (87) Â Â 9 Â Â Â 5 Â Â Â 2,656 Â Commercial and industrial Â 8,963 Â Â Â â€” Â Â Â â€” Â Â Â 158 Â Â Â 9,121 Â Dairy & livestock and agribusiness Â 4,770 Â Â Â â€” Â Â Â 3 Â Â Â 187 Â Â Â 4,960 Â Municipal lease finance receivables Â 283 Â Â Â â€” Â Â Â â€” Â Â Â (10) Â Â 273 Â SFR mortgage Â 409 Â Â Â â€” Â Â Â â€” Â Â Â 41 Â Â Â 450 Â Consumer and other loans Â 595 Â Â Â (1) Â Â â€” Â Â Â (192) Â Â 402 Â Total allowance for credit losses $ 86,540 Â Â $ (88) Â $ 15 Â Â $ 500 Â Â $ 86,967 Â Â Â Â Six Months Ended June 30, 2024 Â Â Ending Balance December 31, 2023 Â Â Charge-offs Â Â Recoveries Â Â Provision for (Recapture of) Credit Losses Â Â Ending Balance June 30, 2024 Â Â (Dollars in thousands) Â Commercial real estate $ 69,466 Â Â $ (2,258) Â $ â€” Â Â $ 2,197 Â Â $ 69,405 Â Construction Â 1,277 Â Â Â â€” Â Â Â 5 Â Â Â (494) Â Â 788 Â SBA Â 2,679 Â Â Â (139) Â Â 81 Â Â Â (125) Â Â 2,496 Â Commercial and industrial Â 9,116 Â Â Â (1,917) Â Â 176 Â Â Â (2,272) Â Â 5,103 Â Dairy & livestock and agribusiness Â 3,098 Â Â Â â€” Â Â Â â€” Â Â Â 677 Â Â Â 3,775 Â Municipal lease finance receivables Â 210 Â Â Â â€” Â Â Â â€” Â Â Â (24) Â Â 186 Â SFR mortgage Â 535 Â Â Â â€” Â Â Â â€” Â Â Â (37) Â Â 498 Â Consumer and other loans Â 461 Â Â Â (4) Â Â â€” Â Â Â 78 Â Â Â 535 Â Total allowance for credit losses $ 86,842 Â Â $ (4,318) Â $ 262 Â Â $ â€” Â Â $ 82,786 Â Â Â Â Six Months Ended June 30, 2023 Â Â Ending Balance December 31, 2022 Â Â Charge-offs Â Â Recoveries Â Â Provision for (Recapture of) Credit Losses Â Â Ending Balance June 30, 2023 Â Â (Dollars in thousands) Â Commercial real estate $ 64,806 Â Â $ â€” Â Â $ â€” Â Â $ 3,137 Â Â $ 67,943 Â Construction Â 1,702 Â Â Â â€” Â Â Â 6 Â Â Â (546) Â Â 1,162 Â SBA Â 2,809 Â Â Â (181) Â Â 21 Â Â Â 7 Â Â Â 2,656 Â Commercial and industrial Â 10,206 Â Â Â (16) Â Â 14 Â Â Â (1,083) Â Â 9,121 Â Dairy & livestock and agribusiness Â 4,400 Â Â Â â€” Â Â Â 7 Â Â Â 553 Â Â Â 4,960 Â Municipal lease finance Â Â Â receivables Â 296 Â Â Â â€” Â Â Â â€” Â Â Â (23) Â Â 273 Â SFR mortgage Â 366 Â Â Â â€” Â Â Â â€” Â Â Â 84 Â Â Â 450 Â Consumer and other loans Â 532 Â Â Â (1) Â Â â€” Â Â Â (129) Â Â 402 Â Total allowance for credit losses $ 85,117 Â Â $ (198) Â $ 48 Â Â $ 2,000 Â Â $ 86,967 Â Â Â Â 20Â Â Past Due and Nonperforming LoansÂ 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 Bankâ€™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 â€“ Summary of Significant Accounting Policies, included in our Annual Report on Form 10-K for the year ended December 31, 2023, for additional discussion concerning the Bankâ€™s policy for past due and nonperforming loans.Â 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.Â Â June 30, 2024 Â Â 30-59 Days Past Due Â Â 60-89 Days Past Due Â Â Greater than 89 Days Past Due Â Â Total Past Due Â Â Loans Not Past Due Â Â Total Loans and Financing Receivables Â Â (Dollars in thousands) Â Commercial real estate Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Owner occupied $ â€” Â Â $ 43 Â Â $ 2,311 Â Â $ 2,354 Â Â $ 2,391,373 Â Â $ 2,393,727 Â Non-owner occupied Â â€” Â Â Â â€” Â Â Â 19,597 Â Â Â 19,597 Â Â Â 4,251,601 Â Â Â 4,271,198 Â Construction Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Speculative (1) Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 40,545 Â Â Â 40,545 Â Non-speculative Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 11,682 Â Â Â 11,682 Â Â SBA Â 122 Â Â Â â€” Â Â Â 215 Â Â Â 337 Â Â Â 267,601 Â Â Â 267,938 Â Â SBA - PPP Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 1,757 Â Â Â 1,757 Â Â Commercial and industrial Â 103 Â Â Â â€” Â Â Â 2,490 Â Â Â 2,593 Â Â Â 953,591 Â Â Â 956,184 Â Â Dairy & livestock and agribusiness Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 350,562 Â Â Â 350,562 Â Â Municipal lease finance receivables Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 70,889 Â Â Â 70,889 Â Â SFR mortgage Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 267,593 Â Â Â 267,593 Â Â Consumer and other loans Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 49,771 Â Â Â 49,771 Â Total loans $ 225 Â Â $ 43 Â Â $ 24,613 Â Â $ 24,881 Â Â $ 8,656,965 Â Â $ 8,681,846 Â Â (1)Speculative construction loans are generally for properties where there is no identified buyer or renter.Â Â December 31, 2023 Â Â 30-59 Days Past Due Â Â 60-89 Days Past Due Â Â Greater than 89 Days Past Due Â Â Total Past Due Â Â Loans Not Past Due Â Â Total Loans and Financing Receivables Â Â (Dollars in thousands) Â Commercial real estate Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Owner occupied $ 300 Â Â $ â€” Â Â $ 2,505 Â Â $ 2,805 Â Â $ 2,430,447 Â Â $ 2,433,252 Â Non-owner occupied Â 16 Â Â Â â€” Â Â Â 531 Â Â Â 547 Â Â Â 4,350,706 Â Â Â 4,351,253 Â Construction Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Speculative (1) Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 57,921 Â Â Â 57,921 Â Non-speculative Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 8,813 Â Â Â 8,813 Â Â SBA Â â€” Â Â Â 108 Â Â Â 969 Â Â Â 1,077 Â Â Â 269,542 Â Â Â 270,619 Â Â SBA - PPP Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 2,736 Â Â Â 2,736 Â Â Commercial and industrial Â 12 Â Â Â â€” Â Â Â 4,253 Â Â Â 4,265 Â Â Â 965,630 Â Â Â 969,895 Â Â Dairy & livestock and agribusiness Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 412,891 Â Â Â 412,891 Â Â Municipal lease finance receivables Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 73,590 Â Â Â 73,590 Â Â SFR mortgage Â 201 Â Â Â â€” Â Â Â â€” Â Â Â 201 Â Â Â 269,667 Â Â Â 269,868 Â Â Consumer and other loans Â 18 Â Â Â â€” Â Â Â â€” Â Â Â 18 Â Â Â 54,054 Â Â Â 54,072 Â Total loans $ 547 Â Â $ 108 Â Â $ 8,258 Â Â $ 8,913 Â Â $ 8,895,997 Â Â $ 8,904,910 Â Â (1)Speculative construction loans are generally for properties where there is no identified buyer or renter.Â 21Â Â Amortized cost of our finance receivables and loans that are on nonaccrual status, including loans with no allowance are presented as of June 30, 2024 and December 31, 2023 by type of loan. Â Â June 30, 2024 Â Â Nonaccrual with No Allowance for Credit Losses Â Â Total Nonaccrual (1) (3) Â Â Loans Past Due Over 89 Days Still Accruing Â Â (Dollars in thousands) Â Commercial real estate Â Â Â Â Â Â Â Â Â Owner occupied $ 2,311 Â Â $ 2,311 Â Â $ â€” Â Non-owner occupied Â 19,597 Â Â Â 19,597 Â Â Â â€” Â Construction Â Â Â Â Â Â Â Â Â Speculative (2) Â â€” Â Â Â â€” Â Â Â â€” Â Non-speculative Â â€” Â Â Â â€” Â Â Â â€” Â Â SBA Â 337 Â Â Â 337 Â Â Â â€” Â Â SBA - PPP Â â€” Â Â Â â€” Â Â Â â€” Â Â Commercial and industrial Â 2,712 Â Â Â 2,712 Â Â Â â€” Â Â Dairy & livestock and agribusiness Â â€” Â Â Â â€” Â Â Â â€” Â Â Municipal lease finance receivables Â â€” Â Â Â â€” Â Â Â â€” Â Â SFR mortgage Â â€” Â Â Â â€” Â Â Â â€” Â Â Consumer and other loans Â â€” Â Â Â â€” Â Â Â â€” Â Total loans $ 24,957 Â Â $ 24,957 Â Â $ â€” Â Â (1)As of June 30, 2024, $223,000 of nonaccruing loans were current, $122,000 were 30-59 days past due, and $24.6 million were 90+ days past due. (2)Speculative construction loans are generally for properties where there is no identified buyer or renter. (3)Excludes $157,000 of guaranteed portion of nonaccrual SBA loans that are in process of collection.Â Â December 31, 2023 Â Â Nonaccrual with No Allowance for Credit Losses Â Â Total Nonaccrual (1) Â Â Loans Past Due Over 89 Days Still Accruing Â Â (Dollars in thousands) Â Commercial real estate Â Â Â Â Â Â Â Â Â Owner occupied $ 2,505 Â Â $ 2,505 Â Â $ â€” Â Non-owner occupied Â 548 Â Â Â 12,935 Â Â Â â€” Â Construction Â Â Â Â Â Â Â Â Â Speculative (2) Â â€” Â Â Â â€” Â Â Â â€” Â Non-speculative Â â€” Â Â Â â€” Â Â Â â€” Â Â SBA Â 787 Â Â Â 969 Â Â Â â€” Â Â SBA - PPP Â â€” Â Â Â â€” Â Â Â â€” Â Â Commercial and industrial Â 908 Â Â Â 4,509 Â Â Â â€” Â Â Dairy & livestock and agribusiness Â 60 Â Â Â 60 Â Â Â â€” Â Â Municipal lease finance receivables Â â€” Â Â Â â€” Â Â Â â€” Â Â SFR mortgage Â 323 Â Â Â 324 Â Â Â â€” Â Â Consumer and other loans Â â€” Â Â Â â€” Â Â Â â€” Â Total loans $ 5,131 Â Â $ 21,302 Â Â $ â€” Â Â (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. Â Â 22Â Â Collateral Dependent LoansÂ 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 date presented. Â Â June 30, 2024 Â Â Number of Loans Â Â Real Estate Â Â Business Assets Â Â Other Â Â Dependent on Collateral Â Â (Dollars in thousands) Â Â Commercial real estate $ 21,908 Â Â $ â€” Â Â $ â€” Â Â Â 7 Â Construction Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â SBA Â 166 Â Â Â 170 Â Â Â â€” Â Â Â 3 Â SBA - PPP Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Commercial and industrial Â â€” Â Â Â 2,713 Â Â Â â€” Â Â Â 3 Â Dairy & livestock and agribusiness Â 60 Â Â Â â€” Â Â Â â€” Â Â Â 1 Â Municipal lease finance receivables Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â SFR mortgage Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Consumer and other loans Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total collateral-dependent loans $ 22,134 Â Â $ 2,883 Â Â $ â€” Â Â Â 14 Â Â Â Â December 31, 2023 Â Â Number of Loans Â Â Real Estate Â Â Business Assets Â Â Other Â Â Dependent on Collateral Â Â (Dollars in thousands) Â Â Commercial real estate $ 15,440 Â Â $ â€” Â Â $ â€” Â Â Â 5 Â Construction Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â SBA Â 749 Â Â Â 220 Â Â Â â€” Â Â Â 4 Â SBA - PPP Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Commercial and industrial Â 392 Â Â Â 2,950 Â Â Â 1,167 Â Â Â 8 Â Dairy & livestock and agribusiness Â 60 Â Â Â â€” Â Â Â â€” Â Â Â 1 Â Municipal lease finance receivables Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â SFR mortgage Â 324 Â Â Â â€” Â Â Â â€” Â Â Â 1 Â Consumer and other loans Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total collateral-dependent loans $ 16,965 Â Â $ 3,170 Â Â $ 1,167 Â Â Â 19 Â Â 23Â Â Reserve for Unfunded Loan CommitmentsÂ 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 $7.0 million for the off-balance sheet credit exposures as of June 30, 2024. There was a $500,000 recapture of provision for unfunded loan commitments for the six months ended June 30, 2024, compared to a $900,000 provision for the six months ended June 30, 2023. As of June 30, 2024 and December 31,2023, the balance in this reserve was $7.0 million and $7.5 million, respectively, and was included in other liabilities.Â Modifications of Loans to Borrowers Experiencing Financial Difficulty Â The Company adopted Accounting Standards Update (â€œASUâ€) 2022-02, Financial Instruments - Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures (â€œASU 2022-02â€) effective January 1,2024. The amendments in ASU 2022-02 eliminated the recognition and measurement of TDRs and enhanced disclosures for loan modifications to borrowers experiencing financial difficulty. Â There were eight loans to borrowers experiencing financial difficulty that were modified during the six months ended June 30, 2024 with an amortized cost totaling $16.9 million as of June 30, 2024, including one commercial real estate loan of $8.8 million, two dairy & livestock and agribusiness loans of $6.0 million, and five commercial and industrial loans totaling $2.1 million.Â The tables below reflect the amortized cost of loans by type made to borrowers experiencing financial difficulty that were modified as of June 30, 2024 and June 30, 2023.Â Â Â Term Extension Â Â Combination-Term Extension and Interest Rate Reduction Â Â Â Â Â Â Amortized Cost Basis Â Â % of Total Class of Financing Receivables Â Â Amortized Cost Basis Â Â % of Total Class of Financing Receivables Â Â Total Â June 30, 2024 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate loans Â $ 11,209 Â Â Â 0.13 % Â $ 687 Â Â Â 0.01 % Â $ 11,896 Â Commercial and industrial Â Â 3,442 Â Â Â 0.04 % Â Â 205 Â Â Â 0.00 % Â Â 3,647 Â Dairy & livestock and agribusiness Â Â 10,820 Â Â Â 0.12 % Â Â â€” Â Â Â â€” Â Â Â 10,820 Â Â Â Â Total Â $ 25,471 Â Â Â Â Â Â $ 892 Â Â Â Â Â Â $ 26,363 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â June 30, 2023 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate loans Â $ 1,579 Â Â Â 0.02 % Â $ â€” Â Â Â â€” Â Â $ 1,579 Â Commercial and industrial Â Â 1,000 Â Â Â 0.01 % Â Â â€” Â Â Â â€” Â Â Â 1,000 Â Dairy & livestock and agribusiness Â Â 728 Â Â Â 0.01 % Â Â â€” Â Â Â â€” Â Â Â 728 Â Â Â Â Total Â $ 3,307 Â Â Â Â Â Â $ â€” Â Â Â Â Â Â $ 3,307 Â Â 24Â Â Â The following table describes the financial effect of the loan modifications made to borrowers experiencing financial difficulty during the three months ended June 30, 2024. Â Loan Type Â Financial Effect Â Â Â Â Â Â Â Term Extension Â Combination-Term Extension and Interest Rate Reduction June 30, 2024 Â Â Â Â Commercial real estate loans Â Added a weighted-average 1.1 years to the life of loans, which reduced monthly payment amounts for the borrowers. Â Added a weighted-average 7.6 years to the life of loans, which reduced monthly payment amounts for the borrowers; reduced weighted-average contractual interest rate from 10% to 7.25%. Commercial and industrial Â Added a weighted-average 1.2 years to the life of loans, which reduced monthly payment amounts for the borrowers. Â Added a weighted-average 2.0 years to the life of loans, which reduced monthly payment amounts for the borrowers; reduced weighted-average contractual interest rate from 8.75% to 7.75%. Dairy & livestock and agribusiness Â Added a weighted-average 1.1 years to the life of loans, which reduced monthly payment amounts for the borrowers. Â â€” Â Â Â Â Â Â Â Â Â Â June 30, 2023 Â Â Â Â Commercial real estate loans Â Added a weighted-average 1.1 years to the life of loans, which reduced monthly payment amounts for the borrowers. Â â€” Commercial and industrial Â Added a weighted-average 0.8 years to the life of loans, which reduced monthly payment amounts for the borrowers. Â â€” Dairy & livestock and agribusiness Â Added a weighted-average 1.4 years to the life of loans, which reduced monthly payment amounts for the borrowers. Â â€” Â Â As of

June 30, 2024, the Company did not have any loans made to borrowers experiencing financial difficulty that were modified during the first six months of 2024 that subsequently defaulted. Payment default is defined as movement to nonaccrual (nonperforming) status, foreclosure or charge-off, whichever occurs first.Â 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 as of June 30, 2024.Â Â Â Payment Status (amortized cost basis) Â Â Â Current Â Â 30-89 Days Past Due Â Â 90+ Days Past Due Â Â Â (Dollars in thousands) Â Commercial real estate loans Â $ 11,896 Â Â $ â€" Â Â $ â€" Â Commercial and industrial Â Â 3,647 Â Â Â â€" Â Â Â â€" Â Dairy & livestock and agribusiness Â Â 10,820 Â Â Â â€" Â Â Â â€" Â Â Â Â Total Â $ 26,363 Â Â $ â€" Â Â $ â€" Â Â Â Â Â 25Â Â Â 6. BORROWINGS Â Customer Repurchase AgreementsÂ The Bank offers a repurchase agreement product to its 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 which reflects the market value of the use of 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 June 30, 2024, total funds borrowed under these agreements were $268.8 million with a weighted average interest rate of 0.51%, compared to $271.6 million with a weighted average interest rate of 0.29% at December 31, 2023.Â Federal Home Loan Bank Advances and Other BorrowingsÂ As of June 30, 2024, borrowings totaled $1.8 billion, including a $1.3 billion advance from the Federal Reserve's Bank Term Funding Program ("BTFP") at a cost of approximately 4.76% maturing in January of 2025, and $500 million of FHLB advances. The FHLB advances include maturities of $300 million, at an average cost of approximately 4.73%, maturing in May of 2026, and $200 million, at a cost of 4.27% maturing in May of 2027.Â As of 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 $160 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 $1.2 billion in December of 2024.Â At June 30, 2024, loans with a carrying value of $4.45 billion were pledged to secure available lines of credit from the FHLB and the Federal Reserve Bank.Â At June 30, 2024 investment securities with carrying values of $2.18 billion were pledged to secure $363.3 million for repurchase agreements, $1.35 billion for outstanding borrowings, $427.4 million for unused borrowing capacity and approximately $46 million for other purposes as required or permitted by law. Â Â 26Â Â 7. EARNINGS PER SHARE RECONCILIATION Â 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 six months ended June 30, 2024, shares deemed to be antidilutive, and thus excluded from the computation of earnings per common share, were 1,181,000 and 1,167,000, respectively. For the three and six months ended June 30, 2023, shares deemed to be antidilutive, and thus excluded from the computation of earnings per common share, were 1,412,000 and 1,058,000, respectively.Â 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.Â Â Â Three Months EndedJune 30, Â Â Six Months EndedJune 30, Â Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Â (In thousands, except per share amounts) Â Earnings per common share: Â Â Â Â Â Â Â Â Â Â Â Â Net earnings Â $ 50,035 Â Â $ 55,770 Â Â $ 98,634 Â Â $ 115,040 Â Less: Net earnings allocated to restricted stock Â Â 373 Â Â Â 390 Â Â Â 697 Â Â Â 798 Â Net earnings allocated to common shareholders Â $ 49,662 Â Â $ 55,380 Â Â $ 97,937 Â Â $ 114,242 Â Weighted average shares outstanding Â Â 138,584 Â Â Â 138,330 Â Â Â 138,419 Â Â Â 138,420 Â Basic earnings per common share Â $ 0.36 Â Â $ 0.40 Â Â $ 0.71 Â Â $ 0.83 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Diluted earnings per common share: Â Â Â Â Â Â Â Â Â Â Â Â Net income allocated to common shareholders Â $ 49,662 Â Â $ 55,380 Â Â $ 97,937 Â Â $ 114,242 Â Weighted average shares outstanding Â Â 138,584 Â Â Â 138,330 Â Â Â 138,419 Â Â Â 138,420 Â Incremental shares from assumed exercise ofÂ Â Â outstanding options Â Â 85 Â Â Â 53 Â Â Â 142 Â Â Â 137 Â Diluted weighted average shares outstanding Â Â 138,669 Â Â Â 138,383 Â Â Â 138,561 Â Â Â 138,557 Â Diluted earnings per common share Â $ 0.36 Â Â $ 0.40 Â Â $ 0.71 Â Â $ 0.82 Â Â Â 27Â Â Â 8. FAIR VALUE INFORMATIONÂ Fair Value HierarchyÂ 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.Â The valuation methodologies for financial assets and liabilities measured at fair value on a recurring and non-recurring basis are described in Note 18 â€" Fair Value Information, included in our Annual Report on Form 10-K for the year ended December 31, 2023.Â Assets and Liabilities Measured at Fair Value on a Recurring BasisÂ The tables below present the balances of assets and liabilities measured at fair value on a recurring basis as of the dates presented.Â Â Â Carrying Value at June 30, 2024 Â Â Quoted Pricesin Active Markets forIdentical Assets(Level 1) Â Â Significant Other Observable Inputs(Level 2) Â Â Significant Unobservable Inputs(Level 3) Â Â Â (Dollars in thousands) Â Description of assets Â Â Â Â Â Â Â Â Â Â Â Â Investment securities - AFS: Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE Â $ 33,477 Â Â $ â€" Â Â $ 33,477 Â Â $ â€" Â Mortgage-backed securities Â Â 2,316,075 Â Â Â â€" Â Â Â 2,316,075 Â Â Â â€" Â CMO/REMIC Â Â 370,491 Â Â Â â€" Â Â Â 370,491 Â Â Â â€" Â Municipal bonds Â Â 24,426 Â Â Â â€" Â Â Â 24,426 Â Â Â â€" Â Other securities Â Â 1,327 Â Â Â â€" Â Â Â 1,327 Â Â Â â€" Â Total investment securities - AFS Â Â 2,745,796 Â Â Â â€" Â Â Â 2,745,796 Â Â Â â€" Â Derivatives not designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest rate swaps Â Â 28 Â Â Â â€" Â Â Â 28 Â Â Â â€" Â Derivatives designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Fair value hedges: interest rate swaps Â Â 13,728 Â Â Â â€" Â Â Â 13,728 Â Â Â â€" Â Â Â Â Cash flow hedges: interest rate swaps Â Â 1,584 Â Â Â â€" Â Â Â 1,584 Â Â Â â€" Â Total assets Â $ 2,761,136 Â Â $ â€" Â Â $ 2,761,136 Â Â $ â€" Â Description of liability Â Â Â Â Â Â Â Â Â Â Â Â Derivatives not designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest rate swaps Â $ 28 Â Â $ â€" Â Â $ 28 Â Â $ â€" Â Derivatives designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Fair value hedges: interest rate swaps Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â Â Cash flow hedges: interest rate swaps Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Total liabilities Â $ 28 Â Â $ â€" Â Â $ 28 Â Â $ â€" Â Â 28Â Â Â Â Â Â Carrying Value at December 31, 2023 Â Â Quoted Pricesin Active Markets forIdentical Assets(Level 1) Â Â Significant Other Observable Inputs(Level 2) Â Â Significant Unobservable Inputs(Level 3) Â Â Â (Dollars in thousands) Â Description of assets Â Â Â Â Â Â Â Â Â Â Â Â Investment securities - AFS: Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE Â $ 32,253 Â Â $ â€" Â Â $ 32,253 Â Â $ â€" Â Mortgage-backed securities Â Â 2,507,679 Â Â Â â€" Â Â Â 2,507,679 Â Â Â â€" Â CMO/REMIC Â Â 389,362 Â Â Â â€" Â Â Â 389,362 Â Â Â â€" Â Municipal bonds Â Â 25,635 Â Â Â â€" Â Â Â 25,635 Â Â Â â€" Â Other securities Â Â 1,196 Â Â Â â€" Â Â Â 1,196 Â Â Â â€" Â Total investment securities - AFS Â Â 2,956,125 Â Â Â â€" Â Â Â 2,956,125 Â Â Â â€" Â Derivatives not designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest rate swaps Â Â 112 Â Â Â â€" Â Â Â 112 Â Â Â â€" Â Derivatives designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest rate swaps Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Total assets Â $ 2,956,237 Â Â $ â€" Â Â $ 2,956,237 Â Â $ â€" Â Description of liability Â Â Â Â Â Â Â Â Â Â Â Â Derivatives not designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest rate swaps Â $ 112 Â Â $ â€" Â Â $ 112 Â Â $ â€" Â Derivatives designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest rate swaps Â Â 6,938 Â Â Â â€" Â Â Â 6,938 Â Â Â â€" Â Total liabilities Â $ 7,050 Â Â $ â€" Â Â $ 7,050 Â Â $ â€" Â Â Assets and Liabilities Measured at Fair Value on a Non-Recurring BasisÂ 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. Â For assets measured at fair value on a non-recurring basis that were held on the balance sheet at June 30, 2024 and December 31, 2023, 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. Â Â Â Carrying Value at June 30, 2024 Â Â Quoted Prices in Active Markets for Identical Assets (Level 1) Â Â Significant Other Observable Inputs (Level 2) Â Â Significant Unobservable Inputs (Level 3) Â Â Total Losses For the Six Months Ended June 30, 2024 Â Â Â (Dollars in thousands) Â Description of assets Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Loans: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate Â $ 33,804 Â Â $ â€" Â Â $ â€" Â Â $ 33,804 Â Â $ 2,273 Â Construction Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â SBA Â Â 493 Â Â Â â€" Â Â Â â€" Â Â Â 493 Â Â Â 75 Â SBA - PPP Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Commercial and industrial Â Â 6,360 Â Â Â â€" Â Â Â â€" Â Â Â 6,360 Â Â Â 40 Â Dairy & livestock andÂ Â Â agribusiness Â Â 10,820 Â Â Â â€" Â Â Â â€" Â Â Â 10,820 Â Â Â 176 Â Municipal lease financeÂ Â Â receivables Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â SFR mortgage Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Consumer and other loans Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Other real estate owned Â Â 647 Â Â Â â€" Â Â Â â€" Â Â Â 647 Â Â Â 28 Â Asset held-for-sale Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Total assets Â $ 52,124 Â Â $ â€" Â Â $ â€" Â Â $ 52,124 Â Â $ 2,592 Â Â 29Â Â Â Â Â Â Carrying Value at December 31, 2023 Â Â Quoted Prices in Active Markets for Identical Assets (Level 1) Â Â Significant Other Observable Inputs (Level 2) Â Â Significant Unobservable Inputs (Level 3) Â Â Total Losses For the Year Ended December 31, 2023 Â Â Â (Dollars in thousands) Â Description of assets Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Loans: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate Â $ 18,678 Â Â $ â€" Â Â $ â€" Â Â $ 18,678 Â Â $ 2,128 Â Construction Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â SBA Â Â 995 Â Â Â â€" Â Â Â â€" Â Â Â 995 Â Â Â 57 Â SBA - PPP Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Commercial and industrial Â Â 6,092 Â Â Â â€" Â Â Â â€" Â Â Â 6,092 Â Â Â 3,510 Â Dairy & livestock andÂ Â Â agribusiness Â Â 4,700 Â Â Â â€" Â Â Â â€" Â Â Â 4,700 Â Â Â 27 Â Municipal lease financeÂ Â Â receivables Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â SFR mortgage Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Consumer and other loans Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Other real estate owned Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Asset held-for-sale Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Total assets Â $ 30,465 Â Â $ â€" Â Â $ â€" Â Â $ 30,465 Â Â $ 5,722 Â Â Â 30Â Â Fair Value of Financial InstrumentsÂ 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 June 30, 2024 and 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.Â Â June 30, 2024 Â Â Carrying Â Â Estimated Fair Value Â Â Amount Â Â Level 1 Â Â Level 2 Â Â Level 3 Â Â Total Â Â (Dollars in thousands) Â Assets Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Total cash and cash equivalents $ 844,194 Â Â $ 844,194 Â Â $ â€" Â Â $ â€" Â Â $ 844,194 Â Interest-earning balances due fromÂ Â Â depository institutions Â 7,345 Â Â Â â€" Â Â Â 7,345 Â Â Â â€" Â Â Â 7,345 Â Investment securities available-for-sale Â 2,745,796 Â Â Â â€" Â Â Â 2,745,796 Â Â Â â€" Â Â Â 2,745,796 Â Investment securities held-to-maturity Â 2,429,886 Â Â Â â€" Â Â Â 2,006,090 Â Â Â â€" Â Â Â 2,006,090 Â Total loans, net of allowance for credit losses Â 8,599,060 Â Â Â â€" Â Â Â â€" Â Â Â 8,217,593 Â Â Â 8,217,593 Â Derivatives not designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest rate swaps Â 28 Â Â Â â€" Â Â Â 28 Â Â Â â€" Â Â Â 28 Â Derivatives designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Fair value hedges: interest rate swaps Â 13,728 Â Â Â â€" Â Â Â 13,728 Â Â Â â€" Â Â Â 13,728 Â Â Cash flow hedges: interest rate swaps Â 1,584 Â Â Â â€" Â Â Â 1,584 Â Â Â â€" Â Â Â 1,584 Â Liabilities Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Deposits: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest-bearing $ 4,700,230 Â Â $ â€" Â Â $ 4,695,747 Â Â $ â€" Â Â $ 4,695,747 Â Borrowings Â 2,068,826 Â Â Â â€" Â Â Â 2,009,323 Â Â Â â€" Â Â Â 2,009,323 Â Derivatives not designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest rate swaps Â 28 Â Â Â â€" Â Â Â 28 Â Â Â â€" Â Â Â 28 Â Derivatives designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Fair value hedges: interest rate swaps Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Cash flow hedges: interest rate swaps Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â 31Â Â December 31, 2023 Â Â Carrying Â Â Estimated Fair Value Â Â Amount Â Â Level 1 Â Â Level 2 Â Â Level 3 Â Â Total Â Â (Dollars in thousands) Â Assets Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Total cash and cash equivalents $ 281,285 Â Â $ 281,285 Â Â $ â€" Â Â $ â€" Â Â $ 281,285 Â Interest-earning balances due fromÂ Â Â depository institutions Â 8,216 Â Â Â â€" Â Â Â 8,216 Â Â Â â€" Â Â Â 8,216 Â Investment securities available-for-sale Â 2,956,125 Â Â Â â€" Â Â Â 2,956,125 Â Â Â â€" Â Â Â 2,956,125 Â Investment securities held-to-maturity Â 2,464,610 Â Â Â â€" Â Â Â 2,082,881 Â Â Â â€" Â Â Â 2,082,881 Â Total loans, net of allowance for credit losses Â 8,818,068 Â Â Â â€" Â Â Â â€" Â Â Â 8,503,518 Â Â Â 8,503,518 Â Derivatives not designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest rate swaps Â 112 Â Â Â â€" Â Â Â 112 Â Â Â â€" Â Â Â 112 Â Derivatives designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Fair value hedges: interest rate swaps Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Liabilities Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Deposits: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest-bearing $ 4,227,467 Â Â $ â€" Â Â $ 4,222,773 Â Â $ â€" Â Â $ 4,222,773 Â Borrowings Â 2,341,642 Â Â Â â€" Â Â Â 2,283,631 Â Â Â â€" Â Â Â 2,283,631 Â Derivatives not designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest rate swaps Â 112 Â Â Â â€" Â Â Â 112 Â Â Â â€" Â Â Â 112 Â Derivatives designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Fair value hedges: interest rate swaps Â 6,938 Â Â Â â€" Â Â Â 6,938 Â Â Â â€" Â Â Â 6,938 Â Â The fair value estimates presented herein are based on pertinent information available to management as of June 30, 2024 and 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. Â Â 32Â Â 9. DERIVATIVE FINANCIAL INSTRUMENTS Â Derivatives Not Designated as Hedging InstrumentsÂ The Bank is exposed to certain risks relating to its ongoing business operations and utilizes interest rate swap agreements (â€œswapsâ€) as part of its asset/liability management strategy to help manage its interest rate risk position. As of June 30, 2024, the Bank has entered into 114 interest-rate swap agreements with customers with a notional amount totaling $386.5 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 Bankâ€™s earnings. Â 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 Companyâ€™s results of operations, although the Company does incur credit and counterparty risk with respect to performance on the swap agreements by the Bankâ€™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 of our derivative assets and liabilities are offset in the Companyâ€™s condensed consolidated balance sheet. Â 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. Â Derivatives Designated as Hedging InstrumentsÂ Fair Value HedgesÂ 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.Â 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 $13.7 million at June 30, 2024.Â Cash Flow HedgesÂ 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 the exposure to variability in expected future cash flows attributable to changes in a 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 33Â Â with maturities of three years, wherein the Company pays a weighted average fixed rate of approximately 4.2% and receives daily SOFR.Â To qualify for hedge accounting, a formal assessment is prepared to determine whether the hedging relationship, both at inception and on an ongoing basis, is expected to be highly effective in achieving offsetting cash flows attributable to the hedged 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 consolidated balance sheets with changes in fair value recorded in AOCI, net of 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.Â Balance Sheet Classification of Derivative Financial InstrumentsÂ As of June 30, 2024 and December 31, 2023, the notional amount, the location of the asset and liability, and their respective fair values, are summarized in the tables below.Â Â Â June 30, 2024 Â Â Â Asset Derivatives Â Â Liability Derivatives Â Â Â Notional Â Â Balance Sheet Location Â Fair Value Â Â Notional Â Â Balance Sheet Location Â Fair Value Â Â Â (Dollars in thousands) Â Derivatives not designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest rate swaps Â $ 386,506 Â Â Other assets Â $ 28 Â Â $ 386,506 Â Â Other liabilities Â $ 28 Â Total Â Â Â Â Â Â $ 28 Â Â Â Â Â Â Â $ 28 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Derivatives designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Fair value hedges: interest rate swaps Â $ 1,000,000 Â Â Other assets Â $ 13,728 Â Â Â â€" Â Â Other liabilities Â $ â€" Â Cash flow hedges: interest rate swaps Â Â â€" Â Â Other assets Â Â 1,584 Â Â $ 300,000 Â Â Other liabilities Â Â â€" Â Total Â Â Â Â Â Â $ 15,312 Â Â Â Â Â Â $ â€" Â Â Â Â December 31, 2023 Â Â Â Asset Derivatives Â Â Liability Derivatives Â Â Â Notional Â Â Balance Sheet Location Â Fair Value Â Â Notional Â Â Balance Sheet Location Â Fair Value Â Â Â (Dollars in thousands) Â Derivatives not designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest rate swaps Â $ 394,359 Â Â Other assets Â $ 112 Â Â $ 394,359 Â Â Other liabilities Â $ 112 Â Total derivatives Â Â Â Â Â Â $ 112 Â Â Â Â Â Â Â $ 112 Â Derivatives designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Fair value hedges: interest rate swaps Â $ 1,000,000 Â Â Other assets Â $ â€" Â Â Â Â Other liabilities Â $ 6,938 Â Total Â Â Â Â Â Â $ â€" Â Â Â Â Â Â $ 6,938 Â Â 34Â Â Â The Effect of Derivatives Financial Instruments on the Condensed Consolidated Statements of EarningsÂ The following table summarizes the effect of derivative financial instruments on the condensed consolidated statements of earnings for the periods presented. Â Â Â Location of Gain Recognized in Income on Derivative Instruments Â Amount of Gain Recognized in Income on Derivative Instruments Â Â Â Â Â Three Months EndedJune 30, Â Â Six Months EndedJune 30, Â Â Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Derivatives Not Designated as Hedging Instruments: Â Â (Dollars in thousands) Â Interest rate swaps Â Other income Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Total Â Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â Â Location of Gain Recognized in Income on Derivative Instruments Â Amount of Gains (Losses) Recognized in Net InterestIncome on Derivative Instruments Â Â OCI Impact on Derivatives-Gains (Losses) recorded in OCI Â Â Â Â Â Three Months EndedJune 30, Â Â Six Months EndedJune 30, Â Â Three Months EndedJune 30, Â Â Six Months EndedJune 30, Â Â Â Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Â Â Â (Dollars in thousands) Â Â (Dollars in thousands) Â Derivatives Designated as Hedging Instruments: Â Â Fair value hedges: Â Â Â Â Â interest rate swaps Â Interest income Â $ 4,097 Â Â $ 446 Â Â $ 7,784 Â Â $ 446 Â Â $ 1,888 Â Â $ 7,846 Â Â $ 14,758 Â Â $ 7,846 Â Â Â Â Cash flow hedges: Â Â Â Â Â interest rate swaps Â Interest expense Â Â 918 Â Â Â â€" Â Â Â 1,096 Â Â Â â€" Â Â Â 560 Â Â Â â€" Â Â Â 1,116 Â Â Â â€" Â Total Â Â Â $ 5,015 Â Â $ 446 Â Â $ 8,880 Â Â $ 446 Â Â $ 2,448 Â Â $ 7,846 Â Â $ 15,874 Â Â $ 7,846 Â Â 10. OTHER COMPREHENSIVE INCOMEÂ The table below provides a summary of the components of other comprehensive income (â€œOCIâ€) for the periods presented.Â Â Three Months Ended June 30, Â Â 2024 Â Â 2023 Â Â Before-tax Â Tax effect Â Â After-tax Â Before-tax Â Tax effect Â Â After-tax Â Â Â (Dollars in thousands) Â Investment securities: Â Net change in fair value recorded in accumulated OCI Â $ (2,292) Â $ 678 Â Â $ (1,614) Â $ (37,996) Â $ 11,233 Â Â $ (26,763) Amortization of net unrealized losses on securitiesÂ Â Â transferred from available-for-sale to held-to-maturity Â Â 175 Â Â Â (52) Â Â 123 Â Â Â 3,532 Â Â Â (3,364) Â Â 168 Â Derivatives designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Fair value hedges: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Net change in fair value recorded in accumulated OCI Â Â 2,835 Â Â Â (947) Â Â 1,888 Â Â Â 11,129 Â Â Â (3,283) Â Â 7,846 Â Cash flow hedges: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Net change in fair value recorded in accumulated OCI Â Â 795 Â Â Â (235) Â Â 560 Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Net change Â $ 1,513 Â Â $ (556) Â $ 957 Â Â $ (23,335) Â $ 4,586 Â Â $ (18,749) Â Â Â Six Months Ended June 30, Â Â Â 2024 Â Â 2023 Â Â Â Before-tax Â Â Tax effect Â Â After-tax Â Â Before-tax Â Â Tax effect Â Â After-tax Â Â (Dollars in thousands) Â Investment securities: Â Net change in fair value recorded in accumulated OCI Â $ (38,148) Â $ 11,278 Â Â $ (26,870) Â $ 2,428 Â Â $ (718) Â $ 1,710 Â Amortization of net unrealized losses on securitiesÂ Â Â transferred from available-for-sale to held-to-maturity Â Â 337 Â Â Â (100) Â Â 237 Â Â Â 3,810 Â Â Â (3,446) Â Â 364 Â Derivatives designated as hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Fair value hedges: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Net change in fair value recorded in accumulated OCI Â Â 20,667 Â Â Â (5,909) Â Â 14,758 Â Â Â 11,129 Â Â Â (3,283) Â Â 7,846 Â Cash flow hedges: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Net change in fair value recorded in accumulated OCI Â Â 1,584 Â Â Â (468) Â Â 1,116 Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Net change Â $ (15,560) Â $ 4,801 Â Â $ (10,759) Â $ 17,367 Â Â $ (7,447) Â $ 9,920 Â Â 35Â Â 11. BALANCE SHEET OFFSETTINGÂ Assets and liabilities relating to certain financial instruments, including, derivatives and securities sold under repurchase agreements (â€œrepurchase agreementsâ€), may be eligible for offset in the condensed consolidated balance sheets as permitted under accounting guidance. As noted above, our interest rate swap derivatives are subject to master netting arrangements. 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 Companyâ€™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 Companyâ€™s condensed consolidated balances. Â In June 2023, fair value hedging transactions were executed in which $1 billion notional pay-fixed interest rate swaps were consummated with original 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 $13.7 million and were reflected as an asset on June 30, 2024. Â 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 $1.6 million and were reflected as an asset on June 30, 2024. Â Refer to Note 9 - Derivative Financial Instruments of the notes to the unaudited condensed consolidated financial statements of this report for additional information.36Â Â Â Â Â Gross Amounts Recognized in the Condensed Â Â Gross Amounts Offset in the Condensed Â Â Net Amounts Presented in the Condensed Â Â Gross Amounts Not Offsetin the Condensed Consolidated Balance Sheets Â Â Â Â Â Consolidated Balance Sheets Â Â Consolidated Balance Sheets Â Â Consolidated Balance Sheets Â Â Financial Instruments Â Â Collateral Pledged Â Â Net Amount Â Â (Dollars in thousands) Â June 30, 2024 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Financial assets: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Derivatives not designated as hedging instruments Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest rate swaps $ 28 Â Â $ â€" Â Â $ â€" Â Â $ 28 Â Â $ â€" Â Â $ 28 Â Derivatives designated as hedging instruments Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Fair value hedges: interest rate swaps Â 13,728 Â Â Â â€" Â Â Â â€" Â Â Â 13,728 Â Â Â â€" Â Â Â 13,728 Â Â Â Â Cash flow hedges: interest rate swaps Â 1,584 Â Â Â â€” Â Â Â â€” Â Â Â 1,584 Â Â Â â€” Â Â Â 1,584 Â Total $ 15,340 Â Â $ â€” Â Â $ â€” Â Â $ 15,340 Â Â $ â€” Â Â $ 15,340 Â Financial liabilities: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Derivatives not designated as hedging instruments Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest rate swaps $ 47,053 Â Â $ (47,025) Â $ 28 Â Â $ 47,025 Â Â $ (10,538) Â $ 36,515 Â Derivatives designated asÂ hedging instruments: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Fair value hedges: interest rate swaps Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â Â Cash flow hedges: interest rate swaps Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Repurchase agreements Â 268,826 Â Â Â â€” Â Â Â 268,826 Â Â Â â€” Â Â Â 363,267 Â Â Â 632,093 Â Total $ 315,879 Â Â $ (47,025) Â $ 268,854 Â Â $ 47,025 Â Â $ 352,729 Â Â $ 668,608 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â December 31, 2023 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Financial assets: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Derivatives not designated as hedging instruments $ 112 Â Â $ â€” Â Â $ â€” Â Â $ 112 Â Â $ â€” Â Â $ 112 Â Derivatives designated as hedging instruments Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total $ 112 Â Â $ â€” Â Â $ â€” Â Â $ 112 Â Â $ â€” Â Â $ 112 Â Financial liabilities: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Derivatives not designated as hedging instruments $ 42,613 Â Â $ (42,501) Â $ 112 Â Â $ 42,501 Â Â $ (11,659) Â $ 30,954 Â Derivatives designated as hedging instruments Â 6,938 Â Â Â â€” Â Â Â â€” Â Â Â 6,938 Â Â Â â€” Â Â Â 6,938 Â Repurchase agreements Â 271,642 Â Â Â â€” Â Â Â 271,642 Â Â Â â€” Â Â Â 362,505 Â Â Â 634,147 Â Total $ 321,193 Â Â $ (42,501) Â $ 271,754 Â Â $ 49,439 Â Â $ 350,846 Â Â $ 672,039 Â Â Â 37Â Â 12. LEASESÂ The Companyâ€™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 (â€œROUâ€) assets and lease liabilities are included in other assets and other liabilities, respectively, on the Companyâ€™s condensed consolidated balance sheet.Â While the Company has, as a lessor, certain equipment finance leases, such leases are not material to the Companyâ€™s consolidated financial statements.Â The tables below present the components of lease costs and supplemental information related to leases as of and for the periods presented.Â Â Â June 30,2024 Â Â December 31,2023 Â Â Â (Dollars in thousands) Â Lease Assets and Liabilities Â Â Â Â Â Â ROU assets Â $ 22,182 Â Â $ 21,655 Â Total lease liabilities Â Â 24,457 Â Â Â 24,056 Â Â Â Â Â Three Months EndedJune 30, Â Â Six Months EndedJune 30, Â Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Â Â (Dollars in thousands) Â Lease Cost Â Â Â Â Â Â Â Â Â Â Â Â Â Operating lease expense (1) Â $ 1,841 Â Â $ 1,840 Â Â $ 3,685 Â Â $ 3,681 Â Sublease income Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total lease expense Â $ 1,841 Â Â $ 1,840 Â Â $ 3,685 Â Â $ 3,681 Â Â (1)Includes short-term leases and variable lease costs, which are immaterial.Â Other Information Â Â Â Â Â Â Â Â Â Â Â Â Â Cash paid for amounts included in theÂ Â Â measurement of lease liabilities: Â Â Â Â Â Â Â Â Â Â Â Â Operating cash outflows from operatingÂ Â Â leases, net Â $ 1,914 Â Â $ 1,514 Â Â $ 3,778 Â Â $ 3,270 Â Â Â Â Â June 30,2024 Â Â December 31,2023 Â Lease Term and Discount Rate Â Â Â Â Â Â Weighted average remaining lease termÂ Â Â (years) Â Â 3.94 Â Â Â 3.94 Â Weighted average discount rate Â Â 3.86 % Â Â 3.48 % Â 38Â Â The Companyâ€™s lease arrangements that have not yet commenced as of June 30, 2024 and the Companyâ€™s short-term lease costs and variable lease costs, for the six months ended June 30, 2024 and 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 June 30, 2024, excluding property taxes and insurance, are as follows:Â Â Â June 30, 2024 Â Â Â (Dollars in thousands) Â Year: Â Â Â 2024 (excluding the six months ended June 30, 2024) Â $ 3,752 Â 2025 Â Â 7,402 Â 2026 Â Â 6,185 Â 2027 Â Â 4,717 Â 2028 Â Â 2,861 Â Thereafter Â Â 1,642 Â Total future lease payments Â Â 26,559 Â Less: Imputed interest Â Â (2,102) Present value of lease liabilities Â $ 24,457 Â Â Â 13. REVENUE RECOGNITIONÂ The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the periods indicated. Â Â Â Three Months EndedJune 30, Â Â Six Months EndedJune 30, Â Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Â Â (Dollars in thousands) Â Noninterest income: Â Â Â Â Â Â Â Â Â Â Â Â Â In-scope of Topic 606: Â Â Â Â Â Â Â Â Â Â Â Â Â Service charges on deposit accounts Â $ 5,117 Â Â $ 4,838 Â Â $ 10,153 Â Â $ 10,182 Â Trust and investment services Â Â 3,428 Â Â Â 3,315 Â Â Â 6,652 Â Â Â 6,229 Â Bankcard services Â Â 370 Â Â Â 490 Â Â Â 755 Â Â Â 867 Â Other Â Â 2,567 Â Â Â 1,916 Â Â Â 4,442 Â Â Â 5,294 Â Noninterest Income (in-scope of Topic 606) Â Â 11,482 Â Â Â 10,559 Â Â Â 22,002 Â Â Â 22,572 Â Noninterest Income (out-of-scope of Topic 606) Â Â 2,942 Â Â Â 2,097 Â Â Â 6,535 Â Â Â 3,286 Â Total noninterest income Â $ 14,424 Â Â $ 12,656 Â Â $ 28,537 Â Â $ 25,858 Â Refer to Note 3 â€“ Summary of Significant Accounting Policies and Note 23 â€“ Revenue Recognition, included in our Annual Report on Form 10-K for the year ended December 31, 2023 for a more detailed discussion about noninterest revenue streams that are in-scope of Topic 606. Â 39Â Â ITEM 2. MANAGEMENTâ€™S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Â 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 â€œCVBâ€ and on a consolidated basis as â€œwe,â€ â€œourâ€ or the â€œCompanyâ€) and its wholly owned bank subsidiary, Citizens Business Bank (the â€œBankâ€ or â€œCBBâ€). 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, 2023 and the unaudited condensed consolidated financial statements and accompanying notes presented elsewhere in this report. Â CRITICAL ACCOUNTING POLICIES Â The discussion and analysis of the Companyâ€™s unaudited condensed consolidated financial statements are based upon the Companyâ€™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. Â Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and are essential to understanding Managementâ€™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. Â â€¢Allowance for Credit Losses (â€œACLâ€) â€¢Business Combinations â€¢Valuation and Recoverability of Goodwill Â Our significant accounting policies are described in greater detail in our 2023 Annual Report on Form 10-K in the â€œCritical Accounting Policiesâ€ section of Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations and in Note 3 â€“ Summary of Significant Accounting Policies, included in our Annual Report on Form 10-K for the year ended December 31, 2023, which are essential to understanding Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations. Â Recently Issued Accounting Pronouncements but Not Adopted as of June 30, 2024 Â Standard Â Description Â Adoption Timing Â Impact on Financial Statements ASU 2023-09 Income Taxes (Topic 740): Improvements to Income Tax DisclosuresIssued December 2023 Â On December 14, 2023, the FASB issued ASU 2023-09 Income Taxes (Topic 740) - Improvements to Income Tax Disclosures. This ASU 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 income taxes paid disaggregated by jurisdiction. This ASU is effective for annual reporting periods beginning after December 15, 2024 and are to be applied on a prospective basis; early adoption is permitted. Â 1st Quarter 2025 Â The adoption of this ASU is not expected to have a material impact on our consolidated financial statements. Â Â Â Â Â Â Â Â 40Â Â OVERVIEW Â For the second quarter of 2024, we reported net earnings of $50.0 million, compared with $48.6 million for the first quarter of 2024 and $55.8 million for the second quarter of 2023. Diluted earnings per share were $0.36 for the second quarter, compared to $0.35 for the prior quarter and $0.40 for the same period last year. Net income of $50.0 million for the second quarter of 2024 produced an annualized return on average equity (â€œROAEâ€) of 9.57%, an annualized return on average tangible common equity (â€œROATCEâ€) of 15.51%, and an annualized return on average assets (â€œROAAâ€) of 1.24%. Our net interest margin, tax equivalent (â€œNIMâ€), was 3.05% for the second quarter of 2024, while our efficiency ratio was 45.10%. Â Net interest income was $110.8 million for the second quarter of 2024. This represented a $1.6 million, or 1.43%, decline from the first quarter of 2024, and an $8.7 million, or 7.27%, decrease from the second quarter of 2023. The quarter-over-quarter decrease in net interest income was due to a five basis point decline in net interest margin, as total earning assets were essentially unchanged from the prior quarter end. The decline in net interest income compared to the second quarter of 2023 was due to a 17 basis point decrease in net interest margin and a $294.2 million decline in average earning assets. Â Noninterest income was $14.4 million for the second quarter of 2024, compared with $14.1 million for the first quarter of 2024 and $12.7 million for the second quarter of 2023. Second quarter income from Bank Owned Life Insurance (â€œBOLIâ€) decreased by $651,000 from the first quarter of 2024 and increased by $845,000 compared to the second quarter of 2023. Death benefits that exceeded the asset value on certain policies totaled $531,000 in the first quarter of 2024 and approximately $800,000 in the second quarter of 2023. There were no death benefits received in the second quarter of 2024. The year-over-year increase in BOLI income was primarily due to restructuring and enhancements in BOLI policies in the fourth quarter of 2023. Â Noninterest expense for the second quarter of 2024 was $56.5 million, compared to $59.8 million for the first quarter of 2024 and $54.0 million for the second quarter of 2023. The $3.3 million quarter-over-quarter decrease was primarily due to a $3.0 million decrease in regulatory assessment expense resulting from changes in the amount accrued as an estimate of the FDIC special assessment. The $2.5 million increase in expense compared to the second quarter of 2023, was due primarily to salary and benefit expense growing by $1.9 million, or 5.60%. Â At June 30, 2024, total assets of $16.15 billion increased by $130.5 million, or 0.81%, from total assets of $16.02 billion at December 31, 2023. Interest-earning assets of $14.55 billion at June 30, 2024 increased by $90.9 million, or 0.63%, when compared with $14.46 billion at December 31, 2023. The increase in interest-earning assets was primarily due to a $559.9 million increase in interest-earning balances due from the Federal Reserve, offset by a $245.1 million decrease in investment securities, and a $223.1 million decrease in total loans. Â Total investment securities were $5.18 billion at June 30, 2024, a decrease of $245.1 million, or 4.52%, from $5.42 billion at December 31, 2023. At June 30, 2024, investment securities held-to-maturity (â€œHTMâ€) totaled $2.43 billion, a $34.7 million, or 1.41%, decline from December 31, 2023. At June 30, 2024, investment securities available-for-sale (â€œAFSâ€) totaled $2.75 billion, inclusive of a pre-tax net unrealized loss of $487.9 million. AFS securities decreased by $210.3 million, or 7.12%, from $2.96 billion at December 31, 2023. The pre-tax unrealized loss grew by $38.1 million from December 31, 2023. Fair value hedges in which $1 billion notional pay-fixed interest rate swaps with maturities ranging from 2027 to 2028, wherein the Company pays a weighted average fixed rate of approximately 3.8% and receives daily SOFR, had a fair value totaling $13.7 million and were reflected as an asset June 30, 2024. The fair value of these pay fixed interest rate swaps increased by $20.7 million from December 31, 2023. Our tax equivalent yield on investments was 2.71% for the quarter ended June 30, 2024, compared to 2.64% for the first quarter of 2024 and 2.37% for the second quarter of 2023. Â Total loans and leases, at amortized cost, of $8.68 billion at June 30, 2024, decreased by $223.1 million, or 2.50%, from December 31, 2023. The decrease in total loans included decreases of $119.6 million in commercial real estate loans, $62.3 million in dairy & livestock and agribusiness loans, $14.5 million in construction loans, and $13.7 million in commercial and industrial loans. The decline in dairy & 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 80% at December 31, 2023 to 74% at June 30, 2024. Our yield on loans was 5.26% for the quarter ended June 30, 2024, compared to 5.30% for the quarter ended March 31, 2024 and 5.01% for the second quarter of 2023. Â The allowance for credit losses totaled $82.8 million at June 30, 2024, compared to $86.8 million at December 31, 2023. There was no provision for credit losses in the first or second quarters of 2024. The decline in the allowance was due to $4 million of net charge-offs in the first quarter of 2024, primarily due to two borrowers in which specific loan loss reserves were previously established in 2023. 41Â Â Â Noninterest-bearing deposits were $7.09 billion at June 30, 2024, a decrease of $116.1 million, or 1.61%, when compared to $7.21 billion at December 31, 2023. At June 30, 2024, noninterest-bearing deposits were 60.13% of total deposits, compared to 63.03% at December 31, 2023. Â Interest-bearing deposits were $4.70 billion at June 30, 2024, an increase of $472.8 million, or 11.18%, when compared to $4.23 billion at December 31, 2023. The increase in interest-bearing deposits included $400 million in new brokered time deposits issued during the first six months of 2024. These brokered time deposits mature every 90 days. $300 million of these time deposits were combined with $300 million in cash flow hedges during the first quarter of 2024, resulting in a fixed rate of approximately 4.2%. Customer repurchase agreements totaled $268.8 million at June 30, 2024, compared to $271.6 million at December 31, 2023. Our average cost of total deposits including customer repurchase agreements was 0.87% for the quarter ended June 30, 2024, compared to 0.73% for the quarter ended March 31, 2024 and 0.35% for the second quarter of 2023. Â At June 30, 2024, total borrowings of $1.8 billion, consisted of $1.3 billion from the Federal Reserveâ€™s Bank Term Funding Program ("BTFP"), at a cost of 4.76%, maturing in January of 2025 and $500 million of FHLB advances. The FHLB advances include maturities of $300 million, at an average cost of approximately 4.73%, maturing in May of 2026 and $200 million, at a cost of 4.27% maturing in May of 2027. Â The Companyâ€™s total equity was $2.11 billion at June 30, 2024. This represented an overall increase of $34.5 million from total equity of $2.08 billion at December 31, 2023. Increases to equity included $98.6 million in net earnings, that were partially offset by $55.9 million in cash dividends and a $10.8 million decrease in other comprehensive income from the tax effected impact of the net decline in market value of available-for-sale securities and increase in value of pay fixed swaps. We engaged in no stock repurchases during the first half of 2024. Our tangible book value per share at June 30, 2024 was $9.55. Â Our capital ratios under the revised capital framework referred to as Basel III remain well-above regulatory requirements. As of June 30, 2024, the Companyâ€™s Tier 1 leverage capital ratio was 10.55%, common equity Tier 1 ratio was 15.29%, Tier 1 risk-based capital ratio was 15.29%, and total risk-based capital ratio was 16.10%. Refer to our Analysis of Financial Condition â€“ Capital Resources. 42Â Â ANALYSIS OF THE RESULTS OF OPERATIONS Â Financial Performance Â Â Three Months Ended Â Â Â Â Â Â Â Â June 30, Â Â March 31, Â Â Variance Â Â 2024 Â Â 2024 Â Â $ Â Â % Â Â (Dollars in thousands, except per share amounts) Â Net interest income $ 110,849 Â Â $ 112,461 Â Â $ (1,612) Â Â -1.43 % Provision for credit losses Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Noninterest income Â 14,424 Â Â Â 14,113 Â Â Â 311 Â Â Â 2.20 % Noninterest expense Â (56,497) Â Â (59,771) Â Â 3,274 Â Â Â 5.48 % Income taxes Â (18,741) Â Â (18,204) Â Â (537) Â Â -2.95 % Net earnings $ 50,035 Â Â $ 48,599 Â Â $ 1,436 Â Â Â 2.95 % Earnings per common share: Â Â Â Â Â Â Â Â Â Â Â Â Basic $ 0.36 Â Â $ 0.35 Â Â $ 0.01 Â Â Â Â Diluted $ 0.36 Â Â $ 0.35 Â Â $ 0.01 Â Â Â Â Return on average assets Â 1.24 % Â Â 1.21 % Â Â 0.03 % Â Â Â Return on average shareholders' equity Â 9.57 % Â Â 9.31 % Â Â 0.26 % Â Â Â Efficiency ratio Â 45.10 % Â Â 47.22 % Â Â -2.12 % Â Â Â Noninterest expense to average assets Â 1.40 % Â Â 1.48 % Â Â -0.08 % Â Â Â Â Â Â Three Months Ended Â Â Â Â Â June 30, Â Â Variance Â Â 2024 Â Â 2023 Â Â $ Â Â % Â Â (Dollars in thousands, except per share amounts) Â Net interest income $ 110,849 Â Â $ 119,535 Â Â $ (8,686) Â Â -7.27 % Provision for credit losses Â â€” Â Â Â (500) Â Â 500 Â Â Â 100.00 % Noninterest income Â 14,424 Â Â Â 12,656 Â Â Â 1,768 Â Â Â 13.97 % Noninterest expense Â (56,497) Â Â (54,017) Â Â (2,480) Â Â -4.59 % Income taxes Â (18,741) Â Â (21,904) Â Â 3,163 Â Â Â 14.44 % Net earnings $ 50,035 Â Â $ 55,770 Â Â $ (5,735) Â Â -10.28 % Earnings per common share: Â Â Â Â Â Â Â Â Â Â Â Â Basic $ 0.36 Â Â $ 0.40 Â Â $ (0.04) Â Â Â Diluted $ 0.36 Â Â $ 0.40 Â Â $ (0.04) Â Â Â Return on average assets Â 1.24 % Â Â 1.36 % Â Â -0.12 % Â Â Â Return on average shareholders' equity Â 9.57 % Â Â 11.03 % Â Â -1.46 % Â Â Â Efficiency ratio Â 45.10 % Â Â 40.86 % Â Â 4.24 % Â Â Â Noninterest expense to average assets Â 1.40 % Â Â 1.32 % Â Â 0.08 % Â Â Â Â Â Six Months Ended Â Â Â Â Â Â Â June 30, Â Â Variance Â Â 2024 Â Â 2023 Â Â $ Â Â % Â Â (Dollars in thousands, except per share amounts) Â Net interest income $ 223,310 Â Â $ 245,263 Â Â $ (21,953) Â Â -8.95 % Provision for credit losses Â â€” Â Â Â (2,000) Â Â 2,000 Â Â Â 100.00 % Noninterest income Â 28,537 Â Â Â 25,858 Â Â Â 2,679 Â Â Â 10.36 % Noninterest expense Â (116,268) Â Â (108,898) Â Â (7,370) Â Â -6.77 % Income taxes Â (36,945) Â Â (45,183) Â Â 8,238 Â Â Â 18.23 % Â Â Â Â Â Net earnings $ 98,634 Â Â $ 115,040 Â Â $ (16,406) Â Â -14.26 % Earnings per common share: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Basic $ 0.71 Â Â $ 0.83 Â Â $ (0.12) Â Â Â Â Â Â Â Diluted $ 0.71 Â Â $ 0.82 Â Â $ (0.11) Â Â Â Return on average assets Â 1.22 % Â Â 1.42 % Â Â -0.20 % Â Â Â Return on average shareholders' equity Â 9.44 % Â Â 11.58 % Â Â -2.14 % Â Â Â Efficiency ratio Â 46.17 % Â Â 40.17 % Â Â 6.00 % Â Â Â Noninterest expense to average assets Â 1.44 % Â Â 1.34 % Â Â 0.10 % Â Â Â Â 43Â Â Return on Average Tangible Common Equity Reconciliation (Non-GAAP) Â 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. Â Â Â Three Months Ended Â Â Six Months Ended Â Â Â June 30, Â Â March 31, Â Â June 30, Â Â June 30, Â Â June 30, Â Â Â 2024 Â Â 2024 Â Â 2023 Â Â 2024 Â Â 2023 Â Â Â (Dollars in thousands) Â Net Income Â $ 50,035 Â Â $ 48,599 Â Â $ 55,770 Â Â $ 98,634 Â Â $ 115,040 Â Add: Amortization of intangible assets Â Â 1,437 Â Â Â 1,438 Â Â Â 1,719 Â Â Â 2,875 Â Â Â 3,439 Â Less: Tax effect of amortization of intangible assets [1] Â Â (425) Â Â (425) Â Â (509) Â Â (850) Â Â (1,017) Tangible net income Â $ 51,047 Â Â $ 49,612 Â Â $ 56,980 Â Â $ 100,659 Â Â $ 117,462 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Average stockholders' equity Â $ 2,102,466 Â Â $ 2,098,868 Â Â $ 2,027,708 Â Â $ 2,100,666 Â Â $ 2,003,112 Â Less: Average goodwill Â Â (765,822) Â Â (765,822) Â Â (765,822) Â Â (765,822) Â Â (765,822) Less: Average intangible assets Â Â (13,258) Â Â (14,585) Â Â (19,298) Â Â (13,922) Â Â (20,136) Average tangible common equity Â $ 1,323,386 Â Â $ 1,318,461 Â Â $ 1,242,588 Â Â $ 1,320,922 Â Â $ 1,217,154 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Return on average equity, annualized [2] Â Â 9.57 % Â Â 9.31 % Â Â 11.03 % Â Â 9.44 % Â Â 11.58 % Return on average tangible common equity,Â Â Â annualized [2] Â Â 15.51 % Â Â 15.13 % Â Â 18.39 % Â Â 15.32 % Â Â 19.46 % Â (1)Tax effected at respective statutory rates. Â 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 and 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 six months ended June 30, 2024 and 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 supply, and the strength of the 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. See Item 2 â€“ Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations â€“ Asset/Liability and Market Risk Management â€“ Interest Rate Sensitivity Management included herein. Â 44Â Â 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. Â Â Three Months Ended June 30, Â Â 2024 Â Â 2023 Â Â Average Â Â Â Â Â Yield/ Â Â Average Â Â Â Â Â Yield/ Â Â Balance Â Â Interest Â Â Rate Â Â Balance Â Â Interest Â Â Rate Â Â (Dollars in thousands) Â INTEREST-EARNING ASSETS Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Investment securities (1) Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Available-for-sale securities: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Taxable $ 2,739,571 Â Â $ 21,057 Â Â Â 3.08 % Â $ 3,136,769 Â Â $ 19,187 Â Â Â 2.45 % Tax-advantaged Â 24,525 Â Â Â 168 Â Â Â 3.28 % Â Â 26,148 Â Â Â 169 Â Â Â 3.09 % Held-to-maturity securities: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Taxable Â 2,070,086 Â Â Â 11,050 Â Â Â 2.14 % Â Â 2,144,571 Â Â Â 11,293 Â Â Â 2.11 % Tax-advantaged Â 372,777 Â Â Â 2,395 Â Â Â 3.11 % Â Â 382,118 Â Â Â 2,447 Â Â Â 3.10 % Investment in FHLB stock Â 18,012 Â Â Â 377 Â Â Â 8.42 % Â Â 32,032 Â Â Â 483 Â Â Â 6.05 % Interest-earning deposits with other institutions Â 716,916 Â Â Â 9,825 Â Â Â 5.51 % Â Â 353,610 Â Â Â 4,670 Â Â Â 5.30 % Loans (2) Â 8,731,587 Â Â Â 114,200 Â Â Â 5.26 % Â Â 8,892,414 Â Â Â 110,990 Â Â Â 5.01 % Total interest-earning assets Â 14,673,474 Â Â Â 159,072 Â Â Â 4.37 % Â Â 14,967,662 Â Â Â 149,239 Â Â Â 4.01 % Total noninterest-earning assets Â 1,606,092 Â Â Â Â Â Â Â Â Â Â 1,488,862 Â Â Â Â Â Â Â Â Total assets $ 16,279,566 Â Â Â Â Â Â Â Â Â $ 16,456,524 Â INTEREST-BEARING LIABILITIES Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Savings deposits (3) $ 3,996,035 Â Â $ 19,888 Â Â Â 2.00 % Â $ 4,186,438 Â Â $ 10,351 Â Â Â 0.99 % Time deposits Â 732,829 Â Â Â 6,091 Â Â Â 3.34 % Â Â 295,328 Â Â Â 414 Â Â Â 0.56 % Total interest-bearing deposits Â 4,728,864 Â Â Â 25,979 Â Â Â 2.21 % Â Â 4,481,766 Â Â Â 10,765 Â Â Â 0.96 % FHLB advances, other borrowings, and customerÂ Â Â repurchase agreements Â 2,137,458 Â Â Â 22,244 Â Â Â 4.19 % Â Â 2,022,137 Â Â Â 18,939 Â Â Â 3.76 % Interest-bearing liabilities Â 6,866,322 Â Â Â 48,223 Â Â Â 2.82 % Â Â 6,503,903 Â Â Â 29,704 Â Â Â 1.83 % Noninterest-bearing deposits Â 7,153,315 Â Â Â Â Â Â Â Â Â Â 7,823,496 Â Â Â Â Â Â Â Â Other liabilities Â 157,463 Â Â Â Â Â Â Â Â Â Â 101,417 Â Â Â Â Â Â Â Â Stockholders' equity Â 2,102,466 Â Â Â Â Â Â Â Â Â Â 2,027,708 Â Â Â Â Â Â Â Â Total liabilities and stockholders' equity $ 16,279,566 Â Â Â Â Â Â Â Â Â $ 16,456,524 Â Net interest income Â Â Â $ 110,849 Â Â Â Â Â Â Â Â Â $ 119,535 Â Net interest spread - tax equivalent Â Â Â Â Â Â Â 1.55 % Â Â Â Â Â Â Â Â 2.18 % Â Â Â Â Â Â Â Net interest margin Â Â Â Â Â Â Â 3.03 % Â Â Â Â Â Â Â Â 3.20 % Â Â Â Â Â Â Â Net interest margin - tax equivalent Â Â Â Â Â Â Â 3.05 % Â Â Â Â Â Â Â Â 3.22 % Â (1)Includes tax equivalent (TE) adjustments utilizing federal statutory rates of 21% in effect for the three months ended June 30, 2024 and June 30, 2023. The non TE rates for total investment securities were 2.71% and 2.33% for the three months ended June 30, 2024 and June 30, 2023, respectively. (2)Includes loan fees of $721,000 and $890,000 for the three months ended June 30, 2024 and June 30, 2023, respectively. Prepayment penalty fees of $440,000 and $686,000 are included in interest income for the three months ended June 30, 2024 and June 30, 2023, respectively. (3)Includes interest-bearing demand and money market accounts. Â 45Â Â Â Six Months Ended June 30, Â Â 2024 Â Â 2023 Â Â Average Â Â Â Â Â Yield/ Â Â Average Â Â Â Â Â Yield/ Â Â Balance Â Â Interest Â Â Rate Â Â Balance Â Â Interest Â Â Rate Â Â (Dollars in thousands) Â INTEREST-EARNING ASSETS Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Investment securities (1) Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Available-for-sale securities: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Taxable $ 2,807,107 Â Â $ 42,337 Â Â Â 3.02 % Â $ 3,163,468 Â Â $ 38,615 Â Â Â 2.44 % Tax-advantaged Â 24,990 Â Â Â 334 Â Â Â 3.20 % Â Â 25,916 Â Â Â 337 Â Â Â 3.11 % Held-to-maturity securities: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Taxable Â 2,075,535 Â Â Â 22,034 Â Â Â 2.12 % Â Â 2,154,188 Â Â Â 22,800 Â Â Â 2.12 % Tax-advantaged Â 374,702 Â Â Â 4,813 Â Â Â 3.11 % Â Â 382,392 Â Â Â 4,896 Â Â Â 3.10 % Investment in FHLB stock Â 18,012 Â Â Â 796 Â Â Â 8.89 % Â Â 30,459 Â Â Â 832 Â Â Â 5.51 % Interest-earning deposits with other institutions Â 580,508 Â Â Â 15,898 Â Â Â 5.51 % Â Â 201,617 Â Â Â 5,161 Â Â Â 5.16 % Loans (2) Â 8,778,083 Â Â Â 230,549 Â Â Â 5.28 % Â Â 8,927,671 Â Â Â 219,384 Â Â Â 4.95 % Total interest-earning assets Â 14,658,937 Â Â Â 316,761 Â Â Â 4.36 % Â Â 14,885,711 Â Â Â 292,025 Â Â Â 3.96 % Total noninterest-earning assets Â 1,583,552 Â Â Â Â Â Â Â Â Â Â 1,499,515 Â Â Â Â Â Â Â Â Total assets $ 16,242,489 Â Â Â Â Â Â Â Â Â $ 16,385,226 Â INTEREST-BEARING LIABILITIES Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Savings deposits (3) $ 4,001,580 Â Â $ 38,417 Â Â Â 1.93 % Â $ 4,260,782 Â Â $ 15,598 Â Â Â 0.74 % Time deposits Â 589,920 Â Â Â 8,928 Â Â Â 3.04 % Â Â 290,340 Â Â Â 532 Â Â Â 0.37 % Total interest-bearing deposits Â 4,591,500 Â Â Â 47,345 Â Â Â 2.07 % Â Â 4,551,122 Â Â Â 16,130 Â Â Â 0.71 % FHLB advances, other borrowings, and customerÂ Â Â repurchase agreements Â 2,219,354 Â Â Â 46,106 Â Â Â 4.18 % Â Â 1,773,677 Â Â Â 30,632 Â Â Â 3.48 % Interest-bearing liabilities Â 6,810,854 Â Â Â 93,451 Â Â Â 2.76 % Â Â 6,324,799 Â Â Â 46,762 Â Â Â 1.49 % Noninterest-bearing deposits Â 7,168,016 Â Â Â Â Â Â Â Â Â Â 7,957,357 Â Â Â Â Â Â Â Â Other liabilities Â 162,953 Â Â Â Â Â Â Â Â Â Â 99,959 Â Â Â Â Â Â Â Â Stockholders' equity Â 2,100,666 Â Â Â Â Â Â Â Â Â Â 2,003,112 Â Â Â Â Â Â Â Â Total liabilities and stockholders' equity $ 16,242,489 Â Â Â Â Â Â Â Â Â $ 16,385,227 Â Net interest income Â Â Â $ 223,310 Â Â Â Â Â Â Â Â Â $ 245,263 Â Net interest spread - tax equivalent Â Â Â Â Â Â Â 1.60 % Â Â Â Â Â Â Â Â 2.47 % Â Â Â Â Â Â Â Net interest margin Â Â Â Â Â Â Â 3.06 % Â Â Â Â Â Â Â Â 3.31 % Â Â Â Â Â Â Â Net interest margin - tax equivalent Â Â Â Â Â Â Â 3.07 % Â Â Â Â Â Â Â Â 3.33 % Â (1)Includes tax equivalent (TE) adjustments utilizing federal statutory rates of 21% in effect for the six months ended June 30, 2024 and June 30, 2023. The non TE rates for total investment securities were 2.63% and 2.33% for the six months ended June 30, 2024 and June 30, 2023, respectively. (2)Includes loan fees of $1.4 million and $1.7 million for the six months ended June 30, 2024 and June 30, 2023, respectively. Prepayment penalty fees of $1.1 million and $1.3 million are included in interest income for the six months ended June 30, 2024 and June 30, 2023, respectively. (3)Includes interest-bearing demand and money market accounts. Â Â Â 46Â Â 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. Â Rate and Volume Analysis for Changes in Interest Income, Interest Expense and Net Interest Income Â Â Comparison of Three Months Ended June 30, Â Â 2024 Compared to 2023 Â Â Increase (Decrease) Due to Â Â Â Â Â Â Â Â Rate/ Â Â Â Â Â Volume Â Â Rate Â Â Volume Â Â Total Â Â (Dollars in thousands) Â Interest income: Â Â Â Â Â Â Â Â Â Â Â Available-for-sale securities: Â Â Â Â Â Â Â Â Â Â Taxable investment securities $ (2,423) Â $ 4,932 Â Â $ (639) Â $ 1,870 Â Tax-advantaged investment securities Â (10) Â Â 10 Â Â Â (1) Â Â (1) Held-to-maturity securities: Â Â Â Â Â Â Â Â Â Â Â Taxable investment securities Â (390) Â Â 154 Â Â Â (7) Â Â (243) Tax-advantaged investment securities Â (59) Â Â 8 Â Â Â (1) Â Â (52) Investment in FHLB stock Â (211) Â Â 189 Â Â Â (84) Â Â (106) Interest-earning deposits with other institutions Â 4,785 Â Â 189 Â Â Â 181 Â Â Â 5,155 Â Loans Â (2,002) Â Â 5,608 Â Â Â (396) Â Â 3,210 Â Total interest income Â (310) Â Â 11,090 Â Â Â (947) Â Â 9,833 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest expense: Â Â Â Â Â Â Â Â Â Â Â Savings deposits Â (469) Â Â 10,513 Â Â Â (507) Â Â 9,537 Â Time deposits Â 612 Â Â Â 2,042 Â Â Â 3,023 Â Â Â 5,677 Â FHLB advances, other borrowings, andÂ Â Â customer repurchase agreements Â 1,077 Â Â Â 2,157 Â Â Â 71 Â Â Â 3,305 Â Total interest expense Â 1,220 Â Â Â 14,712 Â Â Â 2,587 Â Â Â 18,519 Â Net interest income $ (1,530) Â $ (3,622) Â $ (3,534) Â $ (8,686) Â 47Â Â Comparison of Six Months Ended June 30, Â Â 2024 Compared to 2023 Â Â Increase (Decrease) Due to Â Â Â Â Â Â Â Â Rate/ Â Â Â Â Volume Â Â Rate Â Â Volume Â Â Total Â Â (Dollars in thousands) Â Interest income: Â Â Â Â Â Â Â Â Â Â Â Available-for-sale securities: Â Â Â Â Â Â Â Â Â Â Taxable investment securities $ (8,713) Â $ 18,310 Â Â $ (5,875) Â $ 3,722 Â Tax-advantaged investment securities Â (24) Â Â 19 Â Â Â 2 Â Â Â (3) Held-to-maturity securities: Â Â Â Â Â Â Â Â Â Â Â Taxable investment securities Â (1,665) Â Â 137 Â Â Â 762 Â Â Â (766) Tax-advantaged investment securities Â (197) Â Â 31 Â Â Â 83 Â Â Â (83) Investment in FHLB stock Â (686) Â Â 1,029 Â Â Â (379) Â Â (36) Interest-earning deposits with other institutions Â 19,558 Â Â Â 696 Â Â Â (9,517) Â Â 10,737 Â Loans Â (7,411) Â Â 29,147 Â Â Â (10,571) Â Â 11,165 Â Total interest income Â 862 Â Â Â 49,369 Â Â Â (25,495) Â Â 24,736 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest expense: Â Â Â Â Â Â Â Â Â Â Â Savings deposits Â (1,914) Â Â 50,806 Â Â Â (26,073) Â Â 22,819 Â Time deposits Â 1,107 Â Â Â 7,764 Â Â Â (475) Â Â 8,396 Â FHLB advances, other borrowings, andÂ Â Â customer repurchase agreements Â 15,522 Â Â Â 12,328 Â Â Â (12,376) Â Â 15,474 Â Total interest expense Â 14,715 Â Â Â 70,898 Â Â Â (38,924) Â Â 46,689 Â Net interest income $ (13,853) Â $ (21,529) Â $ 13,429 Â Â $ (21,953) Â Second Quarter of 2024 Compared to the Second Quarter of 2023 Net interest income, before provision for credit losses, of $110.8 million for the second quarter of 2024 decreased by $8.7 million, or 7.27%, from the second quarter of 2023. The decline in net interest income compared to the second quarter of 2023 was due to a 17 basis point decrease in net interest margin and a $294.2 million decrease in average earning assets. The decline in net interest margin was the result of a 55 basis point increase in funding costs, which was partially offset by a 36 basis point increase in the average earning asset yield. Â Total interest income of $159.1 million grew by $9.8 million, or 6.59%, when compared to the second quarter of 2023. This increase was primarily due to a 36 basis point expansion of the yield on earning assets, which offset a $294.2 million decline in average interest-earning assets. Average loan balances declined by $160.8 million. Loan yields grew from 5.01% for the second quarter of 2023 to 5.26% for the second quarter of 2024. Likewise, the yield on investment securities increased by 34 basis points from the prior year, including the $3.7 million increase in interest income associated with fair value hedges executed in June of 2023. Compared to the second quarter of 2023, the average balance of investment securities decreased by $482.6 million, while the average amount of funds held at the Federal Reserve increased by $356.9 million. Â Total interest income and fees on loans for the second quarter of 2024 was $114.2 million, an increase of $3.2 million, or 2.89%, from the second quarter of 2023. This increase in income was primarily due to higher loan yields, which grew from 5.01% in the second quarter of 2023 to 5.26% in the second 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 newly originated loans. Â Interest income from investment securities was $34.7 million, an increase of $1.6 million, or 4.76%, from the second quarter of 2023. The increase was driven by a 34 basis point increase in the yield on securities, compared to 2023. The increase in yield includes the positive carry on the fair value hedges executed in late June of 2023, which resulted in $4.1 million of interest income in the second quarter of 2024, compared to $446,000 in the second quarter of 2023. Excluding the impact of these swaps, interest income on investment securities would have declined by $2.1 million, as average investment securities declined by $482.6 million when compared with the second quarter of 2023. Â Interest expense of $48.2 million for the second quarter of 2024, increased $18.5 million, compared to the second quarter of 2023. Total cost of funds of 1.38% for the second quarter of 2024 increased from 0.83% for the year ago quarter. 48Â Â This 55 basis point increase in cost of funds was primarily the result of a 125 basis point increase in the cost of total interest-bearing deposits, including the impact from a $400 million increase in average brokered time deposits. Total time deposits grew by $437.5 million over the prior year quarter, while interest expense on time deposits grew by $5.7 million. Interest expense for non-maturity interest-bearing deposits, increased by $9.5 million over the second quarter of 2023, as a $190.4 million decline in the average balance of these deposits was offset by an increase in the cost of these interest-bearing deposits from 0.99% in the prior year quarter to 2.00% for the second quarter of 2024. Average noninterest-bearing deposits were 60.20% of total deposits for the second quarter of 2024, compared to 63.58% for the second quarter of 2023. Interest expense on borrowings increased by $3.2 million, compared to the second quarter of 2023, due to an increase in average borrowings of $323.4 million, which had an average borrowing cost of 4.76% in the second quarter of 2024, compared to 4.90% in the prior year quarter. Â Six Months of 2024 Compared to Six Months of 2023 Â Net interest income, before provision for credit losses, was $223.3 million for the six months ended June 30, 2024, a decrease of $22.0 million, or 8.95%, compared to $245.3 million for the same period of 2023. Interest-earning assets decreased on average by $226.8 million, or 1.52%, from $14.89 billion for the six months ended June 30, 2023 to $14.66 billion for the same period in the current year. Our net interest margin (TE) was 3.07% for the first six months of 2024, compared to 3.33% for the same period of 2023. Â Total interest income $316.8 million for the six months ended June 30, 2024, was $24.7 million, or 8.47%, higher than the same period of 2023. This increase was primarily due to a 40 basis point expansion of the yield on earning assets, which offset a $226.8 million decline in average earning assets. The $226.8 million year-over-year decrease in average earning assets resulted from a decline of $443.6 million in average investment securities and a $149.6 million decrease in our average loan balances, offset by a $375.8 million increase the average amount of funds held at the Federal Reserve. The 40 basis point increase in the average earning asset yield compared to the first six months of 2023 resulted from both a 33 basis point increase in loan yields, from 4.95% for the first six months of 2023 to 5.28% for the same period of 2024 and a 30 basis point increase in the non tax-equivalent yield on investment securities. Including the impact of fair value hedges, the yield on investment securities increased from 2.33% for the first six months of 2023 to 2.63% for the six months ended June 30, 2024. Interest income from funds deposited at the Federal Reserve increased by $10.7 million, primary due to a $376 million increase in average balances at the Federal Reserve. Â Total interest income and fees on loans for the six months ended June 30, 2024, was $230.5 million, an increase of $11.2 million, or 5.09%, when compared to the same period of 2023. This increase in income was due to higher loan yields, which grew year-over-year, as rising interest rates contributed to an increase in yields from 4.95% for the first six months of 2023 to 5.28% for the same period of 2024. Â Interest income from investment securities of $69.5 million for the six months ended June 30, 2024, increased $2.9 million from $66.6 million for the first six months of 2023. This increase was driven by a 30 basis point increase in the yield on securities, compared to the first six months of 2023. The increase in yield includes the positive carry on the fair value hedges executed in late June of 2023, which resulted in $7.8 million of interest income for the six months ended June 30, 2024, compared to $446,000 in the second quarter of 2023. Excluding the impact of these swaps, interest income on investment securities would have declined by $4.5 million, as average investment securities decreased by $443.6 million when compared with the second quarter of 2023. Â Interest expense of $93.5 million for the six months ended June 30, 2024, increased by $46.7 million from the same period of 2023. Total cost of funds for the first six months of 2024 was 1.34%, compared with 0.66% for the same period of 2023. Noninterest-bearing deposits for the six months ending June 30, 2024, declined on average by $789.3 million, compared to the first six months of 2023, but continued to represent more than 60% of total average deposits for the six month period. Average noninterest-bearing deposits represented 60.96% of our total deposits for the six months ended June 30, 2024, compared to 63.62% for the same period of 2023. The average rate paid on interest-bearing liabilities increased by 127 basis points, to 2.76% for the first six months of 2024, from 1.49% for the same period of 2023. Likewise, the rate on interest-bearing deposits for the first six months of 2024 increased by 136 basis points from the same period in 2023. Time deposits increased on average between the two periods by $299.6 million, with the cost of time deposits increasing from 0.37% in the prior year period to 3.04% for the first six months of 2024. The increase in both the cost and average balance of time deposits was driven by the addition in 2024 of $400 million in brokered time deposits. Non-maturity interest-bearing deposits declined on average from the prior year period by $259.2 million, while the cost of these deposits increased by 1.19%. Average borrowings for the first six months of 2024 were $1.92 billion at a cost of 4.76%, compared with 4.87% on $1.25 billion of borrowings for the same period of 2023. Â 49Â Â Provision for (Recapture of) Credit Losses Â The provision for (recapture of) credit losses is a charge to earnings to maintain the allowance for credit losses at a level consistent with managementâ€™s assessment of expected lifetime losses in the loan portfolio as of the balance sheet date. Â There was no provision for credit losses in the second quarter of 2024, compared to $500,000 in provision in the second quarter of 2023. Net charge-offs for the second quarter of 2024 were $31,000, compared to $73,000 in the second quarter of 2023. Projected loss rates were 0.95% at June 30, 2024, compared to 0.98% at June 30, 2023. Â There was no provision for credit losses for the six months ended June 30, 2024, compared to $2.0 million in provision for credit losses for the same period of 2023. We experienced credit charge-offs of $4.3 million and total recoveries of $262,000, resulting in net charge-offs of $4.1 million for 2024 year-to-date. For the six months ended June 30, 2023, we experienced credit charge-offs of $198,000 and total recoveries of $48,000, resulting in net charge-offs of $150,000. Refer to the discussion of â€œAllowance for Credit Lossesâ€ in Item 2 â€“ Managementâ€™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. Â No assurance can be given that economic conditions which affect the Companyâ€™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 from the recent rise in interest rates, geopolitical events in Europe, and global inflation will have on future interest rates, unemployment, the overall economy and resulting impact on our customers. See â€œAllowance for Credit Lossesâ€ under Analysis of Financial Condition herein. Â Noninterest Income Â Noninterest income includes income derived from financial services offered to our customers, such as CitizensTrust, 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. Â The following table sets forth the various components of noninterest income for the periods presented. Â Â Three Months Ended Â Â Â Â Â Â Â Â Six Months Ended Â Â Â Â Â Â Â Â June 30, Â Â Variance Â Â June 30, Â Â Variance Â Â 2024 Â Â 2023 Â Â $ Â Â % Â Â 2024 Â Â 2023 Â Â $ Â Â % Â Â (Dollars in thousands) Â Noninterest income: Â Service charges on deposit accounts $ 5,117 Â Â $ 4,838 Â Â $ 279 Â Â Â 5.77 % Â $ 10,153 Â Â $ 10,182 Â Â $ (29) Â Â -0.28 % Trust and investment services Â 3,428 Â Â Â 3,315 Â Â Â 113 Â Â Â 3.41 % Â Â 6,652 Â Â Â 6,229 Â Â Â 423 Â Â Â 6.79 % Bankcard services Â 370 Â Â Â 490 Â Â Â (120) Â Â -24.49 % Â Â 755 Â Â Â 867 Â Â Â (112) Â Â -12.92 % BOLI income Â 2,942 Â Â Â 2,097 Â Â Â 845 Â Â Â 40.30 % Â Â 6,535 Â Â Â 3,286 Â Â Â 3,249 Â Â Â 98.87 % Swap fee income Â â€” Â Â Â 82 Â Â Â (82) Â Â -100.00 % Â Â â€” Â Â Â 632 Â Â Â (632) Â Â -100.00 % Other Â 2,567 Â Â Â 1,834 Â Â Â 733 Â Â Â 39.97 % Â Â 4,442 Â Â Â 4,662 Â Â Â (220) Â Â -4.72 % Total noninterest income $ 14,424 Â Â $ 12,656 Â Â $ 1,768 Â Â Â 13.97 % Â $ 28,537 Â Â $ 25,858 Â Â $ 2,679 Â Â Â 10.36 % Â Second Quarter of 2024 Compared to the Second Quarter of 2023 Â The $1.8 million increase in noninterest income included an $845,000 increase in BOLI, primarily due to the restructuring and enhancements in our BOLI policies completed in the fourth quarter of 2023, which increased income by $1.6 million, offsetting the $800,000 decline from death benefits received during the first six months of 2023. Other income in the second quarter of 2024 included approximately $500,000 related to previously acquired and charged-off loans and a building sale originally consummated in 2013. CRA investment income also increased $230,000 due to changes in the net asset value of certain equity investments. Â 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 June 30, 2024, CitizensTrust had approximately $4.3 billion in assets under management and administration, including 50Â Â $3.0 billion in assets under management. CitizensTrust generated fees of $3.4 million for the second quarter of 2024, compared to $3.3 million for the same period of 2023. Â The increase in BOLI income was primarily due to the restructuring and enhancements in our BOLI policies in the fourth quarter of 2023. There were no death benefits in the second quarter of 2024, compared with $806,000 in death benefits that exceeded the asset value of certain BOLI policies in the second quarter of 2023. As a result of the restructuring and enhancements in BOLI policies during the fourth quarter of 2023, the income derived from increases in the cash-surrender value of the policies was $1.6 million higher in the second quarter of 2024, when compared to the second quarter of 2023. Â Six Months of 2024 Compared to Six Months of 2023 Â The $3.3 million year-over-year increase in BOLI income was primarily due to the restructuring and enhancements in our BOLI policies in the fourth quarter of 2023. Trust and investment fees grew by $423,000 or 6.79% due to increased assets under management. The swap related fees reflected in 2023 resulted from the conversion to SOFR of all of our previously originated interest rate swaps indexed to LIBOR, resulting in a $600,000 period-over-period decline in these fees. Â Noninterest Expense The following table summarizes the various components of noninterest expense for the periods presented. Â Â Three Months Ended Â Â Â Â Â Â Â Six Months Ended Â Â Â Â Â Â Â June 30, Â Â Variance Â Â June 30, Â Â Variance Â Â 2024 Â Â 2023 Â Â $ Â Â % Â Â 2024 Â Â 2023 Â Â $ Â Â % Â Â (Dollars in thousands) Â Noninterest expense: Â Salaries and employee benefits $ 35,426 Â Â $ 33,548 Â Â $ 1,878 Â Â Â 5.60 % Â $ 71,827 Â Â $ 68,795 Â Â $ 3,032 Â Â Â 4.41 % Occupancy Â 4,665 Â Â Â 4,591 Â Â Â 74 Â Â Â 1.61 % Â Â 9,235 Â Â Â 9,185 Â Â Â 50 Â Â Â 0.54 % Equipment Â 1,107 Â Â Â 926 Â Â Â 181 Â Â Â 19.55 % Â Â 2,102 Â Â Â 1,782 Â Â Â 320 Â Â Â 17.96 % Professional services Â 2,726 Â Â Â 2,562 Â Â Â 164 Â Â Â 6.40 % Â Â 4,981 Â Â Â 4,258 Â Â Â 723 Â Â Â 16.98 % Computer software expense Â 3,949 Â Â Â 3,316 Â Â Â 633 Â Â Â 19.09 % Â Â 7,474 Â Â Â 6,724 Â Â Â 750 Â Â Â 11.15 % Marketing and promotion Â 1,956 Â Â Â 1,321 Â Â Â 635 Â Â Â 48.07 % Â Â 3,586 Â Â Â 3,036 Â Â Â 550 Â Â Â 18.12 % Amortization of intangibleÂ Â Â assets Â 1,437 Â Â Â 1,719 Â Â Â (282) Â Â -16.40 % Â Â 2,875 Â Â Â 3,439 Â Â Â (564) Â Â -16.40 % Telecommunications expense Â 489 Â Â Â 519 Â Â Â (30) Â Â -5.78 % Â Â 982 Â Â Â 1,022 Â Â Â (40) Â Â -3.91 % Regulatory assessments Â 1,414 Â Â Â 2,164 Â Â Â (750) Â Â -34.66 % Â Â 5,859 Â Â Â 4,236 Â Â Â 1,623 Â Â Â 38.31 % Insurance Â 509 Â Â Â 506 Â Â Â 3 Â Â Â 0.59 % Â Â 1,016 Â Â Â 1,011 Â Â Â 5 Â Â Â 0.49 % Loan expense Â 179 Â Â Â 182 Â Â Â (3) Â Â -1.65 % Â Â 465 Â Â Â 481 Â Â Â (16) Â Â -3.33 % OREO expense Â 64 Â Â Â â€” Â Â Â 64 Â Â Â â€” Â Â Â 94 Â Â Â â€” Â Â Â 94 Â Â Â â€” Â (Recapture of) provision for Â Â Â unfunded loan commitments Â (500) Â Â 400 Â Â Â (900) Â Â -225.00 % Â Â (500) Â Â 900 Â Â Â (1,400) Â Â -155.56 % Directors' expenses Â 327 Â Â Â 220 Â Â Â 107 Â Â Â 48.64 % Â Â 655 Â Â Â 509 Â Â Â 146 Â Â Â 28.68 % Stationery and supplies Â 240 Â Â Â 207 Â Â Â 33 Â Â Â 15.94 % Â Â 469 Â Â Â 493 Â Â Â (24) Â Â -4.87 % Other Â 2,509 Â Â Â 1,836 Â Â Â 673 Â Â Â 36.66 % Â Â 5,148 Â Â Â 3,027 Â Â Â 2,121 Â Â Â 70.07 % Total noninterest expense $ 56,497 Â Â $ 54,017 Â Â $ 2,480 Â Â Â 4.59 % Â $ 116,268 Â Â $ 108,898 Â Â $ 7,370 Â Â Â 6.77 % Â Noninterest expense to averageÂ Â Â assets Â 1.40 % Â Â 1.32 % Â Â Â Â Â Â Â Â 1.44 % Â Â 1.34 % Â Â Â Â Â Â Efficiency ratio (1) Â 45.10 % Â Â 40.86 % Â Â Â Â Â Â Â Â 46.17 % Â Â 40.17 % Â Â Â Â Â Â (1)Noninterest expense divided by net interest income before provision for credit losses plus noninterest income. Â 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 1.40% for the second quarter of 2024, compared to 1.32% for the second quarter of 2023. Â 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 45.10% for the second quarter of 2024, compared to 40.86% for the second quarter of 2023. Â Â 51Â Â Second Quarter of 2024 Compared to the Second Quarter of 2023 Â Noninterest expense of $56.5 million for the second quarter of 2024, was $2.5 million, or 4.59% higher than the second quarter of 2023. The $2.5 million increase in noninterest expense year-over-year included increased staff related expenses of $1.9 million, or 5.60%, including a 4.4% increase in salary expense. Marketing and promotion expense increased by $635,000 primarily due to $673,000 in higher donations in the second quarter of 2024 and software expense increased $633,000, or 19.09% year-over-year, as the Company invests in further process automation and technology that improves customer experiences. The second quarter of 2024 included $500,000 in recapture of provision for unfunded loan commitments, compared to $400,000 in provision for the second quarter of 2023. Â Six Months of 2024 Compared to Six Months of 2023 Â Noninterest expense of $116.3 million for the first six months of 2024 was $7.4 million higher than the prior year period. Year-over-year increases included a $3.0 million increase in salaries and employee benefits primarily due to inflationary pressures on salary and benefits. The $1.6 million net increase in the FDIC accrual year-over-year was the result of the FDIC increasing its initial estimate of losses from last yearâ€™s bank failures. Marketing and promotion expense increased by $550,000 primarily due to $478,000 in higher donations in the first half of 2024. Year-over-year expense increases included $750,000 in higher data processing costs from new technology investments, a $400,000 increase in deferred compensation expense, and a $790,000 increase in legal expense. The first six month of 2024 included $500,000 in recapture of provision for unfunded loan commitments, compared to $900,000 in provision for the same period of 2023. As a percentage of average assets, noninterest expense was 1.44% for the six months ended June 30, 2024, compared to 1.34% for the same period of 2023. For the six months ended June 30, 2024, the efficiency ratio was 46.17%, compared to 40.17% for the same period of 2023. Â Income Taxes The Companyâ€™s effective tax rate for the three and six months ended June 30, 2024 was 27.25%, compared to 28.20% for the three and six months ended June 30, 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. Â The Companyâ€™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. Â 52Â Â ANALYSIS OF FINANCIAL CONDITION Â Total assets of $16.15 billion at June 30, 2024 increased by $130.5 million, or 0.81%, from total assets of $16.02 billion at December 31, 2023. Interest-earning assets of $14.55 billion at June 30, 2024 increased by $90.9 million, or 0.63%, when compared with $14.46 billion at December 31, 2023. The increase in interest-earning assets was primarily due to a $559.9 million increase in interest-earning balances due from the Federal Reserve, offset by a $245.1 million decrease in investment securities, and a $223.1 million decrease in total loans. Â Total liabilities were $14.04 billion at June 30, 2024, an increase of $96.0 million, or 0.69%, from total liabilities of $13.94 billion at December 31, 2023. The increase of $356.7 million in total deposits at June 30, 2024 included the addition of $400 million in brokered time deposits. These brokered time deposits mature every 90 days, including $300 million of these deposits that were issued in connection with cash flow hedges during the first quarter of 2024. The result of these hedged time deposits is a weighted average fixed rate of approximately 4.2%. Borrowings decreased by $270.0 million from December 31, 2023. At June 30, 2024, total borrowings of $1.8 billion consisted of $1.3 billion from the Federal Reserveâ€™s Bank Term Funding Program, at a cost of 4.76%, maturing in January of 2025, and $500 million of FHLB advances. The FHLB advances include maturities of $300 million, at an average cost of approximately 4.73%, maturing in May of 2026, and $200 million, at a cost of 4.27% maturing in May of 2027. Â Total equity increased $34.5 million to $2.11 billion at June 30, 2024, compared to total equity of $2.08 billion at December 31, 2023. Increases to equity included $98.6 million in net earnings, that were partially offset by $55.9 million in cash dividends and a $10.8 million decrease in other comprehensive income. We engaged in no stock repurchases during the first half of 2024. Â Investment Securities Â 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 June 30, 2024, total investment securities were $5.18 billion. This represented a decrease of $245.1 million, or 4.52%, from $5.42 billion at December 31, 2023. The overall decrease in investment securities was primarily due to a $210.3 million decline in our AFS securities. At June 30, 2024, our AFS investment securities totaled $2.75 billion, inclusive of a pre-tax net unrealized loss of $487.9 million. The $38.1 million decrease in fair value of our AFS securities was partially offset by a $20.7 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 June 30, 2024 was $335.4 million. The changes in the net unrealized holding loss resulted primarily from fluctuations in market interest rates. At June 30, 2024, investment securities HTM totaled $2.43 billion. For the six months ended June 30, 2024 and 2023, repayments/maturities of investment securities totaled $258.4 million and $231.9 million, respectively. The Company purchased $33 million of short-term treasury notes in the second quarter of 2024 for pledging purposes. We also originated $11.5 million of Commercial Property Assessed Clean Energy ("C-PACE") bonds in the first half of 2024, which are included in our HTM securities portfolio. There were no purchases of investment securities during the six months ended June 30, 2023 as cashflows generated from the portfolio were not reinvested during the year. There were no investment securities sold during the second quarter of 2024 and 2023. Â 53Â Â The tables below set forth our investment securities AFS and HTM portfolio by type for the dates presented. Â Â June 30, 2024 Â Â Amortized Cost Â Â Gross Unrealized Holding Gain Â Â Gross Unrealized Holding Loss Â Â Fair Value Â Â Total Percent Â Â (Dollars in thousands) Â Investment securities available-for-sale: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE $ 33,496 Â Â $ â€” Â Â $ (19) Â $ 33,477 Â Â Â 1.22 % Mortgage-backed securities Â 2,682,003 Â Â Â 7 Â Â Â (365,935) Â Â 2,316,075 Â Â Â 84.35 % CMO/REMIC Â 490,390 Â Â Â â€” Â Â Â (119,899) Â Â 370,491 Â Â Â 13.49 % Municipal bonds Â 26,484 Â Â Â 27 Â Â Â (2,085) Â Â 24,426 Â Â Â 0.89 % Other securities Â 1,327 Â Â Â â€” Â Â Â â€” Â Â Â 1,327 Â Â Â 0.05 % Unallocated portfolio layer fair value basis adjustments (1) Â 13,728 Â Â Â â€” Â Â Â (13,728) Â Â â€” Â Â Â 0.00 % Total available-for-sale securities $ 3,247,428 Â Â $ 34 Â Â $ (501,666) Â $ 2,745,796 Â Â Â 100.00 % Investment securities held-to-maturity: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE $ 522,678 Â Â $ â€” Â Â $ (105,876) Â $ 416,802 Â Â Â 21.51 % Mortgage-backed securities Â 639,889 Â Â Â â€” Â Â Â (111,532) Â Â 528,356 Â Â Â 26.34 % CMO/REMIC Â 793,753 Â Â Â â€” Â Â Â (167,006) Â Â 626,747 Â Â Â 32.67 % Municipal bonds Â 462,111 Â Â Â 1,477 Â Â Â (40,858) Â Â 422,730 Â Â Â 19.02 % Other securities (2) Â 11,455 Â Â Â â€” Â Â Â â€” Â Â Â 11,455 Â Â Â 0.46 % Total held-to-maturity securities $ 2,429,886 Â Â $ 1,477 Â Â $ (425,272) Â $ 2,006,090 Â Â Â 100.00 % Â Â December 31, 2023 Â Â Amortized Cost Â Â Gross Unrealized Holding Gain Â Â Gross Unrealized Holding Loss Â Â Fair Value Â Â Total Percent Â Â (Dollars in thousands) Â Investment securities available-for-sale: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE $ 32,229 Â Â $ 24 Â Â $ â€” Â Â $ 32,253 Â Â Â 1.09 % Mortgage-backed securities Â 2,843,744 Â Â Â 42 Â Â Â (336,107) Â Â 2,507,679 Â Â Â 84.83 % CMO/REMIC Â 502,234 Â Â Â â€” Â Â Â (112,872) Â Â 389,362 Â Â Â 13.17 % Municipal bonds Â 26,477 Â Â Â 46 Â Â Â (888) Â Â 25,635 Â Â Â 0.87 % Other securities Â 1,196 Â Â Â â€” Â Â Â â€” Â Â Â 1,196 Â Â Â 0.04 % Unallocated portfolio layer fair value basis adjustments (1) Â (6,938) Â Â 6,938 Â Â Â â€” Â Â Â â€” Â Â Â 0.00 % Total available-for-sale securities $ 3,398,942 Â Â $ 7,050 Â Â $ (449,867) Â $ 2,956,125 Â Â Â 100.00 % Investment securities held-to-maturity: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE $ 530,656 Â Â $ â€” Â Â $ (97,972) Â $ 432,684 Â Â Â 21.53 % Mortgage-backed securities Â 663,090 Â Â Â â€” Â Â Â (97,436) Â Â 565,654 Â Â Â 26.90 % CMO/REMIC Â 802,892 Â Â Â â€” Â Â Â (156,155) Â Â 646,737 Â Â Â 32.58 % Municipal bonds Â 467,972 Â Â Â 3,438 Â Â Â (33,604) Â Â 437,806 Â Â Â 18.99 % Total held-to-maturity securities $ 2,464,610 Â Â $ 3,438 Â Â $ (385,167) Â $ 2,082,881 Â Â Â 100.00 % Â As of June 30, 2024, approximately $29.0 million in U.S. government agency bonds are callable. The Agency CMO/REMIC securities are backed by agency-pooled collateral. Municipal bonds, which represented approximately 9% of the total investment portfolio, are predominately AA or higher rated securities. Â Â 54Â Â The following table presents the Companyâ€™s AFS investment securities and HTM investment securities, by investment category, in an unrealized loss position for which an allowance for credit losses has not been recorded as of June 30, 2024 and December 31, 2023. Â Â June 30, 2024 Â Â Less Than 12 Months Â Â 12 Months or Longer Â Â Total Â Â Fair Value Â Â Gross Unrealized Holding Losses Â Â Fair Value Â Â Gross Unrealized Holding Losses Â Â Fair Value Â Â Gross Unrealized Holding Losses Â Â (Dollars in thousands) Â Investment securities available-for-sale: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE $ 28,599 Â Â $ (19) Â $ â€” Â Â $ â€” Â Â $ 28,599 Â Â $ (19) Mortgage-backed securities Â 248 Â Â Â (1) Â Â 2,314,832 Â Â Â (365,934) Â Â 2,315,080 Â Â Â (365,935) CMO/REMIC Â 1 Â Â Â (0) Â Â 370,490 Â Â Â (119,899) Â Â 370,491 Â Â Â (119,899) Municipal bonds Â 3,188 Â Â Â (183) Â Â 20,362 Â Â Â (1,902) Â Â 23,550 Â Â Â (2,085) Total available-for-sale securities $

32,036 Â Â $ (203) Â $ 2,705,684 Â Â $ (487,735) Â $ 2,737,720 Â Â $ (487,938) Investment securities held-to-maturity: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE $ â€" Â Â $ â€" Â Â $ 416,802 Â Â $ (105,876) Â $ 416,802 Â Â $ (105,876) Mortgage-backed securities Â â€" Â Â Â â€" Â Â Â 528,357 Â Â Â (111,532) Â Â 528,357 Â Â Â (111,532) CMO/REMIC Â â€" Â Â Â â€" Â Â Â 626,747 Â Â Â (167,006) Â Â 626,747 Â Â Â (167,006) Municipal bonds Â 45,913 Â Â Â (737) Â Â 300,985 Â Â Â (40,121) Â Â 346,898 Â Â Â (40,858) Total held-to-maturity securities $ 45,913 Â Â $ (737) Â $ 1,872,891 Â Â $ (424,535) Â $ 1,918,804 Â Â $ (425,272) Â Â December 31, 2023 Â Â Less Than 12 Months Â Â 12 Months or Longer Â Â Total Â Â Fair Value Â Â Gross Unrealized Holding Losses Â Â Fair Value Â Â Gross Unrealized Holding Losses Â Â Fair Value Â Â Gross Unrealized Holding Losses Â Â (Dollars in thousands) Â Investment securities available-for-sale: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Â $ â€" Â Mortgage-backed securities Â 48 Â Â Â â€" Â Â Â 2,506,162 Â Â Â (336,107) Â Â 2,506,210 Â Â Â (336,107) CMO/REMIC Â â€" Â Â Â â€" Â Â Â 389,359 Â Â Â (112,872) Â Â 389,359 Â Â Â (112,872) Municipal bonds Â 3,286 Â Â Â (17) Â Â 18,105 Â Â Â (871) Â Â 21,391 Â Â Â (888) Total available-for-sale securities $ 3,334 Â Â $ (17) Â $ 2,913,626 Â Â $ (449,850) Â $ 2,916,960 Â Â $ (449,867) Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Investment securities held-to-maturity: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Government agency/GSE $ â€" Â Â $ â€" Â Â $ 432,684 Â Â $ (97,972) Â $ 432,684 Â Â $ (97,972) Mortgage-backed securities Â â€" Â Â Â â€" Â Â Â 565,655 Â Â Â (97,436) Â Â 565,655 Â Â Â (97,436) CMO/REMIC Â â€" Â Â Â â€" Â Â Â 646,737 Â Â Â (156,155) Â Â 646,737 Â Â Â (156,155) Municipal bonds Â 20,609 Â Â Â (200) Â Â 293,467 Â Â Â (33,404) Â Â 314,076 Â Â Â (33,604) Total held-to-maturity securities $ 20,609 Â Â $ (200) Â $ 1,938,543 Â Â $ (384,967) Â $ 1,959,152 Â Â $ (385,167) Â 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 June 30, 2024 and December 31, 2023. Â Refer to Note 4 â€" Investment Securities of the notes to the unaudited condensed consolidated financial statements of this report for additional information on our investment securities portfolio. Â Â 55Â Â Loans Â Total loans and leases, at amortized cost, of $8.68 billion at June 30, 2024 decreased by $223.1 million, or 2.50%, from December 31, 2023. The decrease in total loans included decreases of $119.6 million in commercial real estate loans, $62.3 million in dairy & livestock and agribusiness loans, $14.5 million in construction loans, and $13.7 million in commercial and industrial loans. The decline in dairy & 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 80% at the end of 2023 to 74% at June 30, 2024. Â The following table presents our loan portfolio by type as of the dates presented. Â Distribution of Loan Portfolio by Type Â June 30, 2024 Â Â December 31, 2023 Â Â (Dollars in thousands) Â Â Â Â Â Â Commercial real estate $ 6,664,925 Â Â $ 6,784,505 Â Construction Â 52,227 Â Â Â 66,734 Â SBA Â 267,938 Â Â Â 270,619 Â SBA - Paycheck Protection Program (PPP) Â 1,757 Â Â Â 2,736 Â Commercial and industrial Â 956,184 Â Â Â 969,895 Â Dairy & livestock and agribusiness Â 350,562 Â Â Â 412,891 Â Municipal lease finance receivables Â 70,889 Â Â Â 73,590 Â SFR mortgage Â 267,593 Â Â Â 269,868 Â Consumer and other loans Â 49,771 Â Â Â 54,072 Â Total loans, at amortized cost Â 8,681,846 Â Â Â 8,904,910 Â Less: Allowance for credit losses Â (82,786) Â Â (86,842) Â Total loans and lease finance receivables, net $ 8,599,060 Â Â $ 8,818,068 Â Â As of June 30, 2024, $480.1 million, or 7.20% of the total commercial real estate loans included loans secured by farmland, compared to $497.7 million, or 7.34%, at December 31, 2023. The loans secured by farmland included $120.0 million for loans secured by dairy & livestock land and $360.1 million for loans secured by agricultural land at June 30, 2024, compared to $122.4 million for loans secured by dairy & livestock land and $375.3 million for loans secured by agricultural land at December 31, 2023. As of June 30, 2024, dairy & livestock and agribusiness loans of $350.6 million were comprised of $304.1 million of dairy & livestock loans and $46.5 million of agribusiness loans, compared to $412.9 million comprised of $374.9 million of dairy & livestock loans and $38.0 million of agribusiness loans December 31, 2023. Â 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. Â As of June 30, 2024, the Company had $200.1 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 borrowerâ€™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 Bankâ€™s 504 loans are granted for the purpose of commercial real estate acquisition. As of June 30, 2024, the Company had $67.8 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. Â Â 56Â Â Â As of June 30, 2024, the Company had $52.2 million in construction loans. This represents 0.60% of total 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 June 30, 2024. Â Our loan portfolio is geographically disbursed throughout our marketplace. The following is the breakdown of our total held-for-investment commercial real estate loans, by region as of June 30, 2024. Â Â June 30, 2024 Â Â Total Loans Â Â Commercial RealEstate Loans Â Â (Dollars in thousands) Â Los Angeles County $ 3,176,515 Â Â Â 36.6 % Â $ 2,314,447 Â Â Â 34.7 % Central Valley and Sacramento Â 2,067,741 Â Â Â 23.8 % Â Â 1,635,072 Â Â Â 24.5 % Orange County Â 1,140,295 Â Â Â 13.1 % Â Â 679,431 Â Â Â 10.2 % Inland Empire Â 979,071 Â Â Â 11.3 % Â Â 876,980 Â Â Â 13.2 % Central Coast Â 464,380 Â Â Â 5.4 % Â Â 386,984 Â Â Â 5.8 % San Diego Â 332,817 Â Â Â 3.8 % Â Â 336,881 Â Â Â 5.1 % Other California Â 151,447 Â Â Â 1.7 % Â Â 102,492 Â Â Â 1.5 % Out of State Â 369,580 Â Â Â 4.3 % Â Â 332,638 Â Â Â 5.0 % $ 8,681,846 Â Â Â 100.0 % Â $ 6,664,925 Â Â Â 100.0 % Â The table below breaks down our commercial real estate portfolio. Â Â June 30, 2024 Â Â Loan Balance Â Â Percent Â Â Percent Owner-Occupied (1) Â Â AverageLoan Balance Â Â (Dollars in thousands) Â Commercial real estate: Â Â Â Â Â Â Â Â Â Â Â Â Â Industrial $ 2,244,486 Â Â Â 33.7 % Â Â 49.0 % Â $ 1,617 Â Office Â 1,077,398 Â Â Â 16.2 % Â Â 25.6 % Â Â 1,694 Â Retail Â 916,737 Â Â Â 13.8 % Â Â 11.2 % Â Â 1,698 Â Multi-family Â 841,260 Â Â Â 12.6 % Â Â 0.2 % Â Â 1,596 Â Secured by farmland (2) Â 480,079 Â Â Â 7.2 % Â Â 98.9 % Â Â 1,486 Â Medical Â 302,409 Â Â Â 4.5 % Â Â 32.9 % Â Â 1,475 Â Other (3) Â 802,556 Â Â Â 12.0 % Â Â 42.5 % Â Â 1,658 Â Total commercial real estate $ 6,664,925 Â Â Â 100.0 % Â Â 35.9 % Â $ 1,624 Â Â (1)Represents percentage of reported owner-occupied at origination in each real estate loan category. (2)The loans secured by farmland included $120.0 million for loans secured by dairy & livestock land and $360.1 million for loans secured by agricultural land at June 30, 2024. (3)Other loans consist of a variety of loan types, none of which exceeded 2.0% of total commercial real estate loans at June 30, 2024. Â 57Â Â Nonperforming Assets Â The following table provides information on nonperforming assets as of the dates presented. Â Â June 30, 2024 Â Â December 31, 2023 Â Â (Dollars in thousands) Â Nonaccrual loans $ 24,957 Â Â $ 21,302 Â Loans past due 90 days or more and still accruing interest Â â€" Â Â Â â€" Â Nonperforming modified loans to borrowers experiencing financial difficulty Â â€" Â Â Â â€" Â Total nonperforming loans Â 24,957 Â Â Â 21,302 Â OREO, net Â 647 Â Â Â â€" Â Total nonperforming assets $ 25,604 Â Â $ 21,302 Â Modified loans to borrowers experiencing financial difficulty $ 26,363 Â Â $ 9,460 Â Â Â Â Â Â Â Total nonperforming loans and performing modified loans to borrowersÂ Â Â experiencing financial difficulty $ 51,320 Â Â $ 30,762 Â Â Â Â Â Â Percentage of nonperforming loans and performing modified loans toÂ Â Â borrowers experiencing financial difficulty to total loans, at amortized cost Â 0.59 % Â Â 0.35 % Â Â Â Â Â Â Percentage of nonperforming assets to total loans, at amortized cost,Â Â Â and OREO Â 0.29 % Â Â 0.24 % Percentage of nonperforming assets to total assets Â 0.16 % Â Â 0.13 % Â Â 58Â Â Modifications of Loans to Borrowers Experiencing Financial Difficulty Â The Company adopted Accounting Standards Update (â€œASUâ€) 2022-02, Financial Instruments - Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures (â€œASU 2022-02â€) 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. Â There were eight loans to borrowers experiencing financial difficulty that were modified during the six months ended June 30, 2024 with an amortized cost totaling $16.9 million at June 30, 2024, including one commercial real estate loan of $8.8 million, two dairy & livestock and agribusiness loans of $6.0 million, and five commercial and industrial loans totaling $2.1 million. Â The table below reflects the amortized cost of loans by type made to borrowers experiencing financial difficulty that were modified as of June 30, 2024 and June 30, 2023. Â Â Â Term Extension Â Â Combination-Term Extension and Interest Rate Reduction Â Â Â Â Â Â Amortized Cost Basis Â Â % of Total Class of Financing Receivables Â Â Amortized Cost Basis Â Â % of Total Class of Financing Receivables Â Â Total Â June 30, 2024 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate loans Â $ 11,209 Â Â Â 0.13 % Â $ 687 Â Â Â 0.01 % Â $ 11,896 Â Commercial and industrial Â Â 3,442 Â Â Â 0.04 % Â Â 205 Â Â Â 0.00 % Â Â 3,647 Â Dairy & livestock and agribusiness Â Â 10,820 Â Â Â 0.12 % Â Â â€" Â Â Â â€" Â Â Â 10,820 Â Â Â Â Total Â $ 25,471 Â Â Â Â Â $ 892 Â Â Â Â Â $ 26,363 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â June 30, 2023 Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate loans Â $ 1,579 Â Â Â 0.02 % Â $ â€" Â Â Â â€" Â Â $ 1,579 Â Commercial and industrial Â Â 1,000 Â Â Â 0.01 % Â Â â€" Â Â Â â€" Â Â Â 1,000 Â Dairy & livestock and agribusiness Â Â 728 Â Â Â 0.01 % Â Â â€" Â Â Â â€" Â Â Â 728 Â Â Â Â Total Â $ 3,307 Â Â Â Â Â $ â€" Â Â Â Â Â $ 3,307 Â Â 59Â Â Â The following table describes the financial effect of the loan modifications made to borrowers experiencing financial difficulty during the three months ended June 30, 2024 and June 30, 2023. Â Loan Type Â Financial Effect Â Â Â Â Â Â Term Extension Â Combination-Term Extension and Interest Rate Reduction June 30, 2024 Â Â Â Â Commercial real estate loans Â Added a weighted-average 1.1 years to the life of loans, which reduced monthly payment amounts for the borrowers. Â Added a weighted-average 7.6 years to the life of loans, which reduced monthly payment amounts for the borrowers; reduced weighted-average contractual interest rate from 10% to 7.25%. Commercial and industrial Â Added a weighted-average 1.2 years to the life of loans, which reduced monthly payment amounts for the borrowers. Â Added a weighted-average 2.0 years to the life of loans, which reduced monthly payment amounts for the borrowers; reduced weighted-average contractual interest rate from 8.75% to 7.75%. Dairy & livestock and agribusiness Â Added a weighted-average 1.1 years to the life of loans, which reduced monthly payment amounts for the borrowers. Â â€" Â Â Â Â Â Â Â Â Â Â Â Â June 30, 2023 Â Â Â Commercial real estate loans Â Added a weighted-average 1.1 years to the life of loans, which reduced monthly payment amounts for the borrowers. Â â€" Commercial and industrial Â Added a weighted-average 0.8 years to the life of loans, which reduced monthly payment amounts for the borrowers. Â â€" Dairy & livestock and agribusiness Â Added a weighted-average 1.4 years to the life of loans, which reduced monthly payment amounts for the borrowers. Â â€" Â As of June 30, 2024 and June 30, 2023, the Company did not have any loans made to borrowers experiencing financial difficulty that were modified during the second 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. Â 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 as of June 30, 2024. Â Â Â Payment Status (amortized cost basis) Â Â Â Current Â Â 30-89 Days Past Due Â Â 90+ Days Past Due Â Â Â (Dollars in thousands) Â Commercial real estate loans Â $ 11,896 Â Â $ â€" Â Â $ â€" Â Commercial and industrial Â Â 3,647 Â Â Â â€" Â Â Â â€" Â Dairy & livestock and agribusiness Â Â 10,820 Â Â Â â€" Â Â Â â€" Â Â Â Â Total Â $ 26,363 Â Â $ â€" Â Â $ â€" Â Â At June 30, 2024 and December 31, 2023, there was no ACL allocated to modified loans to borrowers experiencing financial difficulty. Impairment amounts identified are typically charged off against the allowance at the time the loan is considered uncollectible. There were no charge-offs on loans to borrowers experiencing financial difficulty for the six months ended June 30, 2024 and 2023. Â Â Â 60Â Â Nonperforming Assets and Delinquencies Â The table below provides trends in our nonperforming assets and delinquencies as of the dates presented. Â Â Â June 30, Â Â March 31, Â Â December 31, Â Â September 30, Â Â June 30, Â Â Â 2024 Â Â 2024 Â Â 2023 Â Â 2023 Â Â 2023 Â Â (Dollars in thousands) Â Nonperforming loans: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate Â $ 21,908 Â Â $ 10,661 Â Â $ 15,440 Â Â $ 3,655 Â Â $ 3,159 Â Construction Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â â€" Â SBA Â Â 337 Â Â Â 54 Â Â Â 969 Â Â Â 1,050 Â Â Â 629 Â Commercial and industrial Â Â 2,712 Â Â Â 2,727 Â Â Â 4,509 Â Â Â 4,672 Â Â Â 2,039 Â Dairy & livestock and agribusiness Â Â â€" Â Â Â 60 Â Â Â 60 Â Â Â 243 Â Â Â 273 Â SFR mortgage Â Â â€" Â Â Â 308 Â Â Â 324 Â Â Â 339 Â Â Â 354 Â

Consumer and other loans Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 4 Â Â Â â€” Â Total Â $ 24,957 Â Â $ 13,810 Â Â $ 21,302 Â Â $ 9,963 Â (1) $ 6,454 Â % of Total loans Â Â 0.29 % Â Â 0.16 % Â Â 0.24 % Â Â 0.11 % Â Â 0.07 % Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Past due 30-89 days: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate Â $ 43 Â Â $ 19,781 Â Â $ 300 Â Â $ 136 Â Â $ 532 Â Construction Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â SBA Â Â â€” Â Â Â 408 Â Â Â 108 Â Â Â â€” Â Â Â â€” Â Commercial and industrial Â Â 103 Â Â Â 6 Â Â Â 12 Â Â Â â€” Â Â Â â€” Â Dairy & livestock and agribusiness Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â 555 Â SFR mortgage Â Â â€” Â Â Â â€” Â Â Â 201 Â Â Â â€” Â Â Â â€” Â Consumer and other loans Â Â â€” Â Â Â 18 Â Â Â â€” Â Â Â â€” Â Total Â $ 146 Â Â $ 20,195 Â Â $ 639 Â Â $ 136 Â Â $ 1,087 Â % of Total loans Â Â 0.00 % Â Â 0.23 % Â Â 0.01 % Â Â 0.00 % Â Â 0.01 % Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â OREO: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Â $ â€” Â SBA Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Commercial and industrial Â Â 647 Â Â Â 647 Â Â Â â€” Â Â Â â€” Â Â Â â€” Â SFR mortgage Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Â Â â€” Â Total Â $ 647 Â Â $ 647 Â Â $ â€” Â Â $ â€” Â Â $ â€” Â Total nonperforming, past due, Â Â and OREO Â $ 25,750 Â Â $ 34,652 Â Â $ 21,941 Â Â $ 10,099 Â Â $ 7,541 Â % of Total loans Â Â 0.30 % Â Â 0.40 % Â Â 0.25 % Â Â 0.11 % Â Â 0.08 % Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Classified Loans Â $ 124,728 Â Â $ 103,080 Â Â $ 102,197 Â Â $ 92,246 Â Â $ 77,834 Â (1)Includes $2.6 million of nonaccrual loans past due 30-89 days at September 30, 2023. Â Nonperforming loans, defined as nonaccrual loans, nonperforming modified/TDR loans and loans past due 90 days or more and still accruing interest, were $25.0 million at June 30, 2024, or 0.29% of total loans. This compares to nonperforming loans of $21.3 million, or 0.24% of total loans, at December 31, 2023 and $6.5 million, or 0.07% of total loans, at June 30, 2023. The $11.1 million increase in nonperforming loans from March 31, 2024 was primarily due to the addition of three nonperforming commercial real estate loans totaling $10.9 million. Â Classified loans are loans that are graded â€œsubstandardâ€ or worse. Classified loans increased $21.6 million quarter-over-quarter, primarily due to the addition of five classified dairy & livestock and agribusiness loans totaling $12.5 million and one classified commercial real estate loan of $7.6 million. Â At June 30, 2024, we had one OREO property totaling $647,000. At December 31, 2023 and June 30, 2023, we had no OREO properties. Â Â 61Â Â Allowance for Credit Losses Â The allowance for credit losses totaled $82.8 million as of June 30, 2024, compared to $86.8 million as of December 31, 2023 and $87.0 million as of June 30, 2023. Our allowance for credit losses at June 30, 2024 was 0.95% of total loans. This compares to 0.98% at December 31, 2023 and June 30, 2023. The decrease in our allowance for credit losses from December 31, 2023 was due to net charge-offs of $4.0 million reflected in the first quarter of 2024, primarily due to two borrowers in which we previously established specific loan loss reserves in 2023. Our ACL at December 31, 2023 included $5.9 million of reserves for specifically identified nonperforming loans. Our reserves for specific loans have been zero since the end of the first quarter of 2024. There was no provision for credit losses recorded for the six months ended June 30, 2024, compared to $2.0 million in provision for the same period of 2023. Net charge-offs were $4.1 million for the six months ended June 30, 2024, compared to $150,000 for the same period of 2023. Â The allowance for credit losses as of June 30, 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. The Commercial and Industrial methodology is applied over a substantial portion of the Companyâ€™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. Â Our economic forecast continues to be a blend of multiple forecasts produced by Moodyâ€™s. The baseline forecast continues to represent the largest weighting in our multi-weighted forecast scenario, with downside risks weighted among multiple forecasts. As of June 30, 2024, the resulting weighted forecast resulted in Real GDP declining slightly in the second half of 2024 and continuing to be negative in the first quarter of 2025. GDP growth is forecasted to be less than 1% for all of 2025, before rebounding to 1.9% in 2026, and then returning to higher growth of 2.78% in 2027. The unemployment rate is forecasted to increase, with unemployment averaging 6% for all of 2025. The unemployment rate is forecasted to stay elevated until late 2027. Â 62Â Â 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. Â Â As of and For the Â Â Six Months Ended Â Â June 30, Â Â 2024 Â Â 2023 Â Â (Dollars in thousands) Â Allowance for credit losses at beginning of period $ 86,842 Â Â $ 85,117 Â Charge-offs: Â Â Â Â Â Commercial real estate Â (2,258) Â Â â€” Â Construction Â â€” Â Â Â â€” Â SBA Â (139) Â Â (181) Commercial and industrial Â (1,917) Â Â (16) Dairy & livestock and agribusiness Â â€” Â Â Â â€” Â SFR mortgage Â â€” Â Â Â â€” Â Consumer and other loans Â (4) Â Â (1) Total charge-offs Â (4,318) Â Â (198) Recoveries: Â Â Â Â Â Commercial real estate Â â€” Â Â Â â€” Â Construction Â 5 Â Â Â 6 Â SBA Â 81 Â Â Â 21 Â Commercial and industrial Â 176 Â Â Â 14 Â Dairy & livestock and agribusiness Â â€” Â Â Â 7 Â SFR mortgage Â â€” Â Â Â â€” Â Consumer and other loans Â â€” Â Â Â â€” Â Total recoveries Â 262 Â Â Â 48 Â Net (charge-offs) recoveries Â (4,056) Â Â (150) Provision for credit losses Â â€” Â Â Â 2,000 Â Allowance for credit losses at end of period $ 82,786 Â Â $ 86,967 Â Â Â Â Â Â Â Summary of reserve for unfunded loan commitments: Â Â Â Â Â Reserve for unfunded loan commitments at beginning of period Â 7,500 Â Â $ 8,000 Â (Recapture of) provision for unfunded loan commitments Â (500) Â Â 900 Â Reserve for unfunded loan commitments at end of period $ 7,000 Â Â $ 8,900 Â Â Â Â Â Â Â Reserve for unfunded loan commitments to total unfunded loan Â Â Â commitments Â 0.37 % Â Â 0.48 % Â Â Â Â Â Â Amount of total loans at end of period (1) $ 8,681,846 Â Â $ 8,907,397 Â Average total loans outstanding (1) $ 8,731,587 Â Â $ 8,927,672 Â Â Â Â Â Â Â Net (charge-offs) to average total loans Â -0.05 % Â Â 0.00 % Net (charge-offs) to total loans at end of period Â -0.05 % Â Â 0.00 % Allowance for credit losses to average total loans Â 0.95 % Â Â 0.97 % Allowance for credit losses to total loans at end of period Â 0.95 % Â Â 0.98 % Net (charge-offs) to allowance for credit losses Â -4.90 % Â Â -0.17 % Net (charge-offs) to provision for credit losses Â 0.00 % Â Â -7.50 % Â (1)Net of deferred loan origination fees, costs and discounts (amortized cost). Â The Bankâ€™s ACL methodology also produced an allowance of $7.0 million for our off-balance sheet credit exposures as of June 30, 2024, compared with $7.5 million and $8.9 million as of December 31, 2023 and June 30, 2023. The year-over-year decrease included $500,000 in recapture of provision for unfunded loan commitments in the first six months of 2024, compared to a $900,000 provision for the same period of 2023. Â While we believe that the allowance at June 30, 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 63Â Â borrowers (including fraudulent activity), or natural disasters, which adversely affect our service areas or other 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 borrowerâ€™s ability to pay or the value of our collateral. See â€œRisk Management â€“ Credit Risk Managementâ€ contained in our Annual Report on Form 10-K for the year ended December 31, 2023. Â Deposits Â The primary source of funds to support earning assets (loans and investments) is the generation of deposits. Â Total deposits were $11.79 billion at June 30, 2024. This represented an increase of $356.7 million, or 3.12%, when compared with total deposits of $11.43 billion at December 31, 2023. The composition of deposits is summarized as of the dates presented in the table below. Â Â June 30, 2024 Â Â December 31, 2023 Â Â Balance Â Â Percent Â Â Balance Â Â Percent Â Â (Dollars in thousands) Â Â Â Â Â Â Â Â Â Â Â Â Â Noninterest-bearing deposits $ 7,090,095 Â Â Â 60.13 % Â $ 7,206,175 Â Â Â 63.03 % Interest-bearing deposits Â Â Â Â Â Â Â Â Â Â Â Â Investment checking Â 515,930 Â Â Â 4.38 % Â Â 552,408 Â Â Â 4.83 % Money market Â 2,978,812 Â Â Â 25.27 % Â Â 2,821,344 Â Â Â 24.67 % Savings Â 430,508 Â Â Â 3.65 % Â Â 457,320 Â Â Â 4.00 % Time deposits Â 774,980 Â Â Â 6.57 % Â Â 396,395 Â Â Â 3.47 % Total Deposits $ 11,790,325 Â Â Â 100.00 % Â $ 11,433,642 Â Â Â 100.00 % Â 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. Average noninterest-bearing deposits totaled $7.15 billion for the second quarter of 2024, a decrease of $29.4 million, or 0.41%, from average noninterest-bearing deposits of $7.18 billion for the first quarter of 2024. Average noninterest-bearing deposits were 60.20% of total average deposits for the second quarter of 2024, compared to 61.72% for the first quarter of 2024. Â Interest-bearing non-maturity deposits, which include savings, interest-bearing demand, and money market accounts, totaled, totaled $3.93 billion at June 30, 2024, representing an increase of $94.2 million, or 2.46%, from $3.83 billion at December 31, 2023. Â Time deposits totaled $775 million at June 30, 2024, representing an increase of $378.6 million, or 95.51%, from total time deposits of $396.4 million for December 31, 2023. This increase included $400 million in brokered time deposits. Â During the first half of 2024, $400 million of brokered time deposits were issued, including $300 million that were associated with cash flow hedging transactions simultaneously executed in which $300 million of 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 $1.6 million and were reflected as an asset at June 30, 2024. Â Our deposits are primarily relationship based and include deposits and customer repurchase agreements ("repos"). For the second quarter of 2024, 74% of our deposits consisted of business deposits and 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 June 30, 2024, 44% of our total deposits and customer repos were uncollateralized and uninsured. 64Â Â Â Our customer deposit relationships represent a diverse set of industries. Overall, there are 15 different industry classifications that represent 2% or more of our deposits as of June 30, 2024. Industry classifications with the largest concentrations, include construction and finance & insurance deposits, each representing 7% of our deposits. Manufacturing, property management, public administration, and other real estate rental & leasing, each of which represents 6% of our deposits. Our depositors have typically banked with us for many years. As of June 30, 2024, 44% of our deposit relationships have banked with us more than 10 years and 75% of our deposit relationships have been with us for three or more years. Â Average total deposits for the second quarter increased by approximately $245.3 million compared to the first quarter of 2024, while average borrowings declined by $141.6 million. The increase in average deposits was primarily due to a $300 million increase in average brokered time deposits. Our average noninterest-bearing deposits continued to be greater than 60% of our average total deposits for the second quarter of 2024. Â Our cost of deposits was 88 basis points on average for the second quarter of 2024, which compares to 74 basis points for the first quarter of 2024 and 35 basis points for the second quarter of 2023. From the first quarter of 2022 through the second quarter of 2024, our cost of deposits has increased by 85 basis points, representing a deposit beta of 16%, compared to the 525 basis point increase in the Fed Funds rate during the Federal Reserveâ€™s tightening cycle. Â Borrowings Â 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 June 30, 2024 and December 31, 2023, total funds borrowed under these agreements were $268.8 million and $271.6 million, respectively, with a weighted average interest rate of approximately 0.47% for the second quarter of

2024, compared to 0.38% for the first quarter of 2024 and 0.22% for the second quarter of 2023. Â As of June 30, 2024, total borrowings of $1.8 billion consisted of $1.3 billion from the Federal Reserveâ€™s Bank Term Funding Program, at a cost of 4.76%, maturing in January of 2025 and $500 million of FHLB advances. The FHLB advances include maturities of $300 million, at an average cost of approximately 4.73%, maturing in May of 2026 and $200 million, at a cost of 4.27% maturing in May of 2027. Â Since March of 2024, BTFP has been unavailable for new advances. 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 may consist of new borrowing sources such as the FHLB and/or additional brokered deposits. As of June 30, 2024, the Bank had unused borrowing capacity at the FHLB of $4.44 billion. Â At June 30, 2024, loans with a carrying value of $4.45 billion were pledged to secure available lines of credit from the FHLB and the Federal Reserve Bank. Â At June 30, 2024, investment securities, with the following carrying values of $2.18 billion were pledged to secure $363.3 million for repurchase agreements, $1.35 billion for outstanding borrowings, $427.4 million for unused borrowing capacity and approximately $46 million for other purposes as required or permitted by law. Â Â 65Â Â Aggregate Contractual Obligations Â The following table summarizes the aggregate contractual obligations as of June 30, 2024. Â Â Â Â Â Maturity by Period Â Â Total Â Â Less Than One Year Â Â One Year Through Three Years Â Â Four Years Through Five Years Â Â Over Five Years Â Â (Dollars in thousands) Â Deposits (1) $ 11,790,325 Â Â $ 11,775,734 Â Â $ 12,240 Â Â $ 2,068 Â Â $ 283 Â Customer repurchase agreements (1) Â 268,826 Â Â Â 268,826 Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Other borrowings Â 1,800,000 Â Â Â 1,300,000 Â Â Â 500,000 Â Â Â â€" Â Â Â â€" Â Deferred compensation Â 23,417 Â Â Â 575 Â Â Â 1,152 Â Â Â 1,150 Â Â Â 20,540 Â Operating leases Â 26,559 Â Â Â 7,490 Â Â Â 12,415 Â Â Â 5,649 Â Â Â 1,005 Â Equity investments Â 23,447 Â Â Â 16,988 Â Â Â 5,785 Â Â Â 236 Â Â Â 438 Â Â Â Â Â Total $ 13,932,574 Â Â $ 13,369,613 Â Â $ 531,592 Â Â $ 9,103 Â Â $ 22,266 Â Â (1)Amounts exclude accrued interest. Â Deposits represent noninterest-bearing, money market, savings, NOW, certificates of deposits, brokered and all other deposits held by the Bank. Â 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. Â 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 Â Operating leases represent the total minimum lease payments due under non-cancelable operating leases. Refer to Note 12 â€" Leases of the notes to the Companyâ€™s unaudited condensed consolidated financial statements for a more detailed discussion about leases. Â 66Â Â Off-Balance Sheet Arrangements Â The following table summarizes the off-balance sheet items at June 30, 2024. Â Â Â Â Â Maturity by Period Â Â Total Â Â Less Than One Year Â Â One Year Through Three Years Â Â Four Years Through Five Years Â Â After Five Years Â Â (Dollars in thousands) Â Commitment to extend credit: Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Commercial real estate $ 449,968 Â Â $ 85,637 Â Â $ 202,691 Â Â $ 130,469 Â Â $ 31,171 Â Construction Â 22,796 Â Â Â 17,202 Â Â Â 3,591 Â Â Â â€" Â Â Â 2,003 Â SBA Â 1,635 Â Â Â 19 Â Â Â â€" Â Â Â â€" Â Â Â 1,616 Â Commercial and industrial Â 998,041 Â Â Â 727,516 Â Â Â 245,496 Â Â Â 2,148 Â Â Â 22,881 Â Dairy & livestock and agribusiness (1) Â 217,422 Â Â Â 125,344 Â Â Â 92,078 Â Â Â â€" Â Â Â â€" Â Municipal lease finance receivables Â 2,109 Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 2,109 Â SFR Mortgage Â 1,677 Â Â Â â€" Â Â Â â€" Â Â Â â€" Â Â Â 1,677 Â Consumer and other loans Â 129,747 Â Â Â 11,984 Â Â Â 9,110 Â Â Â 2,132 Â Â Â 106,521 Â Â Â Total commitment to extend credit Â 1,823,395 Â Â Â 967,702 Â Â Â 552,966 Â Â Â 134,749 Â Â Â 167,978 Â Obligations under letters of credit Â 61,503 Â Â Â 48,493 Â Â Â 12,792 Â Â Â 200 Â Â Â 18 Â Â Â Â Â Total $ 1,884,898 Â Â $ 1,016,195 Â Â $ 565,758 Â Â $ 134,949 Â Â $ 167,996 Â Â (1)Total commitments to extend credit to agribusiness were $25.1 million at June 30, 2024. Â As of June 30, 2024, we had commitments to extend credit of approximately $1.82 billion, and obligations under letters of credit of $61.5 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 customersâ€™ creditworthiness individually. As of June 30, 2024 and 2023, the balance in this reserve was $7.0 million and $8.9 million, respectively, and was included in other liabilities. The year-over-year decrease included $500,000 in recapture of provision for unfunded loan commitments for the six months ended June 30, 2024, compared to $900,000 in provision for the same period of 2023. Â 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. Â Â 67Â Â Â Capital Resources Â 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. Â Total equity increased $34.5 million to $2.11 billion at June 30, 2024, compared to total equity of $2.08 billion at December 31, 2023. Increases to equity included $98.6 million in net earnings, that were partially offset by $55.9 million in cash dividends and a $10.8 million decrease in other comprehensive income. We did not engage in stock repurchases during the second quarter of 2024 or 2023. Our tangible book value per share at June 30, 2024 was $9.55. Â During the second quarter of 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. CVBâ€™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. Â 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 Companyâ€™s common stock ("2022 Repurchase Program"). During the first quarter of 2023, we repurchased 791,800 shares at an average price of $23.43. There were no stock repurchases during the second quarter of 2023 nor during the first half of 2024. Â 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 (â€œCET1â€) 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 â€œwell-capitalizedâ€ 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 June 30, 2024, the Bank and the Company exceeded the minimum risk-based capital ratios and leverage ratios required to be considered â€œwell-capitalizedâ€ for regulatory purposes. For further information about capital requirements and our capital ratios, see â€œItem 1. Business â€" Capital Adequacy Requirementsâ€ as described in our Annual Report on Form 10-K for the year ended December 31, 2023. Â The table below presents the Companyâ€™s and the Bankâ€™s risk-based and leverage capital ratios for the periods presented. Â Â Â Â Â Â Â Â June 30, 2024 Â December 31, 2023 Capital Ratios Â Adequately Capitalized Ratios Â Minimum Required Plus Capital Conservation Buffer Â Well Capitalized Ratios Â CVB Financial Corp. Consolidated Â Citizens Business Bank Â CVB Financial Corp. Consolidated Â Citizens Business Bank Â Â Â Â Â Â Â Â Â Â Â Â Â Â Tier 1 leverage capital ratio Â 4.00% Â 4.00% Â 5.00% Â 10.55% Â 10.44% Â 10.27% Â 10.17% Common equity Tier 1 capital ratio Â 4.50% Â 7.00% Â 6.50% Â 15.29% Â 15.13% Â 14.65% Â 14.49% Tier 1 risk-based capital ratio Â 6.00% Â 8.50% Â 8.00% Â 15.29% Â 15.13% Â 14.65% Â 14.49% Total risk-based capital ratio Â 8.00% Â 10.50% Â 10.00% Â 16.10% Â 15.95% Â 15.50% Â 15.34% Â 68Â Â ASSET/LIABILITY AND MARKET RISK MANAGEMENT Â Liquidity and Cash Flow Â 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. Â 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 Companyâ€™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. Â 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. In addition to having more than $800 million of cash on the balance sheet at June 30, 2024, we had substantial sources of off-balance sheet liquidity. These sources of available liquidity include $4.4 billion of secured and unused capacity with the Federal Home Loan Bank, $695 million of secured unused borrowing capacity at the Fedâ€™s discount window, more than $459.7 million of unpledged AFS securities that could be pledged at the discount window and $300 million of unsecured lines of credit. In addition to these borrowing sources, the Bank has capacity to utilize additional brokered deposits as of June 30, 2024. We can also obtain additional liquidity from deposit growth by utilizing state and national wholesale markets. Â Our primary sources of funds for the Company are deposits, customer repurchase agreements and borrowings. Total deposits and customer repos of $11.79 billion at June 30, 2024 increased $353.9 million, or 3.02%, over total deposits and customer repos of $11.71 billion at December 31, 2023. As of June 30, 2024, total borrowings, consisted of $1.3 billion from the Federal Reserveâ€™s Bank Term Funding Program, at a cost of 4.76%, maturing in January of 2025, and $500 million of FHLB advances. The FHLB advances include maturities of $300 million, at an average cost of approximately 4.73%, maturing in May of 2026, and $200 million, at a cost of 4.27% maturing in May of 2027. 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 June 30, 2024, our deposits and customer repurchase agreements that are neither collateralized nor insured were approximately $5.3 billion, or approximately 44% of our total deposits and customer repos. Â Additional sources of liquidity include cash on deposit at the Federal Reserve, which exceeded $650 million at June 30, 2024, and principal and interest payments from our investment portfolio. We shrank our investment portfolio by not reinvesting the cashflows generated by our investments during the first half of 2024. Our total investment portfolio declined by $245.1 million from December 31, 2023 to $5.18 billion as of June 30, 2024. The decrease was primarily due to a $210.3 million decline in AFS securities. AFS securities totaled $2.75 billion at June 30, 2024, inclusive of a pre-tax net unrealized loss of $487.9 million. Pre-tax unrealized loss grew by $38.1 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 $38.1 million decrease in fair value of our AFS securities was partially offset by a $20.7 million increase in the fair value of our derivatives that hedge the change in value of our AFS portfolio. Â 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 CVBâ€™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. Â 69Â Â Below is a summary of our average cash position and statement of cash flows for the six months ended June 30, 2024 and 2023. For further details see our â€œCondensed Consolidated Statements of Cash Flows (Unaudited)â€ under Part I, Item 1 of this report. Â Consolidated Summary of Cash Flows Â Â Six Months Ended June 30, Â Â 2024 Â Â 2023 Â Â (Dollars in thousands) Â Â Â Â Â Â Â Average cash and cash equivalents $ 731,109 Â Â $ 369,689 Â Percentage of total average assets Â 4.50 % Â Â 2.26 % Â Â Â Â Â Â Net cash provided by operating activities $ 103,620 Â Â $

162,103 Â Net cash provided by investing activities Â 433,931 Â Â Â 381,502 Â Net cash provided by (used in) financing activities Â 25,358 Â Â Â (128,711) Net increase in cash and cash equivalents $ 562,909 Â Â $ 414,895 Â Â Average cash and cash equivalents increased by $361.4 million, or 97.76%, to $731.1 million for the six months ended June 30, 2024, compared to $369.7 million for the same period of 2023. Â At June 30, 2024, cash and cash equivalents totaled $844.2 million. This represented an increase of $225.8 million, or 36.52%, from $618.4 million at June 30, 2023. Our cash on deposit at the Federal Reserve grew by more than $280 million when compared to June 30, 2023. This growth in cash was partly attributable to the issuance of $400 million in brokered time deposits, which mature every 90 days. $300 million of these brokered time deposits were combined with cash flow hedges which resulted in a fixed rate of approximately 4.2%. Â Interest Rate Sensitivity Management Â 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 instrumentsâ€™ respective maturities or estimated durations and is considered a longer term measure. Â 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 Companyâ€™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. Â Our interest rate risk policy measures the sensitivity of our net interest income over both a one-year and two-year cumulative time horizon. Â 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 70Â Â compared to policy limits, which specify a maximum tolerance level for net interest income exposure over a one and two year 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 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. Â The following depicts the Companyâ€™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. Â Â Â Estimated Net Interest Income Sensitivity (1) Â Â June 30, 2024 Â Â Â December 31, 2023 Interest Rate Scenario Â 12-month Period Â 24-month Period (Cumulative) Â Interest Rate Scenario Â 12-month Period Â 24-month Period (Cumulative) Â Â Â Â Â Â Â Â Â Â Â Â + 200 basis points Â 4.70% Â 5.51% Â + 200 basis points Â 3.96% Â 4.56% - 200 basis points Â -4.58% Â -6.75% Â - 200 basis points Â -3.97% Â -5.21% Â 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. Â 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 June 30, 2024 and 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 June 30, 2024, our EVE sensitivity to rising rates was modestly lower, as economic value declined minimally as of June 30, 2024. Our overall sensitivity of EVE to changes in interest rates is generally modest, with the exception of more meaningful reductions in value if rates were to immediately decline by 300 or 400 basis points. Â Economic Value of Equity Sensitivity Â Instantaneous Rate Change Â June 30, 2024 Â December 31, 2023 Â Â Â Â Â 400 bp decrease in interest rates Â -14.1% Â -13.9% 300 bp decrease in interest rates Â -7.5% Â -9.3% 200 bp decrease in interest rates Â -4.6% Â -4.7% 100 bp decrease in interest rates Â -2.0% Â -1.6% 100 bp increase in interest rates Â -1.1% Â -0.4% 200 bp increase in interest rates Â -0.8% Â -0.3% 300 bp increase in interest rates Â -0.7% Â -1.0% 400 bp increase in interest rates Â -0.7% Â -2.2% Â 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. Â 71Â Â ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK Â 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, as well as our portfolio of investment securities and fair value hedges. 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. For further quantitative and qualitative disclosures about market risks in our portfolio, see Asset/Liability Management and Interest Rate Sensitivity Managementâ€ included in Item 2 â€œManagementâ€™s Discussion and Analysis of Financial Condition and Results of Operationsâ€ 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, 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 Â As of the end of the period covered by this report, we carried out an evaluation of the effectiveness of the Companyâ€™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 Companyâ€™s Chief Executive Officer and the Chief Financial Officer concluded that the Companyâ€™s disclosure controls and procedures were effective as of the end of the period covered by this report. Â During the quarter ended June 30, 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. Â Â 72Â Â PART II â€“ OTHER INFORMATION Â ITEM 1. LEGAL PROCEEDINGS Â The Company and its subsidiaries are parties to various lawsuits and threatened lawsuits in the course of business. From time to time, such lawsuits and threatened lawsuits may include, but are not limited to, actions involving securities litigation, wage-hour and employment law claims, consumer claims, regulatory compliance claims, data privacy and cyber security claims, lender liability claims, fraud loss claims, bankruptcy-related claims and negligence claims, some of which may be styled as â€œclass actionâ€ or representative cases. Some of these lawsuits may be similar in nature to other lawsuits pending against the Companyâ€™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 Companyâ€™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 interpretation and application of a myriad of laws and regulations applicable to the Companyâ€™s business, and the unique, complex factual 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 Companyâ€™s results of operations, financial condition or cash flows. 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 Companyâ€™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. ITEM 1A. RISK FACTORS Â 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, 2023. The materiality of any risks and uncertainties identified in our Forward Looking Statements contained in this report together with those previously disclosed in the Form 10-K 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. â€œManagementâ€™s Discussion and Analysis of Financial Condition and Results of Operationsâ€ in this Quarterly Report on Form 10-Q. Â Â ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS Â On February 1, 2022, our Board of Directors approved a program to repurchase up to 10,000,000 shares of 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 June 30, 2024. As of June 30, 2024, an aggregate of 4,300,059 shares remained available for repurchase under our 2022 Repurchase Program. The only shares 73Â Â repurchased during the second quarter of 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. Â Â Period Â Total Number of Shares Purchased (1) Â Â Average Price Paid Per Share Â Â Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs Â Â Maximum Number of Shares Available for Repurchase Under the Plans or Programs Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â April 1 - 30, 2024 Â Â 902 Â Â $ 16.42 Â Â Â â€" Â Â Â 4,300,059 Â May 1 - 31, 2024 Â Â â€" Â Â $ â€" Â Â Â â€" Â Â Â 4,300,059 Â June 1 - 30, 2024 Â Â 369 Â Â $ 16.18 Â Â Â â€" Â Â Â 4,300,059 Â Total Â Â 1,271 Â Â $ 16.35 Â Â Â â€" Â Â Â 4,300,059 Â (1)Shares repurchased pursuant to net settlement by employees in satisfaction of income tax withholding obligations incurred through the vesting of Company stock awards. Â Â ITEM 3. DEFAULTS UPON SENIOR SECURITIES Â Not Applicable Â ITEM 4. MINE SAFETY DISCLOSURES Â Not Applicable Â ITEM 5. OTHER INFORMATION Â None 74Â Â ITEM 6. EXHIBITS Â Â Â Â Exhibit No. Description of Exhibits Â Â 10.1 Â CVB Financial Corp. 2023 Executive Incentive Plan â€ (1) 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002* 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002* 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002** 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002** 101.INS Inline XBRL Instance Document â€“ the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. 101.SCH

XBRL Taxonomy Extension Schema Document 104 Â The cover page from the Companyâ€™s Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, has been formatted in Inline XBRL. Â Â Â * Â Filed herewith Â Â ** Â Furnished herewith Â Â â€ Â Indicates a management contract or compensation plan. (1)Incorporated herein by reference to Exhibit 10.12 to our Annual Report on Form 10-K filed with the SEC on February 28, 2023. Â Â 75Â Â SIGNATURES Â Â 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. Â Â CVB FINANCIAL CORP. (Registrant) Date: August 8, 2024 Â /s/ E. Allen Nicholson E. Allen Nicholson Executive Vice President and Chief Financial Officer (Principal Financial Officer) Â Â Â Â Â 76Â EX-31.1 Â Exhibit 31.1 Â CERTIFICATION Â 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 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 registrantâ€™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): Â 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 registrantâ€™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. Â Â Date: August 8, 2024 By: /s/ David A. Brager Â Â Â David A. BragerPresident and Chief Executive Officer Â Â EX-31.2 Â Exhibit 31.2 Â CERTIFICATION Â 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 registrantâ€™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 registrantâ€™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. Â Â Date: August 8, 2024 By: /s/ E. Allen Nicholson Â Â Â E. Allen NicholsonChief Financial Officer Â Â EX-32.1 Â Exhibit 32.1 Â CERTIFICATION Â CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 Â In connection with the Quarterly Report of CVB Financial Corp. (the â€œCompanyâ€) on Form 10-Q for the period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the â€œReportâ€), I, David A. Brager, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Â§ 1350, as adopted pursuant to Â§ 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. Â Â Date: August 8, 2024 By: /s/ David A. Brager Â Â Â David A. BragerPresident and Chief Executive Officer Â Â EX-32.2 Â Exhibit 32.2 Â CERTIFICATION Â CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 Â In connection with the Quarterly Report of CVB Financial Corp. (the â€œCompanyâ€) on Form 10-Q for the period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the â€œReportâ€), I, E. Allen Nicholson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Â§ 1350, as adopted pursuant to Â§ 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. Â Date: August 8, 2024 By: /s/ E. Allen Nicholson Â Â Â E. Allen NicholsonChief Financial Officer Â Â